Why domestic lessors should prioritise vendor partnerships – and how to win

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As a lessor, entering the vendor finance market is one of the most effective ways to drive origination volume, and build lasting, mutually beneficial relationships.

Vendor finance is not just about providing capital—it's about embedding yourself in the vendor's sales process, understanding their customers, products, and services and delivering value beyond the transaction.

For lessors looking to break into or expand in this space, the opportunity is significant. Domestic vendors and local subsidiaries of global organisations increasingly seek partners offering local market expertise, regulatory compliance, and tailored solutions aligned with regional needs and evolving ESG and financial regulations.

Why vendor finance is a game-changer for lessors

1. Access to a reliable distribution channel. Vendor finance programs allow lessors to tap into the vendor's sales force, turning every vendor salesperson into a potential origination source

This channel is often more consistent and scalable than direct or broker-led origination, as vendors are motivated to close sales and value seamless financing options for their customers. However, it can take time to build a program with lower volumes in early years – patience is required!

While program volumes may start modestly, the channel's reliability grows over time as trust, processes, and mutual understanding develop—patience and persistence are rewarded.

2. Higher volume and profit margins. Vendor-originated transactions consistently generate incremental business volume, often at higher margins than direct or broker deals, the latter potentially having multiple funding avenues. At the point of sale, financing becomes a service; rates can be competitive without being commoditised, especially when bundled with value-added services

3. Stronger customer retention and lifetime value. Vendor finance programs are designed for long-term customer relationships, with lessors often managing the full life cycle from origination to end-of-term.

This approach increases customer retention for both the vendor and lessor, creating opportunities for upgrades, extensions, and cross-sell. Vendors and lessors both benefit from higher stickiness—customers are less likely to refinance elsewhere when the process is embedded and relationship-driven.

4. Risk sharing and improved cash management. Robust programs

allow for risk sharing, such as partial recourse or loss pools, aligning incentives and reducing exposure for both parties

Vendors benefit from immediate payment and no receivables risk, while lessors can structure programs to ensure timely funding and efficient collections. Speed and simplicity are critical for vendors, especially when it comes to being paid promptly. Efficient processes are a key differentiator for lessors

Why local expertise matters now more than ever

Domestic and regional vendors – as well as local arms of global organisations prioritise lessors who:

- Speak the local language and understand the culture: Relationship-building is critical; regular face-to-face engagement and deep local knowledge foster trust and responsiveness.
- Go deeper on customer needs: Local lessors can tailor credit models, documentation, and processes to fit regional business cycles and regulatory environments.
- Knowledge of and access to local subsidies are largely better understood by local players.
- Can help not just on standard deals, but on other opportunities e.g. new start businesses, flooring; receivables, project finance etc.
- Collaborate on program design: Vendors value lessors who act as true partners supporting go-to-market strategy, sales teams and joint marketing.

How to succeed: Best practices for local lessors to win in vendor finance

1. Treat the vendor as your primary customer: The vendor is your true partner; their success drives your origination. Avoid competing for the vendor's customers and respect the vendor's ownership of the relationship and focus on enabling their sales.

2. Customise, don't commoditise: Tailor programs to the vendor's sales cycle, customer base, and industry needs. Offer private label or co-branded solutions, flexible documentation, and value-added services such as billing, collections, and asset management.

3. Invest in relationship and operational excellence: Assign dedicated relationship managers and establish regular business reviews. Provide training to the vendor's sales team so they can confidently present financing as part of their sales pitch

4. Build robust operational processes: Streamline credit approval, documentation, and funding to

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match the vendor's sales cadence. Use technology to automate workflows, track performance, data and portfolio management and ensure compliance. Speed and simplicity are important for vendors too and especially being paid promptly! Make your processes as friction-less as possible.

5. Structure agreements for mutual success: Negotiate clear terms: exclusivity, rights of first refusal, credit parameters, and program governance. Set up the right structure and approach: VJV, vendor finance, referral, etc. Ensure joint management committees and feedback loops for continuous improvement.

6. Do your due diligence: Evaluate the vendor's business reputation, sales force effectiveness, product quality, pricing strategies, and customer life-cycle management to ensure strong alignment and reduced risk.

Conclusion: The time for local lessors is now

For lessors, vendor finance is more than a product – it's a strategic partnership model that delivers steady volume, higher margins, and long-term customer value. The most successful vendor finance lessors are those who invest in local relationships, have patience, customise solutions, and commit to the vendor's success as much as their own.

As domestic vendors and local arms of global organisations seek partners who can deliver on these fronts, the window of opportunity for local lessors to lead, and win, in vendor finance has never been wider.

Key takeaways

- Vendor finance unlocks a scalable, reliable origination channel.
- Success depends on deep relationships, local expertise, regulatory compliance and program customisation. Local players can be nimbler and more entrepreneurial than the multinational vendor finance players.
- Supporting broader vendor needs such as flooring, project finance, and receivables finance adds significant value.
- The lessor who becomes a trusted vendor partner captures the largest share of this growing market.

Now is the time for lessors to step up, collaborate, and make vendor finance a core pillar of their growth strategy. Asset finance needs to develop a greater intimacy with its underlying point of difference vis a vis other financing offers. i.e. specialisation and understanding of the asset.

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