

Sales Pack

Establishing secure and flexible
financing facilities for **your**
business with Premier Leasing





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Introduction

Premier Leasing (Premier) has developed this sales pack to help businesses to familiarise themselves with our finance facilities.

Objectives

1. To provide your business's sales force with an approved and 'controlled' avenue for financing facilities through an established and professional company, capable of supporting proposals in volume from a regional source.
2. To create an opportunity for your business to obtain incremental sales and profit whilst ensuring optimum influence over the financing product offered to the end user.
3. To ensure control and protection of your business equipment in the marketplace.
4. To enhance your business's image by augmenting the range and nature of the services offered to its customers.



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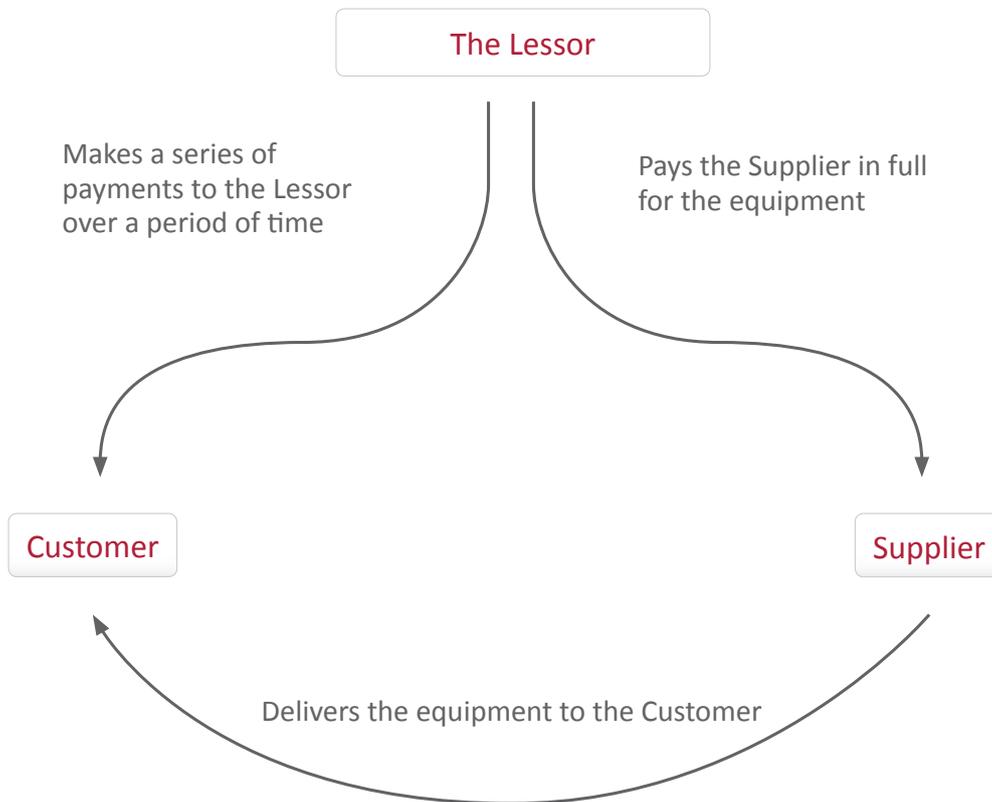


How it Works

In short, leasing is a means of financing capital assets which enables the customer to 'pay to use the equipment'. The customer never owns the asset, but instead pays a series of regular payments over the life of the equipment.

With a sales aid leasing facility, the leasing arrangement is made via the equipment supplier. This saves the customer the trouble of looking elsewhere for the finance and, because the supplier handles most of the paperwork, undertaking any necessary administration.

Once a customer has chosen the equipment, the agreement has been signed and Premier has given credit approval, the equipment can be delivered. Premier arrange to pay the supplier in full for the equipment and the customer has the use of the equipment over the negotiated period of the lease in return for regular rentals paid to the lessor.



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Sales Benefits

- **Higher Sales Value**
Leasing helps customers spread the cost of equipment acquisition. Selling can therefore be on the basis of customer need rather than size of the customer's capital budget.
- **Increased commission**
Using a Premier sales aid facility helps you to avoid the need to offer cash discounts, thereby improving commission opportunities. Moreover, Premier's fast remittance against supplier invoices ensures that commission payments can be settled earlier.
- **An Easier Close**
Quoting an affordable rental payment, as opposed to the full list price of the equipment, avoids the most common objection to a sale - price.
- **Cost Justification**
The day to day advantages of using the equipment can be related to the daily equivalent of the rental payment, making the cost/benefit presentation more meaningful to the customer.
- **Shortening Selling Cycles**
Commonly, customers without the ability to sanction capital expenditure may be free to authorise revenue expenses. The (sometimes) protracted negotiations associated with a cash purchase can be avoided, shortening the selling cycle and freeing you to concentrate on the next prospect.



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Customer Benefits

Many businesses throughout the UK have had their leasing requirement arranged by Premier because of the advantages it offers over other forms of finance:

- **Conserves Working Capital**
Outright purchase of equipment may restrict a business' resources. Leasing allows your customers to save working capital for other projects - such as marketing, training and product development - and thereby realise the company's growth potential.
- **Easier Budgeting**
Unlike a bank loan or an overdraft, payments made during a lease term are not subject to fluctuations in interest rates. This simplifies budgeting and removes the difficulties associated with forward planning.
- **Future Credit**
Customers electing to lease equipment leave existing lines of credit intact, to be used as necessary in the future.
- **Tax Efficient**
For those businesses that pay Corporation Tax, leasing provides taxation benefits. Leasing payments may be deducted from taxable profits, substantially reducing the net cost of renting the equipment.
- **Flexibility**
Rental periods and profiles may be structured to meet the specific requirements of each customer.
- **Upgrade Options**
Leasing allows businesses to stay ahead of the changes in technology and respond to competitive activity. An original installation can be altered, either during or at the end of the lease, to accommodate unforeseen changes in circumstances.
- **Convenient**
Leasing payments arranged by direct debit circumvent the need for customers to organise payment for the equipment on a quarterly invoice basis.

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Corporate Benefits

A sales aid leasing arrangement with Premier provides the ability to strengthen turnover, increase margins and improve cash flow. Premier's supplier financing facilities have been designed to be used as a powerful sales aid, becoming a vital constituent in your business's marketing operation: '

- **Increased Turnover**

The most common objection to the sale - price - is overcome by offering an affordable alternative to capital expenditure - a Premier Rental Plan. Premier arranges payment to your business of the full price for the equipment but the end user's rentals are spread throughout the financing period. Thus the opportunity to increase sales, as measured in both unit volume and value per unit, is improved.

- **Enhanced Profitability**

Cash price negotiations with the customer frequently develop into discount negotiations. Quoting an affordable rental avoids the need to reduce prices, thereby promoting greater profitability.

- **Improved Cash flow**

Premier prides itself on fast payment of all supplier-introduced arrangements. Premier's facility thereby mitigates the need to pursue overdue debts, reducing administration costs and relieving the strain on cash.

- **Customer Base Control**

With time, the use of Premier's sales aid facilities will promote greater protection of your company's finance customer base. Information concerning sensitive customer data will be controlled by agreed security standards.



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Financing Facility

Premier aims to provide your business with a sales aid financing facility which transcends the normal capabilities of a basic sales aid scheme. Premier is dedicated to helping your business increase and control its customer base by offering financial solutions which represent genuine value for money to the end user, as well as supplying a legitimate sales and marketing advantage to your business's sales force. The scheme would satisfy both your business's corporate goals and intensify the powerful sales proposition offered by a Premier financing facility.

Financing through Premier Leasing

This facility is available for immediate use, enabling you to realise the benefits of using, and becoming familiar with the scheme within a very short time.

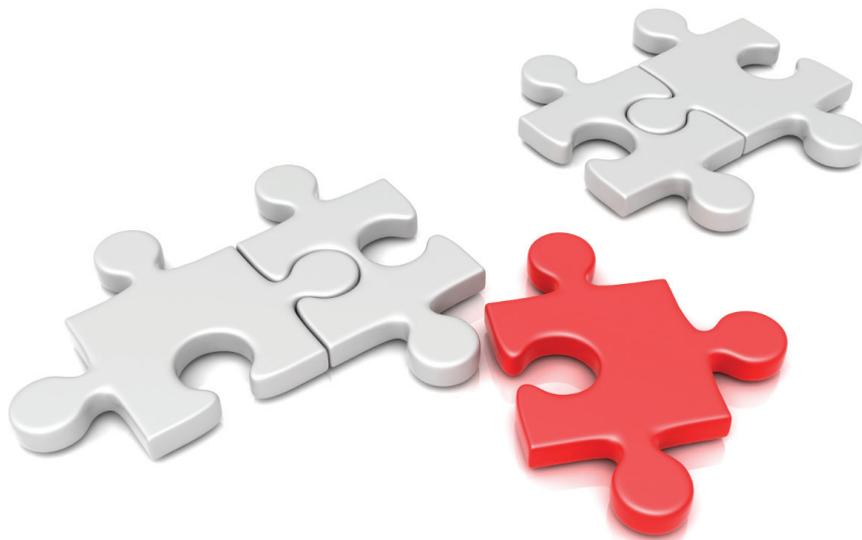
The strong branding of the document with the Premier name will help reinforce the sales presentation of the facility to the end user. Customers will be reassured by the ability to combine a known source with a reputable and established financing company.

Financing Flexibility

Premier can offer you flexible options to cater for end users' changing equipment requirements:

Upgrade

At the point of upgrade your business's customer's outstanding rentals are calculated, less a discount for early payment. The upgrade payment is then added to the capital cost of the new equipment and the total sum re-financed over a new contract term. Thus customers are given a simple, cost effective means of altering their equipment specification to accommodate changes in their requirements.



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The Agreement

Agreement Flexibility

The agreement selected for use in your scheme supplies the flexibility to payments to suit the customer's needs. The period of the agreement can be arranged between one and five years depending on preferences. Rental frequency can be monthly, quarterly, half-yearly or annually- whichever is required by the end user- for transactions of £1000 upwards.

Contracts may be structured to take into account advance rentals, deposits and initial payments. In most cases you will be given the facility to calculate special profiles, using the purpose designed rate charts provided by Premier. In this way, control for the financing management, together with the ability to be responsive to customers' requests, is retained by your business. Naturally, assistance and advice would also be available from Premier's Head office at any time during the negotiations with the customer.

Documentation Simplicity

An example of the proposed document - the Rental Plan - is attached, illustrating a popular form of document that can be used for both Consumer Credit Act regulated and non regulated financing situations. The principal benefit of such a document is simplicity in the field and a reduction in the likelihood of administrative errors.

Agreement Structure

The agreement is based on a 'Minimum Period' concept. This means that your business's customers are at liberty to retain use of the equipment after the minimum period (Known as the roll-over period) under the same terms as during the original agreement. The customer can however, at any time during the roll-over period cancel the agreement by giving Premier one month's notice.

No Nonsense English

The document is written in a language that is easily understood by the customer - straightforward words and sentences.



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Administrative Procedures

Getting your customer approved for leasing

Information required

Before a lease is finally agreed, Premier must approve the customer for credit. In order to enable us to undertake this task, you must supply certain information. To ensure a fast response to leasing proposals, this information is usually given to Premier by telephone. Faxed and mailed proposals are however acceptable.

The kind of information required will be dependent upon the type of customer and the value of the proposed leasing transaction:

For all customers

For every leasing proposal Premier requires:

1. The customer's full trading style
2. Customer's address, including the post code
3. The date the business was established
4. Telephone number
5. Details of the equipment to be financed, including cost
6. The customer's bank details, including account number and sort code
7. The customer's VAT registration number
8. The proposed terms of the lease, i.e. duration, rental, frequency of payment

For Ltd. Companies and PLC's

1. Company Registration Number
2. If the company is less than three years old, details of the directors and their home addresses
3. If the value of the proposed lease exceeds £5,000, and up to date accounts have not been filed at Companies House, recently audited accounts

For Sole Traders and Partnerships

1. The full name(s) of the sole trader/all partners
2. If the business is less than three years old, evidence of the date the firm commenced trading
3. If the value of the proposed lease exceeds £10,000, up to date accounts
4. The proprietor or partners full private addresses

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The Credit Approval Process

Once Premier has received the relevant information, we will then start the credit vetting procedure. In each case we will endeavor to 'minimise the length of time it takes to carry out this process. There may, however, be instances where turnaround times are more protracted than expected. Invariably this is for one or more of the following reasons:

- a. Incorrect information being supplied at the time the lease is proposed. If the address or the trading style is inaccurate, searches on the customer may be delayed.
- b. Bank References. Premier is dependent in some cases upon the receipt of a reference from the customer's bank before it can make a decision. If the customer's bank does not respond promptly to Premier's request for this information, the decision can be impeded.
- c. Out of date Report and Accounts. Although Ltd. companies are under an obligation to file accounts each year at Companies House, there are occasions when companies fail to comply. Premier is then compelled to seek further information elsewhere, which can take time.

If Premier does experience difficulties with obtaining the current complete information necessary for underwriting, you will be informed at the earliest possible time. Thereafter we will keep you up to date with the progress of the proposal until a decision has been made.

Naturally your role in expediting the credit approval procedure cannot be overstated. The more complete and accurate the information supplied to Premier, the more rapid the turnaround will be.

Once we have examined the information available, we will advise you of your decision. This will usually be by telephone, followed by written confirmation. In all instances, decisions will be faxed to suppliers.

Declined Proposals

There may be times when Premier declines a proposal. In most cases this is because there are certain types of customers who are considered as high risk, and as such are unlikely to be accepted. Broadly speaking these fall into the following categories:

- a. Customers with County Court Judgements
- b. Businesses that have been trading less than 3 years, or are operating in a 'high risk' market sector, such as tenanted public houses, taxi companies, etc.
- c. Existing Premier customers who are known to be in arrears with current leasing arrangements. Leasing agreement terms that do not match the useful working life of the equipment are also unacceptable. Quite simply, it is not in the interest of long term customer satisfaction to demand rental payments for equipment that has ceased to work.

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Completing the documentation

Before a lease can be finalised, the customer must sign a correctly completed lease agreement. This can be undertaken either before the proposal has been submitted for credit vetting or after Premier has accepted it. This is because the agreement only becomes legally binding on the customer once it is signed by the lessor/owner.

A lease agreement is a legally binding contract and as such it is essential that it is completed correctly and in full. For the most part, this is simply a matter of transferring the information obtained for credit approval onto the document.

The following check-list should help ensure that this is undertaken correctly.

- a.** Check the customer's precise trading style - overleaf for guidelines.
- b.** Give full details of the equipment to be leased, including make, model and, where possible, serial numbers.
- c.** Complete all the relevant boxes of the Terms of Hire section. Never ask a customer to sign 'a blank agreement, for whatever reason. Either telephone Premier for assistance or consult the section on 'Rates and Rental calculations'.
- d.** Ensure the agreement is signed by an authorised signatory. If you are uncertain as to who is considered an authorised signatory, please consult the diagram overleaf.
- e.** The customer should be provided with the back, NCR copy of the agreement after it has been signed. N.B. Under the Consumer Credit Act you must ensure that regulated customers are supplied with a copy of the agreement immediately after it has been signed.

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Rates and Rental Calculations

Calculating the rental - direct debit and invoice

Direct Debit Payments

Under normal circumstances, customers will elect to take advantage of the convenience provided by direct debit payments. The calculation in these circumstances is as follows:

$$\text{Rental} = \frac{\text{Equipment Cost} \times \text{Lease Rate}}{1,000}$$

Invoice Payments

If the customer wishes to pay by invoices, there will be a small administration charge equal to 3% of the equipment rental. The calculation will therefore be:

$$\text{Rental} = \frac{\text{Equipment Cost}}{1,000} \times \left(\text{Lease Rate} + \frac{\text{Lease Rate} \times 3}{100} \right)$$

N.B. Payment by invoice is NOT available for customers who wish to pay monthly. In a sales situation it is often best to assume that the customer will wish to make payments by invoice. In this way a reduction may be offered for direct debiting and awkward discussions concerning invoicing surcharges can be avoided.



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Calculating the invoice value from the rental

The calculation to ascertain the value from the rental is as follows:

$$\text{Invoice Value} = \frac{\text{Rental x 1,000}}{\text{Lease Rate}}$$

Calculating the lease rate from the rental

The lease rate can be calculated using the cost of the equipment and the rental:

$$\text{Rental} = \frac{\text{Rental x 1,000}}{\text{Equipment Cost}}$$



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Selling the Financing Facility

An Overview

Sales negotiations with any customer interested in capital equipment invariably focus on two (interdependent) areas:

- a. The primary demand for the equipment best suited to the customer's requirements.
- b. The secondary need for finance to acquire the equipment.

Seldom is an initial requirement for the equipment not accompanied by a secondary (but vital) consideration - finance. Only a very small percentage of companies acquiring capital assets actually do so using their existing cash reserves - the majority seek some form of financing arrangement.

It is for this reason that many capital equipment supplier companies are recognising the intrinsic value of 'point of sale' financing as an essential ingredient in the marketing mix.

That said, however, the full potential of sales aid financing can only be realised if the financing arrangement becomes an integral part of the sales proposition. The following section therefore provides some guidelines as to how this is best achieved.



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Using leasing to overcome objections

Objection - Price

The majority of customers express objections to the cost of the equipment for one of two different reasons:

- a. They think that they cannot afford the equipment because they either do not have the cash or there is no provision in the budget.
- b. They believe that the benefits offered by the equipment do not match the cost required to acquire it.

Solution:

In the first instance, if the customer is making a profit, the chances are that he can afford the equipment. Manageable leasing payments are met out of the revenue budget, and are spread throughout the duration of the agreement. Moreover, the savings in time and efficiency resulting from the use of the use of the equipment will counterbalance the leasing costs. For those companies paying Corporation Tax the net cost of leasing the equipment can be further reduced by offsetting leasing payments against taxable profits.

In the second example, the customer finds it difficult to assimilate the cost: benefit relationship because his perception is based on the total cost of the equipment versus the short term advantages of ownership. Presenting the cost as an affordable rental, paid over the life of the asset, however, helps promote an accurate cost: benefit analysis.

Objection - Value ("It's not worth it")

Invariably, what the customer really means is that there is a cheaper option, in the form of either a competitor's offering, a different model in your range or another alternative.

Solution:

Translating the cost difference, between the proposed product and the alternative, into a weekly leasing cost will help overcome this objection by demonstrating that your product's range of added value features and benefits are available for a comparatively small increase in the rental price.

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Anticipating objections

One of the easiest ways of overcoming an objection is to pre-empt the issue by assuming that the prospect will require some form of financing arrangement. This is not unreasonable, given the large numbers of UK businesses that already use leasing (more than 90% of the Times Top 100 Companies, 9 of the 10 leading firms of chartered accountants and some 90% of local councils). Introducing leasing as part of the negotiations will therefore never lose you a sale, and in many instances it will help secure the order.

Under normal circumstances the question of the equipment's price is left to the end of the sales process and commonly, it is the customer who raises the issue. Costs are seldom discussed early in sales conversations because, until the prospect understands all the advantages provided by the equipment, the price may seem expensive.

Talking Leasing

Using leasing changes the usual sales process, in that it can be introduced at the very early stages of the negotiations. The benefits of using the equipment are related to the weekly rental price, making it straightforward for the customer to understand the true cost justification of acquiring equipment.

Ordinarily using an approximate 'less than' figure is the easiest way to talk about leasing costs.

For example, a fax machine costing £2,000, when leased over 3 years, would cost the customer 'less than' £20.00 per week, about a quarter of the cost of a motorcycle messenger.

Using Leasing to Avoid Discounting

Most potential customers demand discounts on cash purchases either:

- as a matter of course; they lose nothing if they ask
- because they are seeking the 'best' deal for their organisation.

Leasing helps conquer this hurdle. Experience shows that customers are far less likely to ask for a discount on a leasing figure than a cash price. Furthermore, because in the initial discussions an approximate, 'Less than' figure is used, there is still the flexibility to reduce the lease price.

In the previous example therefore, the weekly 'ballpark' figure of £20.00 may still be discounted, for example by 10%, to £18.00 per week.

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Summary

The preceding leasing sales technique can be summarised into four simple action points:

1 Know the cost



Calculate quarterly/monthly/weekly/daily cost
Choose an approximate figure
Make relevant comparisons

2 Assume there is a leasing need

3 Lead with leasing



Open with a lease price
Use 'less than' quotes
Remember your chosen comparisons

4 Overcome objections



Use leasing to overcome
"I can't afford it"
"It's not worth it"

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