

Ways to Guarantee Equipment ROI

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Buying something as expensive as a skid-steer loader or compact track loader can give a landscape professional sleepless nights. It's a big investment, and he or she probably wonders if it will ever pay off. How do you calculate return on investment or ROI anyway?

Skid-steers start in the \$30,000 range up to double that, and if you're talking a compact track loader, the cost could be up to \$100,000. According to Jeff Brown, product development/marketing with Caterpillar, it comes down to the level of performance a customer is looking for.

"Working back from the work they do and how they manage their business, is it by the job? Do they earn income based on the hour? Flat rate? It depends how income comes into the business," says Brown, explaining that [Caterpillar](#) has a partnership with a landscape company out of Toronto that puts on seminars at its dealerships, teaching customers how to calculate ROI and how to maximize their investment on skid-steers, compact track loaders, trucks and other tools. "We can say, 'Here is what you're going to pay, here is the time period – whether it's three or five years – and these are how many hours you're going to put on the machine every year, this is the type of maintenance costs you have, this is the likely repair costs you'll have, here is the fuel burn estimate, how much you'll pay for fuel, and here is your expected resale value at the end of that term. Also, here is what you can expect to pay on a monthly or hourly basis. The only other factor is how much you're going to pay an operator."



PHOTO: TORO

Some dealers will do a “power by the hour” deal where their market strategy is: Only pay for the hours you use, and only pay when you use them so that slow months have small payments. Monthly power-by-the-hour payments apply toward equity in the machine, and machine warranty and maintenance are built into the rate and are done on-site. The machine remains with the customer and typically minimum usage applies. All you have to do is put fuel in the machine and find an operator. Everything else is on the dealer.

A lot of times, buying or leasing comes down to a landscaper’s preference, with cash flow being a significant factor. You can typically get into a lease for a lower monthly payment.

“In this segment more than most, contractors are getting paid on a job-by-job basis so any delay in payment factors in,” Brown says. “You might be getting paid at different milestones throughout the job, but there is some delay in payment.”



PHOTO: CASE

A lease is also advantageous when you're working at a high utilization and production level and want to make sure that equipment is under warranty and fresh every few years.

Of course, there are also tax implications, Brown says, depending on the type of lease you do.

"The type of lease you do will be dependent on your own balance sheet for business and whether you want to treat that asset as a liability or expense, which is going to depend on your tax situation."

Attachments add up

Attachments can definitely help with ROI. The more tools you can put on a skid-steer or compact utility loader, the more utilization you'll have, assuming you're buying tools you're actually going to get a lot of use out of.

"There is an ROI for each attachment as well as the whole 'Swiss Army Knife,'" says Brown. "The attachments are much less a cost than the machine itself. In that equation, the more you can do with multiple attachments and a single host machine, the better."

Brown isn't sure there is an "optimal" number of attachments, but it goes back to what services the contractor performs. For landscapers, the most basic tools would be forks and a bucket. As he says, "You're going to use the bucket for any sort of dirt work, grading for residential housing development, etc. Then you get into a power box rake or Harley rake. That is a hydraulic attachment that most landscapers will use to contour the ground

and put a finished grade on a property before putting down sod or planting grass seed.”

After a fork, bucket and power box rake, then comes the MP bucket or four-in-one bucket. This clamshell design bucket can work as a standard bucket or a dozer blade and do a lot of grading. Some landscapers prefer the MP bucket over a standard bucket because it can also be used as a grapple clamp.

“If you’re working with some debris and want to use a clamp to move it around the job site or have a stockpile of things that are oddly shaped, that tool can be very versatile for that work,” Brown says.



PHOTO: TORO

Preventive checks boost ROI

One of the most important ways to ensure you’re maximizing your ROI on a skid-steer or compact utility loader is to perform the required daily equipment walk-arounds and preventive checks/services.

“It’s in these instances – both pre- and post-operation – that many issues or potential problems can be discovered,” says George MacIntyre, global product portfolio manager, light equipment, [CASE Construction Equipment](#). “By making this a regular part of your day, you can identify things that are out of the ordinary – leaks, damage, wear – that may allow you to address a problem before it grows into a larger failure.”

In terms of equipment selection and the purchase process, it’s all about operational capacity and the work you do.

“As equipment gets larger and provides greater attachment capacity/versatility, that in turn allows you to do more work,” MacIntyre says. “These machines cost more, but you’re also opening up your ability/capacity to do more work. The most important thing is to understand what your current business demands are and where you want your business to go, and then pick a machine accordingly.”

Attachment selection and outlay are critical. Selecting a machine with higher auxiliary hydraulic capabilities and purchasing corresponding attachments may represent a higher investment now, says MacIntyre, but landscapers need to think about the future. “Will having that equipment now prevent you from having to rent additional equipment or subcontract other services in the future?”



PHOTO: CASE

Does adding additional equipment have an effect on ROI? Absolutely. It all depends on your workload and utilization.

“If you have a skid-steer and decide to add another skid-steer or compact track loader, do you have the workload to fully support both machines?” says MacIntyre. “Will that new machine drop the utilization of the first machine down from 90 to 50 or 60 percent? If so, does that affect the ROI on that first machine, and likely the new one you just bought as well? Understanding equipment utilization and workload demands is the first step in smart equipment acquisition.”