

# MERCHANTS LEASING EXPANDS NATIONAL FOOTPRINT

Originally a regional lessor, Merchants Leasing has expanded nationwide, primarily servicing fleets with 50-500 vehicles. Its core strategy is to provide customized products and services to meet specific client needs.

## BY MIKE ANTICH

**M**erchants Leasing has been leasing fleet vehicles for more than 40 years, beginning as part of the Merchants Motors automotive dealership, founded by Irving Singer in 1962.

The Merchants Automotive Group, as well as Merchants Leasing and other automotive businesses, is owned by Singer's sons Stephen, Robert, Alan, Jeffrey, Gary, and son-in-law Michael Sydney.

Starting as a regional lessor, Merchants Leasing has evolved into a nationwide fleet management company with a diversity of commercial leasing clients. Merchants Leasing also provides GSA fleet management programs and government vehicle leasing. Merchants Leasing reported successive record revenues in 2007, 2008, and 2009.

To learn more about Merchants Leasing, Automotive Fleet recently interviewed Robert Singer, senior vice president and principal of Merchants Leasing, and Gary

Scanlon, national sales manager for Merchants Leasing. Below are excerpts from our interview.

### **AF:** HOW DO YOU POSITION MERCHANTS LEASING IN THE COMMERCIAL FLEET MARKET?

**SCANLON:** We customize solutions that can be dramatically different from one client to the next. We also have a number of unique or near-unique products. This allows us to be creative to find solutions that work for a client based on what that client wants, as opposed to trying to get the client to change to fit the product.

If you talk about core products, we offer open- and closed-end leases, for example. Not all companies do that. We're not trying to force someone to take the one product we offer. We are agnostic when it comes to that. We're trying to find the best solution for



SCANLON



Now a nationwide fleet management company, Merchants Leasing services a diverse commercial leasing client list. The company also provides GSA fleet management programs and government vehicle leasing.

them. Within each of those products, we have unique terms, mileage, and months-in-service — features that give a great deal of flexibility.

We offer some near-unique products, such as a full insurance product. There are just a few companies I know in the business that offer that.

We also offer a full maintenance product, as well as the traditional mainstream maintenance products.

**SINGER:** With our full maintenance product, whatever goes wrong with the vehicle is Merchants' responsibility. A customer never gets a bill, never cuts a purchase order, and never has to re-



imburse drivers. From day one, when a company executes a lease, they know what the costs are for the life of the lease. It's not only a good situation in terms of mitigating risk and knowing your cost, but it also eases the burden of administration.

We take the residual risk, maintenance risk, and the insurance risk. As a business owner, when I buy something, I want to know what it costs me when I buy it. I don't want to know three or four years from now.

**AF: EXPLAIN HOW THE FULL INSURANCE PRODUCT WORKS.**



**SINGER**

**SINGER:** We have a large pool of vehicles in our insurance portfolio and spread the risk. We can go to someone buying their insurance through the traditional way and offer them an insurance savings sometimes 20- to 25-percent less than what they would pay on the open market.

**AF: HOW IS THAT POSSIBLE?**

**SINGER:** We're not paying broker or salesman agency commissions. We're working directly with our customers, so right there, we have a big advantage. We're also insuring thousands of cars, so we're spreading our risk

from an actuarial point of view. If I have thousands of vehicles in a portfolio, it's more of the power of numbers.

We're not an insurance company. The certificate of insurance comes from Zurich North America. It names the lessee as the insured, but Merchants is the additional insured. We're the ones who propose the pricing. The customer doesn't have to come up with any up-front money or cash to pay the premium. We add it into their monthly lease statement, and every month they pay us one-twelfth of the premium on an annual basis.

**AF: HOW DOES THE FULL MAINTENANCE PROGRAM WORK?**



Merchants Leasing Senior VP and Principal Robert Singer (l) and COO Glen Villano review the company's strategic plan for growth. That growth emphasizes conquest business and converting owned fleets to leased fleets. Of particular focus currently is promoting Merchants Leasing services as an alternative for companies using reimbursement.

**SINGER:** It is called full maintenance because whatever goes wrong with the vehicle mechanically, it is our responsibility, and that includes everything from oil changes, tune-ups, front-end alignments, wiper blades, brakes, muffler, and exhaust. We have an array of national vendors throughout the country. When the customer goes in, the vendor calls Merchants, Merchants issues the purchase order, we get the bill, and the driver is off and on his or her way.

We charge a predetermined amount for that, and we've been offering that product for more than 40 years.

I like to tell our customers, "All you have to do is drive the vehicle and fill it with gasoline. We take care of everything else."

**AF: WHAT ARE THE FACTORS THAT LED TO MERCHANTS LEASING'S CURRENT LEVEL OF GROWTH?**

**SCANLON:** A number of years ago, the Singer family made a decision to expand the leasing operation from a regional player to one with more of a national footprint, and we expanded the sales force. At

the same time, we also beefed up the marketing effort and increased fleet recognition of Merchants Leasing.

We also expanded and enhanced our product and services offerings under Merchants Fleet Solutions.

One of the products that remains from the original daily rental business a short-term leasing solution, which offers three- to 12-month leases. It began by supporting the summer camp business in New England. We leased 15-passenger vans for six months. We acquired a competitive company in Kansas City a little over a year ago to expand that operation. Now we do it on a national scale.

It's a nice synergistic offering we bring to our commercial fleet accounts that oftentimes need vehicles for their short-term solutions, expatriates coming into the country for a year or two, or project-oriented businesses, such as construction and infrastructure development. Typically, we source late-model used vehicles and deliver them anywhere in the country and write deals for three to 12 months. We also provide short-term leases to colleges, universities, ski resorts, summer

camp, national defense contractors who get awards for six months to a year, and municipalities. It's just another product we bring to the table

**SINGER:** We also strongly believe customer service is a differentiator. Our renewal rates are incredibly high. We have a client service team that gets involved with the customer right at the get-go. Part of our orientation with a new customer is to assign a team to understand their needs. We provide the customized services they want. I believe in a customer service orientation where everybody has access to us. If people want to talk to me, I gladly give them my cell phone number. Our orientation is customer service, ownership involvement, flexibility and creativity, and the philosophy that we want clients to be a partner rather than a customer.

**AF: AS YOU EXPAND YOUR NATIONAL FOOTPRINT, WHAT IS THE 'SWEET SPOT' FOR YOU IN TERMS OF FLEET SIZE?**

**SINGER:** Our targeted fleets right now are about 50-500 units. We have accounts significantly bigger and several companies with fewer than 50 vehicles.

**AF: HOW WOULD YOU DESCRIBE YOUR REMARKETING STRATEGIES?**

**SINGER:** Remarketing is one of our strategic advantages. Our origin was in the used-car business. At our corporate offices today, we have a facility that currently has about 400 cars for sale. Many are former lease vehicles.

If we're taking the residual risk, I like to be a little aggressive on residuals to earn people's business because rather than taking a car to an auction, when feasible, I take the car back to our facility to remarket.

We've been in the used-car business for 50 years. We have relationships with new-car dealers. We have a whole division of our company where people remarket cars online.

**AF: HOW ARE YOU LOOKING TO GROW YOUR LEASE PORTFOLIO? IS IT BY CONQUEST BUSINESS, CONVERTING OWNED FLEETS TO LEASED FLEETS, OR ALL OF THE ABOVE?**

**SINGER:** All of the above. One of the big things we're focusing on now is leasing as an alternative to companies using reimbursement. If a prospect tells me they are paying \$600 or \$700 per month reimbursement for their fleet of cars, I can demonstrate that a closed-end lease with unlimited maintenance and full insurance will save them several hundred dollars per month per vehicle. If one of their motivations is to cut costs, we will craft a solution that will allow them to do that. We've had great success in converting companies on driver reimbursement to company-leased vehicles.

The No.1 strategic initiative Merchants is undertaking this year is spending close to \$6 million on a new IT system, which will be online in 2010. It's going to position us for great growth. We will deliver an array of products on our Web portal so fleet managers will be able to manage their portfolios right from their desktops.

We're going to introduce different aspects of our new IT system during the course of the year, but by the end of the third quarter, early fourth quarter, it will be 100-percent online. The brand name will be Fleet Access 2.0.

**AF: WHAT ARE THE KEY DIFFERENCES BETWEEN YOUR CURRENT SYSTEM AND FLEET ACCESS 2.0?**

**SCANLON:** We're taking advantage of the technological advances available in the marketplace today that old legacy systems can't deal with. For example, allowing drivers access to the system via handheld devices.

We've done extensive studies, and we know how much time fleet managers and their staffs are sitting in front of their online fleet management systems. We've also done extensive work to get the navigation right so people can get information quickly and easily without having to learn complicated systems.

In terms of how we develop our IT, we are very research-oriented. We ask a lot of questions in a lot of different ways. It's part of how we develop as a company, and it will be a major contributor to how we develop in the next five or 10 years.

**SINGER:** Another thing relatively unique at this point in time is that in this difficult credit environment, Merchants has shown a profit and continued to grow its fleet. We have a tremendous amount of capital available to us, and we have a tremendously strong banking relationship. These same banks have been with us for decades. We have plenty of cash to grow our business.

**AF: WHAT DO YOU SEE AS THE KEY ISSUES FACING THE FLEET MANAGEMENT INDUSTRY NOW AND IN THE FUTURE?**

**SCANLON:** The most immediate issue is certainly the economic situation in terms of the stability of credit markets, the overall fiscal health of our client companies, and the ability of the vehicle manufacturers to regain solid financial footing. Longer term, we see environmental and regulatory influences having the greatest impact

on the industry and not necessarily in a negative way. Our industry has dealt with seemingly constant change, and our ability to adapt will continually be challenged.

**AF: MANY OF OUR READERS MAY BE UNAWARE OF MERCHANTS' HISTORY.**

**HOW DID MERCHANTS EVOLVE INTO THE TYPE OF COMPANY IT IS NOW?**

**SINGER:** My father started the company in 1962. His whole family was in the poultry business, and my father had a gigantic processing plant that burned down. He went to a small used-car dealer and said, "I've got a great piece of land. Why don't you give me a couple cars on consignment?" And the guy said, "I'd rather sell you my used-car operation."

Our origin into this business was the used-car business. When we sell used cars, we provide a 100-percent warranty. Whatever is wrong with the vehicle, we stand behind it. We have tremendous repeat business, and we have a great name in the community. We're very community-oriented, very philanthropic.

From there, we evolved into a daily rental car company. We became a National Car Rental licensee. After 25 years, we developed our own name where we had about 25 locations throughout New Hampshire and Massachusetts. Five years ago, we sold to Enterprise Rent-A-Car.

We got into the leasing business in 1967 in a small way. When we were operating our daily rent-a-car company, our corporate customers asked, "Do you lease cars?" This caused us to get into the leasing business, and we started to lease vehicles on a state-wide basis.

In the last eight years, we brought in seasoned and successful leaders to strengthen our management team, such as Phil Ryan, CEO, and Glen Villano, COO. Gary Singer was hired as our national sales manager. Dennis Cavagnaro was hired as our director of marketing. More recently, we promoted Diana Holland as our director of fleet services and Paul Barkworth as CFO. We've also hired sales executives all over the country from Portland, Ore., to California, to Chicago, to Florida, to upstate New York, to Texas. It's been an evolution.

We've owned a lot of dealerships over the years and daily rental car companies. We got out of those businesses so we can focus on our primary business, which is our fleet management company. **AF**

**MERCHANTS LEASING LEADERSHIP TEAM**



**PHIL RYAN,**  
CEO



**GLEN VILLANO,**  
COO



**GARY SINGER,**  
VP, PRINCIPAL