

Welcome to the FLA AMF Software Forum

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TUESDAY 23rd MAY 2006

Presented by:

Tracey Welch
Business Development Manager
NetSolCQ



Can asset management software
work as a stand-alone system,
or
should it always be part of
an integrated system?

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If we look back at the early writings of the Renaissance Era we find a quote by John Donne, Meditation 17.

But the entire quote is:

“No man is an island, entire of itself, everyman is a piece of the Continent.”

And this got me to think that actually in the 1600's, these philosophers were giving us the answer.

The theory of the interconnectivity of mankind must have come in sharp contrast to other thinkers who sort isolation.

In Sir Thomas Moore's Utopia, a description of an island nation that thrives in its isolation is to develop the ideal society.

Utopia

- One system would result in isolated utopia.
- It is not by Isolation but on a reliance on one another that systems within that integrated solution thrive.

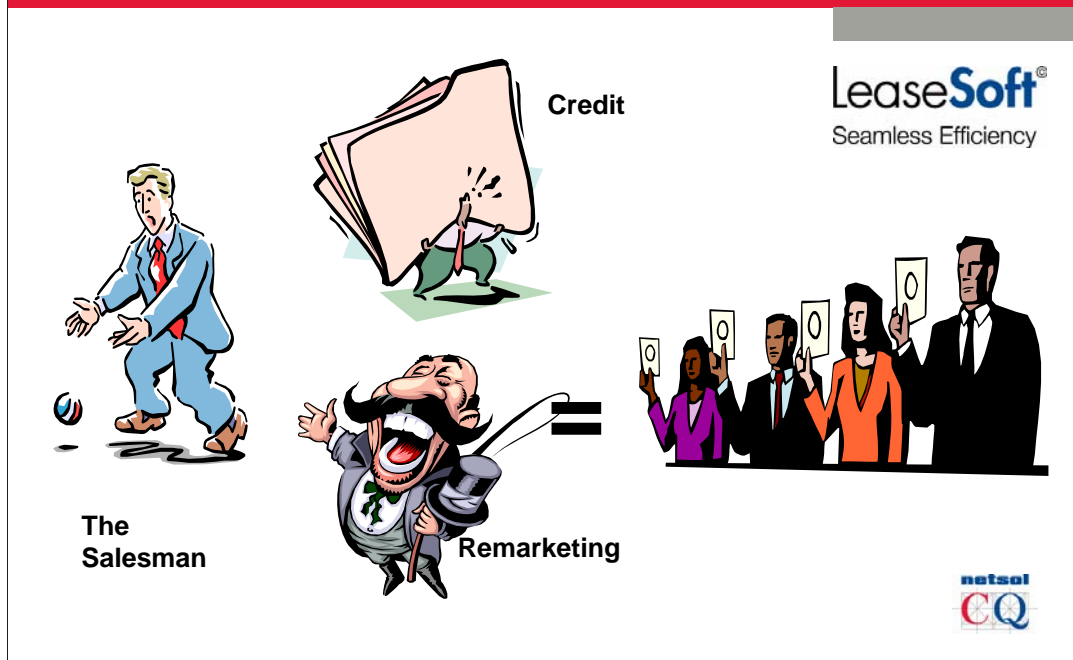
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If we translate this statement into terms of system structures, readers of Moore's book might have hoped that in isolation one system too could develop such a perfect Utopia.

Yet within Utopia itself, it is not by isolation but by reliance on one another that systems within that Integrated Solution thrive.

Why Can't Asset Management Standalone



Well it can.

The Salesman:

He can sign up the customer, make his targets, commission is earned, job done, contract passed to credit

But should he not care that:

- Customer never pays
- The asset is always returned in bad condition
- Remarketing have the same asset for sale as the is third party supplier, he's financed.

Credit:

Well credit can underwrite the deal, he cares about the debt risk, but the equipment; what does it matter, that is the returns and remarketing department problem.

Remarketing:

Links to external agencies, no need. We can sell it on Ebay, order in brown paper and tape, there's a bloke down Surrey market who can shift it!

Departments not just systems working alone equal:

Risk to Profits : Unhappy Accountants

Unhappy Why?

- Stand alone departments and reliance only on internal resources....

...Don't Give

“Operational Efficiencies”

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Standalone Best or Breed Systems do not offer these efficiencies either, they are architected as point solutions.

Asset Management is about the lifetime management of that asset, as we refer in industry;

- Cradle to grave
- Procurement to disposal

Ultimately it is about managing the risk to the business.

What Is Asset Management

- **Managing**

- Business Risk
- Customers that use the asset
- Asset Values
- Maximising Income
- Reducing whole life costs

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Two types of risk:

- Managing the debt risk +
- Managing Asset risk

these risks are interlinked throughout all parts of the organisation.

Its also about managing the customers who use them.

- Managing asset values.
- NBV v Market Value
- Maximising income
- Reducing whole life costs, whilst
- Providing exceptional service to our customers.

What is Whole life cost?

- Procurement
- Repairs, Maintenance & Servicing
- Asset Utilisation, Profitability and Efficiency
- Downtime
- Residual Value
- Return Conditions
- Condition and inspection
- Asset Replacement Programmes
- Collection/ Delivery
- Depreciation, Financing, Billing/ Collection, Accounting
- Storage
- Remarketing
- Scrapping

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Procurement – Buy at best price, quantity discounts, fit for purpose, knowing where the asset is located.

Repairs, Maintenance & Servicing – Warranty requirements, critical, compliant service scheduling (don't fancy having an x-ray from a machine unserviced)

Maximising Asset Utilisation for Profitability and Efficiency

Downtime – Minimising the amount of time the asset is out of use

Residual value – Setting RV values higher than market value, will lead to a loss of a sale. Research on RV levels – ever changing market trends

Return conditions – Cost of auditing the asset for compliance to those return conditions

Condition and inspection – Reports on, by staff or third parties. Go to site.

Asset replacement programmes – Exchange out optimum resale point

Collection and delivery of asset – Collection of a lorry.
Dumped at mont blanc tunnel is never cheap.

Asset Depreciation, Financing, Billing/collection of rentals, Accounting
These points are all accounting costs, so I won't bore you

Storage – (Assets in warehouses are inefficient and costly)

Remarketing – (In-house third party agencies Auction houses, skill costs)

Scrapping – Yes we even pay to dispose of what we don't want.

We can see from these costs that they come from all sectors of our business to formulate whole life cost of the asset.

What Factors Affect Price ?

- Current Economic Environment
(Supply & Demand)
- Asset Technical Specification
(Year, Make, Model & Modifications)
- Condition and Appearance
- Maintenance Service History
- Usage Environment
- Hours Worked
- Type of Customer/ Industry
- Experience of Customer

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Our next question is:

- What is the asset price?
- What is the future price?
- What residual value should it carry?

At this point we could play the game “Come on down the price is right”

Yes all shout out values and someone with no idea of what value a 7 year old RCV with tail lift is worth, guessing completely wrong.

But yes, thankfully we can now be more technical in our approach.

We can use an integrated solution to provide information from all areas of the business, to help value the asset and minimise the risk to the business.

What factors effect the price?

Current Economic Environment – Is the asset in demand/are stocks low or is the market overwhelmed?

Asset Technical Specification – Bell and whistles add value

Condition and Appearance – Has asset been looked after or dumped in a field and left to rust

Maintenance Service History – Do records provide full service history, 1 careful lady driver

Usage Environment – Printing press, heavy 24/7, weekends only

Hours worked

Type of customer/industry

Experience of customer – Whether they look after the asset or drive it into the ground.

What Factors Affect Price?

- Number of users
- Payment Performance
- Sublet Conditions
- Manufacturer/ Dealer Support
- Resale Values

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What factors affect the price? (continued)

Number of users?

Payment Performance – Usually customers in arrears treat assets badly

Sublet conditions – If the asset sublet experience of customer is null and void

Manufacturer/Dealer Support

Resell Values

If we now look at those areas in relation to number of systems that are potentially required to Manage the Asset.

At first pass I came up with 24, in many organisations these could be a mixture of:

- Bespoke designed Best of Breed Solutions
- Relational databases
- Spreadsheets colour coded with files

Integration to email, wireless and mobile networks data and service providers is expected as normal now days. But system integration must go hand in hand with process.

Standalone systems?



Contract Management
Stock Inventory **Underwriting**
Wholesale Stocking **Returns Management**

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Fleet Maintenance
 - Stores Manager
 - Repair Authorisation
 - Maintenance Manager
 - Fleet Information
 - Workshop Manager

Credit Reference Agencies **Portfolio Product Mix**
Quotation System **Asset Valuation Agencies**
Accident & Insurance **Auctioneers**

Fixed Asset Table **Asset Tracking**
General Ledger **Remarketing**
Warranty Manager **Residual Value Matrix**



CRM



If we look at Interconnectivity required for operational efficiency.

For just 4 departments; Sales/Credit/Remarkets/Accounting within a company;

Salesman requires:

CRM, If Captive (Stock Invent), Quotation System, Remarketing - whether asset is available in house, RV Matrix, Repairs and maintenance – maintenance costs 6x4 + crane + tyres = cost, Underwriting – credit lines, Contract Management – customer history/exposure.

Credit requires:

Underwriting the debt but the asset as well, Quotation System, Credit Reverence Agencies, RV Matrix, Returns Management – 100 trucks back at one time, Contract Management System – exposure/credit lines and payment risks, Asset Valuation – Remarketing Asset Valuation Agencies, Will the Asset be worth the value in x years, Remarketing – RV Value/Future resale values

Remarketing

Asset details:

Repairs and Maintenance – History, Mileage Asset location
 Contract Management Systems – Return date management
 Stores (warehousing) availability

Third Party:

Asset Valuation Agency
 Auctioneers
 Returns Management Collection
 Underwriting (Compliance with Terms & Conditions)
 Digital Imaging – Pictures/History

Accounting

Contract Management
 Fleet Management
 RV tables
 Remarketing
 General ledger
 Stuck Inventory
 To ultimately give, the profit and loss on the asset.

UTOPIA

- **Single database**
- **Consolidating Information**
- **Integrated Solution throughout business units**
- **Containing as many internal systems as possible**
- **Links via Web Services to 3rd Party partners/ suppliers**

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Conclusion

Operating Efficiency is only achieved by asset management always being a part of an integrated process solution.

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What is Utopia?

Single database containing as many internal systems as possible.

Consolidating information from many area's with electronic integration to third party partners via web or Edi technology.



Thank You

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