Sales Make it Happen

A Critical Sales Tool Too Often Ignored

By Gerry Egan

Imagine selling successfully to the most successful businesses in your market, getting virtually every application you work on approved, and spending almost no time at all defending your rates. If you can only imagine that because it doesn't describe your own business, then imagine this, too. Imagine that selling like that is far easier and far more productive than how you may be selling right now. …Ah, but there's the catch! You may need to change how you're selling now. Are you willing to give it a try?

In the next few minutes, I'm going to tell you about one single thing you can do that, in and of itself, is so powerful it can make selling like that a reality. Here's that one thing: Create an effective lease-versus-purchase analysis. First let me tell you why it's so important and so powerful, and then I'll tell you how to create one that will be truly effective.

I consider it a wonderful privilege that I get to travel around this great country so much and I get to meet so many people in the equipment leasing business. Almost universally, though, among the ones that are struggling; among those that aren't maximizing the opportunity they have; among those that aren't reaching their goals; I've observed a common thread. They're not selling equipment leasing. Sadly, many are not even trying.

They're not trying because they don't know how to overcome the rate issue. Because they can't overcome the rate issue, they become trapped in an identity as a high-priced lender. Because they're identified as a high-priced lender, they tend to drift to into sub-prime credit markets. Because they're in sub-prime credit markets, they generally end up working far harder for fewer approvals than they need to. This is all due to one simple but critical selling mistake. The reason they can't overcome the rate issue is because they are allowing their proposal to be compared to other proposals available to the customer; for example, bank financing. That's the mistake; they're comparing the proposals rather than contrasting them.

Decisions, though, are generally made not on the similarities of things but on their differences. In our business, we have a huge advantage here if we'll only take it. A lease contract is an entirely different thing than a traditional sales finance contract. More important, it has entirely different impacts on the customer. A properly written lease can be treated completely differently for federal income tax purposes and some can even be treated differently for book accounting purposes.

This is why it's so important to have an effective lease-versus-purchase analysis to show those differences. It's not enough for us to have a vague understanding of them or offer them as an aside; they have to be crystal clear to our prospects and we have to be adept at demonstrating them in ways that show them with dollars —and with sense. When we can, it becomes an incredibly powerful selling tool because we can tap into natural reluctances to borrow money and natural resentments of bank policies and procedures while offering a clear and practical alternative. When you can effectively and successfully compete with local bank financing, you can work effectively and successfully in the 'A' credit markets and your approval rates will go way, way, way up. When you can effectively sell equipment leasing not as a form of, but as an alternative to, traditional sales financing you'll also spend virtually no time dealing with or defending 'rates'. Now that's powerful!

Putting it to work starts with understanding those differences, though, and that starts with us. Unfortunately, here's a dirty little secret of our industry. Way, way, way too many equipment

leasing salespeople would, for themselves, never choose to lease. They, themselves, believe it's a high-priced form of financing. What are their chances of believably offering it to discerning customers who have real alternatives?

That's why step number one in creating an effective lease-versus-purchase analysis is exactly that; creating it. Don't ask for mine. Don't ask for your friend's. Don't try to find one online. Create one yourself. That way you're ‘invested' in it and will understand and believe every part of it. When you are, and when you do; you'll be willing to use it and you'll be effective using it.

You don't have to create it all alone, though. Use a CPA. That's right, go to a local CPA and get him or her to help you. Even if you have to pay the accountant wouldn't it be worthwhile if it drove your approval rates way up or cut down the time you spend now dealing with rate issues? Now, I know many of you are saying: my CPA doesn't believe in leasing. That's fine. Find another CPA. Why would you want to maintain a business relationship with someone who doesn't even believe in what you do for a living? The myth that all CPA's are against equipment leasing is exactly that; a myth. Many just aren't very familiar with it but many others actively recommend it. Keep shopping until you find one who does or is willing to learn. When you do, you'll be helping that accountant develop a tool that he or she can use over and over again when they get asked about it, and you'll have developed a close professional relationship with someone who can be immensely helpful to your own business.

The second step is to show only what's necessary to the task at hand. Your analysis should show where the customer will be at a specific point in the future —not at the end of all eternity! In other words, many analyses have a built in prejudice toward purchasing because they compare the net-after-tax-cost of a thirty six month lease with the lifetime depreciated cost of purchasing the equipment. But that's not what you're asking the customer for, so it's not a fair comparison.

Remember, you're selling the differences and you should also be selling the fact that the customer doesn't need to own the equipment to benefit from the use of it. One of the big differences in leasing is that at the end of a thirty six month lease your customer can return it, buy it, re-lease it or do whatever's in the customer's best interest at that time —but he or she doesn't have to make that decision until then. Let's say it's in their best interest to trade up to a faster model at that point in time. Most purchase-prejudiced analysis fail to take recapture of excess depreciation into account for that scenario but that's a very real possible scenario for many, many customers. An effective analysis shows the customer that at the end of thirty six month's, (for example), here's what you will have spent in net-after-tax dollars and that's the minimum decision you need to make today.

The third step in making your analysis into an effective selling tool is counter to most sales instruction. This is one time you don't want to keep it simple. Your analysis should be thorough and it should look it. It should include plenty of detail and supporting information. Within reason, more is better. I've seen a software program that will print out a twenty-eight page report. Now, that's a little overkill, to be sure, but two, three or four pages are not. Your customer wants to know this is serious and more often than not the decision will go with the preponderance of the evidence. Make sure that's in your favor. It's important to understand that your customer doesn't want to buy; doesn't want to borrow; and doesn't want to pay interest. He or she does want whatever the product will do, however, and if you can show a way to get that without having to buy, borrow or pay interest —and your case is professional, thorough and believable and you're able to back it up with facts and figures— you're giving them what exactly what they want.

Now, here's a little bonus sales tip that allowed me to use this and build a successful business working with top credit prospects. I've always been prepared to do a customized lease-versus-purchase analysis for any customer but I've almost never had to. What I do instead is have a generic one ready at all times. I can fax, email or hand it out immediately. It's based on a one hundred thousand dollar piece of equipment and a thirty six month lease. Why? Because the amount is both interesting and the results are easy to convert to per-dollar figures. As I'm getting the customer's agreement that he or she doesn't need to own the equipment to benefit from it's use, (if you skip that step in any sale you must like to work a lot harder than I do), I tell them I have a sample that shows how they can without having to buy. They all want to see it. Once they see it and ‘buy' the fact that leasing doesn't always and automatically cost more, they

rarely care to spend any more time on the decision. After all, remember, most don't really want to have to buy or finance. They just believe it's the most practical way to acquire the use of whatever they're considering. When they see there's an alternative that's at least roughly equal, most will choose to lease.

Finally, you may want to know at this point if your sales can benefit from developing your own lease-versus-purchase analysis. There's an easy way to know for sure. Simply ask yourself this question: Would you rather sell this way, or would you rather compete with someone who does?

Gerry Egan since 1981 has been involved in Equipment Leasing training, education, and has written many articles. He is unique in his consulting profession as " We broker leases, hold our own leases and discount leases to local banks in addition to managing and servicing the leasing programs for a couple of small banks."

About Gerry Egan: http://www.realworldsalestraining.com/

Gerry Egan
President
TecSource, Inc.
5621 Departure Drive, Suite 113
Raleigh, NC 27616
Phone: 919-790-1266
Fax: 919-790-2262
E-Mail: mailto:GerryEgan@ForEquipmentLeasing.com
Internet: www.ForEquipmentLeasing.com