

# Challenges of a small tower crane rental company in CEE region

Berlin, ITC 2012 conference  
Tomas Vacek, JVS Cranes



## Presentation overview

### Market view:

- Quick overview of Central and Eastern Europe (CEE) tower crane markets
- Major tower crane buyers in the region

### Our (Consumer) view:

- Tower crane rental company and its challenges
- Consumer needs
- Choosing a strategic tower-crane supplier
- How do major developments in Western Europe effect our decisions.



## Markets in our interest



- 7 countries and 27 companies
- many languages spoken, many business cultures
- free market only for last 22 years, so lots of similarities
- market positions are stable; business culture becoming mature



## CEE overview – small rental firms are major tower-crane consumers

- market covered by our research had total GDP of about ½ of Germany's GDP or 2/3 of France
- total number of tower cranes in the region = 3800 (20% of total number of cranes in Germany and 38% in France)
- average age of tower cranes in the region = 20 years !!!
- 55% cranes rented, the rest owned by construction companies or for own use; this number is on upward trend and we expect it to grow to about 80%
- average age of rented tower cranes = 13 years; negative trend; rental companies purchase 5-10 year old cranes and sell very little out of region
- markets expected to grow 3% annually on average, construction is expected to stagnate in next few years



## CEE overview – analysis of tower crane rental firms

- established in 90-ties by enthusiasts (now in their 60-ties), which are still in operations or at least have full control of investments and strategy; most have become family firms.
- normally an organization of 20-30 people; rarely gets out of standard region of current presence
- mostly very financially healthy companies; financial figures show they're flexible in adapting to different market conditions; these firms have usually grown without any significant leverage; the cash-to-asset ratios have grown significantly
- Safety standards enforcement is improving



## Management handover – major challenge of local rental company

- People that have established some of these small companies 20-years ago are approaching their pension. They are losing their energy and passion
- Ideally a family member steps in and takes over, but not everyone is so lucky (liquidation of Ninamont)
- Some European firms have gone through a similar process of family handover. There's a lot to learn from.
- There will be chance that the market will consolidate in mid-term; currently there is no rental company covering larger regions and owners/directors of most of these firms are not against the idea of selling their baby



## Other challenges of rental companies

- Increasing number of repairs related to the weak elements/bottlenecks of new cranes: the electronic components, normally not on stock, because they're expensive
- Dependability on tower-crane producer for most “bottleneck” parts, no alternatives and thus shorter crane lives
- Longer break even point for new cranes, because cranes are much more expensive and service more costly
- Fear of large taxes to be paid due to slowdown in investments in previous years (low accumulated depreciation)



## Customer needs

### Our clients need:

- to trust us
- to deliver most effective solution
- quick service and no down-times

Our clients do not care so much if the crane is supplied with new electronic technology, nice designs, huge cabins, etc.

### So what tower cranes would I buy:

- simple, reliable tower cranes with no excess technology
- safe tower cranes that minimize risk of human failure
- quick support and delivery of spare parts (even during holiday seasons!)





## Choosing a strategic tower-crane supplier

- “JVS Cranes” is typical specialized tower crane rental company – renting only few crane-types from one producer
- 20 years ago JVS has decided that Liebherr would be the single producer. In last 20 years this cooperation has become a huge success for both sides.
- JVS decided to repeat the tender for strategic crane supplier in 2011. The RFP has been sent to major European and Chinese producers.
- The discussions are ongoing. In the meantime we have bought another 7 tower cranes from Liebherr.
- On the other hand, Comansa, Terex, Zoomlion and others make much more sense to us lately. Today we also look differently/positively on Wolff.



## How do major developments within our peers effect our strategic decisions

We react sensitively on the information flow (word-of-mouth?) around us – lets summarize some:

- Zoomlion's smart step-by-step approach in Europe
- Wolff acquisitions (Streif Wien)
- Liebherr starting to work on more simple self-errecting cranes? I wish this was true.
- Terex/Comedil's great sales team and culture
- Some German rental companies moving away from their long-term strategic crane supplier
- German producers getting into rental business
- Advices from old-equipment sales people, not to buy anything else than Liebherr or Potain



## CEE overview – Conclusions

- CEE market might not be interesting for risk-based organizations that want quick returns, rather it might be interesting for someone ready to wait for the untapped potential in a relatively safe and stable area
- Due to still lacking level of development, undersized fleets and old cranes, I believe CEE will be interesting for tower crane producers and tower crane resellers in the horizon of next 5 years. The major focus should be on local tower crane rental companies, with clear structure and growth strategy.
- Responsible companies will be hesitant to non-European solutions in short term, although once applied in Western Europe, will also CEE find its buyers
- In short-term, simple, safe and reliable tower cranes and solutions will win.



**Any questions?**



**Tom Vacek  
JVS Cranes**

**Contact:**

Tomas Vacek

Jerabovy a vyťahovy servis, s.r.o. (JVS Cranes)

Prague, Czech Republic

Tel: +420 603 470 380

Email: [tomas.vacek@jvsjeraby.cz](mailto:tomas.vacek@jvsjeraby.cz)

Facebook: [www.facebook.com/vacek3](http://www.facebook.com/vacek3)