Independent Dealer Development Report and Guidance

August 2018

Black Ink
TECHNOLOGIES

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“To compete in an omnichannel world, it’s imperative to get real-time retail analytics.

Inventory planning, driving incremental profit, and creating precise end-user demand are just the beginning steps for empowering field sales people to have more meaningful independent dealer discussions.

This report shows the opportunities and shortcomings of OEMs, and distributors. It is a must read for anyone who competes against big box stores.”

Bill Brunelle, Co-founder

Independent We Stand

Summary

In June of 2018, Black Ink Technologies, a leading software company serving the durable goods manufacturing industry, conducted a survey to glean insights about the challenges and opportunities that manufacturers and distributors that sell through independent, authorized retailers face. Rather than conducting a survey on a common topic such as inventory management flow, Black Ink Technologies decided to focus on the very sensitive yet critical workstream of dealer development.

From the point of view of manufacturers and distributors that rely heavily on revenue from independent dealers and retailers, the crux of developing and sustaining dealer relationships is that they require healthy and continuous doses of human interaction to get, keep, and grow them. This is no surprise. After all, unless a company is an e-commerce pure-play, people don't just buy from people – they rely on them.

The common and classic "boots on the ground" approach is systemic in the industry, even though all fully accept that sunken field sales labor costs is a large COGS line item for any entity. However, in the more modern technology culture that envelops each and every one of us as consumers, or business operators, it is hard to ignore how data, information, and insight also plays an important part of the dealer development process.

As more sophisticated dealers embrace technology to enable efficacy and effectiveness and/or the younger generation of dealer owners rise up to take the reins, the opportunity for retail adoption of technology to aid sales and marketing is boundless. Will this be a sea change for the nearly 20,000 independent dealers and retailers overnight? Certainly not. But we'd be remiss to ignore the pressing fact that all organizations across the supply chain need to adapt quickly and effectively to remain healthy and further thwart big-box retailers and online giants - technology leaders that for years have been armed with advanced analytics which inform their everyday decisions.

Distributors and manufacturers can no longer ask "if" we need to, but rather "when" to shift strategies, tools, and techniques - not just to keep up, but to help lead the charge.

Methodology

In June of 2018, Black Ink Technologies surveyed a range of manufacturers, distributors and independent sales representatives that sell through independent, authorized dealers/retailers.

This blind online survey was deployed to key subscribers of leading industry magazines in the powersports, marine, and outdoor power equipment (OPE) categories.

The survey questions were a mix of closed-ended (forced choice), multiple choice, and open-ended (open free-form text) questions.

Multiple choice answer options were automatically randomized to improve reliability, and there were two qualifying/identifying questions to identify the industry type and title/function of each responded.

If open responses were not easily categorized, they were omitted from results.

The total survey population was 3,750. The survey confidence factor is 95%, with a margin of error of +/-4%.

EXECUTIVE OVERVIEW:
Five Top Key Learnings from Study

While technology can't replace the experience of people, it can certainly complement their sales methods by providing insight and improving their productivity, thus allowing them to sell more, faster.

1. For those that use sales enablement tools, there is no "one size fits all" solution, nor is any leading, "must-have" solution being widely adopted.

2. A low percentage of the total respondents use the most basic sales tools such as CRM software and, remarkably, many use "good old-fashioned paper" as common practice to deliver compelling dealer development reports.

3. From a dealer's point of view, over a third of the OEM and distributor salespeople are perceived as a cost, versus collaborative revenue drivers at the local level.

4. The ability to measure dealer success is challenging mostly due to lack of access, quality, and visualization of dealer data.

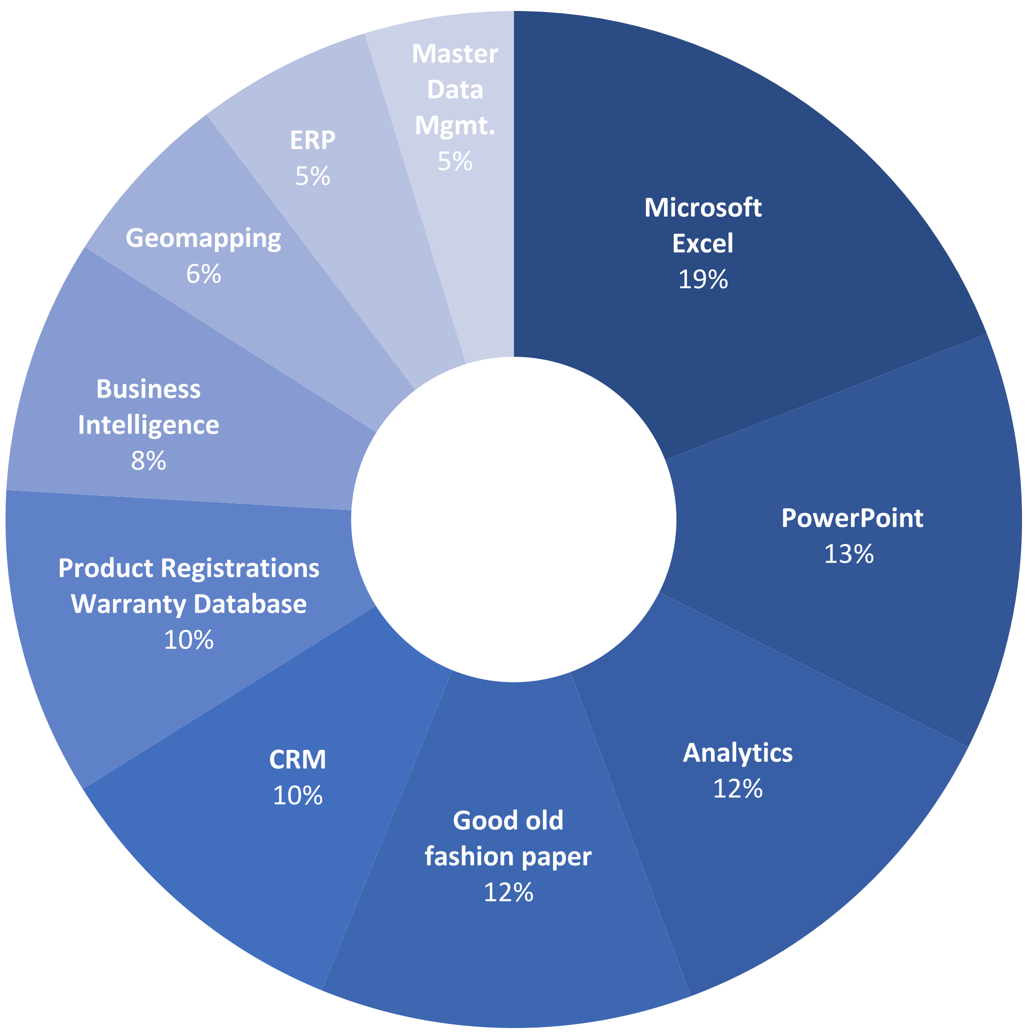
5. Relying on a product-centric salesperson versus a market/end-user customer salesperson makes it challenging to upsell and cross-sell.

Which of the following tools do you use to help support dealer development?

Choose all that apply.

Paper and other mostly manual, operator required tools represent the majority at 60%.

The distribution of the wide range of tools used to support dealer development suggests there is no "one size fits all" solution in the market today, nor is there any that is currently being widely adopted as the "must have." More automated, pre-processed reports about and for the dealer lag behind.



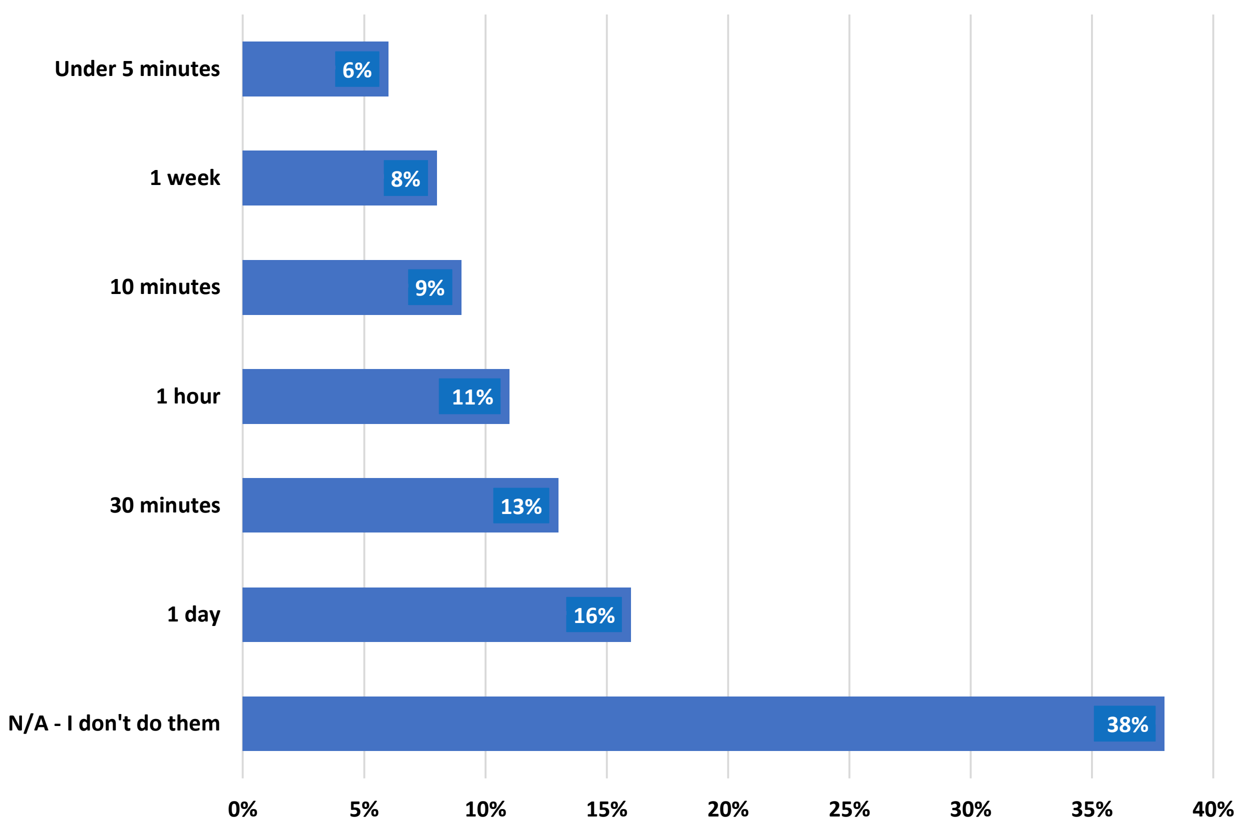
Roughly how long does it take you to build a compelling dealer performance report to share with your dealer?

Choose one.

Of those that use at least one advanced technology solution (i.e., business intelligence, analytics, geo-mapping, CRM), 68% can produce a dealer report in 1 day or less, saving at least 80% of the time compared to those that don't.

The majority of respondents with titles such as IT, Marketing, Finance, and Operations contributed to the lion's share (38%) of the response "I do not do them" - which is logical given their role. However, further insight states that 10% of the sales roles at Distributors answered the question "I do not do them." 80% of the OEMs do produce dealer reports, suggesting they are very active in dealer development with or without a two-step sales channel.

Of the respondents who use "good old-fashioned paper," they represent 32% of those who require "1 week" or longer to build dealer reports, or they answered "I don't do them at all." Working at this rate, if one salesperson has 50 dealers in his/her territory, they will spend nearly 10% of the yearly man-hours manually building dealer reports. Regardless of the speed to build them, the quality of dealer reports remains very questionable due to poor data.



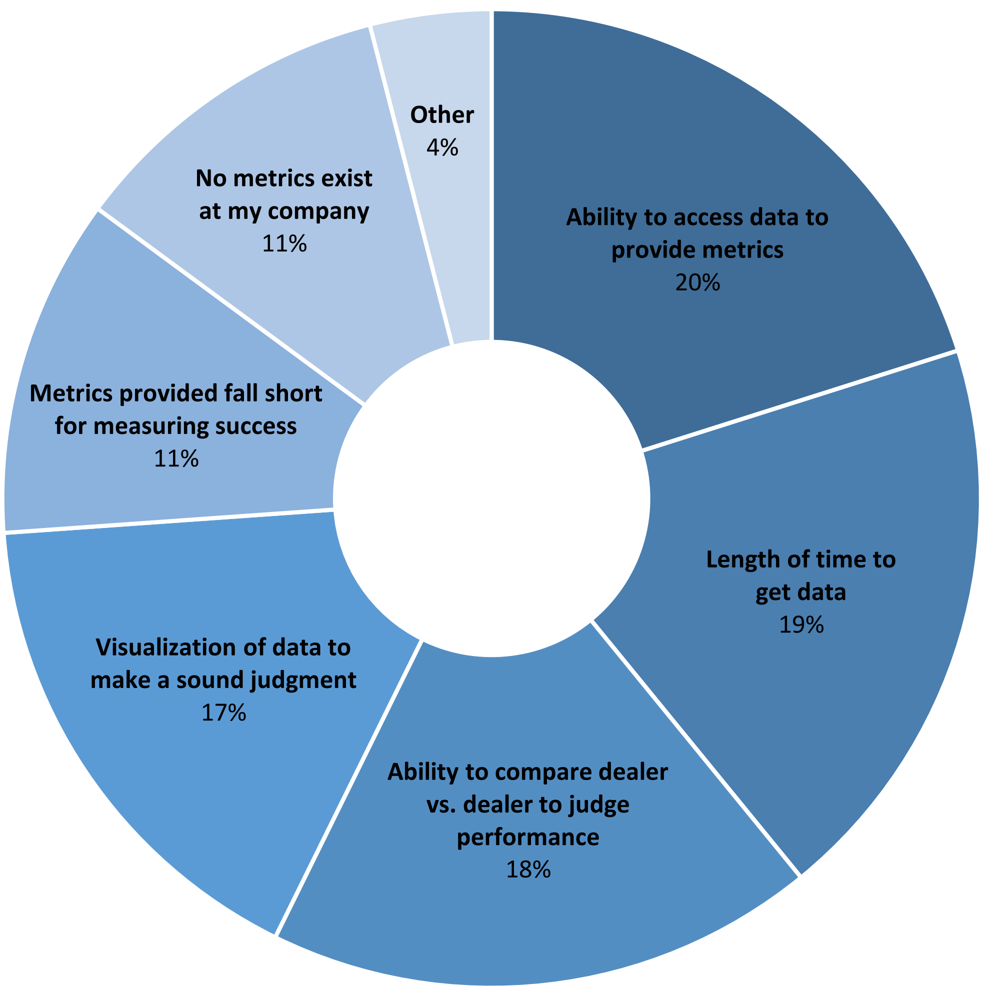
What are the biggest challenges to measure current dealer success?

Please select your top 3.

60% of the respondents state accessing, processing, and displaying data is prohibitive.

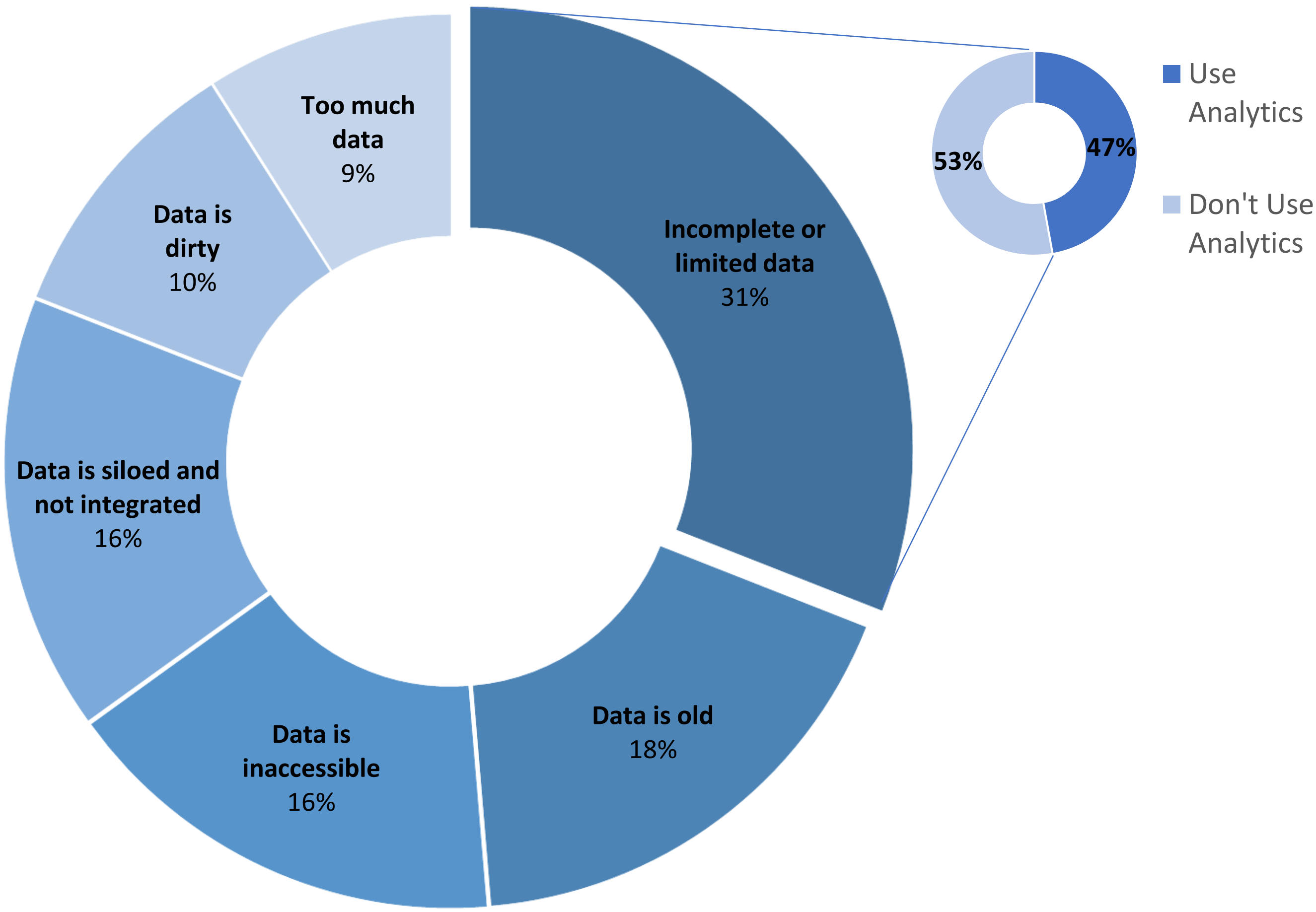
22% of the respondents either have no metrics established to measure success or they believe the ones provided are irrelevant. To further complicate the desire for measuring dealer success, nearly 60% of the respondents stated that accessing, processing, and displaying data is prohibitive implying that smarter and faster decisions are extremely challenging.

Even the basic fundamentals of comparing dealer-to-dealer performance is a challenge for 18% of the respondents.



What are the biggest challenges associated with maintaining dealer data quality?

Please select your top 3.



Representing a combined 65%, the top three challenges for maintaining dealer data quality are incomplete/limited, inaccessible, and old data.

As one respondent aptly summarized, the issue facing most is "too much guessing."

Further insight reveals for those that selected "Incomplete or limited data," 53% use analytics and 23% use geo-mapping tools for dealer development support. For these respondents, relying on this poor data to inform dealer decisions is anecdotal at best.

Maintaining data with proper fidelity requires a repeatable and scalable process and, not surprisingly, the tools sales reps use to arm themselves or help dealers support development have limited or no infrastructure systems in place to process real-time and accurate data.

What are the biggest challenges associated with increasing dealer performance?

Please select your top 3.

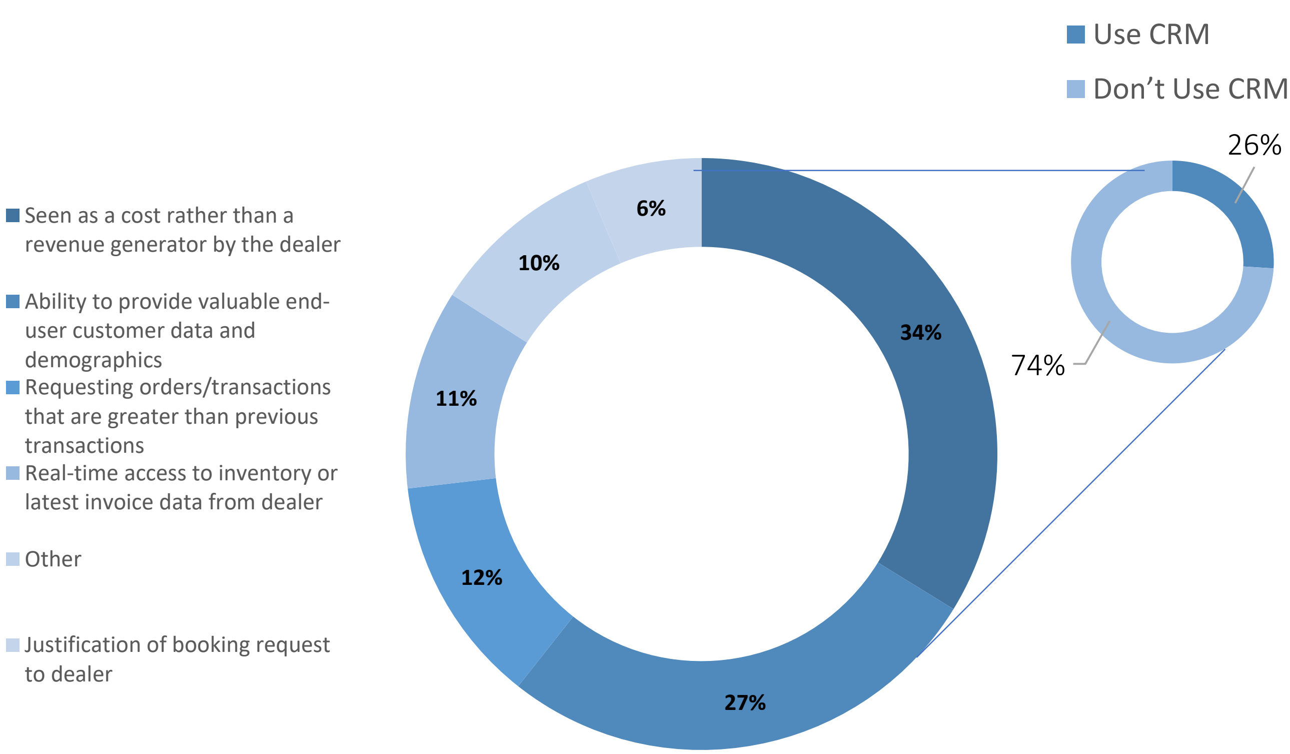
While it is a common concern about the dealer's "lack of desire" to take the business to the next level (22%), it is nearly impossible for any one sales person to influence this outcome. However, nearly all other challenges (47%) associated with dealer performance can be overcome by a salesperson if they're armed with the right training and empirical evidence. In fact, having information such as "proof of incremental sales" (16%) can be used to overcome one of the top sales objections which respondents identified as "competing priorities in multi-line dealers" (21%).

What is the single biggest obstacle for the salesperson once they step foot in a dealer?
Choose only one.

From a dealer's point of view, over 1/3 of the OEM, distributor salespeople, and indie reps are perceived as a cost (37%) versus a collaborative revenue driver at the local level.

Further insight reveals that a majority (74%) of these respondents do not use a CRM, which supports previous findings that limited use of dealer metrics and ability to access data is impeding the measurement of dealer success. Additionally, 30% of salespeople's top challenge is to add value to the dealer-customer by delivering the end-user "consumer" demographics of its respective brand/product line – a key indicator for informing local market penetration by customer types.

While not a large percentage (12%), some salespeople are not armed with even the most basic, real-time information as to what products have been sold to the dealer or inventory on hand. Arguably, this is a primary necessity for any field salesperson to have, because data helps them do many things including help dealers understand inventory turnover rates, which informs them as to what products need to be ordered next.

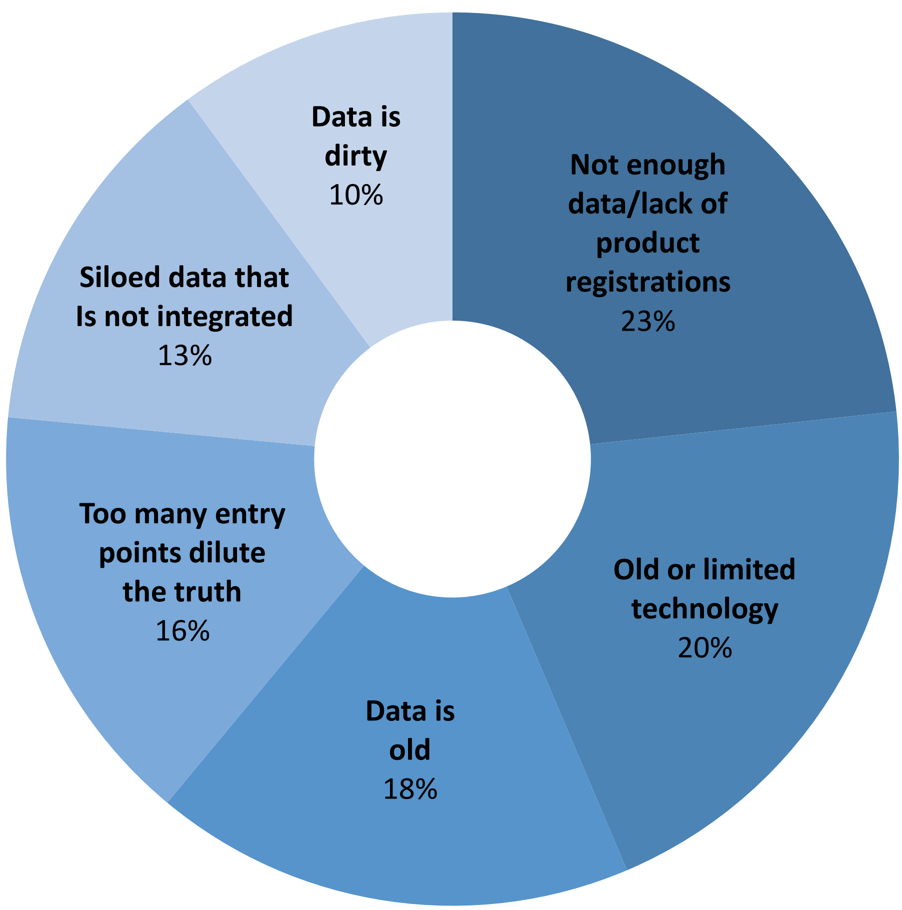


What are the biggest challenges associated with maintaining data quality about your end-users/customers?

Please select top 3.

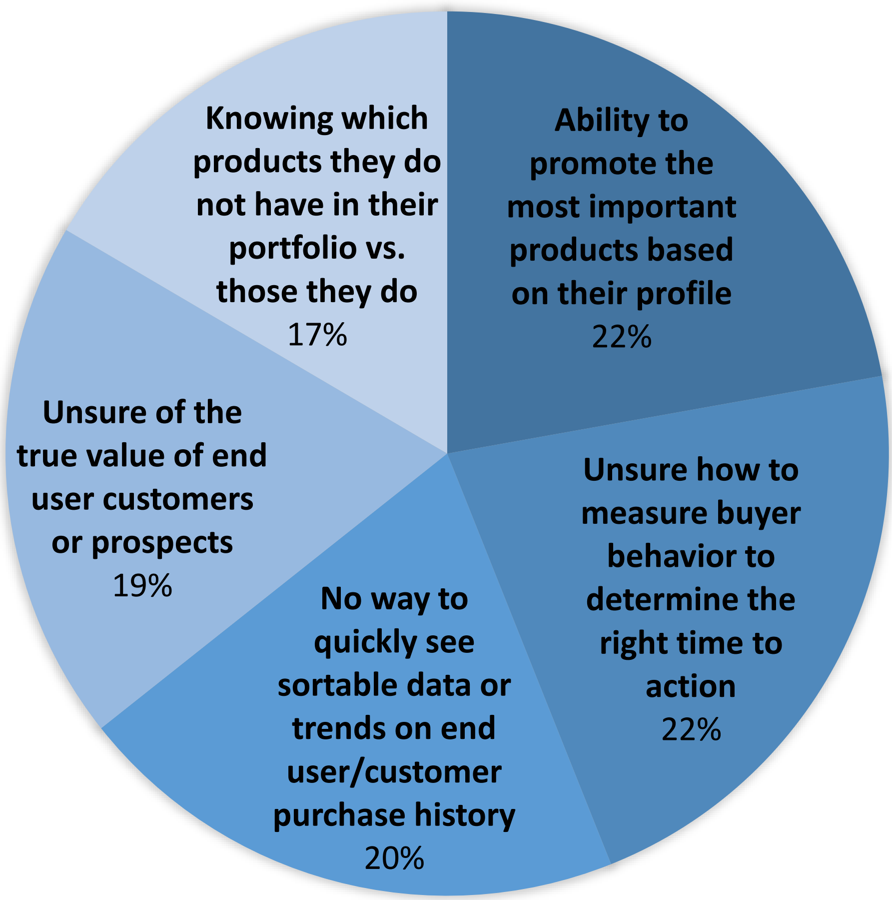
Knowing more about the "customer" means you can do more, especially if the dealer is interested in trying to thwart off big-box retailers or perhaps even consider local dealer e-commerce.

An end-user buyer has varying points of view - they can be considered both a "customer" of the retailer and the manufacturer. It is clear from the chart below that there is equal distribution for the top challenges of end-user customer data. To address a more complete, 360 degree view of the customer requires master data management or a customer data platform. Recall that the second biggest obstacle for the salesperson once they step foot in a dealer is to provide valuable end-user customer data.



What are the biggest challenges associated with prospecting, upselling, and cross-selling?
Please select your top 3.

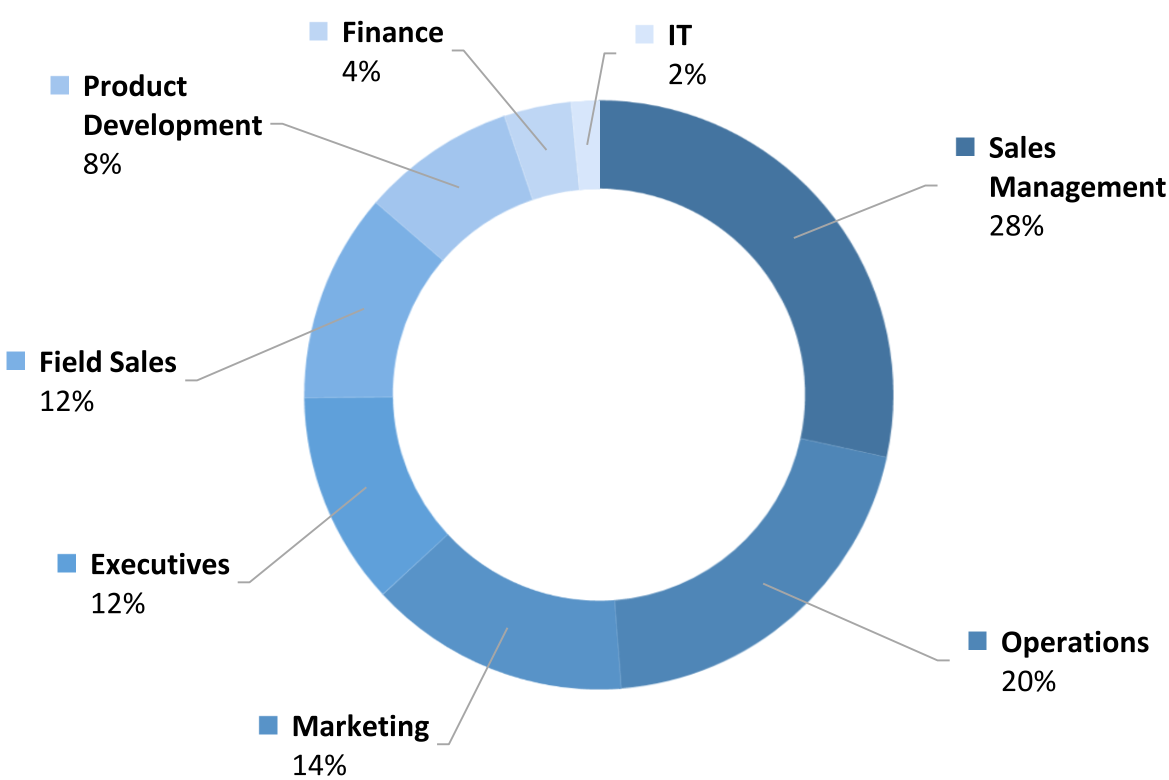
When it comes to trying to understand what type of customer information would be valuable to inform a more precise sales and marketing plan to sell more, the challenges seem equally common across the respondents. Themes such as product purchased, customer value, and timing of action are impeding their ability to sell the best next product, to the best customer at the right time.



Firmographic profile of respondents

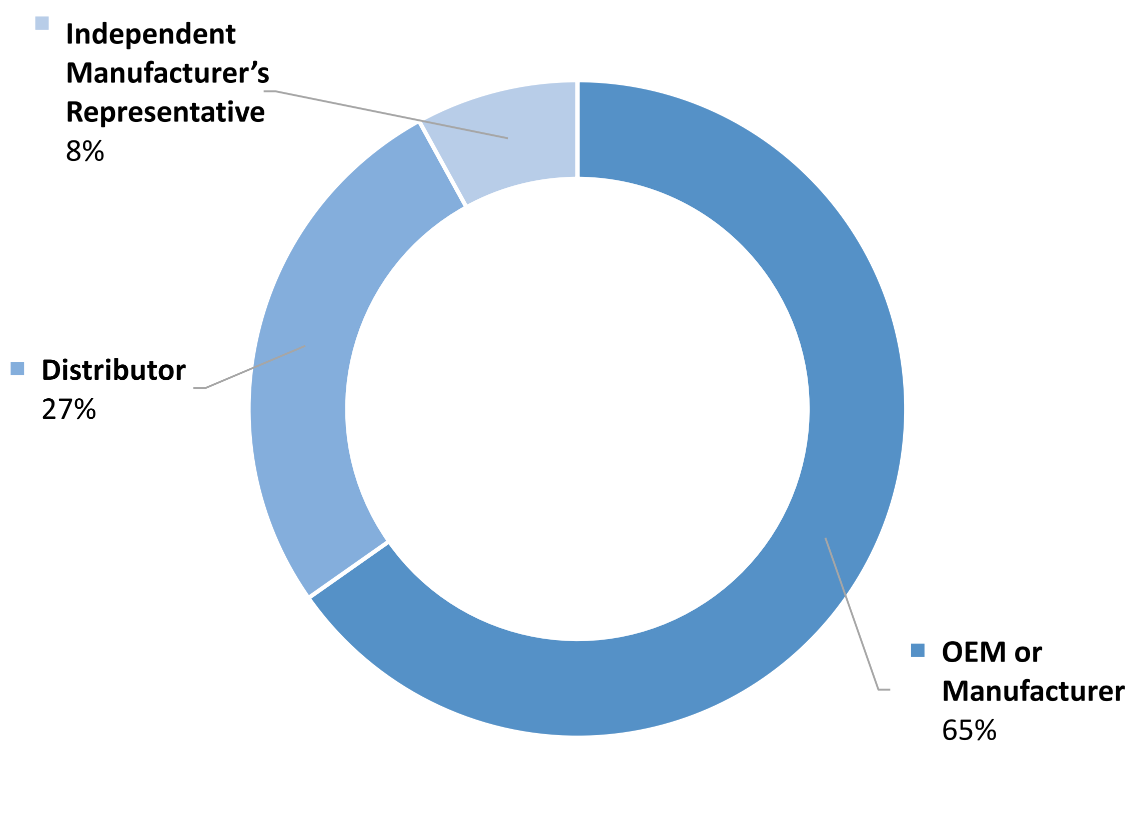
57% of respondents are in an "external customer-facing" role.

57% of respondents are in a "external customer-facing" role to generate demand - they are represented by Sales Management (29%), Field Sales (12%), and Marketing (16%). More "internal-facing" centers of excellence roles represent less than 10% of respondents – respondents in departments such as Engineering (5%), Finance (4%), and IT (2%). There was not enough specificity for defining "Operations" to determine if the role is strictly only internally focused. This labor distribution by role is close to organizational charts for most entities in these industries.



Firmographic profile of respondents

By business type, it is clear from the chart below that Original Equipment Manufacturers (OEM) dominated the respondents (65%), with Distributors representing less than half of the respondents (27%). Any respondent that claimed to be a retailer or dealer was omitted since the purpose of the survey was to understand the upstream supply chain's relationship with dealers.



About Black Ink Technologies

Black Ink Technologies, a Software as a Service (SaaS) company, provides sales and customer intelligence to enable distributors and durable goods manufacturers sell more product, faster and smarter, through their sales channels.

Its EyeOn Product Suite's analytical platform identifies new growth opportunities across key sales and marketing workstreams, such as:

- Acquiring the next, best new dealer/retailer
- Selling more product, parts, and accessories through current dealer network
- Locating growth markets by both customer type and respective geographies
- Demand creation at the local level for key end-user consumers (homeowners or professionals)

EyeOn's product suite includes integration of best-in-class technology solutions, such as Business Intelligence (BI), Customer Intelligence (CI), Geo-mapping (GIS), Customer relationship Management (CRM), Machine Learning Analytics, and Master Data Management.

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