



You Can Lease A Retrofit

By Debbie McClung

No budget for a key project? Is the ROI great – but can't pass internal hurdles? Rexel's new one-stop lease financing (available nationwide) can help you convert that needed or hoped-for electrical or datacom upgrade from dream to reality!

Let's say you're looking at an all-inclusive lighting upgrade. It's a \$250,000 retrofit project that will save \$60,000 per year in energy costs. Everyone loves the estimated savings, but it's going to be capital intensive.

You face some hard questions: Do you have the cash to purchase tens of thousands of dollars in materials and installation costs? Even if your company does have the capital funds, is that how you'll be allowed to invest them? Is it feasible to secure a conventional bank loan?

In today's economy, the answers to those questions have many companies putting off lighting upgrades or installing new data networking infrastructure – projects with excellent returns on investment. To take the guesswork out of that financing equation, Rexel has worked to create a first-ever company leasing program.

Customers of all sizes now can consider another purchasing alternative for capital-intensive projects. Example: That \$250,000 project could be financed through a 60-month lease payment of \$4,950. Note: ***That's \$50 less than the monthly energy savings.*** The

bottom line is the lease can pay for the entire job.

And when the payments cease, your investment is converted to 100% savings.

Lease benefits

With the financing option in place (as of April), customers now have instant access to a more cost-effective solution than cash purchases or conventional loans. Rexel customers ranging from start-ups to sole proprietorships to Fortune 500 firms qualify.

Some basics: A lease is simply an agreement in which a customer agrees to make monthly payments for a specified time for the right to use equipment. Leasing presents a number of inherent advantages including:

- conserving working capital;
- overcoming internal budget restrictions;
- selected tax benefits;
- hedging against inflation; and
- legitimate "off-balance sheet" accounting.

Possible tax advantages and financial benefits differ on a case-by-case basis, so it's wise to consult your tax and/or financial consultant

for clarification on your specific situation.

Terms of one to five years are available. Payments can be structured to specific needs – seasonal payments or step payments can be arranged. These variants allow payment at a pace more convenient and flexible for a specific customer.

What's more, project lease financing goes beyond paying for just the products Rexel sells. So-called "soft" costs – such as training, warranties, installation, and software – can be rolled into the lease. In other words, virtually 100% of the cost of installing a project can be paid for over a lease's term.

Eliminating delays

One-stop shopping is one of the keys for Rexel in offering this new service. As one might imagine, this alternative payment method can help your company, and other customers, avoid the need to put off a purchase decision.

"Some of our customers are currently using, or in need of, this type of option," says Karl Williams, lighting product manager. "From

their feedback it was clear that we can better meet the needs of the industry by offering this service to everyone. This is just one service we're planning to introduce to make it as easy as possible to shop with Rexel.

"There's no need for a project to be delayed or deferred to conduct a search for financing somewhere else," says Williams. He's also coordinator of the leasing program.

Additionally, dedicated staff – to facilitate a lease from credit approvals to payment – is available from Chesterfield Financial Corp., Rexel's partner. According to Kit Nowicki, Chesterfield's vice president of sales and marketing, U.S. companies used lease financing to the tune of more than \$200 billion in 2001. In 1988, just 13 years earlier, the figure was only about \$1 billion!

"In general, eight out of 10 companies use a form of leasing to acquire some or all of the equipment they need," Nowicki notes.

Why? There are many reasons, including those outlined in this article. Others highlighted by Nowicki focus on the route leasing provides around costs associated with conventional lending: Leasing gets around the need for depreciation, does not reduce a company's working capital, and positively affects its tax liability.

Closing your deal!

How does this look at the Rexel branch level? "Leasing has been

Should You Lease Or Purchase? A Look At The Math

	LEASE-TO-PURCHASE	BANK LOAN
TERM	\$50,000 Lease/60 Months	\$50,000 Loan/ 60 Months
Down Payment	\$1,980.00	\$10,000.00
# Of Monthly Payments	58	60
\$ Each Monthly Payment	\$990.00	\$801.52
Residual Payment Due, End Of Lease	\$2,500.00	\$0
Source of Tax Deductions	Rental Expenses	Interest Expenses
\$ Value of Tax Deductions	\$59,400.00	\$8,091.20

around for a while, but I think it's a concept that's time has really come," says Chris Lasko, sales manager for Rexel (Solon, Ohio). "It's the right time to launch this service because leasing has a much broader application in the electrical business than it had a few years ago.

"I see opportunity to close more orders with leasing capabilities. Whenever customers can demonstrate a calculable return on investment such as energy savings or increased production – a return that is not extensively beyond the lease payment – it will allow us to get a better cost justification for a purchase," says Lasko.

Lasko has an example handy: A Solon branch OEM customers may upgrade automation controls on machinery that produces parts for the automotive industry. "Their end customers are typically smaller

operations working contract to contract, so they don't have a lot of capital to reinvest in their plants and equipment," Lasko reveals. "But they can demonstrate a production increase with higher quality and reduced scrap rates using updated technology," says Lasko.

As shown, leasing offers Rexel customers an attractive additional option. Many projects that may have been deferred for financial reasons can help Rexel customers increase their sales or profits. Now, with lease financing from Rexel, if those higher monthly dollars are also more than the monthly payment, there is an easier, reduced-friction path to installing the equipment and moving forward! ■

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Avoiding The Bean Counter

Four primary lease-purchase packages are available from Rexel:

- **Fair Market Value** – Lessee can purchase equipment for fair market value at lease's end.
- **10% Pre-Paid** – Offering the lowest payment option, lessee puts 10% down and finances the balance on lease terms ranging from 12 to 60 months.

- **10% Purchase Option** – Lessee can purchase equipment for a guaranteed percentage of original cost.
- **\$1 Buyout Option** – Lessee buys equipment at lease's end for \$1. Those making purchase decisions in large companies might find reduced internal budget constraints via the lease route, Chesterfield's Kit Nowicki explains: "Some companies have branch managers or purchasing agents that are allocated a certain budget, but who can't spend anything

over it. When a \$50,000 project is attractive, it is easier for them to allocate \$1,000 a month – and possibly maintain local approval – rather than needing corporate to sign off."

Further, collateral issues don't enter into lease agreements, he notes. "Lighting and electrical fixtures are generally frowned upon in the banking industry because there's no marketable asset to get back," says Nowicki. "Assuming the loan goes bad, the bank isn't going to go unscrew all the light bulbs and try to resell them." – D.M.