

MONEY MATTERS

by Jeff Gocken

Playing The Percentages

Improve your bottom line and increase customer satisfaction through equipment financing.

Today, businesses in all industries are faced with maximizing profitability while offsetting the soaring cost of fuel, increasingly expensive health care costs, rising interest rates and inflation. As margins continue to be squeezed and your customers continue to look for new and better ways to obtain equipment, it's more important than ever for material handling equipment distributors to look beyond closing the deal to the real task at hand: becoming a resource your customers count on time and again to meet their equipment needs. In order to remain competitive, this means offering a complete package of equipment, parts, service and flexible financing.

Forklift Leasing

For many of your customers, both large and small, leasing is a popular way to maximize the procurement process, largely because it's a cost-effective way to obtain the newest material handling equipment without a large outlay of cash.

Leasing offers a valuable financing option that allows your customers to maximize their purchasing power and obtain the necessary equipment—everything from lift trucks to conveyors to racking to industrial equipment—without taking a hit to their bottom line. Many material handling dealers offer finance packages that include full maintenance, making it easier for customers to budget for both routine and unexpected equipment maintenance.

In addition to “one-stop shopping,” your clients can reap other benefits of leasing that make it easier for them to commit to purchases of material handling equipment.

- **No Down Payment.** 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.** Your customers may be able to deduct lease payments from corporate income. The IRS does not consider an operating lease to be a purchase, but rather a tax-deductible overhead expense. It is always best that the customer consult tax and legal professionals to determine the appropriate tax treatment for their situation.
- **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.

Leasing Benefits for Distributor

Distributors are always looking for new ways to close more deals, increase account control and, ultimately, add to the bottom line. Increasing sales always is part of the strategy, but companies often overlook a simple method to accomplish this objective—making it easier for the customer to buy.

Ask yourself whether you're maximizing your profitability on each and every customer, or if there might be money left on the table in some cases. Controlling customers' financing options is one way to help improve the bottom line for many material handling dealers.

Overall, equipment financing programs can:

- Generate larger, more profitable sales faster
- Increase account control
- Improve sales efficiency and productivity
- Improve cash flow
- Differentiate your company from its competition
- Provide complete solutions for customers
- Control the aftermarket of used equipment.

On the sales side, any customer who expresses some interest in a product seems like a good lead. However, the question of how to pay for the new equipment often prevents the sale from happening. Time lost on dead-end deals can be eliminated when financing is part of the sale, as the ability to pay is immediately considered in the equation. In addition, many finance companies now offer fast, easy credit and documentation

processes, so a dealer can complete a sale quickly and avoid costly processing delays.

Shop Around

One easy way to establish your dealership as a true partner to your customers is to put forth a bit of extra effort to seek out the lease option that best meets each customer's needs. Although it's often easiest to offer customers the financing available through the captive finance company (the option offered directly from the manufacturer), many distributors in today's competitive environment are shopping around for better deals on behalf of their customers. Often, a third-party finance partner can offer more flexibility, faster turnaround times and customized lease options.

Material handling distributors don't have to look far these days to find a finance company. Your customers are your most valuable asset, so it is essential to choose an experienced equipment finance partner. It is important to work with a reputable finance company with service levels that reflect your company's ability to meet your customers' expectations.

When searching for a finance partner, consider asking the following questions that will give you the information you need to make an informed decision:

- **How familiar is the finance company with the industry and your business needs?** Because every industry is different, it's important to select a finance partner that is experienced in the material handling market. Some organizations have dedicated staffs to handle industrial equipment financing exclusively.
- **Is the finance company flexible and willing to work with your management team to develop a program that will meet your financial objectives?** The best finance partners ask questions about the goals and financial objectives of the dealership prior to entering into a financing agreement. Be sure to select a partner that is flexible and willing to work with you to meet those goals.
- **How quickly can the finance company approve a credit application?** Many finance companies can approve credit applications within hours, so you can help your customers quickly respond to new opportunities.
- **Does the finance company require direct access to your customers?** Some finance companies prefer to work directly with your customers to close a transaction and require direct access to your customers, while others allow you to maintain account control while providing your sales team with the support they

need to close the transaction by themselves. Be sure to consider whether you're willing to provide a third-party finance company with access to your customers, and discuss which process works best for you before selecting a finance partner.

- **Is the finance company willing to provide marketing and sales support for your sales team?** A new trend among some of the more customer-centric finance companies is a willingness to provide marketing and sales support to help distributors promote and explain financing. Examples include providing marketing collateral to help distributors promote their finance options, as well as sales training to ensure that the sales team is comfortable raising financing as an option.
- **Is the finance company a financially stable, long-term business partner?** Many finance companies are affiliated with some of the nation's leading financial institutions. Be sure to select a reputable partner that is financially stable and has a history of successfully working with companies similar to yours and services their own accounts.

Meet the Author

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