Equipment FX
Do **more** for your Dealership

Lead Value Summary

Prepared By EquipmentFX

821-D Eva Street #52
Montgomery, TX 77356
www.equipmentfx.com

P: 888.665.8999
C: 936.499.4644
F: 713.456.2039

Background & Case Study

During the period of 2002-2006, Company X increased sales from $48M to $74M, an increase of 54%, while losing several large customers due to factors beyond our control: bankruptcies, corporate buying habits and competitive pressures that were pricing and product driven. During this time period, Company X Lift also increased our customer base from 2837 to 3602, an increase of 27%. While impossible to quantify the exact nature of a sales increase (market opportunity also grew), it is possible to quantify sales, product and profit increases when looking at past benchmarking based on sales trends by department, branch and total company. Our sales and profit growth simply increased beyond the market trends associated with our region, for our products. Other measurement indicators that are often overlooked are key indicators: webleads, 800# activity, credit applications, pageviews, contact form completed vs forms not complete, and other customer creation initiatives. Factored in, there were measurable, annual increases based on specifically timed marketing initiatives, which further quantified response rates, Return-On-Investment and overall sales and profit increases.

The Impact of Lead Generation

During the period above, the focus was almost entirely on increasing awareness, leads, closure and how to contact more prospects and customers, more consistently about our product and service offerings. The five year period over which leads were generated was as follows (numbers rounded)

Lead Totals

	Year 1	Year 2	Year 3	Year 4	Year 5
Month	36	95	205	285	403
Year	432	1141	2460	3233	4836

*Combination of outsourced programs, website and dedicated 800#; does not include internal focus programs. It also includes leads that were not in service territory.

821-D Eva Street #52
Montgomery, TX 77356
www.equipmentfx.com
P: 888.665.8999
C: 936.499.4644
F: 713.456.2039

Leads by Department (annualized)

New	195	524	1082	1487	2031
Used	85	161	541	452	1015
Rentals	90	132	304	454	881
Parts	30	151	231	446	455
Service	32	173	302	394	454

The Value of Customer Creation

Absent a full-time analyst, it is difficult to know and quantify the value of a newly created customer, both near term and long term. The lifetime value is also highly dependent on qualification, follow-up and providing the "wow" experience when they first contact your company. It is critical to put in place processes that up-sell, cross-sell and let the prospect know what other products and services you offer that can exponentially increase the value.

The Overall Math

Assuming baselines are created based on a rolling two-year average of accounts receivable customers (customers that write you a check each month), you can do some basic math. The case study revealed the following:

2006 Totals: $74M divided by total customers of 3602 = $20,544 per customer

2002 Totals: $48M divided by total customers of 2837 = $16,919

The Department/Opportunity Math

	Customer Total	Avg Sale	Margin	Profit-Per-Sale
New Sales	1440	$25K	9.5%	$2,375
Used	360	$12.7K	35%	$4,445
Rental	600	$ 19.4K	32%	$6,200
Parts	600	$20.3K	35%	$7,105
Service	600	$20.3K	64%	$13,000

***Customer totals are approximate; explanation and background are required**

Do Your Own Math

Based on your own department rates, margin goals, inventory levels and marketing strategy, you can control your own destiny IF you develop a comprehensive strategy, have customer creation and retention mechanisms in place and drive the right behavior throughout your organization. Some math exercises you can do may incorporate using the above examples, or by taking a close look at your individual department and focusing on the size of machine to rent, the class of machine that is underutilized or competitive parts and service accounts you can target that bring both short term sales and profits, but, more importantly, give you the opportunity to create and maintain a profitable relationship over the long term with each and every customer you come into contact with

Opportunity Value of Leads

Based on each opportunity, by department, and solved for sale values with average gross profit, the opportunity value depends on the type of transaction, sale dollar value, duration of term (in the case of rentals or, potentially, interest income for financed transactions for new/used) and lifetime value of the newly created relationship. Each newly created relationship is then valued using the creation date (credit application, payments received) and the other departments and respective business you are able to generate.

821-D Eva Street #52
Montgomery, TX 77356
www.equipmentfx.com
P: 888.665.8999
C: 936.499.4644
F: 713.456.2039