



# Sauer Compressors USA



**AIR COMPRESSORS:** Usership vs. Ownership

➤ Considerations and Factors

Something fascinating is happening in the global economy right now. In industry after industry, unit sales are down, but consumption is up. And all those industries are healthy and growing. On the consumer end, we are streaming our music and movies, and more and more of us are using rideshares and renting cars. The list goes on. A growing trend shows that the usership model aligns with today's society, where short-term flexibility and convenience trump long-term ownership. But does the same logic apply to your manufacturing equipment? All manufacturers, regardless of industry, application, size, or sales, will reach a point where they will need to consider and weigh the differences between **Usership vs. Ownership**.

In production equipment, making the best choice for your company, its needs, and your bottom line requires consideration of several factors. They include customer demands, lead times, global supply chain demands, capital budget restrictions, and operating budgets. Considering all these factors can help determine if owning (ownership) or renting (usership) is best for your organization.

### Usership Can Bring Fast Delivery

Electing to go with **Usership** can often result in faster delivery and equipment models with updated technology. In addition, the equipment provider covers repairs, maintenance, parts, and service costs. You also have 24/7 technical support, which greatly benefits you, especially with continuous running operations.

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

But as with anything, some drawbacks need consideration as well. For example, with Usership, the costs go higher when you use the equipment over an extended period. 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 fast temporary replacement to continue operations. Another is when you have a larger order and need to expand your production capacity temporarily.

### Ownership Can Save Costs

The **Ownership** option adds dependability to production and maintains its value due to a long-life cycle. You are only to pay a one-time capital 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 offers sound attenuating enclosures for purchase or rent.*





## How To Decide Which Is Best for You?

Before deciding on Usership or Ownership for your production equipment, it would benefit you to consider the percentage of utilization, cost of utilization, impact on the bottom line, and duration of need. Calculating, comparing, and evaluating each will help you navigate choices and select the best choice for your needs, processes, and organization.

- **Percentage of Utilization**

The Percentage of Utilization measures the percentage of the scheduled time that equipment is either expected or observed to work. An example would be an air compressor system that is commonly used. A basic formula is used to determine the percentage.

$$\frac{\text{Hours the machine ran}}{\text{Total available hours}} \times 100$$

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.

- **Cost of Utilization**

When you think about equipment operating expenses, do you automatically first think of parts, repair, labor, and other maintenance cost? What about electricity or fuel consumption costs, installation time, and ease of operation? As the total operating hours rise, so do equipment costs and the risk of breakdown that can lead to shutting down. Newer equipment avoids those costs and brings higher reliability.



- **Impact on the Bottom Line**

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

There could also be funds from other sources such as the U.S. Government, small business loans, stimulus aid, and government grants for manufacturing equipment.

- **Duration of Need**

Duration of need can play a significant role in the decision of Usership vs. Ownership. Operating expenses can quickly increase depending on the length of time the equipment is needed. For example, suppose you elect to go with air compressor Usership and use the equipment for only a month. In that case, 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 in the long-term, it will usually become a profit eater and be very expensive.

## **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 become possible for peaks in the sales cycle. Costs can be kept down within company perimeters, and you have effectively safeguarded the bottom line.



## Usership Example

### Steel Manufacturer Avoids Losses by Finding Sauer USA

**Industry:**

Steel Manufacturing

**Problem:**

Loss of High-Pressure Air for Descaling

**Solution:**

Sauer USA & WP4351 Air Compressor



The largest steel manufacturer in the U.S. utilizes high-pressure air in various stages throughout the steel manufacturing process. They were unexpectedly hit hard when the dedicated high-pressure system for their descaling process suffered a catastrophic failure resulting in the shutdown of the plant. (Descaling is the process of removing oxide deposits with compressed air or water from heated stock, before or during the forging operations.)

Given current supply chain constraints throughout North America and beyond, shutting down the entire production facility for an extended period due to a compressor down scenario was not an acceptable option. 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 to Sauer Compressors USA, and within two hours we had a high pressure WP4351 on a dedicated truck headed to our customer's site. The rental compressor arrived and was in operation in less than two business days, and the plant was producing steel immediately. This also led to the eventual purchase of the identical unit they rented from Sauer Compressors USA and lead time was of little concern.



WP4351 Hurricane  
Sauer USA Compressor  
Package



## 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. Luckily, no personnel were present in the compressor room and there was no serious injury incurred. Unfortunately, with no way to remove the moisture from the system the entire facility was at 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 products. In less than two hours a rental refrigeration dryer was on the road and installed.

The entire facility was down for less than 3 shifts, and successful operation was able to be achieved quickly. Refrigeration dryer lead times were in the 18 – 30-week delivery timeframe from multiple providers, however the facility was afforded the opportunity to slow down, review all provided options and make an educated, responsible decision on what they felt was the best offering. That happened to be a Sauer Compressors USA refrigeration dryer which carried the best price & lead time. The decision maker felt confident in the decision to purchase a Sauer dryer because the exact unit was operating the entire facility footsteps away.



Sauer USA Refrigeration Dryer



## Ownership Example

### Air Ship Manufacturer Looks to Reduce the Carbon Footprint of Aviation

**Industry:**

Research and Development

**Inquiry:**

Helium Filing and Recovery

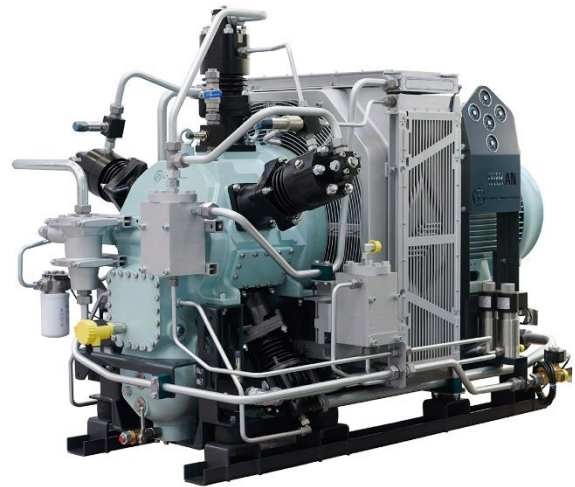
**Solution:**

Sauer USA & Orkan WP5173LH BasSeal Helium



An airship manufacturer reached out to Sauer USA in their quest to advance humanitarian aid and air transport in the face of climate change. Their project involved the process of helium filling and recovery. As this is a research and development project there were a lot of unknowns. Our sales team and engineering team worked with the research team of this organization to get all the details ironed out, such as, flow rates, number of compressors, control narratives and sequencing, and the need for additional Helium tanks and hoses.

Due to the confidentiality and privacy of this project a Non-Disclosure Agreement was signed by both parties. All teams were receptive and kept the conversation going daily to ensure a promising solution for the customer's project. A decision was made within four months that two Orkan WP5173LH BasSeal He compressors producing 235 scfm @ 3600 psi outlet would fit the scope of the project.



Orkan Series  
Sauer Compressors USA

Sauer USA was able to provide an air ship delivery method to get the compressors delivered to the end user in a timely fashion.



## About Sauer Compressors USA

Sauer Compressors USA specializes in manufacturing medium and high-pressure air and gas compressors for naval, commercial maritime, offshore, research & development, and demanding industrial applications. Industries worldwide rely on Sauer piston compressors for pressures of up to 7,250 PSI to control process and production using high-pressure air or gas. In addition to air, Sauer Compressors is saturated in the CNG, N<sub>2</sub>, He, and inert gas markets. Sauer USA, located in Stevensville, MD, is an affiliate of J.P. Sauer & Sohn, headquartered in Kiel, Germany.

Rated for continuous duty, all compressors have been field-tested in the most demanding applications and extensively refined to provide true 24/7 reliability supported by the Sauer Lifetime Warranty. Sauer Compressors is the global leader in the medium and high-pressure compressor markets with a reputation for reliability and life cycle product support.

### QUALITY ASSURANCE

Sauer Compressors is ISO-9001 Certified. Our inspection process has been qualified to U.S. Department of Defense MIL-I-45208A requirements. Our parent company, J.P. Sauer and Sohn, is ISO 9001 certified.

### COMPLIANCE WITH CLASSIFICATION SOCIETY STANDARDS

Sauer Compressors USA Inc. equipment is type approved by all major classification societies (ABS, Lloyds, GL, DNV, etc.). Most of our military grade compressors are shock tested to US Navy Grade A shock requirements.

