

## Deutsche Leasing discovers benefits from Sofico software system



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Deutsche Leasing AG is Germany's leading asset finance provider for corporate customers and is a major player within the traditional fleet sector. It owns and manages around 130,000 vehicles through its Deutsche Leasing Fleet subsidiary.

Its main offering to fleet customers is operational leasing, basically finance plus full service contracts. Its customers typically operate at least 10 cars, with no upper ceiling to the fleet size, and 80% of the

fleet is at the premium brand end of the market with marques such as Volkswagen-Audi, BMW and Mercedes-Benz.

To run such a huge fleet with all its operational requirements demanded a sophisticated fleet management system, capable of responding to the changing needs of its corporate customers and partners.

In 2006 the company faced a dilemma. Impending changes to German tax laws, especially around VAT, meant that its existing system would not be able to cope with the new requirements. The company was unsure whether to build and develop a new IT system itself, or to seek a proprietary partner with the system and expertise to tackle the job.

It was decided that it would be much quicker and more cost effective if the company invested in an external system with the right partner, than if it developed the system in-house.

### Miles selected

Deutsche Leasing elected to partner with leading global fleet software supplier, Sofico, whose systems manage around 700,000 vehicles globally, and selected its Miles software system for all its operational needs.

Miles is Sofico's second generation software solution designed especially to meet the business needs of large leasing companies and offers a high degree of flexibility as well as providing all the necessary complex operational requirements.

Not only that, but Miles is compatible with all supplier systems, allowing information on whole life costs, residual values, service, maintenance and repair costs and other data to be easily assimilated and then integrated into the leasing company's back office.

The system also provides a suite of modules that allow the user to manage a complete array of leasing company services across a variety of interfaces, including customers, prospects, brokers, and drivers.

For Deutsche Leasing, Miles offered the perfect level of flexibility and operational ability to manage its fleet, so therefore the decision was taken to press ahead with its implementation.

However, this coincided with the global financial crisis in 2008 which hit the financial services sector especially hard. Many leasing companies were facing huge losses due to a collapse in the second-hand car market and a sharp decline in residual values.

As a result, a number of Deutsche Leasing's competitors temporarily withdrew from the market and stopped underwriting new business. As the company had a sound residual value policy and was insulated from the worst effects of the downturn, large numbers of corporate customers turned to Deutsche Leasing to provide them with cars at this time.

The consequence of writing such a high degree of new business, while good news for the company, meant that some of the senior management focus was elsewhere during the go-live and transitional phase of implementing Miles. As a result, certain targets and deadlines were not met, at least initially.

### Benefits begin

However, once the system was successfully bedded in, impressive benefits began to accrue from Miles, some of which were anticipated while others were unforeseen, but no less welcome.

One significant benefit was the improvement in productivity that the Miles system generated, at a level no-one had initially predicted.

For example, there was a 5% increase in managed contracts per full-time employee after 12 months, which grew to an 11% increase after 18 months and a 14% increase after 24 months, far exceeding the original targets.

Michael Velte, managing director of Deutsche Leasing Fleet, commented: "We have surpassed targets which we thought we would never be able to achieve when we set them. We are now currently far more productive than we assumed we'd be back then, thanks to Miles."

Another major benefit of Miles was the level of customer satisfaction it delivered. One of the KPIs used to measure this improvement was "the manual interventions at invoice creation for large customers." Previously, invoicing for major corporate clients required a high degree of manual intervention. Since using Miles, this has come down dramatically.

Michael Velte again: "Before Miles, our accounting department had to manually produce all invoices for our large corporate customers, who make up around 60% of our volume. Now we have reduced this manual intervention by around 95% because, through Miles, we have very different functionalities available," he said.

Other key improvements that were delivered included end-of-contract calculations for under- or over-mileages for all vehicles on the fleet. This was formerly a manual calculation but has become fully automated through Miles.

“These contract conditions are now held in the Miles database as customer parameters and the calculation of the contract can be completely automated. The old system couldn’t offer anywhere near this kind of flexibility,” said Michael Velte.

One key benefit of the Miles system that had not been anticipated, at least not initially, was the level of reporting functionality it offered to senior managers within Deutsche Leasing.

As more information was fed into the system, Miles became virtually a data warehouse from which business intelligence could be sourced, allowing greater numbers of detailed reports to be produced, and providing better insight into the fleet along with improved and faster decision making.

One such report is on pricing of individual clients’ contracts to identify those which make the highest profit contribution, as well as identifying those at the opposite end of the scale. Deutsche Leasing now runs these reports daily.

Michael Velte continued: “From our point of view, Miles basically contains its own data warehouse. There is a lot of information that we can take from Miles for analysis at the press of a button, such as profitability analysis at a customer level and contract analysis.”

“This is really valuable. We understand our customers better, and gain an insight into our vehicle fleet which simply wasn’t there before. This enables us to react to market changes better and enables us to make better business decisions,” he added.

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