

EARNING ASSETS PROJECTION – THE MAIN CHALLENGE OF BANCO TOYOTA DO BRASIL PLANNING PROCESS

“We have seen demonstrations from IBM/Cognos, Oracle/Hyperion and Infor but Tagetik went straight to the point and focused exactly on our needs. We are very proud to be the first Tagetik customer in Brazil and so happy with this software!”

Rafael Yoshihara

Financial Planning Coordinator,
Banco Toyota do Brasil

Company

Banco Toyota do Brasil

Industry

Financial Services

Corporate Performance Management

- Portfolio Projection (Budgeting, Planning & Forecasting)
- Debt (Funding) Projection & Cash
- Collaborative Data Collection

Key facts

- A subsidiary of Toyota Financial Services Corporation
- Established in Brazil since 1999
- 70,000 clients
- More than 150 dealers

Requirements

- Business Plan and Financial Projection calculation for three main products: floor-plan program, CDC/lease and insurance
- Forecast calculation for portfolio assets, interest revenue, and services revenue (insurance)
- Balance & Interest Revenue for 60 months, for more than 50 different products, at category (car type) level
- Automatic calculation of assets/liabilities and their impact on interest revenues/expenses
- SG&A expenses by cost center
- Payroll expenses by employee
- Data entry and calculation of depreciation for each IT project (15 per year)

Benefits and Results

- End of the “Excel hell”: no more 40 complex spreadsheets to manually manage and update
- Monthly rolling forecasts
- Portfolio projection at product level detail takes only 5 minutes to run
- Fast Financial simulations at the product level
- 30% time reduction in budgeting and forecasting processes
- Improved accuracy of earning asset projection
- Budget to actual variance reduced to 5% maximum (compared to 10% before)

The Challenges

Established in 1999, Banco Toyota do Brasil is a subsidiary of Toyota Financial Services Corporation and Toyota Motor Company. Established in 1958, Toyota do Brasil manufactures cars in three production plants.

Banco Toyota do Brasil has three product categories: “Floor-plan Program”, to help Brazilian dealers to buy cars from Toyota; “CDC/Lease” that helps end customers to buy cars from the dealers; and “Insurance”, specifically dedicated to providing insurance to customers.

The financial services organization could not plan at a detailed product (car type) level and could not guarantee maximum accuracy and visibility throughout the entire process. Spreadsheets were not effective in managing the process which includes a sales forecast, which is the result of setting business assumptions in strategic meeting sessions, and financial indicator forecasts, all of which determine the forecast for portfolio assets, interest revenue, and services revenue (insurance). They found themselves in “Excel hell” trying to manage and manually update up to 40 multiple files to perform the necessary calculations.

The Objectives

One of the main challenges and objectives of the project was to calculate the global amount that Banco Toyota do Brasil will need to finance each month to optimize the company’s credit balance & interest revenue resulting from early pay-off and delinquency ratio assumptions which can significantly impact the bottom line.

As part of a comprehensive financial reengineering process, the project implementation at Banco Toyota do Brasil also included debt projection (funding run-off and run-on) & cash revenues as well as a collaborative data collection of SG&A expenses by cost center, payroll expenses by employee and IT Projects (OPEX, CAPEX, and Depreciation). In particular, payroll was very complex and needed to be optimized.

“We achieved a 0 to 5% difference between actual and budget figures and a 30% time reduction in our budgeting and forecasting processes. Everybody at Banco Toyota do Brasil is really impressed with the performance of Tagetik’s calculation engine.”

Rafael Yoshihara
Financial Planning Coordinator,
Banco Toyota do Brasil

The Results and Benefits

After implementing Tagetik, Banco Toyota do Brasil can now plan balance & interest revenue for 60 months, at the product category (car type) level, for more than 50 different products. The plan allows modeling early pay-off and delinquency ratio assumptions. The portfolio projection calculation is now automated and takes only 5 minutes to run. Rolling forecasts are produced on a monthly basis for analysis and visibility at the local level, even though the financial services organization is only required to report to the holding every three months.

For debt (funding) projection & cash forecasting the company now only needs to enter a global assumption (the minimum cash required for its business) to perform these calculations. If company’s assets are higher than liabilities, Tagetik automatically determines the amount Banco Toyota do Brasil needs to borrow, and the impact on the P&L interest expenses is automatically calculated. If liabilities are higher than assets, the system calculates cash impact and the associated increase interest revenue.

SG&A planning has been simplified so that cost center owners enter a few expenses into a “driver-based” data entry form and, at payroll level, they input only global assumptions (i.e. weights, bonus criteria, cost of health insurance, benefits, etc.) and Tagetik performs calculations of the resulting staff and expense costs.

In addition, Banco Toyota do Brasil was able to plan all of their IT projects, including expenses, capital investments, and depreciation/amortization. Now the CIO at Banco Toyota do Brasil can enter expenses and investments by project and Tagetik automatically calculates the depreciation amount for each project (software vendor maintenance for example) resulting in a detailed budget for each IT project.

About Banco Toyota do Brasil

Banco Toyota do Brasil is part of the Toyota Financial Services Corporation, which is a wholly-owned subsidiary of the Toyota Motor Corporation, a company founded in 1937, and which has become one of the world’s largest automobile manufacturers operating in over 30 countries. The Toyota financial services division contributes to the worldwide growth of the Toyota brand.

In Brazil, the growth of the Toyota brand has been intensified since 1998, with the inauguration of the Indaiatuba plant, in the countryside of the State of São Paulo, which has started the domestic production of Corolla. Banco Toyota do Brasil initiated its operations in 1999, with the objective of supporting and enhancing the sales of Toyota vehicles in Brazil, by operating with CDC (retail finance) for individuals and legal entities. In 2000, the following products were released: Wholesale finance, seeking to meet the needs of Toyota Distributors network; Retail Lease, for individuals and legal entities; and Seguro Toyota (Toyota Insurance), aiming at guaranteeing its customers’ safety and tranquility.

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