

HOW MUCH RESTORATION EQUIPMENT SHOULD I OWN?

5 minute read

When starting or growing a restoration company, one of the most important questions that you will be asking is: “How much restoration equipment should I own?” The answer to this simple question is not so simple, and most times the answer given to the owner is wrong and will result in financial issues that may never be overcome.

Here are some traditional answers that you may have heard:

- ✓ “How big is your warehouse? Fill it up.”
- ✓ “You can never have enough equipment.”
- ✓ “You will grow into whatever you buy.”
- ✓ “It doesn’t matter; in a year, you’ll need more!”

These are common responses you may have heard- and they are ALL WRONG! Let’s look at this question, and the appropriate response, in strictly analytical terms. Yes, there is a number that you should shoot for as your prime equipment inventory count. [How can we get to that number?](#)

The answer comes in the form of several questions **BACK to you:**

What part of the country is your business located?

Knowing where you do business helps not only determine how much restoration equipment you should own, but also the type of equipment and priority of the equipment you will utilize. If you are in the north, your equipment inventory should include heaters, while those in the South may need to invest in chillers. Also, northern companies need more warehouse space (climate controlled) to keep dehumidifiers from freezing up in the Winter months, as these machines can’t be left in the trucks overnight.

What does your business blend look like?

What type of work are you doing? Residential water restoration requires mostly portable equipment, which includes LGR dehumidifiers and centrifugal air movers. Commercial restoration will use more axial air movers and desiccant dehumidifiers, along with more power generation. Should you buy a generator? Your answer depends on your answer to this question.



How is your marketing going?

If your marketing efforts are bringing in more leads every week, eventually those leads will result in more business. If that is the trend, you can feel safe in acquiring more equipment as long as you are using most of your current inventory. If you are maintaining a steady business flow, then there is no need for more equipment unless your inventory is aging and always in need of repair, OR if you are currently renting equipment more than a few times per year. Which leads us to the final question...



How many times do you currently rent equipment?

If you are always calling the local rental company for dehu's and fans, then you are throwing money away year after year. This does not mean to run out and spend hundreds of thousands of dollars on new stuff - it means that you should analyze when, and why, you are renting. If you had a few large projects and used the rental equipment to supplement your own inventory, this is fine. If your shelves are always empty and you are always using someone else's units, then you should increase your supply. Remember, rental equipment lowers your profit margins greatly.

After you answer these questions, the need for new equipment becomes apparent.



Now, the only thing to consider is the financial aspect. In every economic decision, there is a principle to follow: Return on Investment (ROI). Before spending a penny, you should be able to determine the

return your company will receive by spending that penny. We need to understand how long it will take to recoup the initial equipment investment, as opposed to using those funds for other things. Buy new dehu's that you may not need, or use the money to pay the warehouse rent and utilizes for the next six months? That's the kind of decision that we are faced with.

Here is an example of calculating the ROI on an air mover:

Purchase Price: \$320 (approx.)

Daily Rental Rate: \$28 (depends on area)

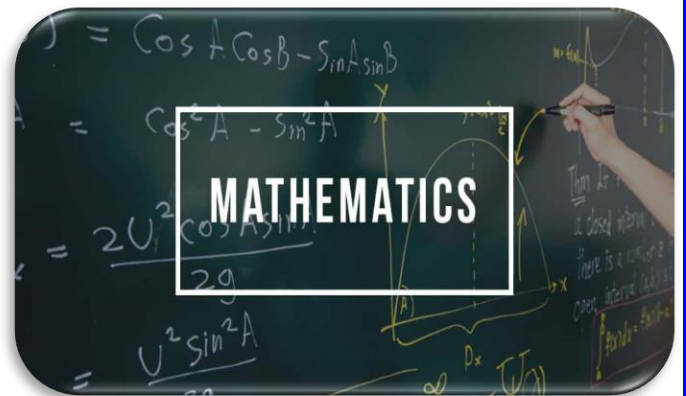
Rental Rate: \$12 (Nat'l avg - Equip rental supplier)

Let's take the price and divide it by the additional revenue we will receive by owning the air mover as opposed to renting it, and the result is your ROI:

$$\text{\$320} / \text{\$16 (\$28-12)} = \text{20 DAYS OF USE}$$

Simply put, it will take you 20 days on a project to recoup the investment in that piece of equipment. That defines your ROI. If you can't get that piece of **additional equipment** out 20 days in the next six months or so, then continue renting. Use your money for other parts of your company that can make you even more money.

The optimal amount of equipment for your company is the amount that you need all the time - and not one piece more!



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[How Do I Create Business Goals?](#)



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