

FIVE things you should ask your vendor BEFORE leasing or buying office equipment

1. Is service included as a pass-through or a lump-sum amount of copies?

Service, in one of these two ways mentioned, is usually included with the lease of an office copier. The caution here is *the way it is included*.

LUMP-SUM COPIES: This is not a desirable way to take service and it is the way with the most potential for shenanigans. It is least desirable for two reasons. The first is because you are paying interest on air. When a copier company includes, let's say, 1,000,000 copies with your lease that block of copies has a cost. For the sake of easy math let's say that cost is a penny per copy. That is \$10,000. That \$10,000 is added to the price of the machine and the lease interest is applied to it. On a typical 5 year lease, \$10,000 costs about \$200 per month so you would pay \$12,000 for \$10,000 worth of service. Additionally, the vendor is paid up-front. When that lease is funded, he gets all of the money from the sale and the leasing company bills you monthly to make their money.

What incentive does that pre-paid vendor have to service you well? What recourse do you have if they don't? (Remember the leasing company gives no guaranty of service and in this case probably doesn't even know service is included.)

What if the vendor shuts down his service operation? With all of these questions you may think that the answer is to engage another service company but remember **your service provider is paid the full five years on day one**. To engage someone else you'd have to pay twice.

The potential for shenanigans is also greatest here. Many unscrupulous salespeople and copier companies employ what is known as a **three-five**. They will tell you that your lease includes service but only include enough service to cover three years-worth of copies. At the end of three years you are presented with two options:

1. Upgrade the machine which means refinancing the remaining 24 months over again in the new deal.
2. Buy a service agreement to carry you another year. The worst of this is that you have to buy the contract from the company who did this to you in the first place because another serving dealer would want to evaluate your machine and get it "Up to spec" before he offers a contract.

With a lump sum amount of copies you are paying today for something you will use over the next five years; if you even get five years. Simply put this is not a smart way to acquire and service your office copier.

Pass-Through service: This is the safest and most desirable way for you pay for service. Pass-Through means exactly what it says. The service amount, without any interest added, is combined with the monthly machine payment and you make one payment each month directly to the leasing company. The service portion **passes through** the leasing company and is given to the service company each month. There is no additional charge for this service and it all takes place behind the scenes. You just make one monthly payment to the leasing company.

The advantages are many:

1. No interest on air. The service portion is free from finance charges
2. You pay as you go. You are not paying for future service up front
3. The service provider is paid monthly so he has a real incentive to keep you happy lest you complain to the leasing company or try to withhold his payment
4. If the service provider closes his service operation the leasing company will help to find a new provider for you (remember they want to get paid too and the payments are linked together)
5. You see one bill and cut one check per month.

2. Are all parts, supplies and labor included?

I recently heard of a company who charged \$300 per year for service including labor and toner regardless of the number of copies an end-user signed on for. Sounds pretty good doesn't it? Yes until you learn that he adds an enormous markup to any part needed to repair a machine. All in, this contract scheme netted him more money than a normal cost-per-copy agreement ever would.

It is normal and reasonable to have all parts, labor and consumables included in a service agreement and there should be no limit on the number of visits either. The only items traditionally not included are paper and staples. Make sure your agreement states this clearly.

3. Is your current lease obligation being totally eliminated including tax and increases?

Upgrading your copier before the end of your lease obligation is a normal business practice but there are a few cautions you should observe. Unless there is an extreme situation you should be **at least** two thirds of the way through a lease before you entertain upgrading to a new one. When you upgrade a lease, no matter what you are told about special deals or trade in values, the salesperson is taking your remaining payments, adding them to the cost of the new machine, and financing the whole amount. This is no different from refinancing your house with extra money built in to do a new kitchen or bath.

In a buyout or upgrade of an existing lease your concern is how your current lease obligation is being satisfied.

If you are staying with the same leasing company it is an upgrade and the old lease obligation is automatically absorbed in the new deal. The Potential for problems comes when the new dealer is buying out your existing lease contract and moving to a new leasing company. As I said this is a normal practice and when done properly portends no issues, but there are a few things to watch out for:

1. Do you have a signed agreement declaring that the entire obligation is being paid off with the new transaction?
2. I have seen companies convince trusting buyers to take the buyout piecemeal. 50% of it now and 50% of it a year from now. This is a very bad idea and pregnant with the potential for fraud not to mention the potential for the vendor to go out of business before he pays your next payment!
3. If the new company is issuing you a check for the stream of payments and you are expected to make those payments monthly, be sure that the tax is included and any service increases expected are figured in as well.

4. Is there a shipping charge for the included toner?

As I stated above, Pass-Through Service is the best way to lease your equipment with service included. Here too though there is a potential downside. Does the company charge a shipping fee for the included toner? This is one of those nominal fees some copier companies hope you don't notice. Ask about it and read the terms and conditions of the lease. If there is a shipping charge for toner it will be spelled out there. The same thing applies for a separate service agreement. If toner is included, make sure there is no freight charge associated with that toner.

5. Is there an excessive document fee?

A document or lease processing fee is normal and reasonable but this fee should be at or about \$100.00. I have seen doc fees upwards of \$200.00 That's not reasonable and usually means that your vendor is getting some of that inflated fee from the leasing company. Ask about the document processing fee upfront.

Overall, ask for references and do business with reputable companies who have been around and have a good reputation for service. Reviewing these five things and a simple Google search is all of the research you need to do to insure that you are getting a fair deal on your office equipment.

