



# Which Financing Platform is Right for Your Business?

*Finance firms face the challenge of putting the right systems in place to enable an outstanding customer experience. Katie Emmel, of International Decision Systems, outlines best practices in selecting a full-lifecycle finance platform for your business.*

By Katie Emmel



**Katie Emmel**  
International Decision  
Systems

The asset finance market has seen a significant amount of change in the last decade. Advancements in technology provide a great opportunity for finance companies; but increased regulation, particularly for large banks, continue to take priority and resources away from new initiatives. While the industry continues to be dominated by big banks, the emergence of a significant number of specialized finance companies are delivering a broad array of services

within their targeted verticals. This has continued to expand the U.S. leasing market, contributing to the near 3.5 percent CAGR over the past five years. This market has now surpassed the \$1 Trillion mark in annually financed assets. And yes, that is Trillion with a “T.”

With all this opportunity, finance companies of all sizes are faced with the challenge of not just acquiring new business, but also putting in place the right systems to ensure that onboarding and ongoing management of customers is an efficient process which enables an outstanding customer experience. But how do you get the system that is right for your business? What do you look for and what do you want to avoid?

In working with a significant number of finance companies over the past 30 years, there are a few things that I have identified as best practices in selecting a full-lifecycle finance platform. In order to help you through this process, here are a few things to consider:

## **Look for a solution that aligns with your business today and will be there in the future...**

While this seems obvious, I have found that companies may compromise their business offerings or take on risk to get a new solution to work. This is not how the process should work. Find a solution that is proven to handle your business with the ability to integrate with your ecosystem. While you may be looking to replace parts of a legacy system to improve process and efficiency, there are most likely other aspects of your ecosystem that will not change and need to interact with the platform you deploy. I would encourage you to look for flexibility, extensibility and interoperability in the platform you choose.

Flexibility in the ability to deliver capabilities that are unique to your business and extensibility and interoperability to provide the ability to connect your platform to other technology critical to your business. For example, if you are looking for a front-end origination system, you will most likely need to connect to a third-party service providing credit information for customer applications. With a back-end system, this could be

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connecting to self-service portals for your customers and partners. The system you choose should be able to easily connect to these types of services, increasing the overall efficiency of your business process and aligning with your overall growth goals.

#### **Look for a solution that provides you with different delivery options...**

The software world continues to evolve at a staggering pace, impacting the way we buy and consume just about everything. From Uber to Airbnb, industries are being disrupted by new delivery models of existing services. The asset finance industry is starting to see this impact in the way finance platforms are now being delivered. Traditionally financial institutions have wanted all of their technology to be on-premise in their data center, but with the proliferation of cloud-based solutions, we are now seeing financing companies become more open to a cloud-first strategy for their mission critical systems. While cloud-delivered back-office and front-office systems may not be for every organization, the majority of finance organizations can benefit from cloud technology. The software vendor is the one who has to worry about ongoing management of IT infrastructure and application management, allowing the finance company to focus on servicing their customers and growing their business.

This flexibility should also extend to the pricing of the solution. A growing number of asset finance customers have a consumption-based model where they pay based on usage of the asset. The classic example being office imaging solutions like copiers. Your financing platform should give you this option as well, especially when delivered as a 100 percent Software as a Service (SaaS) solution. For those finance organizations in a specialty market without the volume of a tier-one bank, a consumption-based pricing model might be a good alternative to other more traditional license and maintenance pricing structures.

#### **Look for a proven finance product, not just a consulting service with a collection of software tools...**

This one gets a little tricky. The finance software industry has grown up as a service model, so many vendors have a strong professional services organization able to deliver a highly customized deployment. While this model worked for organizations accustomed to large software deployments, this model has been replaced with a more modern product-based approach.

With modular-based open architectures and ever-increasing web extensibility through application program interfaces (APIs) or web services, the days of bringing a collection of code and then cobbling a solution together are gone.

Modern software deployments should have the majority of functionality needed out of the box or over the internet in the case of cloud deployments. The solution should not require significant customization and should be designed to allow you to use the level of functionality applicable for your business today, while having proven capabilities to support your business in the future. If the solution you are looking at is “product-first,” then you should be able to get started with a reasonable on-boarding engagement to ensure integration across your ecosystem and alignment with your business processes.

#### **Look for a solution provider in touch with industry changes...**

Again, this one is a little less obvious, but it is important, as the financing industry landscape will continue to face regulatory, technology and competitive changes which will have a direct impact on your business and the business of your customers. For example, the recently imposed Financial Accounting Standards Board’s Accounting Standards Update (ASU) 842, which affects the treatment of operational leases, will have a direct impact on the balance sheet of your customer. With the sweeping impact of this regulation, I am sure most financing software providers have addressed this at a code level. But when it comes to smaller, more nuanced changes, it is important to know that your software partner and their solution is up to date with new regulations and accounting standards. A good test is to see how active your software partner is within the industry. Your software partner needs to provide solutions that your business needs today and be on the forefront emerging market trends to support your business in the future.

While this is not an all-inclusive list of evaluation criteria, it is a good start and should provide you with some guidance on your next vendor selection. As always, the best solution provider is not only the one who can deliver the best technology in the way you want to consume it, but one that feels like a partner in your success. ☺

**ABOUT THE AUTHOR:** Katie Emmel is the Chief Operating Officer of International Decision Systems.