

Leasing: Is it still an option



A decade or so ago when resellers sold customers a telecoms system, large or small, it was a simplicity itself to offer a lease package as this eased the CapEx hit for the customer and gave the provider cash upfront to fund continuing business.

These days, customers favouring cloud telephony infrastructures to save upfront costs pay for the services like magazine subscriptions on a monthly basis. Ergo, lease-term finance deals on equipment seem less attractive since customers aren't buying as much hardware or software.

So how do leasing and finance specialists fit into this new 'as a service' world?

Emerging hosted solutions can be complex and the last thing end users want, when it comes to financing them, is added complexity. Simplicity will rule the day. Telecoms and IT providers that offer a 'one stop shop' of bundled packages combining cloud access with hardware devices and end points will have a valuable advantage over their competitors.

Many ICT cloud solutions still require basic hardware and infrastructure to work. Data and applications have to be stored somewhere, and end users still require laptops, IP phones or other devices to access information or make connections over the Internet.

It's almost a given that customers that receive one invoice each month that allocates a proportion of the bill for network/Cloud services, and the other for equipment, will be much happier and much 'stickier'.

The pace of technological change has always challenged companies and their ability to keep up. The evolution of the Cloud is no different — it's going to take some time and it's going to bring some turbulence as new solutions are introduced and companies figure out which solutions are right for them, but as contributors to our Kaleidoscope call round this month concur, leasing is by no means a dead duck in the 'cloudy' waters.



DAN MACKRELL
SHIRE LEASING

HAS LEASING MOVED WITH THE TIMES?

In my experience, particularly in the FinTech space, I have seen significant development. Not only how accessible and automated leasing solutions have become, but also the types of products and services which can now be included within a lease.

HAVE THE LEASING MODELS CHANGED?

Shire Leasing have developed new financial products such as the Technology Rental and Managed Rental agreements. These are ideal for managed services, especially since there's been a growing requirement to fund predominantly soft costs.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

Most upfront costs associated with a hosted solution can be funded on a lease, including perpetual/fixed term licences. So, the customer pays for the solution monthly as they use (as with a subscription), whilst generating immediate revenue, like the on-premise model.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

Historically, leasing companies have provided finance to businesses so they can move capital expenditure to an operational expense. This fits perfectly with customer demands to consume ICT solutions on a subscription model, so the future is bright!



DAN PROCTER
HENRY HOWARD
FINANCE

HAS LEASING MOVED WITH THE TIMES?

Our industry is very focussed on traditional hard assets; telecoms and other technology assets are a very small proportion in the UK. In general, leasing is a little behind the times because of this, but HHF are now leading the way with FinTech to revolutionise service delivery models.

HAVE THE LEASING MODELS CHANGED?

HHF has changed leasing models to focus on financing the channel partner to assist with their service-based delivery. A hybrid model of vanilla customer leases, revolving credit facilities and structured finance are essential for any channel partner looking for a single automated workflow with their chosen provider.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

HHF will allow margin to be accelerated on subscription-based Cloud systems, but fundamentally the subscriptions build long term value via residual income.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

The transaction for a 20-user system is now £2,000 as opposed to £20,000 but the exponential increase in deals means that the lease company can spread risk over more customers with smaller exposures. The future is good!



JUSTIN BLAINE
NTA

HAS LEASING MOVED WITH THE TIMES?

Yes, most definitely, as procurement has changed from physical hardware to SaaS and PaaS based licensing and subscription models, lease companies have had to now recognise that there is a value in this and therefore financed it accordingly.

HAVE THE LEASING MODELS CHANGED?

The model hasn't really changed, there is a term, value and then lease rate. What has changed is that they now finance what we used to term as fresh air e.g. licenses which they used to be reluctant to do.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

Cloud telephony systems can now be leased, the benefits include being able to get the money upfront to maintain cash flow or just finance hardware which typically the end customer is happy to pay for over the rental period.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

I see no reason why lease companies cannot thrive, as more resellers move into the cloud technology in both the IT and Comms sector, they just need to provide leasing on Managed Service contracts, professional services, licensing and hardware.



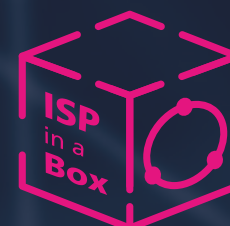
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n in a cloudier landscape?



SIMON MUNDAY
NIMANS

HAS LEASING MOVED WITH THE TIMES?

Leasing continues to evolve and diversify. For example we are using online portals linked directly to the finance companies which is a lot quicker and streamlined. In addition, e-signatures also speed up the process.

HAVE THE LEASING MODELS CHANGED?

The benefits of leasing haven't changed over 20-30 years such as tax advantages and reducing the need for upfront cash outlays. But what has changed is the type of solutions that can now be leased such as software as well as hardware.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

100% software can now be financed as licences become ever more popular. This helps resellers offer the most cost-effective solutions to ultimately win more business.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

The future of leasing remains bright and it's as popular as ever. Businesses can share the financial pain of investments in many dynamic and appealing ways. Demand continues to grow.



KERRY HOWELLS
TOWER LEASING

HAS LEASING MOVED WITH THE TIMES?

Not all leasing companies are moving with the times, however, we understand the telecoms industry and work closely with our partners to align our finance offering to their business needs

HAVE THE LEASING MODELS CHANGED?

Ours have definitely changed. We now look at the entire telecoms offering and have found ways to provide solutions via a managed service offering and subscription-based finance solutions.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

Yes. There is always a balance to be met with some of a reseller's customer base being on lease and others on a monthly subscription. The cash injections of leasing will help with the growth aspirations of the business, but this can't always be achieved if their entire customer base is on subscription only.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

Some leasing companies that choose not to understand the changing comms market will fall by the wayside. This creates further opportunity for Tower and other likeminded finance companies. The future of finance into the comms industry is bright.



JAMES REED
TECH DATA

HAS LEASING MOVED WITH THE TIMES?

The explosion of the mobile handset over the last 20 years has really helped to promote leasing and now subscription is the only way to really fund your handset.

HAVE THE LEASING MODELS CHANGED?

The leasing models have changed in favour of the resellers, enabling them to have more control of customer requirements, with solutions such as Bill and Collect, as-a-Service and Managed Service agreements. By allowing resellers to be the front face of the finance model, it facilitates consistency with the reseller and their customer.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

Cloud telephony is something that we often finance on our Tech-as-a-Service subscription model. The reseller can offer a complete unified telephony solution on a monthly payment deal.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

The future is exciting! Most communications companies are moving towards offering more than just telephony. Resellers want to offer an entire unified solution, introducing more IT services and with the addition of mobile, leasing is a great way of offering a complete solution.



MARTIN ARDEN
BNP PARABAS

HAS LEASING MOVED WITH THE TIMES?

Technology is evolving fast and no leasing provider can stand still if they want to be competitive. We pride ourselves on our ability to embrace change in this fast-paced environment.

HAVE THE LEASING MODELS CHANGED?

We are continually adapting to meet the requirements of the sector. Our extensive knowledge of the market allows us to be flexible and offer market-leading products to meet the expectations of our customers.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

As the 'On demand' economy grows, so does the requirement for hosted and cloud solutions. To reflect this changing customer need BNP Paribas Leasing Solutions has developed products to enable the funding of on and off premise equipment.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

Leasing is set to become even stronger and more in-demand. Customers need to regularly refresh technology to ensure they remain competitive in their market. The key to success is understanding our customers' business models and future-proofing our offering.



IAIN SINNOTT
VANILLA IP

HAS LEASING MOVED WITH THE TIMES?

Leasing has evolved but the client requirements have fundamentally changed. In the on-demand cloud world, end user requirements for finance have reduced, but demands from service providers have increased.

HAVE THE LEASING MODELS CHANGED?

Yes, it's much easier now to get leasing based on software licences only. No longer is there a requirement to have a hardware mix for example, which works well for some.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

You could, but leasing has moved up the tree so the service provider is more likely to sign a wholesale leasing agreement and provide hardware to end users on more flexible terms to better fit the Cloud world

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

With current low interest rates, it is still a great way to finance hardware and software for the Service Provider.



VINCENT SCALZONE
SOCIETE GENERALE

HAS LEASING MOVED WITH THE TIMES?

Leasing has been around since 1960s, initially used for financing 'hard' assets as opposed to technology/hardware. Today, digital tools enable the leasing process to be a quick and easy solution for the acquisition or 'use' of any business critical assets.

HAVE THE LEASING MODELS CHANGED?

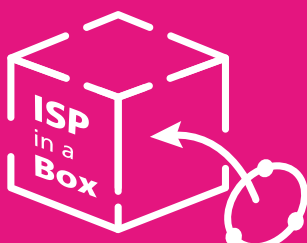
Yes, over time the leasing options have changed and adapted with the change in product demands i.e. software only, services contract etc. Upfront services and maintenance collection are now acceptable 'products' which can be added to a lease contract.

CAN YOU LEASE CLOUD TELEPHONY SYSTEMS?

Absolutely! As cloud telephony is sold through licenses, leasing gives the customer the flexibility of managing their costs and making system upgrades and refreshes easy and affordable. The resellers benefit from accelerated revenue and lower customer credit risk.

DO LEASE COMPANIES HAVE A FUTURE IN ICT?

It's now more common for products to be sold 'as a service' and pay over time. Ownership for critical assets is less of a customer requirement, therefore leasing companies are instrumental in helping resellers successfully sell their products and services.



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