EXECUTIVE SUMMARY

Rentals are an increasingly important source of revenue, market share and profitability for distributors. However, current tools to assist distributors in improving the performance management of their business rental lines are sparse. AED’s answer to that void is its Rental Report.

AED’s Rental Report was generated from a foundation of objective data provided by several distributors regarding their rental strategies, business models and operations. That information was organized into the following survey of AED members. The results are presented in the report and throughout this document.

The report and this document are, at their core, benchmarking tools. AED members are encouraged to use this information to assess their distributorships’ competitiveness and incorporate the data into their 2021 planning processes. Comments or questions about the report or this document? Contact your AED Regional Manager.

Purchase the Rental Report and Equipment Distributors Rental Operations Benchmarking Practices at bit.ly/aedrentalreport
Figure 3 demonstrates gross margins for new equipment, rent-to-sell, and rent-to-rent for 2019. Most notable are the increasing margins from new to rent-to-sell to rent-to-rent. Rentals are more profitable than new equipment sales. That is likely due to margin compression on new equipment occurring in the sector and the fact that rentals have distinct business models that enable more significant margins – albeit with greater risk. The benchmarking opportunities this data presents are clear for a distributor: are pricing strategies aligned with market realities, and do the distributor’s rental practices enable the level of profitability demonstrated in figure 2?

Figure 2 provides a view into the revenue mix offered by type of rental, rent-to-sell or rent-to-rent, for the eight-year period ending in 2019. The insight provided by this view is that rent-to-rent, as a revenue source, has gained momentum and is accelerating at a faster pace than rent-to-sell. As discussed in a later section, the two rental revenue sources’ business models have significant differences. The benchmarking opportunity here is to understand whether a distributor is properly weighing its emphasis on types of rentals to meet customer expectations and their geographic competitive landscape demands.

Figure 3. New equipment, rent-to-sell, and rent-to-rent gross margins (composite of all distributor revenue segments) for 2019. Source: AED Rental Report.
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Gain exclusive access to information containing proprietary benchmarking data on the heavy equipment rental business.

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