

# A holistic approach

Equipment rental brings flexibility; particularly in the current economic climate. By **Simon Fogg**.



While a lot of companies invest in equipment which meets their day to day test and measurement needs, every now and then they need something more sophisticated and more expensive. In austere financial times, management has to keep expenditure under control without compromising on product quality, so the balance is shifting in how companies acquire equipment. Equipment rental companies, such as Microlease and Livingston, offer full solutions that reflect a holistic approach to this dilemma.

There are many financial hazards to purchasing high end equipment. Oliver Lanz, general manager for Germany at Livingston, described one of the pitfalls of spending a large portion of your budget on something like an expensive Ethernet tester. "Even if you use it all the time, the price erosion is very high. The 40G tester is like a Ferrari; you drive it

around the first corner and you lose half the value."

Hidden expenses include outlay for servicing, repair, upgrades, transportation and recalibration, as well as storage. From Livingston's perspective, rental provides the best use of the equipment without committing to the costs of maintaining it.

George Acris, marketing director at Microlease, described how the rental market offers mixed solutions and the dynamic between cost and frequency of use determines which to deploy.

He said: "The first question is what's my visibility of usage for this equipment. The second question is what's my budget? What's the financial situation of the company? What have I got available? If the answer to the first question is it's a short to medium term requirement where I need flexibility, it would make sense clearly to rent."

*Renting sophisticated test equipment can make good financial sense: the money comes from the operations budget, rather than requiring a capital investment*

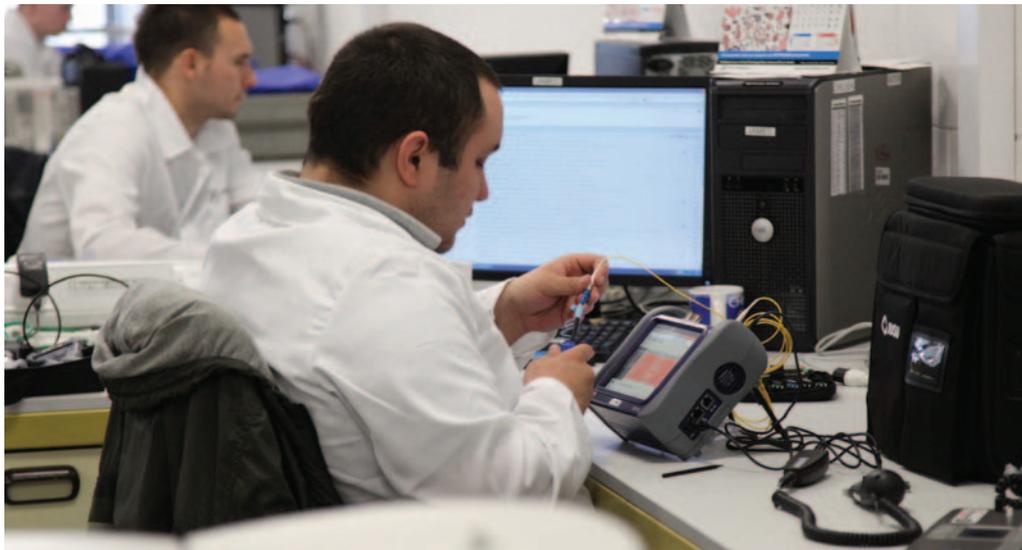
In a production environment, where technology will remain stable or where bespoke tools are required, outright purchase might be more viable. However, Acris argued that, in other scenarios, renting can save a lot of money – firstly, because it is funded by the operating budget, rather than the capital budget and is therefore tax deductible. Secondly, because it offers a faster time to market with less investment.

Start ups, early stage companies and university spin offs often take advantage of this incentive to give themselves a head start. As Acris said: "It doesn't use precious capital that they can then invest in getting that product to market faster." It's also a way for large companies with large needs, such as those in the space industry, to find flexibility and control.

According to Acris, renting removes risk in today's economic climate, which has made a lot of companies reassess whether their equipment is paying its way. "The economic downturn has put a



**Lanz: "The key point is availability and speed of delivery."**



greater focus on the investments that companies are making and how to control those investments. It puts a greater spotlight on everything.”

A large company might own a lot of test equipment, but not have a firm grasp on what is being used and where. Renting potentially frees money that is tied up in storing old equipment that could be spent on upgrades. It also offloads the maintenance of the equipment.

In Acris’ opinion, rental equipment comes with an asset management service built in. “If you’ve got a long term hire and the units need calibrating, we’ll do it and give you advance warning. It is a fully outsourced solution. You’ve got a fully managed support partner.”

Indeed, the equipment comes ready to use and project managers can understand what’s going on at every stage using online tools. “Calibration, repair, managing the assets – we know where it is, the state it’s in and can upgrade the unit. We really understand the product,” said Lanz. If the more sophisticated equipment is harder to use, operating support is also available through consultants and 24hour helplines.

In this respect, rental companies complement manufacturers; each has different competencies and there’s a certain symbiosis between the two. The knowledge gained from this comes into play when customers find it difficult to choose between products on the market

*Equipment rental helps companies deal with calibration issues*

whilst navigating product lifecycles, upgrade paths and even geography.

For a global industry, the importance of local is not underestimated. This also applies when considering speed to market: rental offers near instant delivery – but only if the products are stored locally. Lanz noted: “In short term rental, the key point is availability and speed of delivery. You have to have a local supply chain.” Combined with services such as 24hr exchange, rental is an immediate service designed to aid fast changing industries.

Different industries have different rental needs – telecoms tends to require handheld equipment on a short term basis, whereas defence is mostly long

term. Both Acris and Lanz agree that it’s across the board in terms of what’s actually being rented. Popular items at the moment include spectrum analysers, signal generators and other rf equipment, as well as cable and antennae testers.

It makes sense to purchase the cheaper tools, but not if they’re needed in large volumes, so it’s not

just a question of cost, but also one of usage again. Some companies want the latest equipment, some merely want to trial devices and some like to use the older tools they know, rather than experiment with new ones.

It’s therefore important that rental companies keep a wide range of up to date equipment and maintain stock. In turn, ‘capability to reinvest is critical’, according to Acris. One challenge for rental companies is to know what people will need in the future. It’s the science of understanding what their customers do versus the art of predicting what they will want. Lanz added: “We need to make sure we buy the right equipment at the right time of the lifecycle, and also in the right amount.”

There are also changes in the rental market itself. In the US, rental has always been common practice, but in some European countries, the mentality was to own the equipment they used. Lanz noted a clear trend towards rental throughout Europe, possibly because companies don’t have the available cash anymore or are involved in more short term project work. This means considerable growth in the rental industry and Lanz is very positive about the outlook.

Whether it’s a question of economics, management or knowledge, it is critical that companies use the right test equipment. That’s why they spend a great deal of their budgets on it. Acris noted that, because a rental company provides a variety of integrated solutions beyond the equipment, it can often find itself as the bridge between engineering, purchasing and finance. The holistic approach provides an opportunity to build interaction and communication, so each team is satisfied and the job is done on budget despite our economic climate.

Acris concluded: “This offers an innovative and creative way of getting the equipment, saving money and actually delivering the project they need to deliver. That’s when you know it’s really hit the mark and everybody wins.”



**Acris: “[Rental] doesn’t use precious capital**