CUSTOMER - THE BIG BANG OF LEASING BUSINESS

soft4
Leasing

FLEXIBILITY AND THE CHANGING PROFILE of customers have become sound keywords when talking about business processes over the last few years.

 "It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or for services converts economic resource into wealth…what the business thinks it produces is not of first importance." said Peter Drucker, one of the greatest management minds in all times, back in 1973.

Did anything in particular happen in the leasing and asset finance industry that makes it worth bringing this topic to your attention? Let us discuss how the customer profile has changed during the past few years; how this affects the financing process, and the leasing software providers.

Our experience comes from working with asset finance businesses across the world and those businesses must react to changing customer needs in order to succeed. Many of the trends we observed working together with our customers are not new, but they have accelerated in the last two or three years.

Flexibility in payments for customers is no longer a clause but a norm

First, there has been an increase in the need for a more flexible loan or credit instalment structure: deferral of payments and financing the residual value of the loan.

There is also an increasing number of toll scenarios: moratoriums on interest on fines, individual payment arrangements, debt refinancing and other modifications to payments. Deferred payment or debt refinancing has always been there, but the need for it has increased significantly during the pandemic.

Leasing companies, which have been operating in the financial market for many years, approached us to add the possibility of providing payment deferrals to customers as a standard condition, rather than contractual clause, as this demand has increased from several thousand a year to several thousand a day.

This leap has highlighted the drastically increased need for a flexible and easily configurable IT system that, along with business, can adapt to new trends and help businesses respond to changing customer needs quickly and without major investment.
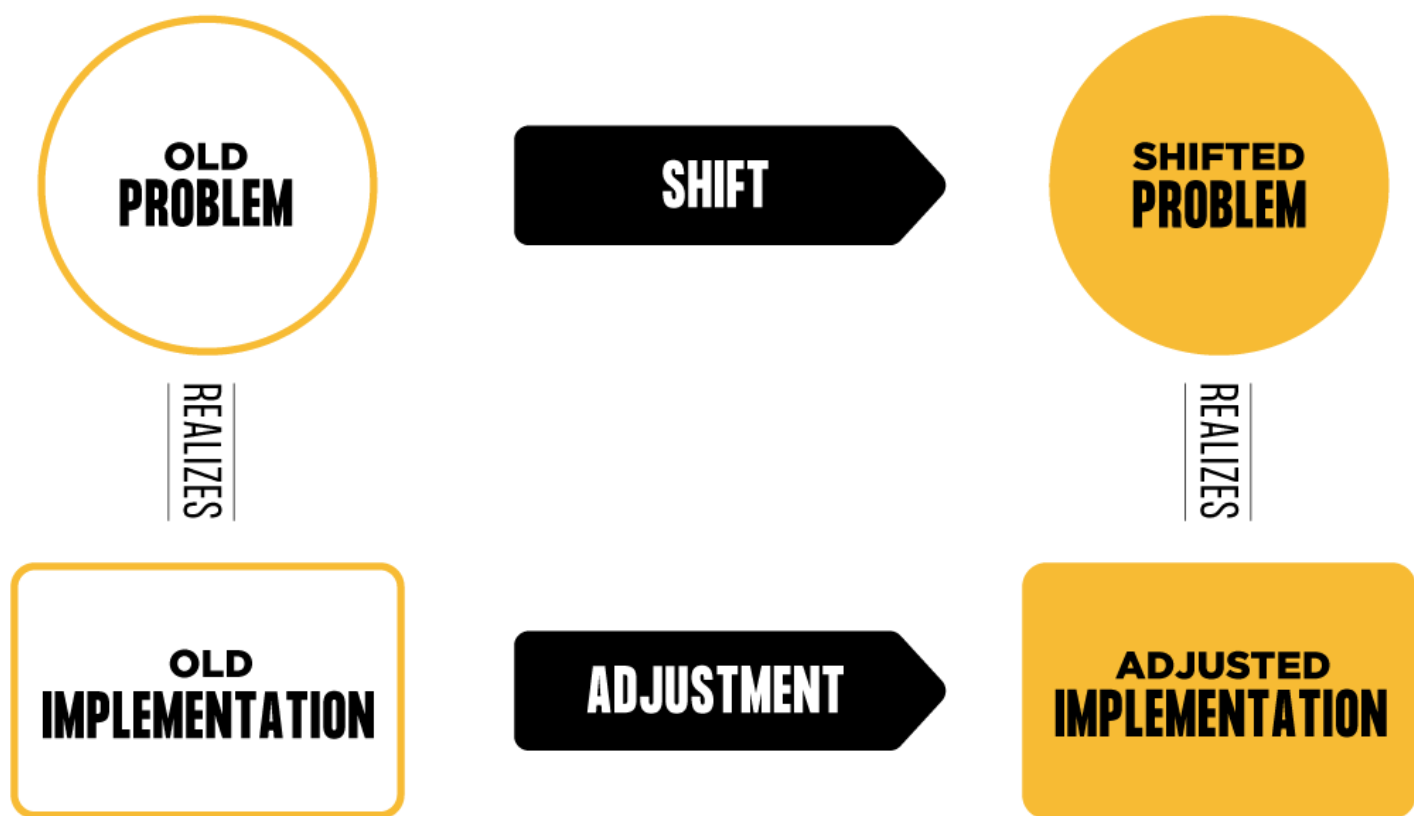
Table1

Autonomous customer

Another important aspect is that with customers are becoming more tech-savvy and technologies are progressing at an enormous speed, the customer has started demanding more flexibility in accessing information about, well, you name it – your services, their contracts, payment conditions, etc.

Modern customers want to be as independent from the leasing provider as possible. Still, 80% of SOFT4Leasing customers are not using any end-customer oriented tools, such as the self-service portal, to provide existing customers with their payment, contract and communication data. This leads us to believe that mid-sized leasing companies are not too keen on caring about their customers' comfort, which may translate into disappointing business results if the trend continues to develop at the same pace.

People and businesses tend to believe they will still have time to react once they see new trends. Let me illustrate the speed of the changing process with a discussion we had with one of our customers just a year ago: we laughed while defining the perfect financing scenario, as it was an utopia a decade away: how a person is identified on a finance company's website, their creditworthiness is assessed in a matter of minutes, signatures are electronically collected on the contract and a loan is granted, all in a matter of minutes.

Well, we stopped laughing when we started working with an ambitious start-up: today it has grown into a group of companies, including banks and leasing institutions in several countries, after they came to us with the goal of approving the quote within two minutes and signing the contract within 12... and yes, we achieved these goals together.

Such efficiency has been pursued for a long time, but due to the technical limitations, without convenient and powerful software, the process described above used to take (and still takes for many) from one to a few days or even weeks. If you were in your customer's shoes, would you wait for a week if another provider can give you a loan here and now?

Therefore, if you consider not only servicing the existing customers, but also selling to new ones, it is important not to underestimate the new trends and demands, as though they were somewhere far in future.

It is no secret that the pandemic has led to an increase in the number of people and businesses using one or another financing service, so it is important for every financing company to have well-developed front-office features to provide new offerings and to support new growing sales flows.

We are pleased that many companies using the SOFT4Leasing system can already grant loans in a matter of minutes, automatically approve applications without the use of human resources, or perform complex credit checks quickly.

Shrinking labour market

If you have searched for a new employee in the past few years, you will probably agree that the process is not as easy as it used to be. In many countries the average salary for specialists is growing: projections for 2021 show 87.4% of companies globally increasing salaries, according to Willis Towers Watson.
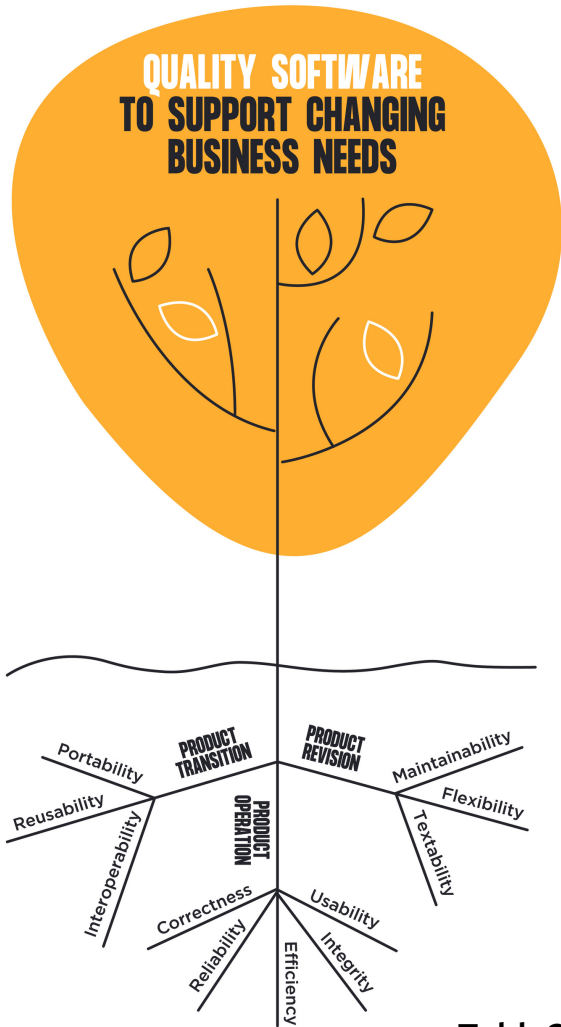

QUALITY SOFTWARE TO SUPPORT CHANGING BUSINESS NEEDS

Portability · Reusability · Interoperability · Correctness · Reliability · Efficiency · Integrity · Usability · Textability · Flexibility · Maintainability

PRODUCT TRANSITION · PRODUCT REVISION · PRODUCT OPERATION

Table2

However, experienced professionals are also expensive to keep, and it is difficult to find new skilled employees in the market – not to mention the challenges brought on by Covid, lockdowns and remote working. About 69% of companies expect 60% or more of their workers to continue working from home at least once a week after the pandemic subsides (PwC's Remote Work Survey). Because of all these factors, higher automation levels have become a necessity and usually this is achievable only with the help of IT systems.

How do we embrace these trends? Very often, the reason of why our potential customers are looking to replace legacy software is because it can no longer conform to the changing customer expectations and of course, the changing business needs. In other words, it is not flexible enough. Because of all these factors, higher automation levels have become a necessity and usually this is achievable only with the help of IT systems.

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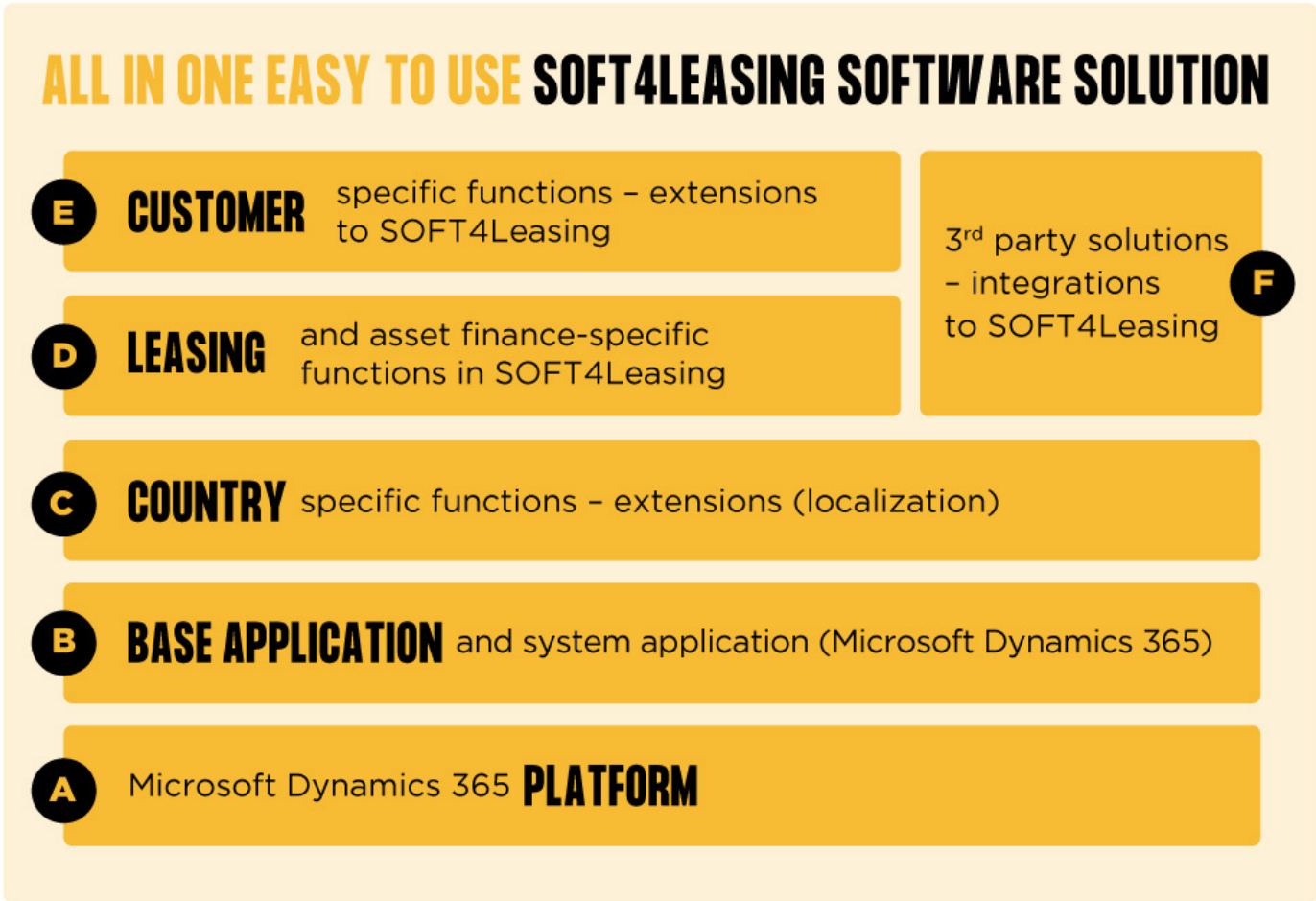
ALL IN ONE EASY TO USE SOFT4LEASING SOFTWARE SOLUTION

E **CUSTOMER** specific functions – extensions to SOFT4Leasing

F 3rd party solutions – integrations to SOFT4Leasing

D **LEASING** and asset finance-specific functions in SOFT4Leasing

C **COUNTRY** specific functions – extensions (localization)

B **BASE APPLICATION** and system application (Microsoft Dynamics 365)

A Microsoft Dynamics 365 **PLATFORM**

Table3

Flexibility in business is often defined as the ability of an organization to respond to the changes in its environment both rapidly and at low cost.

In financial services, software systems are the backbone that supports financial products and business processes, starting with customer onboarding, and contract origination up to business performance reports.

The business-IT gap is reduced to the minimum, and every change in your business process drives an adjustment to your leasing software system. That is why we say that entering into a relationship with your IT provider is a never-ending story and we can never consider the software implementation as "completed." Yes, you start working with a new system but then Covid starts, your employee leaves, the customer comes with a new inquiry, or the competitor intervenes with a new service you'd like to offer to the market, too, and we continue to tango.

The classic "evolution step" diagram (shown in Table 1) will help to visualize the question: "What is the cost (in terms of time, efforts and risks) of the 'adjustment' in the software system when the 'shift' happens in the market?" To answer this question, we need to look into leasing software flexibility. One of the classic definitions comes from McCall's model of software quality factors, where flexibility is one of many factors; together with maintainability (corrective, adaptive, perfective maintenance) and testability (intermediate results of computations, log files, test automation), it defines the ability of the software to adapt to changes in business requirements without major structural changes in the software.

Good quality software design should not have rigid structures that would make evolutionary steps impossible. The good design allows for frequent and low-cost product revisions to keep up with the ever-changing business environment.
Let us go to practical aspects: How do we achieve the desired quality factors? The choice of platform is the key. Trying to meet the flexibility criteria (another one was the speed of the customer in starting to use the new leasing software, which of course had to be done "yesterday,") we built SOFT4Leasing on the Microsoft Dynamics 365 platform, which has many out-of-the-box features that business typically needs: financial management, order processing, supplier management, and others.

That is Layer B in the accompanying graphic in Table 3. Layer C allows adding localisation, or country-specific features, like statutory reporting, etc. Layer D implements a set of industryspecific functions (in my example, lease application processing, credit decision automation, etc.). This layer cannot be "one size fits all," as businesses differ from one another. So Layer E is the one which helps to bridge the "business-IT gap" on initial deployment and then provides flexibility to accommodate change requests. Most importantly, with this architecture, we can make changes to the software without compromising other quality factors.

Another important aspect comprises the software development and implementation methods, and the widely discussed topic of agile vs. waterfall. We adopted a hybrid method, taking the best from both agile and traditional software implementation practices. We do the planning and high-level design stages in a traditional way, which enables deadlines, budget figures and resource planning.

At the technical design, development and deployment stages we go in sprints, with early acceptance reviews; this approach allows us to accommodate change requests at early stages in the project, and to establish a practice of frequent upgrades and ongoing maintenance, which enables business flexibility.

To address labour issues we are building various new employee on-boarding tools, so that new employees can pick up their daily tasks quicker. Customers who use the SOFT4Leasing cloud version can work from any location without restrictions or complex logins using VPNs and other sophisticated infrastructure. Microsoft Teams from Office 365 allows employees to chat or make calls at the exact point that they are needed; they can even have parties online!

Therefore, a broader perspective on the entire ecosystem of the IT solutions you are using and the way they integrate, as well as supporting your daily routines and strategic decisions, is important, too.

In common with product-centric businesses, often, leasing companies sell a product. But the customer buys what they can achieve with your product, with the freedom of using the asset here and now, without major investments. What the customer sacrifices is their peace: now they care about their work or business even more because they must meet payments on the leased asset. With this in mind, how do you plan to create long-term value for your customer?

We believe flexibility will definitely be on top of your priority list. We at SOFT4 are happy to assist in growing your business's flexibility to meet your customers' requirements with the help of technology.

Ugne Kontare, Chief Business Development Officer,
and Kęstutis Skrodenis, Product Architect, SOFT4

ABOUT SOFT4LEASING

SOFT4Leasing is business software for automotive, equipment, real estate, and other types of asset finance, leasing, and fleet management companies. It supports main asset financing concepts – finance (capital) lease, operating lease, hire purchase, chattel mortgage, novated lease, loans for corporate and private customers.

15+ years of experience helping financial institutions

Having specialists who have worked in the financial sector for more than 15 years, we have mastered the way to meet specific leasing business needs of our clients' and achieve the highest results together. Our strong orientation to customer satisfaction, make us work hard on improving our services.

All-in-one solution

From the Quote to Contract Termination. Lease accounting, lease management and financial accounting – all in one place.

Rapid start

Begin using software only with the features you really need, add more functionalities later.

Flexible

Can be customized and adjusted to your unique business needs. Available both on-premises and in cloud.

Intuitive interface

Microsoft family member, with Office look and feel. Certified for Microsoft Dynamics NAV.

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