

INDUSTRY REPORT:

The Future of the Equipment
Rental Industry: establishing a
foundation for success



The equipment rental and hire industry is predicted to experience high levels of growth and opportunity over the coming years, despite the recent difficulties.

It's important to be proactive in your approach to the current challenges our industry is facing, in order to be prepared for future success.

Inauro is here to help you navigate this journey and streamline your operations for a safe, effective and rewarding working environment.

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The current state of the equipment rental and hire industry

By 2026, the US equipment rental industry is projected to be worth US \$65.1 billion, while in Europe, it's forecast to exceed US \$47 billion.

Hire equipment typically offered by operators include:

- powered access equipment, such as aerial lifts, platforms and spider lifts
- earthmoving equipment
- power supply equipment, such as electric compressors, generators, air scrubbers, temperature-control systems, welding machinery and pumps
- forklifts
- small equipment and tools
- scaffolding

Snapshot of the global market

Companies around the world continue to rent equipment for their projects because of the flexibility and cost savings it provides. Despite revenue challenges brought on by the COVID-19 pandemic, the global equipment rental market is expected to grow to US \$180 billion by 2027. This is thanks to increases in mining, construction and infrastructure projects. The rise of automation is also fuelling demand.

Snapshot of the US market

Construction and industrial equipment rental was the largest segment of the US rental market in 2020, boasting a market size of US \$34 billion. The industry maintained resilience in the face of challenges like inflation and COVID-19. With significant revenue growth predicted for the next five years, the future of the industry remains bright.

However, ongoing uncertainty around supply chain constraints, labour shortages and rising interest rates means operators need to be ready to adapt if they want to recover and thrive. And with recession a real possibility for 2023, operators should be focusing on fleet management as a priority.

Many operators are updating their management software and making the most of technological advancements to secure long-term profitability.

Snapshot of the European market

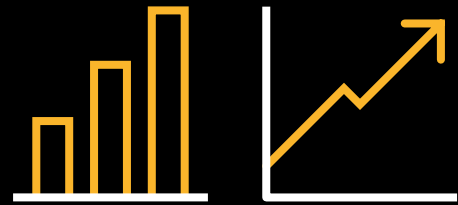
Europe's equipment rental industry has suffered widespread market falls in recent years due to ongoing supply chain issues and operational disruptions caused by COVID-19 and Russia's invasion of Ukraine.

Fortunately, the sector is expected to bounce back due to increases in road infrastructure and smart-city developments, as well as supportive government initiatives. Market size is expected to exceed US \$47 billion by 2026, with technological evolution driving revenue growth.

A rise in public infrastructure projects, like railways and airports for Italy, France and Germany, will also help boost the industry, as will Europe-wide demand for asphalt pavers for road-building projects.



Growth on the horizon



US \$59.6 billion

Forecasted market size of the US equipment rental industry by 2024

US \$47 billion +

Forecasted market size of Europe's equipment rental industry by 2026

US \$431 million

Forecasted market size of equipment rental software by 2028

What's the problem?

The potential for the equipment rental industry is immense. However, five challenges stand in the way of most operators. These challenges pose significant risks to businesses large and small. But the operators who work to find and apply innovative solutions will be rewarded.

So, what are the challenges and how can you overcome them?

Let's explore.



Challenge 1:
Plugging revenue leaks

Challenge 5:
Adopting technology

Equipment rental and hire industry challenges

Challenge 2:
Lacking in-depth visibility of assets

Challenge 4:
Maintaining and servicing of assets

Challenge 3:
Dealing with supply chain issues

Challenge 1: Plugging revenue leaks

Challenge

Getting paid for the hours of service the equipment provides is an important factor when identifying revenue leaks. Most rental equipment will have operating time limits with a suggested number of hours per day. If these limits are breached, and equipment is being used for longer than intended or during unsuitable weather conditions, it's more likely to need additional costly maintenance, resulting in revenue leaks and extra costs.

Another example of a revenue leak is chasing minor costs, including tolls, fines, penalties or refuelling costs. Inefficient, manual invoicing processes waste precious time and resources. Invoicing for minor costs and then trying to recover them can be tedious for many equipment rental companies.

Risk

Unbilled hours, service charges and ancillary costs add up to major expenditure when you factor in the extra hours it takes to chase them up or have unproductive equipment.

Allen Besseling, CEO of general equipment hire company, Hire Express, says that chasing up toll fees from some customers can cost twice as much in extra administrative time. Not only that, but it can also have customer service implications.

“As well as being inefficient, manual processes can reflect poorly on us and our customer service standards. We don't get toll statements until about a month after a customer actually generates each toll. To me, it's unprofessional to call someone 30 days later to recover a toll fee worth US \$10.”



Solution

The Hire Express solution to handling minor charges, was to take advantage of the data they already have. They invested in a technology platform that enabled them to maximise the recovery of those costs by linking equipment telemetry to customer contracts in real-time.

“The devices in our vehicles send information back to the ERP, which immediately factors in travel routes and tolls. So by the time the customer turns up, we've got that information, and it's all invoiced and done. That's massive for us.”

Having access to all relevant data from any field data source or back-end application, handled in one easy system, makes your data work harder for you. It means that your ERP automatically knows what to invoice, including the time-consuming minor costs and service time limits.

As a result, you no longer waste time on reconciling data between systems or administrative overheads, and your customer service quality improves.

Challenge 2: Lacking in-depth visibility of assets

Challenge

While using GPS to track location and utilisation of assets in the equipment rental industry is nothing new, realising the value of this data to its full capability in an operation often falls short.

“When we first installed GPS devices on our equipment, we thought it was great,” says Steve Bowden, National SuperCrane™ Business Development Manager at Preston Hire in Australia. “But right now, all we know is where our equipment is and whether it’s turned on or off.”

Bowden adds that Preston Hire currently struggles to use their tracking devices to their full potential, which makes it hard to understand how their machines are being used. And it’s challenging to get this kind of in-depth asset visibility without immediate data access.

For example, when customers return damaged equipment, Preston Hire can’t quickly see how the customer used it as they can’t instantly access the tracking data. Instead, they need to physically inspect the asset and then contact the customer to check what happened.



Risk

The current manual processes to give visibility of assets are not only inefficient but they also:

- make it difficult to scale practices
- reduce cost-effectiveness
- lower client satisfaction
- have the potential to create safety issues.

Solution

The solution to this challenge lies in technology. Bowden says he can see real value in consolidating all of their machine data in one location using a data fusion platform.

“We’re planning to integrate our real-time machine use data with our rental management software,” he comments. “Seeing everything live on one platform would be really powerful.”

Connecting data from the field to back-end platforms like ERP and rental management systems provides better insights to tighten up operational processes.

Not only can this make your business more efficient, but it can improve employee and customer safety too.

Allen Besseling from Hire Express agrees.

“When we can see where our assets are, what they’re doing and how they’re used, servicing and maintenance become really easy,” he says. “To see when equipment is due for service, we just check live data on how many on-site hours it has done. We don’t need to ring our customers – we just get the information directly from our telematics.”

Challenge 3: Dealing with supply chain issues

Challenge

The global equipment rental industry is facing ongoing supply chain issues as a result of the COVID-19 pandemic. Manufacturers have been struggling to build and deliver machines fast enough to keep up with demand.

But it's not all bad news for the industry: in the wake of pandemic-related economic uncertainty, customers may be more inclined to rent equipment instead of risking large capital expenditures.

Combine this with the difficulties customers may have sourcing new equipment directly from overseas manufacturers themselves, and you have the potential for increased rental equipment demand and rates.

Risk

Despite some silver linings, supply chain disruptions remain a key challenge. Prices are escalating in response to Russia's invasion of Ukraine, resulting in a loss of output, and US operators are also struggling with decreased availability of equipment and parts.

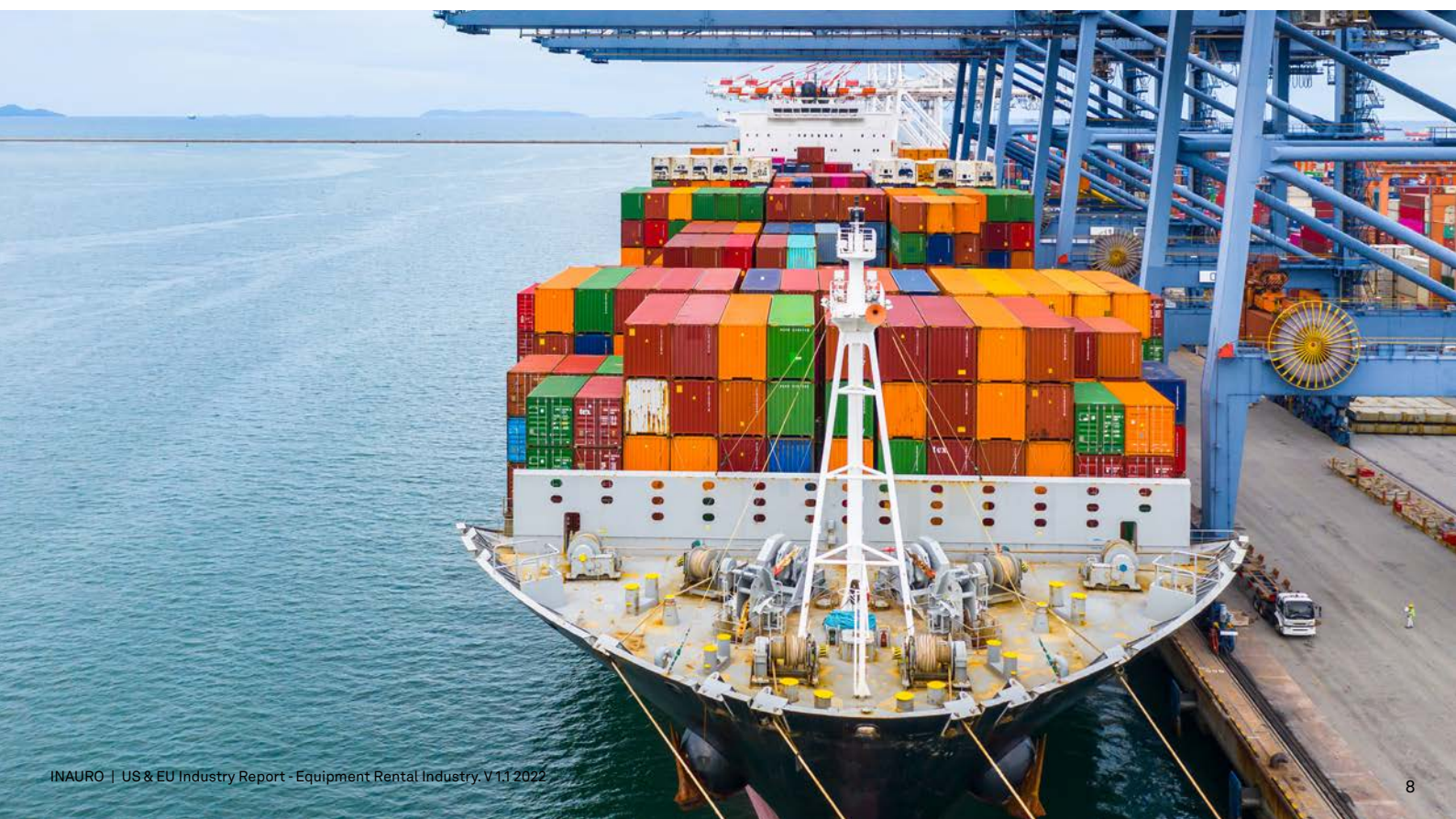
US equipment rental companies say they're now waiting two to three months for parts that used to arrive in two to three days. Companies in southern Florida say their inability to add to their fleet means they're missing out on valuable opportunities to tap into the local housing boom.

Solution

Smart equipment rental operators can turn the supply chain problem into an opportunity by adopting forward-thinking technology solutions.

They can use data to determine when a specific asset is available and immediately get their teams onto it. This technology includes equipment sharing capabilities to maximise revenue opportunities in peak times.

Working in this way means they're able to provide a consistent and reliable service to their customers, enhancing their reputation in the industry as well as their community.



Challenge 4:

Maintaining and servicing of assets

Challenge

Typically, asset owners maintain their rental equipment on a regular, time-based schedule – also known as ‘preventative maintenance’. This approach assumes that all assets in the same class require the same maintenance regime.

In reality, your hardest-working assets will probably need attention before their next scheduled maintenance. And conversely, your less-frequently used equipment could be functioning well and need far less upkeep.

Risk

Using a preventative maintenance approach may be familiar, but it comes with risks to both cost-effectiveness and efficiency.

In fact, researchers have estimated that using this approach may cost operators between 8-12% more in equipment maintenance, compared to using predictive maintenance (U.S Department of Energy, 2010).

By predicting maintenance based on usage volume and specific criteria, we can cleverly estimate when maintenance should be performed, rather than do so on a rotating schedule. This way the equipment that’s heavily used, is being serviced as needed and the business is maximising the operational (revenue generating) life of the entire fleet.

Solution

Not only can a predictive maintenance approach lower costs, but it can also reduce unexpected breakdowns and improve both safety outcomes and customer satisfaction. It’s able to do all of this because its primary objective is to find and address failures before they happen. In short, instead of basing maintenance on the calendar, you can service equipment when it needs servicing.

Even better, predictive maintenance is likely to increase your rental turnaround times and reduce costly on-site equipment failures, especially when you combine it with IoT and data analytics.

The software analyses data from multiple field sensors, back-end applications and third-party sources to predict an asset’s remaining lifespan. The software identifies any abnormal machine behaviour, then automatically triggers a suitable corrective action.

This means you can say goodbye to manual equipment checks and maintenance scheduling. Enjoy more uptime, less cost and increased customer satisfaction.



Challenge 5: Adopting technology

Challenge

Information from equipment sensors can be incredibly valuable, but only if you can use it.

Research by McKinsey and Company estimates that globally, “IoT has a total potential economic impact of US \$3.9-\$11.1 trillion a year by 2025.” However, they say that 40% of this economic value relies on integrating the data from multiple IoT components and systems (Bughin, Jacques, et al, 2015).

Many operators in the equipment rental industry have invested significant time, energy and money installing equipment trackers across their entire fleet.

The challenge now is to connect the dots on the data to maximise their return on investment. Creating integrative workflows and processes is an effective way to streamline this process.

Risk

If industry operators fail to connect these dots, they risk missing out on a significant amount of the value their technology investment could generate.

Consider Preston Hire’s desire to use its new fleet-wide GPS data in a meaningful way.

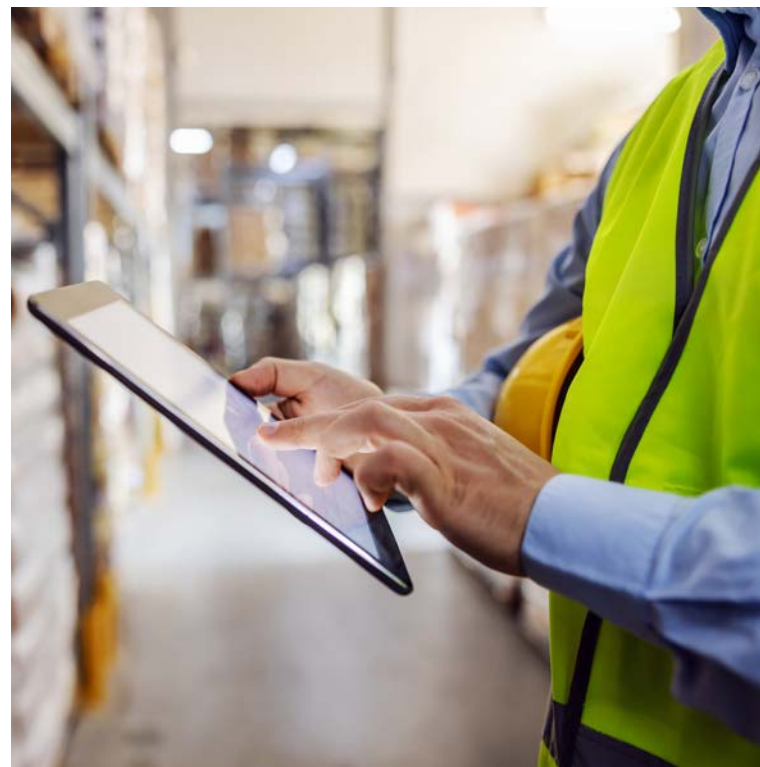
“Right now, we’re not using our trackers to their capability,” he says. “They still provide some benefit to us. But we know we’ll get the most value from them when all of the data is flowing properly, and we can see everything live on one platform. That will help tenfold.”

Solution

The solution lies in using a data fusion platform to translate all your equipment data, back-end applications and third-party sources into one single and easy-to-understand narrative.

Data integration makes your data smarter, giving you more for less. A data integration platform can automatically send relevant data to the right people and systems across your company. For example, you can send real-time data to:

- maintenance systems and teams to prevent failures before they happen
- rental management software to reduce manual processing
- work health and safety teams to improve risk monitoring and safety procedures
- management to streamline processes and identify potential new business opportunities.



Ready to take on these challenges?

The solution to all of these challenges is technology. More specifically, integrating all of your data across your business and assets, to give you meaningful and actionable insights.

This is exactly why we developed Perspio™ - our data fusion platform that ingests, processes and analyses data from any connected device, asset or system in your fleet in real-time.

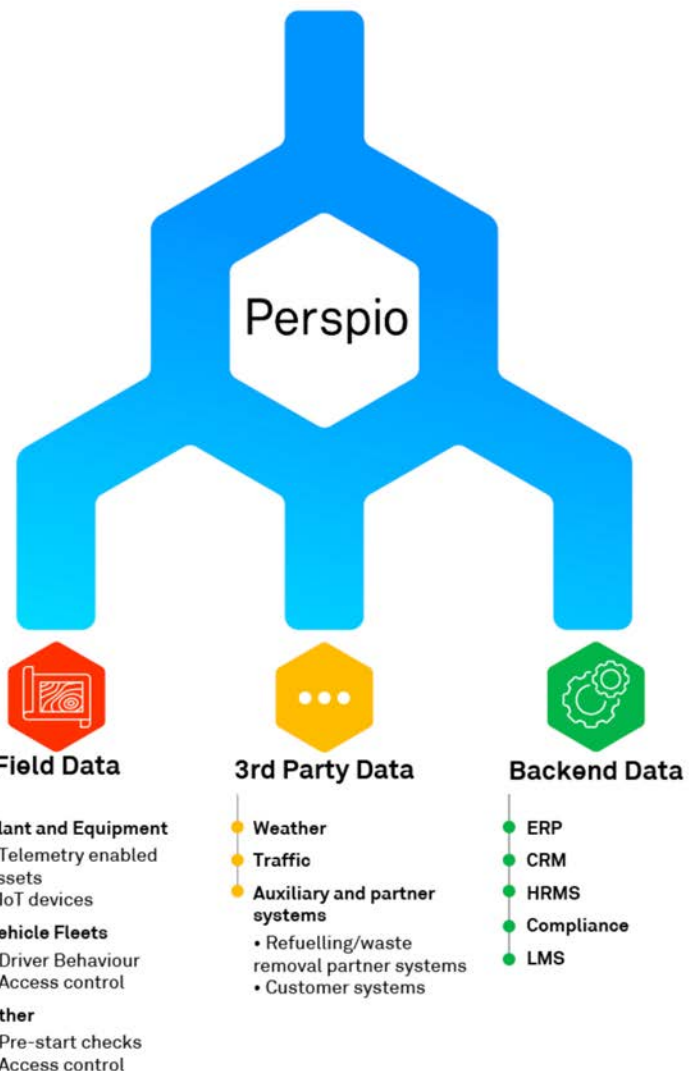
Perspio™ will use your existing systems to give you accurate data and information in real-time. You can use any connected device, system or asset to analyse the data, streamlining your business operations.

We'll work with you to create the most effective workflow for your business. We can incorporate your existing systems or implement new ones, giving you powerful data analytics and reporting to grow and scale your business.

Unlike many IoT companies, we focus on people first and tech second. This means we start by understanding your unique operations, then help you automate your current workflows with smart technology.



INCREASED OPERATIONAL EFFICIENCY:
Data and recommendations available at the right time, in the right system, for the right person to make the right decision.



Ready to transform your business operations?

Let's talk

Visit inauro.io/rental

Book an appointment
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