

Yale Lift Trucks: Brand building in the business to business market

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ABSTRACT

This case addresses the question, “What’s in a name in the business-to-business marketplace?” It explores the opportunities and challenges confronting a material handling equipment distributor in the business-to-business market. Under the watchful eye of its founder, Sandy MacKinnon, Yale Lift Trucks prospered, expanded and acquired additional product lines over a 30-year period. As a result, Yale Lift Trucks outgrew its original brand name. As of 2012, the company’s goal was to earn \$100 million in annual revenue. Despite the widespread 2008 economic downturn, Yale Lift Trucks remained profitable by providing superior customer service in an industry in which the core product is considered a commodity. Through a strong, service-first company culture, MacKinnon developed a loyal following and focused the company’s efforts on product line expansion to gain market share. Customer service is often the only differentiator in this industry, and Yale Lift Trucks successfully made customer service its sustainable competitive advantage. But this expansion strategy came at a cost: Yale Lift Trucks faced a fragmented brand strategy that put the company at risk for successfully managing the entire brand experience when competing with companies like Toyota, Caterpillar and Komatsu. Without sacrificing 30 years of building brand equity and maintaining satisfied customers, Yale Lift Trucks faces the complex challenge of a rebranding effort that will better represent its expanded product line.

Keywords: business to business marketing, brand equity, brand awareness, competitive advantage, positioning

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INTRODUCTION

Sandy MacKinnon, founder and CEO of Yale Lift Trucks, sat back to enjoy a martini with his beloved wife, Dottie. In early 2012, the MacKinnons were guests of honor in an affluent South Tampa home, at a posh charity event to benefit the organization that MacKinnon's wife founded only four years previously. The event put MacKinnon in a reflective mood. He believed that the Tampa Bay community connected the charity brand with his wife, making the charity a household name. On the other hand, MacKinnon knew that his company, which he had worked for 30 years to build, lacked brand recognition among his friends, colleagues and the community. He pondered whether potential customers were equally unaware of his brand. In fact, he was certain his company, Yale Lift Trucks, had failed to fully leverage its reputation and value in the marketplace. Although he was very proud of Dottie's legacy that night, MacKinnon was less certain of the legacy he would leave, and this realization troubled him.

The Company

MacKinnon's company, Yale Lift Trucks of Florida and Georgia, distributes material handling equipment, including new and used forklifts, pallet jacks, and personnel carriers. The company does not manufacture any products. The dealership also sells ancillary warehouse products including racking and shelving. In addition, Yale Lift Trucks offers product support such as parts, service, and rental on all products it sells.

For 30 years, Yale Lift Trucks has attempted to capitalize on the brand of a forklift manufacturer, Yale, to grow its position in the marketplace. When MacKinnon acknowledged that the company would need to expand its product offering in order to grow the business, he realized that the company name became an anchor that limited expansion. Ultimately, MacKinnon knew he must change the company name after 30 years of doing business as Yale Lift Trucks. While the name change would allow the company to expand its product offering, MacKinnon wondered how he could leverage the company's long-standing reputation to further carry the company's growth and expansion. How could the name change make the brand more robust? Had the company developed a brand basis strong enough to maximize the brand's evolution and growth?

BACKGROUND

MacKinnon's Background

Alexander D. MacKinnon, born of Scottish immigrants who settled in a tiny river island town on the outskirts of Detroit, MI, was called "Sandy", the traditional Scottish nickname for Alexander. The family's economic means were modest and, as a young man, MacKinnon held odd jobs to earn money. Whether it was a paper route, yard work, or shoveling snow, the young MacKinnon was not afraid of hard work, but academics were not his strength. MacKinnon believed he didn't need a college education, and instead, decided to go straight to work after graduating from high school. In a few short years, MacKinnon realized he did need a college education to advance in the business world. He enrolled in junior college and later finished his four-year degree at Hillsdale College.

Upon graduating from college at 24 years old, MacKinnon began working for a manufacturer, Yale Material Handling (then named Eaton Corporation). The ambitious, young man worked his way up through the company from a sales trainee in 1964 to National Sales Manager by 1980. He developed a passion and a skill set for turning around failing forklift dealerships, frequently moving his family around the country to get the job done. From Michigan to Maryland, and Pennsylvania to Miami, MacKinnon and his family eventually grew weary of uprooting their lives. After 16 years with Yale, MacKinnon decided he was ready to give his wife and three children a stable home life and set down roots in a community with which they could become connected.

MacKinnon and his late wife, Ardie, agreed that equipment dealers had it made. The MacKinnons had witnessed the success of a hardworking entrepreneur who turned a \$25,000 investment into a \$200 million business. With this thought in mind, MacKinnon approached his Yale superiors, offering a proposition that he thought would benefit all parties. MacKinnon proposed to continue to fulfill his responsibility of turning struggling dealerships into thriving businesses, but he didn't want to walk away after turning it around. He asked to take over the worst performing factory dealership within the organization, Yale Gulf Atlantic in Tampa. The Tampa dealership had been through two owners, both of whom had filed bankruptcy. The Yale executives were happy to keep MacKinnon in the Yale family rather than lose him to a competitor, but they were skeptical that MacKinnon, or anyone, could turn around the Tampa dealership. Yale agreed to MacKinnon's proposal but required him to secure a \$99,000 loan with the manufacturer to pay for the transfer of ownership. MacKinnon leveraged his entire life savings to finance this transaction.

Company Background

In 1981, the MacKinnon family moved to Tampa to start their new lives and rebuild the Yale dealership. "This place had a face only a mother could love," said MacKinnon. "Our customers hated us, no banks would loan us money, and most of our staff was unhappy." To make matters worse, the dealership faced the early 1980s recession when interest rates rose to 18 percent and the unemployment rate was in the double digits. Still, MacKinnon knew he could turn the dealership around, as he had done for so many other dealers. "Every day I walked through the door with a smile on my face even on days when I didn't want to get out of bed," MacKinnon recalls.

MacKinnon began to make changes in his team and the operations as soon as he arrived in Tampa. He and his team set about rebuilding the dealership by focusing attention on small, "mom and pop" customers who owned one or two forklifts. MacKinnon knew he could not erase the previous dealer's mistakes, but he could ask customers to give him a chance, and assure them that he would not disappoint them. The company motto became, "Do it right the first time." Over time, the dealership began winning back business that was thought to be lost forever.

MacKinnon focused on rebuilding the Yale brand through local marketing efforts. Ardie, MacKinnon's wife at the time, assumed the role of Chief Marketing Officer for the company. She managed the mailing database, placed yellow pages ads, and created direct mail pieces to spread the word about the new and improved dealership. Even the MacKinnons' three children got involved in the marketing efforts as they would help to fold, stuff, and sort mailings in the family's living room.

MacKinnon's experience and hard work paid off from the very beginning. The company began to turn a profit the first month of operation. "I don't tolerate red ink," stated MacKinnon. His philosophy was that a company could only change three things to be successful: cut expenses, increase profit margin, or sell more. This simple perspective had guided MacKinnon in successfully turning around failing dealerships in the past. And, MacKinnon believed this same perspective would carry his success forward and allow him to acquire three additional Yale dealerships in Orlando and Jacksonville, FL, and in Tifton, GA. In fact to this day, Yale Lift Trucks president, John Christiansen, often jokes, "We're an accounting firm that decided to get into the lift truck business." The company became expert at examining the balance sheet.

MacKinnon also believes in the philosophy of "Work hard. Play hard." The company rewards the Yale Lift Trucks family with celebrations to honor their hard work and loyalty. From holiday parties to annual meetings to fishing tournaments, there is never a dull moment at the dealership. In addition to celebrations, incentives and bonuses also reward hard working individuals. "It's about people, people, people," MacKinnon comments, working hard to instill a family atmosphere and camaraderie to build the company culture and grow a pool of talented team members.

Sales Growth

By 2006, MacKinnon and his team had increased the company's annual revenue to nearly \$50 million by increasing the company's market size with the three additional dealerships and the new product lines added to the mix (Figure 1, Appendix). In an industry crowded with tough competitors such as Toyota, Clark, Raymond, and Crown, Yale Lift Trucks grew to control a 25 percent market share and continues to be consistently recognized as a "Dealer of Excellence" by Yale Material Handling.

Between the years of 2000 and 2010, the company shifted its focus from "mom-and-pop" customers to large corporate accounts in the food, beverage and warehouse markets to gain market share in the industrial truck segment. This decision was encouraged by Yale (the manufacturer), and an industry consultant from which the dealership took counsel. Acting upon the advice of both Yale and the consultants, the Yale Lift Truck sales team set its sights on big regional grocery chains - Publix Supermarkets and Winn-Dixie Supermarkets. Building relationships with such companies takes years, but Yale Lift Truck's tenacity paid off. The company's 100+ forklift orders each year helped to grow the dealer's market share. In the following years, Yale Lift Trucks added additional large companies to the customer roster: Walt Disney World, Saddle Creek Corporation, Lowe's, SeaWorld, Interline Brands, and Closet Maid.

As a result of the 2008 housing recession that swept the country, the material handling equipment and construction equipment industries took a devastating hit (Figure 2, Appendix). The dealership's market size for forklifts dropped from 2000 units down to 800. Despite this downturn, Yale Lift Trucks managed expenses and headcount to continue to earn a profit. By 2011, the large corporate accounts that Yale Lift Trucks had once relied heavily upon became less attractive. The strong buying power of customers like Saddle Creek and Publix allowed them to whittle down the dealership's profit margins to zero. In addition, these accounts required special handling and were difficult to deal with. Most large accounts manage their own equipment maintenance, which turns out to be the most profitable service for equipment dealers like Yale Lift Trucks. Market share appeared to be the only reason to continue to deal with such large-scale customers because profits were small on 100+ truck sales orders.

MacKinnon believed that it was the “mom and pop” accounts that helped to build the dealership’s reputation and profitability from the very start. He advised the sales and management team that it was time to revisit the once neglected “mom and pops”. “I’d rather have a thousand one-truck accounts, than one 1000 truck account,” said MacKinnon. “If you lose one mom-and-pop, you still have 999 more! If you lose the big account, you’re devastated.”

The dealership enjoyed steady growth and MacKinnon was pleased, but never satisfied. His vision was to grow the dealership to \$100 million in annual revenue. The company had reached the \$50 million revenue mark just a few short years before, but this was only halfway to MacKinnon’s new goal. He knew that growing market share much beyond 20-25 percent in this highly competitive industry would be impossible. MacKinnon concluded that Yale Lift Trucks could profitably reach the \$100 million annual revenue goal in one of two ways: 1) further expand the area of sales responsibility with Yale, the manufacturer, or 2) add another product line to the mix.

In 2009, construction equipment manufacturer JCB began courting MacKinnon’s dealership because of Yale Lift Trucks’ strong reputation in the Florida market. JCB had a weak dealer body in Florida and desperately needed to improve its image to increase market share from a meager one percent to ten percent. MacKinnon and his team were skeptical of the opportunity due to JCB’s tarnished reputation and the downturn in the construction equipment market, but they took the opportunity to further investigate the deal. The Yale Lift Trucks team was wowed by the JCB facility, and the manufacturer’s impressive team and history. While the investment would be risky, MacKinnon envisioned the potential to grow the JCB brand in the Florida market and, in turn, grow his company’s sales revenues to the \$100 million goal.

In March 2010, Yale Lift Trucks of Florida and Georgia expanded its offering to include the JCB construction equipment line of skid steers, backhoes, wheel loaders, mini-excavators, excavators, rough terrain forklifts, teletrucks, and telehandlers. This new division was named JCB of Florida and South Georgia. Once again, the dealership took on the manufacturer’s name to help to build recognition in the market.

The company operated in the same locations but hired additional salespeople to represent the new products. Despite its weak image, JCB proved to be a smart partnership for the Yale dealership. Within the first nine months of operation, JCB’s market share in Florida grew to 3.5 percent. JCB headquarters was pleased with its new partner and encouraged to see this rapid growth.

The Culture

Until 2005, the Yale Lift Trucks had no formal hiring processes. MacKinnon hired a corporate consultant to help the company create a mission statement, develop a set of core values, and build processes and procedures to evaluate the company’s personnel. MacKinnon was determined to maintain the “family” culture for generations to come.

After months of interviewing customers and employees, the consultants helped the team to develop an assessment process for new hires, an evaluation process for employees, and an official vision statement:

Talented People, Delivering Innovative Solutions, Providing Exceptional Customer Experiences Every Time.

Based on feedback from MacKinnon and his team, the consultants also developed a mission statement and core values:

We provide sales, service, parts, and rental of forklifts and quality material handling equipment. We take exceptional care of our customers and recognize we must earn the right to do business with them each and every day.

We ...

Exist to serve our customers completely and with a sense of urgency.

Do it right the first time.

Collaborate and cooperate to help each other get the job done.

Communicate with courtesy, respect, and urgency.

Attract, develop, recognize and value our team members.

Keep home, work and community in perspective, recognizing that one helps the other.

Are professional in all that we do.

Over several years, Yale Lift Trucks incorporated online customer service training with the goal of polishing the team members' phone and customer interaction skills. However, no other formal processes or training programs were developed to initiate new employees into the culture. The company continues to conduct annual satisfaction surveys with customers and employees, with generally positive feedback; more than 90 percent of customers and employees report that they are satisfied with the company.

The Team

When MacKinnon acquired the dealership in Jacksonville in the late 1980s, John Christiansen joined the company. Christiansen ran the Jacksonville service department before gaining oversight of the entire location, and MacKinnon knew Christiansen would contribute to the team with his vast knowledge of service and operations. In addition, Christiansen ran his operations under tight budget controls. Under MacKinnon's guidance, Christiansen continues to keep a close watch on the overall company to ensure that expenses and revenue are within benchmark status.

MacKinnon became increasingly more active in the Tampa Bay area community, serving on the board of the Bank of Tampa, the President of the Greater Tampa Chamber of Commerce, Chairman of the Board of the Florida State Fair Authority, President of the Sports Authority, and many more important roles. MacKinnon fell in love with Tampa and did everything he could to bring more business to the city, including generous donations to the Tampa Riverwalk Project and Tampa Performing Arts Center. MacKinnon also rallied the Sports Authority to bring the Buccaneers football team to the Tampa Bay area, which turned into Super Bowl Championships. As he became more active in the community, MacKinnon trusted Christiansen to fill the role of President at Yale Lift Trucks, but MacKinnon remained an active, hands-on CEO.

Sandy MacKinnon's son, Vice President Alex MacKinnon, has worked with the company off and on since he was a teenager. He began sweeping floors during summer breaks from high school. In his 20+ years with the company, Alex has worked as a salesperson, a General Manager, and now Vice President and General Manager of the Tampa location. In the 1990s,

Alex left the company for several years to work as a top-performing salesperson at another Yale forklift dealership in Atlanta. He rejoined the company in 2000 to manage the Tampa dealership and later moved to Orlando. Following in his father's footsteps, Alex successfully turned around the Orlando dealership from a failing business to a thriving one. Because of Alex's past successes, John Christiansen asked him to re-join the Tampa dealership in 2010, with the main goal of boosting the company's struggling sales, parts, and service efforts. Within a few short months after Alex took over the role of Tampa General Manager, the dealership began to see improvements in parts and service revenues.

Lisa Rauchmiller came on board in the 1990s as a temporary employee in the accounting department. Lisa worked her way up to Vice President and Controller with an ownership interest in the company. She now has a staff of four team members who report directly to her and manage the payables and receivables for the dealership. Vice President of Human Resources, Carol Talone, also started as a temp in the accounting department and worked as the Executive Assistant to Sandy MacKinnon for several years before moving on to Human Resources. She also manages the company's benefits and payroll responsibilities. In 2010, the company hired its first full-time marketing manager to help freshen the Yale Lift Trucks image and promote the new construction equipment division. Stacey Hansen brought ten years of construction equipment marketing and branding experience.

All executives and a four-person accounting team hold offices in the Tampa company headquarters. The company has a team of ten account managers that work as direct sales consultants by offering solutions and advice to customers about material handling or construction equipment needs. Sales personnel visit prospects and customers at the customer's business location to identify these opportunities and needs directly. Each location employs personnel that act as customer service representatives and offer advice regarding the correct parts and services needed for customers' equipment. Service technicians who repair and maintain customer equipment both on the customer's site and in the Yale Lift Trucks' shops comprise one-half of the company's staff.

Facilities

Yale Lift Trucks maintains four physical locations in Tampa, Orlando, and Jacksonville, FL and Tifton, GA (Figure 3, Appendix). The locations receive little customer traffic. Ten to 20 customers visit each store each day to purchase and pick up parts or to look at new and used equipment. Each building has a different layout and color scheme. The layout is comparable to an office building with parts and service counters, a service shop area, and warehouse storage.

Because the dealership began as a materials handling equipment dealer, the building layout is not like other construction equipment dealers. Typically, construction equipment dealers have a showroom to display parts items and attachments in the center of the building and offices on the perimeter with a service area in the rear of the facility. In addition, the typical dealer has an outside demo area with a gravel yard where large tracked equipment can be operated without destroying pavement. MacKinnon's company does not currently have an area in any of its locations where the equipment can be operated without damaging the grounds. Company pictures are included in the appendix.

The Financial Strength

MacKinnon has always run a fiscally conservative operation and has received excellent guidance from his team of accountants, attorneys, and other advisors. MacKinnon owns all of the buildings and vehicles and then leases them to the company. While many equipment dealerships are heavily leveraged to finance the equipment they sell, Yale Lift Trucks is entirely debt-free with a multi-million dollar line of credit with a local bank. All equipment is paid for when invoiced and most vendors are paid within 30 days.

The Market

The industrial equipment division of the business, Yale Lift Trucks of Florida and Georgia, focuses on buyers ranging from small to large-sized businesses, such as: third party logistics providers (3PL); product distribution centers; and agricultural companies including farms, meat packaging plants, and poultry processing plants. The construction equipment division of the business, JCB of Florida and South Georgia, also focuses on small to medium-sized business buyers, including: landscape contractors, mulch suppliers, sod producers and suppliers, residential and commercial contractors, utility contractors, electrical contractors, road building contractors, farms, dairies, and government entities such as public works departments.

More than 25 manufacturers compete in the forklift industry. When MacKinnon first came to Tampa, the local Clark forklift dealer was the strongest competitor. Over the years, Clark began to lose its foothold in the market. Today, Yale Lift Trucks faces stiff competition from local Toyota dealers. Toyota built a strong brand reputation in the U.S. because of its auto division. Buyers equate the reliability of a Toyota forklift with that of a Toyota Camry. Because of Toyota's strong brand equity, Toyota dealers in the Florida and Georgia markets achieve a market share of 30 percent. One out of three forklifts purchased is a Toyota, leaving only 70 percent of the market for the other 20+ forklift manufacturers to battle over. Clark, Crown, Raymond, and Komatsu are other competitive forklift manufacturers that fight for market share in this highly competitive industry. The Yale brand is not well-recognized in the North American market, and much confusion exists about what the name, Yale, represents. Is Yale a university? A lock company? These questions frequently irritated MacKinnon when he called on customers.

Each manufacturer earns a different share of market in each market segment across the world. Forklifts are commodities that differ only slightly in price and product features. The service that each dealer provides to its customers is the benefit that makes one forklift more desirable over another in the customers' eyes.

The construction equipment market is also highly competitive. Caterpillar earns a hefty 25 percent market share in most of the United States, including the markets in which JCB of Florida and South Georgia competes. Caterpillar has built a strong brand as an American icon for hard-working men and women. John Deere, Komatsu, and Volvo are also very strong competitors, each with double-digit market share. In contrast, JCB has earned an insignificant share of the market over the past ten years and many industry experts have questioned the manufacturer's commitment to the North American market. Despite JCB's poor market share (less than 2 percent) in the U.S., its worldwide share makes the company the third largest construction equipment manufacturer in the world, just behind Caterpillar and Komatsu, respectively. In 2010, JCB confirmed its commitment to the U.S. market by moving the Deputy

Chairman and CEO, John Patterson, to the Savannah, GA plant. JCB is determined to achieve 10 percent market share within five years. This accomplishment will earn the company the spot as the #1 construction equipment manufacturer in the world.

Marketing Efforts

Until 2010, MacKinnon's company had no formal marketing plan in place. With the hiring of an experienced marketing manager, the company implemented an annual marketing plan that defined its target markets and competitors, and developed a budget for marketing efforts to help the company achieve its objectives.

MacKinnon often comments on how difficult the task is to explain his business to his banker friends. He tells friends and colleagues that he's in the "material handling business" or the "lift truck business" and some assume his business is in the trucking and transportation industry. Alex MacKinnon found it simple to explain, "We sell, rent, and repair forklifts." To simplify the task of explaining the business for the team members, the company began printing a new tagline on all of its business cards and collateral materials in 2010. "*Selling, Servicing, and Renting Equipment Since 1980.*" The team thought this explanation would help customers feel comfortable dealing with a company that had been successful in business for 30 years since many competitive forklift dealers were filing bankruptcy or closing their doors in the economic downturn.

As of 2011, Yale Lift Truck's marketing and promotion plan consists of targeted campaigns that reach the specific markets. The bulk of the marketing budget is devoted to the company's website, which is hosted by an outside service that provides a back-end administrative tool where content and images may be updated by the company's marketing manager. In addition to pay-per-click advertising, the company also utilizes web advertising including banner ads in online trade magazine websites, print ads in trade magazines, direct mail to targeted markets, email marketing, on-hold messaging, yellow pages advertising in small markets, and company collateral materials including brochures, flyers, stationary, decals, key chains, and company logo apparel.

Company events such as open houses are known to be poorly attended in the equipment industry, so Yale Lift Trucks holds very few customer events. In 2009, the company began to use *Salesforce.com*, a customer relationship management (CRM) tool, to manage the company's customer database. *Salesforce.com* measures awareness of sales activity and campaign activity, in addition to return on investment. The tool also helps salespeople track their quotes, leads, and contacts.

Public relations efforts consist of issuing press releases to all local markets for new hires, promotions, awards, and events. In addition, MacKinnon participates in "Small Business of the Year" events as well as other leadership award programs to promote his philanthropic efforts in the community.

The Growth Challenge

In 2011, the opportunity to represent yet another major equipment brand was presented to MacKinnon. As he contemplated this addition to the Yale and JCB lines the company presently carried, MacKinnon reflected on the company's growth strategies. With two thriving business divisions, MacKinnon realized the company was not leveraging the strength of the dealership's

reputation by continuing to do business under two brand names - Yale Lift Trucks of Florida and Georgia and JCB of Florida and South Georgia. The company has been promoting the manufacturer's brand names as opposed to the dealership's brand. While an additional brand would help the dealership reach its revenue target, it would also increase the confusion with the use of the Yale and JCB brand names.

MacKinnon explained, "My goal is to have customers choose to do business with the us because of our reputation and the quality of the services we provide, not because of a particular equipment brand we carry."

QUESTIONS THAT REMAIN

Moving into 2012, MacKinnon continued to struggle with the growth plans for his company. He was uncertain about how to help customers make the connection between the dealership and the multiple brands the dealership represented. He was also unsure about the best launching pad for growth. Despite the long-term success and positive reputation his company had achieved, MacKinnon felt that he and his team had failed to fully explain the company's value proposition to customers. "Our competitive advantage comes from the positive culture and attitude that our people make sure shines through to our customers," MacKinnon thought aloud. He wondered, "How do we communicate that to potential customers?" These questions lingered in MacKinnon's mind as he sipped his martini in early 2012: Why do customers choose his company over competitors? What has the company overlooked that would help to reach the growth goals? What would help to shape the company's value proposition? Has the team done all it can do to develop customer value or do further steps need to be taken? Has Yale Lift Trucks developed brand equity? Should the company's structure be adjusted? What legacy will Sandy MacKinnon leave?

REFERENCES

All information in this case was acquired through internal company records and a series of interviews conducted with Yale CEO, Sandy MacKinnon, in 2010-2011.

APPENDIX

Figure 1
Yale Lift Trucks Sales Revenue by Department by Year

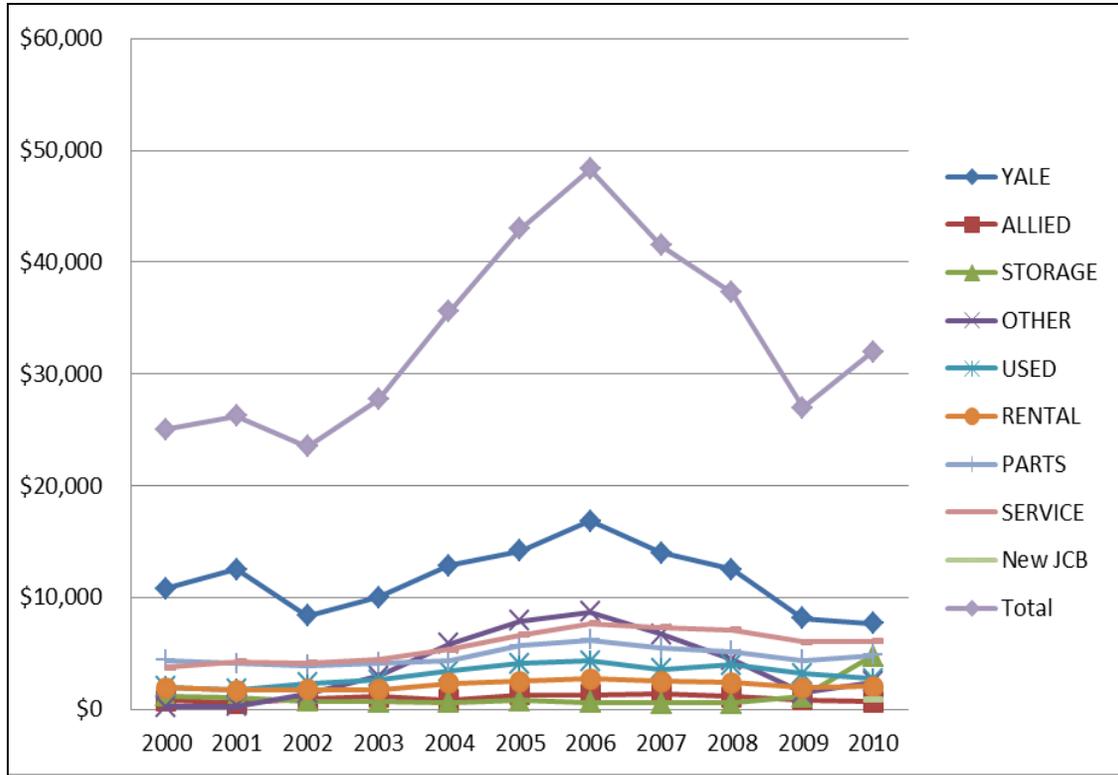


Figure 2
Yale Lift Trucks Gross Profit by Department by Year

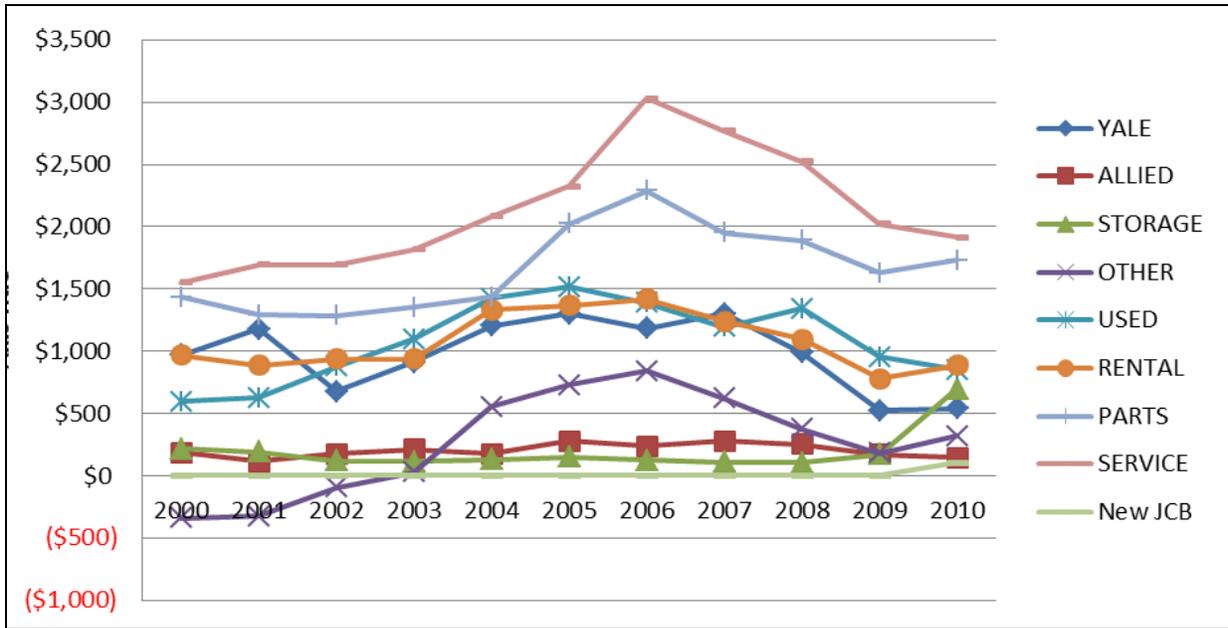


Figure 3
Yale Lift Trucks Locations



TEACHING NOTES

Please contact the author at jwashburn@ut.edu for a copy of the teaching note.

