



# **GROWTH STRATEGY: COMMERCIAL VEHICLES**

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**WORK TRUCK SOLUTIONS** | [WWW.WORKTRUCKSOLUTIONS.COM](http://WWW.WORKTRUCKSOLUTIONS.COM)

# Executive Summary

Is your dealership interested in revenue growth and increased profits? Are you experiencing slimmer vehicle margins due to Internet competition driving down retail prices? Worried about the changing landscape of vehicle ownership and use? Breaking into the work truck industry may be a great fit for your dealership.

The advantages include:

- ▶ Better margins
- ▶ More loyal customers
- ▶ More profitable service business
- ▶ Faster buy cycle (commercial trucks are replaced more often)
- ▶ Leads for retail sales
- ▶ Increased community engagement
- ▶ Less competition due to fewer dealerships involved in commercial sales
- ▶ Fewer portals like TrueCar.com or Cars.com to comparison shop
- ▶ Increased differentiation for your dealership

If you already have a commercial department but you think it isn't living up to its potential, step back and take stock. Consider reconstructing your commercial department the right way.

## Insights from Industry Leaders

Authored by industry experts, this whitepaper will provide you a high-level view of the commercial opportunity and how to succeed in it. It will outline the steps to leverage your dealer brand, your OEM brand, and the resources already available for you to get started.

This paper also discusses how to assess your specific market and gives you a list of key industry-specific resources. These can help you build your commercial business, focus on your profit, flooring, staff, sales, and marketing.

You'll find recommended ways to increase your profits and improve your ROI on the commercial business, using proven strategies.

You'll also learn to identify some of the "land mines" of the business, which partnerships are important, and how to maximize those relationships so that your suppliers will support your journey to success. In the end, this paper can prepare you to make a profitable entrance into the commercial business.

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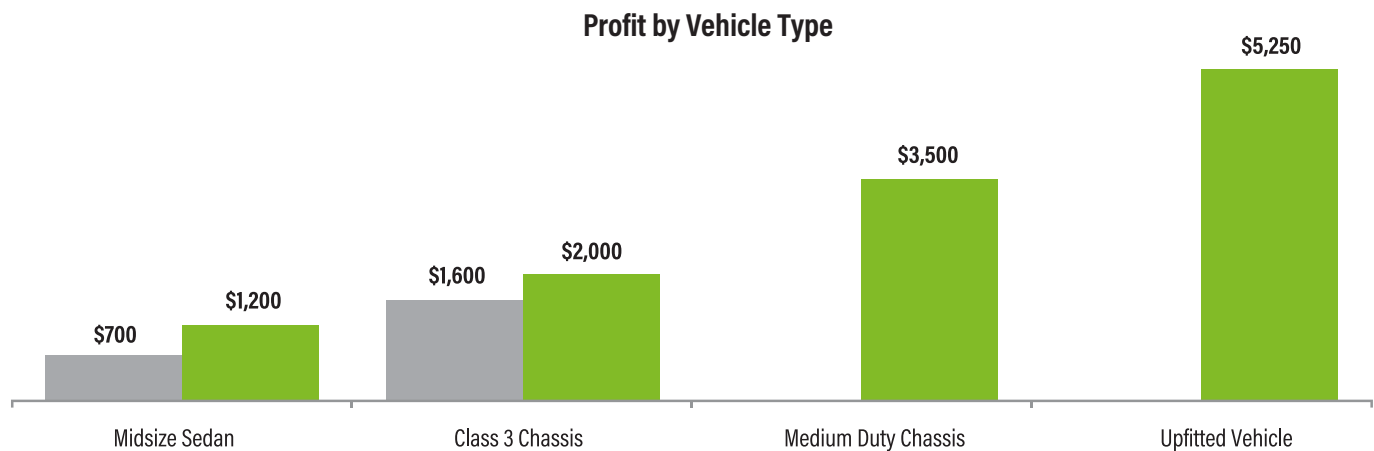
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# Introduction: Why Commercial?

Every dealer should consider selling commercial vehicles for a variety of reasons, including the added revenue and new profitability to their dealership. One of the primary opportunities of selling commercial vehicles is that, compared to retail vehicles, each work truck sale yields more profit. The average profit on a midsize sedan is around \$700 – \$1,200. Whereas the profit on a class 3 truck chassis is \$1,600 – \$2,000, and closer to \$2,600 on a medium duty chassis (class 4 – 5).

Here is an example of the math on an upfitted vehicle:

Vehicle Type	Midsize Sedan	Class 3 Chassis	Medium Duty Chassis	Upfitted Vehicle
Avg. profit margin	\$700-\$1,200	\$1,600-\$2,000	~\$3,500	~\$5,250



Selling work trucks can also become an inroad into building high-quality relationships with retail customers. Buyers who come to you for upfitted vehicles for their business will often consider you for their personal, retail purchases in the future.

## Offering Unique Value

Selling work trucks is a specialized field. It takes specialized knowledge and a mastery of stocking inventory, but offers unique opportunities. It helps if you understand what vocations are larger in your market, and which ones aren't being served well.

***In 2016, over 2,600,000 work trucks were sold in the US. About half of those sales were to locally- or regionally-based small companies—the perfect target for a franchise dealership.***

Commercial customers typically need a vehicle because: a) their old one is no longer functional, which puts their business on hold; or b) their business is expanding. In both cases, they need their next vehicle fast. If you have the right truck on hand, or can get it for the customer quickly, your customer usually won't try to haggle. Like used vehicles, upfitted vehicles are unique. Your customers can't compare 10 of the same vehicle, so they're not just browsing for the lowest price.

### Tip 1

Make sure your customers know your dealership is committed to the commercial business, and providing them with competent, professional assistance. This seems like a no-brainer, but you'd be surprised to know that many dealers with a commercial department do not highlight it.

### Tip 2

"Frontline display" an upfitted truck to highlight your commercial business. A business owner is far more likely to come into your dealership when he or she sees a commercial vehicle on display. Another way is to include commercial inventory in your marketing.

### Tip 3

If you sell commercial vehicles, take the "Click Test" to see how your dealership stacks up: the goal is to get your commercial customers to your trucks and vans in two clicks! Customers shop online for an average of 16.5 hours before buying, according to Autotrader. And only 6% of commercial dealers make it easy for business customers to shop by separating the commercial and retail inventory on their website. This means that it might take a commercial customer 12 clicks or more to find a truck or van. Many won't be that patient.

## Fixed Operations

Selling work trucks also gives your dealership an opportunity to increase gross profit and customer loyalty through fixed operations. This can be done through expanding your dealership's services, such as adding specialized technicians and offering extended service hours.

An annual study by the National Automobile Dealers Association (NADA) reported that, in 2017, the gross profit on each new- and used-vehicle sale fell by 5.2% and 3.2% respectively, while service and parts sales rose by 3.2%.

This increased profit came after roughly a third of light-vehicle dealerships in the US expanded their service departments by at least one bay in the past eighteen months, according to NADA. When discussing how dealers are capturing additional service revenue, NADA Chief Economist Steven Szakaly also predicted that retail new- and used-vehicle price competition will remain intense. "Going into a [sales] plateauing year, customer loyalty is going to be very key for dealers," He explains. This loyalty can come from expanding fixed operations' revenues, offering more vital services for your business customers.

# Getting Started

## Dealership Support a Must

Before launching a commercial department, it's important for your principal and general manager to commit to the business.

First, because it takes time to build. A commercial department is a business-to-business venture that requires relationship-building. Sales will likely start slowly as the book of business is being built. Meaning some patience and commitment are needed. Commercial sales people, called Truck Pros, are unique from retail sales people, receiving both a base pay plus a commission.

Second, because your dealership can help educate the community on the existence of the commercial department, and authorize the necessary digital tools to manage sales, marketing and inventory.

## How Can Dealerships Support Truck Pros?

Other departments must realize that commercial customers have specific needs, and the commercial department is the best suited to serve them. It's critical for your dealership to support the commercial effort by directing all commercial buyers to your Truck Pro(s).

When your Business Development Center interacts with a customer, your associates should have a system of identifying if they're a commercial customer. Then, they should direct the relevant prospects to your commercial specialist. The process can be as simple as asking "Will this vehicle be for business or personal use?"

## OEM Commercial Program

Most truck buyers are OEM brand loyal, and will start their search with the local dealership. Many OEMs have special commercial programs that can offer you support and enhance your customers' satisfaction. They can encourage you to stock more vehicles, and ensure you offer commercial parts and service in your facilities.

Examples of commercial programs include Business Elite for General Motors, Commercial Vehicle Center for Ford, and Business Link for Fiat Chrysler Automobiles.

If you want to succeed as a commercial dealer you should seriously consider participating in your OEM's commercial program. Fulfilling the requirements for their program can make you a preferred "fleet friendly" dealer for your brand, so you can get field support from your OEM's commercial team.

Your OEM might have requirements on staffing, minimum inventory, marketing activities, and service bay dimensions. They may also require the ability to provide next-day service, and special training for sales, service, and parts. There's usually a monthly fee, as well.

Review the program details, keeping your internal resources and local market in mind. Then you'll be in a better position to decide if the OEM program is a good opportunity for you.

### Tip 1

Ask your OEM(s) to provide their program agreement. Ask what tools and services they support with their commercial program co-op, and how their field team can help your dealership.

### Tip 2

Ask your OEM for names of other dealers who are part of the program. Then, reach out to those dealers to answer any questions you have before becoming fully committed.

### Tip 3

Commercial sales and development advisor Ken Taylor is available for a free first session to help dealers considering commercial sales. His group also provides comprehensive commercial sales training in a "Boot Camp" setting and as a consultation held at your dealership (See the Resources section for more information.)

## Floor Planning

Commercial vehicles typically have a higher average cost and the buying process takes longer than retail. Because of this, mastering flooring is an important key to your profitability.

Through smart ordering and improved access to inventory, you can sell vehicles before the period of free flooring ends. By doing this, you can earn \$7 - \$10 for each day remaining in the free flooring period. That can add up fast.

OEM Floor Plan Assistance can incentivize you to stock a healthy supply of commercial inventory, including typically slower-moving work trucks and vans. If you're participating in an OEM's commercial program, there could be an extended period of free floor planning based on specific vehicle models.

Upfitted vehicles add another variable to flooring costs. When a chassis leaves the factory, it can be shipped to an upfitter who performs the conversion, then bills you for the service. Here's the good news: your source of financing can pay the upfitter for the service, and that amount is added to your floor plan.

Here's an example of how all these elements work together:

- ▶ The vehicle is a Ford and has an MSRP of \$35,000, options of \$5,000 and a \$10,000 upfit.
- ▶ The invoices for this vehicle total \$49,250, prior to marketing association fees and other add-ons.

**The following is an example of what an OEM's Floor Plan Assistance program might look like (check with your OEM for current plans):**

1% of the MSRP is due 30 days after invoice. Your dealership will be reimbursed for the initial 60 days of flooring, with added Free Floor Plan Assistance on Specific Vehicles such as:

- 125 days for F450-F550
- 250 days for F650-F750
- 120 days for F250-350

## Using a Trade Network to Reduce Flooring Costs

Using a trade network to sell and move work trucks faster is a great strategy to keep your flooring costs down and your profits up:

Let's say you have a "work ready", upfitted truck on your lot and you're approached by another dealer who has a customer for that vehicle. You, the stocking dealer, have the option to become a "wholesaling dealer". You can sell it to the other dealer at dealer invoice, even retaining hold-back because of the costs you've accrued from that vehicle. If the vehicle has a "stocking dealer" invoice from a body upfitter, that gives you a second chance to profit. The other dealership benefits because they complete a sale. And since work-ready trucks are hard to find, their customers are less likely to find the right upfitted truck somewhere else. The other dealership won't have to worry about competing for the lowest possible price.

### Tip 1

Encourage your commercial team to use a trade network to move older vehicles. It's better to accept a lower margin on one vehicle and gain an opportunity to start stocking the newest model in demand than to continue paying flooring in hopes of a sale.

### Tip 2

Work with other dealers to stock different types of finished vehicles, covering more of your local market's demand.

### Tip 3

Use tools that track buyer trends, such as Google Analytics, to understand how your commercial inventory is being searched for and looked at online.



## Unique Market Opportunity

One of the best things about commercial sales is that it's a local and regional business. Because of that, you can start by focusing on a few specific vocations that are strong in your market, adding more vocational segments over time. The opportunity isn't affected by the size of your business, only by your focus and commitment. Deciding your first commercial specialization is an important step. To meet the specific needs of commercial buyers, you must understand the upfits required for their vocation.

A typical Standard Industrial Classification (SIC) code list is provided in the Resources section. This is to help you consider what vocations you could be serving in your local or regional market.

By building relationships with local dealerships, your commercial department can create a regional trade network. Additionally, you can subscribe to a national dealer trade network. These can help you quickly locate the right vehicle for a commercial customer if you don't have what they're looking for in stock.

## How Upfitting Works

Dealerships order upfits and accessories directly from the body manufacturer or regional distributor who will modify the vehicle. Upfits and combinations of accessories range in both complexity and cost. The average cost for the most popular body—a utility or service body, commonly used by electricians and contractors—is \$7,000 - \$15,000. Other specialty bodies or accessories such as snow plows, cranes, and lifts can increase that cost significantly. Dealerships have an opportunity to increase profits by adding a mark-up, either a flat fee or a percentage to the cost of these upfits. This amount is typically 10% - 15%, but can vary significantly.

### Tip 1

To provide a better experience for your customers, find a way to let them search your vehicles by their specific vocational needs. This can build their confidence in your dealership. Work Truck Solutions offers a customized commercial inventory site and other tools to help you convert more of your online shoppers into interested buyers. (See Resources section.)

### Tip 2

Make sure your dealership has at least one "Work Truck Professional" who understands upfits. Commercial customers should ALWAYS be directed to them immediately. Your customers appreciate being helped by someone who understands their business needs, and commercial customers are also much more loyal than retail customers. In business-to-business, relationships count for a lot.

## Marketing and Sales

Your commitment to commercial sales begins by letting customers know you're in the commercial business. A marketing program is critical to your success as a commercial dealership. If you identify a large commercial sales opportunity, and you intend to stock upfitted vehicles, it's important to promote your business and inventory with a comprehensive marketing budget.

Creating an intelligent budget is the most important thing your dealership can do for commercial business. Here are three questions your dealership needs to ask before creating a marketing budget for commercial business.

- ▶ What are our goals?
- ▶ How fast do we want to scale?
- ▶ What is our risk tolerance?

When creating a marketing plan, you need to set measurable goals that the department can track and adjust. You can test a local market by focusing on a unique vocation or two, using a trade network to supply work trucks outside of your selection. With this specialization, your marketing can be much more targeted. The strategy is not only to build a new business, but tell customers that your dealership is unique.



You should review the outlets currently used to advertise similar businesses and leverage them to educate your local small businesses market. By using both traditional and digital media, you can reach truck buyers in a variety of ways, including: memberships in local associations, attending local and regional trade shows, direct mail, email marketing campaigns, Google AdWords, social media, prospecting, sponsorships, and third-party online classified sites. Whatever the outlet, the objective is to target businesses and direct customers to your commercial inventory online or on the lot.

Dealers in the past have been challenged by limited data on commercial buyers, leaving them to use the “how we’ve always done it” or “shoot from the hip” technique of projecting sales. But now there are some new tools to help you get a better picture of your business. These tools aggregate buyer interest, trends and benchmarks. They can give you a better idea of what your customers are looking for, which trucks are getting the most or least views, and how to increase the traffic coming from your site to your dealership.

## Proactive, Relationship-Based Sales

Activity-based sales is key for a commercial sales department. Successful commercial sales people (Truck Pros) proactively call local businesses and discuss how to best meet needs on an ongoing basis. These activities include: setting appointment sales meetings, following up, practicing word tracks, and calling for appointments. In business-to-business sales, the main goal on an initial call is to get the next appointment—not to sell a truck or van immediately.

Your approach is also critical in business-to-business sales. Research indicates there is a 1% chance of making a commercial sale on the first appointment call. A Truck Pro who pushes selling a vehicle too hard will never get a second appointment. Even on a second appointment with the same prospect, chances of closing only increase to 3%. However, savvy Truck Pros who begin by establishing a relationship with a business can expect great things. By the fifth consecutive contact, the chance of closing a deal jumps to over 81%! Success is developed by building a relationship first, adding value second, and selling third.

Commercial trainer Ken Taylor explains that Truck Pros can get calls and build relationships through networking “groups.” For example, a vital part of an activity-based plan is the sponsorship of events, such as meetings, golf tournaments, and fishing tournaments. Committed commercial and fleet departments sponsor events at least once a quarter to gain maximum exposure.

With a solid combination of sales and marketing strategies, Ken Taylor suggests each Truck Pro should have a goal of selling 15 vehicles each month and moving the average up-front gross profit to \$1,500 per vehicle.

### Tip 1

Make sure your commercial inventory is easily found on your site, separate from your retail inventory. Your work trucks should be searchable by vocational body type, and customers need an easy way to reach out to your commercial team. Remember the Click Test: the goal is to get your truck buyer looking at specific, relevant trucks in two clicks.

### Tip 2

Commit to at least one proactive marketing campaign.

### Tip 3

Sponsor golf tournaments, trade shows and contractor-appreciation days at your dealership. These are great ways to gain broad exposure and collect data on hundreds of potential customers.

### Tip 4

Since social media marketing is free or inexpensive, create a commercial fanpage on Facebook, a YouTube channel, and a commercial LinkedIn account.

## Incentives from OEMs

OEM commercial programs also provide unique incentives, typically on a seasonal basis. These can help your customers with the cost of upfits. Incentives like this are part of your OEM's commercial program, and do not affect your overall profitability.

Whether these incentives help "pad" the total package your customer can buy, or just drive overall sales, they increase your total store profit. Also by increasing sales, the incentives increase the commercial inventory allocations your dealership earns. Meaning more trucks on your lot, and more opportunity to differentiate your dealership.

### Tip 1

Use a marketing newsletter service to communicate directly to commercial buyers. This can let your customers know about what vehicles you have in stock and what promotions your OEMs are offering, such as rebates. (See the Resources section for information about Ken Taylor's newsletter and Work Truck Solutions' targeted commercial email service, Communicator.)

### Tip 2

Join local vocational groups and attend their meetings to distribute incentive materials provided by your OEM.

### Tip 3

Spend time with your OEM's commercial regional representative so you understand all the incentives available.

## Incentives from Body Manufacturers

You may receive special pricing or delayed invoicing from body companies that need finished vehicles in your market. Body manufacturers may also have a reward program where dealers, or Truck Pros, can earn personal incentives by selling their specific upfits.

### Tip 1

Don't be afraid to stock work-ready trucks—it puts you in the driver's seat, and expands your market area as well. Your local distributors are a big help.

### Tip 2

You can receive direct referrals from a body manufacturer when a customer asks them, or searches their site, for an upfitted vehicle. Work Truck Solutions is placing locator buttons on body manufacturers' and distributors' corporate websites to direct truck buyers directly to a stocking dealer's inventory.

### Tip 3

Work with a supplier to get a landscaper's chipper truck, or something used by a specific vocation active in your market. Display it on your dealer lot. Even if it's wholesaled away, order another in its place. Drive-bys will see your dealer has what they need, and when they need one they'll know where to go.

# Conclusion

Commercial vehicle sales have been increasing steadily each year as the economy and businesses slowly recover and expand. New products targeted to specific vocations, new commercial van models, and alternative fuels are just a few of the exciting product opportunities that are available to dealers in this exciting business.

On top of bringing new business to your dealership, a commercial department can dramatically increase retail sales. Business customers who rely on your dealership for work trucks are more likely to come back to you for general pickups and cars. In fact, these business relationships will not only drive retail sales from the individual owners, but their employees and families as well. Research conducted by one OEM shows that for every medium-duty truck sold, an additional 7 - 10 vehicles are sold to that business.

Business customers also rely on local dealerships for commercial servicing, financing, and more. Once you take care of a business customer well, they can bring you all their business for years to come. Compared to retail, the loyalty between dealers and buyers is much more developed in commercial sales.

Now is the time to jump into the commercial business. There is a lot of opportunity, and not too much competition yet. The overall sales force is closing in on retirement, too, which opens even more market potential. Your dealerships can bring creativity, passion, and personalized style to a quickly growing opportunity.

## Tip 1

Talk to other commercial dealers about how the decision to become a commercial dealer increased their profitability on parts, service, detailing, body shop, and financing.

## Tip 2

You know that loyal customers tell others. Commercial customers are the most loyal of all.

## Tip 3

Go online and search for a specific upfitted vehicle such as a flatbed truck or a service body. Document how long it takes to find the vehicle (count the clicks). With a Work Truck Solutions dealer, it'll take only two clicks!

## Resources

The following resources have committed to being available, at no charge, for initial discussion with you on starting, expanding, or maximizing a commercial department in your dealership.

### Ken Taylor

Nationally-known "America's Corporate & Personal Coach." Ken is the author of two books and over 1,000 articles that have been published in fleet and commercial newsletters and publications. He speaks to over 5,000 sales professionals a year and is considered the foremost expert in sales and marketing for commercial and fleet sales in the nation. His team consults with dealerships across the nation and he works with General Motors, Ford Motor Company, Fiat Chrysler Automotive, Mercedes Benz USA, and Nissan as well as working with industry partners such as Ally Financial, Work Truck Solutions, Work truck Trader, Knapheide, Adrian Steel, and many others. His consulting team is unique in that they actually make sales calls with their clients.

- ▶ Phone: 904-280-3060
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### Terry Minion

Founder of Work truck Success and Upward Trends Management Services, and the author of Work truck Success, a comprehensive guide for building, rebuilding and effective, successful, and profitable work truck operations within a retail auto dealership. Now in its second edition, Work truck Success is available on Amazon.com.

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### Kathryn Schifferle

CEO/Founder of Work Truck Solutions. Work Truck Solutions is the first commercial vehicle inventory solution that enables dealerships to display and search truck inventory by chassis and body type, creating a simplified process for finding, quoting and floor planning work truck inventory online. Launched in 2013, Work Truck Solutions is growing rapidly and gaining success with OEMs, body manufacturers and individual dealerships across the country. Today Work Truck Solutions is serving dealers from all major commercial brands and has co-op programs in place with several manufacturers to off-set 50 percent of the monthly fee. For more information about Work Truck Solutions, please visit [www.worktrucksolutions.com](http://www.worktrucksolutions.com), or contact Kathryn.

- ▶ Phone: 855-987-4544 x115
- ▶ Email: [info@worktrucksolutions.com](mailto:info@worktrucksolutions.com)
- ▶ Website: [www.worktrucksolutions.com](http://www.worktrucksolutions.com)

### National Truck Equipment Association (NTEA)

Established in 1964, the association represents nearly 2,000 companies that manufacture, distribute, install, sell and repair work trucks, truck chassis, truck bodies, truck equipment, trailers and accessories. The association is unique in its resources for helping industry businesses grow through technical information, education, networking, and member programs.

- ▶ Phone: 800-441-6832
- ▶ Email: [info@ntea.com](mailto:info@ntea.com)
- ▶ Website: [www.ntea.com](http://www.ntea.com)

# Typical Standard Industrial Classification (SIC) Vocations

The Standard Industrial Classification coding system is a widely-used method to classify industries. In use for 80 years, SIC codes are used by governments, business, and non-profit organizations to categorize data. From the vast list, the following are highly relevant to commercial work trucks.

- ▶ Agriculture Farm Labor Contractors
- ▶ Air Conditioning Contractors & Systems
- ▶ Building Contractors
- ▶ Cabinet Makers
- ▶ Electric Contractors
- ▶ Electric, Gas, Utility and Water Services
- ▶ Forestry Services
- ▶ Furniture and Fixtures
- ▶ General Contractors
- ▶ Heating Contractors
- ▶ Heavy Construction
- ▶ Industrial and Commercial Machinery
- ▶ Landscape Contractors
- ▶ Lumber and Wood Products
- ▶ Masonry Contractors
- ▶ Mining, Gas, Oil
- ▶ Plumbing Contractors
- ▶ Primary Metal Industries
- ▶ Railroads
- ▶ Remodeling & Repairing Bldg Contractors
- ▶ Rubber and Plastics Products
- ▶ Stone, Clay, Glass and Concrete Products
- ▶ Textile Mill Products
- ▶ Tile-Ceramic-Contractors & Dealers
- ▶ Trade Contractors
- ▶ Trucking and Courier Services

# Commercial Department Success Stories

These stories have been selected as examples of what successful dealerships are doing to increase profitability through selling work trucks.

## Learning How to Stock:

One dealer had never stocked a dump body. However, with dumps showing on their site because of the trade network, their Google Analytics provided by Work Truck Solutions showed that dumps were the third most searched body type on their site. They went ahead and stocked a dump, and sold it. They stocked another, sold it, and in December they sold six. Now they always keep one in stock.

## Prospecting:

A new sales person was using "Two-Minute Prospecting" to attempt to sell the truck that had been on the lot the longest, a chipper truck. He researched a list of most likely buyers online (he found 20), and sent the truck with a motivating message. The results? He not only sold the truck on their lot, he sold an additional one he acquired through a dealer trade.

## Google AdWords:

A dealer had invested in an expensive mechanics truck and was having trouble selling it in his market. Because it was so unique he could use the specific URL for that VIN in a Google AdWords campaign and not only sold one outside of his market (for a \$15,000 profit) he sold a second one!