

SHORT-TERM RENTALS MAY HELP YOU MATCH EQUIPMENT TO MARKET

New monthly feature to assist the landscape market with equipment purchase, rental, maintenance, and business management.



Dave Johnstone has more than 15 years experience in the construction equipment market. He has managed product information to the construction and rental equipment markets and has worked for a rental industry association. He has hands-on experience with nearly all types of outdoor equipment. If you have topics you would like Dave to address, you may write him at 267 Willow St., New Haven, CT 06511.

You can blame computers and the U.S. Postal Service for it: market segmentation is increasing. Advent of the nine-digit ZIP code, which is being implemented this year and will spread to most parts of the country over the next couple of years, means that markets can be defined down to carrier routes, that is, to major buildings, to industrial parks, to high-rise residences. This probably means greater promotion expenditures. The curious thing about all this is that people on the whole are thinking more and more alike, but they believe their own positions to be unique, which is just as bad as if they were actually unique.

If you bid on a maintenance or installation contract, you may have your equipment specified for you by someone who has consulted a computer or who has a friend with that equipment. In any event, you're likely to have to field a lot more questions about completion time and equipment capacities than in the past. The time you spend on site preparation from the standpoint of your customer is downtime, a word that has a threatening ring in a time of expensive money. Even a homeowner, if you serve homeowners, wants you in and out fast without that kind of damage to fences that is too minor to prosecute, too irritating to forget—which again means equipment appropriately sized.

You can't very well go out and buy new equipment for each job or you would soon be bankrupt, and so you must find an alternative means of acquisition. It's not leasing, because leasing involves a longterm commitment, generally of a year or more.

It's renting, a concept that you may not have thought about recently. The disadvantage of renting is that you cannot depreciate the equipment (depreciation is a source of capital) but must treat the equipment as a straight expense.

Advantages of Renting

Renting does have its advantages. These are usually promoted as:

1. Conservation of capital. Renting equipment frees money for other uses. As such, it's relied on by many large corporations and public works people, especially at the end of budget periods. Renting does not really increase ease of borrowing money, since equipment is an asset (although somewhat frozen) which by depreciation frees up working capital, nor does it help contractors of any kind to obtain performance bonds.

2. Provided maintenance. Rental rates include full maintenance, but before committing yourself to an equipment source, you had best check out service capacity and willingness. Rental contracts specify that

the customer is responsible for any damage beyond normal wear and tear (specified in precisely those words, which are subject to definition), for tire damage, and for safe operation (disclaimer of liability arising from operation of an intrinsically dangerous machine is probably invalid; if the rentor has modified the machine in any respect, as by welding controls together, he is treated as the manufacturer of the device). Ask to see the rentor's liability policy. Make certain the equipment is covered by his insurance, your insurance, or both. Many rentors offer a damage waiver, which usually adds 5 percent to the rental rate.

3. Savings in storage space, which only applies if the rental equipment is kept working.

4. Inventory control. Cost of theft (conversion) is usually borne by the rentor's insurance carrier. This has recently become a major reason for renting equipment.

5. Mobility. Regardless of job location, there is probably a rental facility in the near neighborhood.

6. Disposal cost is eliminated by renting.

7. Matching equipment to task—probably the most important reason—is made possible by rental.

8. Idle equipment time is minimized by rental.

9. Costs of personal property taxes and licenses are eliminated.

10. In many cases, you will be able to exercise a purchase option if you indicate your desire to do so at check-out of the equipment. Where purchase options are available, terms are variable. Following are some typical arrangements: If purchased within 30 days, renter recaptures 80% of rental charges; if within 60 days, 70%; if within 90 days, 60%; if within 120 days, 50%; if within 150 days, 40%; if within 180 days, 25%. Limit, 90 days; if purchased within 90 days, 85% of rental charges recaptured; if purchased within six months, 80% of rental charges. If cost has been amortized by rental, equipment is sold for "one or two months' extra rental charges." You are usually not frozen to a purchase option, if you say you may be interested; but you may be frozen out of one, if you do not express interest at sign-up time. Not all equipment dealers have rental plans; not all rental plans are available with purchase options.

Sources of Equipment Rentals

Some agricultural equipment dealers may offer rentals, but they would be in the minority (for rentals as opposed to longterm leases). Your primary sources will be construction equipment dealers and specialty rental yards. Of specialty rental yards, you may find your best sources among construction/industrial

equipment yards. Lawn & Garden specialists are sometimes helpful but concentrating on homeowners as most of them do, their equipment may be too light. Specialty rental yards don't usually advertise extensively beyond Direct Mail and the Yellow Pages.

Not Too Early To Promote Industrial Contracts, Even in Snow Belt

In fact, it's probably a little late but better late than never. Some people just can't be coerced into thinking Spring until Spring happens.

The key to industry (as you've already found, if you're doing industrial business) is offered by the purchasing agent in combination with whomever is responsible for building and grounds. If you don't know the latter, ask the switchboard operator. It's as easily learned as that.

In today's less than certain business climate, investment in grounds has probably been cut back (unless the industry is involved with the prospering computer field, all segments of which are marching merrily onward and can't be sold with a recession appeal).

You might score some points by breaking the approach formula and directing your promotion to the Chief Executive. Your "copy platform": an exterior beauty treatment by a professional at the start of the season will boost employee morale and enhance customer relations.

The contrast between the booming computer industry and other elements of the economy which are somewhat sagging is a perfect illustration of increasing market segmentation. Mismatched promotion can be as ineffective as mismatched equipment.

If you haven't planned a promotion program for the rest of the year, it's time to get going on it. First decision to make is where you want to be at the end of the year and then you have to allocate budget to get there. It's really no good to set your own budget by the competition or even according to last year's performance. You have to budget by this year's objective. And considering inflation, if you want to stay where you are, your business will have to increase by 12 to 13 percent. Your promotion budget should be boosted accordingly.

All other factors being equal, it's probably easiest to grow from your present customer list. Think for awhile about where most of your business comes from and concentrate on prospects who most resemble your current "customer profile."

WTT

**Drill more holes
per man hour . . .
per auger bit . . .
with your chainsaw.**

Cannon Augers work off chainsaw power heads. One man operation with minimal kickback. Continuous carbide edge on flighting, tip and cutting edge. 4" and 6" diameters. From world's largest supplier of forest planting equipment. Phone collect (503) 345-0597 or write:

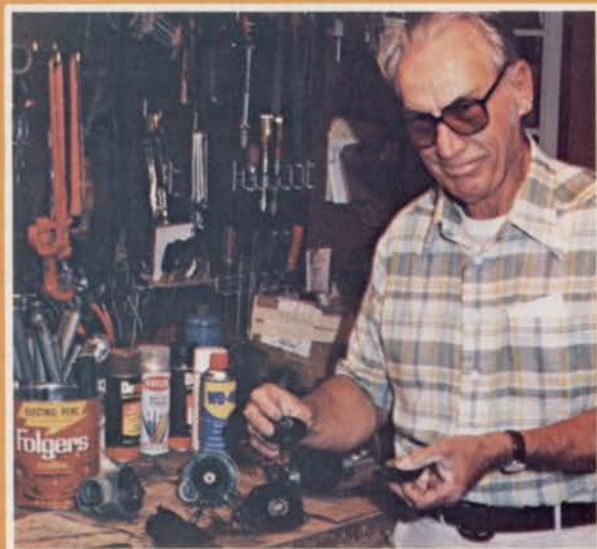
**International Reforestation Suppliers
P.O. Box 5547, 211 West Broadway,
Eugene, Oregon 97405**

Specify make and model of chainsaw.



Write 131 on reader service card

Bill Kubick opted for Weather-matic plastic electric valves. Shouldn't you?



"As installers of some of the first auto-matics in the Northwest, we have always been quality conscious.

"After considerable thought and bench testing this year, we opted for Weather-matic plastic electric valves."

**Bill Kubick
SUMMER RAIN ENTERPRISES
Designer, Installer, Author and College Teacher
Seattle, Washington**

You, too, can expect quality, long life and trouble-free operation, when you use Weather-matic plastic valves. You can rely on them with all types of water.

The unique and exclusive flexing diaphragm keeps parts clean and resists clogging. The glass-filled nylon body and cover resist deterioration from soil chemicals.

You can reduce your total cost of installation because Weather-matic valves' low pressure loss allows you to use fewer valves and cut controller size.

Weather-matic valves have many extra quality features. Like the stainless steel cover bolts that mate in brass body-inserts for ease of maintenance. Or the manually operated bleed control that exhausts water internally downstream. Optional brass flow control available. Series 11024 valves, 1" & 1½" sizes.

If you really are interested in quality like Bill Kubick, check all the features found in Weather-matic plastic valves. Check the number below for more information and your nearest distributor's name.



Write 167 on reader service card

Weather matic.

Box 18205, Dallas, TX 75218



(214) 278-6131