.c Unit 10 Financing Options - Getting the CFO's Support;

.c.Purpose;

This unit addresses the role financing plays in selling to the high-end market.

.c.Objectives;

At the end of this unit, you will be able to:

3 Recognize the importance financing has to the high-end customer in making a decision to break-away from a traditional mainframe vendor.

3 Understand why you need to sell the CFO as well as the CIO. It is also a good idea to include the CEO in the sales process.

3 Recognize why a financing strategy must be incorporated early in the sales cycle.

3 Propose strategies for economically phasing in a high-end HP solution.

3 Recognize how your competitors use financing as a defensive and offensive weapon.

Unit 10

.c.Who is the High-End Decision Maker?;

In high-end systems the players are:

3 CIO (Chief Information Officer)
3 CFO (Chief Financial Officer)

The CIO may report to either the CFO or the CEO, but must ultimately convince the CFO on the financial merit of your plan.

The CFO often controls the company's capital budget and cash flow.

Of course there is the ultimate boss:

3 CEO (Chief Executive officer)

Adding the CEO to your list of supporters is desirable.

CEO's are responsible for the company making money. Reducing their expenses through a better financing package helps them be financially responsible to share holders.

Note:

In very large companies, others may have sufficient signature authority.

At the very beginning of the sales process, the question must be asked: In your company, who are the decision makers on a large system investment?

3 Division Manager may have $2 million plus authority.

.c.Financing the Sale;

In the large system environment, financing the sale is a core element.

High-level managers will inevitably be thinking of their business performance.

3 Investments are large and decision makers are accustomed to thinking in terms of dollars/months. These investments require special planning.

3 Other large system vendors aggressively use financing as a trigger for growth and as a "lock-in" for account control.

3 Consider that the prospect has worked hard to develop financial arrangements, like off-balance sheet financing and customized lease plans, and may resist changing them.

3 As a new player, HP will not be perceived as a full solution vendor. You can quickly reposition HP by indicating HP's financial capabilities.

3 CEO/CFOs will often object to the rapid depreciation of HP's technology. This becomes a non-issue when you propose that the risk of obsolescence is left with HP when the equipment is leased.

.c.Senior Managers Seek Partners;

Senior managers seek a partner not a product. They think in broader terms and need a partner that can view their business as they do.

To the CEO/CFO, the stakes are high - ultimate responsibility is theirs - so they value a committed partner.

Leasing gives senior managers the flexibility to grow while managing their cash flow and financial ratios.

3   HP's ability to finance high-end systems must be communicated often and at all levels to break through preconceptions.
3   HP financing options make your offering equal or superior to that of your competitors who position themselves as strategic partners. For example, financing can be used to develop a long-range plan that incorporates business growth and additional revenues. Payments can be structured to grow as cash flow grows.

.c.Monthly Costs, Quarterly Results;

The CFO or CIO usually thinks in terms of:
3   corporate balance sheet
3   quarterly results
3   stockholders
3   Strategic relationships

In most cases the customer already has a budget for monthly IT expenses.
In the mainframe world, these large costs must be managed-or they impact the financial statement.
The signals to send to the customer are:
3   Industry consultants who have compared HP's leasing with that of IBM and DEC believe HP can structure more flexible finance terms at more competitive rates than other vendors.
3   HP's flexibility is based upon terms and payment schedules to match your customer's revenue stream, at lower transaction levels than mainframe lessors offer.
3   HP's strong balance sheet gives HP financing a low cost of funds, which creates competitive rates.
3   Backed by over $1 billion in assets, HP Finance Division is a worldwide organization that has been providing leasing services since 1972.
3   HP's Sales Finance Team can analyze your customer's needs and tailor an appropriate plan.

.c.What CFOs Need;

CFOs need ideas that relate to their business not to technology.
Key ideas you need to communicate to CFO's are:
3   HP Financing can help "phase in" the HP solution.
3   Order now, pay later.
3   HP solution will accommodate their budget constraints. ".i.Stepped payments;" can help match the customer's cash flow.
3   Payments can even be deferred to a later budget cycle.
3   HP may be able to help them replace their old equipment and any remaining financial obligations (subject to local country leasing regulations).
3   HP can lease to customers' subsidiaries worldwide.
Many customers need to run their old system in parallel as they install an HP Corporate Business System. Leasing can help make this affordable through installment or deferred payments.

"Stepped payments" will ease the customer's transition to HP's Integrated Solution
Help the customer stay within budget:
3 Customer doesn't want two major monthly expense streams while changing or adding systems.

.c.Financing;

HP offers a complete solution including leasing to ease the process of phasing in new systems.
FINANCING IS BOTH A KEY CLOSER AND A NECESSARY OPENER.
HP's ability to finance the sale must be an integral part of your sales preparation and your ongoing customer contact. It can establish an important level of comfort and trust.
Your competitor's hold on the customer, through financing, can be fierce.
The prospect may be very comfortable with present financing and reluctant to change.
Competitors have built a financing cocoon around the customer.
3 Customer is encouraged to add on new offerings to the lease contract each year.
3 Perpetually "locks in" the customer.
3 Turns upgrading into an ordinary, planned expense.
3 Puts up road blocks on your way into the customer.

Work with the Sales Finance Representative to find the best way to meet your prospects needs
The objective is to build a strategic partnership with the customer and structure a financing arrangement that establishes a long-term relationship.

.c.Help your customer work within a current budget by tailoring a financial plan;

Help the customer to create a program that exits costly systems and phases in HP Corporate Business System(s).
Hardware, software costs, and complementary non-HP products can all be "bundled" into an HP Plan (Some local restrictions may apply. See your local HP Sales Finance Representative for details).
Go for a financial solution that allows the customer to smoothly acquire the HP solution.

.c.High-End Customers Have Individual Financing Needs;

HP has the flexibility to treat every high-end customer individually.

.c.Lease (HP Lease);

This is the most common approach for high-end solutions. By leaving title with HP, overcomes risk of obsolescence. Fixed rate .i.lease; contract with the option to renew, purchase or return at the end of the term. Can be tailored to offer "off-balance sheet financing."
3 Terms: 24, 36, or 48 months

.i.Rental;

Pay to use instead of pay to buy.
3 Terms: 12 or 24 months

.i.Gradual Purchase; (;HP Installment Plan;) [plan has different names in various countries];

For the customer who prefers to own, spread the cost of acquiring equipment over time (like a loan). Title passes at shipment.

3 Terms: 12, 24, 36, 48, or-60 months

LEASING CAN PROVIDE "ACCOUNT INFLUENCE" AND BUILD A STRATEGIC PARTNERSHIP

Use a financial strategy to maintain a higher degree of Account Influence that will result in ongoing sales.

Monthly payments to HP creates "annuity thinking."

3 Keeps the customer more closely tied to HP - simply add on and extend the lease when the data center needs more power.

3 Five year plans can be constructed that build in additional systems, etc.

3 Customer can add on to their equipment or upgrade.

TRADITIONALLY, FINANCE HAS BEEN LEFT TO THE END OF THE SALE. IN THE HIGH-END MARKET, YOUR STRATEGY MUST CHANGE.

.Begin Table C.
Unit 10 - Financing Options - Getting the CFO's Support
Purpose 10-1
Objectives 10-1
Who is the High-End Decision Maker? 10-2
Financing the Sale 10-2
Senior Managers Seek Partners 10-3
What CFOs Need 10-4
Financing 10-5
High-End Customers Have Individual Financing Needs 10-6
Lease (HP Lease) 10-6
Rental 10-6
Gradual Purchase (HP Installment Plan) 10-7
.End Table C.

.Begin Index.
Gradual Purchase 10-7
Lease 10-6
Rental 10-6
Stepped payments 10-5
.End Index.