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Manufacturing finance journey

Easing the investment: Optimising manufacturing equipment acquisition with smart finance

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It's no secret that those in the manufacturing industry recognise the push towards digitalising their production processes. Why? Because the adoption of modern, digitally-enabled machinery offers significant advantages, including enhanced accuracy and precision, minimised waste, continuous automation, faster job setup, predictive maintenance that optimises operational uptime, reduced energy consumption, real-time remote optimisation and much more

However, digital transformation requires investment. Yet, in the current unpredictable market environment, manufacturers are often reluctant to allocate their valuable cash towards purchasing new equipment. Equipment suppliers, including both original equipment manufacturers (OEMs) and dealers, aim to assist their customers in making investments in machinery without impacting their cash reserves.

Here is a story about an OEM, as it deploys flexible finance to make the digital journey work for its manufacturing clients.

Sales Challenges

Henry is the Sales Director of a manufacturing equipment OEM. The company has a **global market reach,** distributing their specialist machines all over the world. However, they are seeking increased competition – especially from the Far East.

In the last two years, the manufacturers using Henry's machines have experienced tightening markets, introducing a level of investment hesitancy amongst his customer base. That's something that Henry needed to fix.

As a result, Henry got together with his CFO, Shruti, and together they **entered a partnership with a specialist financier SFS.** Henry was amazed at the breadth of manufacturing equipment, technologies and supporting infrastructure that SFS was able to finance. **Now, the company offers a financing option with almost every machine sales proposal.**

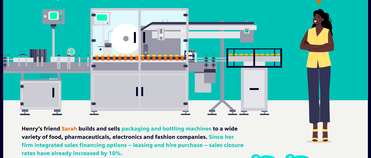
Finance drives more sales

Once finance was an embedded option for customers and prospects, **sales increased substantially in the first year and profit margins also increased.** Clearly, this was a great outcome from Shruti's point of view with her responsibilities for company profitability. That's why working with a specialist financier, who has an intimate understanding of cash flow patterns in manufacturing and manufacturing technology, means that **cash-flow friendly** structures can be put in place for each customer's specific requirements.

Henry's team saw the **positive impact** of increased sales. This was the result of **tailored finance options,** supported by a **dedicated financing partner,** which helped close more opportunities.

Working in collaboration with SFS allowed them access to the online portal, tools and training to:

- **increase the sales team's comfort in fielding high level queries relating to finance,**
- **break down a purchase price into more palatable instalments,**
- **access instant credit decisions for confirmed customers,**
- **pre-screen prospective opportunities to determine their financial suitability,**
- **confidently embed finance into the sales pitch and deliver increased sales.**



Henry's friend Sarah builds and sells packaging and bottling machines to a wide variety of food, pharmaceuticals, electronics and fashion companies. Since her firm integrated sales financing options – leasing and hire purchase – sales closure rates have already increased by 10%.

The packaging and bottling machines and production lines are all financed by SFS.

Shruti has set up a partnership with Peter's firm who make robotic systems, complementary to her equipment range. For several clients, a revolving credit line has been set up which allows machines to be acquired – from multiple countries - without requiring a new proposal in full each time.

Smooth systems, expert people

For straightforward transactions, the finance partner provides an **easy-to-use, online portal.** In the case of Henry and Shruti's company, the functionality has been embedded into their own CRM system through an **application processing interface or API**. The integration was done swiftly by the finance partner's tech team, and now finance is finalised without salespeople ever having to leave their corporate systems. For some deals, the finance partner provides personalised support – effectively as an extension of Henry's sales team – to help provide financing expertise and identify structures and terms that really fit the client's cash flow and budgetary needs. Again, this helps overcome a typical barrier to securing an order.

And when it comes to international business, it's a great bonus that the finance partner themselves has a global footprint. That brings with it a network of manufacturing finance experts in the countries where Henry and Shruti want to do business, and the capability to transact in multiple currencies.

The API is provided by SFS and the robotic systems are financed by SFS.

Finance enables internal investments

Henry's COO, Roz, had watched the whole process grow – and had seen how **collaborative, flexible and committed** the financing partner had been with clients. So, when she was thinking about how to improve productivity and time to market for the company's machine building projects, she asked for a session with the financing partner – this time with a view to acquiring upgraded technology for themselves.

A financing structure was built and flexed to really make Roz's desired investment affordable. Roz was able to acquire tech that Shruti wouldn't otherwise have considered within budget. Yet once the new tech was installed, productivity rose, more orders could be taken on, and **revenues climbed by 14% in a single year.**

In fact, a further three-way conversation between the financing partner, Roz and Shruti also introduced an **extended payment terms** facility to the company. This meant that components could be obtained for each machine build, but didn't have to be paid for until up to 6 months later. Roz was pleased to be able to stock the components in good time and ensure operational reliability. For Shruti, it was a **great boost to her cash flow management.**

The telehandlers, warehouse forklifts, access platforms and overhead cranes are all financed by SFS.

Roz **often sees clients acquiring complementary materials handling equipment including telehandlers, warehouse forklifts, access platforms and overhead cranes for the machine-building production environment. Vendors of these machines want to make the sales process as easy and automated as possible and several have included integrated finance options in their websites, so clients can handle the whole process – machine order and associated financing plan – on-line, at the click of a button.**

Shruti **is also working in partnership with a 3D printing machine company. The market is still feeling its way with the ROI of 3D printing/additive manufacturing. Her vendor-partner found that only when integrated financing options were offered (leasing, hire purchase, sale and leaseback, etc) could they achieve the company's growth aspirations.**

Finance opens the door to future opportunities

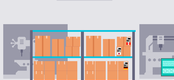
Two further developments are coming down the line.

Henry wants to promote more **retrofit business**. He's aware many clients don't want the expense of investing in a completely new machine and would rather seek a more **sustainable option** by upgrading their existing machine to be more efficient with the advantage of **enabling digitalisation.**

The financing partner can support the cost of these retrofit projects with a range of **flexible finance structures** that work for the client, including **digital twin software** that allows the retrofit to be designed, tested and configured in the virtual world. The physical retrofit can then be compressed into a matter of weeks as opposed to months which means the client keeps downtime to a minimum for what are often highly critical machines. Less installation downtime means more money saved for the client.

Finally, Shruti and Roz realise that there's a great deal of savings available to the company by refitting their built environment and their logistics. The financing partner has developed a scheme that allows for the whole refitting of the buildings, enabling them to be **automated, more sustainable and more energy-efficient.**

The 3D printers, digital twin, LED lighting, solar energy, EV charging and source heat pumps are all financed by SFS.



Shruti, Henry and Roz **were also able to introduce SFS to a machining centre vendor with whom they shared a client. This company is seeing increased price competition from foreign vendors. To continue competing effectively, the company worked with SFS to wrap up machine capital cost, service, maintenance, training, and future upgrade options, into a single, affordable financing plan.**

The machining centres, lathes and injection moulding equipment are all financed by SFS.

Financing options for manufacturing equipment

Cost-effective manufacturing technology financing solutions from Siemens Financial Services (SFS) allow OEMs and vendors to increase sales and capacity, whether for new machines, used equipment or retrofit projects.

OEMs, vendors and their manufacturing clients can choose from the following options:

Hire Purchase

A flexible way of financing an asset acquisition, in which the customer spreads the cost of purchasing the asset across the agreement period and has an option to own the asset at the end of the term.

Operating Lease (Lease with Residual Value)

At the start of the lease the equipment's residual value is forecasted. The customer then pays a fixed payment over the contract term for use of the equipment and returns it at the end.

Finance Lease

A cost-effective alternative to cash or bank facility. SFS buys the equipment and retains ownership; the customer has use of the equipment by making payments over an agreed period and can choose between various options at the end of the primary term.

Energy-efficiency Financing

Future energy savings are harnessed to make the conversion to energy-efficiency zero net cost compared with current outlay. After the end of the financing period, all savings accrue to the client.

Extended Payment Terms

Component purchases can be paid for up to six months later. This aligns costs more closely with revenues from the client, easing cash-flow.

To learn more go here

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