

# A Clear Direction

Ag-Chem's decision to shift its machine sales to dealer partners is designed to improve overall customer service.

BY ERIC SFILIGOJ

emsfiligoj@meistermedia.com

**T**HIS past July, a significant change took place with AGCO Application Equipment's Ag-Chem brand, one of the market leaders in the self-propelled sprayer and floater businesses. Instead of buying products directly from the company, customers began making their whole good purchases from Ag-Chem's parts and service partners. Several of the selected dealers also carry Caterpillar products, and Ziegler Ag Equipment, which represents Ag-Chem in Minnesota, most of Iowa, and Wisconsin, provides a strong example of the new one-stop Ag-Chem dealer.

Of course, adds Steve Koep, vice president of the application equipment division for Ag-Chem parent AGCO, most RoGator and TerraGator customers were probably unaware of the change. And that, he says, is exactly how it should be.

"Many of the changes with this move took place internally within our company and the dealers' organization," says Koep. "From the customers' perspective, the change should have been almost transparent. In most cases, their sales rep didn't change, so the 'face of Ag-Chem' remained consistent for them."

But that's not to say this move by Ag-Chem isn't a significant development in the company's 45-year history. That's

part of the reason why Koep invited *CropLife*® magazine to sit down with Ag-Chem and Ziegler representatives this fall to discuss what this move means — and will mean — for everyone involved.

## A Working Relationship

Truthfully, the relationship between Ag-Chem and Ziegler dates back several years, when the manufacturer first shifted the responsibility for its parts and service activities to the dealer network. Under this system, Ziegler employs a mobile fleet of fully-equipped service trucks to provide maintenance and service to customers on-site. Technicians in this fleet also conduct regular maintenance checks, oil and coolant analyses, and other optional services to extend equipment life.

At the time this was done, says Doug Pottinger, sales manager for application equipment at Ziegler, it was a pretty visible change for Ag-Chem customers, with a few bumps appearing in the road along the way. "There were a lot of cases where the customers were dealing with servicemen or parts people that were new to the business," he says. "In those cases, you were bringing in a guy that had all kinds of experience with hydraulic and electrical systems, but he wasn't the RoGator man that the customer had a long-term relationship with. It took a year to get these servicemen up to where they were adequate, according to the customer, and two years to get to the point where the customer was saying 'this guy really knows what he's doing.' Ultimately, though, things worked themselves out."

However, according to Koep, there were some drawbacks to this kind of "split" sales/service landscape. "I think the customer was kind of stuck between the direct sales organization and the dealer organization supporting the product," he says. "It wasn't conducive to efficiency because neither organization ultimately owned the customer relationship."

Al Pearson, vice president, agricultural division for Zieg-

One of the newest sprayers to join the Ag-Chem family is the RoGator 1286c. This unit was available for a test drive by interested students and customers at the company's manufacturing plant in Jackson, MN.



Koep



Pottinger





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ler, shared a similar view. "When we put together a five-year strategic plan, the No. 1 recommendation we made to AGCO was asking for the sales side of the business," says Pearson. "The way we saw it, this business was the perfect match for us. It would help us drive volume, dollars, and synergies with the parts and service business we already were responsible for."

Starting July 1, AGCO transferred responsibility for its Ag-Chem product sales to Ziegler and several other Caterpillar dealer locations (with plans to add 38 dealers, totalling 323 locations nationwide by the end of 2008). This allows dealers such as Ziegler to sell and service Ag-Chem products through a single point of contact. "In terms of the process this time around, it's a lot smoother," says Pottinger. "Previously, an AGCO salesperson would sell the customer an Ag-Chem product. Then, their first service call would be made by someone from Ziegler. Now, the logo on the orders is a Ziegler logo, the machine is sold by Ziegler, registered



by Ziegler, and the warranty is covered by a Ziegler employee. It makes one entity accountable for Ag-Chem's success and customer satisfaction in each territory."

**Market Driven**

In many ways, this kind of sales/service structure mirrors that of Ag-Chem's largest equipment rivals, says Koep. "But I don't think any of our competitors can provide as timely or consistent service over as

Ziegler is one of several Caterpillar dealers being used by Ag-Chem. The others include Altorfer Ag Equipment, Butler Machinery, and Nebraska Machinery.

wide a geography as the Caterpillar people can," he adds.

Furthermore, the shift of machine sales to dealers such as Ziegler will better position Ag-Chem to take advantage of some of the rapidly shifting dynamics taking place within the self-propelled sprayer and floater businesses.

"In 2007, the market for sprayers with product tanks ranging from zero to 1,000 gallons was down approximately 20%," says Koep. "On the flip side, the market for sprayers with 1,000-gallon-plus tanks was up approximately 20%. That sales group probably includes some large growers, but it's mostly made up of commercial applicators. This group makes many more planned replacement equipment purchases than other customers tend to, so a single-source sales/service structure like the one we've created with dealers such as Ziegler is a better fit for their needs across the board."

Moving into the 2008 season, Koep expects the self-propelled sprayer to stay relatively flat as growers shift from corn to less application-intensive soybeans. Floaters, on the other hand, could see some healthy growth as dry fertilizer application potentially continues to increase.

**Forward Progress**

One year from now, both Ziegler and Ag-Chem representatives expect to see significant growth take place with their business relationship as well as the customers both serve. "We will be learning together and I think we will be successful together," says Pearson. "It's a great opportunity for everyone involved."

Koep agrees. "I think this is the perfect relationship because everybody wins," he says. "Ag-Chem wins because the company creates more volume. Ziegler wins because it creates more volume and ties the customers into its business. And, most importantly, the Ag-Chem customer wins because he's no longer stuck in the middle between a sales-only organization and a parts/service-only organization. Everything is now under one flag." ■



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