

# FAQs

Frequently Asked Questions

## CUSTOMER VALUE AGREEMENTS (CVAs) STRATEGY



October 2019

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**CATERPILLAR®**

# Customer Value Agreements (CVAs)

Cat® dealers like you have been providing Customer Support Agreements (CSAs) for decades. Now we are providing a way to build on that success by shifting from CSAs to Customer Value Agreements (CVAs). CVAs and the value promises they represent are designed to address the evolving needs and preferences of customers and potential customers, strengthening interaction with customers throughout the equipment lifecycle.

Using customer and dealer input, we have envisioned a framework for new CVA offerings at the point of sale (POS) and in the aftermarket. Next, starting in January 2020, we will partner with dealers and industry groups to roll them out globally as consistently as possible.

To get you up to speed on our CVA journey, we've answered the most pressing and compelling questions dealers are asking. Take a look!

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## From CSAs to Customer Value Agreements

*More than a Name Change | A Strategic and Cultural Shift*

### FROM CSA

#### COMPETITIVE PARTS & LABOR PRODUCT SUPPORT



Parts Kits



Labor



Connectivity



S•O•S<sup>SM</sup> Services



Inspections

### TO CVA

#### DIFFERENTIATING VALUE PROMISES



Hassle-Free Ownership

*Enabled by Planned Maintenance Kits and Dealer Support*



Hassle-Free Maintenance

*Enabled by Connectivity & Equipment Care Advisor (ECA)*



Security of Expert Dealer Support

*Enabled by Equipment Protection Plan (EPP)*



Peace of Mind from  
Equipment Health Management

*Enabled by Cat App and Cat Inspect*



Single Monthly Payment

*Enabled by Cat Financial (Future)*



Parts & Labor

*Former CSA*

### IN DEVELOPMENT

#### VALUE CREATION



Flexibility

*Portability & Transferability  
(regional restrictions apply\*)*



Peace of Mind

*Annual Software Updates*



VIP

*Rewards Program*



Predictable Investment

*• Certified Maintained  
• CatFacts*

\*A customer who purchases a CVA that includes an Equipment Protection Plan (EPP) can have any dealer perform repairs under the terms of the EPP, then submit for reimbursement; ownership of the EPP is not transferred. However, ownership of the EPP can be transferred if a machine with an EPP is sold to a new owner within the region in which the EPP was purchased: Americas North; Americas South; Europe, Africa, Middle East (EAME); or Asia Pacific Division (APD).

## Overview

### Q: What is a Customer Value Agreement?

A CVA is an agreement to provide valued services to customers over time. CSAs have focused on the events to be performed (what we do); CVAs will focus on the outcome to be achieved (what we deliver). CVAs are built on the foundation of CSAs, and deliver value beyond parts, labor, connectivity and equipment protection. Further, CVAs are designed to strengthen customer interaction throughout the equipment lifecycle by delivering differentiated value to customers.

### Q: Why are we shifting from CSAs to Customer Value Agreements?

CVAs support an important shift in focus from “service” to value-added “services” that emphasize creating greater value for customers, as well as generating meaningful customer touchpoints across an asset's entire lifecycle.

To differentiate new CVAs from historical CSAs that focused on parts and labor, we are including customer-valued capabilities across the lifecycle focused on delivering hassle-free ownership and maintenance, security of expert dealer support and peace of mind provided by equipment health management. These new CVA value promises are anchored on traditional CSA benefits of lower, more predictable costs, timely repairs, increased uptime, convenience, and probable higher resale value.

You will soon notice a culture shift in how we talk about CVAs. At the core of our new strategy, we move away from emphasizing what the customer is **getting**, and instead focus on what the customer is **gaining** in their everyday work.

### CVAs WILL:

- Build on the foundation of CSAs
- Expand value-added services beyond parts, labor and connectivity
- Extend customer relationships across the lifecycle

### FROM CSAs

- Product centric
- Event driven
- Early lifecycle

### TO CUSTOMER VALUE AGREEMENTS

- Services centric
- Outcome driven
- Total lifecycle



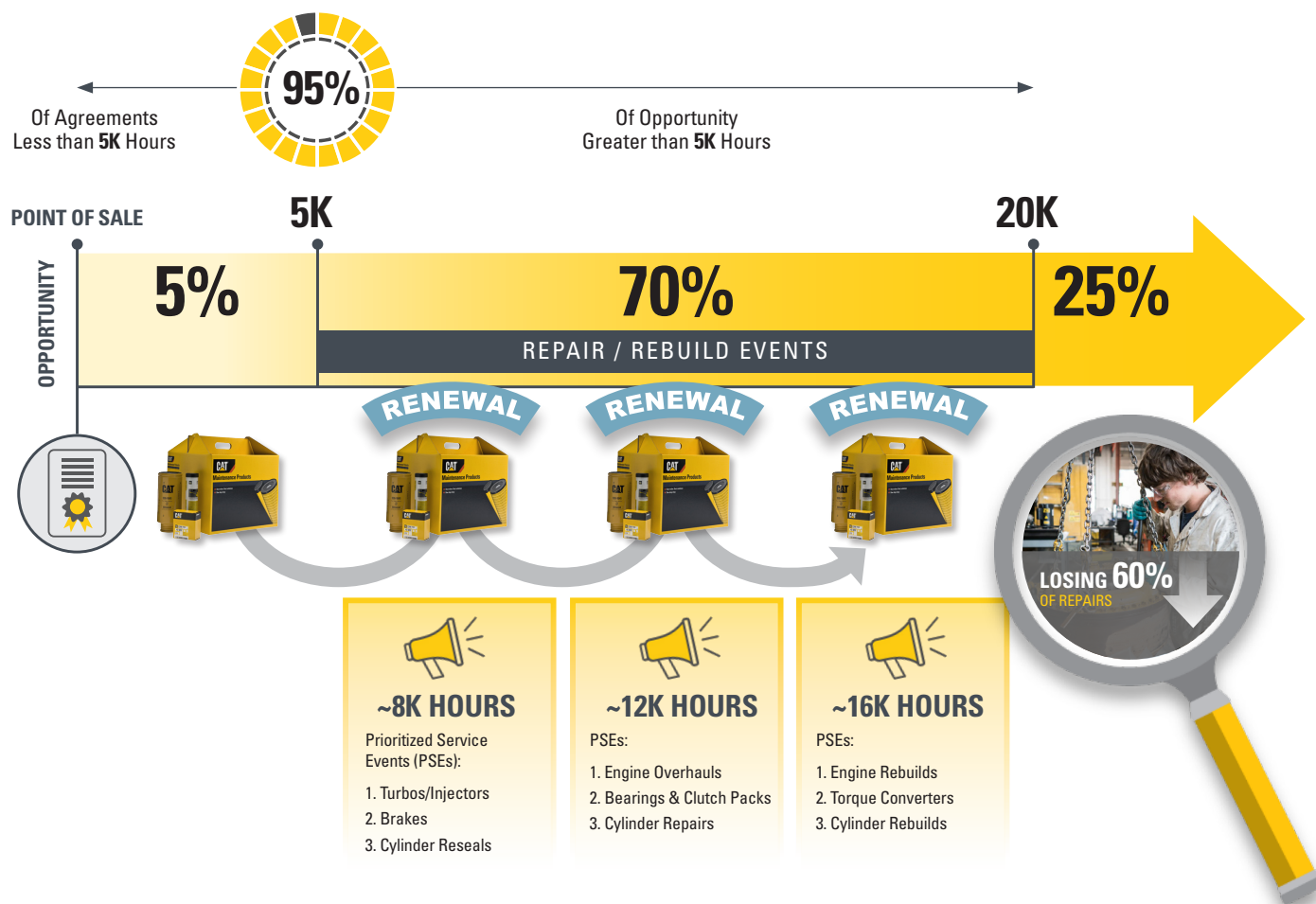
## Q: Why does the enterprise need the CVA strategy? Is it a top priority?

Yes, CVAs are a top priority. Voice of Customer (VOC) research revealed they are looking for solutions beyond the iron that reduce risk, increase convenience, streamline operations and cashflows, and generally reduce effort. More and more customers are choosing to purchase equipment from the brands that create broader business advantages for them. CVAs provide us the platform to integrate services, creating advantages for every business.

## Q: How big is the opportunity?

Collectively, our agreements expire at the most critical point in the equipment lifecycle. This forces customers into a reactive mode, searching for services and providers as each situation demands. It's estimated that as much as 60% of repairs are performed with non-genuine parts. Customers are missing out on dealer expertise and differentiated parts and service offerings—support that can help them get more life out of their equipment and be more successful with their business.

## Use Digital Touchpoint Across the Lifecycle to Capture Lost Opportunity



## Q: How are CVAs different than CSAs? Are we just changing a letter? Are they just services or kits with an EPP?

It's definitely more than changing "service" to "value" or including PM kits with an EPP. Like CSAs, CVAs may include competitively priced parts, labor, connectivity and equipment protection, supporting customers with more predictable costs, higher uptime, convenience and peace of mind. But, they also can offer unique value promises that allow dealers and Caterpillar to engage customers and extend customer touchpoints across the asset lifecycle.

Additionally, as the program matures, CVAs may also include new value innovations, such as:

- Latest software features with annual product update (APU).
- Higher resale value with Cat Certified Maintained (CCM) coverage and CatFacts.
- Easy access to answers and support via help desk-type concierge service.
- VIP Rewards program.
- And more.

## CVAs Connection to the New Services Strategy

### Q: What role do CVAs play in the new Services Strategy?

CVAs are a critical element—a main customer deliverable—in the new Services Strategy rolling out in tandem with the CVA program. More details on the Services Strategy will continue to be communicated as we move forward.

Providing world-class product support that leverages the latest technology and the strength of our global dealer network is one of the key elements that differentiates Caterpillar from our competition. We have aligned service functions, including the delivery of services-centric CVAs, across Caterpillar to ensure we are positioned to enable and support our customers and dealers.

Our Services Strategy balances customer and dealer capabilities with product service requirements and new product and technology introductions. The goal is to enable dealer and customer service success and to capture opportunity for prime product and the aftermarket through best-in-class processes.



### A Shift from Service to Services...



## SERVICE

Traditional product support,  
that is focused on parts and labor



## SERVICES



Value-added capabilities that support customers  
at the point of sale and across the lifecycle



**FROM CSAs**  
CUSTOMER **SERVICE** AGREEMENTS

**TO CVAs**  
CUSTOMER **VALUE** AGREEMENTS

#### WHAT WE DO

- Perform a physical action, such as fixing a machine or selling a part
- Complete service-driven events, with a focus on parts and labor

#### WHAT WE DELIVER

- Lifecycle-driven solutions aligned with targeted value promises
- Positive customer outcomes, including hassle-free maintenance and equipment protection

## Forming Customer-Centric CVAs

### Q: Did we ask customers what they would value in CVAs?

**Yes, we did.** In the past two years, Global Aftermarket Solutions Division (GASD) has invested in several VOC research studies to better understand what our customers and potential customers want and, more importantly, truly value.

Visit [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA) to access a presentation with additional VOC insights and the data that support them.

### Customers told us they...

PLACE A PREMIUM ON COMPONENT/EQUIPMENT PROTECTION PLANS (EPPs)

WOULD PAY A PREMIUM FOR EXTENDING THEIR REPAIR/REBUILD POINT



**WANT SERVICE INSTRUCTIONS INCLUDED IN PARTS KITS**

Doing so will increase Percentage of Parts Sales (POPS) by 21%.

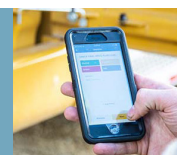
### PREFER LONGER (3 AND 5 YEAR) AGREEMENT LENGTHS

We must offer a mix of agreement durations aligned with equipment application and lifecycle position.

**~50% WOULD PURCHASE AN AGREEMENT AT POS IF IT WERE OFFERED**

Today, we're achieving far less (~20%).

**WANT INSPECTIONS DIGITIZED WITH RECOMMENDATIONS**



### Q: What are the benefits of CVAs?

The program helps customers get the most out of their Cat equipment so they can focus on their business. CVAs help Caterpillar and dealers build and maintain long-term customer relationships and touchpoints over the duration of the asset's lifecycle—from new machine delivery to used machines sold in the aftermarket. Delivering differentiated value also creates deeper and more durable relationships with customers extending our value beyond the iron. Here's a snapshot of CVA advantages specific to customers, dealers and Caterpillar.

### Q: How are dealers contributing to the CVA Strategy?

Three dealer pilot programs with 23 dealers worldwide have helped Caterpillar validate and launch the CVA program and execute the first POS CVA offering: Level 1: Convenience, previously referred to as Retail CVA. Also, through rollout meetings with the Caterpillar team, pilot dealers have provided operations and commercial development insights, learned more about possible opportunities during financing conversations, and confirmed [resources](#) dealers can lean on for CVA program execution.

Customer Benefits	Dealer Benefits	Caterpillar Benefits
<ul style="list-style-type: none"> <li>• Reduce parts inventory.</li> <li>• Reduce need for technicians.</li> <li>• Reduce effort for equipment management.</li> <li>• Gain expert recommendations and reduced backlog.</li> <li>• Achieve higher equipment uptime.</li> <li>• Opportunity to finance CVA at time of equipment purchase.</li> <li>• Command higher price at trade or resale.</li> <li>• Improve cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>• Build customer loyalty.</li> <li>• Keep customers and equipment in channel.</li> <li>• Increase parts and services revenue.</li> <li>• Readily connect with customers throughout product lifecycle.</li> <li>• Reduce cost to serve by leveraging Repair Options and Self-Service Options tools, connectivity and dealer-automated systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase POPS-C.</li> <li>• Enhance ability to appeal to specific customer segments.</li> <li>• Increasing parts sales for the life of the agreement.</li> <li>• Support Services Strategy and grow Services business.</li> <li>• Capture more equipment data.</li> </ul>

## Point of Sale and Lifecycle Frameworks

### Q: What does Caterpillar mean by POS and Lifecycle “Frameworks,” and how were they developed?





In tandem with dealers, and informed by research with customers regarding their needs and preferences, Caterpillar has developed the POS and Lifecycle Frameworks to reinforce our vision of making Cat equipment easy to buy, easy to own and ready to work. The CVA frameworks represent a relatively simple, consistent set of offers comprised of the right combinations of Caterpillar and dealer offerings and expertise to serve the broadest spectrum of customers.

Within each level we’ve combined a minimum of five valued elements that customers indicate increase their preference for signing an agreement.

For more details on these offerings, as well as resources for deploying them, visit [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA).

Keep in mind that these frameworks may change slightly as the CVA program evolves and matures.

### Construction Industries (CI) POS CVA Framework

CI POINT OF SALE		ONE	TWO	THREE
Value Promise		CONVENIENCE	PERFORMANCE	CONFIDENCE
Terms		1 OR 3 YEARS*	3 OR 5 YEARS*	5 YEARS*
 <b>Hassle-Free Ownership</b>	Single monthly payment (maintenance with machine)	✓	✓	✓
	Helpful advice on equipment and operations	✓	✓	✓
 <b>Hassle-Free Maintenance</b>	Cat Genuine Parts, delivered on time to your location	✓	✓	✓
	Cat Advanced Fluids	Recommended	✓	✓
	Trained Dealer Labor		✓	✓
 <b>Security of Expert Dealer Support</b>	Expert troubleshooting, diagnostics and repairs with Cat Genuine Parts	EPP** Powertrain + Hydraulics + Technology***	EPP** Powertrain + Hydraulics + Technology***	EPP Premier**
 <b>Peace of Mind from Equipment Health Management</b>	Easy access to asset information via machine alerts and Cat App	✓	✓	✓
	Inspections	Annual (Cat Inspect App)	PM Inspections	PM Inspections
	Fluid Health and Asset Monitoring	Fluid Health	Fluid Health	Fluid Health and Asset Monitoring

\*Priced at one of three levels based on customer’s estimated annual equipment operating hours.





\*\*Length of EPP is matched to the CVA length: 3-year OR 1500, 3000 or 5000 hours.

\*\*\*Technology includes coverage for COMPACT, GRADE, PAYLOAD and LINK technology, like controls, displays, monitors and similar pieces. For new machines only.

Note: Parts kit contents may be modified to accommodate customers who want or need more or fewer parts, for example, more filters based on regional weather.

S•O•S samples on BCP equipment can be excluded.

## CI Lifecycle CVA Framework

CI LIFECYCLE		ONE	TWO	THREE
Value Promise		EXTEND	PROTECT	REBUILD*
Terms		1 YEAR AUTO-RENEWAL	3 YEARS	TARGET LIFE
 <b>Hassle-Free Ownership</b>	Single monthly payment via Cat Card or other options	✓	✓	Maintenance & Component Rebuild
	Cat Genuine Parts, delivered on time to your location	✓	✓	✓
	Cat Advanced Fluids	Recommended	✓	✓
	Trained Dealer Labor		✓	✓
 <b>Hassle-Free Maintenance</b>	Asset Protection		Injector & Turbo	Powertrain
	Price Lock			✓
	Expert Dealer Rebuild			✓
	Guaranteed Turnaround			✓
 <b>Security of Expert Dealer Support</b>	Easy access to asset information via machine alerts and Cat App	✓	✓	✓
	Inspections	Annual	PM Inspections	PM Inspections
	Fluid Health Management	✓	✓	✓
 <b>Peace of Mind from Equipment Health Management</b>				

\*Rebuild Agreements need to be commercialized and tools and processes built. Commercialized in 2019, piloted in 2020, launched 2021.

### Q: How were the Frameworks created?

A set of goals guided framework creation, including:

- **Strive for consistency on CVA program offerings within region.**

Doing so helps Caterpillar build a recognizable product that customers will identify, invest in and return to in the future, as well as promotes scalability and efficiency for dealers. This consistency also allows customers to have other dealers perform EPP-covered services both inside and outside its home region, as well as transfer ownership of the EPP to a new owner within the same region.

- **Go to market with multi-level offerings** aligned with customer requirements, budget and asset lifecycle position, plus new, innovative offerings that can attract interest and deliver added value.
- **Focus on the most basic, common customer needs** across the lifecycle of their Cat equipment.
- **Drive longer-term agreements**, generating meaningful customer touchpoints across an asset's entire lifecycle.
- **Provide a foundation for introducing, showcasing, selling and scaling** future related value-added services.



## Rollout

### Q: What is the status of CVAs today?

Through much of 2019, Caterpillar and 23 global dealers have been working through several pilots. These pilots were integral to preparing to introduce CVA offerings that address the high opportunity across an asset's entire lifecycle, including at POS and with Cat Certified Used (CCU) equipment.

### Q: How are we forming the new structure for CVAs? What does program rollout include?

In close collaboration with dealers, we have incorporated the best of past and current dealer CSA practices into a new lineup of CVA options for dealers to offer at the POS and, later, in the aftermarket. Focused on customer-valued innovations, we:

- Kicked off the new strategy in North America in July 2019 (China in Sept. 2019 and Europe in Oct. 2019) with Convenience CVAs. First targeting CI equipment, we will soon expand to other industry verticals.
- Initially focused on selling Convenience CVAs, including during financing discussions that accompany machine sales.
- Are partnering with industry verticals to:
  - Introduce the POS and Lifecycle CVA Frameworks (included on previous pages), including alignment with Building Construction Products (BCP) and Global Construction & Infrastructure (GCI) go-to-market campaigns.
  - Introduce the CCU CVA offerings.
  - Roll out the CVA program as consistently as possible in close partnership with dealers.

### Q: How will Caterpillar and dealers promote/market the new CVA offering?

The CVA team is working with our industry partners and local creative suppliers to create a marketing strategy for promoting CVA offerings in the marketplace in 2020. Details of the marketing communication strategy, including how CVAs can be showcased at CONEXPO and align with in-flight campaigns (e.g., Titan of the Trades), will be communicated to dealers prior to the end of 2019.

Dealers can access a comprehensive [marketing toolkit](#), including CVA core awareness materials such as sales sheets, brochures, infographics, videos and more, as well as Convenience CVA-specific digital and print campaign elements for BCP and GCI use.

Training (information available on [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA)) will prepare your team for integrating CVA messaging into all aspects of your business, ensuring that customers know your intention—and recognize the comprehensive value—of maintaining a purposeful presence throughout the asset's lifecycle.

### Q: What's the plan for phasing out/retiring the term "CSA?" What does that look like for dealers who have used and promoted CSAs for years?

For now, the words "Customer Value Agreements" will be used as the overarching phrase to describe the new strategy. We did capture and consider Voice of Dealer (VOD) input on a set of different, more "branded" names (e.g., Cat Complete). But both Caterpillar leadership and dealers agreed to stick with Customer Value Agreements for now. A CVA marketing guide is under development to help dealers implement the strategic shift to CVAs in their go-to-market materials. The plan will be developed with dealer input and communicated globally in fourth quarter 2019.

Clearly, it is not as easy as simply "finding" and "replacing" CVA in all CSA references. To do that would minimize the new, differentiated elements of the new strategy.



### Q: Is there an expectation that the CVA offerings will be standard across all dealerships?

Yes. We are striving for consistency of CVA offerings within the POS and Lifecycle Frameworks by region (Americas North, Americas South, EAME and APD), so customers operating across dealer territories within a given region can count on the same offering.

Our strategy is to develop solutions that will satisfy 50% to 60% of the market at the POS and in the aftermarket. Dealers will still need local offerings that address other niche customer needs, including, for example, major/minor repair agreements in which the dealer performs the 1000- and 2000-hour events, while the customer performs the 250- and 500-hour events agreements, and Total Maintenance & Repair (TM&R) and Maintenance & Repair Contracts (MARC)s.

### Q: Is the new CVA strategy optional or required for dealers?

All dealers are independent and free to make their own decisions, but are encouraged to participate in the program and related Services Strategy. It's transforming our go-to-market approach as we become more customer-centric and outcome-driven, taking the total lifecycle into account to deliver services that customers will grow to highly value—just as they highly value their Cat equipment.



## Selling CVAs

### Q: Can every dealer sell CVAs today? Is this a global program?

It is a global initiative, with select CVA offerings being rolled out throughout 2020. All three POS CVAs (Level 1: Convenience, Level 2: Performance and Level 3: Confidence), as well as Lifecycle Level 1: Extend CVA (for the aftermarket) will deploy in North America in January 2020. POS Convenience CVAs will deploy in Europe and China later in the year. More deployments will follow in NA and other regions. More detailed information on the the CVA deployment plan can be found at [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA).

### Q: Should dealers offer a CVA with every machine sale?

Yes, Caterpillar encourages dealer Machine Sales Reps (MSRs) and Finance Managers to recommend and propose CVAs at POS, reinforcing our value promises of hassle-free ownership and maintenance, security of expert dealer support and peace of mind provided by equipment health management.

### Q: How can dealer sales teams prepare to sell CVAs?

Dealers can participate in CVA sales training, "Selling the Value of CVAs," being offered by our partner Business Performance Group and available in the Dealer Performance Center (course #55612). Additionally, a set of dealer best practices are under development and will be posted to [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA).

### Q: What are the CVA program goals for Construction Industries?



Caterpillar will support dealers with additional resources as CVA offerings are finalized and rolled out. For guidance on how to deploy the commercial offers launching in January 2020 and beyond go to [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA). Additionally, Caterpillar has created the *POS Level 1: Convenience CVA Guidebook*, offering dealers guidance on identifying the right solutions for your customers, implementing operational, marketing and sales practices, and growing customer awareness.

## Measuring the Success of CVAs

### Q: How do we measure the success of CVAs?

Caterpillar is focused on three key metrics for measuring CVA success: year-over-year CVA growth, percentage of new deliveries sold with CVAs and percentage of CVA renewals. Caterpillar will provide dealers guidance on [tracking the profitability](#) of these agreements, and tips on refining the program as needed to safeguard its financial health.

Using this guidance, formulate the best way to document the financial benefits of CVAs, and schedule regular times to review sales and profitability figures with your dealership's executive leadership.

*Note:* In July of 2020, Caterpillar will be transitioning the registering and tracking of CVAs from EMSTT to the Next Gen Equipment Care Advisor. More information will be released as that transition approaches.

## Resources

### Q: Where can we learn more about CVAs?

Visit [Dealer.cat.com/CVA](http://Dealer.cat.com/CVA) to learn more about the overall CVA journey and access resources to help with your own program. Also, be sure to reach out to your CVA initiative leader in GASD or your district manager for guidance.