

Guiding Principles

By Walter J. McDonald

What Does It Take to Successfully Compete in Today's Machinery Distribution Business? Here Are Four Areas That Are Essential to Your Success.

Data Analytics for Sales and Marketing Strategy

Over the past decade there has been extensive research conducted on machinery business end-user customer relationships. A key finding was the discovery of which aspects of these relationships were most likely to make a big difference. The second outcome was the skill of making these discoveries relevant, understandable and actionable.

While many machinery dealers continue to operate by hunch and gut feeling, more and more machinery dealerships are understanding that quantitative analytics is the grammar of business. These forward thinking dealers who utilize these quantitative insights into their operations are having much greater success in achieving higher levels of profitability, market share gains, improved cashflow and superior customer service and retention.

For example, we now know the typical machinery dealer has only 10% of customer emails and less than 75% of customer phone numbers available for sales, service and marketing programs. And, overall, 40% of customer information is wrong. Territory deal visibility or awareness is often less than 25%. To be successful, dealer customer information must be current, including emails and telephone numbers for all customer/prospect contacts.

Strategy: 1. Conduct Consistent Email Promotions

- For dealers offering specials on email campaigns, an up-to-date email address to reach all their customers is critical. If their data base has only 50% email customer contact information, the remaining 50% of their customers will not be aware of the special (lost sales). Email customers purchase twice to three times more annually than the balance of customers lacking email addresses in the Dealer's data base. This demonstrates the value of keeping customer's information and email addresses current.
- Customer satisfaction scores have a >90% correlation with customer retention. And, the customer retention rate increases 20-30% for any one customer with a consistent dealer email program.

Strategy: 2. Capture "Active Interest" Leads

- More than 90-95% of purchasers (customers and prospects) will investigate a potential dealer's website and product information before contacting a supplier. This is the exact time to capture their interest and significantly increase dealer awareness of deals.
- Dealer on-line "persona" (Google 5★ rating, website and product information) will determine if someone is going to contact you.

- 75% of “active interest” website visitors who say they intend to purchase will purchase new or used equipment in the next 12 months. Website pop up “Can I help you?” increases “form fills” by 6 to 10 times for active interest potential buyers.
- Transaction close rate on completed form fills is about 50%.

Strategy: 3. Build Parts and Service Business

- Dealer sales reps can become 3 – 4 times more effective by the dealership conducting email promotions and capturing website activity for “active interest” leads.
- Dealer sales transactions and revenues are 8 to 10 times more from accounts with service and parts purchase frequency over 6 times a year. At this point the dealer achieves "preferred vendor" status.
- 90% of dealer machinery unit sales are to existing parts and service customers who perceive their dealer as their preferred vendor.
- Once the dealer has built a complete customer email file and begins email promotions, dealers formerly at a sales growth rate of 5 -10% per year are now at 20% - 40% sales growth rate.

**Thus, parts and service is revealed as the
fundamental driver of the machinery business.**

Strategy: 4. Conduct Monthly Customer Satisfaction Surveys

- Utilizing monthly surveys to monitor customer service improves retention rate by 30% over dealers not conducting surveys.
- Customer number growth rate is 49% higher and dealer revenue growth rate is 123% higher for machinery dealers conducting monthly surveys.

NOTE: This is an abstract from [*Achieving Dealer Management Excellence*](#) by Walter McDonald

Source: Data derived from over a 10 year period of tracking dealer customer transactions (parts, service, rentals, sales) gleaned from the experience of over 100 machinery dealers managing more than 500,000 customer relationships. Courtesy of Winsby, Inc. winsbyinc.com.

**Customer satisfaction with their dealer’s
parts and service support is revealed as the fundamental driver
of dealer machinery business.**