2019 AEM CONFERENCE

Distributor Challenges with the Changing Work Force
- Family owned and operated
- 57 years in business
- Area of responsibility for John Deere includes upper 1/3 of IL, state of IN, and a few counties in MI
Engineering and Manufacturing company that makes specialized products for the Railroad and Energy Sectors
Immediate Past Chair of AED Association of Equipment Distributors

- 750 Members across North America
- 100 Years in operation
- Combined membership of dealers and manufacturers
- 4 Priorities
  1. Advocacy in Washington DC
  2. Leadership and management skills training
  3. AED Foundation: Technician shortage
  4. Annual Summit: Training and networking between dealer and manufacturer
Agenda

1. Changing work force
2. Diversity in our industry
3. Need to change our image
Distributor Profitability Model

Future Threats to Profitability

- **Whole Goods Rental**
  - Margin compression
  - Increased rental fleets
  - Risk shifted from customer to dealer
  - Technology driven disruptions

- **Parts**
  - Amazon model
  - On line parts
  - Manufacturer direct parts
  - Parts margin compression

- **Service**
  - Work force shortage

**Key Takeaway:** Service is the one area that the distributor still has control over it’s destiny.
College of William and Mary Study

Technicians shortages in dealerships are costing equipment dealers $2.4 billion a year in LOST REVENUE.

The industry has seen a drastic increase in technician demand. AED plans to address the problem by increasing it’s accreditation by 66% for 2019.
Millennial Expectations

• Seek more open relationships with managers
• Think creatively
• Work collaboratively
• Focus on career paths, expect training
• Culture of an organization matters
• Value flexible work arrangements that result in work life balance
• Seek experiences and value travel
• Expect a diverse workforce

Paycheck isn’t as important, but they will kill you in TURNOVER!
Problem is much deeper than simply a shortage...

• Every new technician we hire says he wants to be a technician for “awhile”
• “Career Technician” is unlikely in the new generation
• Constant “promotion” is a need of the incoming young people in our organization
• Young field techs unwilling to work long hours like their predecessors
• “Experts” say that the average turn over rate of Millennials will be between 5 to 7 years
  – Average time to get a technician fully trained and in new product-maintenance mode – 5 years
Future Workforce Challenges

• If we have a shrinking pool of candidates, willing to work less hours and higher turn over rates this will lead to:

NOT ENOUGH AND LESS SKILLED TECHNICANS!

• Manufacturers have to use more technology and be mindful of being efficient and cost effective in their training
Focus on Company Culture

WELCOME TO THE WSTS FAMILY!

TERRI STEFANSKI
Sales Coordinator, Naperville Facility
Lives in Lockport, IL

About: Terri is married to husband John and they have 21 year old twins, Ashley and Amber. Prior to West Side, Terri worked at Waste Management for 21 years — 16 as a national account price manager and 5 years as a consultant.

What do you do when you’re not at work? Garden, pool, boat, read, and hit the gym with a personal trainer. I’m a big Chicago Blackhawks fan and love sports! I played volleyball, basketball and softball since I was young.

What do you enjoy most about your job? I decided to join West Side for a new opportunity with a private company and great family culture. I enjoy being able to support and work with the sales team and learn about the equipment industry. The most important part of my job is being efficient and accurate with all the data analysis.

JAKE DENNISON
Parts Representative, Indianapolis Facility
Resides in Indianapolis, IN

About: Jake attended Irvington High School. Before coming to West Side, he was an automotive technician and worked construction for several years.

What attracted you to West Side? The WOW core values really stuck out to me and the family/team environment.

What do you enjoy most about your job so far? Helping customers and techs find the right parts and solve the problem.

What hobbies/interests do you have outside work? All types of racing, and all types of motorcycles and hot rods.

What’s on your bucket list? Sky diving and deep sea diving.

Nathan Bates
Project Manager, Rockford Facility

Originally from Aurora, Illinois, Nathan and family spent time on the West Coast and recently relocated back to Illinois. Nathan spent most of his career in the racing industry (NHRA) and spent a little time in the automotive industry before joining West Side. His three sons aged 14, 10 and 10 months keep he and his wife very busy.

What attracted you to WST? I was attracted to WSTS reputation and values, family atmosphere, happy employees and the longevity of employees.

What excites you about the industry? I am excited about being around these machines and helping solve problems for our customers.

What hobbies/interests do you have outside of work? Outside of work I enjoy racing and spending time with family.

What might people be surprised to know about you? I help make the West Side Tractor Funny Car go 300+ MPH.

Ben Taylor
Service Technician, Bloomington
Lives in Bedford, IN

Prior to joining the Bloomington branch, Ben worked as a service technician for Hubler Automotive. He has a wonderful girlfriend Jasmine and three children, Maverick, Colt, and Juno.

What attracted you to WST? I was attracted to the family-oriented atmosphere.

What do you enjoy most about your job so far? The communication and friendliness of the employees.

What hobbies/interests do you have outside of work? I like to spend time with my family, friends. I also enjoy hunting and fishing.

What excites you about the industry? I am excited about the ability to advance and grow within the industry.

What might people be surprised to know about you? I served 6 years active duty in the Army.

What’s on your bucket list? To visit every country in the world, I’m close!!
Community Service Initiatives

*Giving employees a greater purpose to stick with us*
Diversity

Key driver to our industries’ future
Associated Equipment Distributors
CELEBRATING 100 YEARS IN THE CONSTRUCTION EQUIPMENT INDUSTRY.
Diversity isn’t an option; it’s simply demographics.

Projected Racial and Ethnic Population Change 2014-2050

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<tr>
<th>Race or Ethnicity</th>
<th>2014 Population</th>
<th>2050 Projected Population</th>
<th>Numerical Change</th>
<th>Percentage Change</th>
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<td>233,963,128</td>
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<td>Non-Hispanic White</td>
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<tr>
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<tr>
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<tr>
<td>All</td>
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<td>398,328,000</td>
<td>79,470,944</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

*US Census Bureau
Why focus on diversity?

• We’re not a “cool industry”…three Ds reputation continues (dirty, dark, dangerous)
• Young generation expects and demands diversity in the workplace…they don’t see color or sex
• Diversity leads to better performance
  – Boston Consulting Group: 1700 different companies; “increasing diversity of leadership teams leads to more and better innovations and improved financial performance” resulting in 19% higher revenue due to innovation
  – McKinsey: 366 Public Companies; “top quartile for ethnic and racial diversity in management were 35% more likely to have financial returns above their industry mean”
West Side – Gender Diversity

• 1/3 of upper management team is female
  – General Manager, Sales Manager, Asst Sales Manager, Credit Manager, Technology Manager, Marketing Manager and HR Manager

• Additional women in non-traditional roles:
  – Rental Manager
  – Outside Product Support Sales
  – Fleet Services Manager
  – Service Manager
  – Yard Coordinator

• Men in the organization champion women as much or more than the women

• West Side culture truly rewards those based on skills and work ethic unrelated to their sex
https://www.youtube.com/watch?v=MKX_7T4KIv0&feature=youtu.be
West Side – Gender Diversity

What has this done for our company?

• Studies conclude that diverse teams create more innovation and make better fact based, objective decisions

• Emotional Intelligence or more focus on the softer skills that help with employee engagement and turnover

• Helped engagement with customers with female ownership

• Innovation areas in our company are being lead by women
West Side – Gender Diversity
What has this done for our company?

- Diversity in hiring

- Better at managing risk?

  Christine Lagarde,
  President of European Central Bank

  ‘If it was Lehman Sisters, it would be a different world’

- Men and women are proud of our inclusive culture and enjoy working in a more diversified atmosphere
How do we become more diverse?

• **Role Models** - Promote women and minorities into positions of power
  – “unconscious bias” and stereotypes
  • “double bind bias”, “queen bee bias”
  – Men are promoted based on potential and women are promoted based on performance
How do we become more diverse?

• For women, align benefits with unique needs
  – Maternity and paternity leave
  – On site day care
  – Flexible work schedules when returning from maternity leave
  – Travel adjustments- smaller territories
  – Subsidized daycare
  – Working from home flexibility
Many European countries have enacted and expanded policies such as paid parental leave, childcare subsidies and part-time entitlements to encourage women’s employment.
Closing Thoughts

• As an industry, all of us should be working much closer together to solve our work force shortage problems

• Help your distribution channel on work force challenges
  – Technician recruiting and training
  – Support the AED Foundation
  – Providing training tools to schools and distributors
  – Keep an open mind on the use of co-op funds that might not just be product related but might aid dealer in these areas
  – Help your distribution channel speed up the training curve

• Help to drive diversity in our industry
  – Promote into power women and minorities
  – Review policies and benefits that might discourage diversity in your organization
  – Showcase women and minority in recruitment efforts
  – Recruit from non-traditional sources

• Improve the reputation of our industry and focus on it’s merits and technology
THANK YOU!

WEST SIDE TRACTOR SALES CO

THANK YOU!