



RENTAL PROGRAM TIPS

by Karen Anderson

Most dealers do not have a dedicated rental program but offer rentals based on an availability basis. “We view our rental program as part of a larger sales and service cycle,” says John Fitzgerald, General Manager of AAA Pressure Washers & Supplies in Tempe, AZ. “On a new sale we will frequently take a trade-in. As our technicians have unscheduled time, they assess the trade-in and provide management with an estimate to repair.” Fitzgerald says that the machines that are rebuilt are available for rent until they are sold.

Dennis Black of McHenry Equipment in Frederick, MD, rents on the same philosophy. “We previously rented nothing but equipment from new stock. We have recently started to use traded-in or good used, reconditioned equipment that offers lower costs and overhead.” He understands,

however, that rental of quality equipment can generate purchase of equipment. Fitzgerald echoes the sentiment, saying, “Our current philosophy is that rental revenue and customer goodwill are simply byproducts of these machines until we resell them.

Roy Chappell of Chappell Supply in Oklahoma City, OK, has developed a rental program around his core business of pressure washer sales, but does not recommend starting a rental program in an attempt to compete with rental stores. “These stores have a three to five year pay-out on their equipment and can rent by the hour at a very low rate,” he observes.

When starting a rental program, Chappell’s advice is to be different. “Rent the equipment that the rental stores don’t. Rent by the day, week, or month. Focus your marketing efforts on large companies needing larger equipment.

Many of these customers will rent a piece of equipment valued at \$20,000 for a week to a month at a time. This customer would easily pay \$320/day, \$1600/week, or \$6400/month, plus any 'extras' that are required by their specific needs, which could include extra lengths of hose, specific nozzles, etc."

Black agrees, saying, "We found hot water to be our best rental—units that are self-contained, portable, and gas engine-powered with 3.5–4 gpm at 3000–3500 psi. We have plants that will rent multiple units during shut-down times."

Chappell believes rental is a great source of income. Of the rental revenue, he considers half to be applied to the cost of the equipment. "The other fifty percent," he explains, "goes toward the company account to keep the equipment in top condition at all times. This pays for service hours involved in checking the equipment in and out, including any repairs that may be needed such as repacking the pump, new gun, lance, nozzles, etc. The high profit allows you to sell your high-end equipment at above list by 20 percent to 30 percent."

Good business practices must prevail, however. "Always charge rental rates upfront, and when dealing with a new customer be sure to take their credit card and run it for the number of days they will have the equipment," advises Chappell. "Make sure you give instructions on the piece of equipment that is being rented. Show the customer the clean piece of equipment that has a full fuel tank. Explain to them that the equipment needs to be returned clean and full of fuel. We charge a clean-up fee of \$150 if the equipment is not cleaned and \$140 if the fuel tanks are not full. Omitting this cost will reduce your rental revenue up to 30 percent," says Chappell.

Pay attention to the small details when completing your paperwork. Have the serial number and model number of the rented equipment listed. Always make a copy of the renter's



driver's license and credit card and attach it to the rental paperwork. Record the license plate number and the type of vehicle picking up the machine. Record the time on the rental paperwork that they will be returning the unit. (In Oklahoma, you can report the unit as stolen if it is not back by that time). Be sure that you have your company name, address, and phone number, the serial number and the model number listed on the unit where no one would look for it. If stolen, you will need to be able to identify your equipment. Make sure that you carry inland marine insurance, as this will cover your equipment while it is rented.

To have a successful rental program, Black and Chappell recommend that you:

- Only rent high-end equipment;
 - Do not rent small units like the rental stores;
 - Do not compete with the rental stores on equipment or rental rates;
 - Make sure every piece of rental equipment has an hour meter;
 - Sell equipment after 62 rental days (low hours, almost new).
- This will bring about 125 percent of list price by adding sales price and rental revenue.

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