

Leasing Companies

Have you stopped to consider the options?

by: Brent Hoskins, Office Technology Magazine

After we watched the nation's financial market stumble in 2008, we endured an unwelcome and lengthy recession that pushed far too many important numbers downward. Those declining numbers included the quantity of approved office equipment leases. As the U.S. economy goes, so, too, does the leasing industry. Fortunately, the economy has improved and the number of approved leases has increased.

"Pre-recession, we were running with pretty consistent approval ratios, right at or near 80 percent," says David Pohlman, executive vice president and chief operating officer for GreatAmerica Leasing Corp. "At the depth of the recession, the numbers dropped all the way down, on average, to the low to mid-60s percentile."

After the recession ended, equipment lessors began to see some welcomed strides. "In March or April of last year, we started to see a dramatic turn," Pohlman says. "Today, we are back to the mid-70s as an average. I would say the best of our dealer customers — those who have been with us for a long time and are consistent month to month — are right back where they were pre-recession."

Fred Carollo, general manager for office products at Ever-Bank Commercial Finance, offers a similar positive assessment. "There have been a number of positive trends this year," he says. "We have definitely seen a steady improvement in the approval ratios. Plus, the quality of applications has definitely improved. Companies that are looking to lease equipment at this point are probably in pretty good financial standing."

As dealers see the number of credit-worthy prospective customers increase, now may be the time to stop and consider their options by taking a closer look at the industry's leasing companies. However, in doing so, they will want to remain wary of companies that are not treating dealers in a fair and equitable manner. "I think the recession purged the industry of some of the individuals and organizations that adhered to a lot of bad practices," says David English, executive vice president of LEAF Commercial Capital Inc. "But as long as



human beings and money are involved, the opportunity for mischief and bad behavior is going to be there."

Dealers should ask many questions when working with a leasing company, particularly for the first time, English says. "The dealership is going to entrust its customer to a leasing company, and that is a long-term relationship," he explains. "It is cradle to grave, so any question is a fair question for the dealer to ask."

English offers a sampling of the types of questions dealers should ask: "How do you approve the customer? How do you document the customer? How are you going to fund the transaction? Once the transaction is funded, what are your customer service processes? What are your collection processes? On the back end, what is in the document? What are your notification requirements, if any, on fair-market value transactions?" He adds: "The dealer should look for total transparency from the leasing company."

Pohlman recommends being inquisitive as well and suggests a "get-it-in-writing" approach. "There are a lot of questions that dealers need to ask regarding the leasing company's procedures in handling the dealer's business," he says, noting that while the recession may have purged some of the leasing companies with questionable practices, others are coming back with their "pre-recession marketing strategies," such as offering suspiciously low rates.

Today, some leasing companies are returning to the practice of promoting lease rates "that are not sustainable," Pohlman says. "When you have been in the industry as long as I have, you understand the cost structures. When you do the math, you can see that there is no way some of the rates being offered are sustainable. You just know from history that they will find a way to make their money. The downside is that they find a lot of creative ways to do this."

Pohlman cites the rise of end-of-lease "loss and damage" fees that some leasing companies impose as among additional back-end charges that tend to emerge when

there is a low rate on the front end. "This has resulted in a virtual tsunami of activity among some of our competitors," he says. "It is a way for them to recoup the value of their equipment at the end of term."

In his article, "Equipment Returns: All Parties Should Strive to Play Fair," appearing in the July issue of *Office Technology*, BTA General Counsel Robert Goldberg confirms that unwarranted loss and damage charges are a reality. "In several situations, I have reviewed invoices for damages that appeared identical and unsupported," he wrote. "This occurs where multiple machines are returned and the same claim is made for each."

Beyond unwarranted loss and damage charges, Goldberg cites additional issues that dealers should address up front with potential leasing company partners, in order to avoid any unwelcome end-of-lease surprises. "The refusal to accept early returns with full payment, relocation of equipment to a dealership and equipment returns to distant locations are among the biggest issues today," he explains. "Early return with full payment does not impact the lease company, but enhances the value of the equipment. Allowing the dealer to pick up the equipment and package it for return is in the best interest of all parties. And, requiring a dealer to ship returned equipment to the opposite coast is not cost effective, not good for the environment and ignores nearby options."

Carollo says he "wholeheartedly" agrees with the advice — and admonition — directed at some leasing companies reflected in Goldberg's comments. "At EverBank, we do allow early equipment returns in the form of a trade-up or a buyout," he says. "And, the earlier we can attain the equipment after the lease ends, the better the value position. If we see a copier that has been sitting somewhere for two years, it doesn't do anybody any good. Regarding the shipping location, we try to accommodate the dealer. That concern has been raised to us by a number of dealers, and so we have included in the contract where the equipment is going to be returned, whether it be a specific geographic area or within a certain mile range."

Noting that the end-of-lease issues cited by Goldberg are "very complex," given that they involve, in some cases, both an originating dealer and a new dealer, Bryan Spence, vice president of business development for LEAF, says his company's management team recently completed a "pretty extensive road show," visiting dealerships where

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end-of-lease issues were among the topics of discussion. "We have been working on new documentation and modifications to the lease agreement to address these very issues," he says. "We realize this is something that needs to be addressed to make it easier for the dealer to close the sale and we are making sure that we do so in a prudent manner."

While unscrupulous end-of-lease practices have been an unfortunate trait among some leasing companies, there is a contrasting trait among other leasing companies that is noteworthy. Today, dealers can easily locate companies that are dedicated not only to providing leases, but also to helping dealers achieve success in the marketplace.

"Our objective is ultimately to help dealers be more successful," Pohlman says. "Our differentiating strategy is that we attempt to immerse ourselves in those issues that dealers are facing and the challenges they are trying to overcome."

Seven years ago, that strategy led GreatAmerica to the development of several initiatives to help dealers who are seeking to succeed in pursuing the managed print services (MPS) opportunity. The company, for example, hosts both webinar and classroom MPS training. It also offers FleetView, a remote device monitoring software that helps dealers reduce administrative costs, increase sales, proactively service fleets and manage supply fulfillment. FleetView is the customized GreatAmerica corporate brand of the Print-Fleet and FMAudit remote print management systems.

GreatAmerica also helps dealers with the development and implementation of an MPS business plan, and can help dealers hire the right people to more effectively pursue the MPS opportunity. "We discovered early on that dealers struggle to determine the differences between the profile of a successful copier sales rep versus someone who will be successful selling a managed print product," Pohlman says. "So, we have developed profiles that help dealers hire the right people, so that their chances of success with MPS are enhanced."

Given its goal of helping dealers be more successful, among GreatAmerica's latest efforts is its Collabrance initiative, providing dealers the tools necessary to pursue the growing managed IT services opportunity. These include — within GreatAmerica's offices — a network operations center, remote help desk and remote monitoring software. "We saw that having all of the infrastructure and tools necessary for all but the largest dealers was prohibitively expensive," says

Pohlman, regarding the decision to launch Collabrance and provide the infrastructure dealers need. "The dealer's responsibility is to own the customer relationship, be involved with the on-site assessment to get the customer up and running, and anything on-site that is ever needed from a technical remediation perspective."

Other leasing companies also offer services outside of equipment leasing. Executives at both EverBank and LEAF express pride in their companies' efforts to help dealers in the MPS arena, through dealer education, support tools, etc. Says LEAF's Spence: "We are investing a lot right now in our MPS platform and business practices." Says EverBank's Carollo: "MPS is an area that some lessors are focused on, while some are not. At EverBank, it is definitely a

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strong focus for us."

With the recession in the past and economic indicators improving, are you stopping to look at the options, perhaps moving to a leasing company that provides more than equipment leases? Kenneth Sanders, vice president of marketing for LEAF, shares a perspective that is becoming commonplace within leasing companies: "Our view is

this: Dealers are bringing us customers; how can we bring them customers? That is becoming a huge focus for us." ■

Brent Hoskins, executive director of the Business Technology Association, is editor of Office Technology magazine. He can be reached at brent@bta.org.

