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FEATURE ARTICLE

When Times Are Tough...

Many contractors, distributors, and manufacturers are finding it difficult to meet former levels of activity. Renting an attachment can provide the advantage of versatility.

By Joseph Lynn Tilton

Until recently the maxim "When times get tough, the tough get going" applied principally to individual circumstances...but no longer. That's all changed as current economic concerns have come forward, making it harder for contractors, distributors, and manufacturers to meet former levels of activity.

While everyone has been hit by economic decline to some extent, regionalism plays a role in that decline. "There's definitely a regional response in different parts of the country," says Ryan Goyer, marketing manager for Hammersmith's Vail product lines. "There has been a greater decline on the East and West Coasts. New tractor sales in those areas are down. Attachment sales are down, compared to 2006."

Goyer notes, "Rentals are on the increase. But as a manufacturer, we don't have definite numbers. We sell attachments to more than 1,000 dealers representing every brand on the market. So we don't know whether a buyer is selling that piece of equipment or renting it out. We do know that a number of dealers are using our ripper attachments for their rental lines."

Attachments offer versatility, which opens an even tighter market to individual contractors. One attachment whose sales are on the increase is Vail's "Super Grubber," which allows operators to clear land at a faster rate, with greater fuel efficiency than a self-powered machine. Speed and fuel efficiency provide a solution for dramatic increases in diesel fuel.

Despite an economic downturn, not everyone gets hit at the same severity. In fact, there are some who escape economic woes. For instance, Tom Madden, sales director for Rockhound Attachments in Hughson, CA, reports that sales are up by 20% from 2006. He emphasizes that dealerships offering a choice of outright sales or a healthy rental line attract more sales. For contractors, rental can be a means for affordable attraction of local clients. But there's a catch.

"Your rented equipment must look almost new," he emphasizes. When equipment looks new potential customers are more attracted to doing business with that contractor than with a company where equipment looks like it's ready for retirement.

Still, some contractors want bargain-basement rates when adding a machine to their lineup. Selling rental equipment is a secondary market for dealers, especially when need for a particular machine or attachment makes ownership too expensive.

"Rental-purchase programs are popular," Madden says. "About 80% of those who apply can get it. Then, during the rental phase, the machine earns its own down payment while it's working. It a great way for a guy to start out."

At the dealership level, survival and even increased sales are possible, because ag and industrial lines are getting blurred. "Ag dealers are picking up industrial lines," he notes. "It gives them a more diverse customer base. Then, when you add rental to that, dealers really see an increase in both sales and rentals."

Contractors must diversify if they're to get a larger share of their marketing area's activity. "Rental is a real good first step," Madden adds. "It gives you a chance to learn how to operate the attachment. It gives you a chance to find an answer that's in line with the problem."

New York Success

Speaking from 35 years in the field, Harry Wells, general manager for American Equipment LLC in Farmington, NY, whose company sells, services, and rents contractor surplus equipment, comments, "We have a host of different brands for sale or rent. Our primary brand is Caterpillar, with models weighing just 3,800 pounds up to 50 tons. The slowdown in construction began in December. The amount of work out there has decreased."

So, their customers also have turned to rental as a means of broadening their base for handling projects more affordably. "New projects still are going on in our area," Wells says. "Right now, our business consists of 80% rental and 20% purchase. Three years ago it was completely the other way around. But, contractors need to remember there can be exposure to liability when working with a piece of

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equipment less familiar to them. One way to avoid this is to be sure you get the training you need before you start using the machine.”

He counsels that safety manuals should be kept on the machine, that contractors should spend time to make sure they understand the operation of the machine, including both safety measures and maintenance. “Keep your liability insurance around \$500,000; make sure it is current.”

This is logical. After all, when times are tough it makes sense to ensure the company doesn't increase its problems, either from liability or from poor maintenance. Dealers are included on such policies, both to deal with an accident or damage to the machine.

American Equipment LLC helps its customers move from rental to ownership by offering a 100% application of rental fees to the down payment the first month and 90% for the next two months. “If a contractor is planning on purchasing that piece, we try to limit rental to a three-month period,” Wells says. “After four months we know that contractor is going to buy that machine. That's when we order another machine to replace it.”

The dealership's three-month cap prevents a customer from renting the machine forever rather than purchasing it. This ensures that renting a machine doesn't cut into outright sales. At the same time, it's a means for helping a contractor get a badly needed machine for success during tough times.

Wells adds that in either case this option protects the dealership and gives buyers a discount. Rent-to-own (RTO) doubling as a down payment makes it clear whether it's a rental machine or up-front purchase. “For both parties, there's a clear understand of rental terms and possible conversion to a sale,” he says. “We started that program two years ago and sales volume has increased considerably, because renters feel they have equity in the machine.

Another strategy for succeeding in a tough economic climate for this dealer is adding agricultural rentals. “We become a Massey-Ferguson dealer last year,” he notes. “Right now, ag rentals make up just 5 percent of our \$8 million in sales and rental, but we expect our ag rental to increase due to the farm industry as it gets some rejuvenation, because of the price of the commodities they produce. The demand for milk, vegetables, and other commodities are increasing daily. Because of the flat line in construction, we're focusing on expanding ag rentals. We cover western New York—from Syracuse all the way to Buffalo—to the Pennsylvania border. There are a lot more farms in our area, and farmers are getting a shot in the arm during this construction slowdown.”

At the same time, Wells predicts a recovery in construction. “I see new construction with condos, patio homes and apartment complexes. They lead to land clearing, utility installation, and forklift operation. They all require utilities. Material has to be moved onsite. Roads need to be put in.”

He comments that slow times give rental facilities a good time to check on each piece of equipment and make decisions on each one. “I think it's a very good time to purchase equipment due to manufacturing and distribution pricing. All are experiencing slowdowns and want to move products. It's also a great time to reinforce relationships with current customers. We occasionally send out brochures, hold frequent open houses, and customer appreciation days.” While an open house may not immediately boost major sales, it's a great way for dealers to move products relating to equipment maintenance—and for contractors to get such products at a special price.

Finding More Attachments to Rent

Specialized attachments seem hard to find at the local dealership. Contractors occasionally need that piece, but the dealer can't afford to buy what they think won't be rented out enough to even recover the cost. “Contractors need to go into rental companies and let them know of their interest in a particular attachment,” says Craig Hammann, general manager for C.E. Attachments, Cedarburg, WI. “Maybe there wouldn't be enough utilization with one customer, but with three to four wanting the same attachment then the dealer is more likely to add that to his sales and rental inventory. Renters tend to become buyers after they've tested the machine and see more uses for various attachments.”



This company sells more than 100 attachments, ranging from augers to vibratory rollers, nationwide. “We also have the Silt Fence Installer, which we distribute for another company, but market under our brand,” he adds.

In looking at today's market in Atlantic states, he comments, “Right now, the problem areas in construction activity have been Florida, Georgia, and the Carolinas. The New England states are showing a bit of a recovery. Despite the slowdown in the economy, there are some new markets for attachments, especially those involving erosion control projects. State and federal regulations have gotten tighter regarding water clarity, for example.”

Hammann reports rental favorites include solid-tire equipment, joining augers, and buckets. Regarding the tire equipment, he comments, “They help provide a cushion ride because there's less bounce. Another obvious thing with solid tires is you don't have flats.”

This naturally helps ensure machine usefulness even under extreme conditions. “Also, look at tire cost. Although they are more expensive to buy, the payback is good,” he recommends. “Solid tires create a competitive advantage for rental dealers.”

But, financing continues to be a major challenge for both contractor and dealer. This helps explain why not a lot of dealers are willing to take on a host of attachments—unless they have enough business for either sales or rentals. “Most specialized equipment is bought by dealers only when they have a customer for it,” Hammann remarks. “As contractors begin to choose ways to do different jobs, to expand their range of project ability, there are going to be times when not having a particular attachment may mean having to pass business. At some time, they may find the model they need for a job up for bid just isn't available as a rental.”

The problem gets back to high-enough field utilization, that it makes sense for the contractor to find a way to own a particular attachment rather than rent it. Lenders tend to look more favorably on contractors who have an excellent credit history and are buying equipment essential to their operation. After all, a lender's goal is to ensure a timely payback on the loan. Just like dealers, lenders know happy

customers tend to be repeat customers.

Basically, a loan is rented money. If contractor or dealer can't pay the rent in full and on time, eviction can result. Too much of that in too many fields hampers success even for the best-run company. As with a machine, in the long run it's cheaper to own the money needed than to rent it.
Why Not Market Aging Equipment?

One answer to surviving a downturn in business is to downscale. But who wants to do that? An alternative is to market older, but functioning equipment rather than letting them take up yard space. Chris McCormick, president of McCormick Equipment in Pleasantville, IA, reports that the company firm activity is about 50% sales and 50% rental. "We have 15 different machines—including dozers, excavators, tractors, skid steers, and scrapers. More people are using rental all the time. But total rental activity is about the same as in 2006."

He then comments that when a unit begins to show its age, no one wants to rent it anymore. Appearance and needed major repairs are two reasons a rental piece is removed from a dealer's yard. The same can be done in a contractor's fleet. McCormick has a handy venue for selling old equipment. The Internet. Selling used equipment from a contractor's fleet also brings in extra cash. "With the Internet, everybody is a prospective customer," he says. "It saves them money for a piece of equipment they want, but use so seldom in their operation."

Besides local rental, McCormick Equipment sells the Silt Fence Plow to more than 200 dealers. "It basically filters material into the ground so it doesn't wash out," McCormick adds. "Quite a few dealers rent it out. It takes 20 minutes to learn how to use it, and the return on investment is as short as one day."

"I know a contractor down in Memphis who puts in 90 miles of fencing a year. Like any other piece of equipment, success depends on the quality of installation. Quality encourages repeated contracts."

Know in Advance

When it comes to cost-cutting measures, one is to know the hazards of the site in the beginning, to know items that can hamper efficient construction. Such can range from power lines that hamper onsite movement to underpasses that are too low for company use.

A solution for gathering the numbers without delay involves reflectorless laser technology. Paul Adkins, marketing coordinator for Laser Technology Inc. in Centennial, CO, observes, "Some measurement equipment can tend to be cumbersome, hard to carry and set up. Today's hand-held lasers are lightweight, and can be used quickly and accurately to measure distances, slope grades from top and base, and height clearances. They also can be used to measure volumes of different grades of material."

He reports users can become proficient with some brands, including his, in less than two hours. "It doesn't take long to be ready to go, to use such equipment accurately and quickly," he says. "Reflectorless laser measurements can save lots of time out in the field. It's also a great way to quickly gather the numbers needed for successfully bidding on a project."

Reflectorless technology also boosts onsite safety, because it eliminates the need to stand on the edge of a highway, transit on a tripod while waiting for the assistant to get to the top of the grade, story pole in hand. "Laser technology can help ensure a profit, even in a down economy," Adkins concludes. "Adding this low-cost device can save time and resources needed to get the job done right the first time."

West Texas Good News

Not only is New York reporting increased activity in a slowed economy, but so does the western part of Texas. Yellow House Machinery, principally known for its line of John Deere construction equipment, in West Texas from Del Rio north up through the panhandle, continues to have steady sales.

"Sales and rental are about the same as last year," says Robert Kasper, store manager for the Abilene location of this company with five locations. "But, sales are up 200 percent, compared to five years ago."

His store handles construction and industrial needs in a 100-mile radius. While oil and gas are major players, so is wind-powered energy. "House construction has pretty well leveled out, but only 5 percent of our customers deal with home building," he says. "The rest handle oil field accounts, which is the biggest contributor to this steady market. There's lots of it going on, with natural gas also. The oil fields here are all busy."

He comments that while his store sells many kinds of machines, the leading four are large dozers, excavators, loaders, and backhoes. "That group has always been our leading group in both sales and rental."



Kasper, who has been in the industry for 26 years, adds that this John Deere yellow dealership became a distributor for Bomag this past spring. They also carry Ranco and Etnyre trailers. He says that parts and service volume has increased. "When you put out more equipment you get more parts to sell and more service. While some customers handle all their maintenance and service work, we have others who want us to take care of it all, including maintenance and upkeep. Field service techs and mechanics at home base ensure each customer gets what's needed."

"We like to deal with rentals with three to four years before that particular piece of equipment is sold to the user or to someone else," he remarks. "During the rental time, part of the rent is set aside to help them build equity."

Having a steady demand makes it easier for a dealership to build its inventory, so users, whether buyers or renters, can have the equipment they need at the time they need it.

Standing Up to Tough Times

"The first thing we need to do is quit watching the predictions," declares Duane Oostra, territory

manager for Bobcat West–Seattle. “Housing is down, so flatwork’s down. Business during the first quarter of this year was not as much as we expected. That is our slowest quarter; sales and rental activity increased as the construction season opened up.”



Oostra points out sales were off 50% at the beginning of the year, with rentals off about 20% on the dirt side. Sales back then were way off, because of fears regarding the national economic situation. “Rather than looking at the national scene, focus on what’s happening in your area. Keep looking for new business. Too many of us are too quick to give up. Instead of spending most of our time worrying, contractors and dealers should be planning one, two, [and] three months ahead.”

Speaking for his dealership, rentals have traditionally been 60% of business, with RTO accounting for half of that portion. Outright purchases have been 40%. As with other equipment suppliers, he sees rental as a way for contractors, especially in areas that have slowed dramatically, to win more bids. “When preparing a bid, be sure to have a rental available to handle needs your fleet can’t,” Oostra says. “Do a rent-to-own for six

months. Then you won’t have to worry about your credit rating. With renting equipment no risk is involved.”

This Bobcat territorial rep emphasizes that savings come by doing maintenance in-house and on schedule. “You do get breakdowns which cost you money,” he says. “At the same time, a successful contractor knows when it’s time to contact a field tech. If a tech can do in two hours what would take an employee four hours, then it may make sense to have a service agreement with the dealership. Know what it really costs to have a tech do what your mechanic can handle. “Budget employee time at \$50 per hour, and then you will know the net cost of calling in a tech,” Oostra adds. “Keep your own inventory for filters and oil fluids. We had a contractor phone us because one of his machines kept dying. It’s difficult to diagnose a problem over the phone so the tech went out. The problem ended being a fuel filter. He was far enough from our headquarters that it cost him \$150 for the service call. That’s just one example when spending 20 to 30 minutes a day checking and maintaining equipment may save you thousands in the long run.”

He points out that users should consider serviceability when buying a machine. If skid-steers, track-loaders, and excavators use the same filters and fluids, inventory expenses will be reduced. Small savings help soften tough situations.

When to Rent? When to Buy?

Oostra’s formula for deciding when to rent on need, RTO, or outright buy is rather simple. He says that if you need a particular piece just once or twice a month, rent outright. If you need to rent it two weeks out of the month, consider an RTO and each month look at how much you’ve made or saved because you’ve used RTO. You will know when it’s time to purchase that machine. He cautions, “When you buy a machine it’s your baby. You have to keep it up. You’re buying a machine to make money, so why not do the simple stuff to make sure it’ll still be working tomorrow?”

With a number of dealerships in a contractor’s area, he recommends that when it comes to buying, look for a dealer who can become your friend in the long term. That’s when contractors and dealerships can scratch each other’s back. Working together allows the relationship to grow and helps both the dealers and contractors weather tough times.

Safety and Productivity in Concrete Breaking

Many contractors approach the removal of concrete inside commercial buildings using manual sledgehammer and pry-bar methods. However, a much more efficient method exists with The Trench Beak, an attachment that can be used with skid loaders and compact excavators. Because of the narrowness of the equipment, it can be used inside occupied buildings.

Tim Daniel, president of the family firm Daniel Manufacturing Inc., saw a need for a better way to utilize a skid-loader for concrete removal—from a sidewalk or a driveway, for instance—to efficiently pry out, grip, and load the concrete. Daniel began to manufacture and market a skid-loader-mounted attachment in a variety of models covering the full range of skid-loaders and compact excavators, including The Trench Beak and The Exca-Beak.

Denny Sprague, owner of Iowa Wall Sawing Service, attended the annual World of Concrete last fall and discovered the Beak. He comments that 25% of his company’s \$4 million in annual volume involves interior sawing. “Principally, our work involves trenching for utility replacement. We cut through the concrete with two lines 24 inches apart.”

Prior to purchasing this machine, the next step involved screwing metal brackets to the floor to help lift the concrete high enough for the forklift to get under the sawn concrete and remove it. “It took two machines and a crew of three to get a job done. This new machine is very, very simple to operate. It took us just 10 minutes to get proficient. It’s mounted to his micro-mini excavator, which fits through a 3-foot door. Because it can reach the sawn concrete from either end, Iowa Wall Sawing Service is able to pull concrete even when the concrete meets the wall.”

Sprague concludes, “I’ve saved 70% of time in the last couple of jobs. I was able to drill by myself rather than needing a crew of three.”

Joseph Lynn Tilton specializes in waste and transport issues.

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