Transportation finance journey



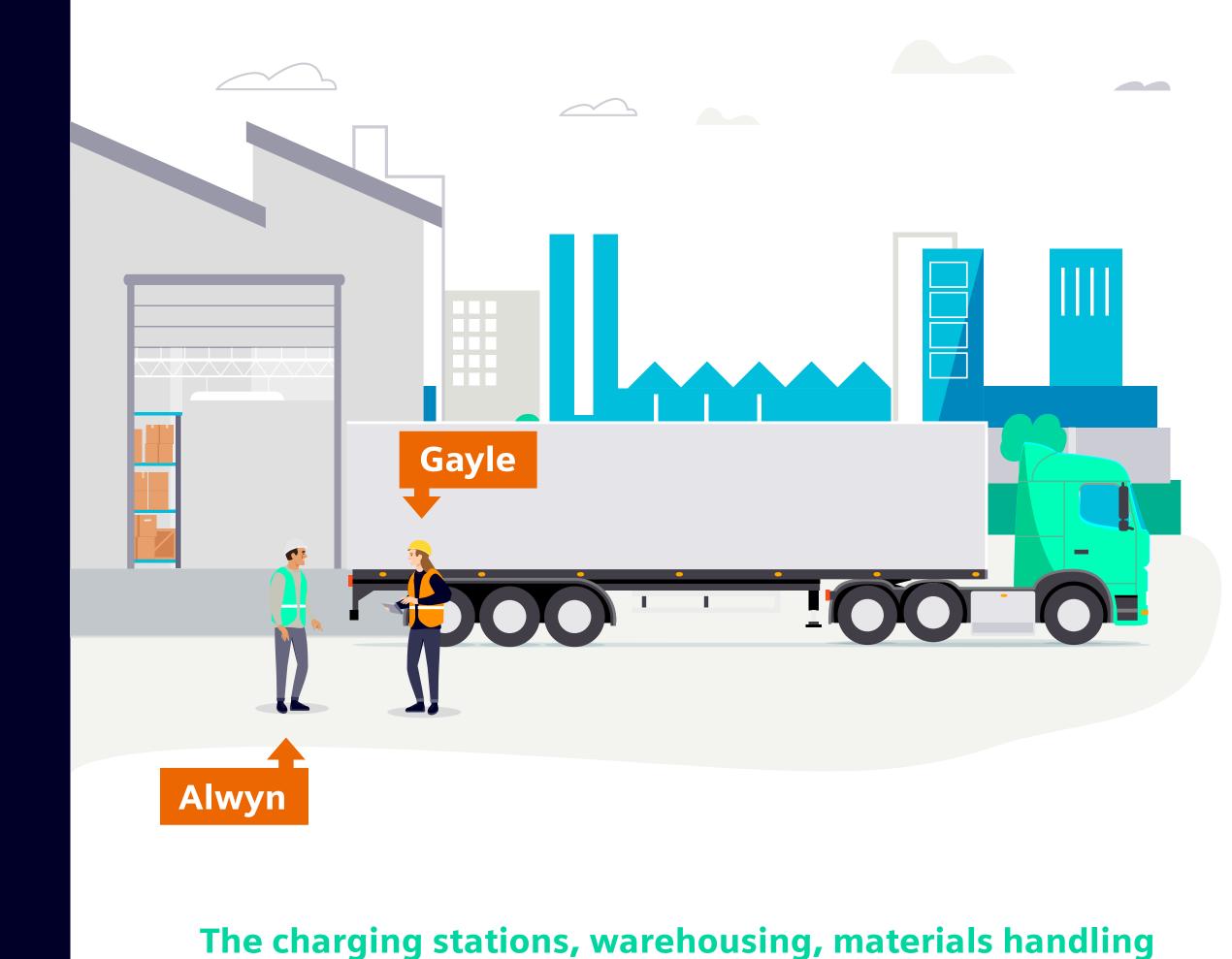


Transportation Finance Specialist

beverage (F&B) distribution industry. Some retail multiples have 'vertically integrated' and own/operate major parts of their distribution network. However, for the majority of F&B distribution, there are many players involved as the product travels from factory to store. Here are their stories, showing how they deploy flexible finance to

Accessing the right commercial vehicles at the right cost is critical to the food and

make the supply chain work. Gayle is the Operations Director for a large distributor.



hardware and software are all financed by SFS.



difference in scale, they are both looking to operate on 'lean' finances, keeping their precious cash available to market, sell and deliver products – not to be tied up in fleet vehicles. Gayle and Alwyn both know that there is a range of vehicle types to service the whole distribution chain. And

finance-from specialists who really understand the business

facilities without the need for large volumes of capital. That's

and how it works-can help build their optimal fleet and

Alwyn is the Owner-Manager of a smaller player. Despite the

the case for vehicles, charging stations, warehousing, materials handling, hardware, software, the lot! In Gayle's case, the company has cash but wants to keep its reserves for agile scaling in line with demand. For Alwyn, business growth simply wouldn't be possible without access to flexible finance. And that's not to mention keeping vehicles

and trailers up to date for a competitive edge. Imagine how very different Gayle's and Alwyn's companies are from a cash flow perspective. That's why working with a specialist financier who has an intimate understanding of cash flow patterns in distribution, as well as vehicle and equipment residual values, means that the most cash-flow-friendly structures can be put in place for

their very different needs.

It's also very important for maintaining competitive pricing. If capital is tied up in depreciating equipment, it can't be used elsewhere, and that has to be priced into a business's offering. Our story starts with deals that have been won, in part, because flexible financing allowed retail procurement manager Jim to get the best deal, and Gayle's and Alwyn's companies to win the bid while still making a sensible margin. So what's the product journey? And where else does flexible, specialist finance play its part? Who does it help, and how?

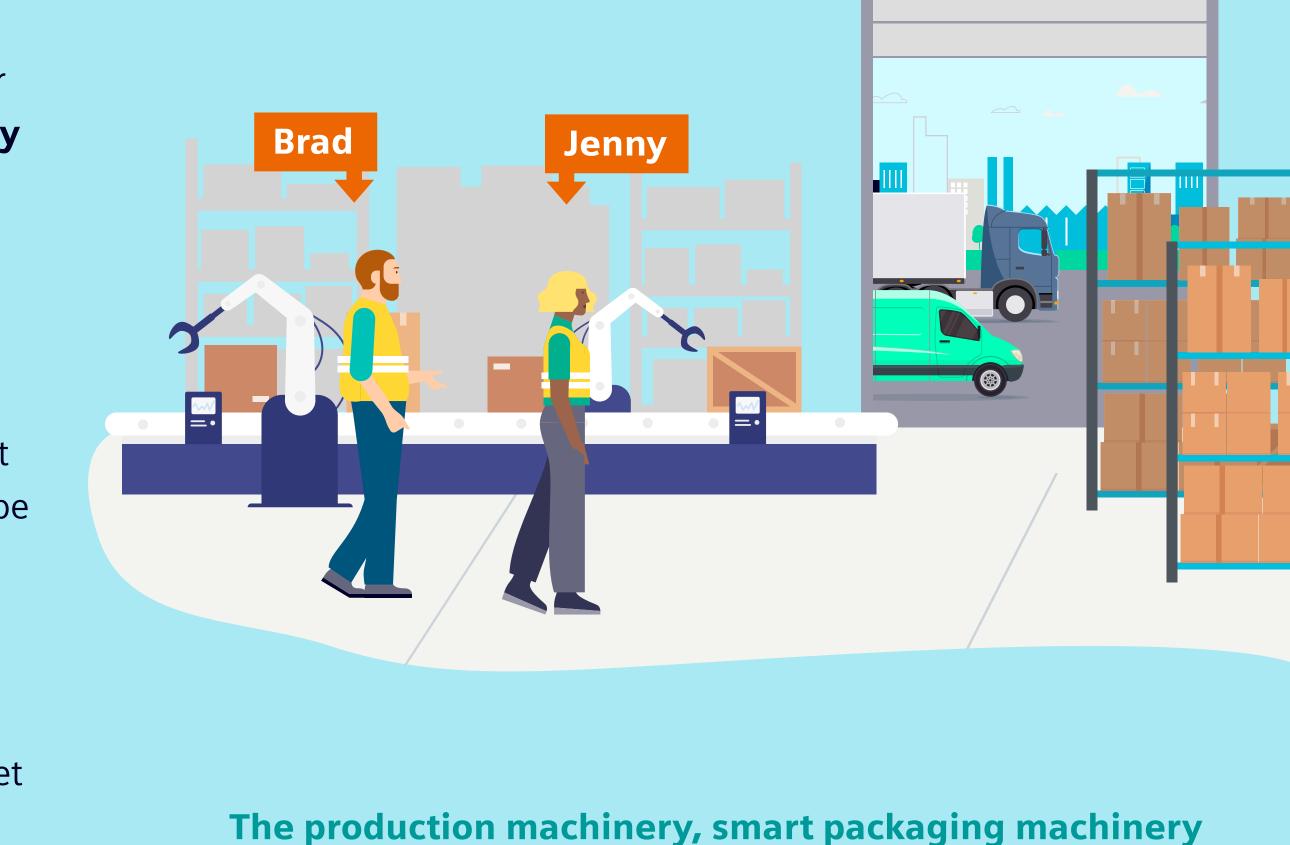
Even before a product is ready for distribution, flexible finance has played its part. Jenny is the Operations Director

First, the product is produced in the factory.

at the factory, and she has acquired **production machinery** through smart leasing arrangements that align payments with earnings from the equipment. The food manufacturing company Jenny works for is operating on fairly slim margins; keeping cash free and

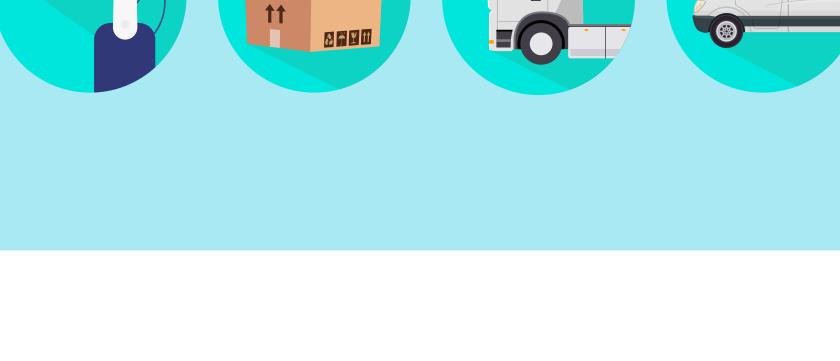
flowing is important to them. So she has also used specialist finance to acquire **smart packaging machinery** that can be switched in minutes to different outputs, meaning her firm can sell direct to B2B customers in appropriate sizes, as well as offer major wholesalers bulk packaged units. Jenny's colleague **Brad** is the manufacturing company's Fleet Manager. Sometimes a manufacturer will deliver to major

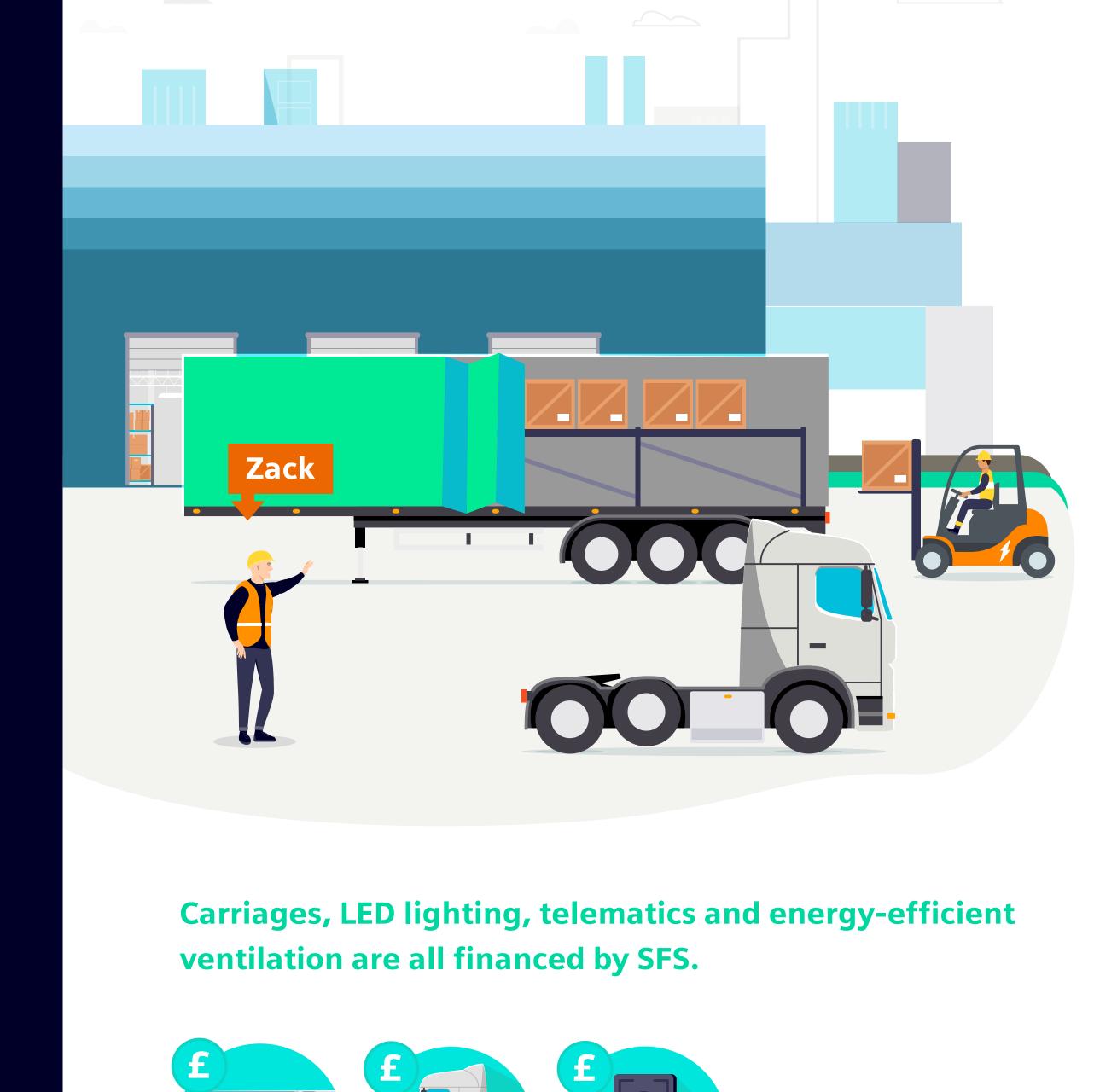
distribution centres in large HGVs; sometimes this is in the hands of a third party. However, manufacturers may also have a sideline in **smaller distribution vehicles**, perhaps to go to high volume partner-packagers or bundling arrangements. That's the case for Brad; in partnership with the CFO, he has decided these vehicles are best acquired with specialist finance, where the financing period is flexed to match monthly earnings from those deliveries.

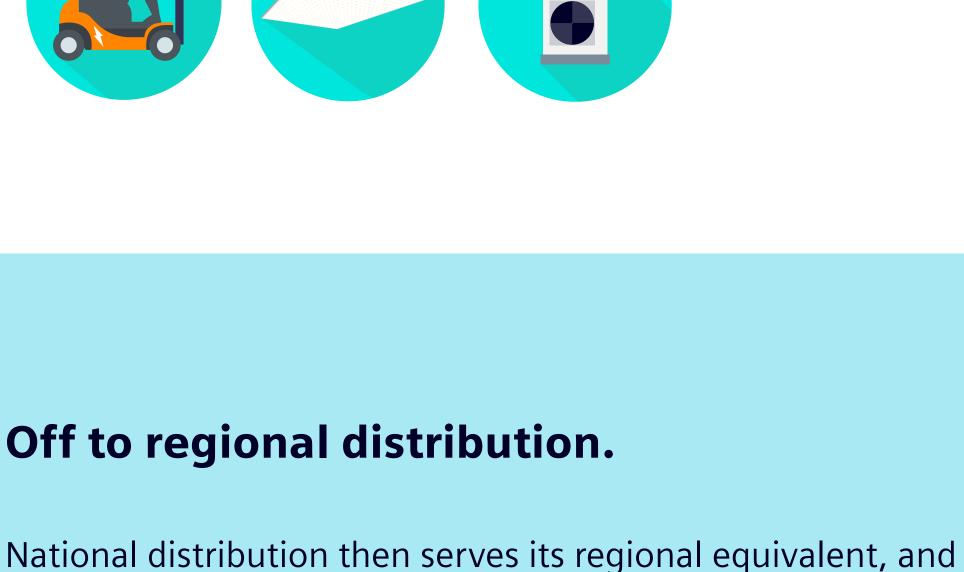


large HGVs and smaller distribution vehicles are all

financed by SFS.







around the country, some of which create the optical illusion of a 'skyline' so that their massive buildings don't act as a blot on the landscape. National distribution is probably the

We're all familiar with the national distribution centres

Next, it goes to major distribution centres.

next step for our F&B products on their way to the consumer. And that falls under the responsibilities of Zack who's in charge of operations – working for Operations Director Gayle at the national distribution company. Zack knows that pallet sizes and volumes are likely to be large and may require either refrigerated or ambient carriage conditions, including standard trailers, double decks, soft-sided, tankers, etc. He's also is looking for

tractor units with **lift axles** that raise tyres off the road

when the load is light – to save on fuel consumption and

tyre wear. That's why he has negotiated a flexible 'master lease' arrangement with his specialist financier. These can be put in place to make it easy for the distribution company to either scale up rapidly to meet new contract demand, or alter the composition of its fleet to meet the needs of the extended product range to be carried. Nor has Zack forgotten his warehousing technology, incorporating everything from fork-lift trucks, to warehouse automation, to LED lighting, telematics and energy-efficient ventilation. There's a great deal happening around automated storage and product handling in the warehouse – usually termed 'digital transformation' or

'Industry 4.0'. Flexible finance is making it affordable and

cash-flow friendly for Zack to upgrade to automated

warehouse tech and thereby save costs and improve performance standards. Ellie

Her regional centre also has warehousing technology needs that benefit from specialist finance to upgrade to the most

company handling this part of the trip.

modern standards. That's why Ellie and her Finance Director have used these financing facilities across vehicles and warehousing requirements. They are very aware that firms that don't invest in the latest capabilities can find themselves falling behind competitively. That goes for carbon footprint and fuel efficiency, as much as on-trailer tech.

Zack's cousin Ellie holds a similar position to his at one of

these regional centres – the company owned by Alwyn. She

needs smaller vehicles for this leg of the product journey, but

she has also deployed specialist finance to flex and tailor the

financing structure that suits her (smaller) distribution



Finally, we arrive at store delivery – the closest that our

distribution network gets to the consumer's fork (or glass!).

This is still handled by Ellie's company. But now, the vehicle

out-of-town supermarkets (a 6x2 tractor unit, for instance),

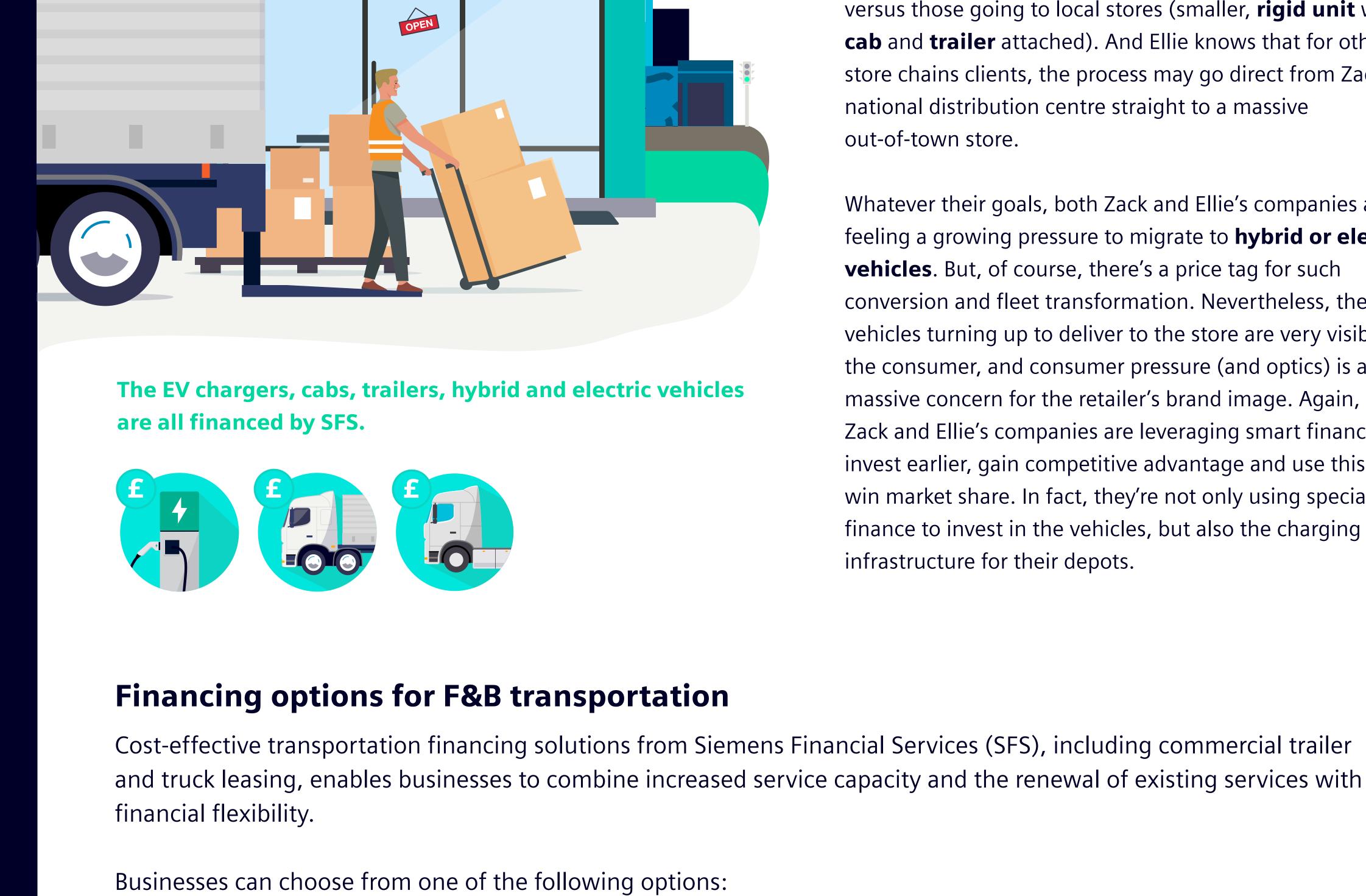
versus those going to local stores (smaller, rigid unit with

cab and trailer attached). And Ellie knows that for other

store chains clients, the process may go direct from Zack's

national distribution centre straight to a massive

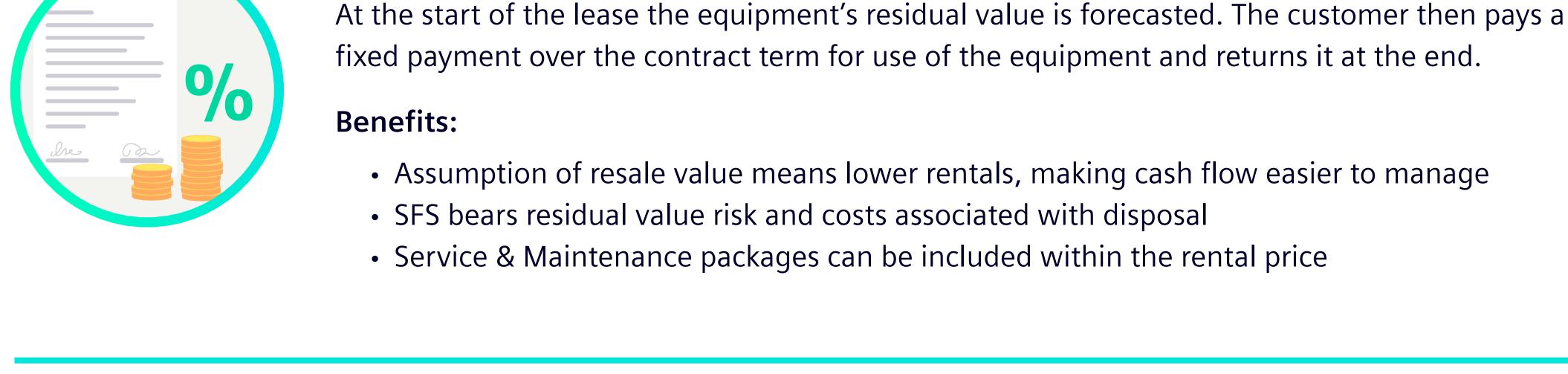
type needed will vary between those delivering to major



out-of-town store. Whatever their goals, both Zack and Ellie's companies are

Into the store.

feeling a growing pressure to migrate to hybrid or electric vehicles. But, of course, there's a price tag for such conversion and fleet transformation. Nevertheless, the vehicles turning up to deliver to the store are very visible to the consumer, and consumer pressure (and optics) is a massive concern for the retailer's brand image. Again, both Zack and Ellie's companies are leveraging smart finance to invest earlier, gain competitive advantage and use this to win market share. In fact, they're not only using specialist finance to invest in the vehicles, but also the charging infrastructure for their depots.



 Assumption of resale value means lower rentals, making cash flow easier to manage SFS bears residual value risk and costs associated with disposal

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end of the term. **Benefits:**

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- May benefit from flexible deposits and fixed payments
- **Finance Lease**

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