



## 3M – A case study

### Background

3M was founded in 1902 and today employs more than 79,000 people around the world delivering over 50,000 products to customers in more than 200 countries. Their products touch nearly every aspect of modern life and well known 3M brands include Scotch, Post-it, Scotchgard, Thinsulate and Scotch-Brite. With worldwide sales of \$25.3 billion 3M is undoubtedly a global player.

Fay Pepler is based in the UK Head Office in Bracknell, Berkshire. She moved into IT 16 years ago and now has responsibility for all IT leasing in the UK.

Innervision has been working with 3M as the leasing portfolio manager for 8 years, initially retained to manage leases for mainframe computers and peripherals. However, Innervision's focus has since changed to include network and telecoms equipment, desktops, laptops and servers.

### What does Innervision do for 3M?

Innervision's involvement with 3M started prior to Fay's move to IT Procurement and she was initially uncertain of the role they played. She says that life became much easier once she understood how much support and advice was available. Fay now believes that Innervision contributes significantly to her ability to do her job efficiently and effectively. Of the support offered she says:

*"I really would not feel comfortable doing my job without it."*

Innervision provides services to 3M in a number of areas:

- Managing all new lease arrangements, either for new projects or replacement assets for those at the end of their current lease.
- Advice and guidance on an ad hoc basis for any leasing query.
- Access to LOIS (Leasing Optimisation & Information System) which is proprietary to Innervision and provides on-line information and reporting on 3M's lease portfolio.
- End of lease advice and options.

### What are the major benefits?

Every year, at the time of the Innervision contract renewal, the Procurement Group is asked to justify the request for the expenditure. Fay has no hesitation in her response:

*"One bad decision could cost us much more than the Innervision fee."*

*Leasing is a potential minefield and if you don't get it right in the beginning, it could cost the company dearly in the end."*

Fay knows that it is only when you work with leases that you begin to understand that they are anything but straightforward. A new lease involves a lot more than just going to the marketplace and getting a good lease rate and new leases are not negotiated frequently enough to build up in-house skills sufficiently. There are also many legislative and compliance issues that need to be taken into consideration.

*"The big problem is that people do not know how much they do not know."*

It is great to have the backstop of an expert company. Fay explains that through consultations with Innervision 3M has increased its understanding of leasing and its complexities. The emphasis is on getting the right fit for 3M.

*Leasing salesmen can be very convincing; their focus is on making the sale, not necessarily on the long term implications or the overall business context of the decision.*

Fay categorised the main benefits experienced by 3M as follows:

- **Financial benefits** – it is very easy to get something wrong or miss something unless you know the ins and outs of leasing; it is not just about the bare rate
- **Good advice** - on the technicalities of new leasing and ensuring that everything is auditable and compliant
- **Immediate assistance** - on hand when needed, providing an immediate response, not a week later. This is invaluable at those points where critical business decisions need procurement input. The nature of these things is that they are often left until the last minute and then a reply is required urgently OR the company could run the risk of making the wrong decision
- **Peace of mind** – knowing that someone who really understands the business is keeping an eye on things
- **End-of-lease options** – LOIS is used to generate the various options at the end of the primary leasing period. The business will make decisions about what to do with an asset from this, with time to consider all the implications. Without it there would be more work, some options may not be considered and decisions would probably have to be made in more of a hurry.

Innervision is very proud to have 3M as a client. Innervision has been in business for 18 years. Based in Central London they manage a collective portfolio of over 5,000 client leases in the UK and Europe with a combined purchase price approaching half a billion pounds. The Innervision team is highly skilled with a combined total of 100 years direct experience.

They are not brokers, although lease arrangement is part of their role; they take no commission or other payment from leasing companies. Their fees are paid by their clients and Innervision believes that in all cases the direct financial benefit from their involvement far outweighs the amount they charge. On average Innervision estimates that it will save its clients 5 – 10% compared to the cost of an 'unmanaged' lease portfolio.

