



INTERNATIONAL
DECISION SYSTEMS

FleetWare Residual Value Forecasting Module



The Residual Value Forecasting Module provides users with a 6-benefit solution to the area of Residual Value forecasting. Launched in 2003, this latest product from IDS handles Control, Foundation, Traceability, Condition, Mileage and Audit in the setting of Residual Values, in a secure, Oracle based environment. A range of reports to compare results and user-definable exports complete the management of this important risk area.



In today's world of more focus on the managing of risk, and in particular Residual Values, the IDS Forecasting Module provides users with a 6 benefit solution to the sometimes problematic area of Residual Value forecasting. This latest product from IDS deals with Control, Foundation, Traceability, Condition, Mileage and Audit in the setting of Residual Values all in a secure, Oracle based environment. With a range of reports to compare results and user-definable exports to feed the Quotation system, the RV Module manages this risk area in a more open and amendable way than has been previously available.

This module has been developed to be totally integrated into FleetWare or to operate on a stand alone basis.

CONTROL

New Vehicles

The benefit here is that when a new model is introduced, the contract hire companies must be able to easily identify those vehicles so that they can assess and set the required residual value projection. It is likely that they will also be under pressure from their customer base looking for quotations on a vehicle shortly after its release.

Vehicle Status

Certain contract hire operations will not want to allow their teams or their customers to automatically be able to quote on certain vehicles or ranges. For example, they may wish to remove some of the more exotic manufacturers or certain categories of car, particularly high performance models.

Benchmarking

This is the terminology used to link a new vehicle, where there is no history, to its historic predecessor or possibly one that is considered to be its peer. It is used to provide a full history of used car prices. The benefit is that in the new module the benchmarking process is far more transparent and allows the users easier access to the modification process.

User Defined Categories – User Defined Adjustments

This is the main area of the system where the users will put in their own views. The system has the flexibility to allow the users to define their own tables, usage and price movement factors plus the ability to enable/disable categories and assign these categories to customers or potentially even to drivers.

UCV / RV DataSets

These are the terms given to vehicle prices stored in the database, either a few vehicles or the entire database. The basis on which the system operates is dependent on the data set selected, and therefore the result can be significantly different in terms of the projected RV's. The ability to control multiple sets provides the users with control over which items are to be used and for what periods.



Main and Live

This terminology refers to two distinct areas of the system.

Live contains those approved residual values which are currently being used within the quotation system i.e. being used as part of the process to generate new business for the contract hire company.

The Main terminology refers to an area of the system where reviews are conducted to prepare the next set of residual values to be used. Most companies would conduct full residual value reviews between two and four times per year. They will then carry out individual reviews of specific models as they are introduced or they would get evidence that their current forecast is out of line with the marketplace.

FOUNDATION

Used Car Values

The system gives the users the choice as to what data sets to use as the foundation for their forecasts. Many of these are regarded as industry standards i.e. the CAP guides in particular

Range of Data Sets

This system recognises that the vehicles are being retained for longer periods of time and can provide residual value projections per vehicle up to 10 years of age. In addition there are now six mileage points, the benefit to this is more data points and the reduction in the range of interpolation between the mileages, which will provide greater accuracy.

Benchmarking

In terms of foundation, the benefit is that through benchmarking it ensures that the user has a full data set for new models as soon as they are introduced and can create their own dynamic linking to peer group vehicles if they should disagree with the initial settings provided by IDS.

Condition Value Interpretation

Within the industry guides, the common practice is to quote values at three different levels of condition. The system allows the user the flexibility to determine which of these values to use in the forecast. This will be linked to their target market and the strategic policy they adopt with regard to the stringency of charging for any refurbishment of items at the end of contract which are out of scope of the contract terms.



UCV AND RV Data Sets

In terms of foundation the benefit by having multiple, historic databases stored on line the users can easily recall the sets or use them in comparison analysis, knowing that the data is to hand and has the interrogation necessary to enable the analysis to be completed easily and promptly.

TRACEABILITY/VISIBILITY

Used Car Value Files

Where the users decide to base their forecast from the industry guides, this information is available in the public domain and therefore the base is fully transparent to all who need / wish to review.

Data Sets

The full data sets are held within the system and therefore on line interrogation of a residual value enables the users to drill down from the result through all of the parameters back to the original core data. This is important for proving the result i.e. each step of the way they can see how the value has been manipulated from its base to the final result.

Segment Codes

The segment code is a term applied to a coding structure which groups vehicles by their generic type. One of these for example is Super Mini which applies to all the very small vehicles across many manufacturers. The ability to compare models across segments is key to an analysis/review of residual values, for example see how Ford's Fiesta compares to Vauxhall's Corsa to Renault's Clio to Toyota's Yaris etc.

Benchmarking

Please review the other notes but from a feasibility perspective the new system has far greater access to the benchmarking process which relates to each vehicle and the subsequent vehicles which are also affected by it.

Main and Live

Visibility is the main benefit, the system provides. Full on line comparisons across each data set allowing the users to test, measure and analyse the results. Information can also be downloaded to spreadsheets for further in depth analysis if preferred.

Flexibility – Used Car Value Files

The user is given the choice of which basis to use and whether these should be built on a single month guide values or based on a rolling average over the past twelve months. The decision on what basis should be used will be taken on each company's view of the marketplace and their own strategy and can be amended from time to time as this changes.



UCV Modifications

Whilst the external guides provide a starting point on which to base forecasts, the contract hire company will always measure their disposal performance against these guides and if they find them to be inaccurate in respect of their experience, they can apply modifications to the base data to reflect that actual experience.

CONDITION

Value Interpretation

The system provides the user with the ability to set complex rules for the interpretation of these value differences which can be quite significant, certainly hundreds, and in some cases thousands of pounds. The users have the ability to select the condition based on term, mileage or a combination of these. This would reflect their own experience, market sector, customer base and general usage.

Projected Price Movements

The whole purpose of the forecast is to project how the unknown price will change between its known point and when a vehicle returns. One of the main components, generally being referred to as inflation in used car prices, but can also refer to deflation, which has tended to be the trend over the last few years. The system provides the ability for multiple tables to be created and factors to be applied at manufacturer model and vehicle levels.

User Defined Categories

In addition to the general used vehicle inflation, there will also be a whole raft of other categories users may want to introduce. Items like the product life cycle i.e. new models to be introduced in the near future, or where a manufacturer expects to see a significant increase in the volume of their sales, this could have an adverse impact on future values, when the rules of supply and demand will apply. The system allows an unlimited number of categories to be created by its users, using their own/recognisable terminology, they can then determine how these factors should be applied as percentages or pound note values both in a positive or negative manner. The categories can be applied to the entire database, the manufacturer, a model, a vehicle, a segment code or specific group of vehicles.

Main and Live

These represent two distinct and separate areas, and therefore the review can be conducted on a completely isolated basis, outside the live environment allowing the business to be transacted on the approved set of values, providing time to fully review what changes should be made prior to replacement of the new data.



Accuracy – Used Car Value Files

The use of industry guides as the starting point, provides a reconcilable and provable pricing database which is in the public domain. The system has a raft of analysis and comparison functions to enable this to take place.

UCV Modifications

Please see the earlier entry. The system has the ability for users to adjust the industry guide prices if they differ from their own experience.

MILEAGE

Mileage Data Points

By having six data points means that each interpolation of a residual value for a mileage between points is being adjusted far less than in the previous system with the resultant increase in the accuracy and reduction in margin for error.

Condition

The accuracy benefit is linked to the ability to assign conditions at the appropriate levels within the database, manufacturer, model or vehicle levels plus being able to select both a term and mileage factor to influence how the conditions should be read and the values applied accordingly.

User Defined Categories

The accuracy aspect, with unlimited categories, allows the users to fine tune their forecasts, almost without limitation, and be able to apply these adjustments to a wide range of vehicle selection criteria.

UCV AND RV Data Sets

The system has the ability to read multiple data sets and to auto generate a set of adjustment factors required to alter the base values to achieve a specific value in alignment with a selected data set.

AUDIT ABILITY AND SECURITY

Data Provision

New data is loaded via an automated process and log and error files are recorded on the system.

Benchmarking

The system maintains a full audit trail of all the vehicle relationships and the values affected by such linkages



Main and Live

By maintaining separate categories of data and multiple data sets provides the user with the full audit of each data set and how their decisions were arrived at.

Audit Trail

The system automatically maintains an audit log of all the principle elements of the system and records changes to user benchmarks, inflation parameters, seasonality parameters, used car value adjustments, RV adjustments and RV overrides. These are the principle components which affect the end forecast.

Security

As outlined above, the audit trail records what has happened via security, who has access and who has affected the changes to the system. Security also controls the level of access rights for each individual.

International Decision Systems Limited
Norton House,
1 Stewart Road, Basingstoke,
Hampshire, RG24 8NF
Tel: 01256 302000
Fax: 01256 302005
Email: info@idseurope.com
Website: www.idseurope.com

IDS Europe is a member of the IDS Group plc, world market leaders in the provision of software and services to the leasing and asset based finance sectors. We supply software systems, data management and consultancy services to contract hire and leasing companies, fleet operators and manufacturers. Our FleetWare software and data provide a unique single-supplier solution for vehicle and contract management, with an interactive modular suite of programs that deliver the flexibility to meet your operational and accounting needs.