



DIGITALIZATION

Digitalization as a response for leasing providers

Staying competitive and protecting against cyber attacks

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For companies, their competitiveness is a crucial aspect that they must continuously work on. This can be achieved through innovative products or digitized business models, but it also presents challenges such as regulatory requirements, a shortage of skilled workers and cybersecurity. With the increasing digitalization and the need to protect against cyber attacks, companies must establish robust IT security structures. The author demonstrates how this can be accomplished and provides practical examples. (Red.)

The leasing industry in the DACH region is currently facing numerous challenges. In addition to global crises and economic uncertainty, companies are struggling with a variety of internal and external changes that require comprehensive adjustments in business models, technology and strategies. Comprehensive digital solutions can provide relief in this context.

Leasing is a proven method for temporarily using products or services and potentially acquiring them at residual value at the end of the contract. However, as an established financing alternative, the model, like many other products, services, industries and companies, must modernize.



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This primarily means focusing on digitalization and the development of new products. Only in this way can leasing keep pace with the speed of the market and technological advancements. In the currently economically strained environment, this is not only necessary but also particularly challenging.

Uncertainty burdens the Leasing Industry

The overall economic weakness is having a significant impact on the leasing industry. According to the Munich ifo Institute, the business climate in the sector worsened further in August 2024. The surveyed entrepreneurs also view business developments more negatively than in the previous month. Global crises and structural changes in key markets, such as the automotive industry, play a significant role here.

Many lessees, both businesses and consumers, are postponing new investments due to the uncertain economic situation. According to the Federal Association of German Leasing Companies (BDL), there was a decline in order intake in the first half of 2024. Although the numbers increased

in the second quarter compared to the first, they remained below the levels of 2023.

Additionally, the risk of customer insolvencies is rising: lessees are currently under increased pressure, often leading to deferrals or early contract cancellations. This poses a heightened default risk for leasing companies, which must be flexible to respond quickly and efficiently to these developments.

Regulatory requirements and skilled labour

In addition to economic uncertainties, leasing companies are confronted with increasingly stringent regulatory requirements. Regulations such as the Minimum Requirements for Risk Management (MaRisk), the ESG guidelines and the Digital Operational Resilience Act (DORA) demand comprehensive adjustments and investments in risk management and compliance from companies in the financial sector. Leasing firms must revise their internal processes and improve their data and security standards to meet these new requirements.

The shortage of skilled labour remains a central issue that also affects leasing companies. The search for qualified personnel is becoming increasingly difficult. Often, there are not enough human resources available to implement adjustments to new market demands and technologies in a timely manner.

While leasing companies are internally grappling with the aforementioned challenges, customer expectations are also changing. Customers are increasingly demanding flexible leasing models tailored to their specific needs.

At the same time, comparison portals are intensifying competitive pressure, forcing leasing companies to offer ever-lower prices while also providing more innovative services. Additionally, there are higher demands for managing customer relationships and processing contracts.

Leasing companies must respond by becoming aware of their unique selling propositions, quickly adapting to market changes and advancing their digital transformation to remain competitive.

Growing concern about cyber attacks

With the increasing digitalization come not only advantages but also security risks. According to the Bitkom

study on economic protection in 2024, 70 % of surveyed entrepreneurs across all sectors feel "somewhat" or "very strongly" threatened by attacks such as data theft, industrial espionage and sabotage. This year, 81 % have already been affected. The leasing industry, which heavily relies on digital systems, is facing an increasing threat from cyberattacks. Many leasing companies wish to be completely shielded from such attacks. For others, the question is no longer whether a hacker attack will occur, but when and how intense it will be and how best to prepare for it.

In short, there is a constant latent danger that a successful attack could paralyze the entire business operation and permanently damage customer trust. This year, 67 % of the total damage in affected companies, regardless of the industry, is attributable to cyberattacks. As attacks are likely to increase, a robust

IT security infrastructure is essential to protect against these threats. Despite the dangers, advancing digitalization primarily offers opportunities. By utilizing technologies such as the Internet of Things (IoT), artificial intelligence (AI) and scalable Software-as-a-Service (SaaS) solutions, leasing companies can optimize their internal processes and develop innovative business models. However, these expansions also bring additional efforts that must be managed.

New business models through digitalization

The multitude and complexity of requirements and tasks clearly indicate that isolated digitalization measures, such as those in accounting or sales are often insufficient. To remain competitive in the long term, leasing companies need a fully integrated software solution that covers and optimizes all processes.

figure: economic uncertainty



source: Sopra Financial Technology GmbH

Comprehensive and cloud-based software solutions cover the entire value chain of a leasing company. From point of sale to contract management and financial accounting, business processes are interconnected, efficiently managed and continuously optimized. Automated routine tasks such as contract creation, invoice processing and payment monitoring relieve employees and improve efficiency.

At the same time, such SaaS systems offer functions like data analysis, risk management and the integration of digital services, such as maintenance and insurance for leased objects. This enables leasing companies to respond more flexibly to the demands of the industry and their customers. An example of such software is LeasySOFT, which was developed in the banking environment of the DACH region and meets the stringent requirements of MaRisk, DORA and other relevant regulations.

One Solution for all processes

The strength of such comprehensive solutions lies in the fact that they are developed "as a whole". This means that all individual modules of the applications are optimally coordinated and can be quickly integrated into existing systems, minimizing potential interface issues.

The compatibility of the modules also ensures the ongoing development of the software. This reduces technical problems, maintenance efforts and costs. A central point of contact ensures smooth support and simplified communication.

Comprehensive SaaS solutions provide leasing companies with the necessary flexibility to respond quickly to market changes and efficiently introduce new offerings. Thanks to real-time data processing, companies can make faster and more informed decisions. Such configurable software solutions can be tailored to the specific needs and requirements of the company in consultation with the customer.

These software solutions are suitable for all leasing models and related financing approaches: rental, lease purchase, credit, instalment purchase and factoring. Refinancing is also covered.

Cloud Technology as a protective shield

Investments in such SaaS solutions not only relieve companies operationally but also provide effective protection against digital threats. On one hand, the risk is transferred to the provider of the professionally hosted cloud infrastructure: the responsibility for risk prevention and defence regarding the software lies with them, not with the leasing company itself. They ensure the reliable provision, maintenance, security and updating of the software. It is advisable to choose providers with extensive experience in operating banking systems as SaaS. This core competence is now also accessible to leasing companies.

On the other hand, leasing companies remain operationally capable even in the event of an attack on their own IT systems. Since the software is hosted externally, it is largely protected from internal system disruptions such as cyber-attacks. Additionally, the SaaS infrastructure allows for uniform and comprehensive security standards to be applied and further developed. Fewer external interfaces also mean less exposure to potential threats. This enables leasing companies to ensure their IT security efficiently and comprehensively.

Software solutions like LeasySOFT have proven themselves technologically and practically. Customers particularly appreciate the stability, flexibility and comprehensive functionality of the software, which meets a wide range of needs and requirements.

Practical example I: Trumpf Financial Services

Trumpf Financial Services GmbH has been using the software since its founding about 20 years ago, accompanying both the startup and expansion phases. "At that time, our leasing company was still in its early stages and we were looking for suitable software that could cover all business areas," reports Managing Director Joachim Dörr. Over time, the software tailored for Trumpf has grown alongside the company.

When the leasing company expanded its business into Switzerland, the software was seamlessly integrated and continued to be used. "Additionally, a few years ago, we established our own Trumpf Bank. Here too, the software has proven to be a valuable support, as it is compatible with banking systems," says Managing Director Dörr. Trumpf Financial Services, part of the Trumpf Group, supports the individual financing of Trumpf machines and lasers, among other services.

Practical example II: AGL Activ Services

AGL Activ Services GmbH is a family-run leasing company that offers leasing models for businesses and brokers. They have also relied on LeasySOFT for over 20 years. The software is fully integrated into their processes from point of sale to back office. Particularly in the last five to eight years, the flexibility of the software has proven to be invaluable.

"Among other things, the boom in employee bike leasing has led to an enormous increase in our contract portfolio," reports Managing Director Tim Tiedemann. "While the number of employees has also risen, it cannot keep pace with the number of new contracts. However, with the comprehensive software solution, we can manage all contracts, respond to new customer requirements and optimize our processes."

Technologies make businesses more flexible

Thanks to the flexibility of the software, AGL can offer individual services for customers in the brokerage business that can be easily integrated into the system. "In the future, we want to continue growing and evolving together," says Tiedemann.

In the coming years, the focus in the leasing industry is likely to shift further towards technological innovations such as the Internet of Things (IoT) and flexible business models like "pay-per-use" solutions and short-term usage models.

These new developments not only change the way leasing companies offer their services but also impose increased demands on the underlying software solutions.

Currently, LeasySOFT is being further developed in close collaboration with its customers to continuously optimize existing features and integrate new functions. The focus is on offering the software as a managed service, meaning it is externally managed and continuously supported to ensure stability and ongoing adaptation to changing market needs.

In the future, the provider will also increasingly develop its own innovations and products to actively shape the market and set new impulses for the industry.

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