

# Vendor Discounts

Managing the Acquisition of Machinery and  
Equipment Assets



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### ***Vendor Discounts***

Vendor discounts are incentives that the seller uses to give customers a cost advantage based on the customer's purchase of multiple units, exceeding a certain order size threshold, or other criteria.

The largest and best discounts are often only offered to the vendor's best customers and buyers may find it difficult to determine whether the discount offered is typical or whether a better deal can be negotiated. The Vendor Discounts Report is designed, therefore, to give procurement personnel, lessors, lessees and department managers' insight and guidance regarding current discount structures on a variety of categories of equipment in the marketplace.

The report will be updated quarterly maintained and based on the last 12 months of residual value forecasts provided by DMC Valuations Group to its clients. Subscribers to this report will receive it during the first two weeks of each new quarter.

### ***Background***

As a regular part of our service, we constantly review invoices and equipment schedules to assist our clients with obtaining the best terms, conditions, and price for the IT assets they intend to purchase. This allows us to monitor current discounting trends by vendors in the field and provide a synthesis of this information to our clients to assist them in preparing for vendor negotiations.

Discounting information plays a major part in determining lease rates and forecasting residual values. In addition, it may be used by lessees and lessors as a basis for obtaining the best purchase price from a reseller or vendor.

The soft cost analysis also provides the user with information that will be very useful in determining a residual value for the equipment at lease end. Some equipment will include the software as part of the package and pass on the software to the next user. Others will not and will build in a soft cost as part of the equipment price. Dell includes maintenance in the cost of the equipment and does not break out that cost as others do. The Dell equipment is therefore overvalued at the end of the lease if this is not accounted for in the residual value assumptions. DMC attempts to break out this cost for all Dell products.

The information contained in this report represents the views, judgment, and opinion of DMC Valuations Group. This report does not represent any official policy or position of any vendor named. There are many factors that contribute to a vendor's willingness to discount. Therefore, the discount structures outlined in this report should be used as guidelines only to know whether the pricing offered in a specific deal is typical of what other buyers are currently receiving.

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## Copiers

During the last 12 months there were 10 different copier residuals for five different vendors forecasted with the discounts and soft costs summarized in Table 1 below. **Note that these are averages of the total sample. Some equipment may not have any soft costs. Review the detail in the back for specific vendor discounts.**

Equipment Vendors: Canon, Oce, Ricoh, Toshiba, Xerox	
Average MSRP	\$ 94,706
Average Original Equipment Cost (OEC)	\$ 64,446
Average Vendor Discount	45.1%
Average Soft Costs as % of OEC	6.0%

**Table 1. Copiers**

## Forklifts

During the last 12 months there were 11 different forklift residuals for four different vendors forecasted with the discounts and soft costs summarized in Table 2 below. There were three Raymond 5600 Order Pickers valued all with different configurations but all had the same discount structure. **Note that these are averages of the total sample. Some equipment may not have any soft costs. Review the detail in the back for specific vendor discounts.**

Equipment Vendors: Crown, Hyster, Raymond, Toyota	
Average MSRP	\$ 72,158
Average Original Equipment Cost (OEC)	\$ 60,243
Average Vendor Discount	12.7%
Average Soft Costs as % of OEC	3.7%

**Table 2. Forklifts**

## IT Desktop Computers

During the last 12 months there were 35 different desktops residuals for eight different vendors forecasted with the discounts and soft costs summarized in Table 3 below. Included in this analysis were some thin clients from Igel and Wyse. Thin clients will become a norm if and when “The Cloud” becomes a standard in the marketplace. When reviewing the detail please note that the Original Equipment Cost for the **Dell** equipment has been reduced to compensate for the built in maintenance costs for Dell equipment. Typically DMC deducts about seven to eight percent for normal maintenance and increases those percentages for other than normal maintenance costs. **Note that these are averages of the total sample. Some equipment may not have any soft costs. Review the detail in the back for specific vendor discounts.**