

behind it, like in the maintenance, in the support, in the implementation.”

However, according to many specialist vendors, SAP and Oracle have had several failures that have caused financial losses for lessors.

Bettina Schmidt admitted that there are challenges in every leasing implementation project, but said this was “natural” and could not be blamed on the software used, adding that failing to implement should not be seen as a “differentiator”.

She said: “I cannot say that SAP has no failures because there are different reasons why a project can be stopped or it is not successful.”

“With one of our customers [whose identity she declined to disclose],” she said, “the project was stopped because the leasing subsidiary was sold to another company. But what happens when you have an acquisition is that all the IT projects are put on hold until the new owner of the company makes a decision. But this has nothing to do with the SAP software.”

Oracle and Fortis Lease declined interview requests.

Does a name matter?

However, for specialist vendors – many of whom claimed they never had a failure on their systems – the significant number of failures of generic companies should at least raise the question of why lessors are still choosing them. NetSol claims the answer to this is that managers feel more comfortable with “big names” and better protected in cases of failure.

Oracle and SAP, as general ERP – or Enterprise Resource Planning – system suppliers, can fulfil most software requirements. Therefore, it is not unexpected that manufacturers, as well as their captive finance arms, use these companies’ services.

For Langford, it is very common that a captive arm of a manufacturer is forced “to go down the same line, because that is what the manufacturer is using and the manufacturer is the par-

ent, and tells them what to do”.

MAN Financial Services UK has outsourced its back-office to Lease Portfolio Management (LPM) for eight years. The company’s CEO, Elliot Lennick, said that a new SAP-based system will be implemented by the end of this year and is currently at its final testing.

Lennick said: “The reason why we have gone with SAP is because MAN worldwide adopted SAP as its base software product. Because of this, MAN Finance first rolled out the system in Germany two years ago.

The rationale behind it is that it will give us connectivity into the manufacturing and sales organisation. But we haven’t taken the SAP package, just an SAP platform [which has been] designed in conjunction with a MAN system.”

He said that the risk of a failure was an obvious concern, but added: “We have seen that the system has been working in Germany for the last couple of years and is now stable and doing what the organisation wants. We took the same system used in Germany and made changes to suit our operations and to take it to the next stage. We are in the process of testing.

“So far it seems to be good and we are confident that we will go live in January 2009.”

Tailored options

Many big lessors, however, have opted for specialist vendors. SG Equipment Finance UK, for example, recently bought the upgraded version of CHP Consulting’s Alfa Systems. SG Equipment Finance’s operations director, Steve Symons, said that problems with the software were “rare”.

“Of course, it sometimes does not do what you want it to do, but CHP is very helpful in trying to solve a problem and make suggestions for solutions,” he said.

Another big player in the industry, HSBC Equipment Finance, has recently chosen to replace its legacy IT platform with a specialist system, SunGard-Northern Arch’s 42. Derren Sanders, head

of HSBC Equipment Finance, said the previous system was about 10 years old and he had been looking for a new system for a while.

Having also considered an in-house developed system, he said that the number of patterns and the quality of packages available from the specialist vendors was “exceptional”, and this convinced him to go with an outside system.

Confidence in size

Many large lessors, however, have a mix of systems, largely because they operate worldwide, and some are confident that generic vendors can still provide a good solution for at least some of their business.

Dutch-headquartered LeasePlan, for instance, has just started to use SAP in Australia. Chris Parker, senior vice-president for LeasePlan, said this is still a “partially live” test, but he was “optimistic” about what he had seen so far and believed that SAP could have “competitive advantages”. Parker added that if the “Australian test” was successful, LeasePlan could decide to use SAP elsewhere.

“We are looking at the future, that’s why we are doing a test like this. A number of countries have raised the need for more efficiencies and better customer interfacing, but it will be mostly a case-by-case basis to see what has to be developed and how we can import that to another country,” he remarks.

In-house development

But competition for specialist software companies doesn’t come only from generic vendors.

Mark Binks, MD of Bynx, a lease software house, said that in-house developers were the biggest competitors, even for niche companies like his, which, he said, are positioned as “specialists within the specialists”, exclusively focusing on vehicle leasing and fleet management systems.

Many companies, in fact, have developed their own software. This has one striking advantage – cost. A peculiar example is

e-Lease, which was introduced last January by ING Lease Netherlands and which, according to the company’s MD, Peter-Jan Bentein, has already provided a “double-digit” growth in the production volume (see page 59).

LeasePlan, meanwhile, has been using its own bespoke application for about 30 years in 90 percent of its organisation.

Parker says that this application provides LeasePlan with “full control and flexibility”, therefore “if we were just to replace our current core application with industry specific applications, we feel we would be no better off”.

Growing pains

Problems still take place, however, especially because large companies of LeasePlan’s size – it operates in 30 countries – don’t have a single system covering all the markets they operate in. It essentially has 30 different applications and so, Parker explained, any integration is potentially a challenge.

“We are investigating the possibility of a single instance with the SAP test, so we couldn’t have a single instance with our current application, but that is what we would like to realise in the future,” said Parker.

For Binks, the in-house solution could be “cheaper”, but it has some disadvantages.

“The problem is when the company grows too much, but keeps the original system. It has to deal with a different technology and a different era,” he said.

He added that the in-house solution operates “behind the scenes” and therefore nobody is going to know if there are problems or failures.

But one thing all companies seemed to agree on was the importance of using the right technology in the current economic environment.

As Langford said: “It is in a downturn when companies find that their skill in evaluating the good credits as opposed to the bad credits becomes important and systems can help them to do that.”