

Custom Rental, Inc./Southside Equipment, Inc., Case Study Background Information

Southside Equipment, Inc. is a well-established manufacturer of DIY and construction machinery, and sells its products to both large and small construction companies, to retailers of landscaping materials, and to equipment hire companies.

Custom Rental, Inc. hires out various types of DIY equipment in a very competitive market. The company must be very price-conscious, but must also offer reliable machinery to minimize breakdowns while the equipment is on rental hire to users. Salary levels for service staff are not high, so in-house mechanics are generally not the most qualified mechanics. On the other hand, service managers are critical to the operation, and are generally highly experienced and very influential when it comes to making equipment-purchase decisions

Custom Rental, Inc. was an important customer to Southside Equipment, Inc. However, a problem began to emerge with Southside Equipment, Inc. machines. A number were breaking down as a result of damage while loading or unloading the machines from transportation, not during actual usage.

What had not been taken into account was that rental/hire firms would hire this equipment out for all applications (including heavy-duty usage) in an effort to increase their profit by increasing the number of times the equipment was leased. Rental equipment tends to be used hard by many different operators with varying levels of skill. Engineering researched ways to fix the problem. As each proposed fix was presented to Custom Rental, Inc., customers perceived this as “more of a Band-aid than a solution” and the problem, from the customer’s point of view, remained.

Custom Rental, Inc.’s confidence in Southside Equipment, Inc.’s ability to solve the problem properly and promptly began to dwindle. Southside Equipment, Inc.’s service organization “caught a lot of the customer’s heat” even though they weren’t the ones responsible for developing the fix. Occasionally the service staff did try and explain that they were only following instructions from the engineering department, but it didn’t seem to help much.

SOUTHSIDE EQUIPMENT, Inc.

January 12, 2007

James Duggan
Managing Director
Custom Rental, Inc.
110 Orton Avenue
Dallas, TX 55545

Dear James:

We are pleased to send you our quotation for the National Accounts program. Please see the notes that follow the discount structure for additional terms and conditions of sales. All other standard terms of sale as outlined on our order acknowledgement will apply.

Please refer to our literature and price lists for a complete listing of available options, as well as standard equipment specifications and pricing.

We appreciate your interest in our products and look forward to a long, mutually profitable relationship. If anything has not been covered in the above terms, please let me know so that an addendum can be added immediately.

If everything is in order, please sign below so that we may circulate the pricing and discount structure to appropriate personnel who will be administering your account.

Sincerely yours,

R. Wilson

R. Wilson
Sales Director

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October 24, 2009

Mr. R. Wilson
Sales Director
Southside Equipment, Inc.
Johnson Industrial Park
Atlanta, TX 30001

Dear Mr. Wilson:

On August 7, 2009 we received from you a MaxWise Driller 3101 which, to date, has managed to make only one day's rental without breaking down. This machine has given us problems from the very beginning. When it was delivered, it had to be dragged off the trailer (at your representative's instructions) because of a mechanical jam.

We have dealt with a number of Southside Equipment, Inc. representatives at different levels of seniority in an attempt to resolve the loading/unloading problem with the MaxWise Driller 3101. They have all attempted to be helpful, though I am disappointed that it took 30 days to get one of your people to our yard. After telephone calls did not solve the problem, someone should have been on a plane to us. We made that suggestion more than once, but no such action was taken until this whole matter was taken to a senior level.

Given that the MaxWise Driller 3101 is still broken and no one seems to know what to do to repair it, I am convinced that we have received a lemon.

Although, I know warranty will cover the costs, we have suffered significant lost revenue, and a damaged image in the eyes of our customers who have tried to rent this machine.

Please send us a replacement MaxWise Driller 3101 and pick this one up so I can start to realize a return of my investment, which would also allow me to regain my previous belief that Southside Equipment, Inc. carries the best machine for the rental market.

I hope we can soon put this problem behind us. I look forward to hearing from you.

Sincerely,

Maurice Dunn

Maurice Dunn
Regional Manager

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Southside Equipment, Inc.

Internal Memorandum

To: Parts and Service Manager
From: Ralph Wilson, Sales Director
Date: March 26, 2007
Subject: Custom Rental, Inc. Concerns

This important customer has had consistent problems and failures with our machine and seems to be getting little or no service from us.

We seem to have nothing going but a “politeness and smile” campaign instead of real service and engineering solutions to problems.

Our regional manager says the rep that deals with Custom Rental, Inc., Ivana Strong, is tearing her hair out and can't get your departments to come together and come up with a solution.

On Monday morning the three of us will have a meeting and I wish to see your joint plan to solve this problem. We shall then let the customer know what is happening.

We shall also be examining how we go about dealing with customer service and customer complaints. Please have ready a copy of your existing standards of customer service and response, and be ready to propose what procedures and measures we should adopt to improve the situation.

This is to be considered urgent and a matter of survival for Southside Equipment Rental, Inc. if we are to retain any sort of reputation and competitive position in the equipment rental market.

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