

CAPTIVES

Direct or indirect?

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In order to reduce cost of sales and improve coverage, many companies use a mixture of direct and indirect sales channels to supply their end-user customers. When considering the best way to support their parent companies, captive finance subsidiaries must take this into account as they devise their support strategy, as each channel requires a different approach.

Direct sales are generally easier to address, as the parent has control of the sales force and can ensure training, integration into the sales offering and rapid resolution of any issues encountered. However, they suffer from some drawbacks, not least of which is the very high cost of sales.

Indirect models can be very effective in mobilising a much larger team to sell lower value products, or where geographic and market size constraints are significant. Captive finance penetration levels are generally lower, although this is compensated for by greater coverage and lower cost of sales an indirect model offers.

As both models are well established, there are a number of methods that have been developed that can drive greater success. Captives must pay close attention to their routes to market if are to successfully support their parent company sales.

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