

It's not just about leasing or financing...

It's also about helping customers achieve their financial goals

HP Financial Services' Irv Rothman discusses the current state of IT financing and what customers are looking for when spending on IT needs. The strategic importance of technology is changing the way lenders work with customers, how lenders advise them and how they structure financial proposals.

By Irv Rothman
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Once upon a time, I ran an IT leasing and financing company.

In fact, I've spent more than 33 years with leasing companies. And while my business card still reads "HP Financial Services," today I'm in a far different business. As I suspect, so is most everyone in our industry.

Continuing dazzling advances in technology, the nonstop drive across business to reduce costs and gain efficiencies, the growing global emphasis on "green" information technology (IT) initiatives — these and other pressures have fundamentally changed the game.

Providing first-rate, competitively priced, customer-focused financial services is now the price of entry. It gets you to the table. Once there, the real work begins: partnering with customers to help them use financing as a strategic business enabler.

New view of technology

Ever since Gutenberg invented movable type and put countless scribes out of work, technology has changed business. As a society we've accepted technology as a means of deriving operational or cost advantages. But that's changed. Today technology doesn't just support business; it powers business.

The strategic importance of technology is changing the way we work with customers; how we advise them and how we structure financial proposals. Across the globe we are taking a far more strategic approach, both inside HP and at the table with clients. It's a new world, but not entirely new. Such

perennial issues as the quality of customer service and the caliber and diversity of our people are still with us, and may be more important than ever.

Business leaders increasingly recognize that IT expenditures are strategic business investments. They want their IT spending to align with business goals and produce bottom-line results. They have large and growing expectations.

Companies invest huge sums in their IT infrastructure. Their ability to optimize that investment is central to whether they derive the strategic advantage they expect and make their numbers. So the decision whether to finance, lease or purchase outright — and from whom — takes on an additional dimension.

Price is still important... and something tells me it always will be. But the key questions we hear from customers are bigger than that; they boil down to: "Can you help me achieve my financial goals? And if so, how?"

To address this paradigm shift we've completely restructured our selling approach. Gone are the days when leasing or financing can be packaged as an add-on to a largely done deal. Ideally, we're engaging with a potential customer at the outset, when needs and options are discussed. That puts us in a position to help construct financial solutions to address customers' core business needs — and we're often able to suggest possibilities they'd never considered.

The net is that we're working far closer with HP's sales teams on a day-to-day basis, building relationships across the company as well as with customers.

The lure of IT transformation

This approach is essential when we work with the

growing numbers of firms planning a next-generation IT transformation. Many companies, especially those that have grown through acquisition, are grappling with a hodgepodge of expensive, inefficient IT systems. Consolidation and transformation are their goals. IDC reports that 80% of IT organizations are actively involved in consolidation initiatives; Gartner projects that by 2010, more than 70% of companies will have carried out data center consolidation projects. So this is big.

Working with a growing number of customers, we've found ways to significantly lessen the financial pain of IT transformation projects through a strategy involving short-term equipment rentals, financing the deployment of new assets, and leveraging the value of older, unneeded equipment through our asset recovery services capabilities.

IT transformation enables business leaders to achieve multiple goals through a single strategic initiative. They can update, standardize and simplify IT environments; reduce costs by consolidating sites, moving to more efficient IT platforms and reducing energy consumption; enhance performance, improve service levels and add business capabilities; simplify data center management and reduce staffing — in one fell swoop.

Often the greatest barrier to such a project is the transformation's upfront cost. Working with a growing number of customers, we've found ways to significantly lessen the financial pain of IT transformation projects through a strategy involving short-term equipment rentals, financing the deployment of new assets, and leveraging the value of older, unneeded equipment through our asset recovery services capabilities.

Recently a major food and beverage company (that prefers to remain anonymous) asked whether we could help relocate its data center. The company has more than 13,000 locations in 40 countries, and it's still growing. Its existing data center was near capacity, and expanding the facility was not an option. The business leadership wanted to migrate to a new facility with adequate space for the near term and room for expansion — and

needed to find an economical way to manage the transition.

The company's existing servers were barely a year old, so replacing them was not economical. They projected the move would take two to three months, so buying additional equipment didn't make sense. Could we help?

We could and did — using pre-owned servers identical to their existing HP equipment to recreate their existing data center environment at the new location. Once the new center became fully operational, we took back equipment from the old site in trade for the pre-owned servers we installed at the new location, and arranged for a transfer of the software licenses — making the transition not just economical, but easy.

As the rate of change accelerates, what looked innovative just a few years ago has quickly become a mainstream approach to winning business.

In on the ground floor

When Metro Health of Grand Rapids, MI, decided to create an all-new 170-acre healthcare campus, the hospital seized on the opportunity to rebuild its IT infrastructure from the ground up.

Metro Health challenged us to develop a strategic approach to IT financing that would meet their technology needs and advance their business goals. The end result was a multi-tiered leasing plan that addressed Metro Health's priorities on several levels: We incorporated an automatic refresh cycle, eliminating concerns that the IT infrastructure would age or fall behind the technology curve. We included a disposition program to address data security and environmental concerns as older equipment came offline. And we developed a pricing structure to free up capital for other more urgent needs, among other features.

Maritz Inc., a rapidly growing, privately owned firm with more than 3,600 employees in 28 countries worldwide, wanted to be able to refresh or expand its IT assets on an as-needed basis — without drowning in paperwork.

We proposed a leasing solution whereby Maritz business units can order — as they need them — HP desktop or notebook computers, servers, enterprise storage services, printers, software or

other equipment from a local HP value-added reseller. Maritz takes delivery at its St. Louis headquarters, where technicians load necessary software and propriety networking applications before shipping it to the appropriate office. HP Financial Services reconciles equipment orders monthly and consolidates them quarterly into schedules under the master lease agreement. Maritz gets the technology it needs; we manage the details.

It's not just a lease

While each of these relationships revolves around leasing, there's more to it. We earned the business by understanding customers' pain points and demonstrating that we could help eliminate them by addressing their individual, unique business needs, and proving we could make it easy for them.

Asset recovery, a once-arcane answer to the question "What happens with off-lease equipment?" is an increasingly strategic part of our business, and a key part of the "easy" equation. More and more companies are "going green" — because it's good business. In fact, nearly one-third of the purchase-decision criteria for enterprise customers relates to environmental factors.

Disposition of older IT equipment becomes a front-of-mind issue as governments worldwide toughen environmental regulations and step up enforcement. So significant are the issues associated with obsolete IT equipment that customers often seek us out to manage disposition of assets they own but no longer need or even want.

Frequently this leads to new or broader relationships. Recently one of the world's leading bank holding companies — boasting nearly 6,000 banking centers in more than 30 countries — went looking for a partner to manage retirement of 40,000 desktop PCs and monitors a year. Our asset recovery capabilities filled the bill — and opened the door to an ongoing IT leasing contract. When a bank wants to lease, you know it's not about needing access to capital; it's about our ability to add value on a strategic level.

Emerging markets are key

Customers expect these capabilities not just in the

mature markets of North America and EMEA (Europe, Middle East and Africa), but worldwide. Part of reinventing our approach to the marketplace is operating globally on a consistent basis; developing and managing systems, platforms, capabilities and policies across languages, cultures, customs and laws. So on the one hand, we have to learn to do business differently in different parts of the world; on the other, we have to make the differences as transparent as possible to customers.

Emerging markets in Asia, Latin America and Eastern Europe offer tremendous opportunity. We're well established in emerging markets and continuing to invest for the future. Being a captive offers a definite advantage. HP serves over one billion customers in more than 170 countries on six continents; HP's reach and relationships continue to help us establish an earlier and deeper presence in emerging markets than we ever could have accomplished on our own. In fact, we were the first captive to open an office in China; we've been there since 1997.

Service — or what we call the "total customer experience" — is and will remain a top priority. It's the right thing to do... and it's also the most accurate leading indicator of financial results I know.

India's the fastest growing IT market in the world and China's not far behind. They're two of the most exciting markets on the planet. We've added people, resources and capabilities in both countries this year and built a back office in India. We're investing in Brazil as well as Russia and Eastern Europe.

To grow, you have to be where the action is — and there's no question where that is today. That's not to suggest we're lessening our focus on the mature markets; they continue to represent the primary opportunities for IT leasing and financing in the foreseeable future — and we expect to continue growing in them, as well.

Commitment to customer service

The perennial issue of service remains very much a hot button. An IDC study of leasing and financing customers published earlier this summer states the issue straight forwardly and painfully: "[I]n

open-ended questions, dissatisfaction with customer service was mentioned more frequently than any other category, including price, flexibility and end-of-lease issues." In fact, IDC notes, "better customer service" was mentioned 50% more frequently than "more competitive pricing."

If that's not a call to action, I can't imagine what would be. Service — or what we call the "total customer experience" — is and will remain a top priority. It's the right thing to do... and it's also the most accurate leading indicator of financial results I know.

Looking ahead, I expect the financial services environment will grow increasingly competitive in the coming months and years. Despite some recent turmoil in the financial markets, corporate balance sheets overall remain robust and companies enjoy generally strong cash positions. Businesses will continue to focus on growing more efficient, becoming more effective and gaining value for every dollar they invest. Customers will continue raising the bar on expectations. And we have to be ready.

At HP Financial Services we're focused on expanding our capabilities to deliver comprehensive financial solutions on a global basis,

and on further strengthening our already strong relationships across HP's businesses. It's incumbent on us to become world class in everything we do, and to be prepared to take advantage of the opportunities ahead.

It's a far different business, indeed, than the one I joined more than three decades ago. More complex, more demanding and less forgiving, for sure. But mostly, it's more exhilarating.

Irv Rothman is president and CEO of HP Financial Services, the world's second-largest captive IT leasing company. Its world headquarters and regional offices for the Americas are in Murray Hill, NJ. The company also maintains regional headquarters in Dublin, Ireland, and Sydney, Australia. HP Financial Services generated more than \$4.1 billion in volume for the most recent four fiscal quarters (ended April 30) and has more than \$7.5 billion in portfolio assets. The company has 1,300 employees worldwide and operates in more than 40 countries. HP Financial Services does business with 65% of HP's top corporate accounts. It ranked #18 in both the 2006 and 2007 Monitor 100 ranking of the largest equipment financing and leasing companies in the U.S.