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INNOVATION IN FINANCING
LEASING AS A SERVICE: FROM MARKET
TAKER TO MARKET MAKER
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For years the European Leasing industry has been jealously wondering why the leasing penetration in the US is constantly so much higher than here in Europe.

After spending the summer in the US, I'm not wondering anymore: in the US everything is on lease. In the US, businesses don't rent premises – they are leased. Consumers don't finance cars – they are leased.

Leasing is truly a household word. In the US, nobody seems to think that *leasing* is a product defined by certain financial characteristics, but instead leasing is considered a service to provide the needed assets for use by agreed terms and conditions, which may vary considerably from deal to deal.

Innovation in leasing should be based on the idea that leasing is not a product, but instead it is a service or solution provided by unified ecosystem, which could also be called *the leasing industry*.

I've also heard number of times from various people in the leasing industry that nobody really "needs" leasing and that's it's just means to finance an asset. That might well be true, but on the other hand it could be argued that nobody really needs the assets either – it is the *added value* of the assets in question that trigger investment decisions. In today's world, possession is rapidly losing its value and our lives are no longer assessed by the things we own, but by the experiences we have.

We are rapidly moving from the world of *assets* into a world of *services*.

In IT, services have been the key to success for over a decade. Nobody wants to be a manufacturer and instead everyone is talking about the importance of services. The 4-letter acronyms describing different types of services are increasing continuously from *SaaS* (software as a service) to *HaaS* (Hardware as a service) all the way to *EaaS* (Everything as a service).

But this just the case for IT: the same concept of transforming traditional industrial businesses into service industries is being catalyzed even further by the rapid evolution of **Internet of Things** or IOT - see <http://www.goldmansachs.com/our-thinking/outlook/iot-infographic.html>

Thanks to IOT, very soon every asset worth managing and following will be online – providing unlimited opportunities for a different types of fleet and asset management services that are the key to turning traditional industries into services.

One of the most exciting examples of this is the development of the “traffic as a service” concept by Finnish based car leasing company **Secto Leasing**. Secto’s service modelling has enabled them to be the market maker in the Finnish electric car market and thanks to their concept, the lease penetration in the Finnish electric car market is expected to be around 90–100% - not bad for the fastest growing segment in the car market.

So what did Secto do? They were the forerunners in developing the leasing service for the first concept electric cars at a time when nobody else was interested in the market. They had to be creative in assessing expected residual values

But more importantly they went the extra mile in studying customer needs around all of the services needed during the lifecycle of the electric car - insurance, servicing, charging batteries and even the network of charging stations in Finland. They used this understanding to package all of this to a neat leasing offering - and they managed to lobby local authorities to provide electric car subsidies only to leased cars (by distributing the subsidy over the use of the car could the government prevent the misuse of subsidies through exports of the newly purchased cars).

And voilà - not only are practically all electric cars now leased in Finland, but also Secto has positioned itself as the go-to-firm and spokesperson in the field of electric cars market in Finland.

Secto is a great example of how understanding customers and the rapidly changing market dynamics around the underlying asset can provide unique opportunities in the leasing industry for innovation to drive change.

The lesson to take away is to innovate new service concepts and be **the market maker** instead of just following everyone else - being one of the market takers.

By doing this, the leasing industry can take the position it deserves by providing real added value services to customers - but also attracting top talent to join the industry with the promise that they can have a positive impact on how customers can utilize assets intelligently, not just consume the limited natural resources we have.