

The top 7 rental challenges for equipment dealers

and how to overcome them

Industry Perspective



Rent or buy?

It's not just a decision for your home or your automobile. The same question is increasingly asked in the heavy equipment sector as construction, agricultural, and mining companies seek to cut costs and make the best use of their working capital.

Equipment rental is trending upwards in all regions of the world—and it is set for further growth. Rental saves capital, provides flexibility, and frees companies from the cost and complexity of maintaining equipment owned. For some, rental is used as a preliminary to purchase, allowing companies to try out different equipment types before settling on the one they want to buy.

For you, the equipment dealer, rental is a growth market that provides ample opportunities to expand your dealership and grow revenues. But to succeed, you need to be prepared for rental's particular challenges.

Rents are up

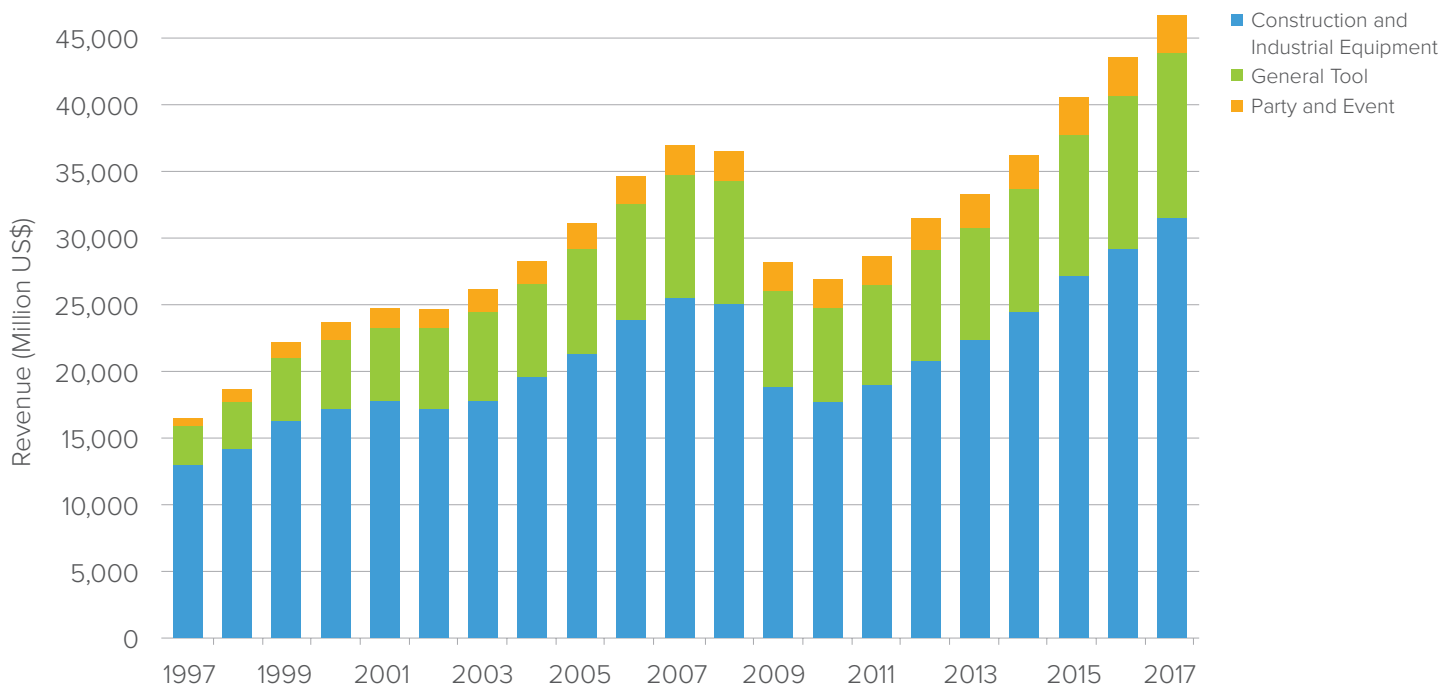
Let's look at how the rental market is growing

In 2013, North American rental market revenue totaled \$38 billion, according to the American Rental Association's (ARA) Rental Market Monitor.¹ The ARA projects that North American revenues will hit \$41.1 billion in 2014, and

continue upwards to \$52.3 billion by 2017 led by strong growth in the US and Canada.²

The picture is similar in Europe, where the market is forecast to grow between 2% and 3% each year from a starting point of €23 billion today.³

Total US Equipment Rental Revenue



Source: American Rental Association and IHS Global Inc.

¹ American Rental Association (ARA), "North American rental revenue to reach \$41 billion in 2014," February 10, 2014, press release.

² Ibid.

Rental is growing, and it is poised for further growth. To keep pace, here are seven of the biggest challenges equipment dealers like you will need to overcome to be successful in the rental market, as well as some approaches to relieving the pain of these challenges.

1 Taking control of a complex business

Chances are, your current processes already require you to quote, sell, and procure equipment; manage financials, inventory, and parts; schedule work orders and maintenance on customer orders; and oversee project management and remanufacture. When you add rental operations to your business, you're going to be adding even more tasks: rental quotations, rental desk, analytics, cash flow management, equipment lifecycle management, and fleet management.

Your primary challenge is going to be controlling the sheer range of business processes and functional tasks that need to be completed and tracked. It can be difficult to find a single system that is up to the job, leading many dealers to take on multiple systems to manage their dealership, service engineers, and rental operations. Far from easing complexity, this just

Additional tasks to consider when adding rental operations to your business

- ✓ Rental quotations
- ✓ Rental desk
- ✓ Analytics
- ✓ Cash flow management
- ✓ Equipment lifecycle management
- ✓ Fleet management

adds to the problem, as complex integrations and islands of information prevent dealers from achieving the one thing they really need—complete visibility of all their equipment across the business and throughout the entire equipment lifecycle.

One way to improve visibility is to implement a single ERP solution that spans the business processes of dealers, renters, and service providers. This approach also gives you a platform for continued expansion and growth.

³ European Rental Association (ERA), "The European Equipment Rental Industry 2013 Report," October 2013, press release.

2 Balancing your portfolio and cash flow

Renting can be a great revenue generator—especially when all of the equipment on your yard is out in the field. But first, you have to make the upfront capital investment in your rental assets, which will have an impact on the cash flow of your business. If all of your equipment is rented out and returned on schedule, you'll never find yourself in the position of turning a potential customer away. Conversely, if all of your equipment comes back and sits in the yard for a long period of time, you need to reconsider your fleet.

To succeed, you need a balanced portfolio of rental assets in the yard and in the field. That way you'll have control over your cash flow, know where your assets are, and where they need to be. You'll also have a plan for their future use and financial flows. Software can help you track these assets, so you know where everything is and what it costs. Having access to this data in real-time can help you improve asset utilization and customer service.

3 Maximizing the utilization and re-sale of your fleet

Traditionally, your dealership has succeeded at offering equipment, parts, service, and maintenance at a volume to meet customer demand. As your business evolves increasingly towards rental, you must be able to anticipate the market demand in advance, manage the changes in your cash flow profile, and maximize the utilization (days on rent) you can derive from investment in your fleet, while also ensuring that you regularly service your equipment to maximize the re-sale value at the end of its rental life.

To accomplish this, you need asset management software that offers visibility into all of your rental assets, their service records, and their parts and accessories. This visibility can help reduce equipment downtime, which can help you improve utilization. Your software should also be tracking your warranties to reclaim warranty-related costs.

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4 Balancing rental needs against sales needs

In rental, the goal is to achieve the lowest cost per transaction. You need to support and manage the processes for rental—quotation, accessories sales, and maintenance—while balancing them against the service, maintenance, and repair business of the dealership. Sometimes conflicts arise: Do I work on maintenance for rental equipment or sale equipment? If it's going to cost you more money to keep a rental asset running than the income it derives being out in the field, your resources are better used elsewhere—possibly by your sales fleet, where servicing, parts, and maintenance are all after-sales support processes.

With the right planning tools, you can effectively manage the lifecycle of parts and equipment across all of your business units, as well as the transfer of sales or rental assets between branches and other sites. You can also maintain your inventory levels and coordinate parts delivery and service scheduling. One solution can unify all of these processes, while also offering the right tools to keep rental and sales assets segmented.

Can you effectively manage the lifecycle of parts and equipment across your business units?

5 Offering excellent customer service

To keep your customers happy, you need to provide 99.5% equipment availability and excellent customer service. But no matter how skilled your customer service representatives are, if your dealership can't accommodate a potential renter's schedule by having what they need when they need it, that customer is going to take their business elsewhere.

If you lack a holistic, 360° view of all your customers' processes and activities—like the seasonal need for certain equipment types (excavators in warmer months vs. snow plows in the winter, for example)—you will struggle to deliver high customer satisfaction cost-effectively.

To improve customer service, consider adding an online customer portal. Online customer portals allow your customers access to their own equipment portfolio, spare parts, and more. They also allow customers to view their orders and history.

In the end, the more you know about your customers, the better you can help them and the greater the results for your business.



Planning for the full equipment lifecycle management

A rental asset will be serviced and rebuilt many times during its long lifespan. You will need to replace key components and core parts. Engines or hydraulics might be transferred from other assets. Your equipment will be out in the field and operated by multiple owners. Some assets can be sold off towards the end of their rental lifespans—and some can't. So, to maximize income over an asset's lifespan, you must maintain full and absolute visibility of your equipment across its entire lifecycle.

By tracking the costs of your fleet, you can know for certain if a rental asset has taken on too much debt through maintenance, parts, and servicing and whether it is ready to be retired or sold off. Efficient asset tracking tools allow you to make the most out of your investment. Your solution should allow for configuration and management of the whole quote process from lead to invoice. That way you'll have a single view into all of your transactions and warranties—from sales to service, to claims processing.



Forecasting equipment servicing and repairs

The last thing anyone needs is for a piece of equipment to fail. Being able to plan ahead when it comes to spare parts requirements and maintenance resource capacity is critical—and it provides a major opportunity to reduce costs and improve customer service.

You are likely planning the servicing and repair of equipment that is spread across a wide geography, while dealing with unique equipment configurations, SLAs, capacity constraints, and parts. To ensure that your equipment is well serviced whether it's owned or rented, you need a powerful planning workbench with planning tools that can forecast and plan for spare parts, as well as parts marketing programs and rebates. With these planning tools, you can make long-term scheduling decisions, giving you visibility into all of the parts and accessories across your service network. You'll be able to run a profitable business—in the yard and in the field.

How ERP can help

A new ERP system can address all seven of these challenges by helping you to:

Streamline your business process and activities

If you have not changed your core business systems in the last decade, now is the time to evaluate how enterprise resource planning (ERP) could streamline your processes and activities. The ROI that the latest technology and solutions can provide is compelling.

For example, can you manage your equipment sales, rentals, parts, and servicing in one system today? Take a look at how a new equipment-centric solution could streamline your business processes to deliver new visibility, agility, and speed across your dealer, rental, and service functions.



Can you manage your equipment sales, rentals, parts, and servicing in one system today?

Take advantage of mobile technologies and real-time data

Telematics and mobile technologies will help you to track any deterioration in the condition of your equipment, so you can plan preventative maintenance at a mutually convenient time for you and your customer. Mobile technologies allow you to keep track of equipment as it moves around (geo fencing), help field-service engineers rapidly diagnose and solve equipment failures, and ensure the right parts are available in the field.

At the same time, your customers want online access to orders, invoices, and service history. You need to ensure that this information is available in a secure way to protect data access and integrity.

Manage evolving business models and functional needs

The metrics of success for a rental business are different from those of a traditional equipment dealer. Evolving your business into a mixed model can put pressure on costs and cash flow. Technology and your IT department are crucial to supporting your business in the modern world.

Developing and maintaining your own software solution to have a complete, real-time understanding of your rental and sales assets is costly and no longer a realistic option for most companies. You need an equipment solution that can handle the business processes of dealer, rental, and service provider in one system.

The margins on rental can be great, sometimes several times larger than equipment sales. Growing the rental channel of your dealership will allow you to take a share of a growing market, diversify your business model, and reduce your dependency on less predictable equipment sales—so long as you pay attention to your cash flow and functional needs. To do that, you need a modern ERP system that can help unify your processes across dealer, service, and rental operations and give you a comprehensive view of your business.

Succeed, and your dealership will be equipped to find new customers and grow both revenues and margins.

Technology and your IT department are crucial to supporting your business in the modern world.



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