



# Equipment Rental

BUSINESS PLAN

RICH RENTALS

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777 W. Langley Ave.  
Bradenton, Florida 89201

February 1992

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*Rich Rentals is an equipment rental business providing a wide variety of tools and machinery for the Do-it-Yourselfer. This family-owned venture seeks to provide a competitive service to its customers and secure a long-term financial opportunity and livelihood in which the entire family can participate .*

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## OVERVIEW

Since 1988, our business has suffered from cash constraints. We have used the services of University of Southern Florida's Business Analyst Program, Small Business Development Center, and our accountant to analyze the problem. Our large number of assets and varied services have made our situation difficult to analyze. However, we now know the basis for our cash shortages, and they are as follows:

- The addition of small gas engine repair to our services.
- Increase in our labor force to accomplish the above.
- Financing the needed small gas engine parts inventory through existing cash flow and accounts payable.
- The age of some key rental equipment.
- Our low equity position.

This plan specifically addresses several methods that we will use to correct the cash flow, profitability, and equity deficiencies.

We have already initiated several changes that have had positive results. The future changes fall into two

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categories: Management and Financial. When these changes have all been implemented, the company will be within industry norms in two years, as will be shown later in the plan.

## Business Objectives

In the summer of 1983, my wife and I began discussing the possibility of relocating to Bradenton, Florida and starting a family business. We were attracted to Bradenton because of its proximity to family, the lifestyle, and the ability to raise our children in a more controlled environment. After months of discussion, market studies, and reviewing several different potential business opportunities, we decided on the equipment rental business. The equipment being rented by the existing equipment rental business was in very poor condition and they had recently filed Chapter 11 Bankruptcy. We spent time evaluating their particular circumstances and determined that their failure was primarily related to overextension financially, brought on by the tremendous drop in oil prices significantly hurting this area, as well as an absentee owner.

The salient points in our consideration were as follows:

- To provide our family with long-term financial opportunity and to provide an adequate standard of living.
- To have a business where competition could and would be limited.
- Long term, we wanted a business that was in a growth industry with greater opportunities for the entire area.
- To open a family-owned business in which our children would later have the opportunity to participate and learn just how important small business is to the future of our country.

The equipment rental business met all of our needs.

## PRODUCT AND SERVICE

Our primary product/service mix is:

- The Rental of Tools and Equipment. If you have a job to do, we have a tool to make it easier and quicker. Service to our customers, both professional and "Do-It-Yourselfers," is a primary part of our daily operation.
  - We must FIRST provide equipment that is in good working condition.
  - We must provide the equipment when it is needed.
  - When necessary we will provide our equipment at a competitive price, BUT ALWAYS at a profit.
  - We provide complete written "HOW TO" information on all of our equipment and detailed verbal or visual explanations when needed.
  - We provide pickup and delivery for a fee.
  - Last but far from least, when our customers have a problem, we go to them. The completion of their job becomes our No. 1 priority.

*Also...*

We also provide, for sale or rent, most accessories needed to use our tools and equipment.

We provide "damage waiver" to create a worry-free environment for our customers and ourselves by charging a ten percent mandatory fee. This has been very successful in our operation.

- We are a Ryder Truck Rental Agent. In that capacity, we are able to provide consumers with a complete range of moving needs, from trucks to dollies of all kinds, pads, trailers, towing equipment, boxes, and related supplies.
- We are a Kubota Consumer Products Dealer with the ability to sell parts for the complete Kubota



Tractor line. The bulk of our profit and sales is directly related to Bilt Contract Co. and the mines in our area.

- We are a Western Union Agent with the capability to send and receive money, mailgrams, and telegrams. They provide an IBM Computer which we also use to run the business.
- In addition we are a Briggs & Stratton Service Dealer. However, we have decided as of March 1, 1993 we will no longer provide small engine repair service to walk-in trade. We will limit this end of our business to the more lucrative commercial trade which will also reduce our manpower requirements and make it easier to schedule the work around our needs. We will no longer allow outside repair work to conflict with the needs of our rental business.

## MARKET POTENTIAL AND COMPETITION

Rich Rentals has been in business now for almost eight years and we have maintained detailed financial information since the beginning. Our projections for 1992 are included in this business plan and are based on historical data, and augmented with the latest charges that are outlined in this plan. In addition we have maintained records of most requests for equipment that we were unable to fill for whatever reason, and thereby have an accurate estimation of demand.

When we opened our business in 1984, unemployment in Bradenton was at one of its highest levels and the mines were doing poorly. Because of this, we and experts from Quick Rentals performed detailed market analysis prior to making our final decision. Quick Rentals provided regional and community market and site location analysis and start-up aid. Bob Shafer who owned Quick Rentals, and his family had extensive experience in this industry, having opened over 150 stores through Quick Rentals. The potential for success was here especially with the Bilk Contract Co. construction just beginning. In addition, the size of the community and our knowledge of the existing rental store indicated that we could soon be the only equipment rental business in Bradenton. Since 1988 we have been the only rental equipment business in this market area.

We know the current market potential for Bradenton is only partially reflected in our historically-based financial projections. Certain rental equipment additions and planned construction for 1992-1993 will enhance our revenues for the near future. Further information on the local economy, including recent newspaper articles are available upon request.

## REVIEW OF FINANCIALS: 1990 VERSUS 1991

Revenues are up substantially: (Balance Sheets and income statements outlining this have been prepared and are available upon request.)

- Rental is up \$8,059.00 or 4 percent before implementation of Damage Waiver.
- Rental & Sales Combined are up \$34,274.00 or 13 percent.
- Gross Profit is up \$32,363.00 or 17 percent.
- Total Income is up \$29,307.00 or 13 percent.
- Rental Revenue/Equipment Cost is up from .95 to 1.06
- Rental Revenue/Net Rental Equipment is up from 1.39 to 1.69 or an 18 percent improvement.

These improvements reflect our rate increases beginning in October 1990, which made up for no real rate increase since 1987. As a result our return on equipment investment in Bradenton has improved substantially. THE POTENTIAL IS HERE.

Expenses went up as well: Wages paid to employees were up \$13,952.00 or 33 percent and equipment repair costs were up \$14,610.00 or 72 percent. Wages were up because, we increased our labor force by one full-time individual in early 1991. Prior to that we had added a third full-time person in 1988. This was to provide the necessary personnel required for the additional repair volume created by adding the Kubota and Briggs &



Stratton line. Due to the nature of our business our efficiency per man hour decreased proportionally making the addition of outside service work not profitable. This fact had escaped our analysis because all of our personnel shared responsibilities and duties. Service was also the only area where we encountered substantial competition.

The results of adding manpower are clear. We slightly increased our profit from "LABOR AND DELIVER" plus "NET SALES INCOME" by \$559.00 over 1991. However, when you subtract the increase in total wages paid over previous years, you can see all we did was create a deficit of http://\$13,393.

In addition our increase in "Equipment Repair Expenses" are two-fold in nature. First, because of the manner of accounting (non-cost), we are unable to track all items to the proper department. Therefore, the shown expense account is higher than it should be, by about \$3,218.00 or 47 percent over 1990. Much of this expense is related to customer repair work and not rental maintenance. Secondly, we have had excessive repair costs on some of our large equipment (Skid Steer Loader, Trencher/Backhoe, Tractor, and one Compressor) of approximately \$6,952.00. The current management goals will reduce and contain these costs.

In 1991 we could have shown additional income of about \$8,459.26. This was a paper loss on a John Deere Tractor and a Kubota Riding Lawn Mower that were sold primarily because they were beginning to cost us a lot more in repairs than they could possibly earn. This adjustment should be noted when comparing 1991 to previous years. This comparison indicates an improvement in our revenue over previous years related to the addition of Damage Waiver and our aggressive rate increases beginning in 1990.

## REVIEW CONCLUSIONS

Even before the end of 1991 it became apparent that several changes were still needed to improve our financial situation. Our analysis merely highlighted much of what we already believed. Even though our revenues were up in 1991 we still did not have the strong financial showing possible primarily due to higher labor and equipment repair costs. As a result of this information, we have made certain decisions and established some long and short range remedies as follows

## GOALS AND PROJECTIONS FOR 1992

### Management

First, we have already DECREASED OUR WORKFORCE by two employees and will maintain this level, except for possibly temporary workers during peak periods.

We will be CONCENTRATING ON STRICTLY THE RENTAL BUSINESS and EXTENSIVELY LIMITING OUR REPAIR BUSINESS to commercial accounts. This should decrease scheduling problems we have had with homeowners and other individuals.

WE WILL TERMINATE our Kubota and/or our Briggs & Stratton agreement IF ASKED TO INVEST ADDITIONAL TIME OR MONEY. Currently our inventories are more than sufficient to support our rental business. Our analysis has shown service work to be a loser.

Review the potential for Total Quality Management in the business.

### Financial

We have REDUCED OUR PERSONAL INCOME.

We are practicing COST CONTAINMENT on a daily basis.

We have REFINANCED BOTH OF OUR COMPANY VEHICLE NOTES.



- Bradenton National Bank, 1988 pickup, from \$356/month to \$262/month, a \$94/month savings.
- NFCU, 1987 Van, from \$383/month to \$215/month, a \$168/month savings.

We are requesting that G.E. Capital assist us in one of the two options listed below in our efforts to upgrade our equipment and to realign our cash position as follows:

- To finance a new Ditch Witch 3500 and 1020 Trencher through our G.E. Capital line if possible, and to reamortize the lease at close to the current payment amount. The net purchase amount would be about \$28,500 after trade-ins.
- Restructure our existing lease to provide the necessary cash flow to finance the trenchers through another source.
  1. Extend our lease approximately one year or extend it sufficiently to reduce our payment by about \$700/month March through November.
  2. Change our reduced payment months to December, January, and February to match our needs.
  3. Release the Ditch Witch 2310 trencher and A220 Backhoe to be used as a trade. This will allow us to upgrade critical equipment and reduce maintenance cost. This combination unit is now five years old and the engine is now bored to .040 over. If not traded soon this machine combination, which creates substantial rental revenue, will become a liability.

We are requesting that SBA reamortize our loan to allow for four months without payments starting in June. We would like the maturity date to remain the same. This would result in an accumulation of \$9408 in operating capital.

We have purchased a new Skid Steer Loader from Case. This was necessary because:

- Our previous unit was giving us constant problems and we were unable to keep it on a good long-term commercial rental. Maintenance costs were running very high.
- There is a real need for a good small loader with optional pallet forks in our rental fleet. The demand is there from a broad range of customers. Our cash flow would be enhanced by at least \$161/month, over the new payment amount based on historical information available.
- We used our old unit as a \$2,000 trade-in.

We renegotiated a long-term rental we have had with Biringer effective January 1, 1993, from a previous level of \$750/month to \$920/month. This is a contract we have had for over two years and it should go for about two more.

## Summary

THE CHANGES WE HAVE INITIATED SHOULD SAVE AN ANNUAL COST OF \$23,436 PER MONTH. (A chart outlining this information has been prepared and is available upon request.)

## MARKET ANALYSIS

Rich Rentals has several areas where we maintain a sustainable competitive advantage from the standpoint of being the only service provider in town for the areas of equipment rental; Kubota sales, parts, and service; and Bostitch and Interchange Air Tools and Fasteners. Areas of limited competition are Western Union (one competitor) and Ryder Truck rentals (one competitor; U-Haul).

## Marketing Strategy

It is our goal to extend the very best service and equipment to our customers at a competitive price. Our prices must remain competitive to prevent competition in the rental business from within Bradenton and the surrounding areas.



## Target Market and Market Share

Our target markets for rental equipment has been and will continue to be:

- Small contractor - 45 percent of total
- Industrial sector - 25 percent of total
- Homeowner - 30 percent of total

They are listed in order of profitability. Since we are currently getting all of the small contractor and industrial rentals we can fill, we most exploit the homeowner segment to a greater degree than in the past.

Our target markets for Ryder truck rentals are:

- People moving out of town - 70 percent of market
- In town moves - 20 percent of market
- Commercial moves-10 percent of market

They are listed in order of priority. Ryder Truck Rental has estimated our share of the truck rental business at 52 percent of the local market. As of April, we became a zone leader for the distribution of Ryder trucks. This will be a revenue enhancer from the standpoint of having additional trucks to rent when needed.

Our target market for Kubota sales is as follows:

- Industrial sales - 40 percent of market
- Institutions and business - 20 percent of market
- Upper middle-class homeowner - 40 percent of market

Western Union is a service we provide because:

- They provide a computer and software that can be used in other areas of the business.
- To increase walk-in trade with other revenue potential.

## SALES PLAN

### Rental

We plan to enhance our rental income by selectively targeting the homeowner market. Our goal in the coming years is to continually increase the homeowner segment of our rental business by eight percent over the previous comparable period. We will continue our existing efforts directed at the contractors and industrial areas.

### Ryder

We will target the realtors as a vehicle to promote greater usage of our trucks and trailers. In addition, Michelle's Moving will also enhance the sales and rentals in this area. Our goal is to increase this area by a factor of six percent on an ongoing basis. Ryder has some discretionary co-op advertising that we will avail ourselves of when possible.

### Kubota

We will continue our sales in this area. Promotion will be minimal because of the excessive labor demands it creates for our service. We have backed off outside service since we have determined that to be a loss area.





## Michelle's Moving

Since this area is a contract with Biringer, it will require no promotion. However, if it appears to be profitable after this one-year contract period, we will entertain moving into the local moving business as a separate venture. There is only one existing business providing the service in Bradenton at this time.

## PROMOTIONAL

The primary thrust of our promotion program in 1992 will be in the form of "DIRECTMAIL" and "DOOR TO DOOR" flyers directed at the "HOWEVER" market in hopes of expanding our rental business. In the past we depended primarily on radio and newspaper. Most of our potential customers in this trade area are aware of "WHERE WE ARE" and "WHO WE ARE", but not "WHAT WE HAVE" and "HOW THEY CAN USE US TO THEIR ADVANTAGE".

- Our mailing list can be directed to individual neighborhoods and we will tie discounts and promotions to each mailing to determine their effectiveness.
- Thank you letters with additional promotional information and a ten percent discount on their next rental will be a key part of our direct mail campaign.
- Our mailings will highlight individual tools, how to properly use them for maximum results, and new ideas. We will stress our concept of personal service and just how "rich" we can make their rental experience.
- We will be utilizing DOOR TO DOOR on a trial basis.

We will begin promoting our equipment rentals by using retail outlets of related merchandise.

- Automotive equipment, pullers, transmission jacks, hoists, torque wrenches, impacts, timing light, etc. We will provide a coupon worth \$2 off any equipment rental at the counter of outlets such as Kmart, Walmart, American Auto, Wilsons, etc.
- Ryder trucks, moving equipment and related supplies, such as boxes and tape. In a joint effort with Ryder, we will provide a coupon worth \$5 on any local rental and \$15.00 on any one-way rental to every real estate agent in Bradenton. We are considering a promotional incentive for the referring agent courtesy of Ryder.

We will continue to use some radio and a minimum newspaper contract of 240" annually, coordinating those mediums with our direct mail campaign.

A detailed outline of our "1992 ANNUAL CAMPAIGN" will be completed by the end of May as follows:

- It will be budgeted by type of advertising.
- It will be itemized by type of equipment and/or service by promotional period.

To help promote the business and provide a higher level of service we will also be setting up an answering machine to give basic after-hours information and emergency numbers for our customers who call after hours and weekends.

## ORGANIZATIONAL

Michelle's Moving could become our biggest move in 1992. We will begin in May 1992 providing contract moving services between offices for Biringer Bradenton, Florida. In the fall of 1991 we were approached by Biringer Purchasing to bid on these moving services. This basically consists of providing one full-time employee in a supervisory/labor capacity with assistance from day labor as needed, a Ryder truck, and any necessary moving equipment, about five to six days per month on average. Advance notice will be provided by Biringer to allow us sufficient time to schedule our manpower.



In the past this service had been provided by a local moving company but was not satisfactory. Our long-time relationship with and the availability of all the necessary moving equipment was what brought them to us. This service concept tied in well with our goals to expand our revenues by offering additional services for Biringer that complimented what we were already doing. The basic service contract should be very profitable and will increase the sale of moving boxes which is also very profitable. In addition, it does not require us to invest in any new equipment to provide the service.

For better control of equipment repair costs we will improve our record keeping to include all costs as well as information. In addition, we will return to keeping track of rental revenues by equipment. This information when combined, will give us better data when buying new equipment. We have implemented weekly and monthly P&L Statements as a management tool.

Until further notice any manpower requirements over the basic two employees will be strictly on an as-needed, temporary basis. We are in the process of building financial models to use as a management tool to provide keys for when we must cut back on manpower or other expenditures.

## OPERATIONS

### Location

This business is centrally located in Bradenton, Florida at 777 W. Langley Ave. The business is situated on a lot 101 feet by 165 feet, with a 2,450 square foot metal building built by us in 1984. One third of the building is the showroom display area. The Ryder trucks are parked in the front area of the business and across the street in a parking lot.

### Equipment

The business currently has all of the equipment that it needs to operate except for the following replacements and/or additions required:

Ditch Witch 1020 Walk Behind	
Trench Net After Trade of Our Current C99 010.....	\$2,530
Small equipment, such as transmission	
jack, scaffolding, and small roto-tillers.....	\$1,560
Ditch Witch 3500 Riding trencher (replacement	
for our 2310/A220 Combination Unit).....	\$25,930
Total.....	\$30,020

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### Labor Force

Our labor force consists of the owners, Jim and Michelle Griffith and two employees, Dave Weager and Donald Carp

Dave Weager is 29 years old, married with two children, and has 11 years experience as a mechanic. He was hired by us September 5, 1988 and is currently our Shop Foreman with an hourly wage of \$9.25.

Donald Carp is 30 years old, married with two children, and was hired on August 18, 1988. He had previously operated his own lawn service business. He is currently a Rental Clerk and primarily responsible for equipment maintenance and service. He is also our parts man with an hourly wage of \$6.25. Both employees are Bradenton natives with extensive local knowledge and contacts. A resume outlining the qualifications and





experience of Jim Griffith has been prepared and is available upon request

## TIMING

### Regular Activities

- 10th of Month** Evaluate marketing program, financial goals, and major management decisions for previous month.
- 20th of Month** Define specific marketing objectives for following month, (i.e. door-to-door, direct mail, etc.)
- Weekly** P&L and cash flow analysis of performance vs. goals.

### Short Term Schedule of Events

- May 7th** Start Michelle's Moving contract with Biringer
- May 10th** Initiate door-to-door campaign (evaluate on 10th).
- May 10th** Schedule newspaper and radio ads for peak summer and fall seasons.
- May 20th** New lease agreement from G.E. Capital.
- May 20th** Initiate coupon campaign (Section 2 A & B of promotional section).
- May 22nd** Purchase new Trencher.
- May 30th** Initiate direct mail campaign.

## Management Calendar

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## FINANCIAL PROJECTIONS

It is the goal of management through this plan to maximize cash and profitability. This is being accomplished as follows:

- Cost containment through ongoing analysis and aggressive daily management.
- Revenue enhancement through the marketing plan and ongoing evaluation and adjustment of our rental rates.
- Cash Management

The monthly P&L Statements reflect our success to date, in terms of increased profitability over the same period a year ago. These are available upon request.

Our goal for this coming year is to accumulate \$15,000 in cash for operating and emergency purposes. This will be accomplished via operations. A 12-month cash forecast has been prepared and is available upon request. It projects an accumulated cash balance at year end of \$16,142. This will be accomplished via:

- Reduction in our labor force
- Reduction in owner's draw from previous years
- Refinancing our two vehicle notes



- Recapitalization of G.E. Capital note
- Four-month SB A payment waiver
- Upgrading our trencher and loader to reduce maintenance cost and enhance revenue

Pro-forma statements have been prepared and are available upon request. Assumptions based on these are as follows:

## Income Statement

### Revenue

- An increase in rental revenue is projected from 1991, based on the local construction activity, and generally a solid local economy. (Aforementioned newspaper articles support this)
- Michelle's Moving revenue is projected at 50 percent of the unofficial estimate from the Biringer Procurement office. Therefore, these projections may be very conservative.
- Sale projections were reduced because we are no longer promoting sales, which are marginally profitable when compared to rental revenue and we are discouraging service work. A most recent financial comparison based on the first two months of 1991 versus 1992 has been prepared and is available upon request.
- Current financial statements are also available.

### Expenses

- The labor projection represents one less full-time position and one less temporary from 1991.
- The moving insurance is additional workman's compensation due to the inclusion of Michelle's Moving.
- Equipment repair is reduced because of the projected purchase of two new large items that replaced older ones in poor condition.
- Also, the deletion of the small gas engine area impacts here. We have already rebuilt two of our three larger diesel air compressors.
- The finance charges should be reduced due to more available cash and reduced payables.
- The SBA interest payable assumes the four-month waiver.
- The G.E. capital interest also assumes a recapitalization. Although this is technically a lease purchase, we have always shown the debt on our balance sheet as a financed purchase to more accurately project our equity position in the equipment.

The current pro-forma income statement shows a before tax profit of \$73,434. The pro-forma balance sheets have been adjusted for changes in accounts payable and debt service from year to year. The ALP are reduced to \$8,500 within three years and are maintained at that level. This reduction is accomplished solely through operations and assumes the SBA Waiver and the G.E. Capital request for 1992. The May 1994 balance sheets show a \$50,000 equipment purchase that will be necessary to maintain our rental equipment inventory.

Replacement vehicles are scheduled in 1993 and 1994. Their respective value and debts are shown. The loader and trencher are scheduled for June 1992, and are included in the May statement for analysis purposes. All of these statements are available upon request.