

RentIT: Equipment Rental Services

RentIT is an equipment rental company (also known as a “plant hire” company) providing a wide range of construction equipment on demand, all the way from minor equipment items such as water pumps and drillers, to major equipment such as bulldozers, crawl dozers, and cranes.

RentIT receives orders mainly from construction companies, with which it maintains long-term relations. To maintain these relations, sales representatives meet periodically with existing customers to understand their upcoming demand for construction equipment, to find ways of better satisfying their needs, and to negotiate special deals and discounts.

The main process at RentIT is the order-to-cash process, which starts when a new Purchase Order (PO) is received via its information system. The PO specifies the equipment to be rented and the rental period, among other details.

When a Purchase Order (PO) is received, a sales representative at RentIT checks the PO and the availability of the equipment requested in the PO. This may lead to one of three outcomes: (i) the PO is accepted; (ii) the PO is rejected, in which the customer is informed and the case is closed; or (iii) a question is sent to the customer. In the latter case, the customer should provide a response within three days. If the customer does not respond within this delay, a reminder is sent by RentIT’s information system, and if the customer has not responded three days after the reminder, the PO is cancelled. When a customer responds to a question, the sales rep can accept the PO, reject it, or ask another question to the customer – in this latter case, the above three-day delays for sending reminders and for cancelling the PO are applied again.

Once the PO has been accepted, RentIT’s information system marks the corresponding equipment item(s) as “busy” for the duration of the rental. The system also automatically schedules the delivery and pick-up of the equipment from/to the warehouse where the equipment is located. Deliveries and pick-ups are outsourced to an external logistics partner company. Whenever RentIT accepts a PO to rent an equipment, it needs to send a PO to the logistics partner company to request them to undertake the delivery.

A customer can send a request to cancel a PO, in which case the equipment is freed up and the delivery is cancelled (i.e. the PO that was sent to the logistics partner company is cancelled). A cancellation request must be received at most 24 hours before the start of the rental period. If a cancellation request is received too late, it is rejected.

On the due date, the logistics company picks up the equipment from RentIT’s warehouse and delivers it to the construction site. At the site, an engineer of the construction company (called a “site engineer”) checks the equipment together with the logistics agent. In general the delivery is accepted. Occasionally though, the site engineer rejects the delivery. There can be two reasons for rejection: (i) because of an error of the customer or because the customer changed its mind; or (ii) because of a defect in the delivered equipment or an error attributable to RentIT. In the former case, an invoice equivalent to the cost of one day of rental is sent to the customer and the payment procedure described below takes place. In the latter case, the sales rep is alerted by RentIT’s information system. The sales rep contacts the customer

immediately to negotiate an alternative arrangement. This may lead either to cancelling the PO or scheduling a new delivery as soon as possible.

Normally, the equipment is picked up on the end date indicated in the PO. It may happen however that the customer asks for an extension to the deadline by sending an updated purchase order (also known as a "PO update"). When a PO update asking for a deadline extension request is received, the sales rep checks if it is possible to grant the extension. If so, the deadline extension is recorded in RentIT's information system. If an extension is not possible, the deadline remains unchanged. In both cases, the customer is informed. When an extension is accepted, an "updated PO" for the pickup of the equipment is automatically generated by RentIT's information system and sent to the logistics partner company.

Once the equipment has been picked up, RentIT issues an invoice for the amount indicated in the latest version of the PO. Invoices should be paid 14 days after they are issued. If payment has not been received within this delay, a payment reminder is sent to the customer. If no payment has been received 14 days after the invoice was sent, the invoice is put on debt collection.

It may happen that the customer disagrees with an invoice. In this case, the sales rep contacts the customer, and amends the invoice if required. This leads to an amended invoice being issued. The customer has 14 days to pay after an amended invoice is issued (after which the same process as above for payment reminder and putting into debt collection is followed).

When an invoice falls into debt collection, the sales rep tries to negotiate a special repayment agreement with the customer. Generally, this leads to a repayment within a few weeks. In very extreme cases where the debt is still outstanding after two months of the invoice due date, the invoice is sold to a debt collection agency.

The equipment that RentIT holds is stored in one of several warehouses. Every piece of equipment undergoes periodic maintenance. When an equipment is due for maintenance, a repairs & maintenance supplier comes to pick it up (there are several such service suppliers for different types of equipment). The same supplier delivers the equipment once the maintenance is completed. The same applies when a piece of equipment breaks. In some cases, the equipment breaks while it is located at a customer's premises. In this case, the repairs service supplier picks up the broken equipment from the customer's site, or in some cases, it performs an on-site repair. If the equipment becomes unavailable while it is in use by a customer, the sales rep dispatches an alternative piece of equipment to the customer site. If this is not possible, the original purchase order is updated accordingly, in such a way that the customer is only billed for the days the equipment was in use. The sales rep might apply a special discount in case an equipment breaks while in use.

RentIT needs to handle inbound invoices from repair service providers and from their logistics provider in addition to invoices arising from indirect procurement. RentIT also needs to make recurrent payments for equipment leasing. In order to optimize cash flow, RentIT does not actually own the equipment it rents out but it rather sources it via equipment lessors. The Chief Financial Officer (CFO) and his team are responsible for strategic sourcing of equipment, which involves planning new equipment acquisitions, retirement of older or broken equipment and negotiation of terms with the equipment lessors. The CFO and his team are also responsible for financial planning and budgeting, financial monitoring, approval of major expenses,

and compilation of the quarterly and annual financial reports. On the other hand, the team of the Chief Operations Officer (COO) oversees the management of the warehouses, human resources, IT systems, office facilities, relations with the logistics service providers and relations with the repairs and maintenance service suppliers.

Finally, the Sales and Marketing Director oversees all sales representatives, and together with his team, he oversees all activities related to marketing, acquisition of new customers, and strategic development of relations with the large customers. When a new customer is acquired, RentIT signs a framework agreement with the new customer. The framework agreement specifies the terms for rental of equipment (e.g. what happens if the equipment is damaged while in use). It also specifies all discounts that the new customer will get relative to the standard “catalogue price” of RentIT’s rental services, as well as all fees for additional services and penalties.