

Technology solutions in the age of the customer into the cloud and into data

By Susan Carol, Susan Carol Associates

Equipment leasing and finance companies are working in the cloud and drilling deep into data for the best ways to increase margins, manage risks, engage more customers, and grow – in many cases, by seeking fresh new business beyond the equipment leasing industry and across more product lines. Robust information technology (IT) capabilities, previously only afforded by large financing enterprises, are now available for mid-size and smaller organisations, levelling the playing field and creating more intense competition.

“The equipment finance industry has evolved and so have its customers...they are mobile and they have more influence than ever before. This has transformed business from ‘the age of information’ to a new era, ‘the age of the customer,’” said Jeff Van Slyke, Vice President of Business Development for LeaseTeam.

Most solutions providers seem to be serving customers that are seeking global solutions to enable them to easily integrate with third-party providers, help them meet regulatory compliance requirements and expand business profitably. Cloud and mobile applications are attractive to the smaller and medium-size companies, in particular, and mobile self-service applications represent one of the hottest trends of the year.

Constellation Financing Systems in Canada introduced Covarity, designed for vehicle and equipment leasing companies as well as banks and asset-based lenders, and LeaseTeam is expanding its market beyond small and mid-size US companies with a flexible single-system architecture that will accommodate all types and sizes of leasing portfolios. In fact, the US-based company reports its solution is beginning to develop a global footprint.



Mobile devices, big data and cloud computing will continue to drive this industry toward better customer management and more efficient operations, especially among forward-thinking equipment leasing companies partnering with leading technology providers.

Regardless of size, the software vendors’ customers are demanding capability to “do more with less,” a mantra repeated frequently by many solution providers.

Of course, solution providers have been hearing this mantra for years, but more recently they are also hearing urgent pleas for systems that will facilitate regulatory compliance and reporting requirements.

Customers are seeking providers they can trust to guide them with those matters, says Katie Emmel, Vice President Product Management for International Decisions Systems (IDS). IDS recently released InfoLease 10, which has “an open architecture platform – at the business logic, reporting and database levels – which provides companies with better visibility across their operations from a risk and reporting standpoint.”

Business intelligence. Buyers of technology systems are reported to favour solutions that give them “customisable

business intelligence to generate insight on profit trends, customer behaviour, and opportunities to improve efficiency, rather than just churning out facts,” Andrew Denton, Chief Operating Officer, CHP Consulting, said.

Odessa Technologies reports that leasing companies are increasingly spending money for technology solutions that not only help improve efficiencies in measurable ways, but also differentiate them from their competition. So, add-ons such as customer portals with self-service capabilities are now seen as an essential part of sophisticated lease management systems that are expected to automate workflow and eliminate manual workarounds.

CEO Madhu Natarajan said company boards are requiring strong business cases for how technology investment will enable their organisation to do more and also create measureable competitive advantages.

“One of the most noteworthy

advancements in the industry is the increasing importance put on data," said LeaseTeam's Van Slyke.

"Data mining is critical as it allows you to take your technology from simply being a processing system to becoming an information system with data that regulators can rely on," he said.

Andrew Lea, Senior Marketing Manager for Linedata CapitalStream, based in the US, said clients are widening their scope and looking for front-office solutions that can serve more than one line of business. Linedata CapitalStream provides a standardised data model that can be used for leasing as well as commercial lending, retail lending and commercial real estate financing.

Linedata's acquisition of CapitalStream in March 2013 enables "straight-through processing" in front-office origination and risk management, streamlining operations across products and lines of business.

Odessa's solution, LeaseWave, is designed to bring the entire lease enterprise together, including outside stakeholders such as customers, vendors, brokers, investors and funding sources on a single platform.

Ease of use is expected in today's solutions, reports Brendan Gleeson, Group Executive Vice President at White Clark Group, whose company introduced a new mobile platform that uses Web 2.0 technology, called CALMS2, that he reports "is as easy to use as the Amazon marketplace." The company's real value proposition, he said, is its international presence. "If they (clients) are setting up in Europe, they want a single resource for the whole business," he adds.

White Clark Group also recently introduced an end-to-end modular fleet system and a multichannel lead-generation module as well as the self-serve portal.

Where is demand? CHP Consulting, the global provider of ALFA Systems, notes the strongest demand for software is in the US and specifically a strengthening in the banking sector, according to Denton.

BanQsoft, a Nordic financial solutions provider serving lessors and banks, also sees opportunities in the US and has made plans to enter the American market in 2015, according to Jens Christian Vigulf, Founder and Board Member of the company.

Cassiope's Product Marketing Director Nicolas Ullmo said they are seeing growth spurts in Asia and Latin America. He said in Europe the emphasis

is on cost and risk reduction, and in the US there is a mix of cost-cutting initiatives and growth-oriented plans.

LeaseTeam reports it is seeing the strongest demand in America, Europe, and Canada, with the most demand from banks.

David Taylor, Vice President of Constellation Financing Systems, agreed with others that banks represent a good segment right now for solution providers. The banks are actively investing in replacing older technologies. They are looking for ways to increase profit margins, and leasing is one way to do that, according to Taylor.

While making this reach toward enhanced profits, they are also seeking new systems that accommodate both loan and lease processing. Banks are also concerned with compliance requirements and want systems that give them greater monitoring and reporting capability.

According to Taylor, "Covarity is one of the most exciting products we have introduced" because it has an automated monitoring system that issues red flags whenever there is any departure from established compliance parameters. In order to grow, lessors and banks need to enter new areas where they are not comfortable, but if their systems can help them understand and manage their risks, they can move into these new segments more confidently.

Canada's Davis+Henderson issued news in August 2013 stating that it had acquired Harland Financial Solutions, a US-based provider of technology solutions for lending and compliance, core banking and channel management.

Combining D+H's resources (Credit Path for equipment finance) with Harland's resources (software solutions for banks, thrifts and credit unions) will give them "cross-selling synergies, a combined client base of 6,200, and the opportunity to grow their presence among the 13,000 banks and credit unions in their available market," according to Gerrard Schmid, Chief Executive Officer of D+H.

The UK-based White Clark Group announced a successful entry into the US with a large captive and went "live" in China with a motor manufacturer. The company's target market is global automotive and asset finance in retail and wholesale across all sectors, including captives, banks, independents, and prime and subprime companies. Gleeson agreed with others who mentioned risk management as a key motivator for software enhancements.

Joe Stankowich, Sales Executive with NetSol Technologies North America, said that when lessors are evaluating IT providers, important questions would include: (1) Is the provider and technology tested and proven? (2) What is the providers experience in a particular industry or area of operation, and (3) How will the provider and its solutions help to streamline and automate operations while also mitigating risks and reducing transaction costs?

Stankowich said that while it is hard to point to just one technology advancement of note, it is the overall evolution of technology and the new ways that it can empower organisations that is very exciting. Others interviewed pointed to cloud applications and business intelligence as current trends.

And, while this industry has in the past been slow to adopt cloud and mobile applications, this is changing, says Stankowich, as organisations continue to seek opportunities to reduce IT infrastructure and operational costs.

"The cloud promises both cost-savings and a far more integrated and flexible set of business processes," said Scott Thacker, CEO of Ivory Consulting Corporation. US-based Ivory already offers Portfolio Intelligence, a desktop application that enables statistical analysis of equipment leasing practices, and it plans to make SuperTRUMP over the Web available as a cloud option later in 2013.

Today's technology makes it easier for providers to offer customised solutions and operate with a greater degree of agility. Lessors are advised to look for systems that integrate with other systems easily and that can be customised based on business requirements.

Engage customers. "Lessors should be looking for integrated systems that not only manage the life-cycle of a lease or loan but also engage with customers," said Mitchell Kaufman, President of IFS Technology Solutions, based in the US. "Our clients are more focused on making information easier to access and making greater use of web-based portals to help facilitate this."

He said IFS LeaseWorks has a business intelligence portal, for example, that allows clients to see trends based on their data in real time and adjust business operations in response. Graphical representation of data via charts, graphs, and Google Maps facilitates drill-downs into portfolio metrics.

IFS also customises dashboards to allow its customers to define new per-

formance metrics they want to monitor. Kaufman also said clients are seeking functionality to enter new business segments.

IFS LeaseWorks combines web-based and desktop technologies and has portals for business intelligence (BI), vendor/dealer channels, and customer services. IT is delivered in the cloud and on the premises.

Having agile systems will be important when the new accounting rules are final. BanQsoft's View21 supports case-centric credit auditing and adapts itself based on products and prices within a platform built with .NET framework and HTML5/CSS3 toolkits.

LeaseTeam reports ASPIRE, its product for lease and loan management, also has flexibility to define business rules for various constituents.

Most solutions providers said their systems could easily adapt to new accounting rules, even if those rules have not yet been fully defined. Ivory said it's already been running the numbers for various "what if" scenarios. Cassiopae's Ullmo echoed a confidence shared by most solutions providers, noting "we already manage over 35 different types of generally accepted accounting principles (GAAPs), all with some regular regulatory changes."

CHP Consulting has been issuing white papers on the subject of lease accounting "reform," and Ivory's

number-crunching for various "what-if scenarios" can provide insights to what can be expected.

The scope of lease accounting will be world-wide with new standards expected under both FRS and the US GAAPs and will include accounting for leases of land, property, plants, and equipment. The US standards are expected to be final in 2014 and will change the way leases are classified and defined while providing greater transparency of the lessors' credit and asset risks.

As explained in a July 2013 CHP white paper, the proposed standards require both lessee and lessor to identify each separate lease component within a contract and account for them separately from any non-lease components. The company suggests in its paper that lessors whose systems are built around operating lease accounting may face serious complexity, and software changes will become inevitable.

ALFA Systems is a multi-GAAP solution, said Denton, who noted that their business rules engine will automatically assess the nature of each contract.

From a systems perspective, the accounting change is similar to adding functionality for another financial product, explained LeaseTeam's Van Slyke. He said the proposed accounting changes "will affect sales, credit and portfolio management," not just debits and credits.

Systems at every price point now possess a level of automation and integration once seen only in premium solutions, and price points have come down for platforms in the past few years, said Van Slyke. He suggested the "biggest things that companies need to do when looking at new technology is to define the current business challenges they would like to resolve and develop a strategic plan for future growth."

IDS agrees.

According to Emmel, customers are expecting real solutions from their solution providers: "Describe your problem and ask the vendor to show you how they will solve it. The providers have to get it right the first time, because there is no more patience for going back to fix it."

Clearly, mobile devices, big data, and cloud computing will continue to drive this industry toward better customer management and more efficient operations, especially among forward-thinking equipment leasing companies partnering with leading technology providers.

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