

WHITE PAPER

Psychologically Speaking: Why Customers are Loyal to Dealerships?

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INTRODUCTION

The Dealer Institute’s (DI) mission is: *To help our customers achieve operational excellence and long-term success*, which drives program development. The DI offers a transformational customer service program that includes three essential components:

1. Give employees the psychological tools to be peak performers.
2. Identify and manage the critical moments-of-truth that can transform the dealership’s customer service level.
3. Thirteen systems to deliver transformational customer service. The DI teaches systems because they are 1) empirical, 2) easily taught, 3) repeatable, and 4) easily held accountable.

We realized an opportunity to improve our customer service programs after reading the article in the *Harvard Business Review* entitled The New Science of Customer Emotions written by Scott Magids, Alan Zorfias, and Daniel Leemon. These researchers identified 10 “emotional motivators that solidify customer loyalty across various industries, however, the agriculture industry was not included. The 10 motivators are listed in Table One.

**Table One
10 Psychological Motivators**

1. Stand out from the crowd.	6. Feel a sense of belonging.
2. Have confidence in the future.	7. Protect the environment.
3. Enjoy a sense of well-being.	8. Be the person I want to be.
4. Feel a sense of freedom.	9. Feel secure.
5. Feel a sense of thrill.	10. Succeed in life.

In 2019, DI launched a research project to more fully understand how these psychological dynamics contribute to dealership loyalty and assist WEDA members to solidify a stronger bond with their customer base.

We wrote this White Paper for two reasons 1) to share what DI is doing to improve its customer offerings to dealers and 2) to discuss its preliminary findings showing dealers the possibility of using customer service to completely differentiate their dealerships from their competitors.

The DI research team includes Larry Cole, Ph.D., DI consultant/trainer, Michael Cole, Ph.D., professor at Neely Management School at Texas Christian University and Michael Piercy, vice president of dealer development for the Western Equipment Dealers Association.

The DI is completing this research to study the following objectives:

1. The degree the 10 motivators in Table 1 are important to the relationship customers have with their dealership.
2. The customer satisfaction levels associated with each of these 10 motivators.
3. The degree the 10 motivators contribute to dealership loyalty.
4. Geographical differences that might exist between Canada and the U.S. markets.
5. Differences based on the original equipment manufacturer.

The DI’s report provides participating dealers an in-depth report that 1) highlights the degree each variable contributes to their dealership loyalty, 2) offers a gap analysis to determine the extent a dealership is satisfying the customer’s psychological needs, and 3) the results attributed to a dealership’s demographics and questions the dealership wanted to add.

RESEARCH METHODOLOGY

Using the Pareto principle as a guide, i.e., 20% of the customer base provides 80% of a dealership’s business each dealership identified the top tier of their customer base. These customers were asked to complete the online survey and to indicate the degree that each motivational issue was important for their working relationship with a dealership on the following five-point scale:

1	2	3	4	5
Not important to forming a high-quality business partnership	Would only be slightly valued by me	Would be moderately valued by me	Would be highly valued by me, but not essential	Critical to forming a high-quality business partnership

Then participants were asked to rate the degree they were satisfied their dealership delivered each of these ten variables using the following five-point scale:

1	2	3	4	5
Strongly disagree	Somewhat disagree	Neither agree nor disagree	Agree	Strongly agree

Each dealership’s management staff was asked to complete the same survey using the identical reference points of importance and satisfaction. These data provided the opportunity to compare the customer vs. management perceptions.

SUMMARY OF FINDINGS

Although the focus of this White Paper is to summarize the results from the customers' perspective, there is one employee finding to share with you. Employees tended to rate the importance of the motivation variables and levels of customer satisfaction higher than the customer base did.

These data suggest employees' armchair theorizing is not an accurate reflection of their customers' perspectives. When you want to know what customers think — ask them.

1. Importance

Table Two presents the rank order for the top three motivators based on the percent of those who rated importance a five, i.e., critical to forming a high-quality business partnership.

Table Two
Importance Rank Orders

Motivator	Canada	United States
Creates solutions seeking a stress-free business relationship.	1	3
Believes it is important that my family and I succeed at living a successful, meaningful life.	2	1
Treats my family and me like we are family.	3	
Offers innovative strategies to help me maximize my farming operations.		2
Respects my independence to select "my" dealership of choice.		3
Recognizes me as a producer of tomorrow using progressive farming practices.		3

It's too early in our data collection to make conclusive comparisons between Canadian and U.S. farmers, however, the customer rankings in Table 2 show that *creating a stress-free business relationship* and showing the *importance of the family succeeding at living a successful, meaningful life* are important for both Canadian and U. S. customers.

Treating customers like family is also important for Canadian participants while, at this point, three motivational variables tied for the third position in the U.S. The rank orders also show that *offering innovative strategies to maximize farming operations* is more important for U.S. farmers than for their Canadian counterparts.

At this point, we do not have sufficient data to make meaningful comparisons between the equipment manufacturers.

2. Satisfaction

Table Three shows a comparison of customer satisfaction with their dealership providing the three most important psychological motivators for Canadian participants. The rank orders are based on the percent of fives (Strongly Agree) for customer satisfaction.

This comparison shows a stark difference for the motivator in the second position.

Table Three
Canada
Rank Order Comparisons
Importance and Satisfied

Motivator	Important	Satisfied
Creates solutions seeking a stress-free business relationship.	1	4
Believes it is important that my family and I succeed at living a successful, meaningful life.	2	7
Treats my family and me like we are family.	3	3

The gap analysis reveals the distinct opportunity for a dealership to support its customers to live a successful and meaningful life.

The motivators that achieved the two highest levels of customer satisfaction in Canada were *offering entertaining/educational events* and *respecting the independence to select my dealer of choice*, respectively. But, in the overall scheme, these two motivators were not particularly important in the farmer-dealer working relationship.

Table Four on page six presents the identical comparisons for the U.S. The current U.S. database offers multiple tied ranks, which increase the complexity to make the direct comparisons presented in the table. An asterisk (*) has been added to show that each of these four are tied with one or more levels of importance and satisfaction.

**Table Four
United States
Rank Order Comparisons
Important and Satisfied**

Motivator	Important	Satisfied
Creates solutions seeking a stress-free business relationship.	3*	2*
Believes it is important that my family and I succeed at living a successful, meaningful life.	1	1
Offers innovative strategies to help me maximize my farming operations.	2	3*
Respects my independence to select “my” dealership of choice.	3*	2*
Recognizes me as a producer of tomorrow using progressive farming practices.	3*	3*

3. Dealership vs. Brand Loyalty

The truth of the matter is the level of customer service is a major differentiator between competitors. It is possible for a dealership to sell lower quality products, but still have a highly loyal customer base by providing excellent customer service.

Conversely, it stretches the imagination to believe a dealership would have loyal customers with the *baby treating a diaper* customer service attitude even though the offered product is excellent.

Both the dealership and the OEM should focus on what can be done to improve dealership loyalty. Our research is not the only source reporting the importance of company loyalty over brand loyalty. At this point in time, though, 80% of Canadian farmers participating in DI’s research report that dealership loyalty is more important than brand loyalty compared to the 64% of U.S. farmers.

Table Five on page seven presents the motivators deemed extremely important by the Canadian customers. The column labeled “Important” is the rank order for all the participating customers.

The column labeled “Loyalty” presents the rank orders by customers who selected dealership loyalty as being more important than brand loyalty.

Table Five
Canada
Importance and Dealership Loyalty

Motivator	Important	Loyalty
Creates solutions seeking a stress-free business relationship.	1	1
Believes it is important that my family and I succeed at living a successful, meaningful life.	2	2
Treats my family and me like we are family.	3	3

The Canadian database is showing the results mirror pointing out the importance of these three motivational variables contributing to dealership loyalty. The current sample size for the U.S. prevented the DI team from making a meaningful comparison for the U.S. market.

4. Net Promoter Score

The Net Promoter Score (NPS) is a popular statistic to quantify the degree a customer would recommend a dealership to their family and friends. The NPS reported in this research project is averaging 18%, which is considerably lower than what we were told OEMs reported to the participating dealerships. We are hypothesizing that the different methodologies as to when the NPS was calculated contribute to these differences. The DI research was completed during the off-season and was independent of equipment purchases or warranty work.

Examining the relationship between the 10 motivational variables and the NPS produced a perplexing result in the Canadian market. *Protecting the environment* has been rated relatively low in terms of importance, yet it is the only variable that statistically and significantly correlated with the NPS ($p < .05$). The following two trended toward statically significant ($p < .087$).

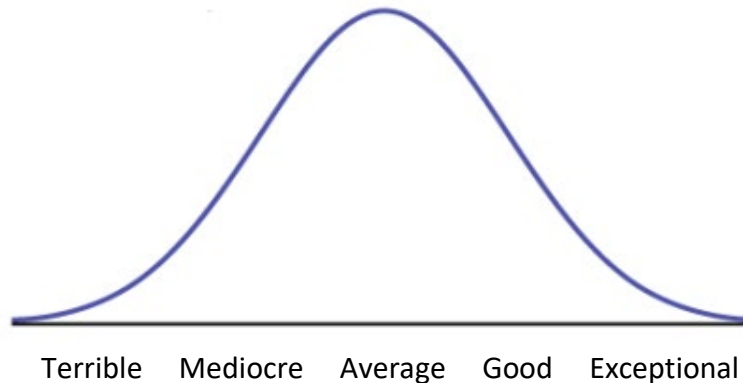
- Develops strategies that give me confidence in preparing for the future of my farming operations.
- Creates solutions seeking a stress-free business relationship.

One variable trend to a negative correlation — *respecting my independence to select my dealership of choice* ($p < -.13$). It is not statistically significant, but in other words, the less likely the dealership recognizes a customer's independence the more likely the customer will recommend the dealership to their family and friends. These data suggest Canadian customers prefer their dealership not encourage their independence to select their dealership. The question raised is, *do these customers want to be treated as if they are the dealership's customer of choice?*

Again, the sample size with the U.S. market prevents making a meaningful comparison between the two countries.

RESEARCH IMPLICATIONS

The fact is not all dealerships will put forth the necessary effort to ensure their customers experience transformational or exceptional customer service. Examine the following normal curve and circle the category at which you place your dealership in providing transformational customer service.



Remember, the participating dealership employees tended to rate both the importance and the delivery of the psychological motivators higher than their customers. This result brings to mind the principle taught in DI classes — the perception your customers have of you is more important than your self-perception.

Dealerships putting forth the extra effort to use customer service as the differentiator between them and their competitors will want to answer the questions posed by this research project. A few examples of “putting forth the extra effort” are, “What can a dealership do to:”

1. Create an even more stress-free business relationship with your customers?
2. Show customers a sincere effort for their families to live a successful, meaningful life?
3. Offer innovative strategies to help customers maximize their farming operations?

The DI is likewise interested in answering such questions. Yes, the DI has the professional resources to provide armchair theorized answers to such questions that could be integrated into our customer service classes. But as previously stated, the best way is to ask the customer.

RESEARCH LIMITATIONS

The overriding limitation is the relatively small sample size compared to the number of dealerships that reside in Canada and the U.S. As stated in the Introductory Section, the DI’s intent is to examine the possibility of opening another avenue for dealerships to strengthen their customer service advantage. To achieve this objective, the DI is recruiting dealerships to participate in this research.

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The other limitation is learning the customer's perspective of what a dealership can do to meet/exceed the psychological motivators identified to be critical to forming a high-quality business partnership. The DI plans to work with participating dealerships and customers to answer these questions.

NEXT STEPS

The Dealer Institute is committed to its mission: *To help our customers achieve operational excellence and long-term success.* This research project can truly be transformational for dealerships committed to make customer service the differentiator in their marketplace.

The current database suggests that some combination of the following motivational variables is important to solidify dealership loyalty from customers:

1. Creating solutions seeking a stress-free business relationship.
2. Believing it is important that my family and I succeed at living a successful, meaningful life.
3. Offering innovative strategies to help me maximize my farming operations.
4. Respecting my independence to select my dealership of choice.
5. Recognizing me as a producer of tomorrow using progressive farming practices.
6. Treating me and my family like we are family.

Before we're statistically confident in the conclusions and at the risk of being redundant, there is a tremendous need for additional dealerships in both the U.S. and Canadian markets representing different OEMs to participate in this research project. Once the most important and critical motivators are identified, the next step is to define the services dealerships offer to meet or exceed their defined important psychological motivators.

Of course, a dealership could begin using the data presented in this White Paper in focus groups with their customers to help define these services. We respectfully request any dealership that does so, to let the DI know to help us ensure a statistically robust methodology and learn more about farmer-defined services. It is possible that both geographic- and OEM-based differences may emerge and knowing this information can be beneficial for the agricultural community.

In closing, research team members are grateful to the dealerships that have participated in this effort and look forward to working with additional dealerships with this crucial project.

THE RESEARCH TEAM

Larry Cole has a Ph.D. in psychology and successfully integrates the psychology of human behavior with courses he offers through the Dealer Institute. Larry has worked in the agriculture industry for over 20 years and 15 + years with equipment dealerships. He has developed and delivers a range of courses in leadership and organizational development, the psychology of selling and transformational customer service.

As an author, he has published 10 books and numerous articles in professional and trade publications. As a researcher, he is currently working with the Dealer Institute regarding the motivational basis of company loyalty and employee engagement. Please contact Larry Cole with your questions and to learn more about this research project at teammax100@gmail.com.

Michael Cole has a Ph.D. in organizational diagnosis and change and is a professor in the Neeley School of Business at Texas Christian University in Ft. Worth, Texas. His research interests include multilevel theory and research methods as they relate to behavior in organizations. He has published his research in a variety of top tier professional journals and serves as a Senior Associate Editor for The Leadership Quarterly.

Michael Piercy is vice president of dealer development for the Western Equipment Dealers Association and has nearly 20 years' experience in organizational, leadership training and development and succession planning. He's worked exclusively with the agricultural and construction equipment industry for the last 10 years, designing and developing strategic initiatives and helping dealers develop their employees and grow their businesses. His current role, leading WEDA's Dealer Institute, allows him to guide dealer organizations through training and consultative initiatives, including mergers, acquisitions, and succession planning.

About Dealer Institute

The Dealer Institute is an all-inclusive integrated approach to training, development, and consulting designed to help our customers achieve operational excellence and long-term success. Our goal is to be your trusted advisor and first choice for business strategy, leadership, and employee development in the equipment industry. We are your one-stop shop with a wide



array of training and development courses ranging from our Online Campus, to One-Day Event Style Courses, and next level Module-based Courses specifically designed to meet your unique business challenges and needs. Our consulting approach will help you identify “root causes” and provide high impact solutions to help move your organization forward on a pathway to success. We are committed to helping you develop your people to grow your business. Contact the Dealer Institute if you are interested in onsite training or consulting.

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