



The way I see it...

BY PAUL KINDINGER

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On being a “reliable” supplier

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As an equipment dealer, your customers count on you to be a “reliable” supplier. Your customers count on you to have equipment, parts and provide the service they need or want when they need it or want it. They come to rely on you and your ability to keep them up and running. It doesn’t matter what type of equipment – agricultural, outdoor power, professional turf, industrial, forestry – they need to know they can count on you.

In turn, for your customers to count on you, you must count on your suppliers. As a dealer, one question you should always ask (in my opinion) is whether you can count on your suppliers through the ups and downs of business cycles. The answer to this question will be an indication of how well you can service your customers. It is one big circle.

The current demand for equipment is high in many areas of North America. Many manufacturers are struggling with maintaining equilibrium between having too much production capacity for the down part of the cycle versus too little in times like those we are faced with today. Unfortunately, during the last down cycle, some manufacturers “rationalized” their production capacity to levels that only fit that part of the cycle to placate Wall Street analysts and are now scrambling to invest in additional capacity, which takes time. Such decisions are like the proverbial chickens that come home to roost.

In addition, the concept of being a “reliable” supplier takes on global meaning in today’s business environment. It has not gone unnoticed that equipment sales to markets overseas have increased dramatically in the past several months. Although worldwide demand has increased, is it sheer coincidence the weaker U.S. dollar provides an opportunity to cash in on the currency differences from overseas sales? How does this weigh into the consideration of being a “reliable” supplier?

How a supplier handles price increases also can influence our answer to the question of whether a supplier is reliable. In recent months, it’s been commonplace for manufacturers’ margins to be pressured by price

increases from their suppliers. The price of steel and tires are two notable examples. During this period of high equipment demand, price increases for steel and other inputs have resulted in added tension among suppliers, dealers and customers.

Some manufacturers are recapturing a portion of the increase through special assessments. The implication in this scenario is that it might be temporary and actually be adjusted downward if or when the price of inputs to the manufacturer recedes to prior levels. Other manufacturers are raising prices to capture some of their margin losses. This seems to imply a more permanent adjustment, but it certainly does not totally preclude future downward adjustments.

Finally, another facet of the discussion about reliability is market share. Currently, some manufacturers are faced with the challenge of supplying the type and amount of equipment demanded by the market and have actually instituted allocation schemes to even out supply. Hopefully, suppliers will reconsider their current policies on dealer market share requirements until such time the supply chain is again normalized and reliable.

When all is said and done, it comes back to the concept of servicing customers.

Are you, as an independent business (dealership), able to promise and deliver what your customers want, when they want it and where they want it at a fair price? If not, then it forces you to ask the more difficult question – why? If it is not something you are doing or you can control, then what is affecting your ability to be a “reliable” supplier. The answer to this question can have an effect on your long-term business strategy and may even define how long you can stay in business. It is not a simple question but it is one that deserves an answer – and that’s the way I see it. ■

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