

Engagement Summary Number Two

Aftermarket-Parts Sales-Improvement Project

Situation Summary:

A Midwest manufacturer of commercial boilers was dissatisfied with their static North American parts sales despite their industry-leading whole goods market share and a consistently growing, active population of field units.

Business Issues:

The Company distributes their boilers through a continent-wide network of independently owned and operated dealerships. Most of the dealers have longstanding relationships with the Company and generate in excess of 65% of their total revenues from sales of the Company's products, while also relying heavily on sales of parts and service to create their profits. In 1997, the company established an objective to make a quantum improvement in the sales of aftermarket parts.

Project Objectives:

Assist the Company in its goal by designing and conducting a detailed analysis of the North American boiler parts sales market. The 90-day project was intended to provide market intelligence which would accurately:

- Verify the existing population by creating a multi-use database;
- Define the company's current share of the aftermarket parts sales market;
- Quantify the value of the aftermarket parts sales potential;
- Identify opportunities for rapid growth in parts sales;
- Determine current and future barriers to realizing the desired growth; recommend realistic tactical approaches for profitable short term parts sales improvements and lasting market share growth.

Approach & Results:

We developed a detailed history of every boiler sold during the last 32 years, and used it to create and verify a 20-year active population record by model. Based on service and repair done to a statistical sampling of boilers by type, parts consumption was established and a total annual sales opportunity was projected. A statistically representative and reproducible sample of boiler end users from all over North America was surveyed to determine buying motives, service expectations and customer opinions. The survey also collected statistical information about each end-user's boiler service during the last year — including who did the work, what parts were used, and where those parts were purchased. This information was then used to project a Share of Market for the Company and all its major competitors, and to translate those shares into actual dollar sales.

Data analysis showed that dealers were getting 24% higher Share of Market than was the Company — indicating that they were buying parts elsewhere — and that it was lack of parts that limited the Company's capacity to respond to end users in the time frame they required. The research convinced the Company that they could dramatically increase their sales by improving their service percentage to their own dealers. The Company accepted our recommendations and engaged us to help them redesign their inventory control procedures, improve their service to dealers, and assist dealers in improving their over-the-counter service to end users. The system-wide effort resulted in the Company's exceeding their aggressive 1998 parts sales goal by over 10%.