



Buying equipment? Equip yourself with knowledge

Somebody just replaced your old photocopier machine with a Model DH17RW3 Remote Web-enabled Printer-Fax System. Your office manager said "You absolutely have to have this! It's cool." But frankly, you have no idea what it does or how it's going to help you run a better business.

Sound typical? Like many entrepreneurs today, you may need to polish up on your equipment planning and purchasing skills. After all, equipment is a costly capital expense that can nibble at your profits, so you want to be as well-versed on the matter as possible.

"Don't get caught up in the glamour of buying new technology or trying to grow too fast. It's very important to assess your needs carefully and then make the right decisions," says Lesley Lawrence, Senior Manager Loans, Business Development, Mississauga Branch, BDC.

At the top of Lawrence's to-do list is to first ask yourself what concrete benefits that the equipment can provide your company, and this applies particularly in capital-intensive sectors such as manufacturing. It may help to jot down these key questions. Is this equipment going to help your company grow? Will it be cheaper or quicker to manufacture your product? Are your profit margins going to improve? In the end, how will the equipment improve your productivity?

Get the knowledge first, equipment second.

Answering these questions may not always be easy, especially for start-ups and young companies with little experience. "To gain knowledge, you have to make the best of your networking opportunities," emphasizes Lawrence. She highly recommends that entrepreneurs find out trends in the industry by hooking up with similar companies, industry associations and export groups, as well as by attending tradeshows. "Don't stay in the dark when it comes to purchasing equipment. Just going online will give you access to a wealth of information that you could use to help make wiser decisions," she adds.

Another sound piece of advice Lawrence offers business owners is to ensure that they get valuable feedback from customers. "Ask them outright whether or not they think your equipment purchase adds value for them," she says. Too often entrepreneurs are ready to switch their equipment on before they actually have the customers in place to pay for it. "By checking it out with your customers, you can make sure that your new equipment meets their specific needs," she adds.

Ask the experts for a hand

When it comes to assessing your business needs, Lawrence recommends that small business owners seek outside help, if necessary. A good start, she feels, is working with management consulting organizations such as the [BDC Consulting Group](#). For example, they can help entrepreneurs assess, develop and implement a productivity improvement plan, which may involve purchasing equipment or simply working with an outside contractor who can do the job faster and cheaper.

The BDC Consulting Group also offers clients its [Growth Potential Assessment Tool](#), an in-house audit that helps organizations determine their weaknesses and strengths. "You may discover, for example, that your senior people aren't technologically-driven, so that you need to seek external expertise on buying equipment," explains Lawrence. Using the Growth Potential Tool could also lead to developing a broader Business [Strategic Plan](#), which would provide you with long-term strategies that incorporate equipment purchases and improve your competitiveness.

To buy or to lease? That is the question.

A key issue on many entrepreneurs' minds is whether to buy, lease or rent equipment and the respective advantages. "The best advice on this matter is to talk to your accountant first before making a decision," says Lawrence. Although there are some general rules of thumb about buying and leasing, it's a smarter idea to check the complex tax issues with a specialist first. "For example, you may not know the difference between an operating lease or a capital lease. Both will yield different results on your taxes," she says. In the end, business owners want to make informed decisions that are based on expert counsel and that save them money. "Your accountant will know all the loops here," she adds.

Get the right financing from the right place

One of the main downfalls for entrepreneurs buying equipment is failing to consider the extra costs of delivery, installation, employee training and downtime. "These costs can have an enormous impact on your business performance, so you have to be able to cover them off," explains Lawrence.

BDC provides **flexible financing** specifically designed for purchasing equipment. Clients can get between \$100,000 and \$5 million to purchase new or used equipment that will increase their productivity and ultimately sharpen their competitive edge. The percentage of the total cost financed is based on the company's repayment ability. "The Bank will work with you to find flexible payment plans that meet your needs," says Lawrence. What's more, manufacturers can obtain up to 25% in additional financing for costs related to installing and assembling the equipment, training employees and related consulting services. "You can't underestimate the high cost of training people to use new equipment," she says. "New equipment is only productive if your people can run it safely, efficiently and cost-effectively," she concludes.