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If I'm Satisfied, I Let Everybody Know It

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The COO of Atlas Excavating insists that his dealers provide personal service and sales reps who know their stuff.

As the 2008-2009 president of the National Utility Contractors Association (NUCA), a group that has frequently partnered with AED on legislative issues, Terry Dillon is keeping a close eye and a fervent hope on the infrastructure stimulus package now being considered by the Federal government.

Dillon, chief operations officer of Atlas Excavating Inc., East Lafayette, Ind., says the economic booster shot he's been hoping for would allow him to spend "millions" with equipment dealers and manufacturers in coming months. Prior to its passage in February, Dillon feared its delay would mean bracing for survival mode.

With a \$10 million fleet of between 80 and 100 heavy equipment units – not counting another 450 support vehicles – Atlas is a highly visible construction company primarily focused on complex "deep sewer" and water applications as well as other underground utility projects.

Four major equipment manufacturers and the dealers who represent them now work with Atlas. They include John Deere, Caterpillar, Hitachi and Case.

"I don't just buy equipment from them," Dillon said. "When I put a piece of equipment in my fleet and I am satisfied with it, I let everybody know it. Contractors talk about iron all the time," he remarked, "so when I go to association meetings or any gathering where there are contractors, I make sure that the equipment I have gets discussed on a positive note."

By the same token, he says, "If someone is selling junk, I won't just tell that to contractors, but to the manufacturer and dealer as well. People have to work both ways – there's no way a manufacturer or dealer wants to sell a bad product. If they are aware of an issue, they will fix it. If they don't know about it, they can't do anything. We have an obligation to be honest."

Ability to Influence

Atlas is a big enough company and is visible enough to influence the buying decision of others, Dillon said. "Everybody around here knows what we buy," he said. "For instance, I was the first contractor in Indiana to buy a Hitachi excavator. When I started buying Hitachi, everybody else started buying them." He added, "I think that visibility is important for dealers to know. When I buy something, others pay attention to see if I'm going to buy another one."

dealer relationship, in addition to the purchase of equipment. In fact, Dillon said, he believes the dealer's profitability comes from parts, "although I expect a good deal on the iron, too. We try to buy the same piece of equipment so the dealer doesn't have a reason not to have parts available," he noted. "We work with them and try not to make things difficult. At the same time, I expect them to take care of us."

And currently, he said, he is "very pleased" with his dealer relationships. That hasn't always been the case. Seven or eight years ago, he said, dealers were "a little bit confused" with the Internet. It seemed as if the personal touch was no longer important to them, he said.

"They all went through a little spell of not knowing what to do with their sales force," he recalled. "I stayed in close touch with the owners of the dealerships we work with and explained that we had to have a personal touch with the people we buy iron from," he said. "With that amount of money involved, I want to feel that the dealer and manufacturer will take care of me if I have a problem."

Losing the Way

During that time period (2003- 2005) when Dillon thought equipment "manufacturers were completely lost," dealers and OEMs told him that all the information he needed to know could be found on their Web sites. "They thought all we wanted from them was a price. That's not a fact," he said.

Many times, that kind of attitude could be seen in the dealer's sales force.

"They were just salesmen," Dillon noted. "They didn't know anything. If you sat down and talked to one of them, the only thing they could possibly do was pull out a brochure and start trying to read it while you were sitting there in front of them. That aggravates me to no end. A man ought to know what he's selling."

With Dillon's determination not to let technology-driven order-takers replace personal relationships, his dealers paid attention to what he had to say. "They really listened," he said. "They restructured their sales forces and now the salesmen know their iron and are doing a better job."

In fact, Dillon said the dealers have "moved us up the ladder" and today Atlas has the ear of not only the dealership but the equipment manufacturer as well. For instance, Atlas now has a relationship with John Deere's corporate office as well as its dealership, said Dillon. "We treasure that relationship because there is a lot of information we feed them about their iron, things that need to be changed, but more importantly, things that don't need to be changed," he said.

According to Dillon, one of the most irritating things in this industry is "the computerization of a lot of equipment, especially excavators. They now have whistles and bells on them and it's just uncalled for. You don't need all that stuff, so we spent a lot of time communicating with OEMs on what we really need," he said.

The partnership that now exists between Atlas and its dealerships and manufacturers has proven itself on many occasions, especially in the resolution of unexpected problems.

Dillon gave this example: "Last year we bought a couple of brand new John Deere 850s. One day the hydraulic cylinder on one of them went out. It was a freak incident because that doesn't happen very often. We contacted the dealer and, of course, these kinds of parts aren't just sitting around on a shelf somewhere. The dealer made every effort to get a replacement for us, but it looked like we would be down for a couple of weeks."

While the dealer was "seriously hunting and trying to get through to the right people at John Deere,"

going on at the time. Because Atlas had developed a good business relationship with the OEM as well as its dealer, the John Deere executive got involved and within four or five hours, Dillon said, had the cylinder shipped.

"We had it the next day," Dillon recalled. "The dealer worked Saturday and Sunday to get the replacement installed. It was a well orchestrated team effort," he said.

Like any other relationship, however, sometimes there are bumps in the road and issues do arise. In Dillon's case, four major manufacturers "fight extremely hard" to sell him products, but eventually he has to make a decision and buy the equipment. "At some point they can become disgruntled with me," Dillon remarked. "I think that is probably the single most difficult problem that you have. When the relationship is so good that you begin to like certain equipment, prices can become very competitive. That's when the dealer has to give me an incentive to buy from him," Dillon said.

On the surface, that would appear to be an easy solution to a stalemate – just provide something the competition doesn't offer. But often, Dillon said, it doesn't turn out that way.

Years ago, he said, a major manufacturer, who had not sold a certain type of equipment to Atlas for 27 years, had a golden opportunity to get back into the loop. Dillon was in the market for an excavator and all the competing companies were "dollar for dollar" on price. To give the manufacturer an opportunity to land the sale, Dillon asked him to throw in a 3-foot bucket with the deal.

"They wouldn't do it," he recalled. "It was just a test. It wasn't because I wanted the bucket. I can buy that, but the dealer said they just couldn't swing it. So we bought the equipment from another company. They really blew it," Dillon said. "Today, in the grand scheme of things, we don't do a lot of business with that manufacturer's dealer. That refusal speaks volumes about them."

Making Contact Matters

Granted, Atlas Excavating is a large operation with influence in its marketing area, and that gives it negotiating advantages that smaller companies might not have. However, speaking from his perspective, Dillon gave this advice to dealers and manufacturers who want to successfully work with large contractor firms like his:

"I realize dealers can't go see everyone, but it is essential that they maintain a personal touch with the contractor. Salesmen have to be good and they need to have a great personality. Also, the owner of the dealership needs to drop by from time to time and take the owner of the construction company to lunch or dinner."

Dealership owners should also make a practice of attending meetings of the associations that are important to the contractor, Dillon believes. "And the dealer should make contact with the contractor just to let him know he's there," Dillon said. "That shows that the dealer has an interest in and is an active part of the industry served by the contractor."

In the nearly 30 years that Terry Dillon has been in the business, there is one thing he has not done. He won't put his dealers in a position of scrambling around for unusual parts or equipment he doesn't ordinarily use on a job.

"We are structured as a company to do a certain thing. We are mostly a sewer and water contractor concentrating on deep sewers, which are very difficult. We are very good at that, and we have everything it takes to do the job — steel plates, trench boxes, stone boxes, backhoes, loaders, dozers

Although Dillon doesn't have any deep sewer projects underway in his marketing area of Indiana, Ohio and Illinois for 2009, he does have six or seven difficult jobs going on of about \$5 million each, he said. With jobs difficult to get and margins extremely tight, Dillon's 2008 volume was down about 25 percent, he said. Oddly enough, there was enough work to bid and his market would have been decent under normal circumstances.

But with the demise of residential construction, competition has expanded, with projects drawing competing contractors into Indiana from Ohio, Minnesota and Michigan.

"We went from about five bidders on a project to 18 and then to 25 bidders. Most of them are not from this state. If they weren't here," Dillon said, "the market would be very good."

Just how good that market will be in the near future, he said, depends on distribution of the newly passed infrastructure stimulus package.

"If you start with Indianapolis in the middle, and drew a 200-mile radius around it, you're looking at an area that has been federally mandated to spend well over \$20 million in infrastructure improvements. [With approval of] the stimulus package, the market should be phenomenal by June."

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