

Buying Heavy Equipment or Renting Them – Which One Would be Beneficial

Time and again we have felt the importance of heavy equipments in industries like manufacturing, construction, shipping, automobiles etc. However, it would be fairly interesting to figure out if buying such heavy equipments would be beneficial or one can simply use it on rent and then can return the equipment after they are done with it. It may not have a simple answer. A good degree of mental exercise after doing some thorough research and analysis can help an individual to determine what they should be acting on. One needs to first understand the difference between renting, leasing and buying such equipments and the ramification it may have on their business. Once they have done the mathematic, a decision should be taken and implementation should be based on the strategy laid while taking the decision.

We would briefly talk about the terminologies like renting, leasing and buying and also understand the significances it carries when it comes to heavy equipments.

Renting Equipment: Renting involves short term agreement to exploit the equipment on a daily, weekly or monthly basis. In other words, the person taking the equipment on rent can utilize it as per his needs and once he is done with it, can return it to the owner. It helps small-time contractors to use these heavy machineries by paying a meagre amount which can otherwise burn a hole in their pocket. Also, the contractor doesn't have much onus to maintain the equipment as he is utilizing the equipment for a shorter duration. However, they have to take the responsibility of any minor damages that happen during the period the machine was in their possession.

Leasing Equipment: Leasing involves long term agreement to use the equipment for a year or more at a destined rate. A lease often includes a purchase option. Hence, leasing equipment usually depends on the duration of the project and a call should be taken keeping in the mind the implication it may have on the business.

Understanding the utility of the equipment: A universal thumb-rule is if you don't utilize equipment for more than 60-70% of the time, you should think of renting it. However, if you feel that may need it more often, then you must consider buying it. The call of renting the equipment or buying it depends entirely upon the usage of the equipment in your business. If you're of the opinion of using it on rent, you should also understand the implication it may have on your business in case of non-availability of the item.

Try and analyse the resale value: If you decide to purchase the equipment, do a thorough research and check if they have any resale value after being used for quite a number of years. You may, at time, not find a suitable resale value and may have a hard time to get rid of it. In other words, it is prudent to use the item on rent if you're sure that down the line, it may not fetch you a good resale value.

Cost of transportation: Many contractors overlook the situation where they may have to move to another city to get the work done there. In such a scenario, the transportation cost involved in moving the equipment from one city to another can cost a fortune. In such instances, it's highly preferable to rent the item in the city you'd be working and once the work is done, you can hand over the stuff to the owner.

The above points indicates that unless and until you've a genuine need to buy the equipment, it's recommended that you rent it for your use and get rid of it once you're done with your job.