

STAFDA
Trade News, January 2012
Tim Lickel
Wacker Neuson

About Wacker Neuson:

One Company – Three Brands

The Wacker Neuson Group is a leading manufacturer of light and compact equipment with over 30 affiliates and more than 140 sales and service stations across the globe. Products manufactured by the company are branded Wacker Neuson. In Europe, the Group also distributes compact equipment under the brand names Kramer Allrad and Weidemann (agricultural machinery). With over 300 product categories and a global spare parts service, Wacker Neuson is the partner of choice among professional users in a wide range of industries including the construction, gardening, landscaping and agriculture sectors, as well as among municipal bodies and companies in the industrial, recycling and energy sectors.

9M 2011 highlights:

Overview

The Wacker Neuson Group benefited from strong demand for light and compact equipment worldwide, reporting its highest earnings since the merger in 2007.

9M 2011 compared to 2010

- Group revenue was up 32%
- Revenue growth in light equipment +23% and compact equipment +58% segments plus strong performance in the Americas and Europe (both in excess of 30%), were key drivers behind the group's positive results.
 - Full 9M report <http://corporate.wackerneuson.com>

2011 Market USA:

In the USA key growth factors were in the oil and gas industry. However by far in the “Fracking” sector we have seen unprecedented growth. STAFDA dealers located in areas of this type of exploration should make it a point to canvass these sites for equipment, small tools, supplies, rental and service opportunities (map below shows US activity.)



Another driver in 2011 was the large “rent to rent” chains re-fleeting to keep pace with an uptick in rental demand both in the industrial and oil & gas industries. The commercial construction sector was flat however the demand for Wacker Neuson light construction equipment was strong. Order intake for equipment did not follow a seasonal trend as in the past. Rather, it occurred in “spikes” for products which put Wacker Neuson into back log situations for most of the year. It is our goal in 2012 to help dealers manage the supply chain from the contractor, dealer and mfg. to meet the demands for fleet and retail distribution.

Key Market Developments: *“Calling on the large contractor’s jobsite”*

If you recall the market before the bottom fell out, you may remember the ease of doing business on large commercial jobsites. When a large contractor came into your marketing area, a STAFDA dealer had opportunities in all areas of their dealership and the contractor (from out of town) appreciated the local support to keep his/her job running. In sum your outside salesman could walk on the site, develop the relationship, convey the wares of your dealership, and establish price, terms and conditions locally with the job Superintendent or Project Manager. Pre Economic crisis the large contractor decentralized the purchasing decisions and left it up to the jobsites or branch offices to manage. Work was in abundance, margins were good, and much of the light equipment and supplies moved to the next jobsite with the superintendent.

Fast forward to today and call it the “new normal” or “post economic crisis”, call on this same large contractor’s site and you may find that they already have a supplier or agreement with a dealer before the job trailer was placed on the site. We see a trend today where the Superintendents or Project Managers are dictated by their head office as to who, where and what they are allowed to buy for their jobsite needs. This area of razor thin margins on jobs, tough bonding requirements, tight credit, lower administrative head count and a limited amount of large commercial work forced the contractor to examine all aspect of their business and gain all the efficiencies they can to compete in today’s market. As a result we see more centralized purchasing with the large contractor and a growing trend of “National” or “Strategic” agreements within the dealer network. Today the large contractor has a professional procurement department. This is a new barrier to entry for STAFDA dealers calling on the large jobsites or at least diminishes some of the local jobsite influence of the channel sales representative.

STAFDA members should be aware that this trend is out there and adjust accordingly to expand your reach to the large contractor. For example contacting the head office well before the job begins and contacts the head office so they have awareness of your location, programs, catalog, web presence, and delivery and service capabilities. We all know that unexpected situations STILL occur on jobsites and that’s where the local dealer always will have the advantage. But I think this is an ongoing topic of discussion for the members.

Association participation:

At the national level Wacker Neuson belongs and participates in key industry associations. STAFDA is one of them at the distribution level. However at the contractor level we participate in select industries in the construction market. Contractors that belong to their respective industry association have many reasons to do so, political action, best practices, influence on standards, collective voice and networking to name a few. Typically the contractors that are active in these groups have a close network of fellow contractors and they discuss industry topics and concerns and, yes, even equipment and supply houses with who they do and won't do business with. I would encourage STAFDA members to explore associations from the industry you most serve. You will find that the local or regional chapters have many of the contractors you deal and new prospects. This is another touch point for reaching the contractor and enables you to network and call on them where they congregate while participating at a higher level in the market you service. These types of contractors respond to your participation and helps solidify your relationships.

Market Outlook:

With the reality of the housing market showing little signs of a meaningful recovery in the near term the commercial work that typically accompanies new home development will keep the commercial market flat to up maybe only 6%. Some say that they do not call on the residential market but think about all the different type of commercial and civil work that will not occur as a result; (new roads, sewer, utility needs, school expansion, WWTP, light commercial buildings, etc.).

Conversely, the oil and gas industry is still a bright spot in 2012, also we foresee dealers continuing to upgrade their fleets and rationalizing their suppliers to realize synergies in transaction costs.

Wacker Neuson, encourages STAFDA members to consider the supply chain from the contractor level up to the manufacture' to avoid back orders for product you need to run the business. In this economy the contractor will hold off on a purchase decision almost to the detriment of not realizing availability both at the dealer level up to the mfg. level.

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