

**Sales, products, and service performance  
evaluation tool**

by

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## ABSTRACT

For the past couple years, farm income has declined due to lower prices for corn, soybeans, and wheat. This decline has caused agricultural producers to keep equipment longer, which has affected equipment sales at Company A. When times are good, producers buy new and trade used equipment, but when a producer's profit is lower than previous years, they tend to save their money for input costs for the next growing season. The decline in farm income has had a negative effect on agriculture sales, but dealers can maintain their market share goals and still be profitable if they adjust their focus to other areas of their business, including sales of products and equipment service.

The goal of this study is to create an analysis tool that field managers can use to help dealers see the potential sales, profit, and pay for performance that they are missing because they are not up to suggested guidelines for sales of products and equipment service. The tool includes several metrics from an existing report called the Categorization Report. These metrics are Market Share, Aftermarket Performance Factor, Service Market Performance Factor, and Net Operating Return on Sales. The tool calculates the differences between the dealer metrics and Company A metrics. Further, this tool is used to compare an individual dealer to other dealer averages and determine what a high performance, fully optimized dealer looks like and how much more a supplier could be selling in sales, products, and service to be a sustainable business in today's economy.

The tool is used to examine three scenarios to demonstrate its flexibility. These scenarios include a top-ten dealer, a large-scale above-average dealer, and a merger of three suppliers. The spreadsheet tool will display a two-page summary that shows how a supplier compares with other dealers that are similar in size and how they compare to the top-ten

elite dealers in their category. The summary will also include market share maps to show which dealer-specific geographical areas need improvement to earn more sales in the future.

## TABLE OF CONTENTS

<b>List of Figures</b> .....	<b>v</b>
<b>List of Tables</b> .....	<b>vi</b>
<b>Acknowledgments</b> .....	<b>vii</b>
<b>Chapter I: Project Plan</b> .....	<b>1</b>
1.1 Issues Identification.....	1
1.2 Objective.....	3
<b>Chapter II: Literature Review</b> .....	<b>6</b>
2.1 Sales and Market Share.....	6
2.2 Products and Service .....	7
2.3 Summary.....	11
<b>Chapter III: Theory</b> .....	<b>13</b>
3.1 Objectives .....	13
3.2 Financial Concepts .....	13
<b>Chapter IV: Methods and Data</b> .....	<b>16</b>
4.1 Methodology.....	16
4.2 Description of Data .....	17
4.3 Tool Description.....	20
4.4 Summary.....	25
<b>Chapter V: Analysis and Results</b> .....	<b>27</b>
5.1 Supplier A – Top 10 Supplier .....	27
5.2 Supplier B – Above Average Supplier Scenario .....	29
5.3 Supplier C – Merger or Acquisition Scenario .....	31
<b>Chapter VI: Conclusion</b> .....	<b>33</b>
<b>References</b> .....	<b>34</b>

**LIST OF FIGURES**

**Figure 1.1 Contribution Margin Percent and Absorption Calculation – Supplier  
Financial Analysis Ratio Glossary ..... 3**

**LIST OF TABLES**

**Table 3.1 Aftermarket Performance Factor Review..... 14**  
**Table 3.2 Service Market Performance Factor Review ..... 15**  
**Table 4.1 Selected Data from the Categorization Report..... 19**  
**Table 4.2 Market Share Metrics included in Tool..... 20**  
**Table 4.3 Sales Metrics included in Tool ..... 22**  
**Table 4.4 Aftermarket Metrics included in Tool..... 23**  
**Table 4.5 Financial Metrics included in Tool..... 24**  
**Table 4.6 Potential Sales, Volume, Pay for Performance and Income ..... 26**  
**Table 5.1 Top-10 Supplier Scenario ..... 28**  
**Table 5.2 Average Supplier Scenario ..... 30**  
**Table 5.3 Merger or Acquisition Supplier Scenario..... 32**

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## CHAPTER I: PROJECT PLAN

### 1.1 Issues Identification

For the past couple years, the farm income has declined due to lower crop prices of corn, soybeans, and wheat. The decline has caused producers to keep equipment longer, which has had a negative effect on equipment sales at Company A. When times are good, producers buy new and trade old equipment every one to two years, but when a producer's net profit is decreased, they tend to save their money for input costs for the next growing season. However, just because a supplier isn't selling new or used equipment doesn't mean that they can't maintain their market share and be profitable in other areas of the business. One of those areas where profit can be improved is the aftermarket business. This consists of the products and service departments of the supplier.

Company A has a market share guideline of sixty percent or higher. Market share is a percentage that is calculated by dividing the total actual supplier sales dollars for a given area by total Ag potential industry dollars for that same given area. The area is set by Company A. The Ag equipment industry potential in North America has declined about thirty-three percent over the past two years because net farm income has dropped, corn and soybean prices have declined, and wheat futures have been weakening over the past few years (Dreibus 2015). There are still customers buying new equipment and these sales will change market share, but the overall potential has declined. If a supplier is losing market share, it is not because the sales aren't there, it is because the suppliers are losing sales to their competitors. When industry potentials decrease this means that customers are buying less equipment, but if suppliers are the ones getting the sales, the change in market share percentage should rise or stay the same, not decline.



Historically, products and service sales make up 30% of a supplier's total net sales, but over the period of 2003 - 2013, machinery sales increased while products and service sales have remained unchanged. New sales were so strong that suppliers didn't worry about having enough products and service sales to keep the business running. Field staffs at Company A have been working on improving absorption with the suppliers in their territories for the past 10 years to make sure that the supplier can survive during a recession. Absorption measures the extent that the supplier's fixed and interest expenses are covered by income generated in the Products and Service department. At Company A, 100% absorption is the goal. If a supplier is at or above 100% absorption, that supplier should have the ability to pay all of their fixed and interest expenses without having to worry about equipment sales. Absorption is the end result of dividing Products and Service Contribution Margin by the supplier Fixed and Interest Expenses. Contribution Margin is calculated by taking the gross margin from products and service, subtracting out variable expenses, adding in additions from income, and subtracting deductions from income. Additions from income consist of cash discounts, commissions, bad debt recovery, volume payments, and interest income. Deductions from income can be losses on disposal of property, disposal of rental equipment, and retail finance processing fees paid. Then the contribution number is divided by total Fixed Expenses and Interest Expenses for all departments. The final number is a percentage that shows if a supplier can pay all of their fixed expenses with the profit from the Products and Service department.

**Figure 1.1 Contribution Margin Percent and Absorption Calculation – Supplier Financial Analysis Ratio Glossary**

<p><b>CONTRIBUTION MARGIN PERCENT</b></p> <p>Gross Margin – Variable Expenses + Volume Discount + Other Additions and Deductions</p> <hr/> <p>Total Sales</p> <p>Contribution Margin Percent represents the percentage of sales dollars remaining after subtracting cost of goods sold, variable expenses, and recognizing other additions / deductions to income.</p>	<p><b>ABSORPTION</b></p> <p>Parts Department Contribution Margin + Service Department Contribution Margin</p> <hr/> <p>Total Dealership Fixed Expenses + Interest Expense</p>
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Field managers work closely with the supplier and the division team to optimize the performance of a supplier’s business through strategic partnering and by working with suppliers on optimization of processes within their organization. This includes supporting supplier improvement process projects and working to make suppliers more efficient, effective and profitable.

With the reduction in equipment sales, suppliers and Company A are working to find new ways that help a supplier increase their products and service sales and profitability. The department currently uses various metrics to monitor a supplier’s performance. They have also been strategically developing new metrics that can be used to monitor the performance of these two departments within suppliers. The metrics that are being examined will show struggling suppliers what it takes to stay profitable in a downturn.

**1.2 Objective**

The first goal is to demonstrate that there is sales potential growth in all departments for suppliers that have not met their market share, aftermarket performance factor, and service market performance factor metrics. This analysis will be completed by looking at the five-year supplier performance industry potential average and reviewing these metrics with suppliers of similar potential and sales mix. The second goal is to create

an analysis tool that field managers can use to help suppliers see the potential sales, profit, and pay-for-performance that they are missing because they are not up to suggested guidelines. Pay-for-performance is an incentive that suppliers get for retail sales of equipment within their area. The more equipment a supplier sells, the better their payout for performance will be at the end of the year. The third goal is to show that focusing on diversification of revenue manages a supplier's risk. Suppliers that are optimized have higher net operating return on sales. Net operating return on sales is a financial metric used to evaluate a company's operational performance. It is also known as operating profit margin. By developing a tool that is easy to use, takes advantage of accessible data for inputs, and allows field managers the ability to review their suppliers' performance factor metrics against other comparison groups, this study examines the economics of performance metrics that will increase return on sales over time.

The tool will calculate several metrics from an existing report called the Categorization Report. These metrics include Market Share, Aftermarket Performance Factor, Service Marketing Performance Factor, and Net Operating Return on Sales. Lastly this tool will be used to compare a supplier to other supplier averages and determine what a high performance, fully optimized supplier looks like and how much more a supplier should be selling in sales, products and service to be a sustainable business in today's economy.

These objectives are important in keeping the supplier successful and profitable, which in turn keeps Company A profitable. If the supplier channel can continue to stay strong, then Company A will remain strong by continuing to grow market share and increase net operating return on sales.

Developing a solution to help suppliers become more profitable in their respective departments will require large amounts of financial data from the supplier channel. This information will need to be analyzed to review the metrics that affect profitability. These solutions will need to be supported by current and developing technology that is related to Company A standards. In the end, the tool will be used by field staff to analyze their suppliers while giving the suppliers manageable metrics that can help them continue to grow sales, products, and service. The perfect scenario once the tool is approved will be to build it in a supported system called Tableau. Tableau is business intelligence software that Company A uses that allows certain employees that are granted access to easily connect to data, then visualize and create interactive, sharable dashboards (Tableau Business Intelligence n.d.). Tableau is the perfect system to create a concise report for Company A or a supplier being reviewed.

## CHAPTER II: LITERATURE REVIEW

### 2.1 Sales and Market Share

Market share is “the number of loyal customers your business or company has been able to retain over a long period of time” (Philips 2015). The key word in the definition above is loyal customers because loyal customers that come back to the supplier repeatedly are the important accounts that generate the sales to retain market share. Capturing the most share of a given market means that the supplier could enjoy the highest profits of the other companies serving the given market, or in Company A’s case, in a supplier’s area of responsibility (Bloom and Kotler 1975). There are over 500 different suppliers with most having multiple locations in North America. To calculate a supplier’s market share, they are given a specific geographical area that they are responsible for. Within a supplier’s area of responsibility, there is an amount of industry potential that is available based upon what has been sold to end users in the past 12 months. This information comes from the North American Market Share database (North American Market Share 2014). A supplier that has loyal customers within his area of responsibility can be set up to be the market share leader against the other competitors like Company B, Company C, and Company D. Suppliers also compete with other neighboring suppliers as well. There are times when a supplier may be responsible for 50% of a county and a neighboring supplier is responsible for the other 50%. This causes neighboring suppliers to compete against each other within that county because they are responsible for half of that county’s total industry potential.

Increasing market share within a supplier’s area of responsibility can be a bit of a challenge as potential competitors present a list of problems. The competitors will formulate new marketing ideas to get customers to make the switch from their current equipment to the competitor’s equipment. The competitors will persuade the customer to

switch equipment manufacturers by offering huge discounts, low rate financing, and lease deals with excellent terms, etc.

Company A has determined that sixty percent or greater is the optimal market share goal for a supplier. They will assist a supplier with increasing their market share by offering similar competitor deals, however the top solution for retaining market share is to keep the customers happy and make sure the product that is sold is the best product on the market. Company A is the leader in the equipment industry and they will continue to be the leader if they manufacture high quality equipment. Customer loyalty and retention will also be a key factor in maintaining sixty percent market share (Tice 2011). The criterion with market share is not how many people purchase the product, but how many customers regularly buy product from a supplier (Philips 2015). The customers that bleed purple are the customers that will always buy Company A equipment, which helps keep a supplier's market share strong. Gaining new customers and keeping current customers happy is a big factor that will continue to keep market share growing.

Market share can also come from differentiating a supplier from the competition in and around a supplier's area of responsibility. "Differentiating your business means to clearly define the specific value creation processes of your business and deciding the particular area you want to specialize on" (Philips 2015). In the automobile industry, Porsche focuses on speed while Volvo focuses on safety. Suppliers focus on quality and innovation. These values are what make Company A and the supplier channel an industry leader.

## **2.2 Products and Service**

"Fixed operations departments continue to be the cornerstone of successful and profitable suppliers across the county" (Dealer Marketing 2007). Fixed operations consist

of the Product and Service department within a supplier. Fixed operations can be the lifeline for a supplier's profit. Those key areas are marketing, customer service, technology and training, competing, and building traffic. Trying to reach out and communicate to existing and potential customers is top priority. This can be done with coupons, service specials, social media, and direct mailers (Dealer Marketing 2007). Having the most up-to-date business system and top-notch scheduling system will help with the speed and accuracy of opening repair orders, diagnosing, and completing the work. Also, success within the fixed operations departments will rely heavily on adequate knowledge. A supplier needs to make sure their technicians get the required training to complete the job with speed and efficiency (Reed 2009). Offering the right prices and staying competitive with independent repair shops and other suppliers helps build traffic throughout the organization. This traffic is vital to keeping current customers coming back and getting new customers to come in for the first time.

The automobile industry has been strategically working on making their fixed operations departments more profitable. It is well-known that the sales department gets a lot of the sales credit, but with higher margins in the products and service departments, there is the potential for fixed operations to be a key profit center. A way to increase revenue in both departments is to begin selling service agreements at the time the equipment is sold. Automobile suppliers have been selling these kinds of agreements for the past 5 – 10 years. The acceptance rate wasn't very high at first, but according to a survey by MDEautomotive, 21 percent of car owners have a maintenance plan on their vehicles (F&I and Showroom 2012). According to J.D. Power's 2014 U.S. Customer Service Index, the percentage of vehicle owners with complimentary or prepaid vehicle

service agreements has more than doubled during from 2009 - 2014 (F&I and Showroom 2014). These service agreements normally consist of a general maintenance agreement that includes oil changes, filter changes, tire rotations, and a complete vehicle inspection. Before 2014, most suppliers were not offering agreements and/or service packages to their customers, but now more and more are starting to entertain the idea. The service agreements that suppliers have been creating consist of in-field optimizations, machine calibrations, machine inspections, field mapping and GPS data management plans.

To be profitable, suppliers need to find the right marketing strategy so that the supplier can sell additional products and service work. Getting customers to prepay for service agreements can be difficult. If you can explain to the customer a few key advantages to prepaying for the agreements, then the supplier could have an attractive marketing plan. Making sure that the supplier doesn't offer too many different options for the same plan is crucial. Offering a customer one to three different options ranging from basic or silver to optimal or platinum has had proven success (Study: UltraCare Prepaid Maintenance Plans Boost RO Upsell 2013). Customers don't want to choose between ten different options. Too many choices deter them from buying a plan in the first place.

According to J.D. Power Cars (Youngs 2013), some advantages to preselling service agreements are:

- Discounted prices are usually offered on prepaid services to make the plans more appealing. Most suppliers offer covered services at a discount.
- Maintenance costs are constantly on the rise and prepaying locks in the price for the customer of the prepaid service.



- Prepaid agreements simplify life by having one less thing that the customer needs to worry about.
  - By prepaying for the service, the supplier will notify the customer when the service is due, which will help even out the monthly work load.
- The supplier that sold the service agreement is the only one that can complete that service. This requires the customer to keep coming back to the supplier that sold the plan. More customer traffic will increase sales and keep the focus on the customer.

The key to each of these advantages is that a supplier wants to “ensure a steady stream of customers into the supplier's service department and to cultivate relationships with customers to retain their business...” (Youngs 2013).

When reviewing the same survey results from J.D. Power, there are two distinctive negative aspects to selling agreements (Youngs 2013). Those cons are:

- Most modern vehicles don't require a lot of maintenance. This is generally true of agricultural equipment too.
- Service intervals are longer than they have been in the past for vehicles. This is normally not the case for farm equipment. According to a Field Manager at Company A, there are some Final Tier 4 engines that require less maintenance, but most service intervals for agricultural equipment have not changed over the past 10 years because oil and filters still need to be changed to make the equipment run.

Improving efficiencies and optimizing service opportunities is another area that will help a supplier increase their fixed operations profit. According to PTC, a company that creates technology solutions that transforms the way a supplier services their products

through their lifecycle, the goal of the service department is to “deliver the best service at the right time and place to satisfy the customer’s service experience” (Increase Service Profitability 2015). Making sure that customers are getting a great value for the amount of service being completed is important. The procedures that all technicians use across locations has to be consistent to make sure the customer receives the same value and satisfaction for their money no matter which location within the organization they visit.

Implementing a standard job policy for repair orders is also significant. Setting up standard jobs at a supplier and having the technician’s use them helps improve productivity and efficiency over time. If a particular job says it takes two hours to complete, then the technician has a goal of completing the job in two hours or less. If they can complete that job in less time than what is recommended, it allows that technicians to clock into another job. The customer will be charged for what the standard job is quoted and if the technician can complete it sooner, there will be lower service costs that will increase revenues for the service department (Keller 2012).

Current literature does not include information on two metrics used in this study: Aftermarket Performance Factor and Service Marketing Performance Factor. These two factors were not included in the review because they are newly created metrics that are specifically being analyzed by Company A.

### **2.3 Summary**

A supplier can be very profitable when they have high market share, sell a lot of products, and do a superb job with servicing their customers. Each of these areas has metrics that are used to measure their performance and this performance can be challenged by different people. Many suppliers will do a superb job in one area, but then struggle with another. There is always room for improvement and finding the right sales combination

will help sell more products and service. Each department can benefit the other departments and working together as a team toward the single goal of making more profit for an organization will prove to be a successful combination.

## **CHAPTER III: THEORY**

### **3.1 Objectives**

The main objective of this study is to create a tool that Company A and suppliers can use to analyze how much potential sales and profit is lost because a supplier is not reaching necessary guidelines. The analysis will review their Market Share, Industry Potential, Aftermarket Performance Factor, Service Market Performance Factor, Absorption, Total Net Sales, and Used Inventory Turn along with other important metrics. The tool will use data from an existing report called the Categorization Report.

### **3.2 Financial Concepts**

Financial analysis can be used to determine and test the relationships between multiple variables that can have an impact on a department's profitability. The importance of sales, products, and service revenue will become evident with the analysis of the Categorization Report and the North American Market Share database. Positive and negative changes in the five-year market share industry potential when compared to last twelve months of market share will influence profit.

Changes in the net products purchased and total service sales, the split between how much Large Ag potential versus Small Ag potential and the amount of expenses and interest have differing impacts on profit. Company A has very profitable suppliers that have a positive working formula for the net sales split between the departments, but there are a small percentage of them.

**Table 3.1 Aftermarket Performance Factor Review**

<b>Net Parts Purchases 5 year avg DPMS Ind Potential</b>	<b>&gt;13%</b>	<b>&gt;16%</b>	<b>&lt;13%</b>
Avg. Aftermarket Performance Factor	18.0%	21.3%	11.2%
Dealer Performance Market Share	52%	53%	52%
Parts Absorption	50%	52%	47%
NOROS	3.8%	3.9%	3.5%
5 year Industry Avg. Potential	\$93m	\$76m	\$118m

Table 3.1 shows that a supplier with a higher Aftermarket Performance Factor has better Market Share, Absorption, and Net Operating Return on Sales (NOROS). A supplier with thirteen percent or lower Aftermarket Performance Factor shows lower Market Share, Absorption, and Net Operating Return on Sales (NOROS).

The same is true for the Service department. Table 3.2 shows that the higher the Service Market Performance Factor, the higher Net Operating Return on Sales (NOROS) is for the Service department. A supplier that is below thirteen percent Service Market Performance Factor shows that they will have lower Market Share, Absorption, and Net Operating Return on Sales (NOROS).

**Table 3.2 Service Market Performance Factor Review**

<b>Total Service Sales 5 year avg DPMS Ind Potential</b>	<b>&gt;13%</b>	<b>&gt;16%</b>	<b>&lt;13%</b>
Avg. Service Market Performance Factor	16.7%	20.6%	10.6%
Dealer Performance Market Share	53%	53%	50%
Overall Absorption	91%	91%	89%
NOROS	3.7%	4.3%	3.5%
5 year Industry Avg. Potential	\$84m	\$87m	\$111m

A supplier cannot solely rely upon the sales department to keep the doors open and bills paid. A supplier needs to focus on diversification and how diversified revenue and profit can make an organization more stable. With the current agricultural recession, reducing risk needs to be a top critical success factor.

## CHAPTER IV: METHODS AND DATA

### 4.1 Methodology

A tool comparing a supplier's metrics to an optimized supplier's metrics is used to determine how much potential revenue and profit a supplier is losing because they are not running an optimized supplier. The potential revenue and profit are calculated by determining the supplier's Market Share difference between actual and the guideline, Aftermarket Performance Factor difference between actual and the guideline, and Sales Marketing Performance Factor difference between actual and the guideline. This tool is designed so that a Company A can input a supplier's account number and the tool will calculate differences in metrics based upon their Large Ag Potential, Small Ag Potential, Market Share Guideline, and products and service sales over a five-year industrial average.

The tool will calculate differences in the metrics and show how many additional whole goods, products, and service sales are needed to be a fully optimized supplier. The tool will calculate the differences between the supplier metrics and Company A metrics. The metric guidelines include XX% Market Share, XX% Aftermarket Performance Factor, XX% Service Market Performance Factor and XX% Net Operating Return on Sales. These guidelines are set by Company A. The tool will show the supplier how much lost profit they have within their area of responsibility. The tool will also show Company A how much the non-optimized supplier is costing them because they are not achieving the goals that are set by their supplier.

The tool that will be used will look at the top 150 suppliers and break them down into Large Ag and Small Ag categories. To be considered a Large Ag supplier, the supplier must have XX% or more of their industry potential in the Large Ag sector. Large Ag products are tractors greater than 180HP, Combines, Combine Heads, Planters,

Windrowers, and Windrower Heads. A Small Ag supplier must have greater than XX% of their industry potential in the Small Ag sector. Small Ag products are tractors less than 180HP, Large and Small Square Balers, Round Balers, and Mower Conditioners. The metrics will be analyzed to see how a current supplier compares to the averages and the differences will be calculated to show the amount of sales and profit that a supplier is losing because they have metrics that are below the guidelines.

#### **4.2 Description of Data**

The data used in this analysis is from a report called the Categorization Report. The Categorization Report is a large metrics report that was developed from analyzing Ag and Turf supplier financial data. Suppliers submit their monthly financial income statement and balance sheet to the Supplier Financial Analysis. This system completes a thorough review of the financials and rejects any submission if inconsistencies are found. Suppliers have until the end of the following month to submit their prior month financials. From those submissions, a monthly data report called the Categorization Report is created for Company A & its employees. This report includes a list of every Company A supplier that submits financials to the Supplier Financial Analysis system with a complete breakdown of all the metrics that can be derived from this data. The Categorization Report breaks down the metrics by supplier, by contiguous ownership group, by sales mix, by department etc. The original data file before modifications has over 50,000 data points. There are XXX different supplier groups, with 110 different columns of data numbers and metrics.

There have been studies that have looked at what a highly successfully aftermarket department looks like, but most of the studies don't have the amount of data that will be used in this thesis. The purpose of this thesis is to take the Categorization Report data and create a tool that can be used to show what it takes to be an optimized supplier while



calculating the sales and profit that are being missed by not hitting certain standards. The analysis will study what a high performing aftermarket business looks like. This tool breaks down metrics into different tiers of performance so that the supplier has multiple data points to compare against.

Currently the data in the Categorization Report is complex. The optimized supplier conceptual tool will filter out the metrics that are not needed and focus on the metrics that help a supplier perform at the top of their potential. Table 4.1 is a quick snapshot of what the Categorization Report looks like. There is a total of 105 different supplier metrics that can be analyzed from the initial report. The evaluation tool that was created from this report reviews thirty-two metrics.

**Table 4.1 Selected Data from the Categorization Report**

Dealer Performance Ind \$M	Dealer Performance Market Share	Small Ag Products Dlr \$M	Small Ag Products Ind \$M	Small Ag Products Ind \$M 5-Year Avg	Small Ag % of AOR	Small Ag Products Market Share	Large Ag Products Dlr \$M	Large Ag Products Ind \$M	Large Ag Products Ind \$M 5 - Year Avg	Large Ag % of AOR	Large Ag Products Market Share	Total Net Sales
\$302.88	52.24%	\$47.47	\$86.74	\$57.26	16.69%	54.72%	\$110.77	\$216.14	\$285.77	83.31%	51.24%	\$505,703,331
\$171.28	36.77%	\$8.47	\$22.06	\$21.81	8.01%	38.41%	\$54.51	\$149.23	\$250.54	91.99%	36.52%	\$323,834,538
\$231.12	53.15%	\$22.60	\$50.40	\$38.79	15.17%	44.83%	\$100.25	\$180.72	\$216.83	84.83%	55.47%	\$423,921,356
\$194.73	47.54%	\$27.43	\$52.63	\$46.21	18.09%	52.12%	\$65.14	\$142.11	\$209.24	81.91%	45.84%	\$363,945,692
\$158.09	50.53%	\$9.42	\$24.94	\$23.02	9.97%	37.76%	\$70.47	\$133.14	\$207.86	90.03%	52.92%	\$427,440,120
\$162.98	49.80%	\$16.07	\$33.70	\$25.53	12.66%	47.67%	\$65.10	\$129.28	\$176.16	87.34%	50.35%	\$340,246,748
\$156.60	42.16%	\$16.27	\$36.85	\$28.83	14.63%	44.15%	\$49.76	\$119.75	\$168.19	85.37%	41.55%	\$279,199,659
\$143.54	48.11%	\$12.49	\$33.77	\$27.39	15.48%	36.98%	\$56.58	\$109.77	\$149.53	84.52%	51.54%	\$318,209,721
\$179.10	36.95%	\$11.24	\$24.57	\$19.59	10.69%	45.74%	\$54.95	\$154.53	\$163.60	89.31%	35.55%	\$300,193,522
\$128.14	55.02%	\$10.14	\$22.66	\$21.68	12.86%	44.76%	\$60.37	\$105.49	\$146.97	87.14%	57.22%	\$234,124,454
\$153.89	34.34%	\$5.75	\$15.97	\$11.80	7.18%	35.98%	\$47.11	\$137.92	\$152.54	92.82%	34.15%	\$179,610,296
\$140.95	48.30%	\$16.33	\$35.93	\$27.00	18.65%	45.44%	\$51.75	\$105.02	\$117.77	81.35%	49.28%	\$231,844,518
\$99.80	59.06%	\$10.25	\$20.74	\$19.73	13.23%	49.42%	\$48.70	\$79.06	\$129.38	86.77%	61.59%	\$245,366,403
\$142.04	62.86%	\$53.08	\$89.58	\$68.18	49.52%	59.26%	\$36.20	\$52.46	\$69.51	50.48%	69.00%	\$233,105,878
\$138.28	41.56%	\$19.51	\$48.41	\$41.27	30.35%	40.30%	\$37.96	\$89.87	\$94.73	69.65%	42.23%	\$198,289,856
\$101.72	47.29%	\$11.95	\$20.17	\$19.16	12.69%	59.24%	\$36.16	\$81.54	\$131.87	87.31%	44.33%	\$239,542,372
\$112.32	50.82%	\$7.27	\$15.47	\$15.28	10.09%	47.00%	\$49.81	\$96.84	\$136.09	89.91%	51.43%	\$207,206,020
\$108.22	48.13%	\$16.36	\$34.68	\$28.06	20.50%	47.17%	\$35.73	\$73.54	\$108.83	79.50%	48.58%	\$221,060,610
\$128.18	24.84%	\$16.22	\$76.85	\$69.26	54.54%	21.10%	\$15.62	\$51.33	\$57.73	45.46%	30.43%	\$203,609,767
\$81.23	72.62%	\$3.79	\$9.08	\$9.35	6.69%	41.77%	\$55.20	\$72.15	\$130.34	93.31%	76.50%	\$245,819,332
\$93.14	49.64%	\$9.26	\$23.18	\$21.34	16.11%	39.93%	\$36.98	\$69.96	\$111.10	83.89%	52.85%	\$170,651,767
\$157.47	43.99%	\$28.44	\$77.82	\$52.41	41.75%	36.54%	\$40.84	\$79.65	\$73.13	58.25%	51.27%	\$274,937,848
\$81.25	59.60%	\$12.42	\$18.97	\$17.48	12.90%	65.47%	\$36.01	\$62.28	\$118.05	87.10%	57.82%	\$147,559,949
\$96.97	58.36%	\$7.24	\$13.13	\$9.69	7.56%	55.12%	\$49.36	\$83.84	\$118.46	92.44%	58.87%	\$313,677,387
\$74.67	73.91%	\$6.39	\$8.47	\$8.56	6.37%	75.46%	\$48.80	\$66.20	\$125.92	93.63%	73.71%	\$204,430,372
\$149.85	49.08%	\$57.74	\$121.85	\$87.44	75.08%	47.38%	\$15.81	\$28.00	\$29.02	24.92%	56.46%	\$259,903,196
\$80.97	59.29%	\$8.41	\$15.47	\$14.68	11.57%	54.39%	\$39.60	\$65.51	\$112.26	88.43%	60.44%	\$193,021,613
\$148.05	40.64%	\$40.98	\$116.49	\$79.57	66.03%	35.18%	\$19.19	\$31.56	\$40.94	33.97%	60.80%	\$254,601,055
\$151.73	47.04%	\$54.47	\$127.79	\$90.45	75.80%	42.62%	\$16.92	\$23.94	\$28.88	24.20%	70.66%	\$239,945,583
\$117.38	65.72%	\$44.12	\$77.73	\$57.90	51.51%	56.76%	\$33.03	\$39.65	\$54.51	48.49%	83.28%	\$352,568,850

### 4.3 Tool Description

The Categorization Report is a very effective tool, but it has a lot of data. This data is scrubbed and the following metrics are reviewed from the report:

**Table 4.2 Market Share Metrics included in Tool**

1. Total Ag Potential (\$ million)
2. Large Ag Industry Potential (\$ million)
3. Small Ag Industry Potential (\$ million)
4. Dealer Performance Market Share
5. Dealer Performance Dealer Dollars (\$ million)
6. Dealer Performance Industry Dollars (\$ million)
7. Large Ag Market Share
8. Large Ag Products Dealer (\$ million)
9. Large Ag Products Industry (\$ million)
10. Small Ag Market Share
11. Small Ag Products Dealer (\$ million)
12. Small Ag Products Industry (\$ million)
13. 5 Year Dealer Performance Industry Potential Avg

1. Total Ag Potential (\$ millions) – total is calculated by summing the Large Ag Potential and Small Ag Potential together.
2. Large Ag Industry Potential (\$ million) – total consist of tractors greater than 180HP, Combines, Combine Heads, Planters, Windrowers, and Windrower Heads in each sales area which Company A calls Area of Responsibility.
3. Small Ag Industry Potential (\$ million) – total Small Ag industry potential consist of tractors less than 180HP, Large and Small Square Balers, Round Balers, and Mower Conditioners in each sales area that is determined by Company A.
4. Supplier Performance Market Share (%) – Percentage is calculated by dividing Supplier Performance Supplier Dollars (5) by Supplier Performance Supplier Industry Dollars (6).

5. Supplier Performance Supplier Dollars (\$ million) - Total Large Ag and Small Ag supplier-reported sales within the supplier's area of responsibility that is determined by Company A.
6. Supplier Performance Industry Dollars (\$ million) - Total Large Ag and Small Ag all reported sales within the supplier's area of responsibility that is determined by Company A (same as Total Ag Potential – 1)
7. Large Ag Market Share (%) – Percentage is calculated by dividing Large Ag Products Supplier (8) by Large Ag Products Industry (9).
8. Large Ag Products Supplier (\$ million) –Large Ag supplier reported sales (Tractors greater than 180HP, Combines, Combine Heads, Planters, Windrowers, and Windrower Heads) within the supplier's area of responsibility that is determined by Company A.
9. Large Ag Products Industry (\$ million) –Large Ag all reported sales within the supplier's area of responsibility that is determined by Company A.
10. Small Ag Market Share (%) – Percentage is calculated by dividing Small Ag Products Supplier (11) by Small Ag Products Industry (12).
11. Small Ag Products Supplier (\$ million) –Small Ag supplier reported sales (Tractors less than 180HP, Large and Small Square Balers, Round Balers, and Mower Conditioners) within the supplier's area of responsibility that is determined by Company A.
12. Small Ag Products Industry (\$ million) –Small Ag all reported sales within the supplier's area of responsibility that is determined by Company A.

13. 5 Year Average Supplier Performance Industry Potential Avg. (\$) – Five-year average of Large Ag and Small Ag supplier reported sales within the supplier’s area of responsibility that is determined by Company A.

**Table 4.3 Sales Metrics included in Tool**

14. Total Net Sales (TNS)
15. Total Complete Goods Sales
16. Total Parts Sales
17. Total Service Sales
18. Gross Margin Inventory Turn (GMIT)
19. Complete Goods Total Cost of Sales
20. Complete Goods Margin %
21. Used Equipment Turn
22. Used Equip COS
23. Avg Inv. - Used Equipment

14. Total Net Sales (\$) – Sum of all sales from the Complete Goods (equipment and attachments), Products, Service, and Other departments (Integrated Solutions, Irrigation, Transportation, Tires, anything not Complete Goods, Products, or Service)
15. Total Complete Goods Sales (\$) – Sum of all sales from Complete Goods and Attachments. Attachments are physical pieces of hardware that can be attached to a Complete Good to make the base unit function better (i.e. side mirrors, tool boxes, three point hitch, floor throttle, custom cabs, etc.)
16. Total Products Sales (\$) – Sum of all sales from Products
17. Total Service Sales (\$) – Sum of all sales from Service
18. Gross Margin Inventory Turn – Calculated by multiplying the Total Complete Goods Gross Margin (20) with the Used Equipment Inventory Turn (21)

19. Complete Goods Total Cost of Sales (\$) – All reported cost of sales from Complete Goods and Attachments
20. Complete Goods Margin (%) – Calculated by subtracting Complete Goods Total Cost of Sales (19) from Total Complete Goods Sales (15) and then dividing that figure by Total Complete Goods Sales (15)
21. Used Equipment Turn – Calculated by dividing Used Equipment Cost of Sales (22) by the Average Inventory of Used Equipment (23)
22. Used Equipment Cost of Sales (\$) – All reported cost of sales from Used Equipment sales
23. Average Inventory of Used Equipment (\$) – Used equipment inventory average for the past twelve months

**Table 4.4 Aftermarket Metrics included in Tool**

24. Aftermarket Performance Factor (APF)
25. Net Parts Purchased
26. Service Marketing Performance Factor (SMPF)
27. Total Absorption
28. Service Absorption
29. Parts Absorption

24. Aftermarket Performance Factor (%) – calculated by dividing the Nets Products Purchased (25) by the 5 Year Supplier Performance Industry Potential Avg. (13)
25. Net Products Purchased (\$) – Total Company A products purchased (less any returned Products) for the past twelve months
26. Service Marketing Performance Factor (%) – calculated by dividing the Total Net Sales of Service (17) by the 5 Year Supplier Performance Industry Potential Avg. (13)

27. Total Absorption (%) – Total absorption comes directly from Categorization Report and is not calculated in the tool, however it is calculated by dividing the Total Products and Service Contribution Margin by Total Fixed and Interest Expense in the Categorization Report
28. Service Absorption - Service absorption comes directly from Categorization Report and is not calculated in the tool, however it is calculated by taking the Total Service Contribution Margin by the Total Fixed and Interest Expense in the Categorization Report
29. Products Absorption - Products absorption comes directly from Categorization Report and is not calculated in the tool, however it is calculated by taking the Total Products Contribution Margin by the Total Fixed and Interest Expense in the Categorization Report

**Table 4.5 Financial Metrics included in Tool**

30. Expense to Sales
31. Net Operating Income
32. Net Operating Return on Sales (NOROS)

30. Expense to Sales (%) – Expense to sales comes directly from the Categorization Report and is not calculated in the tool, however it is calculated by dividing Total Expenses (Fixed and Variable) by Total Net Sales (14)
31. Net Operating Income (\$) – All revenue minus all reasonably necessary operating expenses
32. Net Operating Return on Sales (%) – calculated by dividing Net Operating Income (31) by Total Net Sales (14). Total Net Sales includes Complete Goods, Products, Service, and Other Sales

The data from the Categorization Report is categorized and analyzed by different levels and tiers. For the purpose of comparisons, the tool first takes the top 150 suppliers by filtering on the five-year Industry Average Potential that comes from the North American Market Share report. Then the top 150 is further divided by finding the suppliers that are considered Large Ag and the suppliers that are considered Small Ag. The tool reviews the top 150 so that the averages are not skewed by the smaller scaled suppliers. A Large Ag supplier must have XX% or more of their industry potential in the Large Ag sector. A Small Ag supplier must have greater than XX% of their industry potential in the Small Ag sector. Then the Large Ag and Small Ag suppliers from the group of 150 are broken down by the top one-third, middle one-third and lower one-third of each area. The one-third tiers are configured by sorting Market Share data.

The top ten elite suppliers in the Large Ag sector and the top ten elite suppliers in the Small Ag sector are configured by finding the suppliers that excel in six ranking categories. Those six categories are Market Share, Aftermarket Performance Factor, Service Marketing Performance Factor, Used Equipment Turn, Net Operating Return on Sales, and Absorption. The tool ranks them from lowest to highest and the supplier that has the lowest ranking score overall is the top supplier and so forth. The ten suppliers (Elite suppliers) that land at the top of the charts in the total ranking scores are considered the sample for their representative group. The Elite supplier category is used as a special benchmarking tool against the supplier or suppliers that are being analyzed.

#### **4.4 Summary**

The completed tool will show both Company A and the supplier how much potential sales are lost in complete goods, products, and service departments. It will also



show them how they compare against the top Large Ag or Small Ag supplier groups and the Elite suppliers within those two groups.

**Table 4.6 Potential Sales, Volume, Pay for Performance and Income**

Potential Missing Sales & Profit		Guideline Potential	Difference
Dealer Performance Market Share (DPMS)		\$0	\$0
Aftermarket Performance Factor (APF)		\$0	\$0
Service Marketing Performance Factor (SMPF)		\$0	\$0
Volume & P4P		\$0	\$0
Net Operating Return on Sales (NOROS)		\$0	\$0

  

Total Potential Additional Revenue	\$0
Total Potential Additional Gross Margin	\$0
Total Potential Additional Volume & P4P	\$0
Total Potential Additional Net Operating Income	\$0

This information will show the supplier what potential sales and net operating income that has not been recovered because they are not fully optimized. The tool will also show how much overall potential return on sales that a supplier is missing.

## CHAPTER V: ANALYSIS AND RESULTS

Three Analysis Scenarios are presented with the use of the tool.

### 5.1 Supplier A – Top 10 Supplier

Supplier A is an extremely loyal and profitable supplier. They have a large footprint of \$80 million in Ag potential. They are receiving \$57 million of that potential for a total market share of 71%. That is 11% above what Company A has set as their goal. The supplier has a 70% market share in Large Ag and 72% market share in Small Ag. The Total sales for this supplier are \$283 million. Their Aftermarket Performance Factor percent is 25.9% and their Service Market Performance Factor percent is 22.92%. Lastly, their Net Operating Return on Sales is 5.72% which resulted in over \$16 million in operating income in a year where sales declined.

The tool shows that this supplier has met every guideline/goal that was set out by Company A in 2015. They are a supplier that has prepared themselves for the Ag economy shift. They have done a superb job of making sure that their customers are well served so that they keep coming back for more Company A equipment.

**Table 5.1 Top-10 Supplier Scenario**

<b>Dealer Acct Number(s):</b>	00-0000	<b>Dealer Name:</b>	Dealer A
		<b>City:</b>	Olathe
		<b>State:</b>	KS
		<b>Division:</b>	A
		<b>Territory:</b>	1.00
		<b>1. Large Ag Potential:</b>	44.65
		<b>2. Small Ag Potential:</b>	35.60
		<b>3. Total Ag Potential:</b>	80.25

Key Metrics	Top 1/3 Avg	Elite 10 Small Ag Avg	Dealer
4. Dealer Performance Market Share	58.21%	49.02%	71.02%
5. Dealer Performance Dealer Dollars (\$ million)	49.92	38.58	56.99
6. Dealer Performance AOR Dollars (\$ million)	85.77	78.72	80.25
7. Large Ag Market Share	65.02%	53.45%	70.03%
8. Large Ag Products Dealer (\$ million)	22.60	16.98	31.27
9. Large Ag Products Industry (\$ million)	34.76	31.76	44.65
10. Small Ag Market Share	53.56%	43.47%	72.26%
11. Small Ag Products Dealer (\$ million)	27.32	16.80	25.73
12. Small Ag Products Industry (\$ million)	51.01	38.65	35.60
13. 5 Year Dealer Performance Industry Potential Avg	\$92,755,334	\$82,659,545	\$93,945,023
14. Total Net Sales (TNS)	\$181,623,821	\$157,172,531	\$282,894,690
15. Total Complete Goods Sales	\$129,586,244	\$107,339,899	\$215,242,613
16. Total Parts Sales	\$29,381,518	\$29,621,783	\$45,257,633
17. Total Service Sales	\$11,001,530	\$12,444,513	\$21,535,888
18. Gross Margin Inventory Turn (GMIT)	6.00%	17.50%	16.36%
19. Complete Goods Total Cost of Sales	\$124,851,348	\$100,843,578	\$204,432,249
20. Complete Goods Margin %	3.65%	6.05%	5.02%
21. Used Equipment Turn	1.64	2.89	3.26
22. Used Equip COS	\$46,524,479	\$33,006,470	\$81,913,483
23. Average Inventory of Used Equipment	\$28,341,839	\$11,414,708	\$25,154,368
24. Aftermarket Performance Factor (APF)	15.99%	18.52%	25.90%
25. Net Parts Purchased	\$14,831,033	\$15,309,578	\$24,331,761
26. Service Marketing Performance Factor (SMPF)	11.86%	15.06%	22.92%
27. Total Absorption	93.87%	99.73%	100.21%
28. Service Absorption	38.42%	41.24%	44.90%
29. Parts Absorption	55.45%	58.50%	55.31%
30. Expense to Sales	11.25%	13.23%	10.56%
31. Net Operating Income	\$7,327,916	\$8,848,813	\$16,181,576
32. Net Operating Return on Sales (NOROS)	4.03%	5.63%	5.72%

Potential Missing Sales & Profit	Guideline Potential	Difference
Dealer Performance Market Share (DPMS)	\$48,150,360	\$0
Aftermarket Performance Factor (APF)	\$15,031,204	\$0
Service Marketing Performance Factor (SMPF)	\$12,212,853	\$0
Volume & P4P	\$2,093,686	\$0
Net Operating Return on Sales (NOROS)	\$16,181,576	\$0

<b>Total Potential Additional Revenue</b>	\$0
<b>Total Potential Additional Gross Margin</b>	\$0
<b>Total Potential Additional Volume &amp; P4P</b>	\$0
<b>Total Potential Additional Net Operating Income</b>	\$0

## **5.2 Supplier B – Above Average Supplier Scenario**

Supplier B is a large supplier that has room for improvement in each performance metric. The supplier has a total potential of \$158 million in Large Ag and Small Ag equipment eligible sales. Their market share is 50.5% with the split of 53% Large Ag and 38% Small Ag. They have room for improvement in both areas, but they have more potential sales in the Large Ag category. This is because 85% of their market share comes from Large Ag equipment. The supplier's total net sales are \$427 million. The supplier's Aftermarket Performance Factor is 7.25% and their Service Marketing Performance Factor is 10%. Total Net Operating Return on Sales for the past 12 months is 2.05% which resulted in \$8.7 million in operating income.

The tool shows that this supplier has not met the guidelines/goals that are set by Company A. The 9.5% difference in market share could net the supplier nearly \$15 million in Complete Good sales. The 8.75% difference in Aftermarket Performance Factor could net the supplier an additional \$22 million in products sales and an additional 3% in Service Market Performance Factor could net the supplier \$7.5 million in additional sales. These sales could give the supplier an additional \$12 million in gross margin. If this supplier worked on these areas while also increasing their net operating return on sales percent, they could net an additional \$14.8 million in operating income.

**Table 5.2 Average Supplier Scenario**

<b>Dealer Acct Number(s):</b>	00-0001	<b>Dealer Name:</b>	Average Dealer
		<b>City:</b>	Overland Park
		<b>State:</b>	KS
		<b>Division:</b>	
		<b>Territory:</b>	
		<b>1. Large Ag Potential:</b>	133.14
		<b>2. Small Ag Potential:</b>	24.94
		<b>3. Total Ag Potential:</b>	158.09

Key Metrics	Top 1/3 Avg	Elite 10 Large Ag Avg	Dealer
4. Dealer Performance Market Share	59.48%	60.07%	50.53%
5. Dealer Performance Dealer Dollars (\$ million)	39.78	39.69	79.88
6. Dealer Performance AOR Dollars (\$million)	66.88	66.08	158.09
7. Large Ag Market Share	61.59%	62.12%	52.92%
8. Large Ag Products Dealer (\$ million)	33.18	33.00	70.47
9. Large Ag Products Industry (\$ million)	53.87	53.12	133.14
10. Small Ag Market Share	50.73%	51.64%	37.76%
11. Small Ag Products Dealer (\$ million)	6.60	6.69	9.42
12. Small Ag Products Industry (\$ million)	13.02	12.96	24.94
13. 5 Year Dealer Performance Industry Potential Avg	\$100,063,383	\$103,833,174	\$248,129,600
14. Total Net Sales (TNS)	\$145,347,340	\$200,140,773	\$427,440,120
15. Total Complete Goods Sales	\$111,372,934	\$154,715,468	\$346,478,590
16. Total Parts Sales	\$21,554,798	\$27,016,656	\$56,755,984
17. Total Service Sales	\$11,289,516	\$14,805,166	\$24,785,173
18. Gross Margin Inventory Turn (GMIT)	4.23%	6.23%	1.72%
19. Complete Goods Total Cost of Sales	\$108,552,966	\$150,054,647	\$340,627,196
20. Complete Goods Margin %	2.53%	3.01%	1.69%
21. Used Equipment Turn	1.67	2.07	1.02
22. Used Equip CO5	\$49,589,954	\$70,890,176	\$169,782,842
23. Average Inventory of Used Equipment	\$29,652,998	\$34,251,432	\$166,387,145
24. Aftermarket Performance Factor (APF)	11.78%	13.35%	7.25%
25. Net Parts Purchased	\$11,783,937	\$13,856,654	\$17,989,396
26. Service Marketing Performance Factor (SMPF)	11.28%	14.26%	9.99%
27. Total Absorption	93.75%	111.24%	78.35%
28. Service Absorption	47.18%	56.82%	32.72%
29. Parts Absorption	46.58%	54.43%	45.63%
30. Expense to Sales	9.02%	9.73%	9.20%
31. Net Operating Income	\$4,590,069	\$10,607,461	\$8,762,522
32. Net Operating Return on Sales (NOROS)	3.16%	5.30%	2.05%

Potential Missing Sales & Profit	Guideline Potential	Difference
Dealer Performance Market Share (DPMS)	\$94,851,720	\$14,967,120
Aftermarket Performance Factor (APF)	\$39,700,736	\$21,711,340
Service Marketing Performance Factor (SMPF)	\$32,256,848	\$7,471,675
Volume & P4P	\$5,673,163	\$257,347
Net Operating Return on Sales (NOROS)	\$23,579,513	\$14,816,990

<b>Total Potential Additional Revenue</b>	\$44,150,135
<b>Total Potential Additional Gross Margin</b>	\$12,118,347
<b>Total Potential Additional Volume &amp; P4P</b>	\$257,347
<b>Total Potential Additional Net Operating Income</b>	\$14,816,990

### **5.3 Supplier C – Merger or Acquisition Scenario**

Supplier C is a combination of three suppliers that plans to merge together in the near future. The combined supplier group would have \$158 million in total potential with most of the potential coming from Large Ag. All three suppliers have room for improvement in market share as they combine for a total market share of 51.5%. Their market share of 51.5% is split 51% Large Ag and 52% Small Ag. All three suppliers do a pretty good job in the products and service side of their business. Two of the three suppliers have their Aftermarket Performance Factor above XX% and those same two have their Service Market Performance Factor above XX%. The one supplier that is not meeting these goals isn't too far from meeting them. The supplier has an Aftermarket Performance Factor of 14% and a Service Market Performance Factor of 10%. The combined Net Operating Return on Sales after merger is calculated to be 3.47% or \$7.5 million.

The tool shows that this supplier has not met the guidelines/goals that are asked from Company A. The 8.5% difference in market share could net the supplier over \$9.5 million in complete good sales. The very small difference in aftermarket performance factor could net the supplier an additional \$380 thousand in products sales and an additional 1% in service market performance factor could net the supplier \$1.3 million in additional sales. These sales could give the supplier an additional \$1.4 million in gross margin. If the merged suppliers worked on these areas while also increasing their net operating return on sales percent, they could net an additional \$3.8 million in operating income. This tool and economies of scale suggest that it would be in the suppliers favor to merge the three pods together and benefit from each other.

**Table 5.3 Merger or Acquisition Supplier Scenario**

<b>Dealer Acct Number(s):</b>	00-0002	<b>Dealer Name:</b>	Merger/Acquisition Dealer
	00-0003	<b>City:</b>	Shawnee
	00-0004	<b>State:</b>	KS
		<b>Division:</b>	
		<b>Territory:</b>	
		<b>1. Large Ag Potential:</b>	60.13
		<b>2. Small Ag Potential:</b>	52.23
		<b>3. Total Ag Potential:</b>	112.36

Key Metrics	Top 1/3 Avg	Elite 10 Small Ag Avg	Dealer
4. Dealer Performance Market Share	58.21%	49.02%	51.52%
5. Dealer Performance Dealer Dollars (\$ million)	49.92	38.58	57.89
6. Dealer Performance AOR Dollars (\$ million)	85.77	78.72	112.36
7. Large Ag Market Share	65.02%	53.45%	51.09%
8. Large Ag Products Dealer (\$ million)	22.60	16.98	30.72
9. Large Ag Products Industry (\$ million)	34.76	31.76	60.13
10. Small Ag Market Share	53.56%	43.47%	52.03%
11. Small Ag Products Dealer (\$ million)	27.32	16.80	27.17
12. Small Ag Products Industry (\$ million)	51.01	38.65	52.23
13. 5 Year Dealer Performance Industry Potential Avg	\$92,755,334	\$82,659,545	\$129,505,611
14. Total Net Sales (TNS)	\$181,623,821	\$157,172,531	\$216,781,661
15. Total Complete Goods Sales	\$129,586,244	\$107,339,899	\$162,221,405
16. Total Parts Sales	\$29,381,518	\$29,621,783	\$34,819,545
17. Total Service Sales	\$11,001,530	\$12,444,513	\$15,535,473
18. Gross Margin Inventory Turn (GMIT)	6.00%	17.50%	6.06%
19. Complete Goods Total Cost of Sales	\$124,851,348	\$100,843,578	\$156,202,765
20. Complete Goods Margin %	3.65%	6.05%	3.71%
21. Used Equipment Turn	1.64	2.89	1.63
22. Used Equip COS	\$46,524,479	\$33,006,470	\$49,595,350
23. Average Inventory of Used Equipment	\$28,341,839	\$11,414,708	\$30,369,304
24. Aftermarket Performance Factor (APF)	15.99%	18.52%	15.71%
25. Net Parts Purchased	\$14,831,033	\$15,309,578	\$20,340,733
26. Service Marketing Performance Factor (SMPF)	11.86%	15.06%	12.00%
27. Total Absorption	93.87%	99.73%	93.42%
28. Service Absorption	38.42%	41.24%	43.04%
29. Parts Absorption	55.45%	58.50%	50.38%
30. Expense to Sales	11.25%	13.23%	12.43%
31. Net Operating Income	\$7,327,916	\$8,848,813	\$7,516,269
32. Net Operating Return on Sales (NOROS)	4.03%	5.63%	3.47%

Potential Missing Sales & Profit	Guideline Potential	Difference
Dealer Performance Market Share (DPMS)	\$67,415,340	\$9,523,740
Aftermarket Performance Factor (APF)	\$20,720,898	\$380,165
Service Marketing Performance Factor (SMPF)	\$16,835,729	\$1,300,256
Volume & P4P	\$2,794,544	\$169,522
Net Operating Return on Sales (NOROS)	\$11,399,291	\$3,883,022

<b>Total Potential Additional Revenue</b>	<b>\$11,204,161</b>
<b>Total Potential Additional Gross Margin</b>	<b>\$1,435,403</b>
<b>Total Potential Additional Volume &amp; P4P</b>	<b>\$169,522</b>
<b>Total Potential Additional Net Operating Income</b>	<b>\$3,883,022</b>

## CHAPTER VI: CONCLUSION

Company A is the leader in the equipment industry, but they would not be the leader if it was not for the supplier channel that represents their brand. These suppliers are the true leaders in the industry. Some have earned this reputation on their own, but most suppliers have benefited from the outstanding leadership and direction that they are provided by the Company A senior leaders, Company A Field Managers, and other Company A employees. The goals or guidelines that are set for a supplier consists of XX% Market Share, XX% Aftermarket Performance Factor, XX% Service Market Performance Factor, XX% Absorption and XX% Net Operating Return on Sales. It has been proven that the most successful suppliers are constantly working to improve their metrics in all departments each month with the end goal of making money for their organization and for Company A.

The completed tool developed in this research is multi-functional. It is a tool to help facilitate discussions with suppliers. It works for a single supplier with one or multiple locations and it works with a supplier that has multiple areas of responsibilities in different products of the world. It also works for the suppliers that are looking at acquiring or merging with another supplier in the future. All of these scenarios are modeled in this research and each of them shows different ways that the tool can help with optimizing the supplier.

Eventually, the tool will be used to construct a two-page summary that shows a supplier how they compare against other suppliers that are similar in size and how they compare to the top-ten elite suppliers in their category. The summary will also include market share maps to show which areas need to have special focus on to earn more sales in



the future. The goal of this tool is to show how much sales, margin, and profit the supplier is missing because they have not reached the guidelines set by Company A.

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