

MANAGE YOUR RISKS: EQUIPMENT

You can't run a successful rental operation without good, high-quality equipment — it's what your business is all about. Since everything that you offer for rent or sale is the income-producing part of your business, it is essential that it all works well and safely.

Your decisions about how you will manage a piece of equipment begin even before you own it. After you buy a piece of equipment, it is then vitally important to keep it maintained as recommended so it will operate safely and stay available for rental. Rental business owners who offer merchandise to complement their business need to keep safety in mind when handling these items. You also need the proper security measures in place to protect your entire inventory from theft and other criminal activity.

Sharp owners also keep a watch on each piece of equipment's return on investment (ROI) reports and consider the options for its disposal when it is no longer useful to their business.



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1.0 Purchasing

Your rental business needs equipment that fills market opportunities you've identified as profitable. Another key to profitability is how you purchase this equipment. You will use your equipment-analysis reports, missed-rentals lists and money from the sale of unproductive equipment to make wise and profitable equipment purchases.

1.1 New Equipment

Purchasing brand new, rental ready equipment can reduce your overall maintenance costs. Examine your budget and then purchase the highest quality equipment that you can — the result will be fewer breakdowns and expensive maintenance jobs. If you buy quality equipment from the same manufacturers on a regular basis, when that equipment does need maintenance, your service technicians will have expertise in servicing those items.

[The Rental Show](#), the American Rental Association (ARA)'s annual convention and trade show, offers a prime buying opportunity for purchasing new equipment. More than 600 manufacturers fill the trade show, and many offer show-only specials to ARA members, which means you can purchase the highest quality equipment at discount pricing. More than 50 percent of a typical ARA member's budget for equipment purchases is spent at **The Rental Show**.

In addition, ARA members can search for equipment using the [ARA vendor locator](#). Use the locator to search by product or company name to find contact information for ARA associate member manufacturers and suppliers.

1.2 Used Equipment

Some rental company owners opt to buy used equipment to save the upfront costs of purchasing new items. However, there are some potential pitfalls to consider:

- **Source** — Be sure the used item being purchased was not stolen. If you buy stolen equipment and it is tracked down later by law enforcement or its rightful owner, you will be out your money and the equipment. You can take precautions by only buying from someone known locally with local references, heeding your instincts if a deal seems too good to be true, and checking the equipment's history through a lien search or the [National Equipment Register's IRONcheck service](#).
- **Model** — Used equipment may not be state-of-the-art and, therefore, may not rent as often as equipment with more desirable features. It may not work with your existing attachments and accessories, and may not have the latest safety features, which are designed to prevent accidents from operator error. Also, if the manufacturer is no longer in business, you could be exposed to strict liability — normally absorbed by the manufacturer — for accidents involving the equipment.
- **Documentation** — It is important to have all available operating, repair and/or parts manuals for your equipment. If the seller does not provide them, you should obtain them from the manufacturer. In addition, provide your contact information to the manufacturer so you will receive future bulletins related to the equipment. It is also a good idea to get copies of the equipment's prior maintenance records if the seller can provide them.

- **Condition** — In general, used equipment requires more maintenance than newer items, which results in higher costs and longer downtimes. If an item is out of warranty, you also will be financially responsible for all repairs. Every piece of equipment should be thoroughly inspected and then repaired, if needed, before putting it into service. Certain types of equipment, such as aerial work platforms, require very specific inspections, so consult the manufacturer's manuals for guidance.

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2.0 Service/Maintenance

Well maintained equipment that is used according to operating instructions will help protect your business from potential losses. Even though rental store owners know this, it still is precisely the area where many businesses fall short. Developing and implementing proper procedures and training related to equipment operation, service and repair can help reduce the risk of negative occurrences and protect your business from liability or reduce the level of losses if or when there is an accident.

2.1 Post-Rental Servicing

While manufacturer recommended service and maintenance should be completed according to appropriate schedules, the most successful rental businesses tend to be those that have equipment cleaned, inspected, serviced and repaired after every rental. While these post-rental servicing activities may overlap to some degree with your established maintenance schedules, these additional efforts will help ensure that all the equipment in your rental fleet remains in proper working order and maintains maximum customer appeal.

Following are some suggested guidelines for general service and maintenance activities that are generally performed on equipment immediately upon its return from a rental.

Counter and/or Yard Personnel:

- Attach a new (all parts intact) [Ready-to-Rent tag](#) to each equipment item immediately upon its return from a rental.
- Perform a visual inspection to make sure the equipment has not been damaged, that accessories, parts and all associated items are accounted for and that the equipment has been fueled, if necessary. If the equipment has been damaged while in a customer's possession, the damage will need to be addressed according to your company's policies and procedures. This typically involves assessing the extent of the damage and reviewing the rental contract to determine whether the customer had accepted the damage waiver, if applicable, and, if so, whether the damage is covered under the terms of that waiver. Also assess whether any damage warrants submission of a claim to your insurance carrier, which depends on your deductible, the impact this submission may have on your future insurance rates, etc.
- Place equipment in the "needs service" area to be more thoroughly addressed by service personnel.

Service Personnel:

- Thoroughly clean equipment by using items such as pressure washers, compressed air, cleaners, degreasers and rags, dishwashers, washing machines and chair washers.
- Document scratches, dings, chips, broken parts or other cosmetic flaws to be addressed, if appropriate, in your written or rental software/online equipment maintenance log. Click here for a sample of an [Equipment Maintenance Log](#).
- Inspect the equipment for loose nuts and bolts, bad belts, worn cables or wires, missing or broken parts, and/or other equipment flaws or problems.

- Evaluate the equipment for proper operation/functionality. For electronic equipment, see if the item starts and runs properly and passes applicable electric tests. For tables and chairs, check for bent legs, rusty rivets, broken corners, etc.
- Check safety devices and guards for defects or disconnections. Equipment never should be rented unless all safety devices are working properly.
- Evaluate the equipment and check the service schedule to determine whether it needs maintenance or other attention, such as an oil change, filter change, addition/change of other lubricants, 50/100 hour service, repair or mending of tents/linens, repair of tables, chairs, etc. Address these items accordingly.
- Refuel the equipment if necessary.
- Inspect equipment to ensure instruction/warning, security and company name labels and/or identification markings (engraved/welded serial numbers) are present, clean and clearly legible. Some states (California, for instance) may require that additional labels, such as emission warnings, be affixed to the equipment. Consult your attorney for additional labeling requirements.
- Indicate any additional repairs and/or maintenance activities that are required to make the equipment rentable (if needed) on the Ready-to-Rent tag. It is very important that this portion of the tag be properly completed since mechanics use the information to determine what additional maintenance or repairs are necessary to make the equipment ready to rent.
- Document all service and maintenance activities in your equipment maintenance log (either on paper or via rental equipment software).
- When the service/maintenance activities are completed, move the equipment to the appropriate area. If the equipment is in proper condition to rent, put it in the rental-ready area, yard, warehouse or showroom. File the portion of the Ready-to-Rent tag with the service notes appropriately. Leave the green portion of the tag on the equipment to indicate that it is ready to rent. This portion will be filed with the rental contract when the equipment is rented. At this point in the process, all associated documentation, including the Ready-to-Rent tag, should be completed and filed appropriately.
- If, however, the equipment needs maintenance or further attention, place the equipment in the “repair/down equipment” area to be addressed by your mechanics or other service/repair personnel.

Suggested service/maintenance considerations by equipment type

For suggested service/maintenance considerations on the following specific types of equipment, [click here](#).

- Party/Special Event Equipment
- Lawn and Garden Equipment
- Engine Powered Equipment
- Non-powered Equipment
- Trailers
- Electric Tools

As always, be sure to follow the equipment manufacturers' service/maintenance recommendations.

2.2 Manufacturers' Scheduled Servicing

Manufacturers generally prescribe routine service/maintenance schedules for all of their equipment. If your business follows these recommended schedules, your equipment will be in top condition — maximizing each item's life span and ROI.

In general, your employees will be far too busy renting and repairing equipment to remember each specific item's maintenance schedule without proper reminders. You can ensure that proper service and maintenance schedules are followed by using equipment maintenance logs, automated system reminders and/or equipment maintenance/condition tracking solutions, such as computer-generated reminders, equipment sensors and software maintenance modules.

There are many software products and equipment solutions for rental stores that track service/maintenance activities and equipment performance and conditions. Most rental software programs on the market today include service and maintenance tracking capabilities. If you have a system that does not offer these features, there are supplementary, stand-alone equipment service/maintenance modules available.

Some equipment solutions include sensors that collect and transmit a variety of data/engine conditions, such as engine hours, transmission hours, low battery conditions, oil/water pressure and temperature information. Many of these products also have a remote shutdown feature for use when a machine is in danger of experiencing a serious breakdown.

A number of these sensor-based solutions interface with rental equipment software to provide additional functionality, such as work order generation, equipment schematics, equipment operation and service manuals, parts inventory assessments, parts pricing and ordering capabilities, service intervals, service levels, diagnostics and suggested repairs, determination of maintenance costs and ROI data. These types of fleet management solutions can provide critical information about the condition of your equipment and necessary maintenance at any time.

2.3 Repairs

Your company's policies and procedures should include inspection and routine maintenance schedules for each piece of equipment after it is returned from a rental. Any equipment item that needs to be repaired or replaced should be addressed by your company's service department. For a [sample repair process, click here](#).

2.4 Documentation

While conducting service/maintenance and repair activities is essential to the success of your risk management program, documenting them is nearly as important. There are numerous examples of cases in the rental industry in which the documentation — proof — of maintenance activities protected a company from liability associated with an accident involving rented equipment.

The documentation process extends to all service/maintenance and repair activities conducted on every piece of rental equipment in your inventory. [Ready-to-Rent tags](#), [equipment maintenance logs](#) (either electronic or paper) and [work orders](#) are all useful tools in the documentation process.

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3.0 Equipment Security

Making your equipment identifiable as yours is one way to reduce theft and increase recovery rates. There also are multiple options for electronic identifiers now available, which can keep track of your equipment when it is away from your business. When your equipment is at the store, use high-strength locking systems to thwart would-be thieves.

3.1 Marking Equipment

Mark and record all equipment properly. Consider the following:

- Label all equipment with your company name, owner-applied numbers and/or paint it in conspicuous colors.
- Label party rental equipment, such as tables, chairs, tents, etc., in such a way that the label is not visible when the item is in use. For instance, sew a label with your company name into a nonvisible seam, mark your company name on the bottom of a chair or table, or use a special company identifier, such as a uniquely colored paint dot, under the bottom of dishware, etc.
- Engrave, stamp or weld a personal identification number (PIN), inventory number and/or serial number on each piece of equipment. The numbers should be in both obvious and hidden locations, such as on the boom, in the bucket or on the undercarriage.
- Record all identification numbers, including engine or parts' serial numbers if applicable, and their locations.
- Record any special decals, labels, paint colors and/or other equipment identifiers.
- Describe equipment in its entirety in equipment records, including manufacturer name, model number, year and whether it is on tracks/wheels.
- Include photographs taken from different angles of all your equipment and attachments, if applicable, in your files.
- Maintain appropriate equipment purchase records and registration information.
- Store all equipment records in a secure location with backup copies, if appropriate.

3.2 Inventory Controls

Implement tight inventory control measures. Carefully inspect and count all items when they are returned from a rental. This is particularly important for party rental operations. Charge customers for missing or damaged equipment as appropriate.

Store and arrange equipment and other assets in an orderly fashion so you would easily notice anything that is missing. Physically check inventory on a regular basis (at least monthly) to ensure your equipment/ merchandise is where it should be. Conducting random inventory checks also may help deter employee-initiated theft.

3.3 Tracking and Theft Prevention Devices and Storage

Use Global Positioning System (GPS) or Radio Frequency Identification (RFID) tracking devices for equipment and/or company vehicles. You also can install theft prevention devices on equipment to disable fuel, hydraulic and/or electrical systems.

Consider storing highly valuable equipment in separate storage areas that have limited access to help prevent employee- or customer-initiated theft. For example, store expensive china, silver, sound equipment and televisions in restricted access areas.

3.4 National Equipment Register (NER)

The National Equipment Register (NER), an American Rental Association partner, maintains databases of equipment theft and ownership records and analyzes construction- and heavy-equipment loss trends. NER also works with victims of equipment theft and law enforcement officials in efforts to recover stolen equipment.

Developing a relationship with NER can greatly enhance your security efforts.

- NER provides effective and practical strategies for protecting and recovering assets.
- NER provides training to law enforcement officials on how to properly identify construction and heavy equipment. This training better enables law enforcement to identify types of equipment and locate equipment identification numbers, both of which accelerate the process of matching equipment with its appropriate owner.
- NER also maintains a 24-hour, toll-free, national “Stolen Equipment Tip Line,” at 866-NER-TIPS (637-8477). This facilitates the immediate reporting of information about stolen or potentially stolen equipment, which provides another supportive measure in your efforts to reduce your company’s potential losses.
- Registering your equipment with NER can help protect your assets from theft and can improve your chances of recovering them and accelerate recovery time if they are stolen.

Register your equipment with [NER](#). Then make sure those entering your business know your equipment is registered by posting signs both inside and out. This can be a strong theft deterrent. Potential thieves then are aware that all of your equipment is tracked by PIN/serial numbers and registered with NER.

[ARA and NER work as partners](#) to prevent equipment theft and increase recovery of stolen equipment through a special program for ARA members.

3.5 Theft Prevention Best Practices

- Store as much equipment as possible inside the building.
- Keep all outdoor equipment inside the fenced yard.
- Remove keys from ignitions.

- Chain or cable high-risk equipment at all times. Consider using cables or wire ropes, which are more difficult to cut than chains and may serve as stronger deterrents. You also may want to install access control devices to restrict entry into areas where high-risk equipment is stored. This additional layer of security provides an audit trail that may serve as a deterrent to employees or other “insiders.”
- Chain or cable small equipment together.
- Secure tools with appropriate truck boxes and locks.
- Use wheel locks and hitch locks on mobile equipment and trailers. Consider providing locks with rentals so customers can secure equipment on job sites.
- Do not leave equipment loaded on trailers or in trucks. Keep trailers and equipment in separate areas and, if possible, avoid circumstances in which trailer-loaded equipment is unattended.
- Immobilize portable equipment that is not being used regularly by removing tires, if appropriate.
- Immobilize larger equipment by removing wires or batteries and lowering all blades/buckets, if appropriate.
- Check trash cans for supplies/merchandise that may have been “discarded” only to be retrieved later from the dumpster by the would-be thief and/or dishonest employee.

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4.0 Merchandise Management

Many rental businesses generate revenue from the sale of merchandise as well as from the rental of equipment. In addition to providing opportunities for increased revenue, offering retail merchandise can attract customers who are looking for a “one-stop-shop” experience. While the value of your merchandise and the revenue it generates may be small in comparison to that of your rental equipment, there still are significant risks and potential liabilities associated with a business’s retail inventory operations. A critical area where retail inventory can lead to business risk in the handling/moving/stocking of merchandise.

4.1 Handling, Moving and Stocking

Handling, moving and stocking merchandise properly will help your business avoid both employee and customer injuries. Employees can be injured if they do not follow proper handling, lifting and stocking procedures when managing merchandise. Customers could then be at risk for falling items, tripping over merchandise improperly stored in aisles, etc.

Your risk management program policies and procedures should address how to properly manage your merchandise to avoid these types of incidents. Consider addressing some of the [merchandise-related safety measures tips](#) in your policies and procedures manual.

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5.0 Disposing of Equipment

Even if an equipment item has the best service and maintenance attention possible, it will eventually run through its life cycle and need to be replaced. In some cases, equipment may simply wear out and no longer operate properly. Older equipment may need to be replaced with newer/different models that are in greater demand in the marketplace.

Savvy rental operators closely monitor their ROI by equipment type/group and specific item, and replace or dispose of underutilized equipment as necessary. In general, a rental business owner should expect to annually reinvest a minimum of 10 percent of revenues in new equipment just to maintain the current level of inventory. An owner of a growing business should anticipate spending more than that to adequately replenish inventory and meet the anticipated demand of an expanding customer base.

Common methods for divesting/disposing of used rental equipment include:

- Selling equipment on the company site
- Selling equipment via advertising in newspapers and local publications
- Trading in equipment when purchasing new equipment
- Selling equipment on the company website
- Selling equipment via a live or online auction
- Donating equipment
- Scrapping equipment

When selling used equipment, it is important to use a written purchase agreement to specify the terms of the sale, create a record of the sale and limit liability for future accidents involving the equipment. [ARA's Business Management: Contracts and Legal Guidelines](#) book includes a sample "Used Equipment Purchase Agreement." You can also consult your attorney for guidance.

It is recommended that you keep a copy of the purchase agreement for at least five years after the sale of the equipment. You should also keep copies of all maintenance and repair records, i.e., don't give the buyer your only copies.

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6.0 Resources

6.1 ARA Resources

- [ARA Ready-to-Rent tags](#)
- [ARA's Business Management: Contracts and Legal Guidelines](#)
- [Equipment Service Records](#)
- [Managing Risk: Trailer Maintenance System Guide](#) and [Folders](#)
- [Rental U](#)
- [Work Safe Safety Meeting Resources](#)

6.2 Downloadable Forms/Resources

- [Merchandise-related Safety Measure Tips](#)
- [Sample - Repair Process](#)
- [Sample Form - Equipment Maintenance Log](#)
- [Sample Form - Work Order](#)
- [Service/Maintenance Considerations by Equipment Type](#)

6.3 RENTAL MANAGEMENT Articles

- ["Ethanol and small engines, an education in fuel usage" \(May 2015\)](#)
- ["Helping rental stores prevent theft \(NER\)" \(Feb. 2013\)](#)
- ["Failure to maintain can be costly \(AWPs\)" \(Sept. 2013\)](#)
- ["Ready-to-Rent tags come to the rescue for rental operator" \(June 2014\)](#)
- ["Pressure washers" \(Feb. 2012\)](#)
- ["Protecting your business and equipment \(theft\)" \(Feb. 2013\)](#)
- ["Sitting down with the right product \(chairs\)" \(Jan. 2013\)](#)
- ["The importance of maintenance records" \(Nov. 2013\)](#)

6.4 Websites

- [ARA and NER partnership](#)
- [ARA vendor locator](#)
- [National Equipment Register \(NER\)](#)
- [NER IRONCheck Service](#)
- [The Rental Show](#)

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