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B2B: Purchase or Lease: How to Gain More Opportunities

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A well-organized fleet is essential for the mobility of your employees as well as their motivation and capacity to act. At the same time, cost savings regarding the procurement and operation of the vehicles are necessary to ensure the economic efficiency of the fleet. The current situation with the greater emphasis on profitability and operations efficiency forces fleet owners and managers to bore down into every detail regarding the fleet management process to be sure that their fleets are safe and cost effective.

The cornerstone of the right decision is the fiscal mode: outright purchase or full service leasing or financial leasing or classic credit. Each mode of fleet finance has its advantages and disadvantages. Fiscal mode depends first of all on the aims of the company: whether it prioritizes cost efficiency or wants to attract the best employee by offering a better car in class.

Rather than applying working capital to the purchase of vehicles, or tying it up in long-term loans that reduce borrowing reserves, a full-service lease agreement enables customers to put their money to work in programs directly related to the growth and profitability of their core businesses. With a full-service lease co-joined with programmed maintenance, the business owner knows exactly what his or her monthly expenses will be, which is a considerable budgeting and bookkeeping advantage. In an unstable economy, full-service leasing can deliver bottom-line stability. Complex and constantly changing tax codes can further complicate fleet investment decisions.

Full-service leasing prevents the lessee from unforeseen car failure, breakdowns, and the resulting downtime associated with that. Moreover, the operational leasing mode "regulates" the relations between auto dealer and fleet manager: The leasing company acts as a filter ready to respond and negotiate the best price and conditions on the market. Transparency of the operations is one of the key highlights of operational leasing. Most agreements include access to 24/7 assistance and replacement vehicles when repairs are needed. It enables fleet owners or managers to focus their resources on the core business, leaving the transportation business to the professionals.

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Companies that choose to own their fleet must either use their own capital or take out a loan, but both require significant up-front investments. In addition, the company balance sheet takes a hit — reduced cash on hand or greater debt. In terms of pricing, the operational leasing may be more expensive in comparison with outright purchase in case of very low mileage consumed (less than10,000/year). A comparison must be made on an equal basis (future costs). Above all, choosing the appropriate financial mode is not a matter of only vehicle price. It is also a question of total costs of operations and ownership, which includes a wider range of points like fuel and unpredictable indirect and internal costs.

Fleet leasing offers a variety of benefits and advantages for business, like maximizing cash flow, simplifying accounting processes and freeing up bank lines of credit. Full-service fleet leasing provides not only a source of funds, but also expertise and an asset management tool. The most significant benefit to full service fleet is greater corporate cash flow options. A smaller up-front investment is required for a lease than for an outright purchase. A well developed leasing scheme reduces fleet costs to monthly operating expenses, while keeping the credit lines clear and cash on hand to reinvest in the company.

Thus, full service leasing is a convenient solution not only from the point of taking care of funding, but it provides an extended portfolio of fleet services in a bundled package deal.

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