



**Sales and  
Service**

# Multi Channel Strategy

Darshan Khatavkar

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Cummins Confidential

# What's the Common Thread?

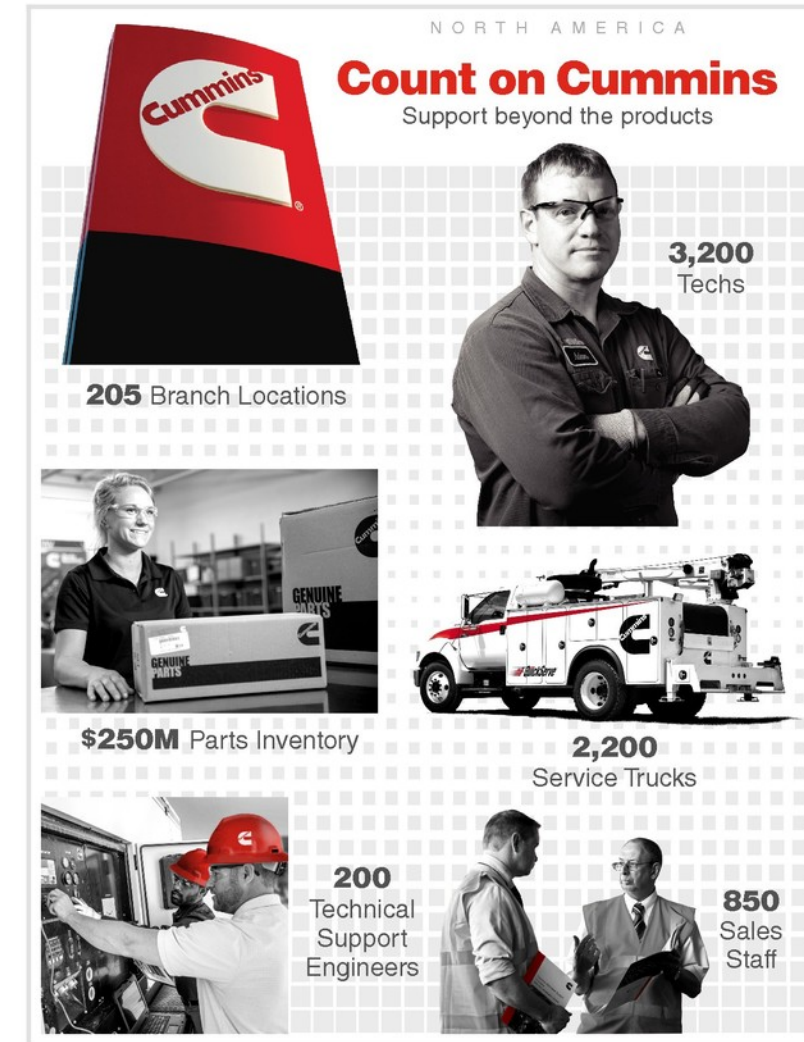


# Which other Channels are Changing?



# Generator Value Chain

- Sale
  - Product selection
  - Accessory selection
  - Lead time
  - Delivery
- Installation
  - Site selection
  - Permitting
  - Multi-trade skills – gas plumbing, electrical, civil construction, landscaping
- Service
  - Warranty
  - Post Warranty
  - Annual maintenance



The above numbers represent a national survey conducted June 2017.

# Cummins View and Strategy



- The internet sets the price and makes it transparent.
- About 25% - at least – of home product sales flow through internet resellers, electrical supply houses and retailers. These are 'sales only' channels.
  - It is imperative to penetrate this channel for long term success
  - Traditional dealers play a critical role in customer choice – especially service
- Significant portion of these sets are installed by non dealer players
  - We want to drive these installations to our certified dealer base
  - Certified dealers are critical for good overall customer satisfaction
- Be selective in partnering with internet and other sales only players. Retail channel is lower priority.
- Provide the opportunity for the right traditional dealers to become high volume sales only dealers

# Internet Resellers and Electrical Supply Houses

- Some similarities and some differences. Internet resellers typically target end customers. Supply houses typically target electrical contractors
- High volumes, ready availability (inventory), shipping ease – take advantage of factory promotions
- Lower margins than traditional dealers, but loss makers not tolerated
- Heavy investment in SEO, web site design and related technologies to bring customers to their sites
  - Supply houses also focus on being a one stop shop
  - Rewards programs for their customers
- Investment in expertise to educate customers and help find the right products
  - Supply houses have product demo days and other initiatives
- Very willing to partner with traditional dealers, including flexibility on factory delivery schedules
- Tax rules are favorable and that may be changing
- Cummins cannot provide them any special pricing not accessible to others – it's the law

# Traditional Dealers

- Internet sales are an opportunity and a threat – need to evaluate business strategy
- Definite advantage in installation, service and annual maintenance
- Segment specialization
  - Liquid cooled genset markets – small business, local government, large homes, ag, replacement gensets
  - Access to non HSB product under selling guidelines
- Closer to end customers – sell the expertise
  - Sell the permitting, installation and service parts of the value chain
  - Partner with resellers and non dealer electrical contractors on installation and service
  - Market your expertise through website, blogs, social media, traditional media and other channels
- Traditional dealers will change, but not go away

# Cummins Actions to Facilitate the Multi Channel

- End-customer messaging on importance of using certified dealers for installation and service – on website, product labelling and other marketing media
- Internet reseller website messaging and connecting end customers to certified installers
- Providing dealers an Opt-in option to partner with resellers
- Providing a uniform pricing and reward structure for all players to fairly participate in the market according to their chosen strategy

# Summary

- A multi strategy channel path to market– tradition dealers, internet resellers and supply houses – is critical to success of HSB
  - End customers make the choice on how they want to be served
- There is a place for each channel and ability to partner and jointly be profitable
- Cummins wants to facilitate that partnership so each dealer can choose their own business strategy to profitably participate in the market

Q+A