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Customer financing programs keep inventory on the move

Cost is not an issue.” That phrase can be music to the ears of any salesperson. But in today’s economic environment, it’s more of a dream than a reality.

As a result, smart equipment manufacturers are looking beyond making and marketing equipment to completing the solution they offer customers. For many equipment manufacturers, enhancing their offering means adding a flexible financing option to the mix.



FINANCING

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The idea of making it easier for a prospective customer to acquire a complete solution — products, services and financing — in an effort to enhance sales is well-practiced by equipment manufacturers, dealers and distributors worldwide.

One leading Colorado manufacturer of storage solutions has offered its customers a leasing option since 1996. Since that time, it’s achieved three important objectives: increased sales, faster payment of invoices and an improved balance sheet. The success of the program has played a major role in the program’s longevity and has resulted in significant financial gain for the company.

Ultimately, the benefits of offering a finance program add up for both the manufacturer and customer. In addition to one-stop shopping, there are many benefits of leasing for customers, including:

- **Preventing obsolescence** — One of the biggest hurdles to equipment purchases is the client’s fear that equipment bought today — particularly technological items — will be obsolete tomorrow. This sales deterrent is removed when clients lease because they can upgrade or add equipment at any time to meet ever-changing

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needs and technological advancements.

- **100 percent financing** — With leasing, there is no down payment, making it equivalent to 100 percent financing. Because customers don’t have to come up with a down payment, they can make a purchase immediately, rather than hold up the sale with a wait-and-see mentality. It also allows clients to invest more capital in revenue-generating activities.

- **Tax treatment** — The IRS doesn’t consider an operating lease to be a purchase, but rather a tax-deductible overhead expense. Therefore, you can deduct the lease payments from your corporate income.

- **Asset management** — A lease provides the use of equipment for specific periods of time at fixed payments. The leasing company assumes and manages the risk of equipment ownership, therefore eliminating some of the fears clients may have about buying.

MAKING THE SALE WITH FINANCING

While leasing provides definite advantages for the buyer, the equipment manufacturer offering the program often reaps the real rewards by generating larger, more profitable sales — faster.

While financing may seem to some to be the final step of the sales process, many manufacturers are learning that how a customer pays for equipment is one of the biggest barriers to closing a sale. For most, selling a manageable monthly payment is easier than selling the entire price at the outset.

Applying some of the universal benefits of leasing to storage solutions, one Colorado technology manufacturer has been able to use leasing as a tool to address customers’ concerns about equipment obsolescence, total cost of ownership and up-front payments. Leasing has enabled the manufacturer to close sales it believes it would have previously lost.

Leasing programs also can generate millions of dollars in savings that result from decreasing the company’s number of days a sale is outstanding. When a manufacturer’s customer leases the acquired equipment, the leasing company pays the manufacturer in days. This eliminates the need for the manufacturer to extend terms to the customer and completely eliminates potential collection issues.

Data from the Equipment Leasing Association (ELA) indicates 80 percent of companies lease equipment, making a customer-financing program a smart business decision for any equipment manufacturing company. Last year, \$208 billion of equipment was leased — approximately one-third of all business investment in equipment.

In today’s competitive marketplace, a lease offering helps many manufacturers stand out from the competition by completing a total customer solution. After manufacturers decide to offer a third-party leasing program, the next step is choosing a “lessor” (leasing company) with whom to partner. There are a variety of programs available, and it’s important to evaluate which one is the best fit for your company’s objectives.

To aid companies with their search, the ELA (www.elaonline.com) can provide a list of lessors who develop and administer “vendor leasing” programs, as well as provide additional information about leasing.

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