

Usership is the new ownership



Times are changing, so should your method of calculation

We live in uncertain times. Markets are volatile. Product demand fluctuates. As does the supply of raw materials. And in between it all, natural disasters are making it even harder to expect the unexpected. More than ever, agility is key. Both operationally... and on your balance sheet.

The trick? Procure agility first!

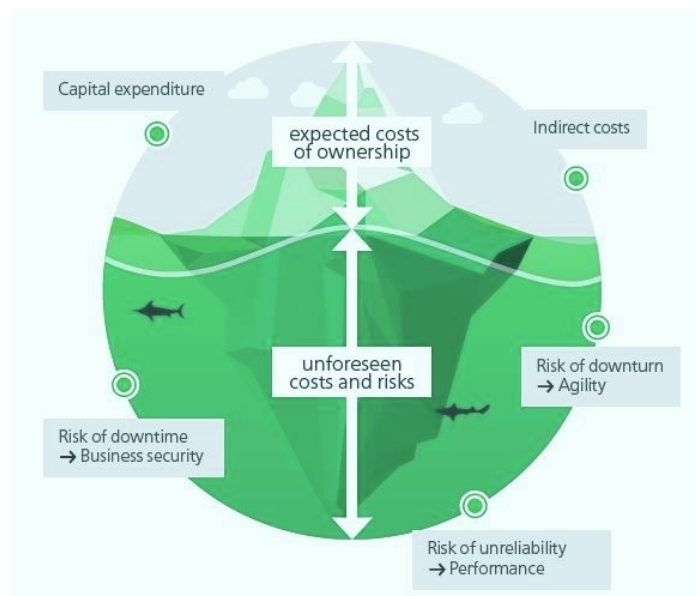
The total cost of any investment is a much bigger and more complex picture than the purchase price alone. You need to consider all kinds of hidden factors: from transport and running costs to maintenance, inventory, depreciation and divestment costs ... to name but a few. But if unexpected fluctuations decrease the rate of utilization of your equipment, then the return on your initial investment goes down with it.

Your Total cost of usership takes all these factors into account. So you can quantify **the value of your agility**.

Any procurement decision should therefore consider your ability to adapt quickly, mitigate risks and safeguard your bottom line.

In other words, it needs to consider the total cost of **"usership"** and not just ownership.

"Why do so many companies still rely on the Total Cost of Ownership when it does not give you the full picture?"



“If occasional or sporadic use is a driver to start renting for private individuals, why wouldn’t it apply to businesses as well?”

Utility on Demand

The way we think about ownership is changing. And many B2C industries are already adapting accordingly. We stream our movies and music. We store everything in the cloud. More and more of us share, lease or rent our cars. So why wouldn’t the exact same logic apply to your process critical equipment? Especially when their use is subject to fluctuations that are becoming harder to predict. Clearly, the time has come for a more comprehensive, flexible, cost-effective and measurable solution. One that gives you back control over your operations and your capital.



**Fluctuation
consumer
demand**



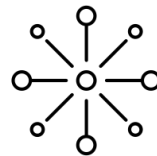
**Increasing-
ly stringent
legislation**



**Unpredicta-
ble global
events**



**Changing demo-
graphic**



**Decentral-
ized pro-
duction**



**Technologi-
cal ad-
vancement
s**

When to use, when to own?



There is a well-defined tipping point at which renting your equipment becomes more advantageous than buying it.

40%



If you are only using your equipment 40% of the time, chances are it will be cheaper to use than own.

1day



If you’re facing an emergency, you can have the solution on site within a day. If you want the most efficient solution, it takes an average of just two weeks to design, propose, approve, deliver, install, test and commission your rental installation.

24/7



On top of the financial advantages, renting is the most hassle-free solution, typically including around-the-clock support as part of a comprehensive solution.

There are many factors that determine the respective advantages of renting and buying. For each organization, the “crossroads” at which they intersect will be different. But on the whole, the equation revolves around three main parameters.



Percentage of utilization

If there is even a small chance that the equipment you are thinking of purchasing will not be in operation 100% of the time, it is essential to look at the total cost of usership. Our experience has shown that once the rate of utilization drops to 40% or lower, **the flexibility afforded by renting** makes it the overwhelming favorite. Allowing you to increase capacity for recurring or emergency peak shaving and decrease it in response to both foreseen and unforeseeable downturns in production.



Cost of utilization

When most people think about operating or utilization costs, they think about repairs and maintenance and the cost of parts and labor. But what about things like electricity or fuel consumption, installation time, ease of operation? Not to mention the issue of reliability and **the indirect costs of potential downtime!** All of these costs go up as your machine gets older. And the potential cost savings of newer, more efficient technologies can only be booked as a missed opportunity.



Agility of utilization

Flexible decision making is an important part of an agile organization. One that is capable of adapting to market changes efficiently and effectively. Renting essential equipment typically involves much **shorter validation procedures** with fewer stakeholders. Thus lowering the barriers to financial decision-making and saving valuable time throughout the whole process. And we're sure we don't need to tell anyone that time is money.

The true value of ownership is use

More and more companies are making the shift from “**owning**” to “**using**”. The concept of usership touches on many different, often complex factors. The independent European Rental Association and the Solvay Brussels School of Economics and Management developed an

objective and transparent method of calculating the total cost of usership of any given piece of equipment. The criteria go beyond the financials alone and include such factors as support services, sustainability, logistics and access to expertise.

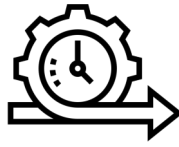


This gives you a clear insight into the real cost of owning and operating your equipment, as well as a clear view of the bigger picture you need to make informed decisions.



Cost control

- ♦ Pay only for the equipment you need, when you need it.
- ♦ Minimize your capital outlay and preserve your working capital.
- ♦ Avoid the hassle and hidden expense of servicing, repairs, validation and divestment.
- ♦ Save on running costs with the most efficient, state-of-the-art equipment.



Agile Operations

- ♦ React quickly to changing market and economic conditions.
- ♦ Adopt new technologies faster for greater reliability, efficiency and performance.
- ♦ Fine-tune your capacity according to cyclical and unexpected fluctuations.



Peace of Mind

- ♦ Profit from a fully optimized and expertly designed solution.
- ♦ Eliminate the risk—and liability—of potential downtime.
- ♦ Benefit from value added logistics, maintenance and operation support.
- ♦ Shift the burden of responsibility from yourself to your rental partner.



Predicable costs

Reliability
Support
Efficiency
Flexibility
Trust
Agility



Downtime

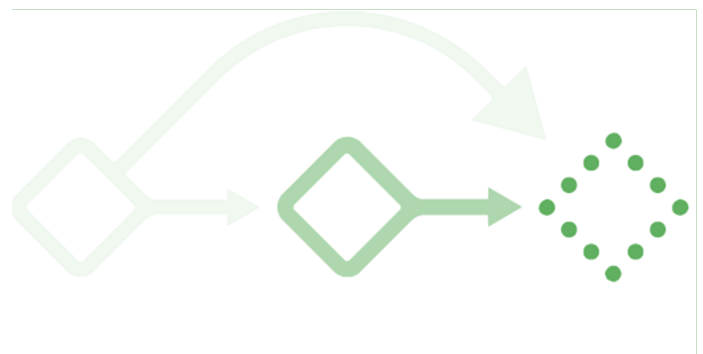
Administrative
Investment
Risk
Liability
Hassle
Hidden Costs

Flexibility on demand

Of course, renting and buying need not necessarily be mutually exclusive. A combination of both is quite common and, in many circumstances, to be recommended.

By renting a proportion of your base and/or reserve capacity, you retain **maximum control** while **sharing the liability** during peak production and adding an extra **buffer of reliability** to your operations.

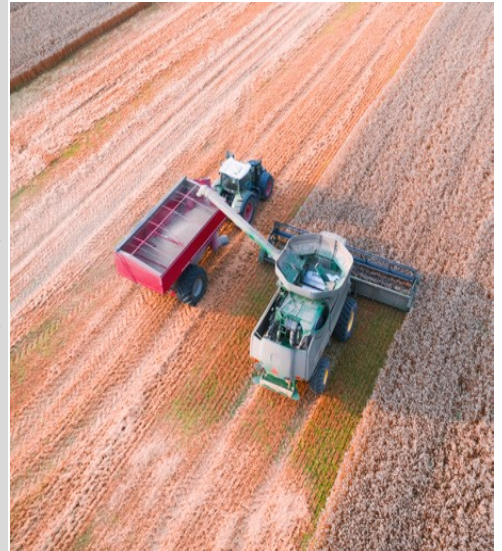
All with the added **peace of mind** that your machine park – the means with which you create value as a business – is in the hands of trustworthy specialists.



Case in Point

Temporary steam during harvesting season

Timing is of the essence in many industries. Perhaps none more than food and beverage where so much depends on the freshness of the raw produce. Indeed, when harvest season arrives, there is no question of “spreading the workload” over a whole year. Such peak periods often call for the deployment of considerable resources – such as steam for sterilization and blanching – for what amounts to be a short period of time. Our analysis over the years show that even with a utilization rate as high as 50%, renting in these circumstances offers clear financial benefits over buying. Without even mentioning the advantages and additional cost savings associated with increased speed, agility, flexibility and cash flow.



Modular power for a brewery in full expansion

Even with the best planning and preparation, unplanned events can happen. An initial feasibility study demonstrated a large-scale brewery a clear financial advantage in favor of purchasing the four 1MW generators required to meet their summer peak load. The calculation, however, was based on the assumption of running the plant at full capacity. However, a 3-month delay following a safety inspection and the subsequent drop in production after missing peak buying season painted a very different picture in reality. As did unbudgeted and lengthy maintenance operations and disputes with suppliers later down the track. When you factor in the loss on book value incurred after the divestment process, the cost of renting the power modules would have been considerably lower. To say nothing of the time, administration and stress that would have been saved as well!

→ **Let us
do the
math!**



There is a well-defined tipping point at which renting your process-critical equipment becomes significantly more advantageous than buying it. Not only in terms of flexibility and risk management but also from the perspective of your bottom line

Contact us today for an obligation-free evaluation.

Together, we'll calculate the total cost of usership of a range of possible scenarios based on your specific situation and figures. That way, you get a clear picture of how you can optimize your agility, both operationally and on your balance sheet.

Interested?

Contact your nearest Rand-Air Rental representative to book your obligation free analysis. Or visit www.randair.co.za for more information.