

Banking on Billable Precision Service for Recurring Revenue

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Devin Dubois &
Jason Pennycook
January 5-6, 2016



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Why offer a Service Plan?

- Preventative maintenance has proven to reduce downtime in the field
- Farmers are used to the concept
- Manage workload
- Reduce in season phone support
- Recurring revenue
- Your customers need you to stay in business!



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What should I Offer?

- Annual services you may already perform
- Phone support
- Training sessions
- Additional services that you can offer
- Priority access in season
- Keep it simple!



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Our First Plan

- One on-site visit per year - \$400
- Two on-site visits per year - \$600
- Sold less than 10 tractors per year

Second Try

- Phone Support Only - \$300
- One on-site visit per year - \$450
- Two on-site visits per year - \$650



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Third Try

- Several options and choices
- Charged separately for every display
- Added remote support
- Added an option for maps



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What to avoid

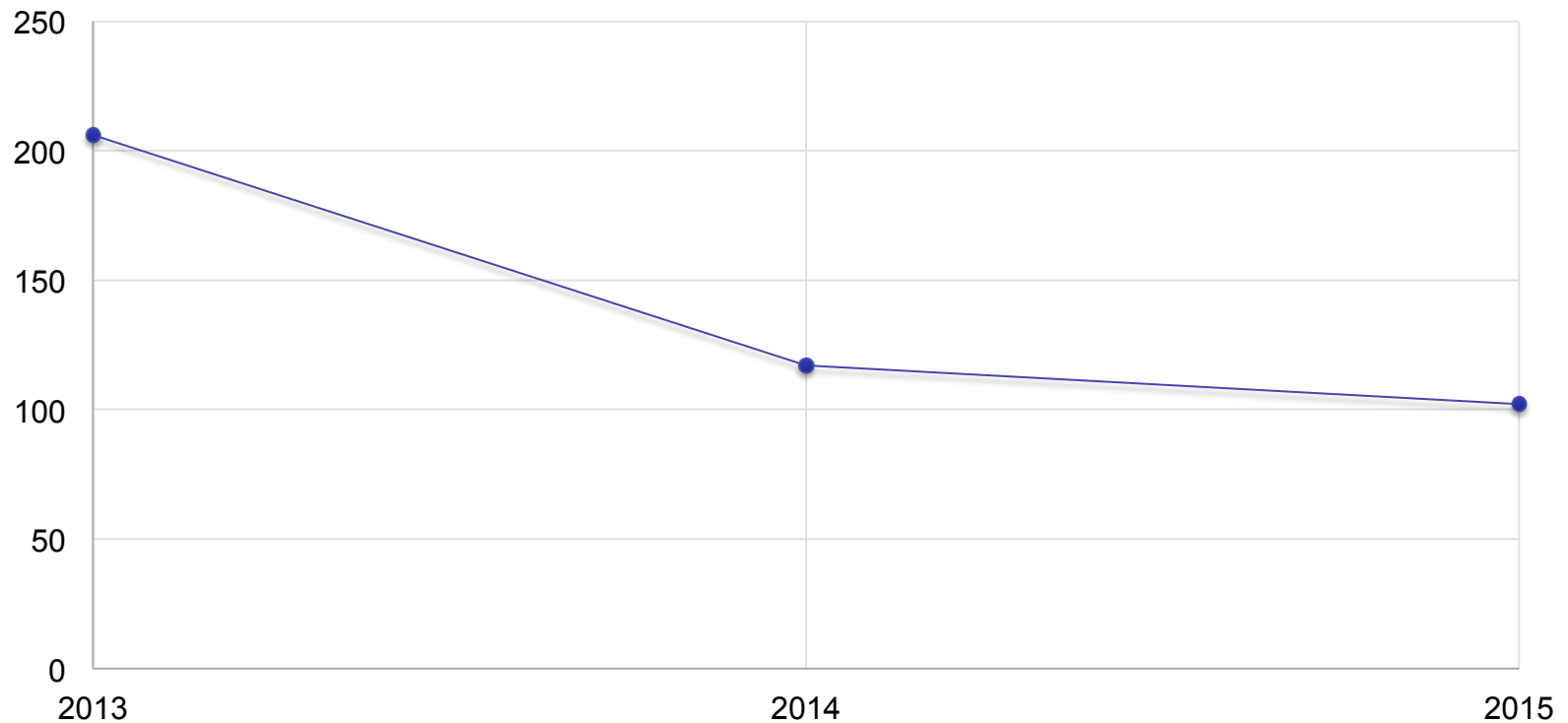
- Priced per farm
- All inclusive or “all you can eat” models
- Included repairs
- Doing too much
- Making it too complex to understand



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Number of Plans

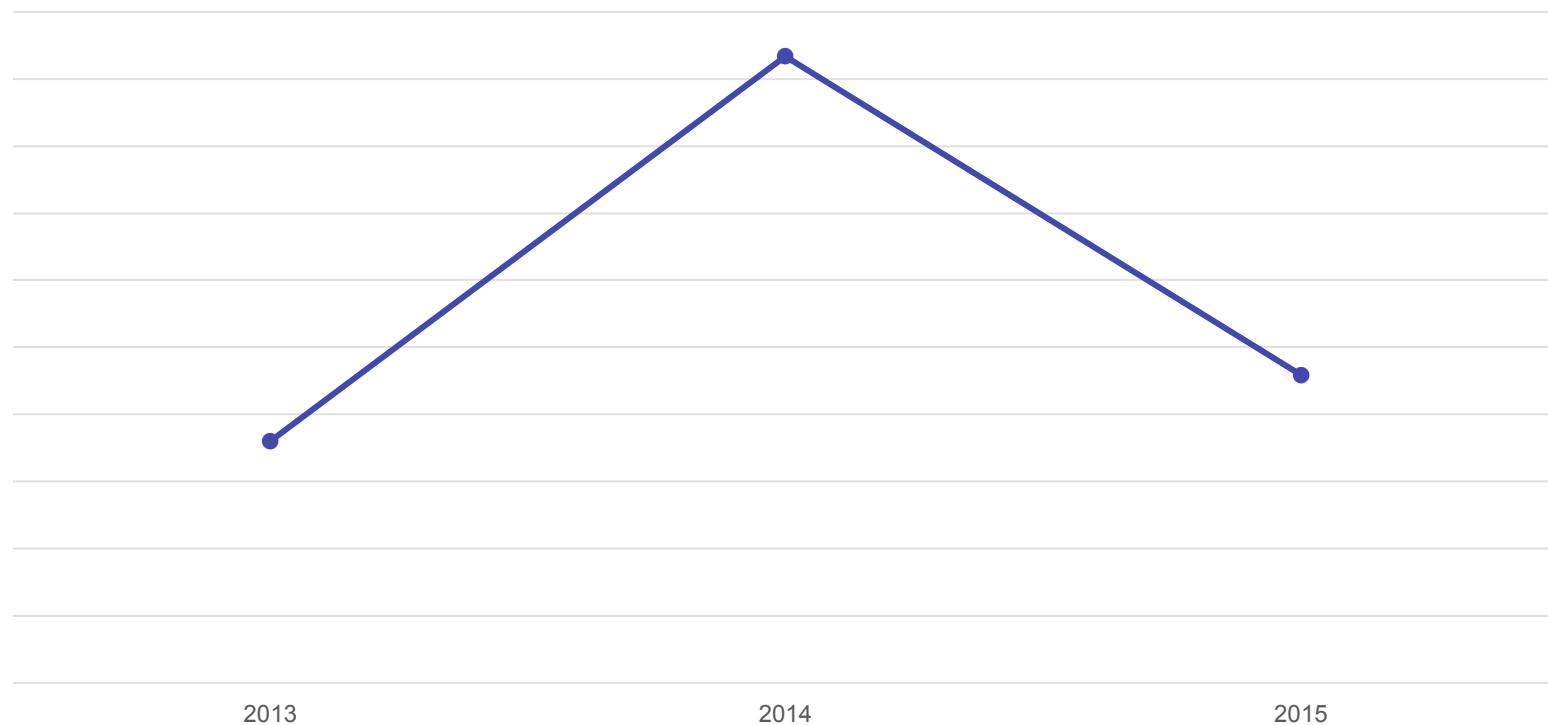


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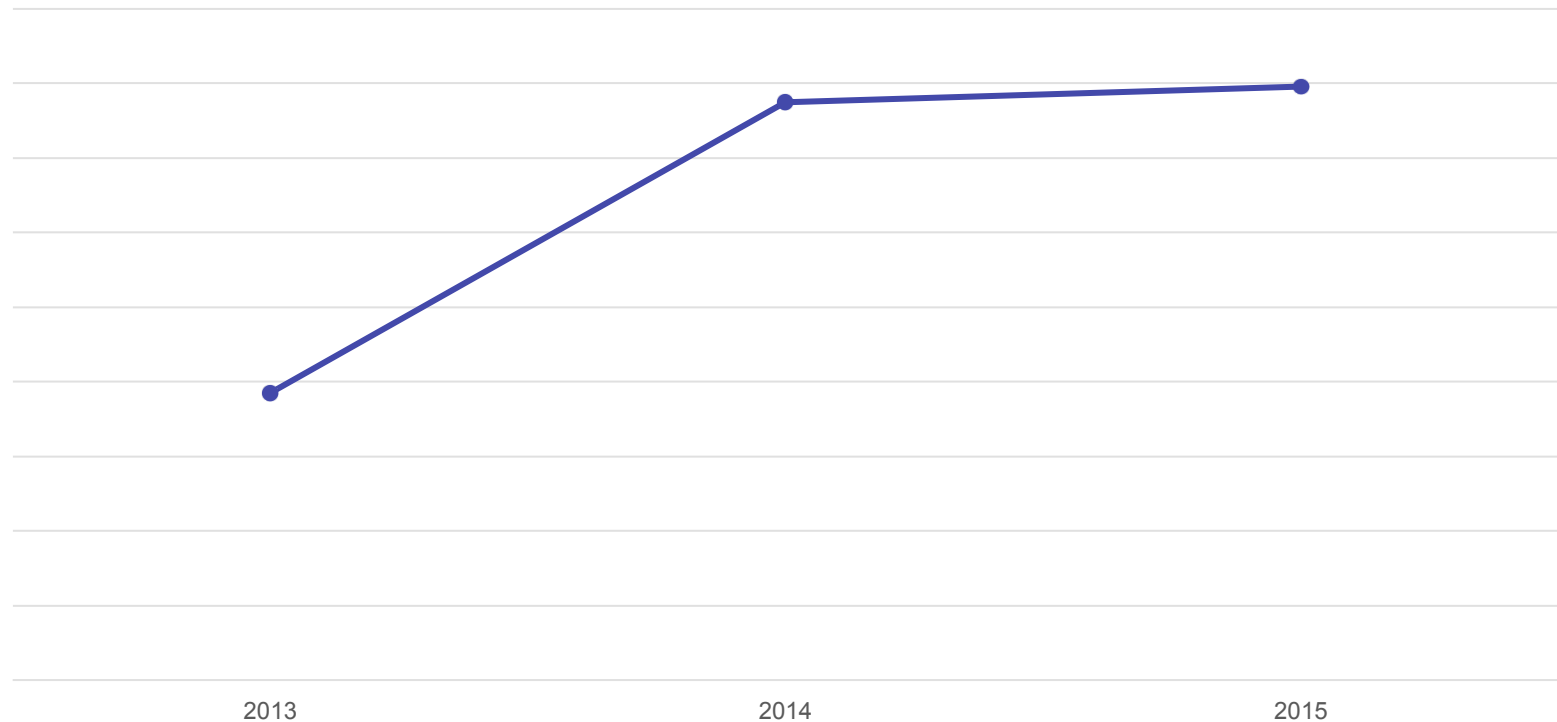
Total Dollars Generated



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Average dollars per plan



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Our current plan

- Phone and remote support
- One on-site visit per year – one display
- One on-site visit per year – multiple displays
- Two on-site visits per year – one display
- Two on-site visits per year – multiple displays



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Billing hourly vs service plan

- Hourly Rate - \$100
- Average billable rate for service plans
\$277.54 per hour



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What should I charge?

- Try to figure your average cost to deliver
- What do you currently charge for service
- Don't underprice – farmers will pay for value



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How do I sell it?

- Sell it internally first
- Talk about it with every customer touch
- Send postcards to your customers
- Include it on every new quote



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How we have been successful

- Repetition
- Covers W2 salaries of 2 full time techs
- CEO had foresight from IT industry



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Up Next ...

Devin Dubois



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Banking on Billable Precision Service for Recurring Revenue

Devin Dubois
VP of Integrated Solutions
Western Sales

January 5-6, 2016



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Our World

We are a six store Deere dealer in west-central Saskatchewan, Canada

Our AOR is ~7 million acres of dryland acres – cereal grains, lentils, peas, canola are the primary crops

We offer a suite of precision ag services under the FieldSmart trademark, which is also used by neighbouring Deere dealers in Manitoba and Alberta

In our dealership, we have 6 Professional Agrologists



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Our Eureka Moment

We realized that we needed to be in the precision ag space: customer's began to expect higher functionality from their equipment – we were machine experts, but not agronomic experts

A failed customer attempt to load an independent seeding Rx led us to eventually hire that agronomist

Virtually every agronomic decision is carried-out through our equipment: Agronomic decisions and equipment need to be effectively mated



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Spectrum of Services

Purely Mechanical	Mixed Agronomy and Mechanical	Purely Agronomic
Setting Timing on Seeder Sectional Control	Setting Packing Pressure on Seed Drill	Seeding Rate
Setting Timing on Sprayer Sectional Control	Sprayer Nozzle Selection	Spray Application Rate



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We Banked on Agronomists

If you're straying into agronomic territory, into some of those regions of mixed advice, you'd best considering involving agronomists

We hired agronomists to initially provide hardened agronomic advice – namely seed and nutrient Rx

Now, we have agronomists involved in scouting, crop selection, data collection and clean-up, and machine optimization



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What's Profitable?

We sell a reasonable number of pure agronomic services:
Rx, Scouting, Zoning and data-based services

Scouting is generally a recurring source of revenue for agronomists & customers have asked for it, but it is, perhaps, our least efficient source of revenue

- Our AOR is >7 million acres – six agronomists serve that region
- Scouting is expensive, time-consuming and can come with high expectations and risk



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What's Profitable?

Rx development and implementation is more efficient:

- It can be done throughout the year
- Our efficiency and effectiveness improves on a given field over time
- One agronomist can do a large number of acres
- It coalesces with our equipment expertise: part of the service is programming the equipment to deliver the agronomic decisions



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What's Profitable?

Customer uptake has been slow – we've been attempting to create demand:

- Our farmers have had a very profitable 5 years
- There is a multitude of offerings on the market and it feels like we're heading into a "race to the bottom" in the Rx world
- Customers are a little confused about the various offerings and price models



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Creating Demand

We started our own precision farm on ~1200 acres to test the efficacy of variable rate seed and nutrient application on our crops in our region using our equipment

We've committed to showing our customers what financial results can be achieved using the same equipment that they use, on the same type of land that they farm, using methods we can provide to them



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Creating Demand



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Project Results

You can view our Year 1 Results at:

<https://westernagresearchproject.wordpress.com/>

There were some clearly identifiable financial gains based on our decisions – we're starting to market those results



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Other Value from Agronomists

We're now attempting to capture more value from our agronomists through machine optimization programs – especially for seeding and direct-injection sprayers

Our agronomists have become default experts in seeding and spraying equipment and they spend more time in the cab during operation than anyone else in the dealership



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Our Formula

1. Understand and develop expertise in cutting edge technology and processes – be prepared to deliver it;
2. Deliver what customers are currently demanding with an eye to earning their trust to deliver more complex and higher-value services;
3. Look for the value your precision staff are contributing to your customers and your business, and try to capture it.



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Up Next ...

Jason Pennycook



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Banking on Billable Precision Service for Recurring Revenue

Jason Pennycook
Precision Specialist
Johnson Tractor
January 5-6, 2016




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REASONS FOR DEVELOPING OUR SERVICE PLAN

- Building better relationships with your customers.
- Lets your customers know the services you offer.
- Generate income for your time.

<p>BASIC SUPPORT PACKAGE</p> <ul style="list-style-type: none"> - Admission to AFS training session* - Access to AFS academy - Up to 30 minutes of basic phone support for setup and operation questions <p>Price: \$100.00 per system for six months \$150.00 per system for one year</p> <p>Support Packages begin February 1st or August 1st</p> <p>Once Registered for an AFS support package, you will continue to be automatically re-enrolled unless you notify Johnson Tractor of cancellation</p>	<p>PREMIUM SUPPORT PACKAGE</p> <ul style="list-style-type: none"> - Admission to AFS training session* - Access to AFS academy - Software updates for display, NAVII and receiver - One scheduled farm visit** to ensure proper operation of components, setup machine and display for spring or fall*** and reconfigure display if moving from combine to tractor - Use of loaner components if one goes down in season (display, NAVII, receiver) - Up to three hours of phone support <p>Six Month Price: \$250.00 for the first system \$200.00 for each additional system</p> <p>One Year Price: \$400.00 for the first system \$350.00 for each additional system</p> <p>(Additional charges may apply if drive time is over one hour)</p>  <p>* AFS training sessions will be focused on the most current AFS products and will be in a group format ** Farm visits do not include troubleshooting and mechanical, electrical or physical issues with AFS components. Mechanical components on a machine including steering valves, wheel angle sensors, mass flow sensors, harvesters, moisture sensors, etc. are not covered in the support package. These will be billed at the standard labor rate. *** Setup of machine and display does not include moving data from the display to desktop software.</p>	<p>MAPPING AND PRESCRIPTIONS</p> <p>LEVEL 1: Print yield maps or as applied maps Price: \$0.10 per acre per layer</p> <p>LEVEL 2: Level 1 plus soil sample results Price: \$0.25 per acre</p> <p>LEVEL 3: Levels 1 and 2 plus seed prescriptions Price: \$1.50 per acre</p> <p>LEVEL 4: Levels 1, 2 and 3 plus fertilizer and lime prescriptions Price: \$2.00 per acre</p> <p>BOUNDARY MAPPING Price: \$1.00 per acre</p> <p>LABOR RATES</p> <p>NO PACKAGE OR MECHANICAL ISSUE Price: \$100.00 per hour including to and from your location</p> <p>PHONE SUPPORT Price for Johnson Tractor customers: \$12.00 for the first 15 minutes and \$1.00 for each additional minute</p> <p>Price for non Johnson Tractor customers: \$25.00 for the first 15 minutes and \$1.00 for each additional minute</p>
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Leading Sponsor of Dealership Meets

Putting Together a Plan

- Know your customer base.



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Putting Together a Plan

- Figure out the services you can offer your customers.

- Field services
- Training
- Data Management



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Putting Together a Plan

- Decide on how the plan will be priced.
 - What is your goal for revenue from your service plans?
 - How much time will it take to do the services you offer?
 - How much will your customers pay?



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Putting Together a Plan

- Who will be responsible for doing the services you offer on your plan?
 - Precision Farming Specialist
 - Service Technicians
 - Out side source



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Implementing the Service Plans

- Put together a pamphlet for your customers.
- Setting up a system for internal management of the plan.
 - Who is accountable for billing?
 - Make sure all store locations know who is enrolled in a service plan.



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Implementing the Service Plans

- Setting up a system for internal management of the plans.
 - Get a customer data base set up or use existing data base.
 - Know there will be one more task that will need your attention.
 - Make the service plan part of all new equipment and PF sales.



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Implementing the Service Plans

- Dealing with customer resistance.
 - Show the customer the benefit they will get from your plan.
 - Not all complaints will come from outside customers, make sure the sales department is informed about the plan.
 - Stand your ground.



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