

Leveraging commercial fleet financing



How can flexible, specialist finance be used to rapidly expand service capacity?

A TRANSPORTATION FINANCE EXAMPLE

Acquiring commercial vehicles can be costly, especially as logistics companies operate in a highly competitive and rapidly evolving environment. The last thing logistics companies want to do is tie up their precious capital in their vehicles. To accommodate this pressure and pace, Siemens Financial Services (SFS) tailors transportation financing arrangements to suit each budget and organisation's needs.

Winning New Business

A leading logistics company providing courier services and package delivery had just won a new contract. Initially, the customer had approached a competitor, but the deal fell through at the last minute, with the supplier unable to fulfil the requirements. As a result, the contract was agreed quicker than usual. Now the logistics company needed to secure the necessary vehicles to service the agreement – as fast as possible.

A New And Advanced Fleet

The company anticipated they would need at least 20 new trailers over a 6-month period. It also wanted to invest in the latest models given stringent government policy in the UK on vehicle maintenance and standards. Over time, the cost of maintenance tends to increase, so the company preferred to invest in modern equipment from the get-go, to minimise this cost.



Protecting cash flow

Given the high cost of acquisition and the time constraints for raising these funds, the company wanted to use third-party finance for the investment, reserving its own working capital for other areas of the business. The procurement manager had previously worked with Siemens Financial Services (SFS) in a former role, so there was no hesitation in picking up the phone to speak with an SFS account manager dedicated to transport finance.

Finance For Flexibility

SFS combines specialist sector knowledge with financial expertise to develop tailor-made solutions for UK transportation companies, so they can invest in the heavy commercial vehicles and trailers that they need, when they need them. In this case, SFS saw the requirement for a flexible solution, given that the business wanted to acquire multiple vehicles. That meant the original specification might change over the 6 months – yet the procurement team still needed to be sure they could acquire vehicles quickly.



A Funding Pot

Having understood the company's criteria and having processed the necessary checks and documentation, SFS offered the logistics company an overarching financing facility, so that the company could draw lease funding as needed rather than seeking fresh approval (with all the application bureaucracy) for each new vehicle. The procurement team may not end up using the entire facility, but knowing it has a maximum amount to invest means it can make agile purchasing decisions where necessary. Of course, their SFS transportation finance expert is always available to answer queries and discuss options.

Paying For Use

Following conversations on the different types of financing on offer, SFS and the customer agreed that operating leases best suited their needs. These structures allow the logistics company to only pay for the depreciated value of the vehicle over the lease period. In other words, they are paying to use the vehicle, and at the end of the lease, SFS will take the asset back at its residual value – i.e., what the vehicle is worth at the end of the lease period. That's a major financial benefit for the logistics company. Of course, sometimes, the company would like to keep the vehicle beyond the end of the lease, in which case, SFS will create a new, similarly flexible financing arrangement.



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Relationships of trust

As SFS tends to build long-lasting partnerships with customers – with some having benefited from SFS financing terms for more than 10 years now – it is able to ringfence substantial sums, agreeing on repayments with each organisation according to its specific cash flow requirements.

Delivering in full

Over the course of the six-month period, the customer acquired 10 tractor units in addition to the trailers. The speed and flexibility of the vehicle acquisition meant it was able (and continues) to support its new customer-partner, with business agility and flexibility in the long-term thanks to the relationship with Siemens Financial Services. The business is also well-placed to take on separate, additional contracts with similar commercial flexibility.



Talk to the team

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This example draws on a real-world arrangement that is typical of the service that Siemens Financial Services (SFS) regularly offers in the transport and logistics sectors. If you'd like to know how the team can tailor a solution to meet your investment needs or strategic goals, get in touch.

Learn more about Transportation Finance and Leasing:

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