

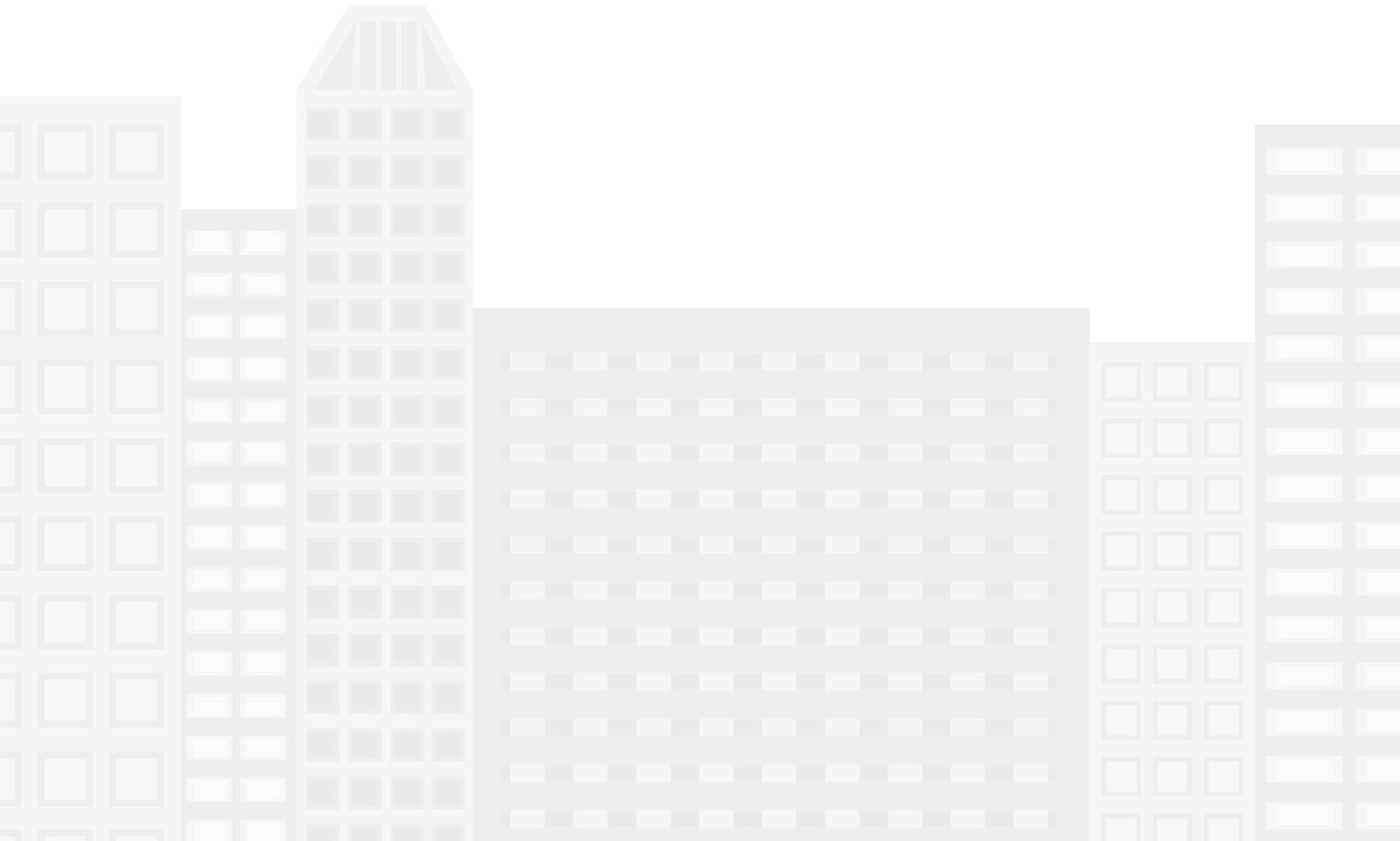


A DEALER'S GUIDE:

Why You Should Consider
Renting Out Your Equipment

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Introduction to Equipment Rentals and the Equipment Rental Industry

Equipment rentals are an increasingly large segment of machinery found in dealerships and on job-sites¹. This is because renting equipment has so many benefits for the renter, from affordability and simplicity to providing a business with flexibility to accomplish more jobs². However, the emerging trend of equipment rentals offers major benefits for dealerships as well. In this white paper, we'll explore the unique qualities of the equipment rental segment, as well as the benefits and best practices for equipment rental dealers. Understanding the nuances of the rental segment can help both equipment dealers and customers make the best choices in their work. To discuss the industry, we'll begin with a discussion of the Most Common Forms of Equipment Rentals.



1 <https://allaboutequipment.com/2017/11/01/equipment-rental-trends-how-big-is-the-boom/>

2 <https://allaboutequipment.com/2017/10/26/equipment-with-benefits-7-big-reasons-to-rent/>

Top Equipment Rental Types

First, what types of rentals are the most popular? Among those who rent equipment, over 90% have conducted traditional, short-term rentals and almost 45% have rented with a purchase option³. This demonstrates that while long-term rentals are more rare, renters can still have a long-term perspective. Dealers engaging in a rental business would do well, then, to keep in mind the farsightedness of renters when engaging in marketing and when putting together rental packages. It's also essential to keep in mind potential competition; peer-to-peer rentals⁴ (which will be discussed later in further depth) are spiking, with a record-high 14% of renters participating. Each type of rental can have benefits for renters and for dealers, but why are people renting equipment at all?

Among Those Who Rent Equipment:



Reasons People Rent Equipment

According to a 2017 report by Construction Equipment⁵, nearly 80% of individuals renting equipment do so because they only need limited use of a machine, which would not be worth the full purchase of an expensive piece of new equipment. Similarly, almost 46% of renters seek out equipment rentals because they are uncertain about what their future needs may be, and are likely unprepared to invest in an equipment purchase without sufficient certainty.

Other times, equipment renting may have more to do with limited resources⁵. Approximately 58% of people rent equipment because they've been hit with an unexpected need, and 50% rent because they have to cover for their own machine that has broken down. Over 34% rent because purchase prices are too high. In other words, rentals can be a job-saver for workers, helping to meet deadlines when the unexpected occurs and when resources are limited. Finally, many renters — roughly 36% — also rent equipment so they can test out a machine before making a purchase.



³ <https://www.constructionequipment.com/insights-equipment-renting>

⁴ <https://allaboutequipment.com/2017/09/01/what-the-deal-with-peer-to-peer-equipment-rentals/>

⁵ <https://www.constructionequipment.com/insights-equipment-renting>

⁶ <https://allaboutequipment.com/2017/10/26/equipment-with-benefits-7-big-reasons-to-rent/>

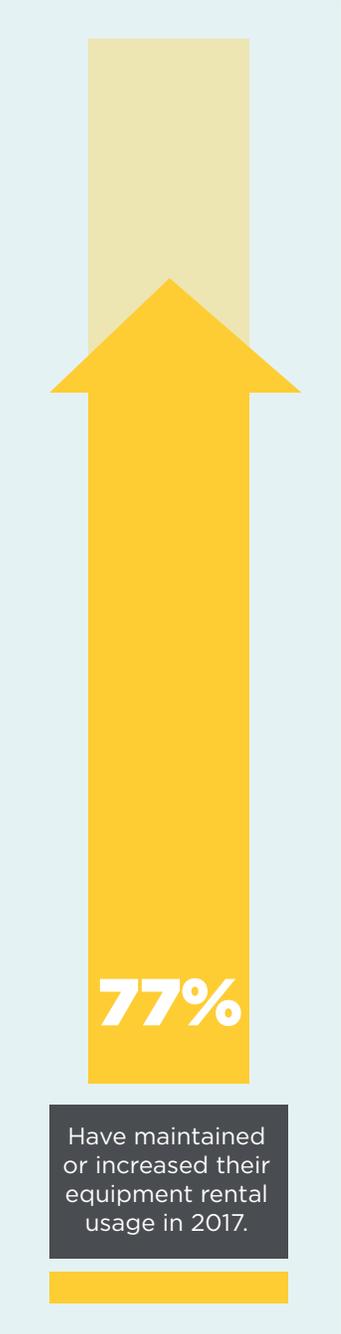
Understanding the trends in popular reasons to rent⁶ is important for workers and dealers alike. Workers with limited current needs, uncertain future needs, and emergency situations can rest assured that equipment rentals are a favored, reliable choice among their industry peers. Additionally, dealers can use reason-to-rent trends to best inform their marketing and outreach efforts. These lessons are even more pronounced when considering just how much the rental business is booming. Speaking of which...

The Growing Equipment Rental Market

In 2017, a whopping 77% of construction survey respondents report that, compared to last year, they are maintaining or increasing their equipment rental usage⁷. Only 23% are decreasing how much they use rented machinery. Clearly equipment rentals are growing. In fact, rental companies are currently buying half of all equipment sold in the U.S.⁸ and, according to the American Rental Association, the rental industry is expected to reach almost \$60 billion by 2020⁹.

Part of that growth includes Peer-to-Peer Rentals. The concept for peer-to-peer (P2P) renting is relatively simple; industry professionals with heavy equipment rent out those machines to other business professionals. The P2P process cuts out traditional equipment rental dealerships and keeps the renting transaction between a network of industry professionals. This allows contractors and technicians to generate additional income off of their equipment, and because the profits are purely supplemental, a business can often compete with the prices offered by rental dealerships. Currently, there are only a few P2P startup companies offering this networking model — including Dozr¹⁰, Equipment Share¹¹, Getable¹², and Yard Club¹³ — but it's a segment of the industry worth keeping an eye on for dealers involved in rentals.

The explosive growth of rentals has led many to believe that the U.S. equipment market may soon resemble that of the U.K., where 80% of all equipment is rented (often along with the operator)¹⁴. Traditionally, in the U.S., the rental market has peaked during times of national economic decline, as renters are operating under greater uncertainty and less likely to make a purchase. Now, however, rentals continue to expand, even as the economy recovers, indicating that rental growth is a strong and stable trend that is here to stay¹⁵. This should be good news for dealers, who stand to gain a great deal by implementing or growing the rental side of their dealership.



77%

Have maintained or increased their equipment rental usage in 2017.

7 <https://www.constructionequipment.com/rental-trends>

8 <http://www.forconstructionpros.com/business/news/10852950/manfredi-rental-fleets-bought-half-of-all-equipment-sold-in-us-in-2012>

9 <http://www.constructiondive.com/news/equipment-rental-industry-revenue-on-pace-to-reach-57b-by-2020/424262/>

10 <https://dozr.com/> 11 <https://equipmentshare.com/> 12 <http://www.getable.com/> 13 <https://www.yardclub.com/>

14 <http://www.constructiondive.com/news/slow-recovery-is-making-equipment-rental-the-american-norm/71123/>

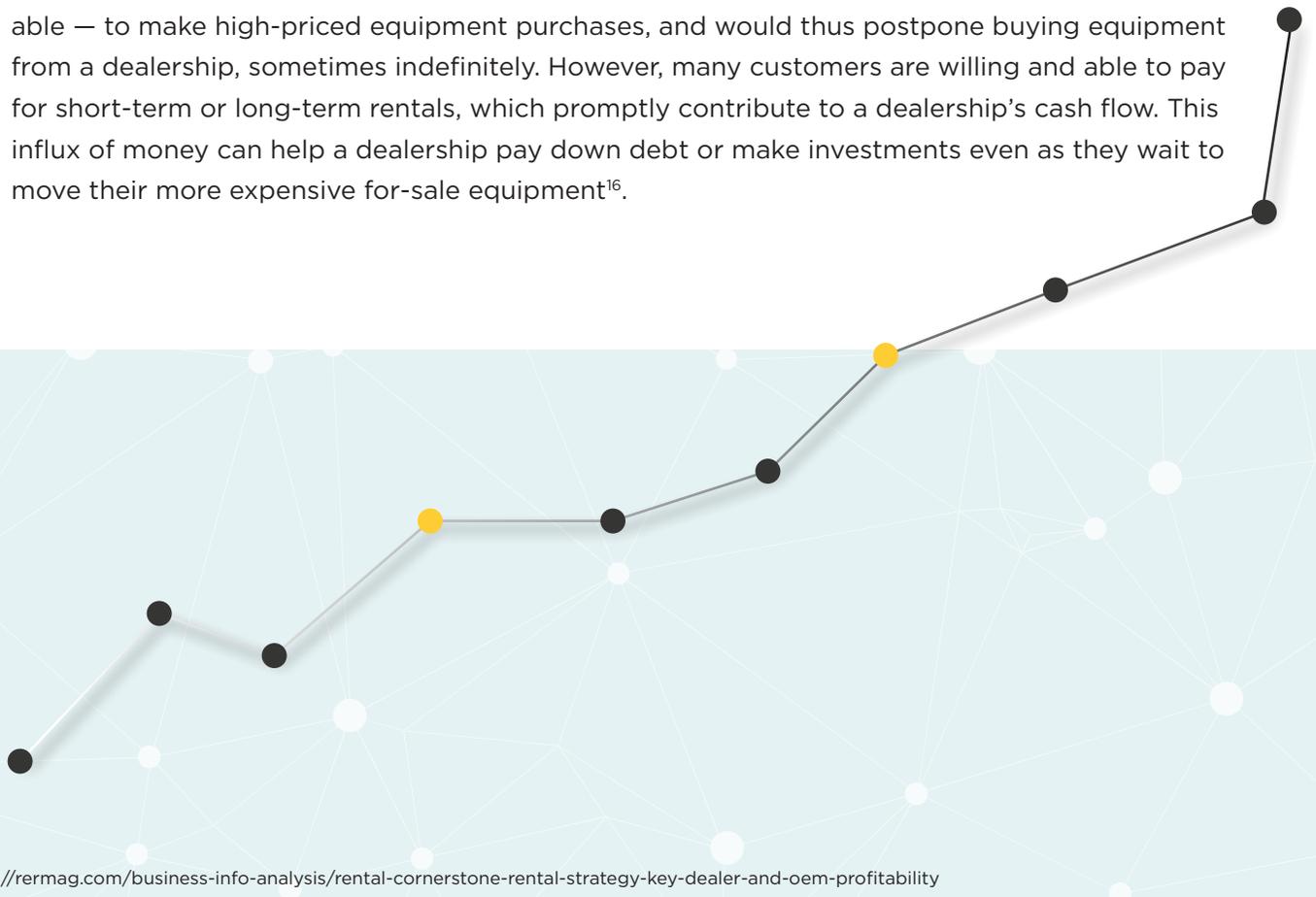
15 <http://www.forconstructionpros.com/rental/article/10799297/a-permanent-shift-toward-equipment-rental>



The Benefits of Renting Out Equipment

The growing rental segment is great news for equipment dealers who stand to exponentially expand profitability through rentals in both direct and indirect ways.

First and foremost, equipment rentals earn profits for equipment dealerships, and can do so in a more immediate way than outright purchases. Often consumers are not willing — or are not able — to make high-priced equipment purchases, and would thus postpone buying equipment from a dealership, sometimes indefinitely. However, many customers are willing and able to pay for short-term or long-term rentals, which promptly contribute to a dealership's cash flow. This influx of money can help a dealership pay down debt or make investments even as they wait to move their more expensive for-sale equipment¹⁶.



¹⁶ <http://rermag.com/business-info-analysis/rental-cornerstone-rental-strategy-key-dealer-and-oem-profitability>

Rentals are often more profitable than sales in the long-term, as well. After renting out a piece of equipment for many years, and then finally selling it used, that product will have often generated as much as 2 to 3 times higher profit margins than if the machine had been sold new¹⁶.

When offering rentals, an equipment dealership is also making an investment in future revenue streams which have the potential to earn incredibly high returns. According to Rental Equipment Register, a byproduct of a rental business comes when you update your rental fleet with new machines, allowing you to additionally sell “an inventory of well-maintained, low-hour, used machines that have great marketability and high profit potential”¹⁶. Not only that, but you have now insulated the local market from outside penetration and seeded opportunities for used equipment buyers to return to you for parts and services¹⁶.

And there’s the real opportunity: as customers continue to return to your dealership to address various needs, you can develop long-term, revenue-boosting relationships¹⁶.

Investing in an equipment rental business can also pay off by building customer relationships and brand loyalty. As an affordable, low-risk way to easily access machinery, rentals will attract many new consumers to your dealership¹⁶. Those with uncertain needs or limited resources, or contractors who just want to give equipment a test-run, can then become introduced and committed to a product before returning to you — the dealer who gave them that opportunity — for purchases, parts, and service. And there’s the real opportunity: as customers continue to return to your dealership to address various needs, you can develop long-term, revenue-boosting relationships¹⁶. Equipment rentals provide a powerful opportunity for increasing those interactions, building that trust, and forging ongoing, profitable connections.

At the end of the day, equipment rentals are an incredibly helpful resource for your consumers, one that gives them the tools they need without the costs and hassle of purchasing, maintaining, and repairing their own machinery¹⁶. But it’s not just your customers who will appreciate the service. Equipment rentals are also an amazing opportunity for dealers to increase market penetration, revive slow markets, supplement active markets, invest in future business, build consumer connections, and ultimately boost profits¹⁶.

DID YOU KNOW??

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¹⁶ <http://remag.com/business-info-analysis/rental-cornerstone-rental-strategy-key-dealer-and-oem-profitability>

Equipment Rentals Best Practices for Dealers

With a growing equipment rental industry, and some great benefits for dealerships that offer equipment rentals, sales and marketing managers will have to develop and implement effective and appropriate strategies for connecting with renters and providing a high-quality rental experience. An ethical and efficient rental operation will keep customers coming back, increase your chances for referrals, and maximize the earning potential of the rental side of your business. To help accomplish such a feat, this section of the white paper will provide a number of equipment rental best practices for dealers:

1 Market those Rentals!

As a dealer, you want to do everything you can to get your products in front of interested buyers. Developing a high-quality pool of potential renters is made easier when you use your advertising materials to clearly communicate the benefits of rentals. While the industry is growing, not every potential customer may understand that renting for consumers (1) is affordable, (2) is simple, (3) provides flexibility during changing circumstances or emergencies, (4) offers consistently up-to-date machinery, (5) allows them to test drive equipment before choosing to buy, and (6) provides opportunities to expand the reach of their own business with access to a wide selection of machinery for diverse jobs¹⁷.

RENTING FOR CONSUMERS:



Is Affordable



Is Simple



Provides flexibility during changing circumstances or emergencies



Offers consistently up-to-date machinery



Allows them to test drive equipment before choosing to buy



Provides opportunities to expand the reach of their own business with access to a wide selection of machinery for diverse jobs¹⁷

If customers understand that they stand to gain such impactful benefits, the rental side of your dealership will have consumers lined up around the block — communicate these advantages every chance you get! And remember that another great way to connect with interested renters is to make sure that you not only provide listings on your own website, but also place your inventory on leading third-party equipment rental markets like EquipmentTrader.com, which already has over 6,000 listings for rent from hundreds of dealers.

¹⁷ <https://allaboutequipment.com/2017/10/26/equipment-with-benefits-7-big-reasons-to-rent/>

2 Understand the Consumer's Job.

What project do they want to complete? Which piece of equipment that you offer for-rent could complete the task? Understanding the consumer's job and being able to provide suggestions makes you a reliable source for equipment rentals, boosting your chances of earning repeat business and referrals.

3 Know the Time.

Typically, equipment should be in use 60-70% of the time to be worth the purchase price¹⁸. How often does the consumer plan to use a piece of equipment? If it's more than 65%, you may want to direct them toward making a purchase. If it's less, renting is likely the right choice. Consumers will appreciate your expert guidance and you can build a reputation as a dealer with the customer's best interest at heart. Plus, knowing the exact amount of time they need a machine can help determine the length of a rental, helping you draw up the appropriate contract.



4 Study the Economy.

Renting during economic uncertainty can save consumers from expensive purchases of machines that could end up unused and collecting rust when the jobs dry up¹⁹. By keeping tabs on economic performance indicators, you'll know the best recommendations to make to consumers and the ideal times to successfully advertise for your equipment rentals.

5 Measure the Competition.

What other equipment rental businesses are available to customers in your local market²⁰? What specific equipment rental inventory are those other dealerships offering? Do they advertise only on their own website, or are they also on leading third-party equipment rental markets like EquipmentTrader.com? Taking time to comprehensively track your competition and their available products lets you know how much of the market share you can expect to corner, what it will take to make your rental packages competitive, and how to best market your own dealership and the unique inventory and services you provide. The importance of competitive market analysis is why Equipment Trader offers it as a dynamic reporting feature to every dealer listing equipment on our website.

¹⁸ <http://www.constructiondive.com/news/deciding-to-rent-or-buy-equipment-complex-decision/279404/>

¹⁹ <http://www.constructiondive.com/news/rental-companies-made-almost-half-of-us-equipment-purchases-last-year/91158/>

²⁰ <http://www.forconstructionpros.com/business/business-services/article/10307282/how-to-develop-a-rental-strategy>

6

Provide transparent quality.

As a dealer, your reputation is your most important commodity, which means trust and authenticity are paramount to your business model. There are a number of ways that you can use transparency to build your brand as a reputable dealership:



Allow consumers to inspect the machine.

Allow this examination to occur at every level, including mechanical, hydraulic, structural, in-cab, fluids, exhaust, and tire/track components²¹. You provide high-quality machinery, so showing it off to the consumer can only boost your credibility as a leading equipment provider.



Offer to provide the history of the machine.

Involved contractors and other renters will often want to understand how the equipment has been used and cared for in the past²². It's likely you track equipment rental telematics, so offer the equipment's use record, maintenance schedule, and repair records, which prove you provide machinery that is well cared-for. Finally, make sure the machine has been properly certified for use. Uncertified equipment is not only a turn-off for consumers, it may also be unsafe and even illegal to use²³!!



Be transparent about yourself.

Knowing a rental dealer has a good reputation can give customers greater confidence in renting equipment from the dealership, and there are many ways consumers may research dealers²⁴. Allowing, and even encouraging, potential renters to ask around, look you up online, conduct a business background check, and confirm your ownership of the equipment shows that you have nothing to hide and that you're a reliable business partner.



Be clear about the contract²⁵.

What is the full cost to rent? Does that include insurance for damages or theft, transportation fees, or fuel surcharges? How long do renters get the machine for? How do renters acquire and return the equipment? Are there late fees? Who is responsible for maintenance and repairs? What are the billing policies? Who is permitted to use the rented equipment? Being up-front and clear about contractual questions like these helps you fully communicate the costs and risks consumers incur when renting the machine, and hopefully prevents any misunderstandings or legal issues.

21 <https://allaboutequipment.com/2017/07/06/how-to-evaluate-used-equipment-before-buying-inspecting-the-machine/>

22 <https://allaboutequipment.com/2017/07/12/how-to-evaluate-used-equipment-before-buying-learning-the-history/>

23 <http://mcclung-logan.com/ultimate-guide-renting-buying-heavy-equipment/>

24 <https://allaboutequipment.com/2017/07/20/how-to-evaluate-used-equipment-before-buying-researching-the-dealer/>

25 <https://www.angieslist.com/articles/9-tips-equipment-rental.htm>

7 **Look at Long-Term.**

Decide if you will offer any discounts for long-term, multi-month rentals. After all, a long-term rental guarantees profitable business for your dealership for a prolonged amount of time. Long-term rentals can be good for renters too, since they ensure the equipment is available when needed while still avoiding the full cost of purchase and ownership²⁰. Advertising these benefits, along with a discount, could be a popular rental package and strong revenue-source for your dealership.

8 **Offer Training.**

As a dealer who would likely prefer to have rented-out equipment returned back to your dealership in the same condition it left, be sure renters know how to properly use a piece of machinery. Misusing equipment can be very unsafe and non-contractual use can make renters liable for damages, so they should appreciate any instruction you can provide about proper machine use. And if you really want to provide quality service for consumers, consider putting together safety training courses for the equipment you sell and rent²⁵. This is the type of service that can really make you an expert and leader in your local market.

9 **Provide Contact Information.**

If there is a problem with a rental machine, who should a renter contact? What are your hours of operation, and what is your response time? Is there a customer service or help-line to call? Do you want renters to call you directly? Breakdowns and emergency situations can be stressful, so clearly-provided contact information for you and/or your dealership can help renters keep their work on track and can preserve their loyalty to your dealership despite any issues²³. Just knowing you're looking out for them can go a long way with equipment renters and helps insulate your reputation from problems that are inevitable with any machine or business.

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20 <http://www.forconstructionpros.com/business/business-services/article/10307282/how-to-develop-a-rental-strategy>

23 <http://mcclung-logan.com/ultimate-guide-renting-buying-heavy-equipment/>

25 <https://www.angieslist.com/articles/9-tips-equipment-rental.htm>

Of course, there are many more recommendations that could be made for equipment dealers wishing to start or grow a rental business. However, the overarching theme of these best practices should be clear: that the best dealers, the ones who craft a sterling reputation for quality service, are those who adopt a hands-on approach. Getting to know and serve renters on a personal basis, and anticipating and addressing issues before they ever arise, is well worth the effort. Your growing reputation as a trusted and respected leader in the equipment rental market — and the resulting boost in business and profits from that reputation — demonstrate the value of implementing equipment rental best practices.

Conclusion

The equipment rental industry is currently experiencing a boom, the likes of which we have not previously seen. The major benefits to consumers, including affordability and flexibility, are consistently driving a segment that previously only saw spikes during economic uncertainty. With an upward trajectory that projects to continue into the next several years, there are also undeniable benefits to equipment dealers who seek to begin or expand the rental side of their business, from increasing market penetration to exponentially boosting profits. As the market expands it will be essential for dealers to adopt effective and ethical best practices for serving renters on a personal basis that goes beyond the machinery and helps equipment dealers develop a reputation for leading, quality service -- which in turn boosts retention, referrals, and profits. In a dynamic, accelerating market segment, equipment rental dealers will have to find creative ways to stand out, from offering unique products and services to listing inventory on leading third-party equipment rental markets like EquipmentTrader.com. It's an interesting time to be in the industry, and we're excited to see just how high the equipment rental segment can go!!



ABOUT US

About Equipment Trader

Equipment Trader is an industry leader serving sellers of construction, earthmoving, agricultural, forestry, mining, and industrial equipment and trailers. With over 800,000 monthly unique visitors to EquipmentTrader.com, our main purpose is to bring equipment buyers and sellers together. Additionally, Equipment Trader is committed to providing innovative products to ensure that manufacturers and dealers generate connections, drive sales, and maximize profits. For more information about Equipment Trader, please visit www.EquipmentMediaKit.com.

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