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RENT, LEASE, OR BUY ELECTRONIC TEST EQUIPMENT? HERE'S HOW TO DECIDE

by Amanda Wilson

▶ For every technology-driven business, it's a major concern to strike a tradeoff between high cost, constant maintenance, and calibration of new equipment vs. the need to conserve cash by renting or leasing.

Should you rent, lease, or buy?

A single answer will certainly not fit every company's needs. This article will give you clear, actionable points to decide which approach works best for you.

When to Rent, Lease, or Buy Test Equipment

Before deciding to rent, lease, or buy electronic test equipment, study the pros and cons via physical, economic, system, technology, and lifecycle analysis. These are explained below:

Evolving technology

Speed, performance, and technology of digital processors are changing at blazing speeds. New frequencies and improved analog performances can lead R&D teams to evolve their knowledge about test equipment constantly. If you're a product-based company, it depends on the time it takes to develop, test, and launch your product.

If it takes less than six months, it makes more sense to rent the electronic test equipment at a much lower monthly cost. On the other hand, if you're a service-based company that regularly tests and repairs electronic products, you may find it logical to purchase.

Certifications and compliances

Electronic test equipment itself needs to be regularly tested and calibrated in compliance with industry-wide ISO regulations. Without regular testing and calibration, you may get wrong results that defeat the whole purpose of using them.

If you own multiple test equipment across different departments, you may need a dedicated small team to track and manage audits, calibrations, and compliances. This is an additional operational cost over and above the capital cost of owning the equipment.

Small to mid-size companies may see sense in renting or leasing test equipment, where the responsibility of managing compliances lies with the supplier.

Long-term rental

If you need the equipment for more than six months, it may make more sense to calculate the cost of monthly rent

vs. purchase. You can also choose to lease the equipment for a limited duration, and subsequently buy it, if it makes business sense. You don't want to pay a rental amount that's eventually more than the actual cost of the instrument.

Cash flow in the company's books

Companies manage their expenses based on the cash flow in their books. If you have high sales and profits, you may have sufficient cash flow to lease or outright buy the equipment.

However, for startups with limited cash flow, it makes sense to pay a small rental amount every month that complements the available sales and profits. But then, once again, you may have to factor in the additional cost of certifications and regular calibration.

Tax liability

Buying expensive electronic test equipment costs tens of thousands of dollars. Large companies sometimes choose to offset their annual tax liability by buying the expensive test equipment outright and showing it as an expense in the books. This decision often lies with the senior management, accounts department, and tax advisors of the company.

You mustn't forget the cost of maintenance and possible obsolescence, and decide accordingly. Check with your supplier if they provide a buy-back option, which may recover some of the money you invested.

"According to a study by Frost & Sullivan, test equipment is effectively used for only 15-20% of its entire lifetime, leaving an expensive graveyard of obsolete instruments."

Terms & conditions of the agreement

It's important to read all of the terms and conditions, including the legal fine print in the agreement that you sign with the supplier. You don't want to get stuck with long-term inflexible contracts that end up costing you more than the cost of purchasing the equipment.

If you're a large company that needs multiple test equipment for a longer time, you can also ask for an attractive payment and post-sale service terms.

Renting, Leasing and Buying Options

Renting Options (Short-term)

It's suitable for the following scenarios:

- Temporary planned or unplanned projects.
- Peak load capacity requirements.
- Existing test equipment is out for maintenance or training programs.

With renting, you have no fixed time commitment and have the freedom to go for flexible short-term contracts. You needn't worry about obsolescence, maintenance and repairs, compliance, and regular calibration of the equipment. The supplier takes care of it and includes its cost in the monthly rent. You can also rent and test new technology before buying.

Leasing Options (Long-term)

Go for a lease if you can already foresee the time limit that you need to own the equipment. You can pay the fee as a one-time amount or a monthly installment, but the duration of the lease is pre-decided. Choose from the following options:

- *Finance lease:* Many customers who lease the equipment often end up buying it from the supplier after the lease period expires. In a finance lease, the contract is drafted such that the ownership of the equipment lies with the lessee at the end of the term.
- *Operating lease:* If you don't want to own the equipment at the end of the term, you can opt for an operating lease where the ownership will be retained with the supplier at the end of the term.
- *Operating lease with services/Service lease:* This is the most convenient, but at a slightly higher cost. In an operating lease with services, the supplier takes ownership of maintenance, repair, compliance, and calibration-related jobs for the duration of the lease.

Purchase Options

This is the preferred option for large companies who need multiple equipment and have to use them frequently. Such companies often work on large projects and may want to offset tax liability with fixed asset purchases.

- *New equipment:* As the name suggests, these are brand new products customized and calibrated to your project needs.
- *Pre-owned/ refurbished equipment:* These are slightly cheaper pre-owned and used testing equipment that was bought back by the supplier or returned after the lease period was over. Such equipment goes through rigorous functional checks, calibration, compliance updates, and cleaning to make sure that they give optimal performance.

Regardless of new or pre-owned equipment, you get attractive financing options, discounted rates, limited or lifetime warranties, and full-service support.

Choosing Your Electronic Test Equipment Supplier

No matter what your decision—whether renting, leasing, or buying—it all comes down to working with a high-quality equipment supplier that provides you flexibility in the terms and conditions, attractive pricing and great post-sales service:

- Begin by looking at the range of products offered by the supplier. The higher the range, the more options you will have to source your entire requirement from a single supplier.
- The supplier's technical team should have enough experience to advise you on the right product in your budget.
- Check the supplier's market reputation and its client base.
- The supplier should be able to provide you all of the options, including renting, leasing, and buying, as well as calibration services.
- The equipment supplier should be able to provide both new and used/refurbished products.

Electronic test equipment continues to evolve, and that makes buy, lease, or rent decisions more complex. But based on your company's size, budget, and other requirements, the above actionable points should make your job easier. [E3](#)

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