

# Learning Without Scars

## Quarterly Newsletter

Dynamic Internet Based Learning  
TRAINING SOLUTIONS FOR EQUIPMENT DEALERSHIPS  
Construction • Mining • Agriculture • Cranes • Trucks • Trailers

Product Support Selling and Marketing

Winter 2022

### Operating and Financial Forecasts Using Artificial Intelligence by Debbie Frakes and Steve Clegg



Debbie Frakes is the Managing Director at Winsby Inc. where she has been helping Business to Business (B2B) companies grow for over fifteen years. What works is constantly evolving, but Winsby is always testing new concepts to

determine the most efficient and most cost-effective ways of generating business.



C. Stephen Clegg is a Managing Director at Winsby Inc. where he oversees the analytics division, Zintoro. He's developed an AI model that shows exactly what your company's strength and weaknesses are, based on your past three years of invoice data.

The model is trained to predict where your revenues, customer retention, and purchase frequency are headed if nothing changes in your approach. It also provides the ROI on Winsby's marketing programs, according to your customers' purchases.

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Forecasting your operating and financial results is an important part of any business. Whether you are a startup or an established company, accurate forecasting will help you make informed decisions in your day-to-day operations.

Operating forecasts drive your financial forecasts—not the reverse—and allow you to predict key metrics like customer retention and customer transactions, resulting in reliable forecasts for revenue, expenses, and profits, so that you can take advantage of any growth

opportunities as they arise. By understanding how you can improve outcomes in these areas, you create a business strategy that helps you maximize your profitability and meet the expectations and needs of your customers. With the use of Artificial Intelligence, forecasting and managing your growth is simplified.

Let's look at some of the most important things that you need to understand about operational forecasting.

The determination of the key operating metrics that drive your financial performance is often very difficult to understand. As a result, many businesses are reactive versus proactive because of everything that can impact a business, including competition, service expectations, distance, seasonality, technology, and the economy.

It is important to remember that successful businesses focus on what really matters. They make choices to identify who their customers are, what products and services are most profitable, and the markets and industries that make the most sense to target. With this approach you can improve your product and service offerings to exceed the expectations of your target customers.

Identifying which customers, industries and geographic markets are important to your business is the first step in managing your future. You can then use this data to segment customers by type, provide them with the products and services that they are most likely to purchase, and deliver the customer engagement they expect. This approach will help you improve customer satisfaction and keep your customers coming back. Retained customers double their purchases every year that they stay with you.

How do you create and maintain reports that track your performance and accurately forecast your next 12 months?

AI technology has come to the rescue. These plans can be easily created and updated using Artificial Intelligence which will provide a detailed plan to help you, identify what drives your business, and set clear goals and targets. With a clear plan and outline for how you intend to achieve your goals you can stay on

track, overcome obstacles and manage your employees and resources to determine which operating, sales and marketing programs are working. AI allows you to be proactive by knowing the future versus being reactive and a victim of the past.

By using AI, you are able to make data driven decisions that are proactive, rather than emotional reactive decisions, based on misguided opinions or guesses. It also provides you with valuable feedback that you can use to measure the effectiveness of each decision and accurately forecast and improve future performance.

Tracking your operating results and forecasting them correctly is a critical step in ensuring that you meet all your operating and financial goals.

Zintoro.com is an online artificial intelligence tool that automates forecasting and tracking of your key operating and financial metrics and determines what is really driving results by branch, department, product line and customers. Zintoro.com tracks historical results and provides 12 month rolling forecast with a >95% accuracy for forecasting your customers, transactions, and revenue.

The first step in creating a good financial forecast is to understand the key operating metrics that matter most to your customers and your organization. By constantly using these metrics, you will be able to make better business decisions that maximize your organization's financial performance and meet the expectations of your customers.

Let's look at an example of a key business metric that Zintoro.com uses as the foundation for preparing an operational and financial forecast for your business: Your Customer Retention Rate

The retention rate tells you the number of customers who return to purchase your products or services over a specific period. For example, if you have a rolling 12-month retention rate of 70% this means that 70% of your customers will continue to do business with you after their first 12 months. A high retention rate indicates that your customers are happy with your products and services and will return to buy more. If you have a low retention rate this indicates that your customers are not satisfied and continue to look for alternatives to meet their needs. Understanding the retention rate can help you make important changes that improve your customers' experience and ultimately improve their satisfaction and loyalty to your brand.

Customer retention is your primary growth engine, because each year a customer is retained their transactions and revenues will double for up to three to five years. With a successful sales and marketing program, transactions and sales will double again.

A successful financial forecast is based on your ability to retain customers, which helps you identify business opportunities, achieve your growth goals, and make smart business decisions that contribute to your overall success. The financial forecast, which is determined by your customers forecasted transactions and their retention, helps you manage your costs and avoid unexpected expenses that can negatively impact your bottom line.

Zintoro.com automates the process and identifies your key metrics that drive your business and which customers you are at risk of losing. Stop guessing and start anticipating the future.

### Zintoro.com Artificial Intelligence Program

With accurate forecasts, you can plan for real growth.

The equipment industry is a cyclical and seasonal. Many dealerships react to events by looking backward at accounting statements to explain how current market conditions have impacted their existing financial condition. But the most successful dealerships always look forward by forecasting and planning for the future. As a result, they can take advantage of both upturns and downturns.

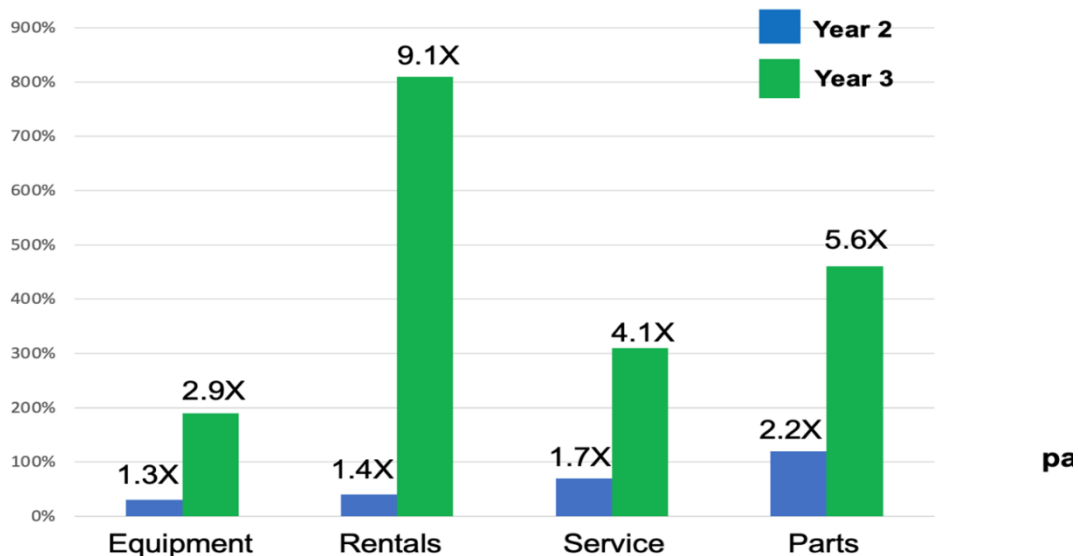
Below is a discussion on how Zintoro.com Artificial Intelligence is able to forecast with a greater than 95% accuracy for the next 12 months.

Zintoro recognizes that every branch and department have a wide range of variables from competition, highway systems, their customers' needs, industries served, market area, employees, facilities, and equipment available at each branch and department location. Consequently, Zintoro builds the forecasts from the customer up, not from management down.

This process requires an overwhelming number of computations that are way beyond the capability of the talent and resources for most organizations to compute with meaningful results. For example, Zintoro tracks the impact of whether there is a contact and phone number for each customer. Surprisingly, most dealers only have 60-70% of their customer contact information available in their accounting and customer CRM systems.

If equipment dealers can't contact a customer, they will be lost. As a result, the average equipment dealer loses 60% of their new customers within 12 to 15 months after the first purchase and never retains more than 30% of their customers for more than three years. The second year a customer is retained, they purchase 30% to 120% more, depending on the type of purchase—parts, service, rental or equipment. The second year, the increase in purchases ranges from nearly three times to over nine times, depending on the category, as shown below. With an effective calling and email program the transactions are double what happens without a program.

## Why are Retained Customers your primary growth engine? Customers purchase more every year in every category



When there are effective marketing activities in place consistently, like Winsby's dealer program, and the impact is easily identified and incorporated into the forecasts - the Return on Investment for each marketing activity is also calculated to show its effectiveness. The Zintoro AI is not guided by opinions or overwhelmed by the latest marketing fads, market conditions or data overload. The program calculates a dealer's customer retention, based on customer transactions, and provides projections of revenue and Gross Margin based on the past three plus years of data. The primary assumption is that the dealer will continue doing they have done in the past.

The Zintoro Forecast is the foundation for a company's Business Plan. The forecast is looking forward with a high degree of accuracy, allowing the dealer to create a realistic Business Plan that includes what is going to change, based on past patterns. Zintoro measures the impact of the plan each month, including an update for the return on investment and for the forecast. The chart shown below provides the impact of three of Winsby's services, including calling customers and prospects, emails, and customer satisfaction surveys, during the previous three years for transactions and revenues and the Return on Investment for each service.

## Program ROI Overall

Winsby Inc.

Programs Impact Years	All Transactions			All Revenue			All ROI		
	Yr 1	Yr 2	Yr 3	Yr 1	Yr 2	Yr 3	Yr 1	Yr 2	Yr 3
Calling (1-2X/year)									
Called	19	27	47	\$ 141,885	\$211,316	\$ 255,345			
Not Called	4	4	30	\$ 62,139	\$79,829	\$ 82,426			
Impact	15	23	17	\$ 79,746	\$131,490	\$ 172,919	742X	1,427X	2,396X
Emails (2X/Month)									
Emailed	23	34	38	\$ 163,833	\$266,240	\$ 332,531			
Not Emailed	5	29	4	\$ 68,871	\$69,217	\$ 63,517			
Impact	18	26	34	\$ 94,962	\$197,023	\$ 269,014	2,097X	2,619X	3,444X
New Cust (Called and 2 email /Month)									
Emailed	4	14	15	\$ 33,300	\$135,184	\$ 167,905			
Not Emailed	3	5	3	\$ 63,344	\$67,244	\$ 61,871			
Impact	1	9	9	\$ (30,045)	\$67,940	\$ 106,034	-132X	534X	643X
Customer Satisfaction (1-2X/year)									
Surveyed	29	46	59	\$ 193,121	\$337,549	\$ 430,757			
Not Surveyed	11	15	17	\$ 102,641	\$135,242	\$ 153,238			
Impact	18	31	42	\$ 90,481	\$202,307	\$ 227,519	4,762X	6,131X	6,767X

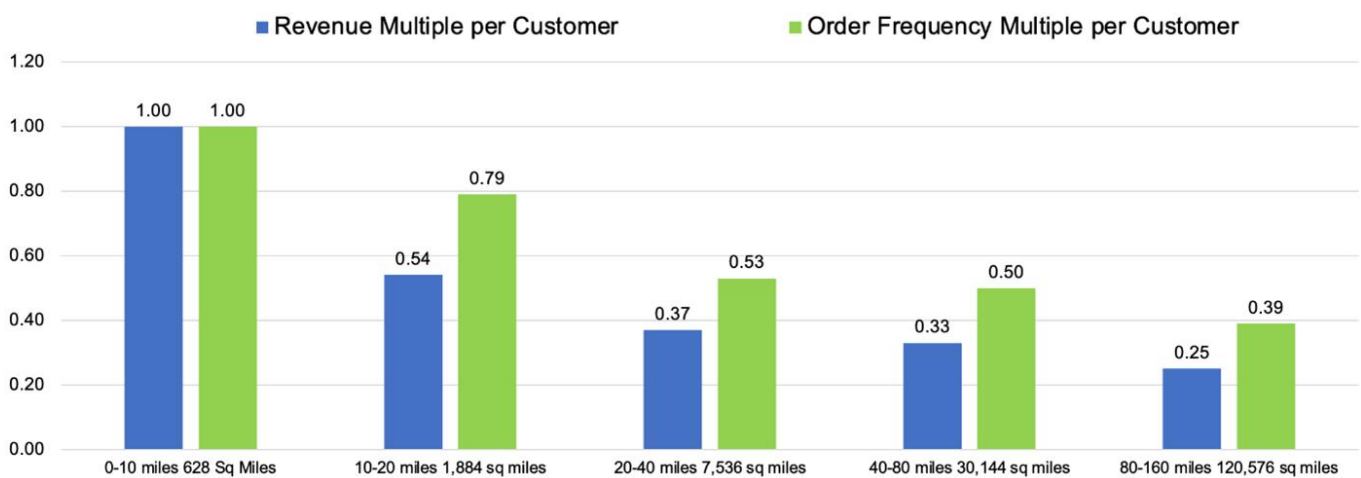
Through this analysis Zintoro identifies where the greatest opportunities are for profitable growth in order to identify where the dealer should focus their limited resources and management time to obtain the highest return on investment.

Included in this analysis are data for customers' purchases, industries represented by customers, market areas, employees, and customer engagement in marketing programs. Once analyzed through the Zintoro program, the greatest opportunities for profitable growth are revealed. For example, one factor considered includes the distance a customer is located relative to the nearest branch. With each additional mile over 40 miles from a branch, transactions and revenues fall. In fact, there are dealers that have never retained a customer that is located over 40 miles from a branch for more than three years.

## Market Area

### Impact of distance to the equipment dealer's branch

0-10 miles = 1.00



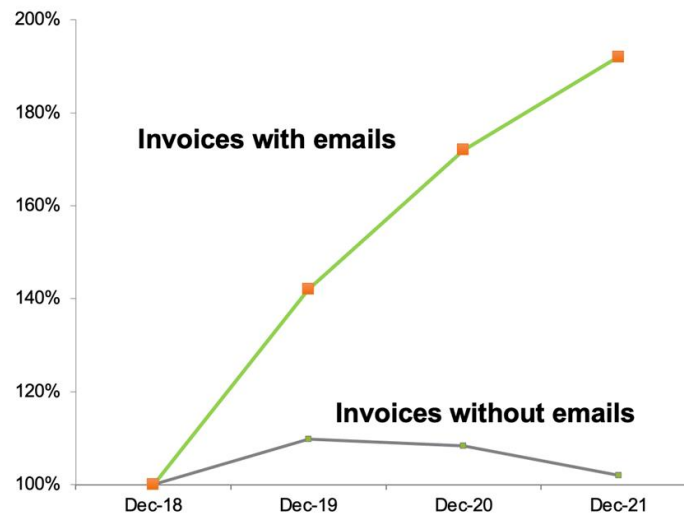
Most dealers are reacting to prospects calling or walking into a location, and the primary reason they are changing dealers is because their existing dealer has failed to meet their needs. Zintoro identifies the prospects in each branch's market area in order to flip the process: the dealer selects who they want to target to be a customer. The sales and marketing efforts then fill the sales pipeline with prospects who will purchase often, are retained, and will generate a solid gross margin.

Below is an example of Zintoro's Equipment Market Industry selection which provides guidelines on which customers to target for additional growth.

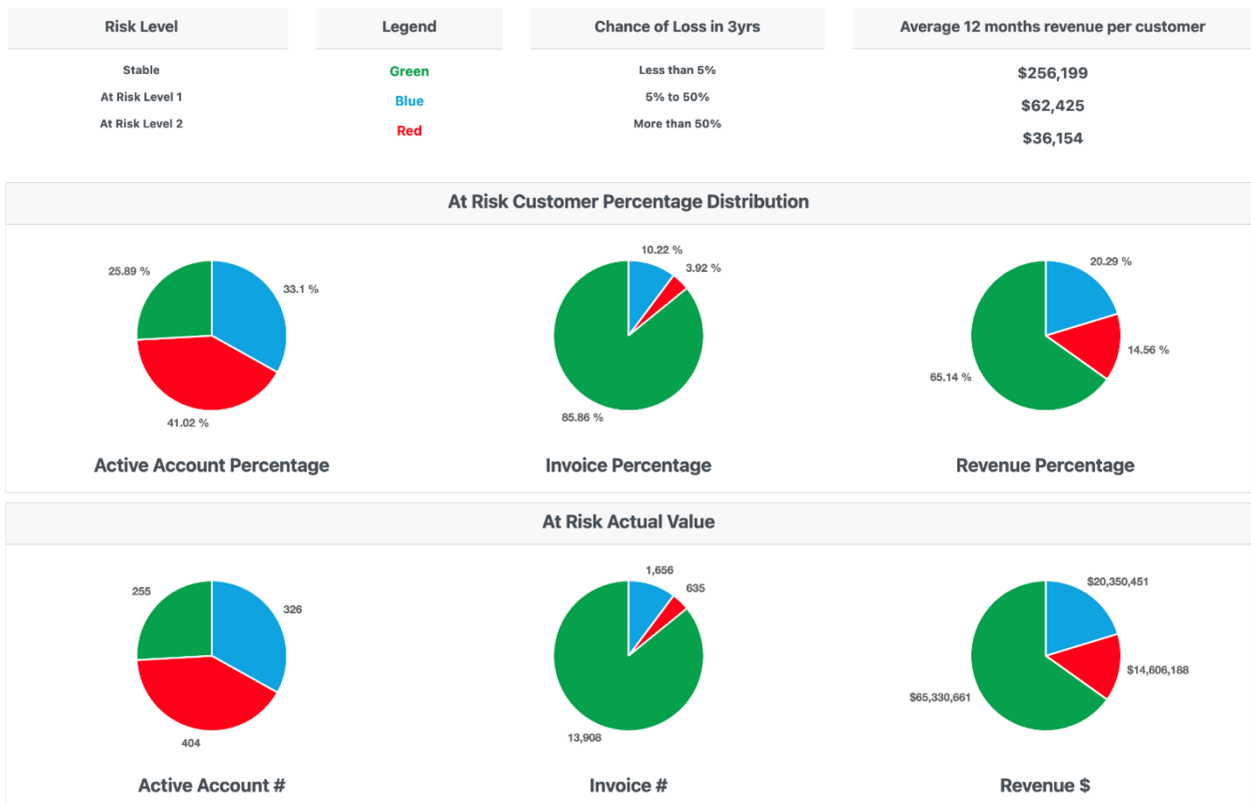
Customer Count ↑↓	Customer Market Sh	Machine Sold ↑↓	Potential Revenue ↑	SIC Code ↑↓	SIC Code Descriptio	Sales by Customer	Average Machine Pu
37	3.23	1147	\$411,880,818.00	1794	EXCAVATION WORK	\$359,094.00	2
19	3.34	569	\$204,324,486.00	1624	WATER SEWER PIPEL	\$359,094.00	2
11	1.54	715	\$256,752,210.00	782	LANDSCAPING CONT	\$359,094.00	2
8	1.61	496	\$178,110,624.00	191	GENERAL FARMS PRI	\$359,094.00	2
6	3.31	181	\$97,494,021.00	1611	HIGHWAY AND STRE	\$538,641.00	3
5	12.5	40	\$28,727,520.00	7353	RENTAL AND LEASIN	\$718,188.00	4
5	0.83	600	\$215,456,400.00	1629	HEAVY CONSTRUCTI	\$359,094.00	2
4	3.74	107	\$38,423,058.00	1771	CONCRETE AND ASP	\$359,094.00	2
4	11.11	36	\$12,927,384.00	5093	SCRAP AND WASTE I	\$359,094.00	2

It typically takes three to four years to acquire and engage a new customer. As a result, it is a challenge for dealers to stay focused on customer retention while they are juggling the industry's seasonality and cyclical nature with the manufacturer's focus on equipment sales and market share. It is important to note that equipment sales only represent 1% to 2% of a dealer's customer transactions. An effective calling and email program solves the customer engagement problem by increasing customer retention, as shown below.

**Actual Results—Percentage Increase in Purchases**



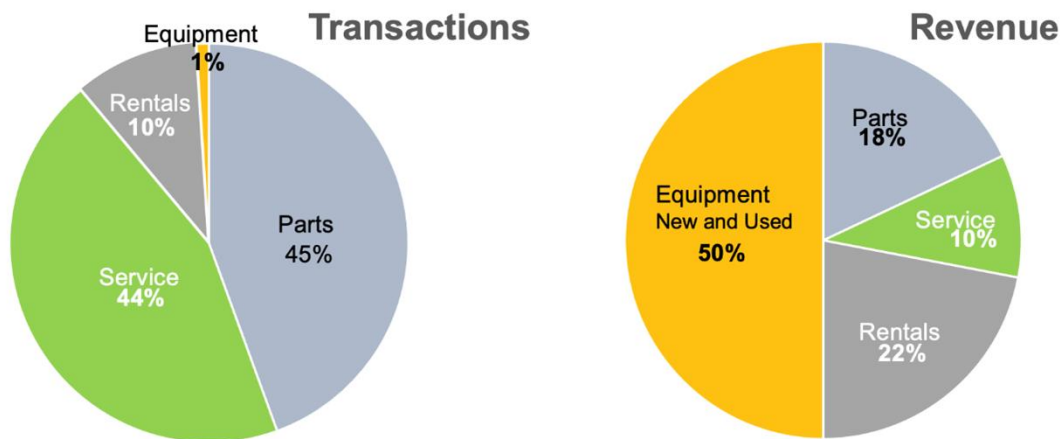
Zintoro tracks how successful marketing programs are and includes the impact of these programs on customer metrics in the rolling twelve-month forecast. The goal is to create stable customers who purchase often and have a very low probability of being lost. Stable Accounts have a <5% chance of being lost in the next three years and generate up to 10X more revenue than the average customer. Below is an example of the percentage distribution of At-Risk Customers, based on how stable each group is.



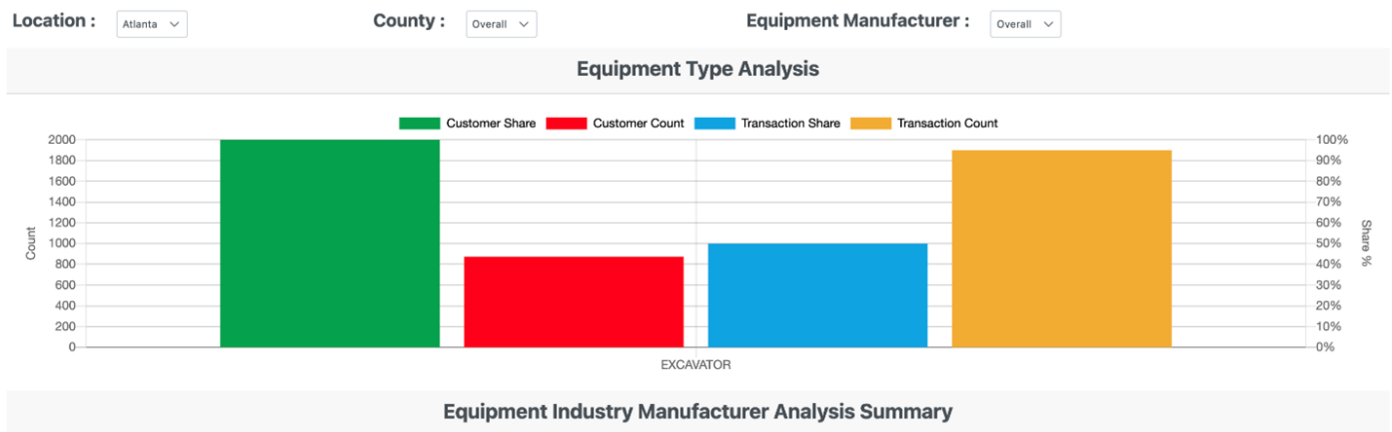


Zintoro also tracks dealer market share, based on the number of customers rather than on equipment sales. Dealers sell equipment profitably to existing customers, and these customers usually start with parts, service, and rental purchases. Most dealers on a rolling 12 months replace 50% of their customers with new customers, and only 2-3% of the new customers purchase equipment. Although Equipment represents approximately 50% of a dealer's revenues, over 97% of customer transactions are for parts, service, and rentals, and these sales are what generate the profits that support a dealer through the ups and downs of the industry. Customers only know a dealer based on their experience with each transaction, and the overall experience is not measured on dollars spent but on the cumulative impressions created with each experience.

**Parts and service represent 89% of transactions, but while equipment is 50% of revenue it is only 1% of all transactions.**



Zintoro also tracks a dealer's market share by branch, county, manufacturer, type of equipment, and industry. Below is an example of a dealer's customer statistics for market share represented by number of customers and by machine units for excavators.



Zintoro only connects with other systems and programs that show a measurable impact and can enhance Zintoro's ability to forecast. These services include Winsby's customer satisfaction surveys. These scores and comments are automatically tracked by Zintoro and used to improve the accuracy of the forecast for customer retention significantly. The scores with comments positive and negative are a key indicator of a dealer's customer retention for the next four to six months. Dealers use the scores and comments to improve their operations, and they call customers to resolve any issues quickly. One study looked at the impact of a Winsby's customer satisfaction survey by comparing dealers participating in the survey program versus those not participating. Over a three-year period, dealers participating in the program grew 44% more than dealers that were not participating.

## How customer satisfaction surveys impact customer retention



### Results over 5 years

- Retention: 20% higher
- Growth in # of Customers: 49% higher
- Revenue Growth: 123% higher

### Why it works

- Find out the problems, and fix them
- Find unhappy customers to call before they leave

Zintoro recognizes that nothing is accomplished in the equipment industry without interactions between customers and employees. The three top reasons for losing customers are:

1. Employees not keeping the customer informed results in a customer loss rate of >37% in 12 months
2. Employee turnover results in a customer loss rate of >50% in 12 to 18 months
3. Employee is not helpful and didn't solve the customer's problem results in a customer loss rate of >27% in 12 months.

Tracking and managing these interactions can be done using Artificial Intelligence tools to monitor all customer communications including phone, email, and text.

Most issues are caused by the fact that the most effective systems, training and procedures are not available and often are not being used by the employee.

As we have discovered by monitoring customer engagement, there are five simple rules for the best outcomes:

1. Answer your phones.
2. Find out the customer's problem and contact information.
3. Say yes, then the conversation focuses on when and, rarely, how much.
4. Never make your problems theirs. They already have a problem and have come to you to solve it!
5. Contact the customer before they contact you.

An example of making your problem the customer's is one scenario that frequently occurs in the parts department. If a customer wants to order a part, and the employee says, "I do not have that part in stock. I will need to order it, and we will have it next Monday." The resulting close rate is 14% who actually proceed to order the part.

Instead, if the employee's response is, "Yes, we will have that part for you next Monday." The resulting close rate is 74% who actually proceed to order the part.

Zintoro gives management for equipment dealers the ability to forecast accurately and provides the knowledge to take simple actions that will impact their future results to best meet the needs and expectations of their target markets and their customers.

Zintoro.com has developed a forecasting program that is updated monthly with your results. Just download the last two years of your invoices, plus invoices from the current year to date, and send them to Zintoro to upload into their password protected portal. They will schedule a call to review where the forecast shows you are headed and what steps you can take to improve those numbers. Contact Steve Clegg at [csclegg@zintoro.com](mailto:csclegg@zintoro.com) for additional information. To get started with marketing programs that you can count on to increase sales and deliver an impressive ROI, contact Debbie Frakes at [dfrakes@winsbyinc.com](mailto:dfrakes@winsbyinc.com) for details.

### Learning Without Scars



As a third-generation educator, it is easy to say that teaching and training are in the blood for Ron Slee. From his beginnings as a coach, through his time at McGill University, Ron developed a foundation for the work he does today.

Learning Without Scars provides comprehensive online learning programs for employees starting with an individualized skills assessment. These assessments allow us to then create a personalized employee development program. From their assessed skills, the employee is asked to select from classes designed for their skill level which allow them to address the gaps in their knowledge level. This allows the employees to move through four progressive categories of learning: Basic, Intermediate, Advanced and Expert.

### Class References

[Customer Retention](#)  
[Territory Potential](#)  
[Market Coverage](#)

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### Do You Know The Answer?

**The Wärtsilä RT-flex96C is the most powerful engine in the world with 14 cylinders and generates 107,389 HP.  
What country was it built in?**



Learning Without Scars is a fully accredited provider of continuing education through the International Accreditors of Continuing Education and Training. IACET accreditation sets us apart in our field as we are the first and only education provider to hold outside accreditation. All students will receive CEUs when they take a course through Learning Without Scars.

### Educational Resources

All of the resources listed below can be found on our website : [www.LearningWithoutScars.com](http://www.LearningWithoutScars.com) under the Resources menu.



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We created a list of recommended books that have come across our table and that we thought you would enjoy reading. They are sorted by category and cover a wide range of topics to enhance your knowledge.



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