International challenges for vehicle leasing businesses

Alan Vervaet, non-Executive Director, ***Bynx***

Businesses that lease vehicles are facing unprecedented international challenges. This is particularly true for the car sector. In some parts of the world business is booming, while in others, the inability of governments to spend money is unearthing unparalleled economic challenges and forcing them to take a fresh look at how they get the most out of their vehicle assets.

So, what are these international challenges and what are vehicle leasing companies doing in order to take full advantage of new opportunities, alongside keeping a tight rein on spending?

Firstly, a raft of **consolidation in the car leasing sector** has resulted in many businesses having to **integrate disparate legacy computer systems** in an attempt to acquire a single platform overview of their customers and vehicle assets. Many have tried and failed to do it in-house realising that the amount of work involved and the time needed to carry it out would render any resulting system obsolete before it is even rolled out.

Lessors also face the daunting pressures of retaining customers, increasing satisfaction and providing mutually beneficial value-added services.

Multi-national vehicle leasing businesses are not only faced with legal, regulatory, cultural and fiscal differences (such as **2012 tax changes in Australia and impending IAS changes**) in each country and having to deal with different economies, languages, geographies and terrains (sand tyres in UAE, mountains and salty coastal areas in South Africa and persistent rainy and wet conditions in many parts of Northern Europe) but these differences have also to be managed globally whilst being acted on locally.

It's a big ask, particularly when you considering that each operation in each country has its own way of doing things, its own staff who are used to doing it that certain way and its own stakeholders who bring their own set of distinct demands.

The recent car 'scrappage' scheme (launched in Europe and the USA) is a case in point. Introduced in the UK, for example, in the 2009 budget, it was designed to encourage UK citizens to purchase new cars (or vans) and scrap any old one they had owned for more than twelve months and which was ten years (or older) in age. A similar scheme was introduced in Germany in 2009 and then in France and Italy.

Different cultural requirements drive customer demands and behaviour in each market. Car manufacturers launch different vehicles in different countries, in response to what suits the market. For example, Toyota has launched five new products in the UAE in 2012, including the iconic Camry and Land Cruiser – and this gives leasing companies in the regions the nightmare of having to keep pace with a very fluid market.

There is also a blurring of the boundaries and a misunderstanding in some markets as to the **difference between vehicle rental and leasing operations** and this creates challenges for suppliers of long-term, full-service leases that need to price and contract in the correct way.

Cost for (and management of) SMR **(service maintenance and repair)** differs hugely from region to region, as does setting and maintaining residual values, the Achilles tendon of the industry – and a problem for which there can be no set formula across the regions.

Deciding on what plans to offer in each region **(fleet management, managed maintenance, managed services agreements, corporate car share schemes** – where operators provide cars and technology, thus helping to optimise asset value) is hard, to say nothing of management complexity.

Technology is playing a pivotal role, enabling the international businesses of the future. Without it, it just wouldn't be possible. But technology is not a panacea and choosing the wrong solution can be just as detrimental to business success as having none at all.

To meet the needs of **today's international challenges,** there is a need for standardisation and for **disparate legacy systems** to be **consolidated onto one, unified platform,** based on open architecture that is widely utilised. Businesses need to be streamlined and processes automated in order to be responsive, expedite speedily, cut costs and improve service and workflows.

In an increasingly online world, there is also the need to offer easy and yet secure access to stakeholders, better communication and powerful back office systems.

Then there's the future and **new technological developments** such as **telematics.** It's easy to be daunted by the **challenges that international lessors face** but then it is also a time of great opportunity: new technological developments, new markets opening up, the growth of SMEs (small to medium enterprises) in many regions spawning a greater demand for vehicle ownership and more streamlined and efficient operations. If they get it right, vehicle leasing companies have a bright future.