



The way I see it...

BY PAUL KINDINGER

The David vs. Goliath paradox



REALIZE some of you wish I would stop writing about “purity” and consolidation. In fact, some of you have let me know you don’t even like the term and want me to give it a different name. With that said, there is an interesting philosophical debate surrounding these issues.

This discussion centers on the paradoxical push by some manufacturers for purity and consolidation into mega dealerships while other manufacturers are supporting diversity and smaller entrepreneurial enterprises. The real question is who’s right?

As I travel throughout North America and visit with dealers and manufacturers, questions related to this paradox often arise. The most often asked question is “Why?” Why is there so much emphasis on purity and consolidation? The most typical answer is the apparent ability of larger, well-capitalized dealers to specialize in servicing customers’ needs and providing the type of experience expected by a larger, more sophisticated and savvy customer. The argument usually goes further to suggest dealers in this category are better able to attract the type of management and technical talent that is more in line with the expectations of both customers and manufacturers.

On the other hand, several manufacturers have shared their preference for smaller, more hands-on entrepreneurial owner-operators. Their preference is based on the belief that such dealers are more in tune with their customer base and all aspects of their business operations. Manufacturers supporting this view often claim this type of operation has less overhead and expense to drag down profitability. Several manufacturers with this philosophy are methodically signing up new dealers or “ex” dealers of other brands to create a loyal cadre of dealers who claim to be more satisfied and content with the manufacturer. Similarly, they often claim they are gaining market share. Conjecture or fact, I’m not sure at this point.

Isn’t it interesting these diametrically opposite views are both currently at play in the market? Both philosophies are vying for superiority and recognition. Personally, I think both have some merit and both have some serious flaws. For instance, the drive for purity suggests that the products being driven out will find a new home somewhere, probably down the street with a dealership that represents the other philosophy and an alternative brand. This, in turn, could result in customers of the brands being driven out following those brands to a new home and, thus, reducing future traffic at the current location.

The NAEDA board recently adopted an official policy that states “purity” should be a voluntary business decision by the dealer, not one imposed by a manufacturer. The policy does not suggest the board is opposed to it...

Many dealers often ask, “If I am providing ‘purity’ of ‘customer experience,’ paying my bills, keeping up my market share, why does it matter?” Unfortunately, this is a difficult question to answer. The most common answer centers on the idea it is more and more difficult to compete in a world that seems to reward “bigger.” By sheer financial volume, larger dealers can often expand and add market share when the opportunity presents itself. In addition, some manufacturers have a “legacy channel” and simply want to reduce the number of dealer points. At some juncture, the possibility of barriers to entry and exit begin creeping into the picture as potential drawbacks. In addition, it has been pointed out to me that should a problem arise with a mega dealer, the market coverage in the interim period could be a real headache for a manufacturer.

At this point in our history, the outcome from these competing philosophies is yet unknown. Each has their proponents and their opponents. Both camps are often vocal and adamant about their particular philosophy.

The NAEDA board recently adopted an official policy that states “purity” should be a voluntary business decision by the dealer, not one imposed by a manufacturer. The policy does not suggest the board is opposed to it, but it clearly comes down on the side of allowing the decision to be a dealer’s choice. At the same time, the issue of consolidation is one driven by the economics and philosophies of individual manufacturers. Will the world consist of only Goliaths or will David prevail?

Personally, I still believe it is a customer relationship business and the customers will have the final say – and that’s the way I see it. ■

PAUL KINDINGER is president/CEO of the North American Equipment Dealers Association. The association provides educational, legal, legislative and financial services to approximately 5,000 retail agricultural, industrial and outdoor power equipment dealers in the United States and Canada.