

The bigger a company grows, the more important cash flow becomes. Banks and other lines of credit need to be maintained, so corporations are increasingly opting to rent their hardware and software.

# Why buy IT when you can rent it?



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The IT industry is relatively immature in finance terms. If we look at the automotive industry, the way people buy cars has changed enormously. Once, the only option was cash. Now vehicles can be obtained using contract hire, hire purchase, interest-free credit and many other schemes, which bring the costs more in line with individual resources and priorities. This approach is finally beginning to filter into the IT industry. From a business perspective, using working capital to fund an IT solution is not good practice – in fact, it can be suicidal. Cash is the life blood of any business and the use of Rental Exchange® enables better cash management, improved tax efficiency and increased return on investment to be achieved.

## A faster return without tying up capital

So how does Rental Exchange work and what are the benefits? Rental Exchange allows the cost of IT to be spread over a three- to five-year period through structured payment schemes, which guarantee a much faster return. Purchasing IT with cash often means it can be 18 months before any payback is seen.

Rental Exchange also opens up an alternative line of credit. In today's nervous economic climate, banks are becoming more cautious in their lending policies. If a company gets bank funding, it might not want to tie up this line of credit as it could be a restrictive and onerous arrangement. Rental Exchange offers a new line of credit that is fixed term and fixed rate, making it easier to manage from a budgetary point of view.

## Not just for hardware

Unlike many other IT finance companies, Corporate Computer Lease (CCL) provides finance for all types of IT including software. Rental is particularly useful for the procurement of software and services. Applications with a high ticket price can be hard to obtain because the sums involved mean that budget approval

can be lengthy, but the option of a monthly repayment makes software easier to buy.

A bank or traditional financier may refuse finance for software as they see it as an intangible item with no resale value. The customer then assumes the only option is to pay cash – but this is not the case. At CCL, a total solution can be provided without impacting on a company's cash flow. Indeed, many finance directors are surprised when they realise that finance can be arranged for the whole project, including service, training and maintenance.

**In a recent survey of European finance directors, 82 per cent said that by the end of 2002 they would consider lease finance as a means of acquiring IT**

## Easy upgrades without penalty

CCL also offers businesses the ability to upgrade or expand their systems at any time without necessarily increasing their repayments. This means customers can keep pace with new technology without impacting on their cash flow.

So just how popular is IT rental? Despite all the benefits, Europe is lagging behind the USA, where rental for the acquisition of IT is big business (although in a recent survey of European finance directors, 82 per cent said that by the end of 2002 they would consider lease finance as a means of acquiring IT). European business decision-makers would do well to consider that they don't pay their staff five years' salary on the day they are appointed. In effect, this is what they are doing when they pay cash for IT. ■

## Further Information

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