

focus on finance

*Water dealers often question leasing and what it can do for their business. Leasing can help you gain a competitive edge in the market and secure sales. Small businesses, for instance, are the fastest-growing business segment in the U.S. today. Seven out of 10 businesses start with less than \$20,000, driving the need for alternative ways of acquiring assets.*

By Tom Herlihy

# Why use leasing?

*Increase revenue while maintaining profits*



Why not use leasing as a way to help sell your customers what they need? Leasing not only benefits your customers but it also benefits your business. This article will explore how leasing is a cooperative solution for water dealers that can reduce sticker shock, eliminate price negotiations and increase revenue while maintaining profits.

## What Leasing Can Do For You

Leasing is a financing option that makes acquiring equipment easier. It eliminates the large up-front cost of the purchase and allows your customers to pay a modest monthly payment. Leasing allows you to maintain your profit margins by using monthly payments as your selling tool. There is less negotiating involved when you can say, "That is \$39.99 a month for sixty months" versus "I cannot give you that equipment for less than \$2,000."

You have a greater ability to close a deal when leasing is an option because customers focus on the monthly payments instead of the sticker price. Your customers can have the equipment they want at the

price you set, which will eliminate lower profit margins and increase your revenue in the end.

Leasing may be a new concept to you, but the reality is that buyers everywhere lease. In fact, eight out of 10 companies lease. Your customers are used to leasing and even prefer it because it allows for increased cash flow, financial flexibility and select tax advantages.

Leasing companies know how difficult it is to lose a sale not because your customer does not want to buy your equipment, but because they cannot afford to purchase it right now.

Leasing helps to close more deals easier and faster, and it is designed to be used as a selling tool to reduce sticker shock. Leasing companies know that sticker shock can send your customers running to the competition and take you right out of the market.

With leasing, your customers do not have to worry about paying an upfront cost that could affect their cash flow. Most importantly, when you use leasing as a selling tool, you do not incur any risk because you

receive the full purchase price of the equipment once delivery is verified and the customer pays the leasing company directly at a payment they can afford.

## Debunking the Myths

Many water dealers have heard myths about leasing. Some may think it can slow down the sales process or that it can be too complicated to even use. It is important to select the right leasing company and to find one that matches the equipment costs that you sell—anything from \$500 to \$25,000 is called micro-ticket leasing.

Micro-ticket leasing is a specialized sector of leasing focused on approving smaller deals. Also, look for a leasing company that specializes in risk-adjusted pricing because not all leasing companies can approve all of your customers and you can lose the sale. If your customers consist of start-up businesses with no business credit or businesses with challenged credit, risk-adjusted pricing allows the lessor to approve more of these deals. Find a leasing company that uses risk-adjusted



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pricing to approve many of these difficult credit situations based on the applicant's credit quality.

The leasing company you choose should have many resources available to support your sales efforts such as online application processing. A Web-accessed system like this allows you to submit lease applications online at any time and obtain credit decisions for your micro-ticket lease applications within minutes.

The leasing company you choose should also provide you with hands-on service through each step of the leasing process. Leasing companies should support your efforts and work with you every step of the way.

Water dealers report increased sales and greater flexibility in getting deals done at the price they want by using leasing as a selling tool. While most equipment dealers have had success with leasing, you are probably asking, "Is leasing right for me?"

To find out if leasing is right for you, ask yourself these questions:

- Are you losing equipment sales as soon as you quote a price?
- Are you lowering prices and cutting your margins just to make the sale?
- Are your customers interested in your equipment, but do not have the cash available today to make the purchase?
- Are your customers heading to your competitors because you do not provide a financing option for them?

If you answered "yes" to any of these questions, leasing can help you. Leasing is the solution to your customers' financial setbacks. It will put you in a position to close more deals and increase your revenue. *wqp*

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