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# Stadium Innovation

THE ARIZONA CARDINALS' NEW HOME IS A  
SHOWCASE OF TECHNOLOGY AND DESIGN

MARK FELLER,  
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CISCO SYSTEMS

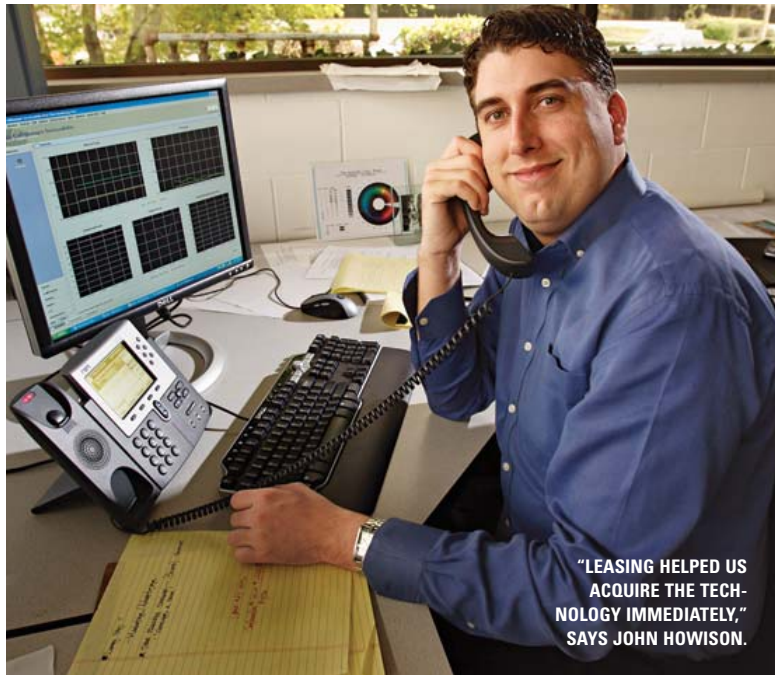


CISCO.COM/GO/iQ

THIRD QUARTER 2006

# ADVANTAGES OF LEASING

Leases let you get the new technology you need while conserving cash and credit.



PHOTOGRAPH BY ERIC MILLETTE

## FINANCING

**QUAD KNOFF WAS** in a quandary. Established in 1972 with a single location and a handful of employees, by 2005 the architectural engineering firm had grown to nearly 300 employees at six locations, including its Visalia, California, headquarters. A 1997 merger with another organization provided new strengths, but complicated the company's communications system.

"We found ourselves with antiquated technology and a hodgepodge of components," says Quad Knopf IT Manager John Howison. "Each office had a different phone system."

Quad Knopf wanted and needed a telecommunications makeover, but its budget could not accommodate a major purchase. An alternative was to phase in a better communications system over several years' time. Quad Knopf would still be waiting for the new technology if not for a simple concept: leasing.

Today the company's offices are linked seamlessly via new, multivendor voice and data communications technology that includes call processors, routers, switches, and voice-mail servers—all under one simple, low-cost leasing plan.

After it had studied Quad Knopf's needs, Cisco Systems Capital Corporation customized the lease of hardware and software, including components from Cisco

and other vendors, as well as IT support services. "Cisco Capital helped us acquire the technology immediately, rather than wait three years," Howison says. "And we still have our company's bank lines of credit available for other purposes."

### THE NEW FINANCING TOOL OF CHOICE

"We see more small and mid-sized companies looking to lease IT," says Stephen Kunkel, director of taxes for CBIZ, the seventh largest accounting and business services firm in the United States. "Small firms are looking for uniformity in their networks. Leasing makes it easier to manage costs and roll out the technology to get everybody on the same platform."

Small and medium-sized businesses (SMBs) are deciding that waiting until cash is available to buy technology no longer makes sense when leasing can do it quickly, without adverse financial consequences, Kunkel notes.

A 2005 survey by Siemens Financial Services found that leasing has replaced loans as the IT equipment "financial tool of choice" for medium-sized companies in France, Germany, and the United Kingdom, as well as in the United States. Acquiring new technology has become all the more pressing because many companies have delayed major IT investments since 2000.

"Financing is a great way for SMBs to expand their budgets, thereby enabling them to acquire the business-critical solutions they need to compete," notes David Rogan, president of Cisco Capital.

The benefits of leasing include:

- **Capital conservation:** Money isn't tied up in equipment, leaving more cash available for personnel, office space, or training.
- **Credit preservation:** Your credit lines stay clear, putting more capital at your disposal.
- **Total financing:** You can finance 100% of IT

equipment costs, plus software, license agreements, maintenance, and services.

- **Flexibility:** A lease can be customized, whether you have 5 employees or 1,500. Payments might be spread over 36, 48, or 60 months, or adjusted to fit seasonal or annual cash-flow needs.
- **Ability to be competitive technologically:** Leasing lets you get new technology when you need it.
- **Balance sheet appeal:** Unlike a capital equipment purchase, an operating equipment lease has no depreciation schedule and is off the balance sheet. "The operating lease does not appear as a liability, and may have a lesser current impact on the [profit and loss] statement," Kunkel says. Plus, payments are considered a deductible overhead expense.

"Leases are especially helpful if you need to upgrade early," says Brian Ofria, president of Antares Leasing Corp. "Most leasing companies will buy back a lease and put you into something new at any time."

Although leasing has many benefits, it may require a greater overall financial outlay than purchasing the equipment outright, due to finance costs or having an operating lease term that ends before you're ready to refresh the technology. SMBs with plenty of cash may prefer to purchase equipment.

A lease's dollar amount determines its credit requirements. For example, Ofria explains, U.S. leases of less than \$250,000 use an automated credit-scoring system: Customers submit a short application

## MORE LEASES THAN LOANS

Companies in France, Germany, and the United Kingdom finance IT and telecommunications equipment with leases much more often than with bank loans. However, paying cash is still the preferred method for German and U.K. companies.

	FRANCE	U.K.	GERMANY
Leasing	57%	43%	50%
Bank loans	13%	20%	13%
Internal financing (cash)	43%	76%	76%
Lease purchase	9%	1%	2%

Source: Siemens Financial Services, 2005.

about their company online or by phone and often receive a decision within just a few hours. A Cisco reseller can also do this on their behalf.

Sources of lease financing are as varied as the equipment acquired. The "captive lease" financing arms of major technology companies are a prime source. Other sources include global financial-services firms and smaller, regional equipment-leasing companies.

"We are a fast-growing company," says Jeremiah Plaskett, network engineer with Datapath in Duluth, Georgia. The builder of satellite network communications systems grew from 65 employees in 2004 to more than 400 in 2006. Datapath chose to lease a variety of networking equipment, and supplements its original \$500,000 lease with new equipment add-ons of \$20,000 or so as the company grows. "It lets us get the equipment we need now, but couldn't afford if we had to pay cash," Plaskett says. 

DANIEL KEHRER WRITES A NATIONALLY SYNDICATED COLUMN CALLED BIZBEST AND IS AUTHOR OF *THE 100 BEST RESOURCES FOR SMALL BUSINESS*.

### NEXT STEPS

Learn about the many ways Cisco Systems Capital Corp. can help your company by visiting [cisco.com/go/iq-ciscocapital](http://cisco.com/go/iq-ciscocapital).

See details on the U.S. Cisco Unified Communications offer at [cisco.com/go/ciscocapital-unifiedcommoffer](http://cisco.com/go/ciscocapital-unifiedcommoffer).

## FROM CISCO

## MIX AND MATCH WITH CISCO LEASING

Regardless of your company size or IT equipment and services needs, Cisco Systems Capital Corporation will work to help you structure a lease to fit your situation.

Cisco Capital serves small and medium-sized businesses (SMBs) worldwide, including companies in Asia-Pacific, European, and emerging markets, as well as Latin and North American countries. Cisco offers competitive terms and

flexibility beyond what other lease finance companies offer, including the ability to combine products and services from a variety of vendors in a single contract.

Phone systems, computers, and office equipment are just a few of the items that you can incorporate into a lease. You can add more products and services at any time by executing an equipment schedule on the master lease. Add-ons may have the same term as the original lease or

their own distinct terms.

Cisco Capital offers a range of programs and special offers. Right now, for example, businesses can get a new Cisco business communications system and make no payments until 2007. This Cisco Unified Communications offer, available until October 31, 2006, can help your company upgrade to IP telephony, implement a converged network, and save on telecommunications costs. —D.K.