BEYOND FINANCE

CUTTING EDGE RESEARCH AND INSIGHT FROM BNP PARIBAS LEASING SOLUTIONS

LIFTING THE LID ON COMMERCIAL VEHICLE FINANCE

BNP PARIBAS LEASING SOLUTIONS

As featured in COMMERCIAL VEHICLE DEALER CVDEALER.CO.UK

Solid, reliable cash flow is important to you and your customers. Modern leasing providers can provide a faster, more responsive service in nearly every respect.

By Tristan Watkins
CEO, BNP Paribas Leasing Solutions UK

Whether your customer is an SME or a multinational conglomerate, it's essential that they manage their finances carefully: employees must receive their salaries, office space must be rented, taxes must be paid – and after all that, they still need to turn a profit. To manage all of these demands, the careful management of cash flow is essential.

One way of ensuring efficient use of cash is by not investing considerable sums in depreciating assets. When a commercial vehicle is purchased outright, it immediately begins losing value; when an entire fleet of vehicles is purchased, they begin losing value en masse. If you can offer your customers a workable alternative to an outright purchase, you'll be able to help them meet their cash flow objectives over both the short and long term.

In many situations, allowing your customers to lease their vehicles is an attractive alternative to offering them for sale. Here are a few reasons why.

1. IT'S LESS TAXING

We mean this quite literally. When a customer buys a commercial vehicle or uses a hire purchase finance agreement, they have to pay the full value-added tax (VAT) up front. For a van valued at £20,000, this amounts to £4,000 – a significant amount for many smaller businesses.

Leasing agreements involve the customer paying VAT on the rental amount, rather than the purchase price.

This is very important if you are dealing with a customer who is not VAT registered, in both cases such customers will not be able to reclaim any VAT paid, but this is very much more significant when based on the purchase price at time of sale, rather than the much smaller sums paid on each rental payment over the life of an agreement.

2. IT'S FAST

If you work in commercial vehicle sales (or indeed any kind of sales) you know the perils of gazumping better than anyone. It's a sadly familiar scenario: your well-rehearsed sales patter has a customer firmly on the hook, but some kind of interruption – be it bureaucratic, financial, or totally inexplicable – has caused an unforeseen delay in decision-making. In the interim, a rival salesperson has emerged with a better offer – and both your deal and your expected commission are suddenly off the table. While some financiers offer automated decision-making, in practice, this means that many worthy claims are dismissed because 'the computer says no'. A human underwriter is the only way to ensure a proposal is given proper consideration – but in such cases decisions will take longer.

Delays can occur at other stages too. Invoice processing can be slow and if your customer's financier takes too long to pay them they will also take too long to pay you. The customer has to wait for the vehicle and you have to wait for your money, nobody's happy – and the customer is less inclined to think of your business relationship in a positive way.

But the fact that it's often this way doesn't mean it always has to be. Solid, reliable cash flow is important to you and your customers. Modern leasing providers can provide a faster, more responsive service in nearly every respect. We're just one example – other providers may be slower or faster – but at BNP Paribas, we can often arrive at a finance decision within two hours. It's not quite "instant" of course, but it still gives your immediate rivals a very narrow timeframe in which to steal your client. We also commit to paying invoices within 24 hours.

3. IT OFFERS APPEALING FINANCIAL STRUCTURE

Your customers' buying habits are often dictated by their annual budgets. They may well want to acquire the latest, most fuel efficient and technologically advanced commercial vehicle available, but financial reality tends to crush such hopes. A lack of money will often force them to either settle for a lesser product or defer their acquisition until they have more capital available.

Leasing agreements provide a flexible way to structure finance around a customer's immediate cashflow needs. If they want to rent a vehicle – or a number of vehicles – they can pay a small deposit up-front and potentially spread payments over 5 years. Where an outright purchase will eat up much of their annual budget, a leased vehicle will often amount to considerably less. It's also possible to incentivise them further by including routine maintenance within the funding agreement for an agreed fee.

4. IT INCENTIVISES REPEAT BUSINESS

Barring any unforeseen problems, when your customer purchases a vehicle, it's often the last you'll hear of them. It's nothing personal, but the gap between one purchase and another can often be very long indeed, and there's no guarantee that they'll revisit your dealership when the time comes to upgrade. Wherever possible, they'll try to get the most out of an existing asset and defer the costs involved in replacing with an expensive new vehicle: whatever benefits they get from that shiny new van will be eclipsed in their minds by the substantial immediate cost. Leasing encourages your customers to form a more long-term relationship with your business. Because they never "own" the vehicle, nothing is forcing them to hold on to it. At the end of their lease, they can either renew their existing agreement – or consider their options. Perhaps they want a van with a larger storage capacity and a more fuel efficient engine; perhaps they want multiple vehicles; perhaps they want a different kind of automobile entirely. Whatever they're after, they'll have more choices available – and if you've offered a great service, you'll be at the forefront of their minds.

In the ever-changing world of modern enterprise, this kind of flexibility is difficult to undervalue. Too often, customers allow their options to be limited by the constraints of their annual budgets. By offering a range of acquisition methods, and great service at an attractive price you will be in the best possible position to remove the constraints that prevent and delay sales.

TO FIND OUT HOW BNP PARIBAS LEASING SOLUTIONS CAN HELP YOU UNLOCK YOUR BUSINESS POTENTIAL PLEASE EMAIL: MARKETING.LEASINGSOLUTIONS@UK.BNPPARIBAS.COM

BNP PARIBAS LEASING SOLUTIONS

Business is ON