



BEST PRACTICES

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Yes — buying *can* save you money

This year presents both challenges and opportunities when it comes to making capital expenditures for new equipment. Among the challenges are the trying economic times — which in and of themselves present some great opportunities to save on equipment costs.

Now more than ever, owners should be deliberate in their equipment-buying decisions. Obviously, if you are in a situation where the actual workload is questionable, these decisions should be planned for, but put off until the work actually materializes. This is a huge challenge when customers (or potential customers) put off renewal decisions or new customer targets wait until the season starts to make decisions. Some suppliers might allow you to place orders and delay deliveries until later dates. If the anticipated work does not materialize, you then can cancel or postpone the orders.

How do you know whether you are on the right track with your equipment management policies? For maintenance companies, if your cost for repairs, maintenance, operation (including fuel) and ownership (lease or annual depreciation cost) is in the 10% to 12% range of sales, you are managing the costs reasonably well — as long as it not at the expense of lost productivity.

Functional obsolescence

Functional obsolescence results in an impairment of the usefulness of a piece of equipment, either because of a design defect or an inability to be modified or upgraded to a condition that meets today's needs.

Many companies like to use equipment until it no longer works. Their belief seems to be, "If I can fix it and it runs, why lay out the capital to buy new?" However, manufacturers continue to improve equipment — from productivity, safety and environmental standpoints. Plus, there is a point with all equipment where the cost to repair and maintain it exceeds the cost to buy new.

Without good service records detailing repair

costs, this decision becomes very subjective. One of the hardest things to measure is the effect on morale: Having unreliable equipment definitely demotivates operators. Down time or lost productivity due to outdated equipment can be hard to measure.

To avoid functional obsolescence, implement a rotation cycle to replace or retire equipment on a planned basis. For example, in a 12-month mowing market, after three seasons (some might argue two seasons of hard use), mowers are nearing the point where the cost to repair and maintain them exceeds the cost of buying new. Without a scheduled replacement plan, you can get swallowed up in repair costs and lost productivity.

Standardization

Some companies believe in standardizing their equipment palate. Obvious benefits include the ability to concentrate purchases with one or two key suppliers to improve purchasing power. Maintaining a more-limited parts inventory and developing a close relationship with a supplier so you can borrow replacement equipment if needed are two other incentives.

Less obvious are the benefits of a more simplified training requirement and standardization of equipment across crews, allowing movement of employees without loss of experience on equipment operation. Mechanics also become more proficient at maintaining and troubleshooting equipment.

Another advantage is that if you have multiple pieces of equipment and they all develop the same problem, it is a much easier warranty argument. In addition, most manufacturers know their good customers and often give them new equipment to try out, seeking their opinions on improvements.

As you consider your equipment budgets for this year, look at your overall plan on managing this important cost category. Take advantage of this unique opportunity to partner more with suppliers and purchase state-of-the-art equipment at good prices in today's increasingly competitive market.