



An Insider's Guide to Maximizing the Trade-In Value of Your Equipment.

by Ty Etterlein & David Burns

*Give me six hours to chop down a tree and I will spend the first four sharpening the axe.
-Anon*

*Knowledge is power.
-Sir Francis Bacon*

Introduction

In time, every piece of machinery must be replaced. This may be due to changing needs, equipment reaching the end of its usable life-cycle, or the availability of new or upgraded technology. When this moment is inevitably reached, the value you receive from trading in your used equipment can go a long way towards defraying your costs. But often the owner fails to take the appropriate measures to maximize the amount received for their used hardware.

In this paper, we will give you a peek behind the curtain into how the trade-in price is determined. This will allow you to get the most for your equipment. The process actually begins as soon as you make your original purchase, and continues until the day you take it in for your next acquisition. We'll walk you through the six simple steps you can take to get the best deal possible. And in the process, you'll learn techniques to keep your equipment running smoothly and operating at maximum capacity.

Get It In Writing

On the day you purchase your machinery, there is already an opportunity to increase the final value you'll receive in trade-in. This simple matter is easy to overlook, but will pay dividends in the years to come. Don't be caught making this common error.

The first thing a buyer will want to look at isn't your machine, it's your *records*. Keep and store all documentation and paperwork you receive at the time of sale. This includes receipts, operations manuals, and copies of all warranty documentation (more on this last one later).

Keep a copy of any paperwork from repairs or maintenance done to the equipment, whether it is performed by yourself, the dealer, or a third party. These records should specify who carried out the work, what was done, and (often most importantly) the hours on the machine at the time of the work.

But what if you don't have these records for work already done? If the labor was done by the dealer, they should be able to provide you with a copy of the paperwork under your account. If it was done by an outside shop, you may or may not be able to get in touch with them after the fact. But every attempt should be made to obtain these documents.

When you present all records for the lifetime of your equipment, it does more than just provide a series of snapshots of your machine's history; it also demonstrates that you've been diligent in following proper maintenance procedures. The buyer can feel confident in the state of the machinery and in your integrity.

After all, what this documentation really amounts to is *proof*.¹ Proof that the work was done, verification that it was performed by a qualified technician, evidence that the machine was well cared for. Seeing is believing, and

this paperwork demonstrates all due care has been taken.



1 Schwartz, Eugene M. *Breakthrough Advertising*. 2nd ed. New York, NY: Boardroom Books, 1984. 199. Print.

Check Your Oil

The next step to maximizing your trade-in value ties in to the first. It will not only assist the inspector in assigning the correct valuation, but will ensure that your equipment is working as it should. This operation can detect issues early and allow appropriate corrective measures or repairs to be made before unnecessary damage occurs.

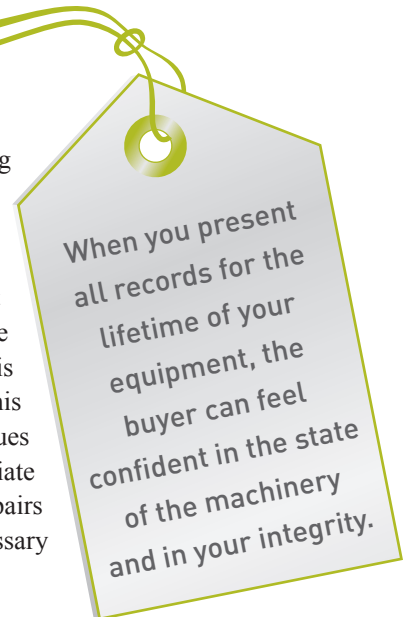
It's a minor expense that will more than pay for itself over the life of your equipment. What is this action? It's simple: when you change your oil, have a sample analyzed by a respectable lab.

*"In engines, oil analysis can provide information concerning the condition of the air intake system by monitoring the silicon (dirt) levels in the oil. The levels of iron and aluminum can warn of piston and cylinder wear before a major failure occurs. Bearing wear rates can be determined and action taken before the crankshaft becomes badly scored. Fuel dilution, anti-freeze leaks and water entry can be detected while they are still minor problems. The levels of contamination and combustion soot within the oil can indicate a restricted air intake system, ineffective oil filters, poor combustion or a rich air/fuel ratio."*²

It may seem like a small matter, but it can make a large difference. And this insignificant cost now will save you money throughout the lifetime of operation, and increase the amount of value you recover when trading in.

Of course, this also provides you with more documentation to present to the buyer, indicating not only that you followed recommended change intervals, but went the extra mile to take care of your equipment. It serves as a sort of "report card" on your machine. And, as we said before, don't forget to log your hours.

2 "The Benefits of Oil Analysis." *Machinery Lubrication*. Noria Corporation, 25 07 2012. Web. 28 Oct 2013. <<http://www.machinerylubrication.com/Read/29004/oil-analysis-benefits>>.



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Set The Stage

So now it is time to prepare for your upcoming sale. Even though you'll no longer be operating your equipment, you should make any small repairs or cosmetic improvements you can. Some examples: replace missing knobs, make sure all lights are working properly, and re-cover torn seats. Minor, low cost repairs. You should then steam clean and detail your machine, as this can make a significant impression to the inspector and, in case of a consignment sale, the potential buyer.

If you neglect these details, the dealer must pay a mechanic to attend to them, which costs him both time and money. Money which will come out of the final price you receive.

Dirty and worn-looking equipment just doesn't sell. Because if the owner couldn't be bothered to fix the damage you *can* see, it raises concerns as to the damage and neglect you *don't* see.

A well-presented machine shows care and pride in ownership to the prospective buyer. In the words of sales expert Dan S. Kennedy, "even simple cleanliness can be a powerful marketing tool."³

Know Your Audience

Before you go to the dealer, it's often worthwhile to do research on the present market.

Look for similar equipment at auction and on the open market; online or in person. Notice the state of repair of the equipment, the hours logged, and other similarities and differences to your own. This will give you a ballpark sense of the price you can expect to receive. It will also let you know whether there is much comparable equipment for sale, and if it's selling.

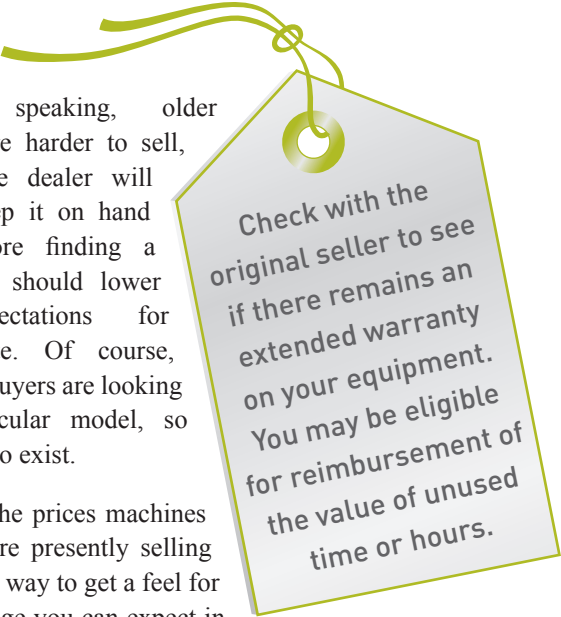
If items move fast, there's likely a high demand on the second-hand market, and you might expect a good price. If the same listings appear over an extended period, it could be that the seller is asking an excessive amount or that demand is low at the moment. So take these factors into account in your investigations.

See what your particular model and brand is going for. Small differences in items can often make large differences to the buyer, and therefore lead to widely different prices.

³ Kennedy, Dan S. *The Ultimate Marketing Plan*. 2nd ed. Holbrook, MA: Adams Media Corporation, 2000. 69. Print.

Generally speaking, older machines are harder to sell, meaning the dealer will have to keep it on hand longer before finding a buyer. This should lower your expectations for the estimate. Of course, sometimes buyers are looking for a particular model, so exceptions do exist.

But seeing the prices machines like yours are presently selling for is a good way to get a feel for the price range you can expect in a trade-in.



Check with the original seller to see if there remains an extended warranty on your equipment. You may be eligible for reimbursement of the value of unused time or hours.

Ask The Experts

There is an entire industry of third-party appraisers for used machinery. And in general, they will give you a valuation that they believe to be fair and accurate. But the buyer of your used equipment is under no compulsion to agree with this estimate.

The dealer will almost certainly do their own inspection before making the purchase. They will run through their checklist, examine things for themselves, and give you a firm purchase price. The entire process should be transparent and straightforward. And since trade-ins are often done on a consignment basis, there's little incentive for them to low-ball you. Most dealers will perform this estimate for free as part of the trade-in, and will stand by that number.

Hidden Value Guaranteed?

There is one final, often overlooked action you can take to add value at the time of trade-in. This is especially easy to miss when selling to a dealer that did not sell you the equipment in the first place.

You should check with the original seller to see if there remains an extended warranty on your equipment. If so, you may be eligible for reimbursement of the value of unused time or hours. Alternately the warranty may be transferable, which will add sell-on value to your equipment. So don't miss this opportunity to get the highest value for your machinery.

Conclusion

These steps are not complex. They do not require a large commitment of time or effort. Some of them may even seem obvious. But as Robert R. Updegraff said, “How many of us have sense enough to see and do the obvious thing? And how many of us have persistency enough in following out our ideas of what is obvious?”⁴ In fact, these simple techniques *are* frequently ignored, with sellers practically leaving money on the table. Don’t overlook these opportunities to maximize your equipment trade in value.

⁴ Updegraff, Robert R. *Obvious Adams*. New York, NY: Harper & Brothers, 1916. 9. Print.

ABOUT THE AUTHORS:

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