

# RATES, WORKERS AND MERGERS

Canada's rental industry from 30,000 feet

**T**he rental industry in all of North America continues to prosper and grow," notes Greg Hutchinson, who owns Economy Rental Centre in Leamington, Ont. "We are lucky to be involved in such an industry. Many others are not seeing the current and projected growth that we are."

by TREENA HEIN

At the same time, thorny challenges face Canadian equipment and event rental firms, both large multinationals and small independents. As you might guess, many of these challenges affect other industries as well. One challenge topping Hutchison's list is the many layers of bureaucracy that rental companies have to deal with these days, including various permits, licenses and inspections. Indeed, he describes this aspect of business operation as "at times overwhelming." And while there may not be much one can do about this challenge except look for efficiency opportunities and just plain plow through, the same might be said for another on Hutchison's list: having to justify and explain rates to customers, both contractors and homeowners.

"Obviously our rates need to rise over time. At the same time, consumers are inundated with media offers for products at discounted rates," he explains. "An example could be a water pump. We rent only the best industrial pump available, but the customer sees a pump advertised at a big box store for a nominal cost. The customer suggests they are paying too much for the rental. We have to spend time being polite and respectfully explaining why we charge what we do."

Keeping up with technological advancements is a critical challenge for today's rental industry in the mind of Earl Ducharme, vice-president for Canada at HERC Rentals. "Leveraging technology to meet customers' needs is important today and will continue to be an accelerator in driving customer

experience," he asserts. "In a service-based industry that rents equipment, the ease of doing business – I call it the hygiene (on time delivery and pick up, equipment that is safe and productive, invoice accuracy, etc.) – is expected, and technology will be an accelerator to assist in delivering a differentiated experience for those companies that are truly listening to their customers."

Finning Canada is also putting an emphasis on offering cutting-edge technology to customers, considering it a "major contributor" to growing its business. Having machines available equipped with telematics devices that enable remote monitoring, digital inspection apps and other solutions, notes senior vice-president of rental and strategy, Jordan Reber, improves both equipment performance and the rental experience.

Significant merger and acquisition activity in the sector will likely continue well into 2019, reports Mike Maltby, owner of Ingersoll Rent-All in Ingersoll, Ont., and president of the Canadian Rental Association. While mergers and acquisitions may present challenges for some in the industry, Maltby says they also presents many positives for customers. This includes higher-quality products and an increased professionalism and customer service level that comes with higher-calibre and better-trained employees.

## STAFFING WOES

Perhaps the biggest current industry challenge – and nothing new – is the need to find and



As the big chains aim to specialize in profitable niches, many feel there will be increased room in the market for the traditional rental store with its wide variety of offerings for the homeowner and small contractor.

keep good employees. “The rental business can be very demanding with long hours and very busy days,” Hutchison observes. “It’s hard to find staff who are happy working under those conditions.” Jeff Campbell, owner of St. Thomas Rent-All in Ontario, agrees that the issue of recruitment and retention is quite serious. “It’s harder to find long-term career people,” he reports. “For us, growth is limited to labour.”

Ducharme is of the same opinion. “Net new talent attraction into the industry with a defined career path will be important through the mid-term,” he says. “This applies to all areas of

the business: operations, sales, logistics and leadership. There is a growing ‘war for talent’ in skilled trades as many organizations and industries compete in an arena characterized by an aging population and diminished supply of new entries into the market. Wage inflation is already beginning to occur in many areas of the country.” Ducharme adds that the need is intensifying to transfer the knowledge and skills of many long-tenured team members nearing retirement to younger staff.

Like many others, Hutchison has found it necessary to be creative in

finding and keeping good workers. Beyond paying competitive wages, he offers perks like as paid lunches. Another strategy used by many in the industry is to never lay employees off. “In today’s world, you’re going to do everything you can in to keep a great employee, even if you take a loss in the winter,” Campbell says. He also believes there is lots of room for more female employees in rental businesses and that he’d like to hire more of them, “but it’s hard to attract them for a few reasons, one being simply because it is a male-dominated industry.”

In order to ensure the knowledge

and skills of experienced employees about to retire is passed on to younger workers at HERC, Ducharme lists flexible work arrangements as a possible part of the answer. "There's no simple solution," he notes. "However, companies that have a clearly defined strategy to attract, train and develop and define their value proposition well – in terms of being an employer of choice – will have a competitive advantage."

## MULTINATIONALS AND INDEPENDENTS

The rental industry landscape in Canada and in other countries (as it is in many other industries, such as food service) features a mixture of independent and larger chain players. Maltby notes that multinationals have been around for decades, and that independents have learned how to adjust their business models, customer targets and inventory

to compete and thrive. He says the marketplace decides what model is best for independent rental operators. "Independents," he says, "have learned through the years how to compete and how to exploit niches in the marketplace that the larger companies may not have the time to pursue, or feel the return does not meet their objectives. However, those can be very profitable niches."

Economy Rental Centre is one example of how this is done. Hutchison focusses on developing various strengths and building relationships. "We make no attempt to compete with the discounts but do continue to offer quick, reliable service to our customers," he says. "Multinationals do an excellent job of offering large quantities of equipment on large construction projects. We do an excellent job of providing the day-to-day needs to the same customers."

He also feels that it's important for independents to have positive ties with multinational firms. "It allows us opportunities to re-rent equipment when needed and also it can work the other way with us supplying a multinational at times," he explains. "I personally have a good working relationship with all the multinationals who serve our area and think it would be foolish not to."

Campbell agrees that he can't compete with "the big guys" in terms of some prices and volumes and doesn't try to keep the same roster. To stay competitive, St. Thomas Rent-All pools resources with two other independents in the region. "We move equipment around all the time among us, filling in a big fencing order with help from the others, things like that," Campbell says. "With this arrangement, the justifications are there for buying some pieces of equipment and it makes us all stronger. I know there's at least one other group in Ontario that does the same sort of thing. Some multinationals do work together out west."

For his part, Ducharme characterizes re-renting as a fairly common practice in Canada with subtle differences by market. However, he says that "at HERC Rentals in Canada, it's about servicing the customer and re-renting should be used to augment customer service in times of high equipment demand and

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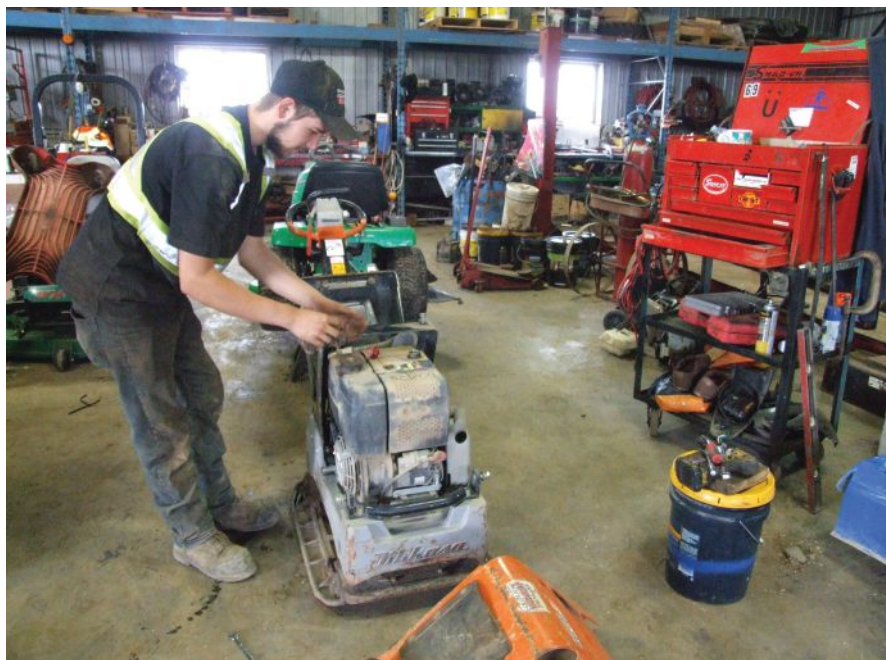
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only for short-term purposes.” Reber says Finning has a good working relationship with independent and national firms and that renting goes back and forth as required. “Our equipment inventory is typically larger and more specialized,” he adds, “so often we are also a clearinghouse for a lot of items for other rental houses looking to purchase equipment.” Overall, Campbell believes that if independents keep their focus on their true identity, they’ll succeed. “The rental business changes all the time, year by year, minute by minute, and things will continue to change,” he notes. “I think it’s easier for independents to adapt. But as an independent, you have to be willing to put in to get out. You have to have a personality that can adapt. If that’s the mode you want for your life and that makes sense to you, you’ll do fine. It’s a lifestyle, not a job.”

Hutchison also believes it’s important for his success to give back to one’s community – by standard means such as sponsoring sports teams but also through contributing use of equipment for community events. “Properly done, this can give excellent exposure and pay dividends,” he says. “Equally important is a social media presence. As old-fashioned as some people are, social media is the way to reach many people at little or no cost. Traditional advertising and promotional methods have to be looked at closely. Most are expensive and not as effective as they were years ago. The ability to change how you do business is important.”

Some owners of independents look to large chain firms when they want to sell and retire. For those independent owners who are looking to sell in the next few years, Maltby says some industry advisers believe now might be a good time to do it. Values are high and there is interest from investors who are eager to join a growing industry, as well as from larger companies wanting to expand. “However, if owning a rental store is your life’s ambition and what you want to do, there is nothing that should stop you from remaining an independent,” he says. “Rental store owners are resilient and will find new markets and new opportunities.” **CRS**



In general, the news and outlook is good for the equipment rental business across Canada. Change will come as a function of success in the form of new technology, new corporate ownership and new ideas from the next generation.



Relationships between franchise stores and nearby independents vary widely. In some areas, they compete tooth-and-nail. In others, they share and re-rent equipment.