
GE Capital: Driving the Engine of Success

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Competition in the auto financing industry drives the need for creative and effective ways to meet and exceed customer expectations. GE Capital Auto Financial Services (AFS) believes in the need to wow, and is constantly researching ways to stay ahead of its customers needs.

GE Capital Auto Financial Services (AFS), a global automotive finance company and one of GE Capitals 28 businesses, is headquartered in Barrington, Illinois. It operates in over 22 countries, and employs approximately 1,200 people. AFS has been a competitive presence in the financial services industry since 1978. It maintains more than \$25 billion in assets, with 950,000 leased vehicles. This type of reach means the commitment to "wow" has to be considerable, well-researched and successful.

Problem:

As a response to the competitive market and their own internal quest for quality, AFS went to the source and conducted customer surveys to help it narrow down a goal. The survey responses, coupled with the company's wish to capture a greater portion of the auto financial services market, led AFS to a target: customer service needed to be revved-up. Because of the high volume of credit applications, services were becoming bottlenecked and bogged down. Customer service goals were set to begin to more quickly, efficiently and effectively service customers. It was evident application turnaround time and timely response of credit managers to the customer were the keys to success. Upper management and customers expected middle management to solve these issues. To help solve this challenge, middle management

At a Glance

Problem: To meet the demands associated with increasing application volume, an opportunity to restructure the originations area of GE Capital Auto Financial Services area existed. Two key areas of focus were credit manager productivity and capacity. A cross-functional team set out to model the existing credit process. Previous external surveys of our customer base identified three critical customer requirements:

- turnaround time of applications
- accessibility of credit managers, and
- predictability of our credit decisions. GE Capital

Solution: Through simulation modeling, we discovered

- Accurate inputs for time estimates are essential.
- Modeling offers a multi-dimensional view of a problem
- Simulating a process may require numerous resources and time.

Results: "The pod model allowed us to reduce turnaround time nearly 60%, which was well below our targeted percentage. This permitted greater flexibility in servicing existing customers and opened the door for increased loan applications. This win-win situation has the potential to greatly enhance the company's bottom line."



“The pod model reduced turnaround time by 58% and increased credit manager usage.”

execs turned to ProcessModel® simulation modeling.

Solution:

Customers supplied a significant amount of information relating to the originations (credit) area, therefore management decided to channel its efforts there. In March, 1999, a cross-functional team was established to model the existing credit process.

The surveys submitted by the AFS customer base identified three critical requirements:

- turnaround time of applications;
- accessibility of credit managers; and
- predictability of credit decisions.

To simplify the process, the team narrowed its scope to model turnaround time and the use of the credit managers.

In order to understand the model, it's necessary to understand the origination (credit or underwriting) process. It begins when an application for credit is received from the dealership via fax. Data entry personnel then enter the application data (e.g., name of applicant, address, employer, social security number) and request a credit bureau on the applicant. The application data and bureau information is then forwarded on to the credit manager. The credit manager reviews the bureau score and application data and then decides to either approve or decline the application. That decision is faxed to the dealer.

Before the cross-functional team was established, originations management brainstormed and identified potential scenarios to improve the service provided to dealers.

One area that management thought could be improved was making sure the work hours of credit managers reflected those of the customers. They also brainstormed that service might be enhanced by combining prime and sub-prime credit manager teams. The process modeling software let the team put their ideas to the test.

The team modeled two different credit process scenarios. One scenario consisted of establishing credit manager regional teams aligned by time zone. The other, a "pod model," modeled matching up credit manager schedules by sales force coverage along with combining the prime and sub-prime credit managers. The pod model reduced turnaround time by 58% and increased credit manager usage.

Results:

The team found that applied simulation modeling is accurate, scalable and versatile as long as input is precise. This fact drove the team to an even greater level of quality. For example, initial time estimates for various process steps that were input into the model were simply not accurate. These measurements had to be replaced by more exact readings attained through stopwatch analysis. As the team became more versed with the process of applied simulation modeling, they found that ProcessModel offered them an invaluable tool to achieve greater quality—quicker and more accurately than with previous systems. The system was even comprehensive enough to handle whole dimensions of a process, such as elaborate shift schedules for underwriters. The team agreed that the modeling process will be a great asset in GE AFS' quest to stay ahead of its customers needs.

Future Applications:

The next steps for the team is to incorporate financials into the model to allow

for a unit cost analysis. In addition, GE AFS expects to take the concept of simulation modeling to their customers to assist them in enhancing their processes.

GE AFS envisions many possible uses for both the "as is" model and the "pod model" in the near future as we continue the search for "wow."

FIND OUT MORE

About the authors: Darryl Chappell is currently a Quality Process Manager ("Master Black Belt") in GE Capital Auto Financial Services operations area. He has more than twelve years of experience in the financial services industry. He has been trained extensively in GE's Six Sigma Methodology and is currently coaching over fifty quality improvement projects in operations. Darryl holds a MBA from The University of Chicago Graduate School of Business with concentrations in International Business and Economics.

Todd Vernon is a Strategic Prime/Non-Prime Credit Manager with GE Capital Auto Financial Services. Todd has more than five years of experience in the auto financing industry. Todd has successfully completed six sigma training and has applied the rigor of his quality training to many of his day-to-day tasks.

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