

# The SME market is not an easy one to crack for lessors

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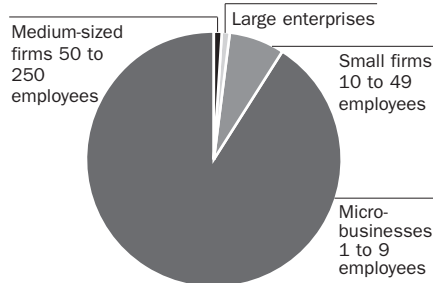
Companies classified as small and medium-sized enterprises (SMEs) are officially defined by the EU as having fewer than 250 employees. In addition, they can have an annual turnover of up to €50m or a balance sheet total of no more than €43m. In reality, 99 per cent of businesses in the European Union are small and medium-sized enterprises.

Not an insignificant market, but almost daily I pick up a magazine or newspaper commenting on the SME market, not always about leasing, but certainly addressing the question of how banking groups grow their share of the market. Commentators, including many lessors, say the SME market is the most important – not only in Western Europe but also across the CEE, China and almost any of the emerging markets. Whereas I agree the SME market is important, I very much doubt the market is readily available to many of the leasing fraternity – and observing many leasing companies close at hand, my view is that a number of them are spending money flogging the proverbial dead horse.

## The 'one shot' service

It doesn't take a lot of networking among

### ■ Europe's enterprises are composed of



Source: *Leasing Life*

the bankers to realise they consider the SME market their own, not the prerogative of their leasing arms. A major exception to this is, of course, those banking groups who market their services through the branch network, such as we see in the Spanish, French and Italian markets.

In short, the banks need to market a whole range of services to their SME target markets in order to increase their chances of selling at least one of their products. The 'one shot' service offering is just too expensive to contemplate and this puts many of the leasing companies at a disadvantage unless delivery is merged with the banking products. At Alta, we have looked at a number of these examples and find that, in

general, very few lessors are making good profits from this market when tackling it alone. Even some of the joint efforts are struggling where the routing of the transactions internally is complex and absorbing additional costs.

Delivery costs of any service are what it is all about. The vendor market, which is not about mass marketing, but all about giving focussed help for the vendor to increase its sales and hold its customer base for future delivery of product, is one in which there is a temptation to wrongly bracket it with being in the SME business. Indeed there are many vendors whose customers are predominantly SMEs – it is also interesting to see that these vendors are frequently the companies who report that they have difficulty getting satisfactory service from the leasing industry.

I know it is not a popular concept among leasing companies to be considered as "just another product" of their banking parent. However, only a brief look at the economics of marketing services direct to the SME market, whichever geographical market one chooses, will send clear signals of which direction makes sense.

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