

AVVERA: A NEW CONSUMER LENDING MODEL

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Introduction

Avvera Spa, wholly owned by the Credem Group, specializes in consumer credit. It was created in 2019, evolving from Creacasa, which was also part of the Credem Group.

Avvera has leveraged the experience gained over years of providing loan services to households, expanding this core business with other services in a multiproduct and multichannel portfolio. In 2021, it made €1.2 billion of disbursed and intermediated loans (47.5% growth over 2020) — a significant increase on the €400 million inherited from Creacasa in 2019. The company is growing rapidly, boosted by the post-pandemic recovery, which has increased consumption despite inflation, geopolitical turmoil, and economic uncertainties.

The figures for 2022 show a further increase in volumes, with a forecast of €1.4 billion for intermediated and disbursed loans. In the past two years the company has grown at an average of about 45,000 new customers a year. By mid-2022, Avvera had a workforce of around 900 employees and agents.

This IDC Customer Spotlight describes Avvera's implementation experience with the tech company Quid, which led to the adoption of the QinetiQ platform for the management of the entire Avvera consumer credit services portfolio. Avvera manages four main lines of business (special-purpose loans, personal loans, salary-backed loans, and bank loans) and chose the QinetiQ platform from Quid.

Avvera Launch and Project Implementation

Avvera is part of the Credem Group. Though the consumer credit market is mature, it is also evolving rapidly, driven by the digital transformation of society, changes in lifestyles, and socioeconomic change. To understand the design journey that led to the adoption of the QinetiQ platform, we need to look first at the launch of Avvera in 2019:

- Avvera inherited the business model and processes previously dedicated to disbursing mortgages (Creacasa), managed on another technological platform.

BUSINESS VALUE: HIGHLIGHTS

COMPANY

Avvera Spa, Gruppo Credem

CHALLENGE

Adopt a platform to support Avvera's launch and development, in a start-up mode but with the convergence of different organizational groups and with an incremental development road map toward multiproduct and multichannel consumer credit service offerings.

SOLUTION

QinetiQ, the Quid platform that functionally manages the entire portfolio of Avvera's consumer credit offers.

PROJECT DURATION

Two years

BENEFITS

- » Fully integrated solution that supports the Avvera ecosystem and integrations with Credem Group systems
- » QinetiQ supports operations for around 2,400 users (1,600 dealers, 300 users for salary-backed loans management, and 400 other users including agencies and employees)
- » Around 400 credit applications are received and processed daily, with a decision taken on 300 a day
- » A consolidated approach to continuous improvement enables process optimization and the achievement of performance and user experience KPI targets

- Avvera inherited the salary-backed loans business from Credem, which was managed at that time by a different solution, operating in an AS/400 environment.
- Avvera had to integrate the spin-off of a key national agency network. Operationally, this meant it had to make a quick and smooth transition and set up new teams in the organization with the right tools to support loan intermediation.
- Avvera had to follow up on the relationships and agreements with various banks active in the area, whose loan businesses were managed through Avvera either in white labeling mode or under reseller terms.

Avvera needed to bring together different departments under a new umbrella, partly a start-up, partly already equipped with structures and processes that needed to be harmonized and developed within Credem Group's growth strategy.

In this context, it needed to identify a technology partner that could meet several requirements: flexibility, modularity, speed, innovative approach, and collaboration. It sought a long-term partnership, based on mutual trust and one that would go beyond the classic customer-supplier relationship to embrace a win-win approach. This is why Avvera chose Quid and the QinetiQ platform.

The architectural design to support open banking from a PSD2 perspective and the development in Java are two examples of features perceived by Avvera to be innovative in the credit management solutions market in Italy.

Road Map

The project started at the end of 2019 and was completed in early 2022. There were two main project phases:

- In the first stage, Avvera mainly focused on the migration of salary-backed management processes from another platform to QinetiQ and the rapid reactivation of the new agency network to manage personal credit processes for households. To do this, it needed to quickly replace the underlying systems, which it aimed to do in a "big bang" approach over a weekend. With Quid's support, Avvera redesigned the processes and defined the target model of functionalities and operating methods. QinetiQ already had a technology core and modules to manage the business line processes (salary-backed loans and personal loans). The two business lines were implemented and offered on the market as early as 2020.
- The second phase started in 2020 to launch the special purpose loans business line. Unlike the first phase, this model required mostly custom developments on the platform, which led to the deployment of the features for this offering in early 2021. This phase capitalized on previous experience but also introduced new challenges: on the one hand due to the ad hoc approach and on the other due to the nature of the business, which is strongly intertwined with the activities of the agency and dealer network (about 1,600). This phase was completed within a year.

In terms of the technology and operation of the QinetiQ system, Avvera highlighted the value of the partnership between Quid and IBM. This value is twofold. On the one hand, the IBM framework extends protection and trust in terms of platform security and compliance with industry rules. For Avvera this is significant not only for the financial nature of its business, but also because it belongs to a group that has stringent governance rules in place and benefits from the quality assurance that comes with the partnership with IBM. On the other hand, having QinetiQ in the IBM Cloud catalog enables the future evolution of the platform by Avvera, which can evaluate the most suitable deployment options for the next strategic paths.

Implementation Process and Methodological Approach

During the implementation, Avvera also had to address the integration processes between Quid systems and the technologies used by the Credem Group. According to Avvera, the configuration of the QinetiQ platform lends itself to enabling integration thanks to APIs and connectors, which effectively support interdependencies with other internal and intragroup processes. The QinetiQ platform can integrate with the functionalities that are present in the Credem Group on other platforms, for example, those for the management of mortgages, provided by Credem, with which it is advisable to create information exchanges for a 360-degree view of the customer.

In terms of approach and methodology, the Avvera-Quid team had to implement a sound but at the same time agile and experimental plan to make QinetiQ's evolutionary road map sustainable and to reconcile Avvera's objectives and business needs, starting from the design and planning phase:

- At the end of 2019, the design team set up internally within Avvera brought together the best skills available on the IT and organization side, making the most of the resources and experience of the acquired structures (dealer network). A framework built on the strategic vision, objectives, and priorities was developed to reconcile expectations, resources, and technology road map. A special focus was put on the analysis and design of business processes.
- For the start of phase 1, listening to the expectations in terms of user experience (agents, dealers) was key to define the requirements and configure the platform according to a user-centric design, with the support of Quid advisors.
- Leveraging on this, the next phase introduced new elements related to custom developments to make the QinetiQ platform evolve to manage special-purpose loans to suit Avvera's requirements. The Quid team carried out a continuous dialog with the Avvera team, for all the interactions required in the various phases of the design cycle: functional design, custom developments, testing, and roll out into production.
- Trust, skills, flexibility, and speed were key elements of the collaboration to enable the joint team to launch the new line of business at the beginning of 2021, with the offering meeting the need to increase the value of the relationship and the services offered to the network agency.
- The work methodology implemented by the Quid team favored agile principles over waterfall principles. This approach led to more frequent releases in the second phase of

the project. In this phase, Avvera saw a significant increase in the number of releases, each using about half the resources (work days) of the first releases.

- Since September 2021 the most recent phase has been aimed at fine-tuning and optimizing processes to further improve quality, service levels, user experience, and solution performance. For special purpose loans alone, the platform is now used by 1,600 dealers. It manages an average of 400 daily applications and settles an average of 300 a day.
- The continuous-improvement approach is key to evolve the platform, which, in the central phase of 2022, has been consolidating to increase stability and performance standards, and improve user productivity. With the rules of digital competition and with dealers able to evaluate and access alternative solutions in real time, it is important for Avvera to build customer loyalty and service excellence. Ensuring continuous system availability and fast response times is vital for success. In addition to the resellers, QinetiQ must also ensure 24 x 7 availability to 300 users for salary-backed loans management and to a further 400 users between the sales team and agents.

The platform's maturity enables Avvera to work on continuous releases (on average two a month), within which the various processes are gradually optimized (tests, user acceptance, etc.). This approach enables Avvera to fine-tune performance monitoring practices and service standards to meet internal and external users' expectations. The process of constant improvement of user experience is based on evaluating various metrics, such as usability, full mobile access and management, response times close to real time, and the management and disbursement time of the loan application. The most important KPIs are overall customer satisfaction in general and remote accessibility and lead time in particular.

Future Evolutions

According to Avvera, the platform's set-up and ability to scale enable future business developments. The joint teams are working to prepare new features and roll out new initiatives into 2023. In parallel to the continuous improvement of performance and processes, the QinetiQ platform will support the offering's evolutionary road map by supporting:

- A "digital loan" offering that Avvera will launch within the Credem Group's new digital offering
- A deferred payment solution (buy now, pay later), which Avvera is designing to differentiate itself on the market
- The developments and integrations with the group that in the medium term will involve the transfer to Avvera of the entire personal loan business currently managed by Credem (worth around €250 million); this evolutionary process will lead to further discontinuity and future expansion of processes in terms of active internal users and volumes, factors that Avvera expects to be managed with the features and scalability of the QinetiQ platform

Challenges

The consumer credit sector is undergoing a major transformation in the wake of constant social and economic changes. New opportunities — and challenges — are emerging and are impacting both players such as Avvera and the ecosystem of technology suppliers that enable innovation and transformation.

To tackle these challenges, the Avvera-Quid venture is more than just a typical customer-supplier relationship. With Quid growing both in terms of offering and customer base, the main challenge is to ensure consistent growth and development of new managerial staff in line with the corporate culture, with the governance needs of ambitious growth plans, in Italy and abroad, and with the needs of process orchestration for service delivery. With the acceleration of digital innovation processes, Quid faces the same challenges of attracting and managing resources, talents, and skills that are common to all players in the market.

These are organizational challenges typical of companies experiencing strong growth and rapid evolution. For Avvera, the partnership and trust relationship will strengthen further as Quid increases its operational capabilities by structuring processes and modus operandi in a way that is consistent with the modern challenges of technology platform providers, supporting its own commercial evolution and customers' growth.

Benefits

For Credem Group, Avvera was launched to meet several objectives: to create an autonomous and distinct corporate vehicle aimed at the open market, with the ability to seize growth opportunities in existing but changing markets and in new areas, taking advantage of architectures, processes, and a streamlined organization.

Avvera aims to develop incremental growth with an offering on the retail market that evolves in the medium to long term in synergy with the group's strategies. This is a challenge in terms of developing synergy within the financial groups, but it is also a great opportunity to increase market value, making the most of good practices and identifying the right balance between autonomy and integration.

The project results are in line with expectations. The continuous-delivery approach that sees Avvera and Quid work side by side improves performance levels and process times, adapting to change and incrementally expanding functionality. This method enables Avvera to grow its portfolio, transform the go-to-market model, and optimize the multichannel offer.

Quid has been able to meet Avvera's needs in terms of security and transparency — fundamental elements for Avvera. As part of the Credem Group, which is subject to direct supervision by the European Central Bank (as a significant bank), Avvera is required to adopt risk management and security procedures to meet regulatory requirements. This focus on risk and compliance components has been a critical success factor for the project and the partnership.

The relationship between the companies will evolve, based on a technological foundation that offers scalability of systems and operations to support growth — growth that has been faster

than expected in the strategic business plan, providing further development opportunities and intragroup synergies.

Methodology

This IDC Customer Spotlight is based on a number of sources:

- Interviews conducted by IDC experts with Avvera's top management
- Information collected during briefings with the Quid team
- Documents and public information relating to Avvera and the Credem Group

MESSAGE FROM THE SPONSOR

The project carried out with Avvera has been conducted with a focus on its specific needs to deploy a solution tailored to its needs. In line with Quid's strategic plan, the technology and performance improvements have been consolidated into specific application components within the QinetiQ product architecture, creating a complete, modular, and parameterizable reference platform that meets the demands of the financial services market and its evolution.

About the Analysts

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Maria Adele Di Comite is research director for the IDC Financial Insights Worldwide Corporate Banking Digital Transformation Strategies program. She is an expert in financial services strategy, cybersecurity, and regulatory evolution, with significant experience in financial services, system integration, and consulting. She investigates the challenges and opportunities related to the evolution of the banking industry, its ecosystems, and the changing paradigm of all interconnected stakeholders. Her focus is on meeting customers' requirements, leveraging innovative technological solutions, open banking, and digital transformation to enhance corporate and retail banking services.

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Fabio Rizzotto is in charge of local research and consulting at IDC Italy. He oversees the Italian analyst team and coordinates consulting projects with both supply-side and demand-side perspectives. He has extensive knowledge of ICT industry and digital transformation paradigms. He often speaks at and moderates both IDC and third-party events, and contributes interviews and articles to ICT magazines and digital channels.

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