

Q2

**Essential
ingredients of
a modern
leasing platform**

Bring your company into the fintech age with seamless, flexible, cloud-based leasing technology

This Q2 white paper describes a unique cloud-based technology platform that enables leasing companies to process leases faster, even as they reduce costs, minimize back-office chaos and improve the customer experience. Many of today's emerging fintech companies have been founded with the express purpose of disrupting incumbent financial systems and the established companies that use them. Leveraging the cloud now can empower your firm to outflank competitors and grow market share by making the most of these opportunities.



Executive Summary

The leasing market is changing fast. Advances in digital technology have raised consumer expectations—especially their expectations about business applications. While some companies can get away with steering users through brief and well orchestrated online encounters, the ongoing nature of leasing places a high importance on maintaining strong relationships with customers. That means good technology and exceptional experiences throughout a lengthy customer lifecycle.

Are you delivering the types of experiences your customers expect?

It's not easy to do so, especially as competitive pressures motivate lessors to control costs and increase agility on other fronts as well. While companies in virtually every industry face similar issues as they strive to accommodate the digital revolution, leasing companies must contend with a unique set of challenges that mismatched technology and manual processes simply can't solve.

It's no wonder that dissatisfaction with leasing systems is at an all-time high. Smart lessors realize the urgency of modernizing. It's time to catch up or get left behind as competitors start leveraging new types of financial technology (fintech).

40% are considering back-end platform replacement within **18 months**

Replacing front & backend systems remains a top priority for equipment finance companies

25% will also look at front-end platforms

TODAY

40%

of equipment finance companies report back-end platforms don't meet current needs

TOMORROW

60%

say back-end platforms don't meet **future** needs and almost **50%** say front-end platforms don't either!

Introduction

With more than 40 years of banking and cash management experience, Debbie's role as senior product marketer is to understand Q2's customers and prospects, leveraging market research and competitive intelligence to forge new partnerships and influence the capabilities of Q2's product suite. Debbie has served on multiple boards, councils, and task forces, including the Association for Financial Technology Board of Directors; NACHA's Payments Innovation Alliance; and the U.S. Faster Payments Council.



The leasing industry is growing faster than ever, driven by new digital business models and new financial circumstances. Increased regulation is reducing lending by traditional banks as those institutions focus on higher-value loans in the wake of the 2008 financial crisis. Leases are filling the gaps. In the U.S., companies are increasingly adopting leasing strategies to take advantage of tax-deductible lease payments for business equipment. Meanwhile, manufacturers are moving to sales-aid financing to promote their products.

Most leasing companies have some level of information technology (IT) systems in place to streamline existing business processes. But these legacy solutions typically fall short for many

reasons. Often these companies have patched. Additionally, because internal operational systems don't always work well together, lessors lack full visibility into the equipment they have out on lease. It's difficult or impossible to develop meaningful business intelligence strategies when information is scattered across multiple systems of record. Business processes become unnecessarily complex, compromising the customer experience and the ability to react to market changes.

These difficulties are intensified when leasing companies attempt to use systems that were not designed for leasing. Many loan origination systems and related financial solutions are capable within their designated sphere of operations, but they lack the specific functionality required to meet leasing's unique needs. Manual and paper-based processes often fill the gaps. These outdated solutions lead to chaotic back-office practices and substandard service for customers.

Lessors and their extended organizations (which includes brokers, dealers, collectors and repossession agents) that use old technology and manual processes are unable to adapt to changing market requirements. Some lessors rely on service providers to help them service their portfolios. In many cases, those service providers also use old technology, making it extremely difficult to introduce new or modified financial solutions. To stay competitive, lessors need to invest in technology solutions that are designed for leasing—and for modern leasing clients. Such systems should cover the entire leasing cycle to provide a comprehensive, 360-degree view of customer activity. They should be easy to configure and be anchored by a single system of record—an authoritative database that underlies all leasing and asset management activities.

This white paper describes a new type of cloud technology that can enable leasing companies to process leases faster, even as they reduce costs, minimize back-office complexity, and improve the customer experience. Many of today's emerging FinTech companies have been founded with the express purpose of disrupting incumbent financial systems and the established companies that use them. Leveraging the cloud can empower your firm to outflank competitors and grow market share by making the most of these opportunities—and seizing Fintech for your advantage.

Why lessors need to modernize

Times have changed

Competitive pressures are motivating lessors to control costs and be more nimble. While companies in nearly every industry are striving to get in sync with the digital revolution, leasing companies face unique challenges. For example, lessors and manufacturers need visibility into the location, condition, and current value of equipment on lease. Unlike equipment for sale, once equipment is leased the ongoing tasks of management and tracking have just begun. Lessors need effective management capabilities that extend throughout the full life cycle of the lease.

Today's tech-savvy customers demand prompt, knowledgeable service, anytime and anywhere, motivating lessors to upgrade their mobile capabilities and bolster their web presences. The nature of leasing agreements places a high importance on maintaining strong relationships with customers. Unfortunately, many lessors depend on paper-based processes that lack efficiency and complicate both underwriting and servicing. When information is stored in hardcopy form, spread among multiple information systems, or scattered

among paper notes and spreadsheets, it is nearly impossible to manage exceptions or set up modern services such as automated billing, payments, and the application of fees.

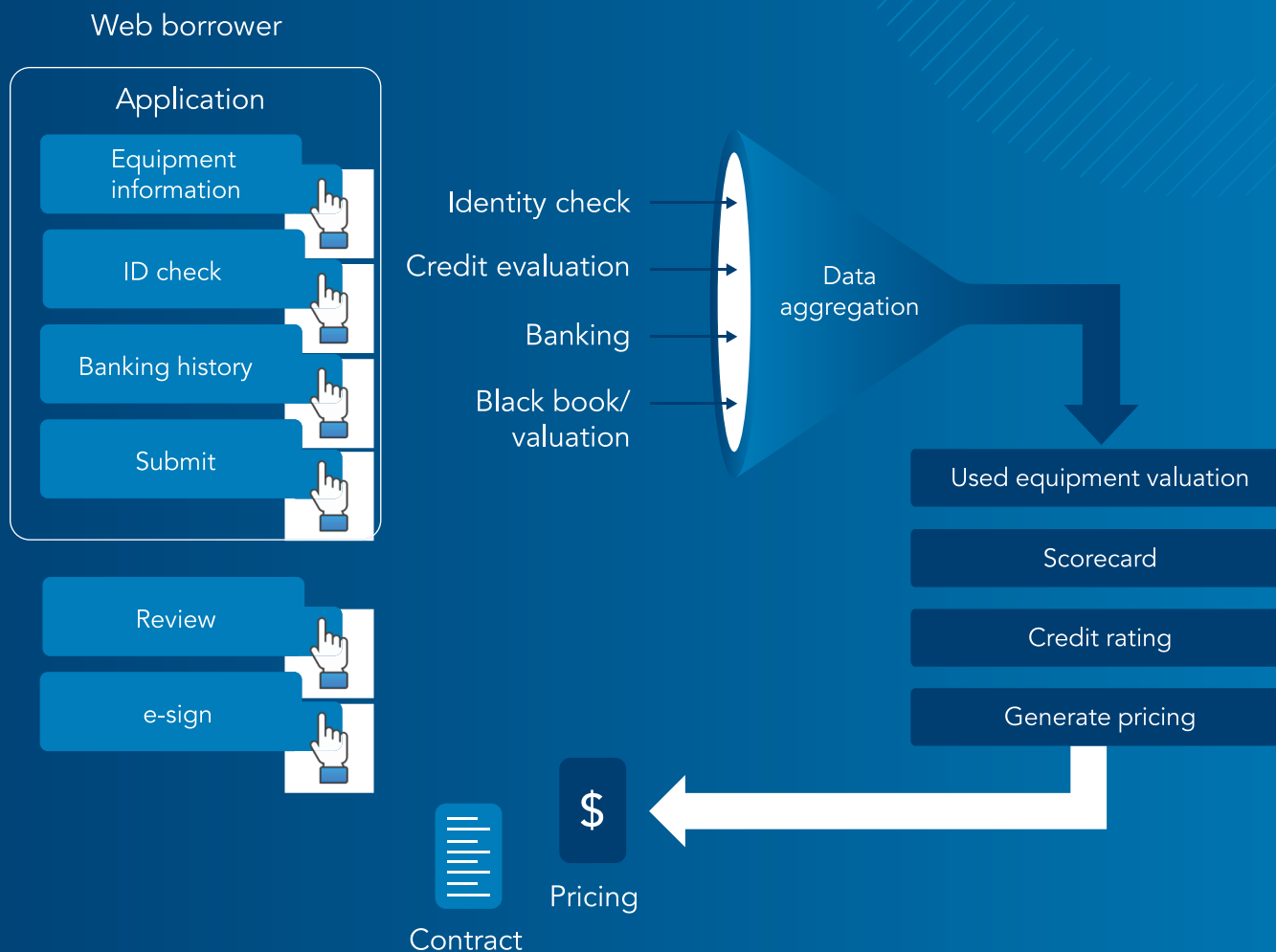
Lessors must minimize asset risks by carefully tracking and managing equipment within the lease and after lease maturity. They also need to proactively work with delinquent accounts to minimize collection risks. Meanwhile, administrators need visibility into the "extended organization," including collection agents and dealers. They also need agile information systems that can quickly conform to changing regulations and business processes.

Reduce chaos in the back office

Lessors need to not only manage the traditional front-end origination cycle, but also automate mission-critical lease servicing operations. However, many lessors focus a majority of their energy on customer acquisition instead of on servicing. Because of this, they may use a variety of different platforms on the front-end (CRM, origination) and back-end (servicing, ERP/Finance system), and they may even use spreadsheets to service their leases. This situation can complicate application-to-application integration and increase IT management costs, even as it reduces these organizations' ability respond to new needs and opportunities.

Astute companies can launch themselves into the future by deploying a comprehensive online leasing solution that is specifically designed to meet the needs of today's lessors. They need a completely integrated system that connects origination, servicing and asset management. Such a system should be based on a single system of record to enable integrated reporting, snapshot views and dashboards—so lessors always know where they stand.

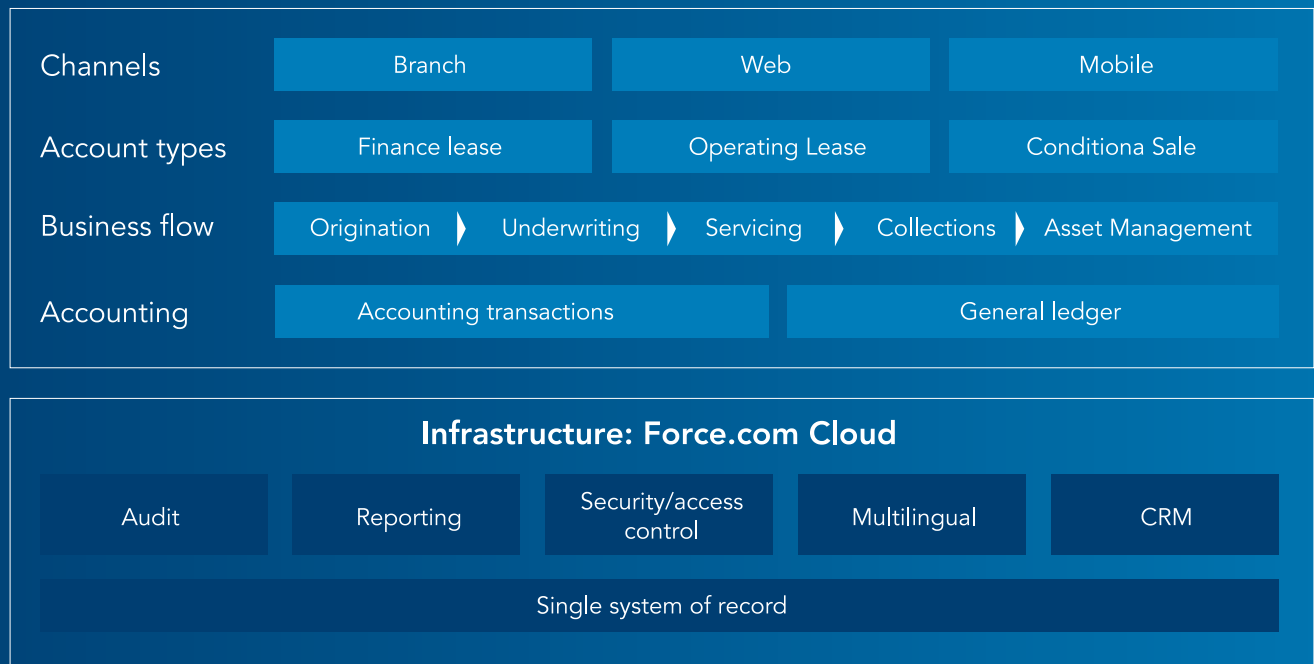
Origination workflow for online leasing



This type of visibility is especially important for mid-ticket and micro-ticket lessors that need to be able to scale and grow their businesses at a reasonable cost. Time-to-market is critical for these organizations. They need solutions that can be deployed in weeks, not years. They also need configurable technology products that can accelerate development as they go to market with new leasing products, configurable accounting and real-time balances of contracts.

Smart lessors are migrating away from manual and paper-based processes driven by fragmented technology solutions. Instead, they are deploying modern, fully integrated systems that take advantage of the latest Cloud and SaaS technologies. These solutions have proven their ability to lower operating costs, speed time to market and delight end customers.

Requirements for a Modern Leasing Platform



Focus on the customer experience

A leasing customer has an ongoing relationship for the duration of a lease. A properly orchestrated customer experience gives lessors the opportunity to cross sell and upsell new services. The customer experience is directly related to the technology infrastructure that those customers encounter. A company with chaotic technology will likely have unsatisfied customers, which can lead to defections, lost referrals, less repeat business, higher costs, and lower profits. For example, if a lessor can't close leases quickly enough due to constraints in the technology platform, it invariably loses customers.

Lessors also need technology platforms that can accommodate unique requirements related to contracts and assets. For example, business customers typically have several active leases. Some business customers lease multiple computers or an entire fleet of vehicles, which requires special contractual provisions, ongoing support and regular maintenance. An end-to-end system provides a complete view of customers so lessors can proactively manage customer accounts. A modern user interface is essential. Lessors need complete visibility into the leasing process to delight customers and get to market quickly with new products. A complete technology platform encourages repeat business and drastically lowers support costs.

Five essential elements of a modern leasing solution

Competitive pressures are motivating lessors to control costs and be more nimble. While companies in nearly every industry face these important features pave the way for the future. If your leasing company is running old technology or resorting to manual processes, you can outmaneuver your competition by using the latest in cloud-based leasing solutions. Lessors should take a hard look at their legacy systems, and then look at modern cloud solutions with these capabilities in mind:

1. Designed for leasing

Leasing has a level of complexity that extends above and beyond loan origination and servicing. Leasing origination needs to consider the valuation of equipment, introduction of new products and impact on residuals. They must also run credit evaluations for customers to determine the amount to be financed. Lessors need to manage equipment, contracts, residuals, exceptions and customer relationships. A modern leasing solution should competently address all of these requirements.

2. Covers the entire lease lifecycle

Lessors need more than just a solution for origination. They also need to manage servicing, collections and end-of-life issues. The system should cover the full life cycle of the lease, not just a piece of it.

3. Configurable

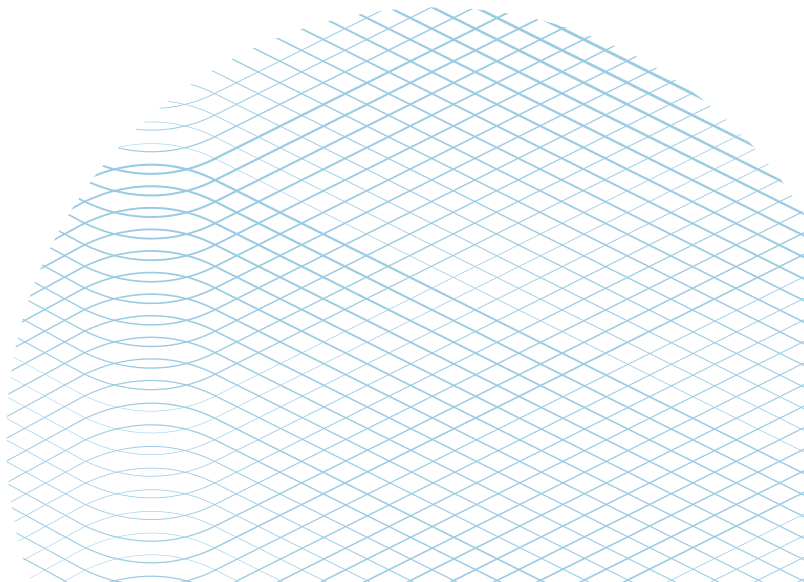
Modern lease solutions should be based on an open architecture supporting user interface toolkits so they can be configured without programming to meet each lessor's unique business needs. Users should be able to easily create new fields, custom business rules, complex workflows, multi-step approvals, unique APIs and user interface portals. It should be easy to instantly configure new lease products as well.

4. Single record of system

A single system of record ensures the integrity and validity of customer data. It mitigates the risk of bad quality data and makes the system easier to maintain. Each user's view of accounts and the related data should be consistent, accurate and up-to-date, with information extracted from a single authoritative data source.

5. 360-degree view of customers

A modern leasing solution should provide a complete view of business relationships. Lessors need to develop a holistic view that leverages all information about the customer, from all touch points within the organization. A comprehensive understanding of customers and partners drives better engagement and long-term loyalty, which generates more revenue.



Introducing Q2's next-generation leasing system

Lessors can modernize their business processes and bring their customers into the Fintech age with CL Lease, the next-generation of leasing technology. CL Lease is a cloud-based lease servicing application that enables lessors to efficiently manage equipment leases, from origination to end of life. It integrates the work of collection agents, repossession agents, equipment resellers and dealers.

CL Lease can finance multiple assets in a single lease. It can automatically apply fees, assess charges and calculate taxes and payments through ACH payments and credit cards. This mature cloud-based solution simplifies lease servicing and collections and provides a detailed view of all outstanding leases, complete with aging and approvals to simplify collections.

For example, it provides a single system of record, a 360-degree view of every customer, and it can be easily integrated with thousands of other applications in the Salesforce AppExchange, including complementary solutions for customer validation, document generation, e-signatures and dialers. This broad family of apps extends the options that leasing companies can offer to their customers. Other solutions within the Salesforce ecosystem can be used to streamline internal processes, from sales to accounting to analytics.

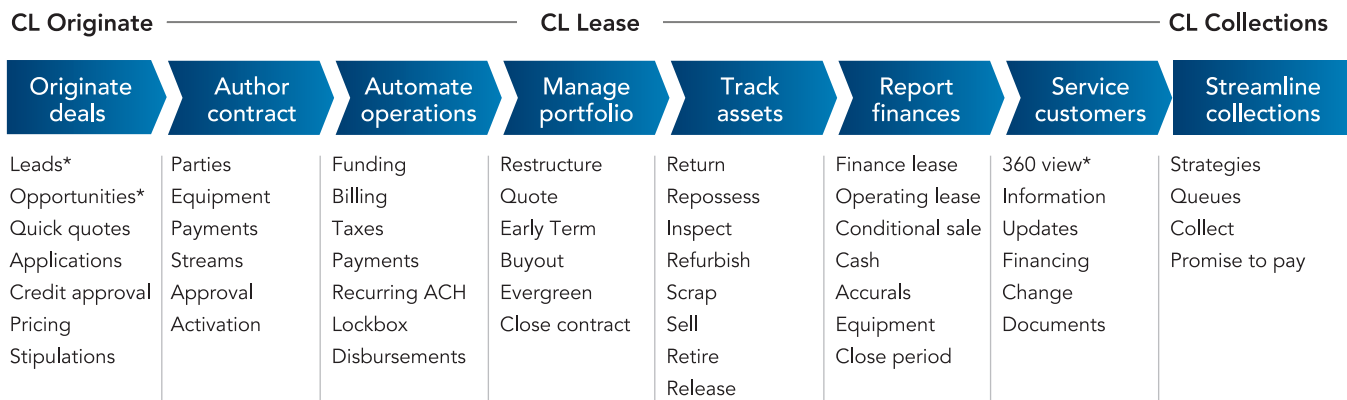
When lessors view accounts in CL Lease, the related data they see will always be consistent, accurate and up-to-date. That's because information is extracted directly from a single authoritative data source that is maintained securely in the cloud and

As the first and only end-to-end equipment and vehicle leasing solution built on Salesforce, CL Lease benefits from the many advantages of the world's #1 enterprise cloud infrastructure and business engine.

shared by all authorized users. This single system of record ensures the integrity and validity of lease data. As a cloud-based deployment, it mitigates risk and makes the data easier to maintain, even when the leasing solution is accessed by a widely distributed workforce.

CL Lease is an extensible, end-to-end, cloud-based solution that simplifies multi-unit leasing operations. An open architecture allows customers to configure the solution to meet unique business needs. For example, it is easy to add new data fields, enforce proprietary business rules and orchestrate complex workflows. A flexible user interface and open APIs means CL Lease can either be integrated with an existing origination platform or combined with CL Originate™, Cloud Lending Solutions' origination and underwriting platform. Both systems integrate with popular general ledger software for automatic posting of balances. Lessors can also integrate CL Lease with our collections solution to automate collection processes. All of Q2's solutions are completely digital, mobile-enabled and easily configured to each client's unique requirements.

An Integrated Family of Cloud-Based Solutions



* Sales Cloud

Having a cloud-based lending solution accelerates the process of getting to market with new leasing services. Q2 handles maintenance and upgrades, eliminating technical administration for clients. Built-in security and access to unlimited data storage improve reliability and scalability. We also stay on top of current financial regulations and modify the software accordingly, simplifying the work of compliance officers. Configurable dashboards make it easy to track an extended organization of collection agents and dealers.

Finally, CL Lease has modern asset management capabilities to make it easy to manage returns, repossessions and resale of equipment. Users can track equipment throughout the contract lifecycle, including insurance coverage, buyouts, returns, repossessions and delinquencies. They can also track equipment after a contract reaches maturity with attention to inspections, refurbishments, scrap, sale and release. A customizable reporting module and asset management dashboards make it easy to hone in on high priority issues and to assign appropriate action items.



Conclusion

The limitations of old technology and manual processes make legacy solutions unsuitable for the needs of today's leasing companies. Today's highly competitive leasing market signals a need for lessors to modernize their infrastructure. Advances in cloud-based business strategies present exciting opportunities for leasing companies to drive down expenses and lower risks. Market leaders are adopting efficient cloud solutions that can automate the entire leasing lifecycle.

Cloud computing can help equipment leasing companies streamline processes and workflows, integrate disparate applications and consolidate data so that they can be alert to new opportunities—and more effectively serve their customers.

To increase revenue and provide today's tech-savvy customers with the leasing services they expect, Q2 hopes you will consider CL Lease, a lease-servicing platform built natively on Salesforce that efficiently manages equipment leases throughout the lifecycle. Using this proven technology platform empowers today's lessors to outmaneuver their competitors by using the same type of Fintech that powers the disruptors.

About Q2

Q2, a financial experience company headquartered in Austin, Texas, builds stronger communities by strengthening the financial institutions that serve them. We empower banks, credit unions, and other financial services providers to be an ever-present companion on their account holders' financial journeys—helping them unlock new opportunities, increase efficiency, and grow their businesses.

Learn more at www.Q2.com.

For more information, go to Q2.com or call (833) 444-3469.