



# MidEquip Quarterly

Surplus Plant Asset Newsletter

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## Surplus Plant Asset Update

Issue 7 - February 25, 2006

Hello and welcome to the seventh edition of MidEquip Quarterly, your surplus plant asset newsletter.

This Winter in the midwestern United States has been cold at times but relatively light on snow. As February begins, we finally see the sun breaking through with hints of the coming Spring season. In the surplus plant asset industry, we find ourselves in full steam closing deals while working to find better ways to serve customers. With the increased interest in surplus, more and more manufacturers are requiring warranties and even performance guarantees with some surplus equipment. Accordingly, warranties and guarantees will be the primary focus of this issue.

This issue's contents:

- Welcome to MidEquip Quarterly Newsletter
- Performance Guarantees and Used Equipment
- Warranties for Surplus Equipment
- Carbonated Beverages Decline in Canada
- Hot off the press

Please remember, we have a national network of dealers and end users that are waiting to provide you with quality used equipment. Find out more by contacting us - online, via fax, or by telephone.

Online at: [www.midwesteqt.com/](http://www.midwesteqt.com/)  
(Please select the Contact Us option)

**Tel :** (815) 577-9300 (direct)

**Fax:** (815) 230-9586

**Info:** [info@midwesteqt.com](mailto:info@midwesteqt.com)

**Sales:** [sales@midwesteqt.com](mailto:sales@midwesteqt.com)

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## Welcome to MidEquip Quarterly Newsletter

Welcome! Welcome! Welcome! Thanks for your patience and continued support. Once again, our subscriber list has increased. We currently have more than 650 dedicated readers on our newsletter mailing lists. As you know, our goal is to

manufacturers, dealers, brokers, banks, consultants, leasing companies and many other network partners and affiliates. So, continue to forward this email to your colleagues and encourage them to sign up!

If you have feedback related to this newsletter or suggestions regarding content that you would like to see included, please email us at [newsletter@midwesteqt.com](mailto:newsletter@midwesteqt.com).

Thanks for your support.

## Performance Guarantees and Used Equipment

Requesting "Performance Guarantees" is a standard practice for most manufacturers when it comes to buying new equipment. As the interests in surplus equipment continues to grow, more and more manufacturers are beginning to demand performance guarantees with preowned equipment. It is challenging for manufacturers to accept that a great deal of surplus equipment is not currently offered with a guarantee for its performance. It is understandable that surplus dealers and sellers can not offer guarantees on "as is" or simply "reconditioned" equipment because it is nearly impossible to know the equipment's history. At best, most surplus equipment (used, new that has not been used, rebuilt) is offer by many equipment dealers and brokers with limited warranties (see "Warranties for Surplus Equipment" below).

For those of you who don't know, a Performance Guarantee is just want it sounds like...a guarantee on the performance of the equipment, system of equipment or production line. A typical performance guarantee focuses on the efficiency and uptime of the purchased equipment but may also focus on the quality of the product(s) produced. For example, a limited performance guarantee may read "Vendor guarantees that the case packer will have a 95% uptime across 3 shifts where the shifts are executed 7 days a week." A more detailed performance guarantee may read, "Vendor guarantees that the cheese slice making line will maintain 95% uptime and produce cheese slices that are +/- 0.125 inches of the specification."

As the saying goes, "The customer is always right." Surplus companies that offer performance guarantees will likely have the advantage in the long run. We believe that offering a guarantee is a simply matter of developing realistic definitions of what that guarantee will be. After all, manufacturer's are reasonable, right? With as-is and reconditioned equipment, guarantees will like continue to be a challenge. It's difficult for any honest company to guarantee equipment that has an extensive and largely unknown history. On the other hand, as-is and reconditioned equipment that is fairly new can be closely inspected by a skilled mechanic or expert. With rebuilt and remanufactured equipment, most reputable rebuild companies should be willing to stand behind it's work. After all, isn't a performance guarantee nothing more than a reflection of the willingness to support customers?

Notes: This article does not take into consideration the difference between process and packaging equipment. Machinery with more moving parts will often draw more requests for guarantees from customers. Also, it is understandable that offering performance guarantees require more risk by the equipment seller. Maybe it's time to take out those calculators and determine what it will take to service tomorrow's customer - the major manufacturer that buys surplus on a regular basis.

## Warranties for Surplus Equipment

Similar to our article on Performance Guarantees (above), as the demand for quality used equipment increases, more and more manufacturers are requesting warranties with their equipment purchases. The larger and more established surplus companies offer some form of a standard warranty. In most cases, the warranty is 30 to 60 days for "as is" or "reconditioned" equipment and 3 to 6 months for rebuilt or remanufactured equipment. Very few, if any, surplus dealers offer one(1) year warranties on any equipment. It might be time for a wake up call. Many OEMs are offering 1 to 2 years on rebuilt or remanufactured equipment. As the demand for surplus increases, more OEMs are entering the preowned equipment market.

In the near future, surplus equipment sellers will need to compete better with warranties. Not offering attractive warranties will have one critical effect - it will cause the manufacturer to buy new. We would like to propose a formula for warranties with surplus equipment. Before we share our thoughts, let's first agree on the definitions of the purchase conditions of surplus equipment. First we have "AS IS" equipment that refers to assets that are sold without any work or rebuild. Second, we have "RECONDITIONED" equipment which refers to equipment that has had, or will have, minor parts replaced that were worn or missing. Third, we have "REBUILT" equipment that refers to equipment that has had some major parts or sections rebuilt or replaced. Finally, we have "REMANUFACTURED" equipment that refers to equipment that has been completely rebuilt or has

Our proposal is that surplus sellers, who are capable, consider offering 60 to 90 days on parts for "AS IS" and "RECONDITIONED". After all, it is implied (in most cases) that the equipment is operational. Most customer will expect to get 2 to 3 months out of the equipment, at minimum. With "REBUILT" equipment, we think 6 months should be standard. In addition, we believe that a limited performance guarantee should accompany all rebuilt equipment. Finally, with "REMANUFACTURED" equipment, we believe that it should have a full one(1) year warranty (parts and labor), just like new equipment. Similar to rebuilt equipment, remanufactured equipment should have a performance guarantee associated with it (see article above). If you really want to lead the industry, offer a one(1) year warranty (parts and limited labor) on your rebuilt equipment.

### **Carbonated Beverages Decline in Canada**

According to a "Functional Drinks" report that was created by Research and Markets company this January 2006, consumers in Canada are switching from carbonated beverages to healthier alternatives, such as fruit and vegetable juices and bottled water. Specifically, according to an article posted on Yahoo! Financial News, "...Volume sales of carbonates, which accounted for more than half of the total soft drinks (sales) declined in 2004." In contrast, "Significant volume increases were achieved by fruit/vegetable juice and bottled water."

The Function Drinks report covers sports drinks, energy drinks and elixirs. The report mentions Coca-Cola, Pepsi-Cola, Quaker Oats of Canada, Snapple Beverage Group, South Beach Beverage and QTG Canada.

To read more about this topic, click on the following links:

[Yahoo! Finance: Volume Sales of Carbonates Drinks in Canada Face Decline](#)

### **Hot off the press: "Mars, Inc. to Introduce Healthy Chocolate"**

On Friday, February 20, 2006, CNN reported that Mars, Inc, maker of Milky Way, Snickers and M&M Candies plans to launch "...nationwide a new line products made with dark chocolate the company claims has health benefits." Called CocoaVia, the products are made with a kind of dark chocolate high in flavanols, an antioxidant found in cocoa beans that is thought to have a blood-thinning effect similar to aspirin and may even lower blood pressure. The snacks also are enriched with vitamins and injected with cholesterol-lowering plant sterols from soy.

For more information and to read the news article, click the following link:

[CNN: Are chocoholic's dreams coming true?](#)

### **midwesteqt.com investment recovery services offer**

A full range of asset disposition services. We can help you sell, transfer, trade, donate, return and scrap you surplus and idle plant assets. We can also help you locate quality used equipment and obtain an equipment lease.

Our liquidation methods range from Orderly Negotiated Sales and Sealed Bid Sales to Onsite-Internet Auctions. We are building a nationwide network of equipment dealers and end users to help our clients expedite the sale and acquisition of assets.

For more information on our services, [click here](#).

If you have any questions about any of the information in this newsletter, how to register, or are looking for information on something not covered here, contact me on.

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Until next time,

Andrew Turner  
MidEquip Quarterly  
Newsletter Editor

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