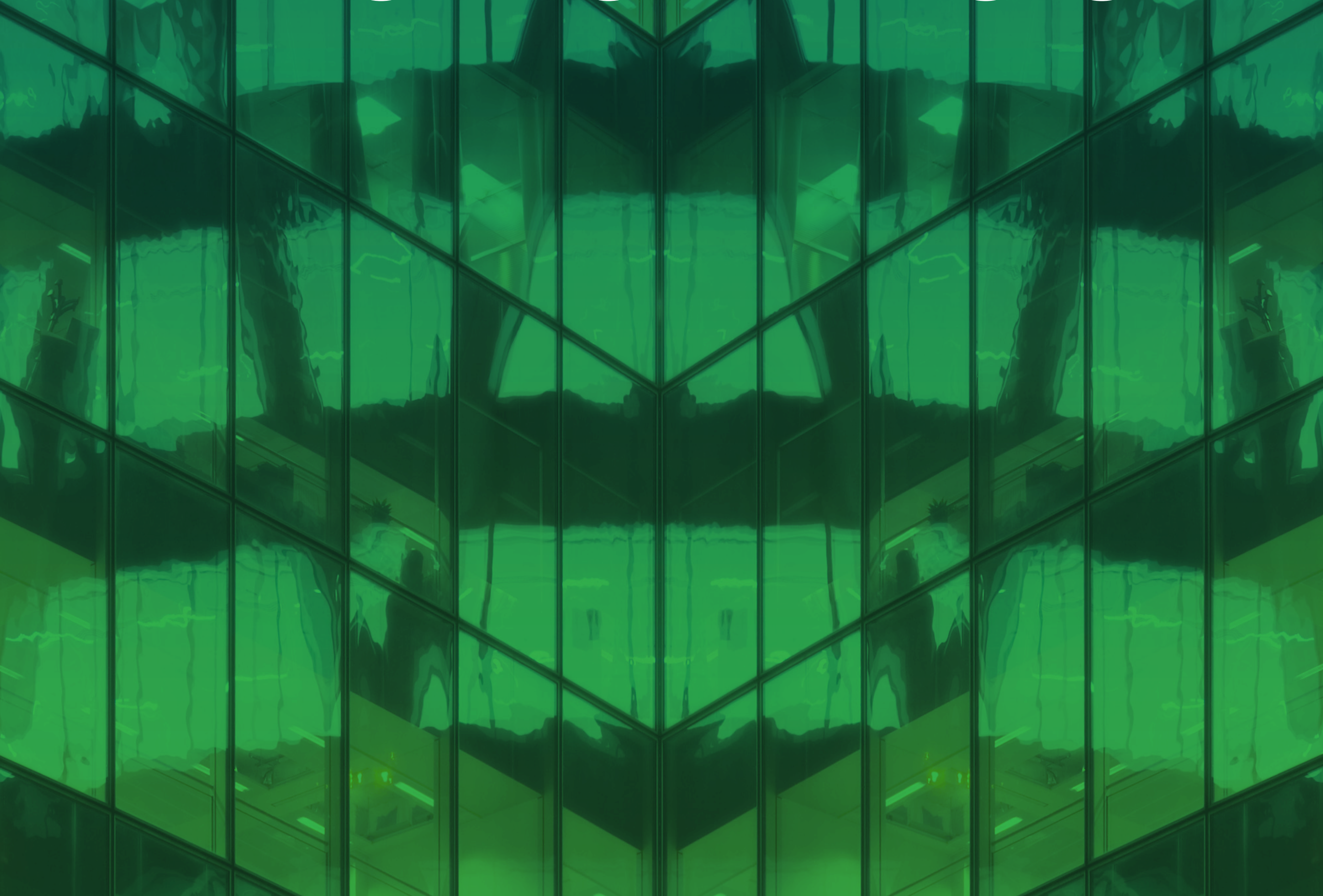
WHITE PAPER

THE ASSET FINANCE PLATFORM OF THE FUTURE



How future-proof is your asset finance platform?

In the world of asset finance, there has never been more pressure to keep your technology up to date.

Digitization now goes hand in hand with exceeding customer expectations and staying ahead of the competition. But in the race to go digital and replace legacy systems, there's a growing impetus to look beyond the latest features and functions.

Today's shiniest, newest tech might handle your current requirements, but it could fall short of your needs and push up your costs in the long term. You need a platform built for the future, whatever form that future takes.

Start planning for a future that doesn't look like the past

When it comes to choosing new technology, it's not always easy to leave the past behind. All too often, asset finance firms are constrained by a traditional approach to assessing and switching platforms, and they see change purely in the context of what they know now.

In a complicated vendor landscape, established suppliers and disruptive fintechs compete to support different parts of the asset finance process and the industry's unique requirements, from originations to asset remarketing. It's therefore become common practice to focus on the features and functions that you think you need in both the short and long term.

However what about the requirements you can't possibly foresee, as the market continues to evolve and your business model bends to new, often unexpected demands?

The assets you're financing today will evolve and may even be replaced by completely new assets. Ultimately, the features you think you need may not be necessary, and the features you really need may not have been developed yet.

There's also compliance to consider. New regulations are constantly in development but take time to come into force. You need to prepare in advance without knowing the full details.

Take the growth of artificial intelligence (AI). We are seeing many innovative applications of the technology, but as the range of use cases continues to expand, it's possible that AI will be subjected to the same kind of global protection regulations as data.

In April 2021, the European Union released its proposal for a framework of AI risk categorization. Much of this may not only impact the assets being financed, such as self-driving cars, but also some of the capabilities we are used to seeing within the asset finance process, like credit scoring. The result will almost certainly be a higher level of traceability, which may not be considered in today's requirements.

This example shows that while change is constant, you can't always see what's coming further down the line, particularly as areas such as regulation catch up with developments. To pivot cost effectively, the truly future-proof asset finance platform requires more than a digital upgrade: it needs a fresh way of thinking.

Don't just modernize your technology. Modify your mindset

Forget the thousands of flashy new features and functions on your RFP.

Any digital wish list you've drawn up when planning to upgrade or replace your technology is likely to stem from the way you work now, and that could bring a lot of preconceived ideas to bear on your appraisal of a new platform.

You may end up meeting your immediate requirements with a more modern system, but you'll also be tying new technology to your legacy processes – including any bad processing habits you've baked into your previous platform.

Critically, legacy capabilities can also bring legacy costs. A provider will typically build their platform over many years in line with how finance products used to be supported. The sheer range of features on offer can blind you to the total cost of ownership – how much you could ultimately spend on running your new platform.

It pays to see your total costs more clearly

Part of any platform rethink should be a rigorous assessment of the potential overheads.

As well as the concrete monetary costs of switching or upgrading your system, you need to consider the opportunity costs. Expenditure soon adds up – and an unforeseen overspend in one area could mean losing out on important capabilities in another.

The best way to control your costs is to root them out and break them down. It's time for a more transparent take on the price of asset finance technology.

View your true cost of ownership in three dimensions

A clear and realistic picture of long-term overheads could help you not only save on expenditure, but also get more from your investment in a new technology platform.

In our experience, costs of ownership fall into three categories. But for each, there are new ways to reduce your outlay – and proof that pioneering asset finance firms are doing just that.

Organizational costs

Asset finance firms can be large and complex, so when you roll out a platform, you need to factor in the structure and practices of your organization and the costs they could incur.

If, for example, the firm covers a range of geographic markets, different regions are likely to have developed their own processes and standards, as well as multiple IT systems and ways of working with them. This model carries big operational risks and is costly to scale and further expand into new territories. Even within a single geographical location, there may be different business or product lines that have evolved to address common requirements in different ways.

The costs themselves may not always be obvious. Varying audit and compliance standards between regions can result in the expensive customization of software. And, there is always the risk that the key people that know their local system best will move on and leave an unfillable gap in skills.

Savings plan – Strike a balance between consistency and flexibility

A new platform is the ideal opportunity to renew and standardize your practices. Rather than wasting time and money replicating old capabilities with a replacement system, it makes sense to rebuild from the ground up.

Today, cloud-based software as a service (SaaS) delivery can make a solution quick, easy and cost effective to implement, with a standardized operational framework that will help you drive best practices and solution knowhow from the outset.

But within that framework should come tools and supporting services that allow you to manage and adapt your software, and mold processes easily to custom requirements. Standardization will only take an organization so far, and you need enough flexibility to own the changes you make and meet the different needs of specific regions and customers.

Flexible standardization case story: Swedish truck manufacturer rolls out rapidly in Asia

By standardizing operations across six countries in Asia, the firm reduced the risks of key person dependency and varying audit and compliance standards. Taking just 18 months – two to six months per country – the implementation increased efficiency and reduced operating and regulatory complexities and costs.

The rollout model also saw the firm shift its costs from CAPEX to OPEX, gain economies of scale with systems, staff and suppliers, and expand into China, New Zealand and Singapore without increasing back-office support. The model was further replicated in Latin America, with a greenfield operation going live in Mexico in five months. A center of excellence in Malaysia supports reporting, accounting and back-office processing, and a technology hub in Europe makes it easier for the firm to extend its IT systems, while still allowing for local agility, flexibility and autonomy.

Flexible standardization case story: German manufacturer of premier vehicles centralizes to expand

With a core team supporting a single, end-to-end platform for its portfolio of wholesale and retail products, the firm established a center of excellence in Singapore to support expansion in Asia and further rollouts in the future. While staff are trained to configure and take ownership of systems in their individual market, common standards and a shared technology strategy increase operational efficiency and support the continuous integration, delivery and advancement of technology.

Evolutionary costs

Evolution is imperative for growth. In rapidly changing times for both the environment and world economies, today's asset finance providers need the agility to quickly adapt their business models and product sets without heavily increasing costs.

As the auto industry transforms itself through electric vehicles and a growing role in the mobility ecosystem, the financing models supporting it continue to evolve in both the makeup of the core assets and the services that wrap around them.

Likewise, the increasing focus on environmental, social and governance (ESG) means that the evolving range of recommendations and ratings data will continue to grow. And with organizations such as the IFRS Foundation turning their attention to sustainability reporting as well as financial reporting, there is no immediate end in sight.

In all of these cases, the future of the business is at stake and standing still might no longer be an option. But from the software standpoint, change can not only cost dearly but also take time – especially when your technology provider charges, and sets the timetable, for every bespoke development.

Savings plan – Build a platform that's always ahead of its time

To reduce the costs of continuous change, you need an end-to-end asset finance platform that's ready for anything. It should be asset and product agnostic, and scale easily to the demands of small, large and fast-growing organizations.

But as well as offering a single solution for managing an entire, multifaceted asset finance business, the future-proof platform must give you the option to evolve at your own pace. In other words, it should allow you to add the components you need, when you need to. At the same time, it has to integrate easily with other third-party technologies, so you can always take advantage of the latest digital innovations.

And with this phased approach to building a platform, every stage will deliver its own return on investment and help fund the next. Why make software all about costs when it can pay you back progressively throughout the implementation process?

New business model case story: Large Australian bank brings asset finance to 700 branches

A best-of-breed asset finance platform allowed the bank to start writing deals nationally in branches, rather than rely on a small specialist sales team. As well as reducing its costs, the organization both increased its footprint and made fundamental changes to how it operated.

After rolling out the platform discretely for deal origination, the bank could then easily extend it into other areas of asset finance. In the first year alone, there was a 36% increase in new business and a 154% increase in small business banking. This approach then drove a self-funding component of the overall program, engaged users and generated early momentum for a multi-year delivery.

Phased evolution case story: Major UK bank launches digital-only originations platform for asset finance

The bank's lending arm used its asset finance platform to accelerate its digital agenda and create an entirely online process for originating deals. In what is widely recognized as an industry first, customers can get instant decisions on asset financing up to £250,000. They can also create custom quotes across 40 different asset classes, including cars, vans, commercial vehicles, agricultural equipment, construction machinery and technology assets.

Delivery costs

When it comes to executing the evolution of your technology platform, there are both upfront and ongoing costs to consider.

Traditionally, the upfront delivery of an asset finance platform – typically on the client's premises – has taken months or years of spiraling capital expenditure. Any major upgrades have cost similar amounts and can also take considerable time.

Follow-up testing processes are usually carried out by the client, as is the day-to-day maintenance of the platform. So, the in-house IT team effectively carries the burden and absorbs the ongoing operational costs.

With software increasingly hosted in the cloud, SaaS delivery is starting to lighten the load. But still, the effort of running, fixing and upgrading the platform can translate into a steady drain on internal budgets and resources – a significant, if often hidden cost.

Savings plan – Accelerate delivery with an iterative and agile approach

Innovative approaches to delivering software are calling time on lengthy, costly on-premise implementation programs.

Rather than replacing or upgrading platforms wholesale, more asset finance firms are choosing to make more manageable iterative improvements, accelerated by agile project management techniques. Again, the result is a faster return on investment as well as lower costs.

SaaS is now also moving to the next level, with fully managed services that not only host software but will also maintain, fix, upgrade and test it on an ongoing basis for a predictable monthly fee. On top of the technology provision, organizations are also looking at their overall business and identifying where non-differentiating, lower-value business processes can be outsourced as part of a cloud services model on a business process as a service (BPaaS) basis.

Iterative delivery case story: German auto finance provider digitizes fast

With an agile and iterative approach to software delivery and integration, innovative digital tools and secure, expert managed hosting, testing and IT support services, the firm fully digitized its wholesale back-office operations in six months. Highly automated processes and APIs with existing systems help manage contracts easily in multiple countries and future-proof against market and regulatory needs.

Fully automated testing as a service (TaaS) increases the efficiency of the firm's UAT cycle and reduces the client's manual effort by 96%. Tests that once took 13 days are now executed in 4½ hours. To improve the quality of processes, tests are run daily by FIS® and any issues are identified before new software is released. With an iterative continuous integration and delivery pipeline, complex upgrades are also simplified.

Face the future on your own terms

For too long, asset finance platforms have been held back not just by legacy technology, but also legacy thinking. Now, a new generation of solutions and services is allowing the industry to plan for the unknown, reduce hidden costs and build flexibility, agility and ROI into its systems.

With room to maneuver, you can modernize your capabilities and consign broken processes to history. But you can evolve at your own pace and retain the practices that work well for you, too.

The future is in your hands. Use your head and invest in a platform that gives back more than it takes.

Let's solve your new demands with FIS Asset Finance

With the choice of a componentized model, an end-to-end platform or a fully managed service with continuous deployment, you can configure and optimize the solution to meet your specific requirements. And with automated operations and innovative technology, you can deliver an omnichannel experience, quick and flexible finance options and quotations, and on-demand services.
Email getinfo@fisglobal.com to find out more.

About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our employees are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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