For the Trenches

TIPS & NEWS FOR EQUIPMENT OWNERS AND OPERATORS

Financing Must-Be-Asked-Questions!

Let's say you've decided that in order to compete in the current environment, you need to expand your line and add a certain machine to your fleet. Or maybe you're ready to start a new project, and you know it will require a new work tool. It could also be an emissions case – you want to bid for a State job but your trusted old machine would not pass the current stringent clean air requirements that the State demands.

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Your next step? Talk to your dealer's financing department – and make sure you ask:

How experienced are they?

Heavy equipment financing is a highly specialized field, and, a full time job. It requires solid product knowledge, which means the person or persons have to be dedicated to this segment in order to keep up to date with rapidly occurring changes. And, it's not simply a subset of other types of financing, let's say, automobile financing, but a complete separate area with its own intricate demands. You want to make sure your financing experts are really such – offering solid, focused experience in equipment financing.

What's their department's # 1 objective?

The answer to this question may tell you a lot about the financing philosophy of the organization. Think about it – a financing department that's measured by the number of deals they close is not very likely to have your best interest at heart, as the "deal" may not be the one that makes the most sense for you, in that particular situation. On the other hand, a financing group that's focused on making it work for everyone is more likely to run a cooperative-type credit and financing process; they'll think about each deal from the customer's point of view, too, and will pay a lot of attention to how and why a particular deal may or may not be the "perfect" one.

Are they in tune with business in general, and with yours in particular?

This question reflects the same kind of concern as question #1. Construction is not only a highly competitive business, but one that's subject to its own cycles and trends. Within construction in general, as you well know, there are many subsets, which may also undergo their own phases, often not in synch with the rest of the economy. You want your financing expert to be on top of what's going on with the region's overall business environment and be knowledgeable about your specialty, whether it's crushing and screening or septic tank excavation, landscaping, road building or farming.

Of course, you also expect to be treated with respect and consideration; you want your financing expert to be used to large numbers and to understand that you cannot leave your jobsite and run to their office at the drop of a hard hat; and last but not least, you want them to have their heart in your industry, because in that case you know for sure that keeping that industry healthy benefits them, and they'll do their best to make sure you succeed.

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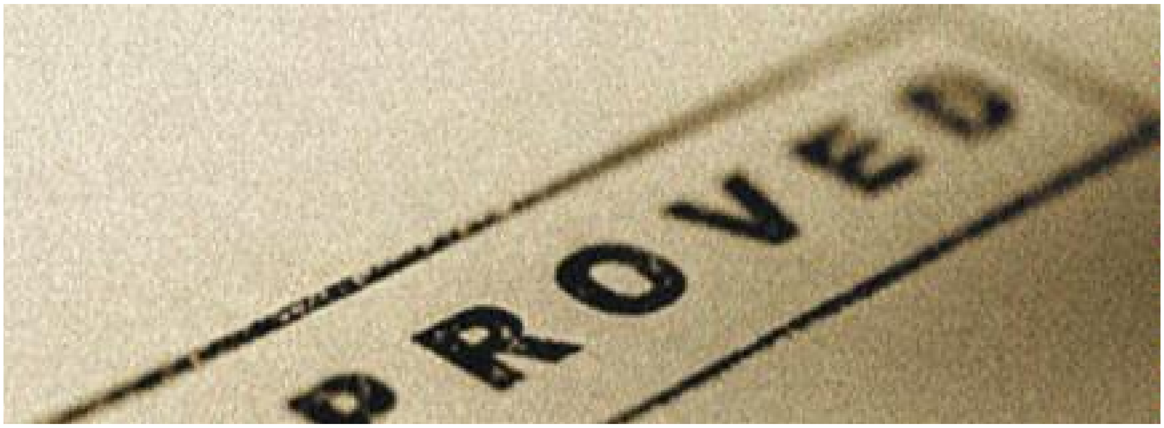

How large is the department?

Let's answer this question with another question. Why is size important? Wouldn't you rather deal with a small and friendly group? If friendly means service-oriented and customer-centered, of course you want "friendly." But the size of the financing department gives you an indication of how important and successful the financing function is in that company, and it lets you know that no matter how specialized your own business is, how obscure the equipment you are financing or how complex the deal may be, chances are there will be someone in that department who will know what needs to be done to help you.

Can they come up with several options?

Smart financing has to be creative; it has to consider options that are not cookie-cutter, and it has to come up with solutions that are uniquely appropriate to each particular case. A large, experienced and customer-focused financing department can – actually, should! – propose options that you would not have thought, yourself. It may be long term leasing instead of buying; it may be part trade, part financing, rent-to-buy or all financing, but set up in a way that allows payment flexibility.

Do they have access to different financing sources?

Having all your eggs in one basked gives you no choices, and a financing department that is tied exclusively to one source cannot possibly put together packages that benefit every customer. It's as simple as that.

What's the level of decision-making of the person with whom you're talking?

Your time is one of your most scarce resources, and you cannot waste it talking to nice people who can only send you upstairs to start all over again.

What's the dealer's relationship with the manufacturer?

A dealer that enjoys a position of strength with their manufacturer or manufacturers didn't get there by luck; they got there through commitment, talent and success. So, what's in it for you? Lots. When you work with a dealer that's in excellent standing with the manufacturers they represent, you have access to financing that you would otherwise not even know is available.

…and last but not least, how financially stable are they?

It all comes back to that. The dealer that's strong and stable is well respected by its manufacturers, is in excellent standing with several credit sources, and, can also choose to finance deals themselves.

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This article is part of a series of articles designed to help equipment owners and operators lower owning and operating costs. Other article topics include:

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