Mary A. Redmond

The Broken Equipment Blues

Gone are the days *when* customers wait for their orders *because* equipment is out of service.

Consider this scenario: Time and time again, your operation swallows the expense of trying to fix a printer that's been out of service more than it's been up and running. You've called for repairs so often that you know how the repair tech likes his or her coffee. Meanwhile, your shop farms out the jobs originally intended for that printer. Because you and your staffers quoted these jobs based on the costs of doing them on the broken equipment, your operation sometimes takes a loss. You know your shop needs new equipment, but you also know those purchase dollars aren't in the budget.

It's a sad song when equipment breaks down or becomes obsolete and leaves you stranded, trying to keep pace when the competition can deliver the work quicker, cheaper and more reliably.

Recognize when you've had enough

Is this scenario an exaggeration? No, it happens everyday, but that doesn't make the dilemma acceptable. Gone are the days when customers wait for

Leasing Industry Numbers

$234 Billion	The estimated annual volume of the U.S. Equipment Leasing Industry is **$234 billion** (give or take a few dollars).
80	More than **80 percent** of American businesses lease when adding or updating production or office equipment, according to the U.S. Department of Commerce.
99	While leasing is a practical solution, **99 percent** of standard lease agreements contain gotchas that cost lessees more.
5 to 15	It is possible to cut **5 to 15 percent** off the cost of a lease if the lessee is both wise and willing to walk away, if need be. Remember, the leasing companies want the business.
6 to 9	Some leasing companies require termination notices be sent as far out as **six to nine months** before the end of the lease. It also is not uncommon to negotiate a more flexible and lenient option, such as a termination notice deadline of only 90 days before the lease's end.

— *Mary A. Redmond*

their orders because your equipment is out of service. Patience is as rare as finding a bargain-rate hotel room in downtown Chicago for Graph Expo.

Every printing operation, whether an in-plant in a large company, a small mom-and-pop shop or something in between, needs to: attract new customers; hold on to current customers; keep pace with changing technology; compete in the marketplace; and work within financial realities.

Knowing when it's a better decision to buy a new car vs. fixing up an old clunker can help a household control its expenses. Knowing when it's smarter to quit fixing old equipment and buy new can help a shop manager grow his or her printing operation.

Backing up your decision with dollars

When shop managers decide it's time for new equipment, they often have to explain to other people in their companies how they plan to pay for the equipment. Even if the manager also is the owner of the shop, he or she still will have to figure out how to get those dollars.

According to the U.S. Department of Commerce, 80 percent of U.S. businesses, large and small, lease instead of buy when adding or upgrading equipment and other assets. The leasing business is booming because leasing can be a practical way to stay on the cutting edge of technology and manage the cash flow at the same time.

There also are plenty of complaints with the Better Business Bureau about predatory companies and leasing deals gone bad. When a business leases equipment, it can pay extra in hidden expenses and penalties. I refer to these hidden expenses and penalties as "gotchas."

Dollars in the details

Kevin Carlisle, owner of Perfect Image Inc. in Charlotte, N.C., chose to look into leasing when he spotted a great reconditioned Xerox DocuColor 5252 for sale. But, Carlisle, was concerned about those pesky gotchas. So, he had four leasing companies present their best deals, and then he contacted Melanie Martin-Iuso of NAPL for help.

Martin-Iuso referred him to a lease review specialist who analyzed all of the lease proposals and documents, including the contract. Carlisle used the analyst's suggested contract changes to negotiate 14 percent off the total costs of leasing the equipment.

Standard is only a word

Why was the lease review specialist effective at helping Carlisle save dollars? Lease review specialists know word standard holds no special power. They know the words "Standard Equipment Lease" simply is the name of the document. The word standard does not mean there are no changes allowed. Most importantly, these specialists know it is possible to cut 5 to 15 percent from the cost of leasing equipment.

My five tips for drafting a dream of a deal for your operation includes:

1. **Save the company's cash;**
   Recognize 99 percent of the time there is room for negotiating within a standard lease agreement. But, it does require someone willing to comb through the document and find the negotiable points that can shave hundreds, even thousands, of dollars over the life of the lease.

2. **Reduce upfront costs and monthly payments;**
   Focus on the best price for the equipment to cut the monthly payment. When a car buyer whittles the purchase price of an auto from $36,000 to $32,000, payments also are lowered. The same is true in leasing equipment; payments are driven by the negotiated price.

3. **Adjust the payment schedule to fit your shop's cash flow;**
   Don't be afraid to request payment options that best fit your operation's revenue stream. Some shops work with monthly payment schedules best while others work best with quarterly payment schedules.

4. **Avoid hidden penalties; and**
   Penalties as high as 60 percent can lurk in return provisions, equipment upgrade traps, deadlines, cancellations, buyout provisions and automatic extensions. These penalties are avoidable.

5. **Call in a coach dedicated to helping your shop not the finance company.**
   Most lease review experts represent the finance company, not you. Therefore, they can be motivated to leave gotchas in the lease that boost their employers' profits while costing lessees' dollars.

   A shop manager who wants a leasing expert to serve as an advocate for his or her printing operation should hire an independent lease review specialist. While the independent lease review field is relatively new, it still is important to find out about the specialist's reputation and track record before hiring him or her.

Mary A. Redmond is president of Independent Lease Review Inc. She founded the company in 2002 after working as a lease sales representative for major financial institutions for more than 21 years. She has been featured in the Kansas City Star, *the* Kansas City Business Journal, Kansas City Small Business Monthly, Legal Management *and* OfficePro *magazines,* NAPL's Print Profit *and the* Legal Management Encyclopedia.