grenke

Achieve more sales: grenke solutions in theory and practice

Introduction to leasing

Contents

This manual has been designed with you, the salesperson, in mind. The objective: to explain all aspects of grenke and our leasing solution and how it will help achieve more sales.

Introduction to leasing

Equipment leasing, as it is known today, was originally established in the United States in the 1950s. It is also referred to as asset finance, equipment finance, hire, rentals, sales-aid rentals, vendor finance, or supplier finance.

This type of finance helps resellers, partners, or suppliers sell more equipment to SMEs, who make monthly or quarterly rental payments rather than purchasing the Equipment outright.

Leasing offers many advantages to both the supplier and their customer, which we will explain in this manual.

Leasing terminology

Term	Also Known As	Meaning
Leasing	Asset finance	A loan, or lease to access equipment over a fixed period of time.
Hire Agreement	Contract, lease agreement	The grenke Agreement which is signed by the Hirer of the Equipment.
Hirer	Lessee	Your Customer, Our Hirer
Supplier	Dealer	You
Reseller	Partner	You
Rental Fee / Rentals	Payments	The rental payments grenke will be issuing to the hirer.
Primary Period	Hire Term	The agreed term the hirer will be hiring the Equipment. (e. g. 3 or 5 years)
Document Fee	Documentation fee	A fee issued for the processing of the Hire Agreement and the other required documents.
Delivery Date		The date the Equipment is installed to the hirer's satisfaction and the hirer begins their Hire Agreement with grenke.
Confirmation of Delivery	Delivery confirmation	A document that confirms the hirer is happy to start their Agreement with grenke and that grenke can pay the supplier for the Equipment.
Equipment	Asset	The Equipment/product being financed.
Equipment Protection	Insurance	Essential protection for the Equipment whilst the hirer is in the possession of the Equipment.
Contract Manager	Responsible person	The person responsible for the grenke Hire Agreement from the hirer's business.
Signatory	Director of company	
Termination Sum	Settlement figure	The amount the hirer would need to pay to complete their Hire Agreement with grenke.

The process is simple

01

You, as a salesperson, approach a customer and establish their preferred Equipment or product.

The customer is offered the alternative to purchasing, a lease with grenke. The customer decides to use grenke Leasing.

02

You then generate a Proposal including details of the Customer and Equipment via your GO Partner Portal. grenke run credit checks to determine the customer's creditworthiness.
If everything is in order, the Proposal will be approved. Confirmation will be sent to you via the Portal and via email. You will receive a Hire Agreement for the customer to read and sign.

03

grenke Leasing will purchase the Equipment from you the supplier, on receipt of your invoice. The customer will then take up payment on a monthly / quarterly basis with grenke for a predetermined period of time. This can be any period from 3 to 6 years.

Benefits of leasing

To you, the salesperson

The cost objection
Leasing figures can be more easily accepted. They can be related to items of day to day expenditure, rather than large capital sums.

Helps avoid discounting
Customers do not normally look for a discount from a lease but may chance it if paying outright.

Greater flexibility
By using a different rental period (3-6 years), you can reduce the rate and therefore the lease amount without decreasing the value of your Equipment.

Easier to close
At the end of your demonstration, having satisfied your customer's needs, you can say "Would you like another way to pay?" - adding to overall customer satisfaction.

Easier to upgrade
When upgrading a lease it is far easier to justify a small increase in payments rather than getting involved in tradeins or cash settlements for the outdated Equipment.

Enables you to sell more equipment
Many customers will need the latest Equipment but do not have the cashflow to release the investment needed. These customers with access to a leasing option, can consider higher spec or multiple items for their needs.

Benefits of leasing

To your company, the supplier

Faster payment
When your company invoices your customer for the equipment this can take 30-90 days to pay. grenke sends payment in 24 hours.

More profit
By avoiding discounting your company will make more profit.

Training available
We provide full training on our simple financial product and GO Partner, helping salespeople easily access our Leasing option.

Management Information provided
We regularly provide information via GO Partner and our local branch teams, including the current state of proposals, customers we have financed, and our performance.

Repurchase agreement
You can have a written agreement where your company can purchase the equipment at the end of the lease term.

Benefits of leasing

To your customer

Conserves capital
Cash can be more profitable used or invested elsewhere.

Long term price stability
Fixed lease amounts allow the customer to plan ahead.

Protects existing credit lines
Saves using or extending bank overdrafts.

Payment reflects usage
Payment is spread throughout the useful working life of the Equipment.

Rates and calculations

Calculating lease rental payments is something you will have to do on a regular basis and it is vital that you are able to carry this out competently. The method for doing this is simple, provided you remember (or have written down) the following formula.

01 **Rental =** (Rate x Value) / 1,000

02 **Value =** (Rental x Rate) x 1,000

03 **Rate =** (Rental x Value) x 1,000

In order to use 1 and 2 you must first know which rate to use. The rate is the amount per £1000 of borrowing money. This can be taken from your Rate Sheet, supplied and revised by your grenke Sales Team.

01 Equipment Rental

To calculate the rental payments on Equipment worth £2,000.00 using a five year quarterly rate of £70.00:

Rental = (Rate x Value) / 1,000
= (£70.00 x £2,000) / 1,000
= £140.00

Therefore, the amount the customer will pay is £140.00 per quarter (every three months).

02 Rental Total Value

You have agreed to a rental of £210.00 per quarter using a rate of £70.00 and want to check the total value of the Agreement:

Value = (Rental / Rate) × 1,000
= (£210.00 / £70.00) × 1,000
= £3,000.00

Therefore, you have written an agreement worth £3,000.00.

03 Rate Check

You want to check the rate used on an agreement with rentals of £207 per quarter on Equipment worth £2,800.00:

Rate = (Rental / Value) x 1,000
= (£207.00 / £2,800.00) x 1,000
= £73.92

Therefore, the rate used was £73.92.

Filing in the documentation

// It is imperative that documents are completed correctly.

// Failure to do so may result in you having to return to the customer to complete another document.

// GO Partner automatically populates the document for you and minimises any mistakes and the need for possible revisions.

// In order to process an Agreement we need key financial information from your customer. We have provided a full checklist of a full the information you should have to hand when completing our documents in chapter 10.

// All of this information will help us make a decision and approve the agreement for your customer quickly.

Handling objections

During the course of the sales process, you will often hear objections. In fact, it is a rare sell where a decision is reached without some objections being overcome.

Handle objections positively. With leasing, often an objection is just a request for more information, which the customer needs before agreeing to the set terms of sale.

"I'd like to own my equipment"

Why? Surely the benefits come from using the machine rather than owning it. 80% of top UK companies rent Equipment rather than buy it. Explain the benefits of rental to your customer such as:

// Pay as you use and budget for a fixed cost every quarter/month

// Upgrade your Equipment with new technology whenever the current Equipment becomes obsolete.

"What happens at the end of the lease?"

This normally means they would like to have the Equipment but require validation that they are getting the best price.

How about this example? A franking machine worth £1,500 can often work out at around £1.80 per day the cost of 10 first class stamps! Anyone using more than 10 first class stamps cannot afford to be without one!

Similarly, equipment rentals can be compared to day to day items of little cost e. g. a morning coffee

"I have my own credit facility"

Using grenke will protect any credit limits they may have with existing finance facilities. Anyway, is it not better to have the Equipment service payments and finance payments all in one invoice? grenke can offer this via Bill & Collect.

"What happens at the end of the lease?"

They may well want an upgrade before then due to new technology or increased usage on the current Equipment?

"What discount can you give me?"

By changing the rental primary period and reducing the rental payments for the customer, you can reduce their rental payments per month/quarter.

Did you know?

grenke offer a Bill & Collect service. For no additional charge we can collect your service and maintenance charges for the customer in one invoice. Simply transferring the amount once we have been paid.

Upgrading made simple

A lot of your sales activity will involve upgrading Equipment in the field. Leasing offers you a way of relating the benefits of your new Equipment to a small increase in rental payments.

Bring forward a refresh of the Equipment when the customers are in the final months of their Hire Agreement. Showcase to your customers how upgrading early to the latest technology can be done for a minimal cost increase.

Identified customers due for an upgrade? You will need to know:

// What the settlement / upgrade figure is on their current agreement
// Their current rental payments

Current Rentals per quarter	= £250.00
Termination Sum	= £1,000.00
New Equipment	= £2.750.00
Rate	= £70.00
New Rental	= ((Termination Sum + Equipment Cost) x Rate) / 1,000

New Rental Breakdown

Per Quarter	= £262.50
Per Week (Quarter/ 13 Weeks)	= £20.19
Per Day (Week / 5 Working Days)	= £4.04

Current Rental Breakdown

Per Quarter	= £250.00
Per Week (Quarter/ 13 Weeks)	= £19.23
Per Day (Week / 5 Working Days)	= £3.84

You can offer access to new Equipment to an incremental increase of 96p per week or 2p a day.

Not another rejection

You are in business to sell Equipment and services. grenke are in business to boost your business. We would like to accept every Agreement proposed to us. However, we will always make an informed judgement on what will be good business for both our companies.

Nothing can be more frustrating for a salesperson than to go through all the hard work of securing a sale just to have a Proposal turned down.

A decision to accept or reject an proposal will depend on many factors. However, if you ask yourself some of these questions, you will have a fair idea of whether the proposal will be accepted.

01 If it were my money, would I lend it to this customer?

02 Has the customer been in business for at least three years?

03 Is the customers business legal and above board?

04 Have all Court Actions against the customer been resolved?

05 Is the customers' company doing well?

Yes

Answering Yes to all of these questions does not mean we will automatically accept a Proposal. Our own research may reveal other factors. However, there is a good chance that they are the sort of customer we will say Yes to.

No

If the answer is No to any of these questions, we are not going to automatically reject a Proposal as other factors may work in the customers' favour. However it is likely we will have to say No.

Maybe

Remember, if you are doubtful that we will accept a Proposal, we will probably feel the same. We will do our best to finance all your Proposals, but we have to determine what is best for both our company's.

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Summary

Having read this manual, you may still have some questions.

The grenke team are here to help, so please contact us any time you need advice.

https://www.grenke.co.uk/whoiswho/

// Note

You must be authorised by the Financial Conduct Authority to offer credit to consumers. This ensures your company has a suitable business model and is well run by “fit and proper” people. For more information visit https://www.gov.uk/offering-credit-consumers-law

Document checklist

Appendix

// Non Regulated Business: Limited Companies

- ◯ Company Name
- ◯ Company Registration Number
- ◯ Business Address
- ◯ Contact Telephone
- ◯ Industry

// Regulated Business: Sole Traders

- ◯ First Name
- ◯ Surname
- ◯ Date of Birth
- ◯ Type of Business
- ◯ Number of Years in Business
- ◯ Business Address
- ◯ Contact Telephone
- ◯ Industry

// Regulated Business: Partnerships

- ◯ Partnership Name
- ◯ Number of Partners
- ◯ Business Address
- ◯ Contact Telephone
- ◯ Industry

There will be instances e. g. large deals, where we may require Accounts.

// Regulated Businesses that have become limited companies

- Company Name
- Company Registration Number
- Business Address
- Home Address
- Previous Address (if at current less than 3 years)
- Contact Telephone
- Industry
- Opening Balance Sheet
- Partnerships / Sole Traders last full set of Accounts

// Equipment Details

- Full description of all required products, software, installation and set-up fees; please itemise in detail. If using an additional Equipment Schedule, this should be signed and dated by the same person as the agreement.

// Additional Provisions

Must be

- approved by grenke.
- signed by the agreement signatory.

// Changes to the Terms and Conditions

Must be

- approved by grenke.
- signed by the agreement signatory.

// Alterations

Use

- GO Partner
- Your grenke team to make any changes.

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