

Asset management for a global operation can be complex, so it's important to select a global leasing provider that simplifies this process with a comprehensive strategy.

Selecting a Global Leasing Provider

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Questions posed by: CSI Leasing Inc.

Answers by: Susan G. Middleton, Research Director, Flexible Consumption and Financing Strategies for IT Infrastructure

Q. What are the growth forecasts for IT leasing and financing?

A. IDC forecasts that the IT leasing and financing market for the top 25 countries will reach \$330 billion by 2024, growing at a CAGR of 6.2%. IDC expects this growth to be led by solid demand for software, services, and hardware leasing and financing, demonstrating the resiliency of the IT leasing and financing market after a tumultuous 2020. Many global organizations rely on flexible payment options such as leasing and financing to fund their digital transformation goals. However, the challenge for most organizations is that digital transformation takes time and money, both of which are often in short supply — especially during an economic downturn. For datacenter managers, these transformation efforts are often stymied by budget shortfalls, the need to support multiple cloud architectures, and an overburdened IT staff. IDC's annual datacenter survey underscores these challenges. When survey participants were asked about the top datacenter priorities, the majority of responses centered on reducing datacenter costs, improving utilization rates, and increasing the flexibility to move workloads. IDC research underscores that working with a global leasing provider can remove these barriers and expedite transformation efforts.

Q. What are the top reasons global organizations lease IT assets?

A. When organizations make the decision to lease instead of purchase IT assets, the selection process is based on a foundation of confidence in the lessor and an agreement to offload certain risks of ownership by means of this procurement strategy. IDC research reveals that when end users adopt flexible payment models, they conserve cash, enhance fiscal transparency with predictable monthly payments, and improve operational flexibility with upgrades during the lease term. Additionally, IDC surveys demonstrate that the top 4 reasons organizations lease instead of purchase IT assets are:

- » **Safe and secure equipment disposal.** Organizations want to engage with a lessor that will ensure all aspects of IT asset decommissioning and disposal meet regulatory compliance for all locations where they operate. Decommissioning has become a critical requirement because companies are concerned about compliance with applicable regulatory requirements and financial penalties. They are also making technology recycling efforts a part of their sustainability goals.

- » **Flexibility in both terms and equipment types.** The ability to utilize various makes and models of equipment allows an organization to transition from traditional equipment models to new 3rd Platform offerings. Additionally, flexible term lengths allow a company to deal with unexpected shifts in business demand and unplanned capacity needs.
- » **Protection against technology obsolescence.** Leasing adds structure to upgrade cycles and provides a schedule for regular equipment refresh and migration. As a result, end-user satisfaction levels improve because users are working with state-of-the-art resources.
- » **Operational efficiencies.** A common goal of many organizations is to reduce the complexities of managing their operations. For companies with a global presence, this is a top priority. Leasing providers offer online tools that provide a comprehensive view of IT asset inventory and lease termination notifications. They may also offer a multicountry master lease and should understand all the nuances of a complex leasing portfolio.

Q. What is the best way for organizations to evaluate a global leasing provider?

A. IDC recommends asking for references in the key countries and regions in which your organization conducts business and choosing a lessor that fully understands local laws and regulations, including the complexities related to value-added tax (VAT) and withholding tax (WHT). Shifting regulations and accounting rules make it challenging to accurately calculate and report sales tax and VAT in compliance with changing indirect tax rates and rules in both the United States and the rest of the world. Working with a provider that is knowledgeable about global standards for tax regulations and compliance is important to reduce the complexity around these requirements. Having local contacts who speak the local language is also helpful. If a lessor doesn't have true in-country operations, there could be unexpected surprises that lead to additional costs. Other important evaluation criteria are:

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- » **Having an experienced global coordination desk.** Be sure your lessor has a team of highly experienced and dedicated global experts who understand not only local laws, taxes, and interest rates but also your organization's processes and lease program worldwide. This team should help guide each country through the leasing process and help your headquarters maintain centralized control. The leasing company should centralize the lease process so you can work with the global desk on questions without having to reach out to each country. Ideally, this should be managed through a centralized portal. Having the ability to access all assets located around the world via one portal will also help you streamline IT management globally.
- » **Enabling local but proper returns processing.** Choose a lessor with regional returns facilities and/or a vetted network of returns management providers that closely matches your geographic footprint. The facilities should have local and globally recognized data security and environmental certifications. Select a company with vast remarketing experience worldwide. The leasing company should also have fair and reasonable systems for grading equipment and should not charge excessive amounts for normal wear and tear. IDC recommends customers have a clear understanding of how the leasing company assesses the condition of returned items and when and how much it charges for damages.

Q. Does operational efficiency matter when selecting a lessor?

A. Overall, multinational businesses are looking to simplify the asset management process worldwide. Many organizations rely on their leasing providers to help manage the operational logistics of the leasing process. Typically, this means working with a lessor that provides regular updates about pending lease expirations and properly communicates changes to the contract. The lessor also handles the legal, tax, and payment aspects of the contract on a global scale. Many lessors provide details about all aspects of the lease agreements, with updates about any pending issues and upcoming events that require their input. Benefits include reducing paperwork by combining multiple countries on one lease to minimize the number of contracts. Choose a lessor with the ability to integrate with your enterprise software and provide alerts about price increases due to licensing changes or new portfolio additions. Lessors that can deal with rapid IT changes, offer solutions to manage equipment with a high degree of transparency, and use flexible, nonrestrictive financing options will gain and keep customers.

Q. How can leasing help with global life-cycle management?

A. Leasing can be a powerful tool to develop a strong global IT life-cycle management strategy that aligns costs with budgets and removes the need for significant capital outlays. IDC observed a rapid pivot toward cash conservation during 2020 due to the economic crisis.

When faced with the challenges of digital transformation and budget constraints, global businesses are relying on flexible payment options such as leasing and financing. Both offer an important way to support an organization's transformation while delivering the operational flexibility and budget transparency that inform IT decisions. These approaches also provide customers with a choice to use opex instead of capex to accelerate their transformations.

IDC research underscores that a thoughtful IT life-cycle management strategy that provides a repeatable and consistent framework for replacing and renewing IT assets will reduce IT operating costs. IDC believes that organizations should take a second look at the operational and financial advantages that leasing offers during their next procurement cycle.

About the Analyst



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Susan Middleton leads IDC's worldwide research on IT equipment, software, and services financing markets. As research director for IDC's Flexible Consumption and Financing Strategies for IT Infrastructure research, she provides insight from both a supply-side point of view and a buyer's point of view.

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Global enterprises turn to CSI Leasing for IT lifecycle management and superior service from industry leaders. We are **the** resource, not only for financial solutions, but for help with asset management, end-of-life data security, disposal and more – all on a global scale.

Our global coordination desk helps multi-national organizations stay on top of their IT environment worldwide, while our in-country offices are full of specialists that speak local languages and understand local laws. To help protect our global customers' data and reputation, CSI owns several certified return processing facilities strategically located throughout the Americas and Europe, and also has an extensive network of vetted equipment processors worldwide.

With operations across the Americas, Europe and Asia-Pacific, we are one of the largest equipment leasing companies in the world. CSI has been investing in our customers' technology solutions for nearly five decades. For more information, visit www.csileasing.com.

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