



a Constellation Software Company



Agriculture Equipment Industry Trends Report

What Dealers are Focusing on in 2022

FOREWORD FROM THE GENERAL MANAGER



SHANE WALDEMAR
General Manager, DIS

“Technology on its own does not solve problems - it’s the people behind it that make the difference.”

The last two years haven’t been easy. But despite the challenges the industry has faced, dealers have pulled through with incredible resilience.

The COVID-19 pandemic and the ripple effect it caused highlighted two things: one, that optimism is truly one of the Agriculture industry’s greatest strengths, and two, that now is always the right time to reinforce your business operations. In the face of change, those who embraced new solutions to improve customer communications, service efficiency, and employee productivity were not only able to survive but thrive.

According to a DIS survey of Ag dealers across North America, 20% of respondents plan on opening a second dealership location in 2022, and 14% plan on opening a fourth location or higher. This shows us that there is promise in the year ahead if we can focus on solving problems and strengthening relationships with our teams and our customers.

In this report, we want to take a closer look at how dealers have navigated the difficult landscape created by the pandemic. We will share changes happening in the Ag equipment market - from demographic changes to manufacturer requirements to technological advancements - to help dealers sow the seeds for a stable and profitable future.

- 1. Changing Customer Demographics & Expectations**
- 2. Navigating the Technician Labor Shortage**
- 3. Providing Better Service with Mobile Technology**
- 4. Expanding Horizons with Cloud Technology**
- 5. Working with OEMs**
- 6. Leveraging Reporting and Analytics**



01.

Changing Demographics and Expectations

The Ag market is changing. For one, more Millennials and Generation Z are entering the market, both as dealer employees and as customers. These new customers bring their own set of expectations for what customer service looks like. Dealers will need to adapt their sales and marketing strategies to meet the expectations of demographics who are used to experiencing the world through a digital lens.

A lot of people are moving into our area in Western Colorado from the cities, so there's a lot of people who have extra spendable money. The demand for [equipment] is far beyond anything we've seen, with people spending money right on the spot.

DYLAN COLEMAN
Western Implement



The COVID-19 pandemic caused an influx of people to leave the city and move to more rural communities. Those people are buying equipment for their properties. In general, this demographic is higher-income earners, making their buying habits different from the demographics dealers may be used to.

These buyers are not deliberating as much over purchasing as people have in the past. They're buying equipment like compact tractors with implements to care for their properties, often

on the spot. What's more, these buyers are used to the proactive communication they get from businesses in other industries. The more personalized an experience you can create for customers at your dealership, the more trust you can build with first-time buyers early on. Tools like [DIS MyPortal](#) give customers more visibility throughout the sales and service cycle and help your team maintain ongoing communication with them.

RENTAL EQUIPMENT DEMANDS

With the price of new farm equipment on the rise, more people are turning to used and rental equipment as their best option. MarketWatch reports that **the global farm equipment rental market is expected to grow more than 7% through 2027** and is set to reach a market value of more than \$78.5 billion during that time ([Source](#)).

Dealers who don't currently offer rental or used equipment may want to consider them as alternate revenue streams. According to a DIS survey of Ag dealers across North America, **54% of respondents currently offer rental and**

used equipment at their dealership, and 11% plan on adding used or rental equipment in 2022.



CUSTOMER-CENTRIC CULTURE

According to [PWC](#), 86% of buyers are willing to pay more for a great customer experience. "Customer service" is evolving beyond what we traditionally know it to be – starting emails with the customer's name, always wearing a smile. Now, communication is key. Customers want to be kept in the loop throughout the entire sales and service process via notifications and status updates. They want to do business with dealerships on the go, in real-time.

Dealers who appear more modern, organized, and more in contact with the back office, will appeal to this always-on demographic.



For the next year, farm equipment dealerships must manage the long-lead times and uncertainty of receiving new equipment and parts from their suppliers in a timely manner. There are several factors which create the pressure on supply and mean that dealers will face the dilemma of conveying credible information to their customers when they may not have accurate information themselves.

This also means that dealers must be flexible to changes in the marketplace so as to exploit sales opportunities for Used Equipment when usual trade-cycles are impacted, and to find alternatives for parts and attachments as well as machines. The management of information in a fast-moving environment of uncertainty, will place a premium on the effectiveness of their customer communication channels, linkages to their network of suppliers, and the accuracy of their dealership information management systems.

The challenges of supply will bring opportunities to manage change better and faster than your competitors. Success will depend on creating a customer-centric culture backed by robust processes around information and dealership operations."



GEORGE RUSSELL
Machinery Advisors Consortium (MAC)



02.

Navigating the Technician Labor Shortage

For the last few years, good technicians have been hard to find. Multiple factors are lending to this shortage—many of which predate the pandemic. For one, more technicians are calling for higher rates and the end of flat-rate compensation. That’s due in part to the fact that many techs are burnt out. What’s more, it’s an unfortunate truth that the working conditions in many shops are not satisfactory, spurring technicians to look for better work conditions elsewhere.

According to a DIS survey of Ag dealers across North America, **26% of respondents anticipate tech labor shortages to be one of the biggest challenges they will face in 2022.**

To help attract new technicians and retain the talent they’ve already got, dealers should look for opportunities to fix inefficiencies in their service department and empower their team through professional development and tools that will help them excel at their jobs.

ADVANCED SKILL REQUIREMENTS



Farm equipment isn’t just nuts and bolts anymore. Now, we’re seeing manufacturers roll out more and more equipment with computers, electric power sources, and hands-off control - all of which require technical know-how to service.

Technicians with specialized skill sets are hard to find and more expensive. By adopting new technology, business owners can make their dealerships more appealing to this tech-savvy breed of talent.

TRACK YOUR LABOR INVENTORY

Because many service teams are stretched thin, you need to know that your team is operating at maximum efficiency. A dealer management system can help you track certifications, technician performance histories, and opportunities to increase productivity and customer satisfaction.

One way to leverage your DMS is to track your “labor inventory.” Every dealer should know how much labor inventory they’re “stocking.” Labor inventory refers to the actual hours your

technicians spend fixing equipment versus the number of hours they’re clocked in.

To get a more accurate picture of your labor inventory, you need to nurture good documentation habits on your service team. Tools like [DIS Service Logistics](#) enable technicians and Service Managers to keep detailed notes while working on a job, automatically logging the details in your DMS.



Calculating Labor Inventory

For example, if you pay a technician for 40 hours a week, 52 weeks a year, that means you've "purchased" 2,080 labor hours.

But realistically, a technician isn't going to be fixing equipment for those full 2,080 hours. They're going to go on vacation, lunch breaks, and sick days.

That means that your actual labor inventory is more likely around 1,900 hours.

INVEST IN EMPLOYEE DEVELOPMENT

To try and close the talent gap, many dealers are putting more focus on employee skill development. Because technology is advancing so quickly, some dealers are partnering with technical colleges to train new talent and to re-train existing talent.

Investing in automation and enhanced training for personnel are the keys to improving dealership performance looking through 2022. Labor shortages and higher labor costs are here to stay. Automation and improving labor productivity (partly to justify the higher cost of labor) are essential for improving physical performance and financial performance. Being prompt, reliable, and having a solid track record for 'delivering' on time will be important differentiators in 2022.



BRIAN BEAULIEU
CEO at ITR Economics



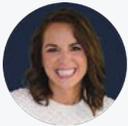
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INVEST IN EMPLOYEE RETENTION

It's a job-seekers market for technicians right now. Ag equipment dealers are not only competing against each other but also with other industries. While the industry has been facing this challenge for a while now, the problem has compounded in the last year.

It's more important than ever for dealers to look for ways to improve the working experience at their business. Areas that are worth exploring are flexible scheduling, reducing bureaucracy, and optimizing processes.

From my perspective, one of the biggest challenges equipment dealers can expect to face in the year ahead is burnout. Now, more than ever, the industry is expected to do more with less in every area of the business, and without a plan, this will cause chaos which left unchecked will lead to burnout. Anytime there is chaos in the dealership, it costs you both money and your sanity, and the way you combat chaos is with good processes.



SARA HEY
VP of Business Development
at Bob Clements International



MANAGING SUPPLY CHAIN DISRUPTIONS

One of the biggest strains on the Ag industry (and the wider dealership industry as a whole) since the offset of the pandemic is supply. Service cycle times have been slowed down (or ground to a halt), parts pricing has gone up, and service teams are working with less. According to a DIS survey of dealers across North America, **39% of respondents expect manufacturer backlogs to be one of the biggest challenges they will face in 2022.**

While supply chain disruptions are out of our control, dealers can take steps to mitigate the impact of disruptions by implementing an effective parts management system. For example, dealers can digitize parts inventory, automate seasonal min/max ordering levels, and generate price list updates.



Over the past 10 -20 years we have moved to a 'just-in-time' model. Parts supply moved from weekly stock order to daily stock orders. Overnight delivery is an expectation.

The last 12 months have shown how vulnerable we are to issues in the supply chain. With a shortage on new whole goods, customers will be relying on older equipment, so parts and service will be under more pressure to keep these machines running.

Successful dealers will need to focus on what is within their control:

- *Parts inventory management will need to change. Min/max levels will need to change so dealers have parts in stock when they need it. Higher investment in parts inventory will be needed*
- *Dealers will need to modify their order systems and work with suppliers to pre-order and work with customers to pre-sell. Utilizing the database and CRM will help dealers identify opportunities.*
- *Parts availability will also have an impact on Service departments. Dealers will need to focus on customer Preventative Maintenance Programs (PMPs) and promote post-season/pre-season work to avoid in season breakdowns. Utilization of the CRM will be critical to identify machines in the dealers AOR to proactively contact customers.*



KELLY MATHISON
Management Consultant at
Western Equipment Dealers Association's Dealer Institute





03.

Providing Better Service with Mobile Technology



Mobile technology gives teams the freedom and flexibility to go beyond the borders of your dealership, out into the field. That means your team can meet customers where they work to service equipment, can access your DMS from any compatible device, and leverage mobile communication channels to connect with customers. This is especially important as we see a shift in customer expectations towards wanting more proactive communication throughout the sales and service processes.

According to a DIS survey of Ag dealers across North America, **72% of respondents plan on using mobile apps more at their dealership in 2022 for sales, service, inventory, and payments.**

Also, 33% of respondents plan on using technology to optimize their service processes and 35% plan on using technology to optimize their parts ordering and inventory management.

MOBILE SERVICE

More and more, service is being done away from the dealership. Mobile service allows dealers to better guarantee customer uptime by sending their technicians to the customer, rather than the customer needing to go to the dealership. This new mode of service means dealers will be able to operate as partners to customers, working to keep customers as profitable as possible.

BRING YOUR OWN DEVICE

With the roadblock standing in the way of total service mobility is the reliance on designated mobile devices to connect to your dealer management system. We're seeing an increased demand for mobile applications that work across multiple devices (smartphones, tablets, different OS systems). In recent years, 80% of DIS customers have asked for mobile applications. A high percentage of customers are already using mobile and interest growing every year.



MOBILE INVENTORY CONTROL

The pandemic highlighted the benefits of being able to connect with your dealer management system from anywhere. Along with managing work orders on the go, many dealers are also seeing the flexibility that mobile inventory control provides. Providing your team with the ability to manage inventory from their mobile devices makes it easier to plan stock levels, evaluate wholegoods for sale, and work from anywhere, without needing to rekey information into a desktop computer.

A person is holding a black tablet computer in front of a vast field of golden wheat. The tablet screen shows a white background with a blue outline icon of a cloud and a gear. The background features a line of trees and utility poles under a bright, cloudy sky.

04.

Expanding Horizons with Cloud Technology

Improved internet coverage in rural areas means more dealers can benefit from cloud technology. Switching servers to a third-party cloud provider gives dealers the flexibility to focus on other parts of their business, rather than needing to sink time and resources into maintaining their own server.

Over 60% of DIS customers use cloud and that number is growing by 10% annually.



Cloud Hosting was something we had looked at but were hesitant about for security reasons. We thought on-site was more secure. Once we realized that hackers could get anything if they want to get it, and we didn't have a professional person constantly monitoring our system for hackers, we knew it would be more secure to use Cloud Hosting

CONNIE ARNOLD
Appling Motors



Accessibility

Dealers no longer need to go into their stores to manage their business. Now, they can access their DMS from home, while flying, on the beach – you name it.



Flexibility

Dealers no longer need to worry about buying new hardware and managing their infrastructure as their business grows. With cloud providers, you scale to meet your demand, leveraging the maintenance and management services offered by your cloud provider. This keeps costs down and frees up your team to focus on the important thing – running your dealership.



Security

Ransomware attacks are a growing threat for dealers, many of whom have little to no security measures in place. According to the 2021 [Cyber Threat Report](#) by SonicWall, **304.7 million ransomware attacks occurred in the first half of 2021**, surpassing total ransomware attacks in 2020. Moving to third-party cloud hosting services means dealers are protected by their cloud provider's security.



05.

Working with OEMs

Supply chain disruptions have made the year difficult for dealers and manufacturers alike. As we navigate the uncertainties that still lay ahead, now is the time to look for ways to optimize how dealers and OEMs work together. Greater integration between dealer management systems and OEMs makes ordering, meeting requirements, and serving customers easier. When we work together, we can get more done.

OEM CERTIFICATION REQUIREMENTS

As farm equipment becomes more high-tech, many big manufacturers have implemented more stringent certification and training requirements for dealers. There is a bigger push for dealers to become specialized in the technology of a given manufacturer. According to a DIS survey of Ag dealers across North America, 90% of respondents currently specialize in one or several key manufacturers at their dealership.

OEM INTEGRATIONS

OEMs are keeping a close eye on how dealers do business. To make it easier to work with key OEMs, dealers should leverage integrations for standard rates, jobs, warranty, and more. It's important to choose a DMS that works collaboratively with OEMs, making it easier to communicate with your manufacturers and process the business day-to-day. A strong interface with your OEM can save hours for your staff every day.



REAL-TIME NOTIFICATIONS

As part of their service level standards, key manufacturers are now requiring dealers to offer customers real-time notifications. That means dealers will need to leverage tools that enable them to send notifications to customers, like DIS MyPortal.

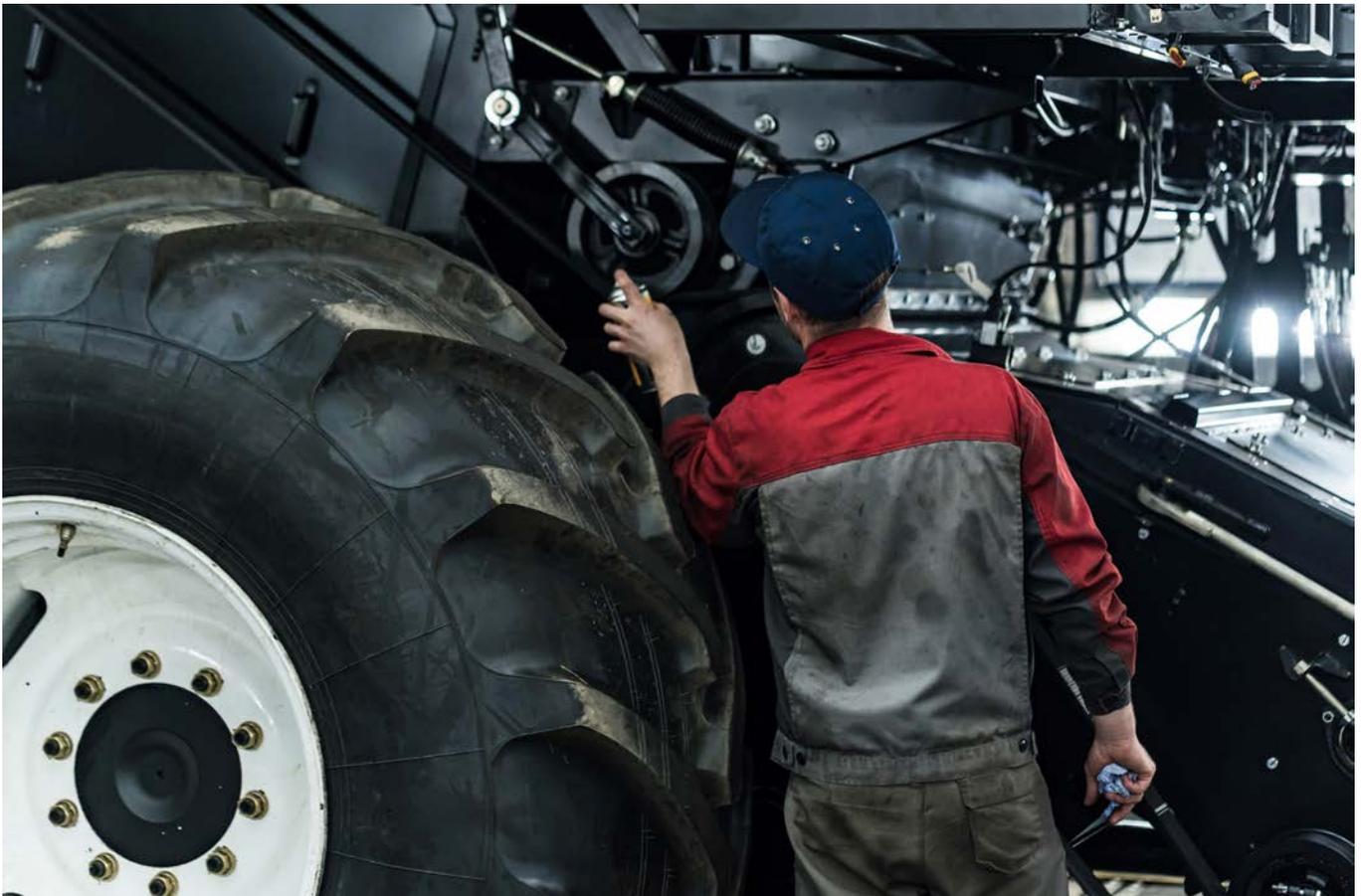


We are clearly experiencing unprecedented global issues with the Covid-19 pandemic and all the ancillary impacts including those that affect the supply chain. We have unprecedented labor shortages, massive growth in e-commerce, and more. Improving performance in today's global supply chain market requires tremendous collaboration and planning with customers and prospects as lead times on many components continue to elongate.

Relationships will be even more important than ever before as we must work very closely together to find our way through the issues we face today. I believe the Covid-19 pandemic and related impacts are driving tremendous innovation in how we plan, deliver and support our customers and this new level of innovation will only make us better in the long run.



STEVE SIMMERMAN
Head of Global Alliances at Locus Robotics





06.

Leveraging Reporting and Analytics

With dealer management systems offering more sophisticated reporting, dealers can leverage analytics more than ever before. But with so much data available, it can be difficult to know which metrics to track to have the biggest impact on your business. Dealers can leverage resources offered by industry organizations and their dealer management system providers to help them identify standard KPIs and benchmark their business against others in their region/ across the nation.



STANDARD DEALERSHIP KPIS

If you can measure it, you can manage it. There are certain standard metrics that every dealer should track for efficiency and profitability, across every department. Here are standard metrics that many dealerships are now using to track performance, according to [Bob Clements](#).

Owner/GM:

- Total Invoice Revenue per Day
- Total Invoice Gross Profit per Day
- Total Invoice Gross Percentage per Day
- New Customers per Day
- Customer Payments Made per Day
- Total Number of Invoices per Day
- Inventory Adjustments per Day
- Average Revenue per Invoice per Day
- Average Profit per Invoice per Day

Parts:

- Total Invoice Revenue per Day
- Total Invoice Gross Profit per Day
- Total Invoice Gross Percentage per Day
- Number of Parts Invoices per Day
- Average Revenue per Invoice per Day
- Parts Revenue per Manufacturer
- Back-Ordered Parts per Manufacturer
- Average Gross Profit per Invoice per Day
- Fill Rate per Day

Rentals:

- Financial Utilization
- Time Utilization
- Average Rental Rate
- Washout Percentage (at end of life)
- Maintenance to Income Ratio

Service:

- Total Invoice Revenue per Day
- Total Invoice Gross Profit per Day
- Total Invoice Gross Percentage per Day
- Average Work Order Completion Time
- Recovery Rate per Day
- Labor Efficiency per Day
- Effective Labor Rate per Day
- Average Service Revenue per Invoice per Day
- Average Service Profit per Invoice per Day

Sales:

- Total Invoice Revenue per Day
- Total Invoice Gross Profit per Day
- Total Invoice Gross Percentage per Day
- Wholegood Revenue per Manufacturer
- Wholegood Revenue per Category
- Wholegood Revenue per Sales Rep
- Wholegood Gross Profit per Sales Rep
- Wholegood Gross Profit Percentage per Sales Rep
- Average Revenue per Invoice per Day

FLEET ANALYSIS

The need for more comprehensive fleet analysis is on the rise, with dealers looking to drive better use of service dollars and new purchase decisions. Dealers can use this data to create a better sales pitch for major repairs or replacements.

The following metrics will help you monitor and analyze your fleet's performance:

- Total cost of ownership
- Cost per hour
- Efficiency analysis
- Historical trends



WHERE DO WE GO FROM HERE?

'It is only the farmer who faithfully plants seeds in the Spring, who reaps a harvest in the Autumn.' – B.C. Forbes

Farm equipment dealers are a forward-thinking group of people. While 2020 had its dips, the Ag market continues to look strong. In 2021, sales are recovering from 2020. There is reason to look towards the year ahead with optimism and even excitement.

But we're not in the clear just yet. In the coming years, it will be critical for dealers to find ways to improve efficiencies in their sales processes, in their shops and their communications with customers. There has never been a better time to take stock of how your team is performing, update outdated systems, and pulse check your relationship with your customers.

Look for a DMS partner that listens and actively participates with customers, developing tools that will help set dealers up for success in the changing market. DIS is proud to be a trusted partner to Ag equipment dealers since 1980. Our system was built by Ag dealers for Ag dealers, tailored to your processes and operational standards. We are a team of industry experts who consider it our honor to help dealers sow the seeds for a stable and profitable future.



CULTIVATE LONG-TERM GROWTH AND STABILITY WITH A FULLY INTEGRATED DEALER MANAGEMENT SYSTEM



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