

# Buying Used Equipment: Is It Worth It?

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A lingering sluggish economy in some areas of the country has made used distribution equipment abundantly available. Surviving businesses needing to do more with less are looking at used equipment to help increase productivity and efficiency in their warehouses, seemingly at a lower price than new equipment. But, *caveat emptor*. The aggregate cost of used equipment may be more than you expect.

## Other Costs

Several factors should be considered before purchasing used equipment. First, consider the type of equipment. For example, conveyor systems and accessories are more complex in design than other material handling equipment. Moreover, the conveyor vendors have a product niche which makes it challenging to find the required quantity of the same brand, and with all the parts intact. Combining new and used parts makes integration more difficult, time consuming and expensive.

In contrast, storage equipment such as pallet rack, decked rack, carton flow rack, and shelving, and miscellaneous items such as workstations, carts, totes, and bins, are simple in design and readily available in the used market. They are easy to install and integrate with other brands. Still, sometimes it is difficult to find the required quantity with specified dimensions. If this is the case, you may have to adjust storage system specifications or floor operations.

Generally, only the price of hardware is quoted, not costs for de-installation, delivery, installation, refurbishing, mechanical and electrical engineering, testing, debugging, and maintenance. These costs, depending on type and complexity of equipment, can easily exceed the price of purchasing new equipment.

Sometimes, the supplier may sell equipment in an "as-installed" state, and you would be responsible for equipment de-installation and transportation to the new site. De-installation costs can be significant.

You will have to bear the cost for mechanical and electrical installation whether purchasing used or new equipment. Labor costs vary according to the installation crew's familiarity with a specific manufacturer's product line and the condition of used equipment. Installation costs for automatic equipment, such as conveyance, and automated storage and retrieval systems, also differ, depending on used or new equipment. A combination of used and new parts/accessories consumes more time and effort in purchasing, installing, and integrating different electrical equipment. Be sure to determine, beforehand, the cost of configuring a controls system to run automated systems from different suppliers.

The amount of necessary repair or refurbishing often cannot be identified until after equipment is received. It could be damaged during de-installation and/or the delivery process, because used equipment is typically not packaged as carefully as new equipment.

The cost of maintaining used equipment becomes a factor soon after purchase, since part of the equipment's *life* has been spent. If this cost is not considered during initial calculations, it could be an unexpected financial burden for you.

## Safety & Reliability

Reliability and operator safety is a big concern with used equipment, especially with storage

racks. Moreover, unavailability of specified equipment may force you to compromise on specifications, which could affect equipment integrity. Neither the used equipment supplier nor the OEM will assume liability, nor provide safety certificates for the equipment. Be sure to understand what the impact will be on your liability insurance coverage and premium.

## Project Management

Managing an implementation of used equipment is a daunting task, especially if it involves multiple vendors. Installation procedures vary from one manufacturer to another. Make sure the project manager has the right background with project management, equipment installation, and vendor coordination. Maintaining a project schedule of this sort requires an innovative approach to project management.

Used equipment is usually ready for delivery, which makes it a very attractive option in a fast track project. However, because the condition of equipment and accessories cannot be evaluated in detail until after delivery, you may find that it is damaged, non-specified, or unclear. Parts, lost or misplaced during de-installation or delivery, may have to be ordered. Integrating imperfect equipment is a challenge, and the project schedule is at risk for not being met.

Grouping and arranging equipment during de-installation with re-installation steps in mind saves time. Additionally, using the same crew

for de-installation and re-installation assures complete knowledge of the equipment, and expedites the installation. The same crew can also identify hardware-related problems earlier, and ensure that all parts are packaged in sequence for a systematic unloading, staging, unpacking, and re-installation at the destination site.

## Vendor Selection

Comparative shopping is challenging when purchasing used equipment. Even though equipment specifications are provided to the bidders, their quotes may not include exact specifications. This makes it difficult for an *apples-to-apples* comparison, and requires considerable time and effort in evaluating and selecting a vendor.

## Warranty

Used equipment does not come with the original manufacturer's warranty. As the cost of maintaining used equipment is significant, it is beneficial to negotiate a maintenance agreement with the supplier. It is important to realize that eventually you will pay, directly or indirectly, for higher warranty coverage. Identify and evaluate all the tangible and intangible costs of buying used. Remember, the greater the complexity of the system, the less money is saved from purchasing used equipment. Do your homework. Used equipment may not be as attractive as it first appears.

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