



AMEMBAL
CAPITAL CORPORATION

WINNING WITH LEASING

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The Newsletter for Successful Lease Brokers

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By Sudhir P. Amembal and Randy Cameron

E-Commerce and Customer Relationship Management

In our Spring Newsletter, we discussed the importance of understanding the evolving impact e-commerce may have on your clients' leasing options and illustrated some of the issues that e-commerce brings to your marketplace. We briefly outlined the importance to (1) have a web presence; (2) continue your lease education; (3) think differently; (4) create collaborations; and (5) be visible. Each of these disciplines encompasses customer relationship management ("CRM"). CRM is the sum of everything you do to create loyalty (it stems from perceived value) between you and your clients, with the goal of sustaining or growing your percentage of revenues from each client. Now, as e-commerce grows, how may CRM work with the new e-tools and e-funding mechanisms to help you grow and retain your client base?

The first premise of loyalty is that it can't be bought – you must pro-

vide value to the client in ways that are meaningful to him or her in the context of each encounter or transaction. The delivery of these services may or may not be facilitated by the tools offered by e-commerce or miscellaneous Internet solutions. Following, I briefly outline the critical CRM encounters you may face and how a "value-added" approach to the leasing discipline will create the loyalty necessary to retain and grow your percentage of the client's business.

Know Your Client Better Than any Other Person or Database.

In the classic book *"How to Win Customers and Keep them For Life"* author Michael LeBouf, Phd (A Berkley Book, "1987, p.26) talks about the *Golden Rule*. LeBouf states that "a rewarded customer buys, multiplies, and comes back." To reward a customer, you must know and sincerely care about what is meaningful to each client – then deliver to exceed these expectations. Most

often, understanding needs is simply achieved by listening rather than talking. You should know the personal and business motivation of the client. Know their financial situation, past, present, and future. Know the impact of the equipment acquisition decision and be prepared to illustrate the impact the financing decision has on your client's success. Think about your role as one of helping your client "buy" and not as a salesperson. Examples that will differentiate you from your competitors include:

- **Portraying the customer's story to the funding source.** Often, the client's credit quality is not apparent on paper. You should be convinced that your client's story mitigates the lack of financial performance or shortness of time in business. Be able to illustrate this in writing and financial analysis and submit it to the funding source. Otherwise,

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each funding source must work through you and occasionally the client to clarify the reasons for advancing the credit. However, you are the expert and have the ability firsthand to write the explanation. Your dedication to this process builds loyalty and is something that just cannot be done in the pure e-commerce world.

- **Be consultative.** Can you demonstrate the six major benefit categories of leasing to your client? For example, your genuine concern is obvious when you illustrate the financial benefit of leasing versus cash purchases. Your Amembal Capital Representative is always available to discuss how you may portray these benefits to your clients. We'll be glad to help you with a lease versus buy analysis for you to present to your client. Currently, there is no e-commerce substitute that can walk a client through the leasing decision and illustrate leasing's benefits.
- **Middle-ticket leasing is and shall remain very give-and-take.** This is true for structure, pricing, and documentation. Your ability to communicate and sell as an intermediary, the various needs of each party to the transaction, is critical. Again, closeness to the client and their perception of you as a trusted advisor will sustain loyalty. Be the advocate for the client, but respect the credit limits of your funding sources.

The Balance Between CRM and Technology. As a broker for lessees and vendors your goal should be to determine what creates value for the client, then deliver it. It may be achieved by face-to-face visits or technology, or ideally, by combining the two. As we are seeking "best" e-commerce and CRM practices at Amembal Capital, we have identified ways that the two may merge to create the "value added" needed to generate sustained loyalty.

- **The role of electronic funding markets.** Can a technology company such as a vertical funding market create relationships? Yes. Millions of dollars are being funded daily, primarily in the homogeneous small-ticket market, and the non-financial dollar threshold is quickly moving to \$250,000 and upwards. Assuming the client primarily wants ease of application, documentation, and funding, and doesn't perceive the benefits of an intermediary, you could say that the technology source owns that relationship. However, as a broker, you have the opportunity to add traditional value as described above and direct the funding to on-line sources. Clients can use your domain through private-branded services or link to others to access many sources and you can retain the relationship.
- **Technology tools will help you add value and create efficiencies.**

The more customers value what you do, the better your ability to retain their business. And, your best method to know this is to continually ask them how you are doing, what they value, and then improve where necessary. Do you seek feedback and do you have a web site that seeks input? Beyond the basics, determine what your clients need. Make yourself available through e-mail and cell phones. Provide education and reference materials. New Internet "push" technologies will allow you to bring public and private current data and literature to your web site. Sell yourself as a "partner" that can bring all the tools to the table.

Finally, don't panic about technology. Your value proposition is not measured in the occasional home runs you hit for you and your clients. Be conscious of new tools, experiment and seek feedback. Value is lost and created incrementally. Hit singles, doubles, and generate RBIs. Most important, continue to sell yourself on the concept that "your discipline is valuable and that your confidence will be perceived" by the client. With this viewpoint, your quest to continue your technical lease and sales education is habit forming.

If you have questions, contact
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Broker Corner

Tips from the Best...

At Amembal Capital, our brokers are an integral part of our business, and we want to recognize them by profiling outstanding ones and sharing their ideas on success. Beginning with this edition of the newsletter, we are going to feature one of our brokers in each edition. In this issue, we profile **Tony Ellsworth**. Tony shares with us his ideas on the most critical elements of getting more deals funded.

Tony Ellsworth is the president and founder of Pacific Financial Resources located in Newport Beach, CA. He has been in the leasing industry for over 25 years, and chooses to work exclusively with Amembal Capital. Tony has positioned Pacific Financial Resources as an expert in leasing to the food packaging industry.

Question:

Tony, with over 25 years of experience in the leasing industry, what are the key elements you feel have contributed the most to your success and that other brokers could benefit from implementing?

Answer:

First, I'd emphasize the fundamental importance of "in-person" contact with the customer. The most important thing a salesperson can do to establish the credibility of a leasing organization is to develop strong personal and business relationships with existing and prospective customers. A strong, "direct" customer base means greater earning potential. Today, it seems, many sales types in our industry would rather do anything than be face-to-face with a customer... and, I suppose, risk rejection. Other means of communication take precedence over personal contact... the "database" has replaced marketing strategy; the fax machine, e-mail, overnight mail, the telephone, all rank ahead of going to see the customer! The "telemarketer" is not a substitute for the direct salesperson. Personal customer relations translate into repeat business, and repeat business should account for over 50% of annual dollar sales volume!

Second, I'd say let the credit committee or funding source do their job; you do yours. Although the leasing salesperson must be able to quickly read the general financial condition of the customer, they must not take the analysis to the credit committee level! With an eye toward "political correctness" within the organization, the sales person has become the advance-guard for the credit people. Make sure the basics are there: substantial revenues, net worth, available cash flow to service debt, the equipment and its relevance and/or a "good story". If all these look good, just submit the deal, and be prepared to defend it!

Third, I believe the need for "cold-calling" in the Internet age is critical. In this computer age we live in, it

can certainly be argued that the "cold-call" is not the most efficient means of marketing; and with certain caveats, I would agree. Furthermore, it seems that many of the modern sales types would rather not go through the anguish and "humiliation" of rejection. Nonetheless, the cold call is still relevant because it is the best teacher of humility, and in developing solid long-term customer relations, humility is an invaluable tool.

Fourth, brokers must remember, you need the customer; the customer doesn't need you. Yes, you are a valuable person, selling a valuable service, and your "self-worth" quotient is at tolerable levels. And, yes, the leasing industry's general attitude seems to be: "We have the money; you want the money; so what will you do to get it?" Still, as a salesperson "in the trenches," your attitude must be different.

Fifth, I'd ask brokers, "How good of a "listener" are you?" We already know you can "talk"! My advice to brokers is "Say your peace" and then "Shut-Up". Let the customers talk themselves into the sale. That will happen much more often than you talking them into it. The leasing industry is terrific at telling a customer what's good for him/her. Well, before you go that route, try getting the account first, and instructing them later.

Sixth, I strongly recommend that brokers not become "wholly" dependent on third-party referrals. I know "salesmen" these days that simply show-up at one of the telemarketing lease firms once a week, review deals, and leave with a hand full. Third-party referrals from brokers, super-brokers, vendors, friends, lawyers, and CPAs are quite valuable. But, if you really want to "shine" as a leasing salesperson in this industry, pursue your own direct business! You'll learn more, and make more money. I suggest you be a niche player. Learn an industry or sub-industry--preferably one that not every salesperson in leasing is pursuing--surely not the "Big Four" of rolling stock, printing, plastics, or construction. Use that niche as a jumping-off-point for your other business.

Finally, it is important to remember that you are selling the cheapest product in the world. It's not subject to a patent or copyright; everyone has some; invariably, if you get some, you want more; it's a temporary solution at best. Somehow, you, the salesperson, must give it a personality. That's hard to do over the telephone or facsimile machine.

We would like to hear from you. If you want to share your "best practices" call or write Randy Cameron at (800) 409-5008 Ext. 1444; or rcameron@amembalcapital.com.

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Call Jaynee at (801) 539-8100 ext. 1302 today to reserve your seat.
(Detailed course outline available upon request.)

We'll see you in Chicago!

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www.amembalcapital.com**

Our web site is currently being redesigned and engineered to better meet our client's needs. Over the next several months, Amembal Capital Corporation (ACC) will deliver unique capabilities and tools designed specifically for our clients. These tools, which include educational and marketing materials, templates, artificial intelligence, and analytics, will enable you to use many of the unique nuances of leasing to more effectively compete in the leasing industry. And, that's where ACC is different. We pride ourselves in providing more than funding; as your consultative partner, together we create value.

In the near future we will be sending newsletters to you via email whenever possible. If you would prefer to receive future newsletters via email, please forward your email address to
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Thank you.



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By Joseph G. Bonanno, Esq. Legal Counsel to the National Association of Equipment Leasing Brokers

THE ART OF SELLING LEASING TO PRESERVE BROKER/FUNDER RELATIONS

Perhaps the most important issue facing lease brokers today is the preservation of broker/funder relations. This is especially true in the volatile economy that we are in, and in light of the fact that lately more funding sources have decided to exit the industry rather than actively pursue lease financing. Therefore, the broker is facing the double duty of (a) selling leasing to lessees and (b) preserving relations with existing funding sources. You may be asking yourself "why would a lawyer be writing about this topic?" The brief answer to the question is that if a broker is prudent in both of the above roles, then problem leases and legal issues that the broker may have to contend with are minimized.

SELLING LEASING TO LESSEES

Time and time, over and over, the key issue faced by brokers in selling leasing to customers is, in my opinion, fraud. Certainly, fraud perpetrators are extremely sophisticated in today's world and fraud procedures can be very difficult to spot before the fraud is actually perpetrated. Moreover, when we combine the traditional fraud schemes with the potential for fraud over the Internet, clearly this becomes the most sensitive issue that brokers have to face in the process of originating leases. Obviously, the risk of the broker being the victim of a fraudulent lease transaction has ramifications above and beyond the one isolated lease transaction. In my experience, all it takes is one fraudulent lease

transaction closed by a funder to jeopardize the ongoing relationship that the broker has worked hard to establish with the funder. So what then can a broker do in order to minimize their risk of being exposed to a fraud?

The answer to the above question in and of itself can be the subject of many different articles. Fraud prevention techniques can range from "reading between the lines" on a lease application to verification of existence at the secretary of state level. Sometimes, instinct can play a key role as well. Above and beyond the legal precautions that one can take in fraud prevention, there is a separate theory as to marketing strategies that can minimize exposure to fraud. The strategy that the broker employs is clearly a business decision that the broker has to make in their overall marketing plan, but the broker should consider the implications with respect to fraud exposure before making their marketing decision.

One school of marketing thought is that "the world is your territory." This approach essentially relies upon the yellow pages, mailing lists, and what I refer to as the yellow pages of the 21st century, internet marketing. Candidly, if a broker is relying upon this method to establish contacts and grow a business, then the broker is asking for problems. Bear in mind that the broker always has to be on their toes in today's world because fraud is so prevalent. This is true for both a

good economy where there is an abundance of funds to go around and in a tight economy where the preservation of funding source relationships depends upon good quality leases being presented by the broker to funding sources. It becomes important for a broker to service and know their customers and their vendors and this is the best way to prevent fraud.

Notwithstanding the above "localized approach", there is one scenario where nationalized marketing can be effective. That approach is where the product that the broker is financing is specialized. For example, there could be a product produced by one or two vendors that is marketed by the vendor throughout the country to a good credit market. Items unique to higher educational institutions, for example, would be typical of this type of product line. In that marketplace, the product by definition of a limited number of users has to be distributed on a national level. At that point, it is incumbent upon the broker to ascertain that the product is a type that is used by a high quality credit, thus making the product and the credit a "low risk" for the broker in the process of presenting the lease to a funding source. Contrast that from the situation where the broker takes an everyday product (light bulbs for example) and finances that product on a national scale. In that case, the broker is asking for problems and the "localized approach" is what will work best.

Moreover, it is no secret that the leasing business is very competitive. The best competitive edge that a broker can have is to have personal contact and a personal relationship with their customers and their vendors. Certainly this personal relationship far outweighs the benefits of any Internet marketing competition that may approach the customer and the vendor.

In conclusion, if the broker's goal is to minimize fraud, the "localized approach" to marketing works best. However, if there is a specialized product then and only then should the broker consider the national approach, but that approach should come only through the vendor of the product, not by searching out mailing lists and the yellow pages for lessees on a national basis. No matter what approach the broker decides to take, the golden rule of the broker should be "know your customer" and "know your vendor."

SELLING LEASES TO FUNDING SOURCES

In light of the above concerns, the broker has to recognize the second part of their marketing plan. That second aspect is best addressed by the following issue: "Is the broker in the business of selling leasing to lessees or selling leases to funding sources?" Although there is no magic answer to the question, it certainly appears that lately one obvious factor to consider is that funding sources are of a finite number. If a broker cannot close a lease with a lessee, the broker can always move onto the next lessee. If, however, a broker has a committed lease and cannot close with a funder, then the broker has jeopardized both the lessee relationship and the funding source relationship.

In the process of selling leases to funding sources, the broker must also know the funding source and

the macro-economic concerns of the funding source. One of the most embarrassing situations to be caught in is presenting transactions to a funding source that the funder does not fund as a matter of policy. Such issues revolve around equipment type, geographic location, and credit parameters. The broker must exhibit knowledge of the type of transaction that a funder is interested in. This tells the funder that the broker is aware of the funder's criteria and is not just shopping a lease transaction to the world. A specific target audience of lessees, equipment types, and funding sources is a sign of stability to funding sources and minimizes the exposure to fraud.

Recognizing that funding sources are finite in number and that number is becoming smaller almost on a daily basis, what actions by the broker best preserves the relationship with the funders? In two words, the relationship is preserved by "due diligence". That is, if the broker can represent to the funder that the broker has an established relationship with the lessee and the vendor, the funder will feel better about the lease transaction and ultimately the broker. If the broker conducts due diligence, such as name checks, verification of existence, obtains tax returns, has guarantees notarized and takes other similar actions, then the funder will have a comfort level that the broker's knowledge of the parties involved makes it worthwhile for the funder to become involved in the lease. Bear in mind that as the economy tightens, a funder's goals shift from volume of transactions closed to a performing portfolio. Thus, the presentation and funding of leases that perform in both a good and bad economy, combined with the brokers' due diligence and familiarity with the parties to the transaction, is what best preserves the relationship between the broker and the funder in all economies.

CONCLUSION

There are many different aspects to fraud prevention. Fraud is the ultimate destroyer of the relationship between funders and brokers. Brokers must factor fraud reduction into their marketing plan when brokers market to lessees and perhaps localized marketing is one of the best methods to accomplish this. Above and beyond the localized marketing, "due diligence" must also be factored into a lease transaction from the funding source perspective. The byproduct of regular due diligence is the minimization of nonperforming lease transactions. Just as important, the broker must know the lessee, vendor, and the funder. Although it is easy to and people have tried to both downplay the importance of and stereotype the role of the broker, the broker's role is not easy. The successful broker is one that cultivates a marketing relationship in two different aspects for the same transaction. Many successful brokers have been in business for as much as 20 years; they are doing something right. Brokers that are here today and gone tomorrow, for the most part, do not understand the dual marketing role that they must be sensitive to and the interaction between the two different aspects. Therefore, an appreciation for the issues from both the lessee perspective and the funding source perspective is what will make the broker successful.

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