

Cutting the Cost of Industrial Equipment Rentals: A Playbook That Works

Peter Benda

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Leasing industrial equipment is a major cost driver for industrial sites and industrial services companies. Cranes, dozers, skid steers, compressors, generators, tanks, roll-off boxes, vacuum trucks—the list is long, and the invoices add up fast.

Forget what you think you know about leasing. Most people focus on negotiating rate cards. For some companies, the majority of rental-related costs may not even be on a rate card. If you want to save money, you first need to know what your all-in costs are.

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Then the biggest lever is usage reduction/improved utilization. Rate-card and non-rate card rentals should be negotiated together for volume discounts and rebates. But also look at ancillary spends such as transportation and equipment and parts procurement.

We've worked with mines, environmental services, and construction contractors to reduce these costs. The most effective results come from a structured approach, starting with a diagnostic to understand usage, critical requirements, commercial factors, and all-in costs.

Step 1 – Start with a Diagnostic

Before you touch contracts or rates, you need to know exactly what you're paying for. In a typical diagnostic, we do the following:

- Interview stakeholders
 - Operators: usage drivers, critical requirements, constraints
 - Finance and procurement: commercial terms, A/P history, cash costs
 - Project and account managers: how does your company recover rental costs (e.g. are they passed through to clients or built into bid price?)
- Build the spend cube
 - Sample invoices: off-rate card costs (non-rate card rentals, delivery fees, repairs, purchases, etc.)
 - Build invoice-level line-item spend cube: identify patterns of usage for rental (equipment type, date, duration, rate, fees) and for extra charges
 - Compare actual rates and rate cards: between suppliers, across regions, over time, and against publicly available benchmarks

Building the spend cube usually takes the most effort, but it's essential. Start with A/P reports or supplier sales summaries, then review a sample of invoices to get an "X-ray" view into all-in costs. Select two or three suppliers covering different equipment types. For each one, pull one invoice per month for a year plus all invoices from a single month. Look for transportation and mob/demob fees, penalties, purchases, charges for damage repairs, and the ubiquitous "other"/"misc."

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Manually extracting data from dozens of invoices takes time, so lean on AI to speed up the analysis. If you find a lot of unexpected spend, pull more invoices to validate.

Example: With one major U.S. rental company, we found that only 22% of spend was on the national rate card. The remainder of the costs were not visible senior management. (see chart below).

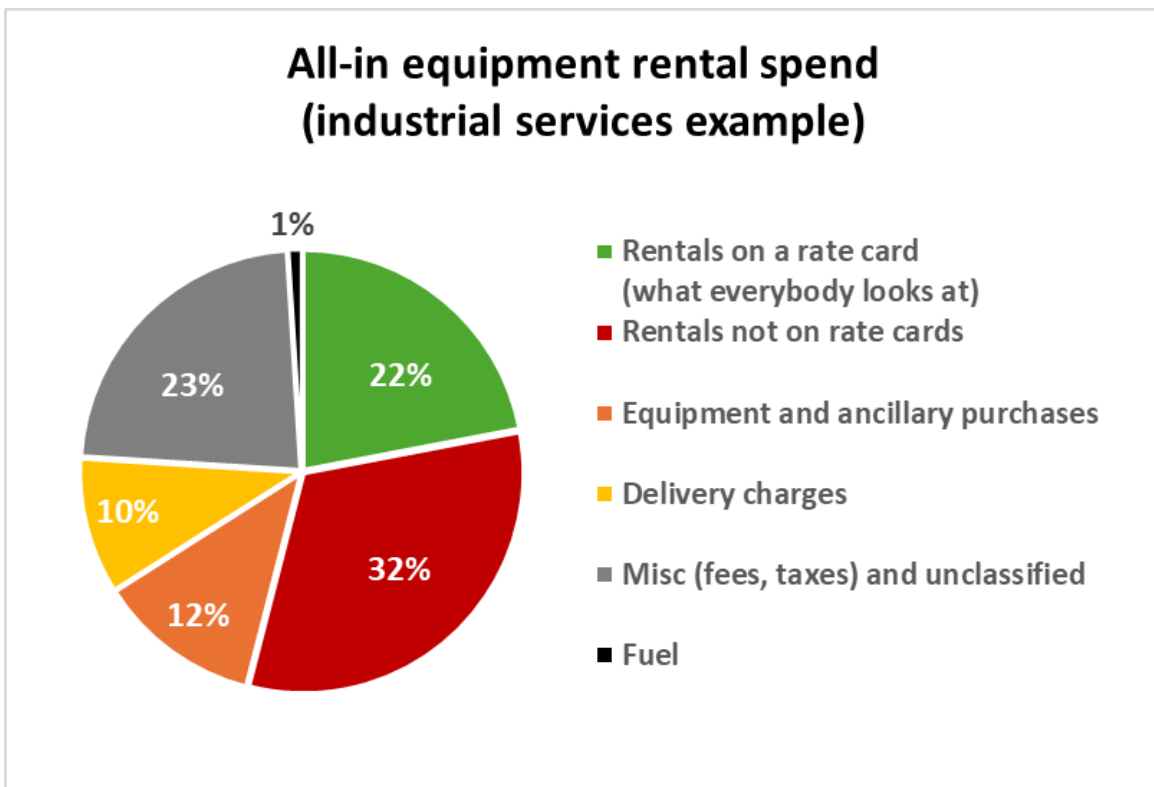


Chart 1: all-in costs can be a lot more than what's on a rate card

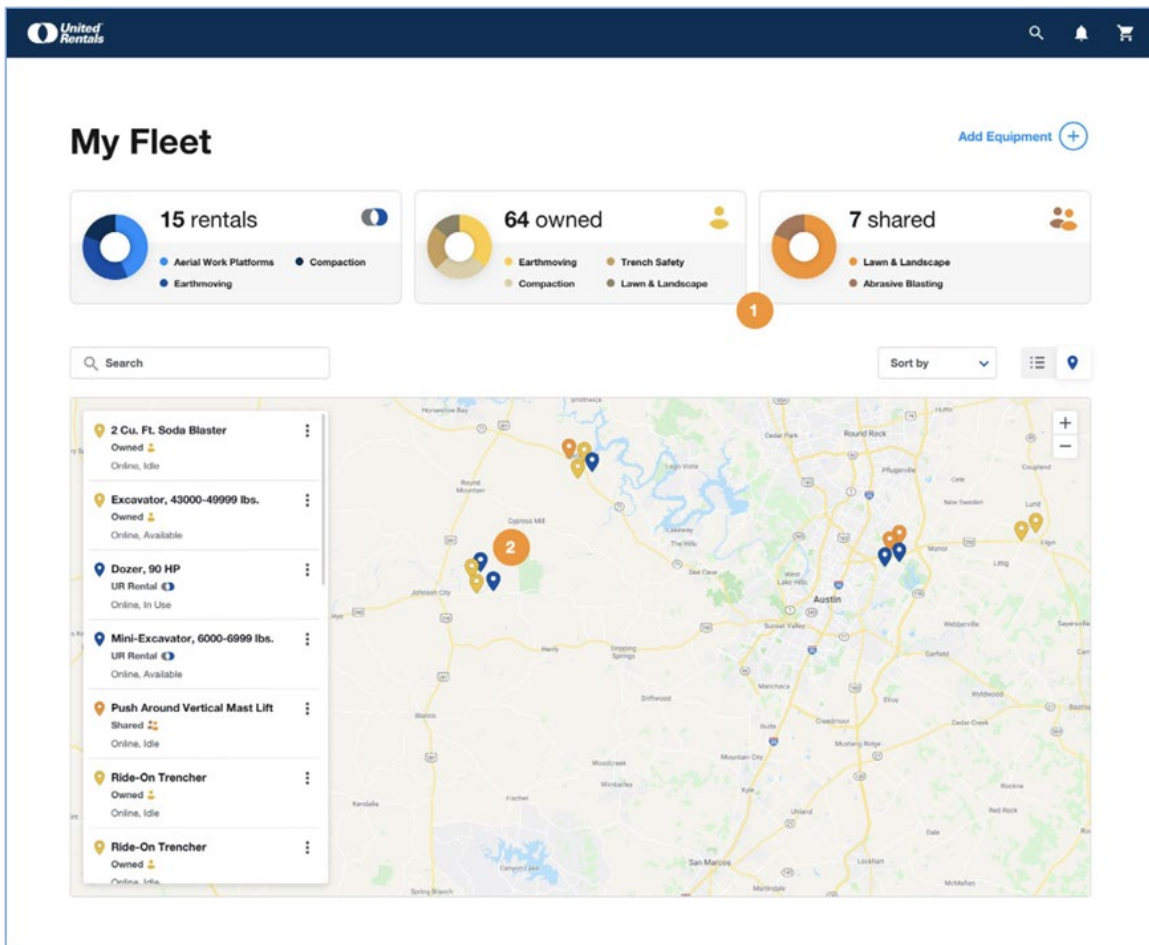
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Step 2 – Focus on Usage, Not Just Rates

Reducing usage, not squeezing rates, can generate the biggest savings. Telematics and fleet management tools—whether third-party or from the rental company—reveal low-utilization assets and help match total fleet to requirements.

Fleet management software also helps you see if equipment and fuel cards are being used appropriately (for work, not personal use), and help develop lease/ buy strategies.



Fleet management technology can increase utilization and cut usage.

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Example: Unbeknownst to each other, two work crews on a mine site had long term leases on two high-capacity cranes. Utilization was low, but the high transportation and mob/demob costs justified ongoing leases for each crane, considered in isolation. Once the opportunity to share a crane was recognized, the mine terminated the second lease.

Step 3 – Involve the End Users

Local teams know which suppliers deliver quality service in their region. Regional sites and branches are also more likely to adopt changes if trusted peers are involved in supplier selection and process redesign.

Step 4 – Rethink the Commercial Model

How your company bills clients for rentals matters:

- Pass-through model – Lower rates benefit your customer directly; your incentive may be to focus on unconditional rebates and forget about rate cuts.
- Fixed-price model – Lower rates directly improve your margin, so negotiate rate and service charges, and volume discounts or rebates.

Make sure to negotiate terms consistent with your company's A/P priorities. It's not uncommon to see 30+, even 60+, day payments in some industries. Delayed payment can cost you early-pay discounts, rebates, and good will, far in excess of your company's cost of capital.

Step 5 – Cut Consumables Costs

Many rentals involve consumables such as fuel, lubricants, hoses, filters, wear parts, or drilling consumables. Buying direct from manufacturers or buying from specialty distributors is often cheaper than paying rental company or retail prices.

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Example: Vacuum truck hoses frequently “walk away” on job sites. Buying in volume and branding them cuts costs, reduces loss, and makes asset management easier.

Consider contracting the delivery of fuel directly to a long-term project site or installing a pump at your regional operations center.

Step 6 – Know When to Own Instead of Rent

Owning can be cost-effective or even a business necessity if:

- The equipment is specialized and must be available on short notice.
- Ancillary charges such as transportation and mob-demob are high.
- The equipment is used in high volumes and the cost of ownership (e.g., maintenance and depreciation) is low. This could include light towers, generators, and chain saws. Contractors are known to lease this kind of equipment out (e.g., scaffolding) to recover acquisition costs.

Step 7 – Leverage Seasonality and Rent-to-Own


Understand the rental company’s economics, which change by day of week and season of the year. Rental companies charge high daily rates on weekends to do-it-yourselfers. Strict Monday-Friday rentals may cost you less.

As a result of Covid supply chain constraints, some clients used lease-to-buy programs to secure scarce equipment like vacuum trucks to build or supplement an in-house fleet.

Step 8 – Go to market intelligently

Before building an RFP, build a weighted average usage model (daily, weekly, monthly) for each equipment type so you’re negotiating on usage tiers that matter to you. Understand what fees and charges you currently incur so that you can lock in costs and transparency going forward. Look for early pay discounts and rebates, but be conservative about usage tiers that will qualify you for rebates or discounts, and about your company’s ability to pay within terms.

Get end-user input on selecting suppliers. You can designate “first call”, “back up”, and “emergency” suppliers, who may have quite different rate and service level strategies. Think about how to encourage end-users to migrate their usage to new agreements. For example, if you’re trying to migrate volume from a multitude of local suppliers to a national account, you might consider generating competitive interest with cross-branch reporting and creating branch-level incentives (such as bonuses for percent of spend on new contract).

	CAT CLASS: 048-0210			
	1,100-1,500 lb Track Skid Steer Loader	\$440	\$1,230	\$2,675
	SPECIFICATIONS	1 DAY	1 WEEK	4 WEEK
	<ul style="list-style-type: none">• Track skid steer rental w/ 1,100-1,500 lb load capacity for moderate lifting & hauling jobs• 61 HP engine provides power and reliability for daily worksite demands• 4.7 psi ground pressure minimizes surface impact on turf or soft ground	Add to Cart		

There’s more complexity to equipment rentals than meets the eye.

If your rental spend is in the millions of dollars, doing this right is worth the effort. But, it takes a lot of effort. Rentals are complicated: hundreds or thousands of pieces of equipment, different rates depending on duration and region, and a proliferation of ancillary costs. The 80/20 cost drivers are not always what you think they are.

Consider using emerging automation and AI-powered platforms to research market rates and practices, to draft and evaluate RFPs, to negotiate rates and draft contracts, and to facilitate supplier management. These capabilities are on the market today.

The Bottom Line

Cutting industrial equipment rental costs typically is not about about hammering suppliers for cuts on their rate cards.

You need to know what drives spend, how much you spend on what, optimize usage, engage end users, and find smart ways to source both equipment and consumables. You can develop a strategy only after you have the full picture.

Authorship

Peter Benda is a general management consultant specializing in strategic sourcing and supply chain management, front line productivity improvement, governance, and diagnostics. He has worked with clients in mining, utilities, manufacturing, financial services, transportation, defense R&D, federal and state agencies, and technology startups. Peter is on the Board of Advisors to Axtom, a SAAS solution that uses AI to automate tendering, negotiation, and contracting. Axtom's goal is to free up purchasing professionals to focus on higher-value problems like risk management and supply strategy. This article was generated with the help of ChatGPT.

Hashtags

#IndustrialEquipment #CostReduction #ProcurementStrategy #FleetManagement
#SupplyChain #ConstructionIndustry #MiningIndustry #EnvironmentalServices
#EquipmentLeasing #StrategicSourcing #IndustrialServices #AlinProcurement #Axtom

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Header

A proven, step-by-step playbook for cutting industrial equipment rental costs by focusing on usage, hidden charges, and smarter sourcing—not just rate cards.

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