

# WHY BUY WHEN RENTING LOOKS SO GOOD?

By Heather Schlichting



**T**he rental equipment business in the United States is a \$35-billion industry, yet only 35 to 40 percent of the people who use this type of equipment rent versus own. Heavy industrial machinery can cost hundreds of thousands of dollars to purchase, without factoring in maintenance fees, repairs, and fuel costs. Rental equipment is offered at a fraction of the price of buying, and all of the additional fees that keep the machines safe and efficient are covered by the rental company. Given this information, why do the remaining 60 percent of users make large capital investments on machinery that becomes a depreciated asset?

## RENTAL TREND

The rental industry has greatly expanded in the last decade, creating new options for contractors who traditionally purchase their equipment and haul it to each new location. For example, RSC Equipment Rental, Inc., one of the largest equipment rental providers in North America, has more than 470 rental locations in 39 states and four Canadian provinces. With a fleet worth \$2.7 billion, contractors now have options they never had before.

“Renting serves a practical need for customers on short-term projects on common pieces of equipment. Rental houses allow contractors the ability to get equipment on short notice without the inconvenience and cost of having to transport the equipment from the storage facility to the jobsite,” says Don Hopkins, publisher of *Equipment Watch*, a publication that focuses on equipment ownership operating costs and market values. “Similarly, some contractors will rent or lease because it simply takes away the hassle of scheduling what is needed from their own fleet on the jobsite. It’s one less thing they have to think about.”

Still, old habits are hard to break and many companies continue to purchase large equipment simply because that is what they have done in the past.

“The trend is such that large contractors typically own their own fleet. These big companies with many projects and applications want to own and operate their own equipment and can normally cover the ownership cost with utilization,” explains Hopkins.

However, in an economic environment suffering from the financial stress of a slowdown in the construction industry, most companies are looking for ways to cut back and minimize expenses. Fewer companies are willing to spend the necessary amount of money to expand their fleet or purchase new equipment, especially when older, less reliable machines are still part of their overhead. As emissions standards become stricter and fuel costs rise, renting equipment seems like a viable option for those dealing with financially insecure situations, especially when companies are not interested in making a large investment in a machine that has the potential to sit idle for months on end.

## RENTAL CALCULATOR

“Renting is a great option for those who may need a specific piece of equipment for one phase of a project but don’t foresee getting that much use out of the equipment in the long run,” says Erik Olsson, president and CEO of RSC Equipment Rental. “Even in cases where they think they may use it frequently, it’s worth comparing the cost of renting versus owning the equipment. I think most contractors would be surprised at how much they

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service the equipment themselves.

Because industrial equipment is such a large investment, many companies are forced to hold onto an asset that becomes devalued very quickly, and they must continue to pay for the storage and maintenance of a piece of equipment that is infrequently utilized. In contrast, rental fleets have an average life span of just 5 years, making them younger, less prone to problems, and more environmentally sound, letting out fewer emissions than older diesel engines.

Rental equipment companies have taken the industry beyond just machinery, adding benefits that are beyond cost. For example, Mobile Tool Rooms™ from RSC are portable trailers custom stocked with the specialized tools and small equipment used for a short-term project. On-site maintenance prevents costly downtime and increases productivity. Total Control®, an RSC proprietary software program, allows the customer to more efficiently manage its fleet, costs, time, and rental spend—all issues that are of particular importance on long-term projects with large jobsites. Safety comes first in the rental equipment industry, with programs designed to raise the bar in the industry and help companies manage a safer operation.

### THE RENT VS. OWN DEBATE

The decision to buy should weigh the owners' ability to fully utilize the piece of equipment over the entire life of the asset. For companies that rely on certain types of equipment on a daily basis, it can make sense to own. For others that use equipment for certain project phases and don't use the equipment consistently, it can make more sense to rent.

"What people really need to look at is the cost comparison and the need," says Hopkins. "Is this a long- or short-term project? What is the monthly rental cost versus the ownership cost? These are the questions that contractors need to ask before deciding whether it is better to rent or own equipment for a specific project."

The most important thing to remember when deciding whether to rent or own is that there are options. Buying allows companies the convenience of already owning the equipment. Renting allows companies to control their expenses and conserve capital while still getting top quality equipment that is well maintained and safe—an option that in the current economic situation may be the better decision. ♦

can save. The decision to own versus rent should be analyzed over the useful life of an asset, and the percent of time that asset will be utilized is a critical component."

The rental calculator at [www.rscrental.com](http://www.rscrental.com) can be used to compare the cost savings of many frequently used pieces of equipment. For example, recent estimates show that renting versus owning a backhoe, a common piece of machinery, can save a company approximately \$20,000 over the useful life. Similarly, renting a 60-foot boom lift, a more specific piece of equipment, can save a company more than \$110,000 when the prices of maintenance, transportation, and depreciation are factored in over time.

### BENEFITS OF RENTING

The real estate forecast aside, there are several reasons renting makes more sense than buying. When renting, users receive top-of-the-line, modern equipment that has been tested and provides the optimal level of performance. In addition, maintenance checks and repairs are routinely performed before, during, and after renting equipment. So not only does the customer receive the assurance of a well-maintained machine, but they also avoid the hassle and expense of having to

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