

GUIDE TO UNDERSTANDING COPIER LEASING



How To Get A
Good Deal &
Avoid Tricks!

**THE 5 MOST IMPORTANT
THINGS EVERY
DECISION MAKER
SHOULD BE AWARE OF**

A lease should be used as a means to finance a large amount of money, NOT as means to hide true costs from buyers. Unfortunately because leasing can be confusing, many companies end up paying more than they should for their copiers.

Too often people are lured into leasing equipment with features they do not need, negotiate a lease that is too long, or agree on minimum page counts that are too high, all because the sales person did not consult well (whether intentionally or not).

It has happened to us before with other equipment vendors so we know how it feels (paying a certain amount for something every month when you know you aren't utilizing it that much, but can't do anything about it), and WILL NOT do the same to someone else.

That is why we put together this guide to arm decision makers with the information they need to make an INFORMED choice.

Read this guide and you'll learn:

- The Leasing basics – In simple terms how to understand what a lease is, the principal, the difference between FMV & \$1 Buyout and why they are important
- 5 CRITICAL TIPS that will help you make the right decisions regarding copier leasing.
- How to get a FREE Cost-Benefit Analysis of your current lease(s)

Leasing Basics

When leasing a copier, you are simply purchasing the machine, but instead of paying for it all upfront, you pay interest to the leasing company in order to make monthly payments instead.

There are two types of leases – Fair Market Value (“FMV”), or \$1 Buy-out. With a fair market value lease, at the end of your lease term you can purchase the equipment for the ‘fair market value’ of the equipment as determined by the leasing company. With a \$1 Buyout lease, you simply need to pay \$1 at the end of the lease and you own the equipment.

Basically there are different finance rates attached to the Principal (i.e. the upfront cost of the equipment) depending upon how long you lease equipment for, and what type of lease you get. A \$1 Buyout lease will always have a higher finance rate & higher monthly payment. The longer you lease the equipment for, the lower the finance rate & the lower the monthly payment.

If you purchase a machine outright, however, you will ALWAYS PAY LESS MONEY. Even if you get a Fair Market Value lease where you can ‘trade-in’ your copier at the end in order to upgrade to a new machine, you will still have paid more than the total amount you would have paid if you purchased the machine day 1.

EXAMPLE:

Copier cost to purchase & own indefinitely = **\$10,000**

Fair Market Value lease payment for 36 Months = **\$285 monthly**

Total Cost after *trading in* the machine at the end of 36 Months = **\$10,260**

So Why Lease?

Most of the time it is because an organizations simply can't afford to make a lump sum payment – it would negatively affect their cash flow. From our perspective, this is really the only reason that one should consider leasing. While it seems easy that at the end of a lease, if you need new equipment you know you can just send your old equipment back to the leasing company, there are plenty of organizations out there that deal with buying, recycling, or donating old equipment that it shouldn't be a concern. **And every month your copier still works for you after the lease is over, is a month where your organization pays \$0 for your equipment apart from the ongoing maintenance.**

So if your organization cannot afford to make a large purchase, and you must lease your equipment, below you will find **5 Critical Tips** to ensure you get a good deal on your copier.

#1

ASK FOR THE PURCHASE PRICE OF THE COPIER TO AVOID BEING OVERCHARGED.

When you are presented with a monthly payment, it can be easy to overlook what you'll actually be paying for a copier. For instance, doesn't \$386 a month sound much less expensive than \$20,000? But if your copier cost \$20,000 and you leased it for 60 months, you would be paying approximately \$386 a month.

That's why when you get a new copier, **you should always ask what the cost would be to purchase it, and THEN ask for the cost of the lease.** This will ensure that the price for the copier can't easily be marked up higher.

#2

ASK FOR THE RECOMMENDED AVERAGE MONTHLY VOLUME TO AVOID BEING OVERSOLD.

This is related to the first point - because the true cost of a machine can be masked in a monthly payment it makes it easy to be oversold. We have seen more than one situation where an organization will lease a copier that is capable of printing 50,000 pages a month, but they end up only printing 5,000 pages a month to it. In most of these cases they could have gone with a less expensive model (thus greatly lowering their lease payment), and the less expensive copier still would have gotten the job done for them.

To make a good decision, it is important that you understand exactly how much your current copier is being used - you should be able to find this information in your invoices, or by printing a total page count report from your copier & factoring in how long you have owned it.

Then to find out the recommended average monthly volume for the new copier model you are considering you can turn to Google. Generally a simple Google search with the model you are going to lease plus "average monthly volume" will produce the manufacturer documents where they state these specifications.

NOTE: It is important to go by the "average monthly volume" as opposed to the "duty cycle"

AVERAGE MONTHLY VOLUME VS. DUTY CYCLE

A great way to understand this is by comparing these numbers to the speedometer on a car. A speedometer may go up to 160 mph. This means that in theory, it's possible for this car to drive at 160 mph. However, this is not the recommended speed for the car to drive at on a daily basis. Your car is unlikely to have a very long life if used in this way. In the same vein, your copier can approach the maximum monthly duty cycle on an occasional basis, but you would not want to run it at that rate continuously, just as you wouldn't want your car to run at the highest possible speed on a daily basis. Putting your machine to work at its maximum monthly volume would result in it needing very frequent service visits. However, if an occasion arises and you want to use your machine as much as you can without breaking it, that's where the maximum monthly duty cycle number should be considered. Take that number and divide it by 30 (the number of days in a month) i.e. 300,000 divided by 30 = 10,000. So occasionally, your machine should be able to handle the workload of 10,000 pages in one single day without falling apart. But by no means should it be used as heavily every day!

#3

KEEP THE MAINTENANCE COSTS SEPARATE FROM THE EQUIPMENT LEASE

In order to avoid excessive finance charges, you should request that the maintenance costs for the copier ARE NOT included in the lease. This includes services & supplies. For instance, many vendors will structure an agreement that includes a minimum amount of pages, say 5,000 pages a month, and charge you a certain amount for that. This amount **SHOULD NOT** be included in the lease, as you will incur additional finance charges that are unnecessary.

The maintenance has to be billed monthly anyway, so it is better to keep it as a separate charge. If it is not kept as a separate charge and bundled into the lease, it also locks you into utilizing the same vendor for the maintenance for the duration of your lease. When these charges are separate, even though you cannot cancel a LEASE, you'll have a way out of the maintenance agreement should your vendor fail to provide quality service.

#4 BEWARE OF THE EARLY UPGRADE

YOU SHOULD ONLY UPGRADE EARLY IF YOU ARE EXPERIENCING ISSUES WITH YOUR COPIER. If you aren't experiencing issues, there is no need to upgrade early – it is simply a tactic that is employed by copier companies to keep competition out as **THERE IS NO WAY TO GET OUT OF PAYING THE FULL AMOUNT FOR A LEASE.** When you get 'upgraded early', all that is done is the remaining payments for your current lease are *ADDED* to the principal for the lease of the new equipment – so in effect you pay double the finance charges for whatever that amount is.

Example:

Your monthly lease payment is \$400 a month and you have 12 months remaining. Your copier vendor contacts you and says that you should consider upgrading early because you'll get a great deal, and they'll be able to lower your payment by \$20 a month.

What happens behind the scenes:

They add the amount you have remaining on your lease (in this example \$4,800), to the cost of the new equipment. Then mostly likely one of the following occurs:

- A. The new equipment actually costs less to own than your current equipment, even with adding the \$4,800 to the price. Thus your monthly payment will be less. But if you wait until the end of your lease, your monthly payment will actually be EVEN LOWER because you won't be adding the \$4,800 to that.
- B. The new equipment cost is comparable to your old equipment, but you save money on the monthly payment even with adding the \$4,800 because the TERMS of the lease are different. For instance, they can give you a longer lease, or change a \$1 Buyout lease to a Fair Market Value lease, all which will result in a lower monthly payment, but you will actually paying more in the long run.

In any scenario, waiting until the end of the lease and THEN upgrading your equipment will cost you less in the long run. If you are getting pressured to upgrade your copier early, simply ask for the purchase price of the new copier. Then ask for clarification as to what the purchase price would be if you waited until the end of the lease. If the amount they provide you is the same or higher, we encourage you to get quotes from a different vendor for the same model machine that you are being suggested to upgrade to.

#5

LEASE TO OWN VERSUS LEASE TO UPGRADE

As stated previously, the main reason you should lease a copier is because you cannot afford to pay for it all at once. In this case, we recommend to our clients to “lease to own” the copier. **You should have the option of purchasing your copier at the end of a lease, and the amount you will have to pay should be transparent.** We recommend going with a 36 Month FMV Lease, where your vendor can specify *exactly* what it will cost to own the machine at the end of the term. Then at the end of the term, the only reason NOT to keep the copier will be because you have a changing business need. In 9 out of 10 cases, the copier will still meet your needs, and you will be able to use it for another 2-3 years reliably incurring no more lease expense.

Are Your Copier Leases Coming To An End Soon & Not Sure What You Are Going To Do?

Our FREE Cost-Benefit Analysis Will Help You Decide

If you are thinking about upgrading your copiers because the lease is coming to an end, they're not performing to your satisfaction, or you just want to see if you can save money by leasing something else, we'd like to offer you a FREE Cost-Benefit Analysis consultation to demonstrate how we may be able to help you.

Here's How A Free Cost-Benefit Analysis Works:

At no charge, we will come to your office to review your current copiers, print/scan volume, lease documents, future needs and business practices.

Based on what we discover, we'll provide you with one or more options for helping you to save money and get the results you want. We'll be happy to discuss your options, clarify any gray areas, and answer any questions you have. We will also map out the costs and steps involved so you know exactly what to expect.

At the end of this analysis, you'll be in a much better position to make an informed, intelligent decision on whether or not you should upgrade your copier(s), AND which option(s) will work best for you.

You are under no obligations to do or buy anything; this is simply our way of introducing our services to you and demonstrating how we can make sure you are getting a good deal for your company.

About A M Exclusive

Our goal is to provide you with reliable technology solutions that will make your organization more efficient. Whether it is providing quick printer & copier repairs, cutting costs with our Managed Print Services, reducing downtime with our Managed IT services, or improving communication with our phone systems, since 1986 we've been striving to make our client's busy work lives easier.

Our company is small enough to know our customers well, yet due to our partnerships with companies such as *Hewlett-Packard, Microsoft, Xerox, Lexmark, AVG, WatchGuard & Datto*, we have all the tools to help you with a wide variety of needs. All our solutions are backed by our **priority service guarantee**, so you know you can depend on us.

