



Bridging the Technology Gap in Equipment Leasing

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In this report on the role of technology in equipment leasing, industry specialist Kevin Kennedy examines how the technology environment has changed and what the implications are for current lessors, investors and entrepreneurs.

Combining an insider's knowledge and looking at how other sectors have incorporated new technology and regulatory change, Kevin Kennedy assesses the state of the equipment leasing sector, finding challenges for incumbents and opportunity for others.

Topics covered include:

Current technology trends and what they mean for the leasing industry:

- Declining price of processing
- Improved connectivity between applications
- From relationship to web to mobile
- Rapid Application Programming and the return of in-house programming

Technology SWOT analysis:

- Strengths: asset expertise, funding and handling scale
- Weaknesses: legacy, patchy automation, slow data and inertia
- Opportunities: standards, bespoke services, micro-automation
- Threats: loss of competitive advantage, other financial services, alternative service providers,

new software tools

Bank, non bank and niche – where do they stand and who is best placed for the future?

Working with software suppliers

Technology strategy options for the future:

- Preserving current advantages and retaining scale
- Specialisation, outsourcing and fragmentation
- Technology platforms for new entrants
- Strategic alliances

Systems that were built to handle asset lending must adapt to a future where margins are earned from fast and/or information rich services. This report argues that in the absence of investment, participants will face the break-up of their existing business model. Specialist functions will become common-place. New niche businesses with attractive customer interfaces can target vendors and customers and outsource the back office. Upstart entrants from emerging markets will leapfrog to better technology platforms, with slimmer and cheaper organisation structures. The creation of a truly global equipment leasing company fit for the next phase of leasing financial services will require strategic alliances that combine existing asset expertise, process excellence and vendor knowledge of the developed markets with the growing customer base and capital of emerging markets, delivered on a fit-for-the-future platform.

On the positive side demand for asset linked credit from SMEs remains robust, and vendors understand and value point of sale finance. Cheaper and faster programming makes the capture and protection of asset expertise easier and cheaper. Better process mapping and past lessons learnt will create better applications. However, the primary focus of development to date has been to improve the lessor experience rather than that for the lessee, at a time when customer expectations are rising fast.

Accumulated technology issues in equipment leasing are tipping the balance in favour of new entrants, and away from legacy systems and low margin portfolios. Emerging market banks and non banks can offset the investment in more fit-for-purpose systems, in the knowledge of growing demand from domestic SMEs. Global treasury services banks offer vendors and smaller regional lessors new options for the back office. So, with better applications, alternative providers, fragmentation of core expertise, disruptive new entrants and strategic alliances all possible, the choices offered through improved technology have never been greater. Which is the right way forward?

The report will feature relevant case studies from inside and outside the sector and is intended to advance the strategic debate within the sector both from a customer and supplier perspective, as well as informing potential investors on the best way forward.