300,000, or 30-50 percent higher than the average in 2006. The average financing period was between three and five years, but some deals are concluded for longer periods (between 10 and 15 years). Short financing periods are due to the structure of demand: 61 percent of deals concern small business equipment, passenger car and vehicles. We expect to see an increase in demand for commercial real estate in the near future and the average contract period on the market will rise.

We estimate that more than 70 percent of deals in 2007 were to small and medium-size businesses ("SMEs"). As a result, many leasing companies have started to offer products that can be concluded much more quickly, with less paperwork. Federal companies are rapidly expanding into the regions in order to be closer to SME customers. We expect the process of regional expansion to continue in 2008. The main general leasing companies will try to gain market share, using their greater expertise and resources.

MARKETING

Part 3: Incentive schemes, a final look

Allan Foad concludes this series on sales incentives

In the previous two editions of *LeasingWorld*, I discussed some of the issues that you have to contend with when devising an incentive scheme. Some of you may have noticed that I have been using the word "issue" as a proxy for "problem". This will be the final article in this series and I will attempt to mop up some further issues, which are in reality problems to be considered.

It is reasonably easy to encourage your sales force. You can set them targets for either sales or profits and measure them against the chosen objective. You may also add some peripheral targets for them to achieve but, in the main, you will want to reward them for selling your product.

Setting incentive schemes for support staff is more difficult. There is an argument that people in the back office are not entitled to incentives as they are not driving the business but it is not one that I subscribe to. If the sales force is running fast, the people supporting them need to run fast, otherwise your product will not be delivered as well as it should be. If the sales force are seen enjoying the fruits of their labour and the back office is not, there will be disharmony between staff which will discourage effective team working.

But how do you reward credit analysts, for example, for out-performing? How do you assess them? The sales force add to the bottom line by bringing new business in but, equally, credit analysts safeguard the bottom line by avoiding losses. The problem is that new sales are easy to see whereas avoided losses are invisible.

Credit analysts need to be assessed on the quantity of reports produced and the speed with which they are written. These are both easy to measure but the more critical factors that have to be taken into account are the quality of their reports and the complexities mastered in order to write them. These are much harder to measure. And there will be times when credit analysts say "No". Turn-downs can be frustrating and upsetting to the sales force, and, as a business leader, you have to assess whether they are depriving you of extra profit or saving you from a loss.

> "Do incentive schemes encourage long term thinking"

Assessing this type of work is very difficult and there are no easy answers but good credit analysts are hard to find and competitive pressures dictate that they need to be properly rewarded. There is no perfect solution but the best approach would seem to be the Scorecard method, referred to in my previous article, which calls for clear targets that are understood by all parties, with regular reviews to help inform your judgement.

A second issue which needs to be considered is how long incentive payments can be delayed before they are paid? This is possibly a way to lock good quality staff into a business. But the real driver behind this question is that asset finance deals are term contracts and it can take a number of years before you know that your profits are certain. It is seldom safe to take short term views in Asset Finance and, therefore, the question should be, do incentive schemes encourage long term thinking?

I do not believe this argument holds much credibility for the sales force. Their responsibility is to bring in business opportunities and if these are signed off by credit analysts and the sanctioning officials then I think they have done their jobs and should be rewarded.

There is some argument, however, for saying that bonuses should be deferred for executives and the credit team. It will take some while for their judgement to be tested and, therefore, it is reasonable to delay their rewards until there is evidence to show that it was good.

This is not an easy line to take and, ultimately, competitive pressures will determine whether you can enforce it. If it is taken, significant bonuses will need to be offered for employees to think that the deferment is worthwhile. And, as a further inducement, it might be necessary to offer discounted stock options rather than cash.

I am afraid that this series of articles has really only tabled the issues/problems. It has not offered too many solutions. I apologise for this but if any of you have the answers, I am sure that my editor will gladly print them.

For my part, I would only like to reiterate what I said last month in that perfection is too difficult to strive for when designing an incentive scheme and what really matters is fairness.

Otherwise, as far as incentive schemes and I are concerned, to coin Tony Blair's immortal final words to Parliament: "That's it."