



White Paper

Equipped for speed: Driving strong profitability throughout the equipment lifecycle

At the recent 2012 AED/Infor® Executive Forum, Ed Sullivan, vice president and chief economist, Portland Cement Association (PCA) delivered his economic outlook: “Sluggish economic growth to continue through 2013, with a gradual strengthening in 2014 and beyond.” Can we call this an upturn? Does this mark a potential return to near normal? But then, what is normal? Whatever the answers, dealerships around the globe are going through a tough time—a period marked by economic slowdown, reduced liquidity, and shrinking business activity. Many heavy equipment dealers were hard hit by the recession and have been forced to restructure their organizations to survive. Others are refocusing and changing their strategies, particularly in light of the impact the economy has had on equipment sales.

Yet, we know from an IDC Manufacturing Insights survey, *Accelerating Business Change Through Next-Generation ERP* (<http://www.infor.com/content/analyst/call-to-action-ime-sector/>), “that the industry’s business indicators significantly improved over the last couple of years, with revenues and profit margins returning to pre-crisis levels.” Recessions do not last forever. You may find that now is the perfect time to take a good look at your business processes and see exactly where and how you can improve. By identifying targeted areas in your business that need improvement, you can make the decisive moves necessary that can help set your company up for success as the economy turns around.

This paper will discuss some of the areas that we at Infor have found can reduce operational costs, boosting your efficiency and your bottom line. Once process improvements are in place, you will be able to focus on driving new revenue streams that can help give you a competitive edge as the economy improves.



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Strengthen margin control

If margins cannot be seen clearly, then they cannot be controlled effectively. Lack of margin control is largely due to poor data or data that is difficult to find or spread across disparate systems and paper records. It quickly leads to increased costs and poor decision-making. An efficient, fully integrated system is one that supports detailed data analysis, helping equipment companies like yours see margins from all angles—per equipment model, group, parts, item line, order line, and supplier. This type of solution can help improve order-to-invoice and order-to-cash cycles, so that less working capital is tied up in accounts receivable. Greater margin control helps you resolve customer issues faster, yielding improved service levels and customer satisfaction.

Equipment companies should look for an integrated system that allows them to measure value and profitability throughout the equipment lifecycle. By predicting and planning profitability, you can control margins without having to “cushion” each business deal.

Improve pricing strategies

Managing an efficient, coherent pricing strategy is an important part of the equipment business. Because of the volatility, this requires consistent monitoring and evaluation to ensure optimal results. Pricing structures should be tailored to meet the specific needs of your company and match what the economic climate dictates. In some instances, you may be able to command a premium, while at other times, a discount may help you increase customer loyalty and market share.

Ineffective pricing communication is often caused by poor infrastructure or disparate systems. A fully integrated solution helps to bring all pricing data together in one, consolidated view. It helps companies evaluate data on the industry, market conditions and competitors. This allows you to segment customers accurately according to equipment type, customer-perceived value of parts, purchase patterns, pricing, and sensitivity. The right technology system will offer specific discount matrices for customer and product combinations to ensure that you can maintain greater control versus a more generic discount approach. By using an automatic discount level approval process, you can greatly reduce tedious, manual work for your employees. The system quickly alerts managers to underpriced product and customer combinations so that nothing goes unnoticed.

Companies like yours should look for a solution that helps to create comprehensive pricing agreements with the ability to fine-tune gross, net, and discount price.

Focus on aftermarket parts sales

Aftermarket parts sales and service account for significant revenue opportunity for your business. To be successful, you need an integrated view of your business so that you can get up-to-the-minute data on customers, equipment, parts, service history, service-level agreements, and more.

The first step is to automate and modernize your warehouse processes. To do this, you need a system that supports the managing of low- and high-value stock, with an emphasis on frequency of usage and optimal storage location. An integrated solution will also allow for auto-leveling of inventory, so that parts are distributed throughout the business in the right proportions. To deliver on service, companies like yours need an advanced parts supply chain management system that facilitates effective and timely service scheduling to correspond with parts delivery. It is therefore critical to have a solution that provides forward visibility of parts requirements through effective demand management.

To improve supply chain management and parts logistics, you need to interface directly between original equipment manufacturers (OEM), dealerships, and the customer base. By sharing data about equipment orders, configuration, delivery, service, and warranties in real time, you strengthen the dealer-OEM relationship. This can help you process customer orders and warranty claims more quickly.

To run efficiently, equipment companies like yours need to make sure to have a sound parts-planning process in place that allows you to schedule service in a timely manner that coincides with parts delivery. Forward visibility and effective demand management can help fine tune procurement planning, scheduling, and supply levels for customer locations in the field, as well as service vans.

An integrated solution can help you simplify your warranty and claim management processes. You should look for a system that helps with tracking parts and equipment claims from inception to closure, including claim versions and final processing through to the original equipment manufacturer. With this system in place, you can gather and analyze vital data on equipment breakdowns and feed that information back to your manufacturers. This will help manufacturers get to the root of problems, so they can make improvements.

An advanced warranty and claim management system is one that will include detailed search and listing functionality, making it easy for employees to locate the right claim and update customers on the spot. Overall, this type of system helps you deliver high-quality service, while maintaining a healthy profit margin. Because these processes can be directly linked to company-wide financials and overall equipment profitability, an integrated system delivers even greater value to the customer and to the equipment dealer.

Rental and leasing

As competition grows, customers expect more from their equipment and service contracts. Effective equipment utilization is more important now than ever before. The right technology infrastructure gives your company a complete overview of your rental operations, including a clear view of asset availability, insight into the return date for assets, and a clear view of your service needs. The right system can help you integrate all your rental operations with supply chain management, finance, and service, so that you can maintain complex rental agreements with your customers.

For leasing, your company will need an effective business application system that offers precalculation for all agreements. This will allow you to manage vital information for the length of the agreement, including amortization, interest, and residual value, after each period. Look for flexible invoicing functionality to help turn ordinary service into a value-added competitive advantage.

Finance and the equipment lifecycle

Finance is a cornerstone of all organizations. Equipment companies like yours need a solid handle on accounting, budgeting, reporting, and transaction processing. Does your existing system allow you to analyze all your financial information and link it to business processes to facilitate internal benchmarking? Are you able to obtain the cost and profit data you need quickly—by customer, fleet, equipment, or project? The right technology solution can help you with these areas, as well as pinpoint the relevant business information that fuels new growth strategies in areas such as marketing, service, and parts sales.

Many equipment companies today lack an integrated view of their equipment over the full equipment lifecycle. You need to be able to see machine availability, profit, and contribution, without using spreadsheets. You need to be able to see the profitability of an equipment fleet, without adding it up manually. Your warranty, sales, travel costs, and field service should not be in isolated systems.

You need more broad-range support in analyzing a single piece of equipment as it ages to see exactly where and how you are making a profit. With the right technology, equipment companies like yours can track every transaction and the profitability of a piece of equipment from its initial sale until disposal. This information allows you to offer customers advance notice of when they should repair, overhaul, or replace their equipment. Equipment lifecycle management helps to establish loyalty as customers maximize the value they receive from their equipment. It will also help you keep on top of preventative maintenance schedules, ensuring that the right parts, tools, and service engineers are available when and where needed. You need to have a trusted view into a product across its lifecycle, so you can have more control over your business, as well as gain the decision-making power to enhance your overall profitability.

Quantify your improvement initiatives

Having the right business processes and technology infrastructure is key to helping you cut costs and improve operations. But who nowadays, can afford to jump into an IT investment blind? A value assessment can serve as an ideal starting point. Companies participate in a value assessment to get a projection of the business benefits that can be gained by upgrading or implementing enterprise software. This top-down evaluation tool helps to justify and quantify IT expenditure before you commit time and resources. It helps you map out best practices for implementing these improvement projects, and defines key performance indicators that help measure your progress over a two- to three-year period.

For many companies, it helps to get a new technology project started, setting the scene for organizational change. This type of evaluation exercise promotes teamwork and collaboration across all functional lines of a business. It helps clearly define in monetary terms the value that a new system has to offer.

When you complete a value assessment, you walk away with a sound basis and strategy for decision-making, before you've finalized plans for your improvement projects.

Gear up for change

With an integrated system, you will be able to track the profitability of a piece of equipment from its initial sale until disposal. You can look at key lifecycle changes and associated costs over the equipment's lifetime as a whole, so you have an accurate, gross profit perspective. Total lifecycle profitability carries the potential to be many times higher than the margin on the initial sale of the equipment.

Oftentimes, the initial equipment sale does not offer a high-margin. Products are being commoditized, and differentiation comes through support and total customer experience. Your customers will spend more on maintaining the equipment than on the capital purchase, and you have a corresponding sales opportunity. If you have a consolidated and reliable data source, you'll never miss another sales and service opportunity.

The design of workflow in most companies is based on assumptions about roles, organizational goals, and technology that no longer apply today. By examining your existing process engineering, you can focus on all the different functional areas of your business that make it run effectively— from warehousing and parts logistics to rental, service, and finance. Does your system allow you to get good, reliable information quickly? Can you track the simple daily flow of business, knowing what your cash flow is or inventory levels are on any given day? Can you get all the customer information you need in one place? Or, do you find yourself constantly waiting around for this kind of data?

As you ask yourself these questions, you may conclude that your underlying enterprise application structure is hindering your plans for the future. Sometimes radical redesign and reorganization is needed to streamline operations, reduce costs and improve quality of service. The fact is that information technology is a key enabler for this change.

Drive new sources of revenue

Simply cutting costs to remain active in the current economy or waiting for better times is a poor long term strategy. By hesitating to find new ways of improving profits, like strategic parts pricing or parts sales and service, you run the risk of being left behind by the competition as the economy picks up again.

If this is the case, you need better visibility into your operations to achieve greater margin control, productivity, and efficiency. You should be able to focus on driving new orders, creating effective marketing campaigns, and improving customer service.

An integrated solution, such as Infor Equipment, can help prime companies like yours to find new sources of revenue, as you prepare for the economic turnaround. You can learn more about equipment and gain confidence in your data, so you'll know precisely when and where a business opportunity lies.

Capitalize on the opportunity

Companies that emerge as winners are those that:

- Streamline their operations so that employees get the information they need to act quickly.
- Get stronger, fitter and more productive.
- Deploy flexible information and business process foundations to lead improvement projects.
- Focus on improving customer service.
- Find new sources of revenue that drive growth.

Like other Infor customers, now is the time for you to focus on efficiency and learn how to improve your business as the market recovers. Make sure you have visibility into your data through a central repository. Automate as many of your processes as possible, with decision points made where work is being performed and control is built in. By using the capabilities of an integrated enterprise resource planning system, you will have a single source of quality information—a system that is easy to learn and use, and one that can carry you into the future, serving as a flexible platform for growth and profitability. You can find that system with Infor Equipment.



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