Cisco Capital Financing for Manufacturing

cisco Capital

Amid fast-changing market conditions, manufacturers face increased global competition, accelerated product cycles, changing customer expectations, and reduced access to capital.

Innovative financing from Cisco Capital™ lets you replace traditional CapEx budget models with OpEx-funded acquisitions so you can implement and maintain technology more cost-effectively.

Why finance your technology?

To adapt to changing economic conditions, enhance operational efficiency, and improve communications within distributed supply chains, manufacturers are deploying intelligent network infrastructure, video conferencing capabilities, and other new technologies. However, manufacturing operations are typically capital intensive and their revenue streams can be affected by market volatility. These challenges are compounded by shrinking profit margins and rising labor costs, often making it difficult to find the funds for technology investments.

Financing can be a flexible and cost-effective alternative to capital expenditure (CapEx), freeing up scarce resources and allowing your business to invest in other priorities such as new product and market development or geographic expansion. With Cisco Capital, you can optimize fixed costs and manage equipment-related depreciation through flexible financial structures based on operating expenditure (OpEx).

Case study: Global manufacturer

Challenge
A leading global manufacturer was facing strong competition from rival companies operating in lower-cost regions. It needed to quickly increase efficiencies and reduce costs, while putting in place a framework for ongoing technology acquisitions.

Solution
The manufacturer implemented Cisco TelePresence technology to increase the efficiency of internal communication and reduce travel costs. It also deployed a Cisco private cloud solution to deliver more efficient, faster, and cost-effective IT services. To preserve internal funds and better manage cash flow, the manufacturer financed its new equipment and cloud solution through a Cisco Capital fair market value (FMV) lease.

Benefits
An FMV lease is an 'off-balance sheet' OpEx leasing model where Cisco Capital deducts the projected residual value from the solution cost. Using an FMV lease lowered the manufacturer's overall payments and reduced the cost of owning the Cisco solution. The flexibility to either return or upgrade the equipment at the end of the lease reduces the company's risk of retaining obsolete technology. Cisco Capital will take care of equipment disposal, enabling the manufacturer to avoid the associated costs and hassle.

Tailored financing to support innovation

Cisco Capital offers flexible financing options to help manufacturing companies acquire Cisco technologies and Cisco-based solutions. We can work with your organization to develop a financial plan that allows you to limit asset ownership, standardize processes for acquiring or upgrading technology, streamline IT costs, and stay at the forefront of change.

Diversified funding sources
Given the current mixed economic conditions and intensely competitive manufacturing sector, financing your technology acquisitions can allow you to maintain your credit rating and preserve existing lines of credit for other strategic investments. Cisco Capital can act as a long-term source of finance and can be an attractive alternative to banks.

Lean manufacturing
Operating expenditure (OpEx) financing models from Cisco Capital allow you to adopt a lean manufacturing operation by limiting asset capitalization to only the assets your company absolutely has to own.

Financial support moving up the value chain
Cisco technologies are critical to remaining competitive and moving to the top of the manufacturing value chain. By establishing a financing framework with Cisco Capital, and adopting a lifecycle approach to acquiring technology solutions, you can ensure your ICT environment remains current regardless of internal investment timing or cycles.

OpEx models that match technology costs with benefits
With OpEx-based financing options, Cisco Capital can make funding available when and where you need it, and provide a customized financing structure designed to deliver the greatest immediate financial return. An OpEx model can allow your organization to match the cost of Cisco technology with the solution's revenue or productivity benefits.

Improved cash flow
Major technology purchases can have a significant effect on cash flow, which may delay you from acquiring the technology you need when you need it. We offer financing and repayment terms that help smooth out cash flow challenges. You can retain working capital within your business by funding up to 100 percent of your IT and related 'soft' costs, such as maintenance, software, and services.

Lifecycle management
The periods of rapid growth that many manufacturing companies experience often result in a 'quick fix' or 'sweat the assets' approach to technology acquisition. However, proactive management of your IT systems and adoption of shorter IT lifecycles can improve productivity, boost competitiveness, and significantly lower the equipment's overall cost of ownership. The optimal technology refresh cycle is between 3 and 4.5 years; after this period, maintenance costs can sharply rise, increasing the total solution cost.

Increased flexibility
We can tailor a financing package to suit the changing needs of your manufacturing company, which may include deferred payments, built-in technology refresh cycles, flexible payment terms based on how you use equipment, and co-termination of financing contracts to simplify asset management. To help align your technology investments with your business's product cycles and growth plans, you can choose from a variety of end-of-term options, such as technology migration or upgrades, fixed-term or periodic extensions, or equipment purchase or return.