



Sauer Compressors **USA**



AIR COMPRESSORS: Usership vs. Ownership
> Consider Customer Demand & Lead Times



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*All manufacturers, regardless of industry, application, size, or sales, will reach a point where a choice must be made between **Usership vs. Ownership**.*

Over time, factors like market dynamics, technological advancements, and economic conditions frequently challenge manufacturing companies. These factors can threaten your means of operation, management techniques, and success.

These factors tend to fluctuate which brings changes that can alter your needs. It can cause you to question standard approaches or ways used for years. For example, equipment may have always been handled with usership rather than ownership. However, this may no longer be the best choice to meet current and future needs.

Therefore, a periodic evaluation is necessary to ensure your current needs are met and what has been chosen is still the best option. To determine what's best you need to research, compare, and evaluate the options of usership and ownership.

As part of your research, you should review the advantages and disadvantages of each option. You will find some shared advantages, and others that are unique to an option. The review should also include the factors of customer demand, lead times, global supply chain demands, capital budget restrictions, and operating budget.

Usership Can Bring Fast Delivery

Electing to go with **Usership** can often result in faster delivery and better equipment models with updated technology. Plus, repairs, maintenance, parts, and service costs are already covered by the equipment provider. You also have 24/7 technical support, which, especially with continuous running operations, is a great benefit.

The Usership option also puts less strain on cash flow and since you can make smaller payments over time. You also do not have to deal with asset depreciation.

But as with anything, there are drawbacks that need consideration as well. For Usership the costs go higher when you use the equipment over an extended period of time. Plus, it limits your return on investment. Yet despite the negatives, Usership can be your best option if your need is short-term.

An example would be when equipment breaks down and you need a temporary replacement fast to continue operations. Another is when you have a bigger than most order and need to temporarily expand your production capability.

Ownership Can Save Costs

The **Ownership** option adds dependability to production and maintains its value due to a long-life cycle. Instead of payments, you have a one-time capital



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investment, and the liabilities are deductible from taxes. Plus, the equipment can be used as collateral for future equipment loans. Therefore, the Ownership option is more suited for long-term use.



Sauer USA Air Compressors can come in sound attenuating enclosures.



How to decide which is best for you?

Before deciding on Usership or Ownership for your production equipment, it behooves you to also consider the percentage of utilization, cost of utilization, impact on the bottom line, and duration of need. Calculating, comparing, and evaluating each one will help you navigate through choices and select the best choice for your needs, process, and company.

1. Percentage of Utilization

The Percentage of Utilization is the amount of time you anticipate there will be a need for equipment in manufacturing. An example would be an air compressor that is commonly used. To determine a percentage the basic formula below is used:

$$\frac{\text{Number of billable hours}}{\text{Total available hours}} \times 100$$



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The higher the need or utilization rate, the more affordable Ownership becomes. But when the percentage of utilization falls below 40%, Usership may become a more cost-effective option.

2. Cost of Utilization

When you think about equipment operating expenses, do you automatically think of parts, repair, labor, and other maintenance costs? What about other important variables such as electricity or fuel consumption costs, installation time, and ease of operation? Keep in mind as the total operating hours rise, so do equipment costs. The risk of breakdowns rises too, which can lead to shut downs. Newer equipment avoids these costs and brings higher reliability.

3. Impact on the Bottom Line

Ownership may or may not be an option depending on your capital budget restrictions. If there are caps on the amounts you can spend to purchase equipment, you may need to consider the Usership option. Userships payments usually come from that manufacturing operating budget.

There also may be funds available from other sources such as the U.S. Government. They often have programs for small business loans, stimulus aid, and government grants for purchasing manufacturing equipment.

4. Duration of Need

Duration of Need can play a significant role in the decision of

Usership vs. Ownership. It can quickly increase operating expenses depending on the length of time the equipment is needed.

For example, if you elect to go with Usership for an air compressor and it is used only for a month, you will usually have chosen the best and least expensive option between Usership vs. Ownership. Plus, you have 24/7 technical support at no additional cost.

But if you have an unexpected equipment failure that stops production, and you decide to use a rental unit for the long term, it will usually become a profit eater. It will be the much more expensive option.

Renting or Buying Doesn't Need to be Mutually Exclusive

Of course, renting and buying need not necessarily be mutually exclusive. A combination of both is quite common and, in many circumstances, recommended. By renting a proportion of your base and/or reserve capacity, you retain maximum control while sharing the liability during peak production.

Combining both also adds an extra buffer of reliability to your operations. Flexibility and agility also become possible for peaks in the sales cycle. Costs are also kept down within company perimeters, and you have effectively safeguarded the bottom line.

Plus, it brings peace of mind that your machine park – the means with which you create value as a business – is in the hands of trustworthy specialists.



—Usership Example —

Steel Manufacturer Avoids Losses by Finding Sauer USA

Industry:

Steel Manufacturing

Problem:

Loss of High-Pressure Air for Descaling

Solution:

Sauer USA & HP WP4351 Air Compressor

The largest steel manufacturer in the U.S.A. was unexpectedly hit hard by an unexpected event. Suddenly, the flow of required compressed air for descaling stopped. An air compressor failed and forced the plant to shut down.

The descaling process is critical for removing oxide deposits. It is done with compressed air or water from a heated stock, either before or during forging operations.

Quick recovery from the failure was questionable given the current supply chain constraints like long lead times throughout North America and beyond. Shutting down the entire production facility for an extended period of time was not an acceptable solution.

After multiple conversations with every major compressed air manufacturer, they could not find a single compressor that could be delivered immediately. Fast forward to a call with Sauer Compressors USA, who within two



WP4351 Sauer USA
Air Compressor

hours had a high pressure WP4351 air compressor on a dedicated truck headed to the facility.

The rental compressor arrived and was in operation in less than two business days, and the plant was producing steel immediately. The customer was so satisfied they also purchased an identical unit from Sauer Compressors USA and the lead time was of little concern.



— Combined Usership & Ownership Example —

PET Manufacturer Saved by Sauer USA Rental Availability

Industry:

PET Manufacturer

Problem:

Dryer suffers catastrophic failure

Solution:

Sauer USA & Refrigeration Dryer



After three years of successful operation, a U.S. based PET (polyethylene terephthalate) manufacturer suffered a catastrophic failure. The tubing for the heat exchanger exploded, sending metal shrapnel and plumes of smoke into the air. It left production with no way to remove moisture from the system and brought the entire facility to a standstill.

The end user remembered right away Sauer USA's rental line of ancillary components. They made a single call to their distributor of Sauer USA. In less than two hours a rental refrigeration dryer was on the road and installed.

The entire facility was down for less than three shifts despite average refrigeration dryer lead times of weeks to delivery with most multiple providers. Plus, it provided the facility with an opportunity to slow down and review all the options provided. They had the



Sauer USA Refrigeration Dryer

time to make an informed decision and select the best offering.

That happened to be a Sauer Compressors USA refrigeration dryer which carried the best price & lead time. Plus, Sauer USA was the only supplier that could provide the exact unit which was their first choice.