

Leasing helps small, mid-sized companies
s-t-r-e-t-c-h their IT investment dollars



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Executive summary

The global economic meltdown has hit small and mid-sized companies with a brutal one-two punch, as financial institutions tighten lending policies and consumers curtail spending on “nonessentials.”

This double squeeze puts a premium on conserving cash as small and mid-sized businesses retrench against today’s marketplace realities and ponder how best to invest to for future gain.

Ironically, as the world grapples with the worst economic crisis in generations and major corporations forecast little to no growth, industry analysts predict small and mid-sized businesses will continue to grow this year. Probably not at the same rate as in recent years, but positive growth nonetheless.

Answering a vexing question

With this ray of sunshine comes a vexing question: How to take advantage of precious growth opportunities while preserving precious cash?

Maintaining an up-to-date IT platform is essential for the competitive success of almost every business—and it can serve as an equalizer for small and mid-sized businesses. Increasingly, IT fuels everything from back-office operations to customer sales and service.

Chief among the choices facing business leaders looking to take advantage of growth opportunities is whether to buy IT systems or lease them. Given the continuing advances in IT and evolving nature of

today’s business environment, companies also must develop a schedule to refresh their IT infrastructure on a regular basis.

Leasing—an attractive option

Leasing can be a particularly attractive option for companies looking to deploy state-of-the-art technology while also conserving capital resources.

- **100% financing:** Leasing lets you finance the entire cost, including hardware, software and soft costs (such as taxes, installation and services), and roll it up into one recurring payment.
- **Align payments with benefits:** You can align the monthly cost of IT assets with the economic and business benefits they provide, and spreads payments out over the useful life of the assets.
- **Tax advantages:** Under certain circumstances an operating lease may be considered tax-deductible overhead. At the same time it may not be considered long-term debt, making your business operationally more attractive.¹
- **Balance sheet management:** Because an operating lease is not considered a long-term debt, it does not appear as debt on your financial statement, thus making you more attractive to traditional lenders when you need them.
- **Stretch your budget:** You can expand or renew your IT infrastructure independent of budget cycles. In addition, you can get more for your IT dollars; by leasing you pay for your use of IT equipment, as opposed to paying for the equipment itself upfront.

- **Flexibility:** As your business grows and your needs change, it's easy to add or upgrade equipment to keep pace with your needs.
- **Protection against risk:** Older technology can be expensive to operate and maintain, and also may be less efficient. Leasing establishes a schedule for equipment renewal that can protect you from obsolescence and related worries, including downtime and lost productivity.
- **Easy disposal:** With a lease, there's no worry about what to do with old equipment as you take it offline. Just return it to the lessor.

All the same challenges—and more

Technology is the beating heart of today's business, and maintaining an up-to-date information technology (IT) platform is essential for the competitive success of every business. IT enables you to keep the books and manage finances, control inventory, plan new initiatives, track business progress, and sell to and service your customers.

When it comes to planning and implementing an information technology strategy, small and midsize businesses face all the financial and management challenges of their larger rivals—and more.

When you manage a smaller firm, IT challenges come in five key areas:

- Like all companies, small and midsize businesses need to update and upgrade IT equipment as new generations offering greater capabilities—and efficiencies—are introduced, and as the company itself grows or evolves. With limited resources, just staying in tune with what's available—and appropriate for your business—can be daunting.
- Similarly, small and midsize businesses often are short of capital and lack access to the range of funding sources available to big companies. They need technology solutions that support their business, generate efficiencies, improve cash flow and preserve capital resources for other needs.
- In very small companies there's likely no IT department at all—just the few minutes the boss or office manager can devote to the topic. Even midsize firms can't match the staff resources large firms marshal to manage financial decisions and plan key technology initiatives. SMBs need solutions that fulfill their IT needs quickly and reduce staff involvement.
- As new technology is deployed, what to do with older or unneeded IT equipment becomes a significant issue. Small and midsize companies lack the scale to effectively remarket older PCs and other IT equipment coming offline. Similarly, they don't have time—or typically the expertise—to manage environmental and data security concerns associated with disposition.
- Even more than large firms, small and midsize companies face nonstop bottom-line pressures to reduce the total cost of ownership (TCO) for their IT infrastructure. Every IT dollar saved is a dollar you can invest elsewhere in the business.

Being small places a premium on working smart. With the right approach small and mid-sized companies can arrange needed financing, overcome the challenge of lean staffing and deploy state-of-the-art technology—at a cost that allows them to compete and win.

Use IT, but don't own IT

Deep down, what counts are the capabilities IT systems deliver, and how they enable companies that use them to do the best possible job for their customers. The question leaders of small and mid-sized companies must answer is this: What's the best, easiest and most cost-effective way I can deliver IT capabilities that help my organization win?

According to the U.S. Small Business Administration (SBA), "Leasing operating equipment, such as computers, vehicles, and machinery, often makes more sense than buying."² Deciding to lease and use IT equipment—but not to own it—can help small and mid-sized companies on several levels.

Few industries have experienced a more fundamental change in recent decades than information technology, and the pace of change shows no sign of slowing.

Newer generations of IT equipment offer significantly expanded capabilities, they're more energy-efficient and prices continue moving downward.

Falling behind on the IT curve and continuing to rely on older or obsolete technology can be expensive and inefficient. The continuing pace of change makes IT equipment ideal for leasing, instead of owning.

Keeping technology current

Leasing puts the latest technology in your hands and builds in a replacement cycle.

It allows you to respond quickly to new opportunities, irrespective of budget cycles, and with a minimum of red tape. At the end of the lease, you can buy your old hardware from the leasing company or turn it back and upgrade to the newest generation.

In addition, leasing IT equipment reduces headaches at replacement time—because the leasing company can become responsible for securing the old equipment and managing disposition in accordance with increasingly strict environmental rules.

Leasing is smart business

With limited staff resources, small and mid-sized businesses need to quickly and efficiently plan, implement and finance their IT infrastructure. Leasing—or at least weighing the option—is smart business.

"Captive" financial services companies owned by a manufacturer offer advantages on several levels.

As a subsidiary, they possess significant knowledge and expertise in IT—in addition to their financial services credentials. Since their primary purpose is to finance their corporate parent's technology and services, they're typically well-positioned to implement fast, one-stop service.

Captives also bring remarketing expertise that can translate to favorable lease rates and an opportunity to easily refresh or upgrade technology down the road.

Meet needs without getting bogged down

Leasing from HP Financial Services offers affordable, easy-to-understand alternatives and enables small and midsized companies to meet their IT needs without getting bogged down by a multitude of details and worries.

- In most cases, small and midsized companies can take advantage of one-stop shopping for financing of hardware, software, installation and maintenance services. HP Financial Services offers financial solutions for transactions as low as US\$349.
- Streamlined procedures are designed to move the process along quickly and make life easier for busy business leaders. HP Financial Services' basic lease agreement for small and midsized businesses is just one page long. In many parts of the world, small and midsized companies can complete lease applications on the Web.
- HP Financial Services works with companies to plan custom-tailored technology and financial solutions designed to meet their specific requirements, from designing the financial solution to managing disposition of old IT equipment.

Choices required... because every customer is unique

HP Financial Services offers a choice of financial services options to meet customers' individual business needs.

The popular lease with an end-of-term fair market value purchase option typically carries the lowest monthly cost. At the end of the lease term, a fair market value is assigned and customers may return

the equipment, purchase it at market value, or extend the lease (often at a lower monthly payment).

With a finance lease (sometimes called "lease purchase"), customers own the IT equipment at the end of the lease period.

Get the technology and get back to business

From leasing to purchase financing, HP Financial Services provides solutions to help small and midsized companies get the technology they need... and get back to business:

- Our comprehensive solutions can combine financing for equipment, software, training and services into one package—even including non-HP technology.
- We customize the financial package to meet individual customers' needs.
- In North America, prospective customers may take advantage of online paperless leasing, which allows them to submit, track and complete leases through the Internet.
- Getting started is easy; in many cases it's as simple as completing a one-page application and receiving a credit decision in minutes.
- Our contracting process is fast, straightforward and easy to understand. We know customers are busy, so we make it easy.
- We manage disposition of leased or surplus equipment in an environmentally sound fashion. We also offer industry-standard processes to help safeguard proprietary information that may reside on drives or in memory.

To learn more, visit us on the Web at www.hp.com/hpfinancialservices

Is leasing right for your business?

Do these statements apply to your company? If so, leasing or financing IT equipment may be your best choice.

- You need to update your technology, but don't have the cash to buy it outright.
- You need to preserve your cash for other business needs.
- You want one-stop financing of hardware, software and services, plus the convenience of a single monthly payment.
- Refreshing technology on a regular schedule as your business grows or changes sounds like a plan.
- Safely disposing of old computers or other IT equipment is not your core competency.
- You'd like to write off your IT spending every month.

For more information

www.hp.com/hpfinancialservices

¹Customers should consult with their accountant/tax representative for the tax implications of this zero percent offering as HP makes no representations regarding tax treatment

²Small Business Administration Small Business Planner—Start Your Business—Lease Equipment <http://www.sba.gov/smallbusinessplanner/start/leaseequipment/index.html>

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