Auto Finance

Automotive Finance Digital Transformation Index Q4 2022
Wolters Kluwer, a global leader in professional information, software solutions, and services announced fourth quarter and end-of-year results and analysis from its Auto Finance Digital Transformation Index, a key resource that tracks the rate at which auto dealers, service providers, and lenders are seeing growth in the evolution from paper-based finance back-office processes to digital.

Auto Finance Digital Transformation Index

The Wolters Kluwer Auto Finance Digital Transformation Index helps identify and track adoption drivers, and providing insights into market shifts that may impact the digitization of the automotive ecosystem.

2022 saw incredible challenges for the automotive industry as a whole, but lenders and service providers continued to see great value in moving their back-office processes from paper to digital.

Today’s automotive ecosystem has focused on technology-driven innovation to improve the consumer experience, and while many components of the processes between dealers and lenders remain largely paper-based, the Index shows this is also changing.

According to the Index, auto dealers, service providers, and lenders showed a digital adoption growth rate of 56% over the last twelve months dating back to the fourth quarter of 2021. That rate of adoption is significant considering that the U.S. auto industry saw 2022 new sales reach just 13.7 million on the year, the lowest annual total in more than a decade and an 8% decline from the previous year. For more complete context, annual sales had crested above 17 million for the five-year period prior to 2020, when Covid-19 impacted the industry.

As the next phase of automotive transformation happens, what will surface is an awareness of more improvement needed throughout the journey, particularly around paper used in the transaction. In today’s world, the use of paper in the automotive transaction is an inefficient risk and liability.
According to industry data, auto ABS totaled $110 billion in 2022, down 16.7% from the previous year. Industry observers expect auto-specific ABS to remain relatively flat in 2023. Despite this pause in further volume growth, a recent Wolters Kluwer survey revealed that roughly 82% of lender executives said they have plans to digitize more of their securitization processes, paperwork and workflows during 2023.

Wolters Kluwer is also offering in this report a spotlight on digital asset and workflow adoption in the securitization markets. As a way of contextual analysis, and based on an analysis of data from Wolters Kluwer, this digital adoption rate has increased 36% over the last five years. While the adoption rate is expected to drag in 2023 based on the challenging automotive market conditions, the ongoing upward trend of securitizations suggests that the trust in digital loan origination and management is well established in the secondary market, with companies realizing efficiency gains in the pooling, auditing, collateralization, and execution of security exchanges using digital assets.

Digital Adoption in Securitization Markets

The continued macroeconomic impact in auto purchases is having an effect on the Index’s rate of adoption measure and overall eContract volume, but year-over-year digital adoption still remains steady and positive. In looking ahead to 2023, early estimates from analyst firms are pointing to a slight increase in sales activity, but we believe companies throughout the industry are realizing the value and benefit digital resources, assets, and processes are injecting into operational efficiencies, regulatory compliance needs, and overall profit preservation.

Summary

The auto industry still relies on a very paper-driven culture, wrought with risk and liability for everyone involved. Industry players now need to shift focus to digitization as a solution for the risk and liability present in the transaction around use of paper and management of original documents, to find end-to-end solutions that eliminate the need for paper.

With better understanding via the Auto Finance Digital Transformation Index, lenders, third-party providers, and dealers are now leveraging digital ecosystems that are purpose-built to handle the auto finance industry's origination channel diversity, eliminating the complexities around managing various multi-channel assets post-execution, and drastically reducing operational and time costs.

Ready to discover how digitization can transform your business?
Schedule an appointment with our product experts here.