Northeast Print Supplies

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Northeast Print Supplies believes an informed buyer is a cost effective buyer. We have dedicated this page to tips on procuring office equipment, leasing programs, service and cost per page programs. This information applies to the Purchase or Lease of equipment. We hope that you find it informative when it's time to purchase your next copier, printer or fax machine.

Leasing

Leasing is commonly used to procure office equipment in today's business world. Although, there are a few things you should consider before entering any lease agreement. Once the document is executed there is little you can do. Please pay close attention to some of the below areas to insure that your agreement is fair for both parties. We believe that nine out of ten customers **never read** a lease agreement before they sign it.

Read Your Lease Prior to Signing It

Always ask to see a copy of the agreement prior to agreeing or awarding a particular vendor your business. Over the years we have had the unfortunate situation of witnessing customers who wanted to switch Vendors but had no way out. Their only option was rolling over the payments into their new lease or to continue paying both the existing vendor and the new vendor for service. By reading the document prior to signing it, you may find a host of items that you never thought would be included in such an agreement. The most important things to look for are End of Term Clauses, Price Increase Clauses, Automatic Renewal Clauses and what your Lease includes.

Including Service and Supplies on a Lease

If you don't have the time to read all of this information please read this. Never and we mean never, include service and supplies in your lease agreement. The simplest way to compare this is, if you were buying or leasing a car would you buy all the gas (your toner) and all the oil changes (your maintenance) up front? Of course you wouldn't, so why would you do it with a piece of office equipment? Below are few reasons why this is a bad idea.

ABC Company has a five year lease agreement with a local office equipment company. The agreement included service and supplies and required a **Minimum** amount of monthly copies/prints that are billable in the lease. They are not happy with the service and wish to either upgrade or have another local Authorized Dealer assume the service. The **only** way to do this is to pay both vendors for the service because you've already committed legally to a monthly payment which includes service and supplies. The leasing company couldn't care less about the service, similar to borrowing money for a car, they just want their payment. You can protect yourself by **requesting** that the service and supplies be invoiced directly from the Dealer on a monthly or annual basis. Avoid signing any Service and Supply agreements for more than one year.

Including Service and Supplies in your lease could affect your Buyout, which we will discuss in more detail later. Often, the buyout is a percentage of the original amount financed. If the amount financed was $5,000.00 for equipment only, your typical Fair Market Value Buyout should be somewhere around $900.00 which equates to about 18% at the end of term. But if you included service and supplies for (estimated at) $3000.00 you have now financed $8,000.00, making your new buyout $1,440.00 at the same 18% rate.

You can have some fun with this one. The next time an Office Equipment Company puts a lease agreement in front of you that includes all the service and supplies, look them right in the eyes and ask the following questions. Which crystal ball did you use to know we would produce x amount of copies/prints over the next five years? What happens if we are not satisfied with your service in a year or two? Can we leave you? Does this affect my buyout? What happens if I don't produce that amount of copies/prints, do you credit me? What if your company goes out of business in year three? You will be amazed at the bewildered look on their face. With scanning, computers, and other systems/software many company's copy/print volumes are dramatically reduced from previous years. That is why it is critical the service and supplies are invoiced separately and not included in the Lease agreement.

We recently discovered a similar situation with a Major Account. The customer was two years into a five year "Cost per Copy/Print" Lease. The cost per copy/print was .019 per copy for several machines. They were generously allowed, signed and agreed to a Guaranteed Minimum Monthly Copies/Prints of 1,000,000 per month. That equates to $19,000.00 per month. The problem is, after close evaluation, their actual copies/prints per month were about 600,000 per month. That now turned their cost per copy/print into .032 because the minimum amount was not met and now $7,600.00 per month was being wasted! The current vendor's sales person continually persisted to tell them that their cost per copy/print was .019, which it was not. Unfortunately, that customer is going to have to wait until the end of the term to get more competitive proposals, get out of the lease, and worst of all they are going to pay for millions of copies/prints they never actually produced unless they demand it be modified.

Fair Market Value, 10%, or Dollar Buyouts

Most leases today are written with a Fair Market Value Purchase Option at the end of term. This means the leasing company will offer it to you at the end of lease for the Fair Market Value. This value may be hard to anticipate considering the lease may be five years. Most reputable Office Equipment Dealers will often request caps by the leasing company they deal with in regards to "Fair Market Value". A reasonable "Fair Market Value" should be somewhere between 10 to 20% of the original price of the equipment and depends on the term of the agreement. Unfortunately, we have encountered competitive "Fair Market Value" buyouts as high as 50%.

Office equipment prices and values continue to decline and you may be able to negotiate a reasonable buyout with the leasing company. **Always negotiate** with the Leasing Company, not the copier vendor. Many leasing companies may try to force you back to the vendor; you can remind them that the agreement exists only between you and them, and they have a fiduciary responsibility of providing that information. Request the buyout via fax or email and give them a time table in which you expect to see it.

A quick overview of the 3 different buyout options in explained as follows: 10% Buyouts are based upon 10% of the original amount financed and $1.00 buyouts are exactly what they say, $1.00 Buyout at end of term. Generally, Fair Market Value Leases will give you the lowest monthly payment and $1.00 Buyout Leases will have the highest monthly payment.

Interest Rates on leases can be **much higher** than Loans from your bank. Rates may be hard to determine on Fair Market Value Leases because they only apply if you purchase the equipment at the end of term. We advise you talk with your account as to which means of acquisition best fit your tax and financial situation.

Separate Service and Supplies Agreements/Monthly Minimum Requirements

If you're only buying one or two machines and your volume per machine is going to be more than 1,000 to 2,000 copies/prints per month, ask to be billed monthly and only for the copies/prints you produce. Wouldn't it be better to have a slightly higher cost per copy/print charge than paying for copies/prints that you never produce? In fairness to the industry, single placement small machines doing less than approximately 1,000 to 2,000 copies/prints per month should be the only units you should expect a minimum monthly requirement and that does not apply to companies who have several small units. If you are going to acquire multiple machines, have the vendor consolidate the volume as a whole which should avoid monthly minimums on any units in your organization.

You should also **be sure to get it in writing** a guaranteed Service and Supplies cost per page for a minimum of five years. Generally Office Equipment Companies should be able to guarantee the same price for the first three years and in the fourth and fifth years the increase should be no higher than about 5-7 %. Some Dealers will propose extremely low prices upfront only to increase their prices every year as much as 10%-20% making their original quote less attractive than other vendors you may have considered. We have witnessed Dealer sales people who said they were not able to guarantee any prices or percentages for service and supplies for five years. If this is your prospective Dealer, thank them for their time and show them the door.

End of Term Requirements

You are at the end of your lease and wish to shop around for a new supplier. The problem is **you never notified the Leasing Company** of your intensions. You're could be stuck for another year. Unless you wish to buy it out or upgrade with the existing vendor you will not be able to competitively shop. Never notify the Office Equipment Vendor of your intentions; they are going to find out anyway from the Leasing Company. Remember, your Lease Agreement is with the Leasing Company not the Office Equipment Vendor. Almost all Leases require anywhere from **30-120 Days notice** in writing from the Lessee (which is you) that you are returning the equipment. You need to draft a letter at your required time line and send it **Certified Mail Return Receipt Requested to the Leasing Company**. You can avoid such circumstances by making sure your agreement includes only a month to month renewal should you not notify them in the required timeframe. Many leasing companies have also established guidelines that state you cannot return the equipment early even if you pay it off. Best advice, **Read End of Term Clauses in your lease.**

Increases in Your Monthly Payment

You have now entered the second year of your lease agreement only to find out that your monthly payment has increased as much as 10%. Leases that include service and supplies often have price increase clauses that allow the Office Equipment Vendor to raise your service and supplies cost by as much as 10% every year even if your monthly volume has decreased. **If you didn't include the service and supplies you wouldn't be in this situation.** If the Office Equipment Vendor raises your prices in the second year and you kept it separate you will have the flexibility of doing business with a more competitive service provider.

Early Upgrades

Some organizations will never see the end of a five year lease. Most Office Equipment sales people are pushed to aggressively upgrade equipment in the third year of a five year lease. The most common tactics are, I can give you all new equipment cheaper (well remember equipment prices are plummeting) or (and this is the best one) we need to upgrade the equipment due to your volume. Well first of all copiers are rated way higher than you would expect, most desktop copiers today are rated for as much as 10,000 pages per month. With that being said, you really shouldn't exceed more than about 50% of the Manufacturer's Recommended Volume. Know the Manufacturer's Recommended Monthly Volume prior to purchasing it and you can let them know you're going to keep it and give them the option of repairing or removing it. Secondly, you can mention they should have never placed you in such a machine if it was incapable of handling your volume which they were aware of from the initial sales call. You should receive a minimum five year guarantee on any piece of equipment from the Dealer prior to purchasing it, which will avoid these problems. Reasonable early upgrades are 3 or fewer months prior to Lease Expiration. Anything earlier is merely an attempt to prevent you from competitively shopping. If you are unsure if they are rolling over remaining payments get a competitive quote on a similar machine.

Why do I have to ship it back?

At the end of your lease agreement you are responsible for sending the unit back to the leasing company. They still own it and they almost always want it. If you are upgrading with the same vendor they will often buy it or take care of shipping it back at no cost to you. The cost to do so should be approximately $300.00 to $500.00 per machine. Be sure to insure the device since you don't own it.

Competitive Analysis Made Easy

1. Request a Purchase Price and A Lease Price based upon 36, 48, and 60 Months for equipment only.
2. Ask for the service and supplies cost for the next five years as long as your volume remains the same.
3. Ask for a Five Year Guarantee on the equipment you are purchasing or leasing.
4. Review or ask for any references that you may contact regarding their service.
5. Ask for a Copy of the Lease so you may review and compare it to others.
6. Ensure that they understand you will not pay for Minimum Monthly Volumes.
7. Never take for granted the sales person's word, if in doubt get it in writing from the company.

By following the above practices you will receive competitive quotes that are easy to compare and will quite possibly prevent unpleasant future implications.

Northeast Print Supplies Standard Practices

Every customer is guaranteed the following. A minimum five year equipment guarantee, if we can't fix it we'll replace it if covered under our Service and Supplies Agreement. Service and Supplies prices are guaranteed for the first three years at the price proposed. If they increase in the fourth or fifth year the increase will not exceed 5% per year. We never require a Minimum Monthly Volume on any machines we service. We demand that are Leasing Companies only require Month to Month renewals at the end of term and that their Fair Market Values do not exceed certain percentages.

In closing, by following the above advice you will ensure complete control over your acquisition, sign a reasonable lease, get pricing that is easy to compare, and have the latitude you deserve should you become unhappy with your current vendor and their service. If we can assist you in any way please feel free to contact us.

Good Luck,

Northeast Print Supplies
457 North Main Street
Pittston, PA 18640
Phone: (570) 655-5543
Toll Free: (866)710-2670
Email: info@northeastprintsupplies.com
www.northeastprintsupplies.com