Commentary
by Becky Schultz

Evaluate Your Assets

Despite a decidedly downward turn in the U.S. economy in the fourth quarter of last year and into first-quarter 2001, the construction industry continues to move forward at a strong pace. Many regions of the country are seeing little, if any, slowdown in the number of contracts put in place, or are seeing contractors branching into new market segments to help overcome any shortfalls that may exist.

Though contract volume appears to be solid, an uncertain economy means it's even more important to effectively manage your business assets to prevent any unnecessary losses. Since equipment represents the most substantial— and controllable — asset for most construction firms, now is a good time to turn a critical eye toward the older, less efficient or underutilized machines in your fleet. Industry consultant James Adrian notes that a 10% increase in equipment productivity for a building-type project can increase a contractor's profits by 25%. And a 5% increase in equipment productivity on a highway and heavy-type project can potentially double a firm's profits.

Given the impact equipment has on profitability, it's crucial that the machines in your fleet operate at peak performance for the largest portion of their effective life cycle. When evaluating equipment performance, consider the operating, maintenance, repair, insurance and finance costs associated with owning that machine. Also monitor the equipment utilization rate, including productive, standby and non-productive (e.g., in the shop) time.

Once you're assessed owning and operating costs for a particular machine, consider doing a competitive analysis to similar types of equipment. How do the costs of the owned machine compare to the acquisition costs of a replacement unit? Are you better off maintaining the older unit to obtain maximum life prior to disposal? Or will your business benefit more by acquiring a newer machine that may offer faster cycle times and increased productivity, plus low maintenance? Determine what your business can bear financially, then asses which option is the most economically feasible for your company.

If you do decide to replace older or underperforming machines, evaluate the various acquisition strategies now available. Lower interest rates, coupled with lagging construction equipment sales, can result in some very attractive finance packages for outright purchase. If purchase is not an option at this time, consider lease or rent-to-own agreements as a way to gain the benefits of new equipment without the upfront capital outlay. And for equipment that sees minimal utilization, check out the rental rates in your area. You may find the cost to rent is far lower than ownership of periodic-use machines.

Regardless of your approach to equipment acquisition, it's important to stay abreast of advancements in equipment technology. Knowledge of what's available can help you to develop a "shopping list" of equipment that can benefit your company on current projects and in the future as your business grows and changes.

To make this task easier, we've compiled hundreds of the latest products for the construction industry in our annual *Equipment Today* Showcase issue. Requests for information on these products are processed throughout the year, allowing you to get the information you need when you need it to make timely acquisition choices.

For more information on any of the products shown, simply return the reader service card following page 54. Additional equipment information is also available at our web site at www.EquipmentConnection.com. For more personal assistance, contact me or any one of our editors at (800) 547-7377. We'd be happy to help you with your information search.