



EQUIPMENT DEALERS, RENTAL & SERVICE

A game plan for digital transformation in equipment and rental firms

Meeting customer expectations is harder than ever today. The bar has been raised. Many leaders in the equipment and rental business recognize that technology can help, but don't necessarily know how to get started—so they don't. In this paper, we break down the process into an easy-to-follow, step-by-step guide to help you integrate technology into every aspect of your dealership or rental firm. We can't tell you what your strategy should be, but we can give you a game plan to help you get ready for the new digital economy you're competing in.

Are you ready to face a tech-savvy competitor?

Amazon®, Netflix, Uber®, Google and Apple are just a few of digital powerhouses that have transformed the way we do things—and in the process disrupted many businesses. Armed with big data, they analyze behavior and optimize their business decisions. Equipment and rental firms in this era of digitalization need to invest in their IT infrastructures in order to remain relevant—to remain competitive. Trying to make do with outdated systems is highly risky. The future is now. Customers expect more, and want you to do more to help them be profitable.

Embrace technology or get left behind

The rate and depth of change is staggering. “Our personal and commercial lives have collided in unprecedented ways,” says Internet marketing veteran **Jay Baer**. “The behaviors and attitudes we’ve adopted in recent years—thanks to our daily exposure to smartphones, social channels, and other tech advancements—are blending into our business lives.”

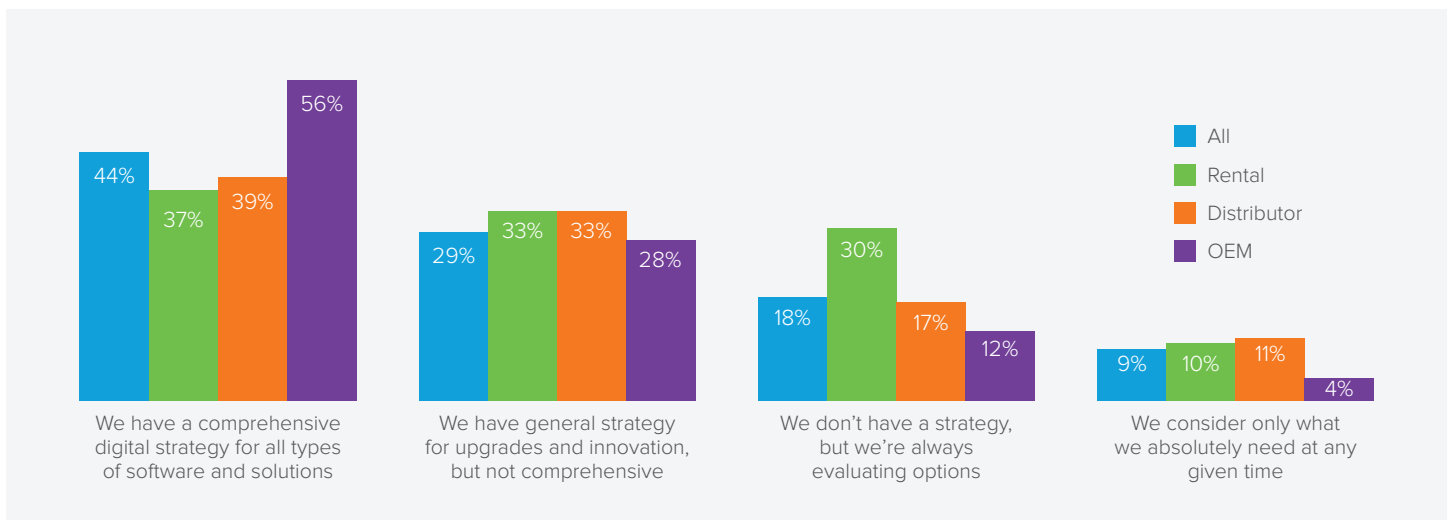
If your business isn’t delivering the service consumers have become accustomed to, you’re vulnerable. In a Salesforce research study, **State of the Connected Customer**, nearly two-thirds (65%) of business buyers go so far as to say that they’d likely switch brands if a company didn’t make an effort to personalize communications with their business. Eighty percent of business buyers expect real-time communication.

If you don’t think you could compete with a tech savvy competitor, it’s time to address the use of technology in your business. “It doesn’t matter what industry you’re in,” says business futurist and digital transformation authority **Greg Verdino**. “In every industry, there is somebody embracing digital while everyone else falls further behind.”

How do equipment-centric companies stack up?

Research suggests the equipment industry is lagging when it comes to IT or digital strategy. **In a 2017 survey** conducted by KHL and sponsored by Infor®, less than half dealer/distributors (39%) and rental dealers (37%) report having a comprehensive IT or digital strategy. Nearly 40% of rental firms and 28% of distributor/dealers have no strategy at all, or invest only when absolutely necessary.

What approach does your company take on digital or technology strategy?



Source: Business transformation in 2018: operational challenges and IT solutions in the construction equipment market. KHL and International Rental News, sponsored by Infor

The game plan: A step-by-step guide to digital transformation

No matter where you are on the road to digital transformation, this guide can serve to remind you of where you need to go and how to get there. Technology will change, but the process should remain consistent: recognize the need, assess the situation, analyze results and find opportunities, empower your workforce, and create your strategy.

Step 1: Recognize that your business needs a digital strategy

Simply recognizing that your business needs a digital strategy is critical. In [How to Guide Your Company's Digital Transformation](#), digital analyst and award-winning author Brian Solis defines digital transformation as “the realignment of or new investment in technology, business models, and processes to create new value for customers and employees and more effectively compete in an ever-changing digital economy.”

Because the process will challenge current business practices, CEOs need to be fully supportive and actively involved in the effort. Solis recommends establishing a digital transformation team that consists of individuals from a wide variety of departments and roles. The team facilitates the transformation, monitors progress, and keeps management informed and supportive of the process. A team approach helps break down the organizational inertia and functional barriers that can derail digital strategies.

For a successful digital transformation, expect to invest in your people. An [MIT Sloan Management study](#) found that 76% of respondents from digitally maturing companies say their companies provide resources and opportunities to develop digital acumen. This is compared to just 14% of employees at early-stage companies. The same study determined it was more important for leaders to have a transformative vision, be forward thinkers, and possess other collaborative leadership skills, than it was to have technical skills and a change-oriented mindset.

Technology alone won't help your business survive in the age of digital disruption. How well your people adapt to change and how you harness technology to get closer to the customer are equally important.

Step 2: Assess the current situation with respect to your digital transformation

It is important to evaluate the current status of your organization with respect to a digitalization and the digital supply chain (DSC). [The DSC Transformation Maturity Assessment](#) is an interactive tool “designed to help measure how your company is doing in each of the four foundational pillars of the DSC: Demand, People, Technology, and Risk,” says Vivek Ghelani, research associate for the Digital Supply Chain Institute. “The results will help define a clear path and identify the small steps you can take to accelerate your transformation to a DSC.”

Distribute the assessment to at least five customers, five suppliers, and key employees. Employees who participate should represent the key sectors of the business such as financial, sales/marketing, and operations. They provide the “inside view” of the business while suppliers and customers provide an “outside view.” According to Ghelani, the outside view offers a comparison between how a company sees itself versus how others see them.

To create a strategy that delivers that new value for customers, Solis recommends creating customer journey maps to get thorough knowledge of your customers. A customer journey map is a diagram or drawing that illustrates every way your customers engage with your company, whether it be product, online, retail, service or whatever. With it, you identify all the touchpoints between your customer and your organization, both major (those that are customer-facing) and minor (the operations that support the relationship.)

Journey mapping will provide important insights into your customers' experiences. Critically evaluate each touchpoint (major first and then minor) and develop a strategy for how you can improve the customer's experience and meet their changing needs. “Every technology or change should be viewed through the lens of how it helps achieve that strategy,” says Verdino.

Step 3: Assess the results and identify opportunities for improvement

As you examine the results relative to demand, people, technology and risk, look for areas to improve that offer the highest payback. Ask questions. For example, how much more revenue might you gain if you could react more quickly to customer demand? How much expense could be reduced if you automated your warehouse? How much could you increase customer satisfaction if you provided customers with real-time visibility to their machines in the repair shop?

In traditional, linear supply chains the processes of planning, marketing, product development, manufacturing, selling, and servicing are distinct operations. This makes them difficult to align and slow to adapt to market changes. When networks are connected digitally, traditional business silos are broken down and information flows continuously, facilitating automation, adding value, and improving work flow. Paperwork is replaced by data that can be efficiently harnessed to aid decision-making.

Gain efficiency in parts and service

Outdated warehousing systems tend to be unreliable and labor intensive. Modern, cloud-based systems offer more efficient ways to track inventory and keep the optimal level of inventory in stock using technology such as RFID, sensor-driven replenishment, connected devices (IIoT), and big data. The ability to locate machines and parts throughout the entire supply chain, even while in transit, is necessary in order to keep up with customer expectations. Delivering on this promise can result in more sales.

Step 4: Capitalize on customer and equipment data

Telematic data on construction machinery provides an opportunity for dealers to become more proactive partners in machine monitoring and fleet management. Integrating telematic data into a maintenance management program allows for more efficient preventive maintenance and repairs. Accurately tracking engine performance, fuel usage, and working hours can save customers money and help them more effectively manage their assets. Maintenance moves from preventive to predictive.

Data analytics can also give dealers pertinent information about customer purchase patterns, and what triggers their buying decision for a machine and for service operations. This allows dealers to make the right offer to the right customer at the right time, and helps dealers predict future demand.

Ziegler CAT is currently working on a new digital solution to enhance communication and transparency between customers and the service department. It is also using telematics to become a more proactive product support dealership.

“For the most part our industry is still very reactive,” says Corey Kettner, director of Connected Asset Services for Ziegler CAT. “Customers call when there is a problem, then we react. We want to use telematic data to beat the customer to the punch, before they have an equipment failure.”

“A big focus with our digitalization efforts is on making ourselves easier to do business with and being a trusted partner. Transparency is a way to do that,” says Kettner. While he sees value in allowing customers to have more visibility on parts and machine delivery, a bigger focus is on service.

“We’ve found the biggest pain point for customers is knowing the status of a machine being serviced,” explains Kettner. “It’s also the key differentiator for dealers.”

Step 5: Improve your speed and lower costs using robotics

Customers are increasingly demanding faster response times and lower costs. As reported in [The Economist](#), robotics may be part of the answer. Scientists at GE Global Research in Niskayuna, New York, are working on tiny robots that can inspect and repair airline engines. At online retailer Alibaba’s smart warehouse, robots do 70% of the work. Next-generation supply chains will take advantage of advanced computing power and the growing availability of data from every connected device.

Step 6: Analyze areas ripe for disruption

Analyzing areas ripe for disruption is another way to focus your strategy. “Take on the hard questions,” Verdino says. “Where is your business most likely to face its disruption point? How do you create a new role for your dealership in a world where you aren’t selling equipment anymore? If your pricing isn’t competitive how can you use digital to drive down your costs?”

3D printing or additive manufacturing is one area of likely disruption. With relatively inexpensive 3D printers, dealers (and their customers) could print their own parts, disrupting traditional parts manufacturing and distribution channels. Early adopters stand to gain competitive advantage.

STEP 7: Identify how digital transformation can empower your workforce

Your digital strategy needs to work hand-in-hand with people to be successful. Here are some of the ways technology can help the employees of dealerships and rental firms:

Technicians. The U.S. heavy equipment distribution industry loses at least \$2.4 billion each year due to dealers' inability to find and retain technically skilled workers, according to a report from the [Associated Equipment Distributors](#).

Augmented Reality (AR) and Virtual Reality (VR) are two technologies that promise to make existing technicians more efficient and effective. VR immerses users in a computer-generated simulation while AR layers computer-generated enhancements atop an existing reality to make it more meaningful.

Augmented Reality could provide technicians with informational overlays to improve their understanding of the task at hand. Instead of referring to a diagram in a manual, a technician might see a virtual model that guides him through the task while keeping his hands free to work. A display on AR glasses could be used to guide technicians through step-by-step diagnostics and repairs, improving the consistency and speed of repairs.

In a virtual reality setting, technicians get experience without the worry of disgruntled customers or time-consuming trips back to the service bay. Virtual reality has the potential to cut training cost dramatically. A headset, controller, and computer are the basic components needed, making it feasible to host training at your location.

With the help of See-What-I-See (SWIS) glasses, your most experienced technicians will be able to diagnose equipment problems from a distance. In this way, experience will be transported in the most efficient way possible, to wherever it is needed.

Mobile apps speed the flow of information from field to back office and save technicians additional time. Immediate access to the repair history for the machine, parts catalogs, and service manuals means less time searching for information and more time on repairs. Similarly, when dealers can remotely access a machine's diagnostic systems, they can identify problems and parts needed so only one trip to repair the machine is needed.

A predictive maintenance approach may also use less labor than routine or time-based preventive maintenance, because tasks are performed only when warranted. Both preventive and predictive maintenance help dealers optimize their staff because these tasks can be scheduled in advance.

Sales and Marketing. Technology is helping sales and marketing be more productive, customer-centric, and proactive. [Forrester](#) believes too many B2B companies insist that buyers interact with a sales rep to make a purchase, instead of providing a self-service option. Consider whether sales talent would be better focused on consultative selling rather than managing transactions. Map the buyer's journey for each of your offerings and determine how to best involve your sales team. Your sales model should give customers control over how they interact with you, whether through digital or traditional channels.

CRM (customer relationship management) systems can improve productivity by giving sales reps instant access to data they need to better understand their customer's needs. For example, a sales rep might analyze data and determine if there might be a more economic machine for the job. Knowing when customers are visiting a website can help sales and marketing provide timely offers and promotions.

According to a [McKinsey & Company](#) report, B2B customer-experience index ratings significantly lag behind those of retail customers. The authors believe that expectations for real time responsiveness and easy-to-use apps in the consumer market are migrating to B2B customers. Companies such as Sunbelt, CAT Rental, and United Rentals are already streamlining the equipment rental process with mobile apps.

HR. The growth of multi-location construction equipment dealerships and rental firms has accelerated the need to centrally manage and digitalize HR tasks. When the hiring process becomes lengthy and cumbersome, candidates are lost to the competition. In addition to providing central storage of employee data, and managing payroll and benefits, HR software can help with recruitment tasks such as tracking applications, placing job ads, and identifying those candidates most likely to succeed.

Instead of making decisions based on past practices and intuition, HR departments are shifting to data-based decision-making. In the [Harvey Nash Human Resources 2017 Survey](#) 15% of HR leaders reported artificial intelligence (AI) and automation are already impacting their workplace plans. Another 40% believe AI and automation will affect their plans within two to five years. Instead of relying on applicants to search for jobs, dealers would allow the jobs to find applicants. AI would identify candidates by analyzing job descriptions and comparing them to resumes. Automated emails would then request potential candidates to apply. By automating processes and harnessing the efficiencies created by technology, HR professionals can achieve greater success with fewer financial and human resources.

STEP 8: Formulate a strategy

You've done the prep work. Your final step is to formulate the strategy. Include the expected benefits of the initiative, the people accountable and the investment needed. Address the talent needed to realize performance gains from new actions. Identify the technologies that need to be implemented. Focus on actionable data. The Digital Supply Chain Institute suggests striving for at least a 10% revenue increase and a 20% decrease in costs.

"There is so much you can do that it can be easy to overwhelm yourself with trying to do it all," says Kettner. "Determine what core needs you are trying to satisfy for your customers early on to help limit the scope of what you want to create."

"Digital transformation is not a single event," says Verdino. "Technology is only going to continue to change and that change is only going to accelerate. Transformation is a journey and you need to commit to it for the long haul."

Game on!

With a strategy that embraces digitalization and metrics clearly identified, it's easy to know where you are, and where you need to go in transforming your business for the new digital economy. Just as this guide serves as the road map to create a digital transformation strategy, the strategy itself will serve as a road map for your business. Your strategy will outline where your business will go, who will lead, where your firm will be positioned, and how you will allocate resources for the technology you need. Digital will no longer be a topic exclusive to the IT department or top management, but to every employee, every business unit and department. The equipment business is a team game and you won't win without a clear [digital] game plan.

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