

YARD & GARDEN

Dealer Success Guide

Dealers and the GREEN Movement

Page 4

Sponsored by

STIHL®

Build Relationships
Through Sales

Managing for Profitability

Make More Money in Parts

volume 17

A Supplement to Yard & Garden

Make Your Own Luck in a Tough Economy

To All Servicing Dealers,

The great film producer Samuel Goldwyn once said that “luck is the sense to recognize an opportunity and the ability to take advantage of it.” As part of STIHL’s distribution strategy to sell through independent servicing dealers while avoiding mass merchants, we believe it’s important to help servicing dealers weather challenges and take advantage of opportunities in spite of present economic conditions.



The more information and business tools servicing dealers have at their disposal, the more robust and adaptable we believe you will be. For instance, the STIHL Marketing Advantage Program enables STIHL dealers to leverage their individual advertising dollars with investment from their STIHL distributor and STIHL Inc. This cooperative media funding program delivers a larger advertising presence than individual dealers could otherwise afford. Other standard business tools include technical training and merchandising programs that focus on a dealer’s unique advantages over big box competition. While these may seem fundamental for some, they remain extremely effective for many.

In addition, recent “enviro-economic” trends present opportunity for dealers. Be sure to see the article, “Selling Green,” in this issue of the *Dealer Success Guide*. You might be surprised at just how profitable “selling green” can be. I also encourage all of you to attend The Dealer Experience education program at GIE+EXPO in Louisville, October 23 to 25. It promises to be an excellent program with even more tools and information to help you “make your own luck” today and tomorrow.

Best regards and success in the future!

A handwritten signature in black ink that reads "Fred J. Whyte". The signature is stylized and cursive.

Fred J. Whyte
President
STIHL Incorporated

Your Role in the Green Industry

Welcome to volume 17 of the *Dealer Success Guide*, brought to you exclusively by STIHL Inc. In addition to another round of useful management articles and dealer best practices, this issue is exploring a growing movement among consumers to “go green”—along with how you can play an important role in this movement and capitalize on it. See page 4 for the full story.

While some of you see yourselves merely as “servicing dealers,” I believe it’s important to view yourselves on a much grander—and more fitting—scale. Servicing dealers play a hugely important role in the green industry, which is turning greener every day.

I was recently a guest on an Internet radio show hosted by ex-HGTV host and organic lawn care activist Paul Tukey (safelawns.org). Paul wanted to talk about the role of organic lawn care in the landscaping business, along with how environmental awareness in general is helping effect change. We had a lot to talk about, from engine emissions to bio-fuels to water conservation and more.

I joined *Yard & Garden* in 1997, which was when Phase 1 of the EPA’s program to regulate outdoor power equipment became effective. Phase 3 is underway this year. According to Kris Kiser, OPEI’s vice president of public affairs, manufacturers will have no problem meeting or exceeding these new emission standards. And when they do, the outdoor power equipment industry will have reduced emissions by 95% since the 1990 amendments to the Federal Clean Air act.

Dealers like you sell the most productive, durable and environmentally friendly equipment out there. More importantly, you help keep that equipment running in top condition, which not only helps improve performance, but also reduce emissions. In an increasingly green-conscious society, that’s a valuable role to play.

You also provide landscape contractors and everyday consumers with the necessary tools to manage healthy turf, which helps reduce our nation’s carbon footprint. A recent report from OPEI details this study, so check it out at opei.org.

The green industry is becoming even greener, and you’re an important part of it. The sooner you start seeing yourself in this light, the sooner you can capitalize on it. ■



Gregg Wartgow
Yard & Garden Magazine
 1233 Janesville Ave.
 Fort Atkinson, WI 53538
 800-547-7377 x1614
 920-328-9011 (fax)
Gregg.Wartgow@cygnuspub.com



Selling Green..... 4
Build Relationships Through Sales .. 7
Drawing and Retaining Customers... 8



Leading Staff in Downtimes 10
Serving Commercial Customers..... 12



Getting Crushed by Overhead 18
Managing for Profitability..... 20
The Dealers Role in HR..... 25
Make More Money in Parts..... 27



Selling

GREEN

Dealers can get more than just dough from selling green. Joining the green movement means building a quality reputation for your dealership as well as ties with local environmental interest groups.

Kermit the Frog once said, "It's not easy being green." Today, manufacturers, distributors and industry associations are putting an end to that old adage, making it easier for outdoor power equipment dealers to market and sell "green" equipment. With their help, dealers can become more environmentally friendly and capitalize on the green movement.

There are many reasons why dealers today are choosing to enter the green movement. For some, it is due to personal concern over the health of the environment, while for others it is latching on to a growing trend. Whatever the reason, it is important to be certain that the products and services you provide, as well as the way you run your business, all support the claim of being green.

BENEFITS OF GREEN

The benefits of running a green business and offering environmentally friendly products are countless. Improving the health of the environment, along with getting recognition for your commitment to go green from trade associations, environmental groups and local municipali-

ties is just the beginning, followed by opening your business up to a new market segment and earning a certain level of respect.

"The first benefit would be in every breath they take," exclaims Dan Skinner, of Pacific STIHL. "In addition, developing the reputation as a business that promotes a better environment and is knowledgeable about the latest technologies and products will gain them stature in the community.

"It's smart for dealers to support local agencies that might provide a high profile for environmentally beneficial equipment," says Skinner. "When you become the expert in your area, it will only be natural for local agencies to seek you out for both product purchases and repairs."

Forming relationships with the city and government agencies can result in funding for product programs such as lawnmower trade-ins, blower trade-ins and countless other collaborations. Several cities across the nation have participated in these trade-in programs where customers who bring in their gasoline-powered mowers for trade enjoy a hefty discount on a new electric-powered mower.



STIHL recently worked with California's South Coast Air Quality Management District (AQMD) on blower exchange programs in several counties where 1,500 high-emission backpack blowers were traded in for STIHL BR 500 models that offer lower emissions and less noise.

The savings is covered by the fines paid to environmental regulators by offenders of local ordinances.

Pacific STIHL has been working with California's Air Quality Management (AQMD) and Air Pollution Control Districts (APCD) over the past three years on blower exchange programs in several counties where high-emission backpack blowers were traded in for STIHL BR 500 models that offer lower emissions and less noise. The programs are a joint effort between STIHL, servicing dealers, AQMD's and APCD's. The program was modeled after the mower exchanges organized by AQMD since 2003 and has been supported by the American Lung Association of California and local government officials.

Mayor Dennis Yates of Chino, CA, who also serves on the AQMD as a governing board member, pointed to STIHL's commitment to the environment saying, "We are very thankful to STIHL for making this event possible. We know there has been a tremendous commitment to lower noise and emissions from the company and as Mayor of one of California's most environmentally sensitive cities, we commend them for their efforts in making our city air cleaner."

In the past, Tim Peterson of Noble Power Equipment in San Luis Obispo, CA, originally helped organize the mower trade-in events and provided all of the necessary equipment information. More recently, a few of the environmental agencies are opting to run the mower trade-in programs on their own without the help of dealers in an effort to get the lowest possible price on the mowers. According to Peterson, foregoing the dealers' expertise may be a false savings for the program as some recent customers of the trade program have become dissatisfied with their new mowers.

"The people are upset because they are being misled about what they are going to actually be physically able to do with the equipment," explains Peterson. "The reason they purchase from a dealer is their product knowledge." Still, with or without the trade-in programs, dealers can promote the sales of more environmentally friendly equipment with the help of manufacturers and distributors.

MANUFACTURER AND DISTRIBUTOR AID

In order to enjoy the benefits of selling green equipment, dealers

must collaborate with manufacturers and distributors that can properly assist in these efforts. Manufacturers begin their side of the bargain with a commitment to researching and developing outdoor power equipment with more environmentally friendly construction and operation. Many manufacturers are working to provide products that reduce emissions, offer better fuel efficiency and quieter operation.

"Manufacturers are working hard to continuously improve current low-emission engine technologies such as stratified-charge two-strokes and the STIHL 4-MIX engines to maximize emission reductions while maintaining acceptable product performance levels," explains John Foster, product compliance manager for STIHL Inc. "They continue to explore and develop new engine technologies and engine management systems for further emission reductions."

"They are working to expand similar electric products to offer consumers more choices. In some applications an electric leaf blower, hedge trimmer or chain saw may be a viable alternative to a gasoline-powered version of the same type of equipment."

Manufacturers are going one step further by thinking of greener ways to manufacture these more environmentally friendly products. "It actually begins prior to production, during production and after the useful life of the product," says Skinner. "Most manufacturers are striving to become more responsive to the environment with their facilities and choosing materials for products that can be recycled after the useful life term of the product."

Once these manufacturers have produced these "green" pieces of

equipment and expanded consumer options, they assist dealers in selling them with the help of product education and sales tools. Dealers should contact their distributors and manufacturers to find out about environmentally friendly ways to promote the green products.

"Manufacturers need to make sure the dealer understands the technical differences and the overall environment benefits of products designed to be environmentally friendlier," says Foster. "They have to ensure that the dealer understands any new operational features or different maintenance requirements that can come with cleaner engine technologies." Dealers should take the product and environmental regulation knowledge gained from manufacturers and distributors and pass it on to their expanding customer base.

ONGOING EDUCATION

Using product knowledge to educate customers on the benefits of using more environmentally friendly equipment should be a priority for dealers serious about going green. A reputation for training end-users, both commercial and consumer, on how to properly use and maintain equipment, builds respect and confidence in them and their business.

Dealers can begin by educating customers on the benefits of a well-manicured lawn. "Every homeowner is familiar with the common nomenclature the 'carbon footprint'. If you keep your lawn in a healthy growing state, you are actually enhancing your home's carbon footprint," explains Kris Kiser of OPEI. "The utilization of turf grass in an urban environment helps because of its cooling effects and aiding in evaporative rates." Maintaining turf with more environmentally friendly equipment does double duty when reducing the effects of emissions.

"If I were a dealer, I would



continue to tell people that what they are doing is a good thing," says Kiser. "There are an awful lot of folks who say yards are wrong or wasteful or that you are expending resources that ought not be spent. There is certainly a more balanced equation than that. Yards produce the air we breathe and absorb and sequester carbon dioxide in a very efficient way."

Additionally, dealers should be sure they keep themselves educated and up to date on area emission, water and noise regulations, so they can pass this information on to customers as well. Manufacturers can help dealers get the green message across by helping them host educational seminars to educate customers, as well as local government officials, about the new technologies available for environmentally beneficial products.

COMMITMENT TO GREEN

Using sales tools and point of purchase displays to educate the customer is a great start to becoming a "green" dealer, but you should also show how strong your commitment to the green movement is by evaluating your own processes within the dealership.

Recycling as many materials as possible and maintaining a clean shop illustrates environmental responsibility. There are other ways

outside of the dealership to show this level of responsibility as well.

"Developing and supporting recycling drives and other efforts is a great idea for dealers," says Skinner. "They can begin by supporting local and regional groups like the American Lung Association, tree planting efforts and community clean-ups. If it's possible, dealers should provide a drop-off place for some of those items that are difficult for the average consumer or even landscaper to dispose of properly like old tires, batteries, used oil and old equipment."

"We try to be proactive about it," says Peterson. "We came out and said that we would not sell blowers that do not meet the requirements of what the city ordinances are. It makes me feel a bit better to know that I am trying to do what's right to help the customers."

For whatever reason you decide to join the green movement, make sure you do it honestly. Work to continuously learn about more environmentally friendly options and educate yourself on state and local regulations.

Share your knowledge with customers, and through your relationships with municipalities and environmental organizations as well as other dealers. You will not only be opening your business up to another market, but the environment itself will benefit greatly. ■

Sales Force

Cost-effective ways to convert sales into relationships

I work in the retail end of advertising, so I measure success in terms of traffic and sales. I also put a very high priority on converting sales into relationships. The tips below are designed as cost-effective ways to make your store more attractive, your staff more effective, and your overall business more lucrative.

IMAGE STARTS OUTSIDE

The way the outside of your store looks (building, parking lot) says a lot about you and your business. And to be very frank, many outdoor power equipment dealerships do not appear to be open to the general public. Many dealerships look as though they only sell to farmers or pro landscapers or contractors, when in reality they offer a full line of outdoor power equipment products.

A very simple—and almost no cost—suggestion is to clean your lot, and then assign a staffer (or yourself) the task of a daily parking lot inspection. Keep the lot clean and attractive to potential customers (men and women), and consider investing in lighting, new striping, maybe even a decorative planter box around your sign. And remember, displaying equipment outside is a great, low-cost way to advertise. You know what you sell, but people can drive past your store for 20 years and never know that you sell riding and push mowers, handheld and other high-end homeowner equipment.

YOUR INNER BEAUTY

Take a good look at the inside of your store. Think cleanliness. Think lighting. Think foot traffic. What parts of the store do you want to make sure customers see/visit? What products do you want to make sure they see? Merchandising is such a vital aspect of marketing, and yet often overlooked. I suggest the following:

- **Pull together sample ads from the forthcoming season.** Review them with your staff and let your staff participate in planning merchandising around the ad focus. You get two birds with one stone: 1) Your store will be set to capture the traffic generated from ads, and 2) Your staff will be aware of what is being advertised. They can then focus on capturing traffic, selling-up and adding-on.
- **Display plenty of the featured items.** There is an old saying in retailing: “Stack it high and watch it fly.”

Remember, people want to feel safe in their purchase decisions, and there is safety in numbers. You want your store to project a look of success, which includes lots of retail activity.

- **Plan now to make subtle shifts in the merchandising throughout the selling season.** Add suggestions for protective apparel and accessories before Father’s Day. If someone buys a \$15 pair of protective glasses and dad likes them, maybe next time dad will buy a \$15,000 tractor.

MARKET YOUR SUPPORT FUNCTIONS

Market your parts and service departments. It doesn’t cost you anything to give a brief tour of your in-store parts and service departments to customers—especially new customers—and yet it may be the most defining characteristic separating servicing dealers from mass merchants.

A clean, well-organized service department projects an image of a dealership that is equipped and staffed to support customers. It also projects an image that looks like a place that should charge \$60 to \$80 per hour.

My final suggestion is that you consider investing 10% to 20% of your marketing resources in converting sales into relationships. The cost of new customers is much higher than retaining customers. Send low-cost mailings, offer an annual service program. Hey, I’m happy to pay my dealer \$200 every February for a gold service program that keeps all my equipment ready to roar in March or April. You may even consider calling good customers about new products or services. Collect names, addresses and e-mails of all customers, and treat that database like it was a mine that can produce gold year after year. Because that’s exactly what it is.

Good selling! ■

About the Autor

James W. Riley Jr. is founder, CEO and creative director for Red Letter Communications Inc. A self-described “generalist,” Riley is the creative leader of Red Letter, and his credits range from copy and art direction on multimillion-dollar advertising campaigns to the production of hundreds of television commercials to the creation of a management workshop entitled “Solutions to the Five Most Common Mistakes in Local Market Advertising” for STIHL Inc.’s 8,000 retail dealers.

Drawing Power



Successful dealers offer advice on what it takes to draw and retain customers.

Consultant Mike Marks moderated a panel of dealers at EXPO 2006, bringing to light several ideas about how to effectively communicate your message to today's consumer. At the Yard & Garden Dealer Success Guide Live seminar, co-sponsored by STIHL Inc., the panel talked about creating a destination that consumers and families will want to visit. Other topics were also discussed, including ad budgets and effective selling techniques. Below are some highlights.

CREATE A DESTINATION

Carl Levien: Something Dan Ariens once said really hit home with me. He asked, "Would my wife be comfortable coming into your store and using your bathroom?" Now we are always conscious about how clean and well-lit our store is.

Russ Harrington: Somebody told me long ago when I was just starting out in this business, "Nobody goes to a lawn mower shop just to look around." The customer

"You have to create a destination that gives the customer a reason to visit your store when he's ready to purchase something."

— Dealer Russ Harrington

has something in mind that he wants to purchase. So you have to create a destination that gives the customer a reason to visit your store when he's ready to purchase something. We try to create a special destination by keeping displays fresh. We have a clean, well-lit store that women and children feel comfortable in. We want to make visiting our dealership a family experience. We have

a little play area set up where children can play while their parents look at equipment.

Garnett Vance: Depth of product line is important. We try to give our customers options. We also want to make buying fun. One thing we did last year was become more customer-friendly in our hours of operation. We're now open later at night and longer on Saturdays. I know it's a lot more work and it costs money. But we made the decision that it's much more costly to not be open when our customers want us to be.

Jim Brazil: We try to put out nice displays, too, and we've built a very strong reputation for our service department. Still, I don't trust that that's enough to keep people coming to our dealership. I'm big on advertising. I try to use all my co-op dollars for every line we carry. We run TV and radio ads. We have a pretty nice website at www.sevillelawn.com. We do very little newspaper advertising, though, and I'm not a big fan of the Yellow Pages.

ADVERTISING BUDGETS

Garnett Vance: We take our preseason order for a given manufacturer and budget 3.5% of that for advertising. From there we break it up into different advertising media, whether it's newspaper, TV, direct mail or whatever. About 70% of our advertising is what we call "touch-feel" advertising. We think our customer needs to see our product, which is why we're not big on radio advertising. Our best form of advertising is off-site tent sales. Tent sales have been our largest growth area in the last two years. The other effective change we've made is that, in our various advertising, we don't talk about prices anymore. We talk about programs.

Russ Harrington: We take 4% of our wholegoods purchases, manufacturer by manufacturer, and make use of the co-op from there. I actually like radio advertising. But

THE THINK TANK

Garnett Vance of Vance Outdoor Power Equipment in Glasgow and Bowling Green, KY

Russ Harrington of Four Seasons Equipment in Tupelo, MS

Carl Levien of Carl's Mower & Saw in Ferndale, WA

Jim Brazil of Seville Lawn & Power Equipment in Pensacola, FL

Mike Marks of Indian River Consulting

we write and record our own ads. I think that helps. When someone's listening to the radio, hearing that same broadcaster's voice all day, a new voice sort of breaks through better and gets the listener's attention. I think that's why we've found radio to be pretty effective for us.

Carl Levien: We also take a percentage of our gross to establish our advertising budget. We do a lot of flyers through our manufacturers. This year we took some of our budgeted advertising dollars and put on some business seminars for our commercial customers. That feeds into our philosophy of building relationships, which is what we're really all about.

Jim Brazil: We spend all we can on advertising. We maintain the grounds of a local TV station, and they give us air time in return. Then I co-op that. We also run radio spots during football games, and run ads in the local shopper.

SELLING WITH STYLE

Jim Brazil: I was a Chevy salesman for many years before getting into outdoor power equipment. It was a big transition. But in both businesses, I believe it comes down to one thing: meet and greet, demo and close.

Carl Levien: We don't sell in the traditional sense of the word. For us it's all about long-term relationships. We position it in such a way that it's all about the customer and how we can help him.

Russ Harrington: I believe you absolutely have to sell your dealership.

You have to give them a reason to come to you, and even more importantly, a reason to come back to you in the future. I don't think anybody really enjoys mowing the yard. They might tell you they like it, but they don't. If you can make it a little easier for them, they'll appreciate it and remember you.

Garnett Vance: We have to offer something the mass merchandisers do not offer, and that's warranty and product knowledge. Many consumers actually end up buying the wrong mower in regard to what they really need. We look to educate as well as sell. ■

YARD & GARDEN
Dealer Success Guide

Missing a volume of Dealer Success Guide?

Visit yardngarden.com to download past volumes **FREE OF CHARGE!**



INTO THE LIGHT

Keys to leading your staff through the downtimes

If you pay attention to the trends in the market, you remember a time when you could slap a “For Sale” sign on equipment and it would easily sell, allowing you to always hit your quota. Things are no longer that way, and in many industries people now have to work much harder and much longer to make even the smallest sale.

The truth is our economy has shifted. It has gone back to normal some would say. Others claim the GDP is still rising and job placement is up, both good things. When your staff starts to feel the crunch and that things are truly bad, what do you think the impact on your organization will be? Employees who feel their job is on the line may give up caring what your business looks like. Employees surrounded by negative customers or rejection day in and day out may begin to believe all they hear and pass it on, accurately or otherwise.

The time is now to help those who feel they have fallen to get back up. Change the morale from “it’s all going down” to “we can turn things around.” Your efforts may be the most important thing you do to save your company, your department and your employees from making a mad dash to the door for greener pastures. If you feel your team has fallen and doesn’t know how to get up, try the following steps.

RALLY THE TROOPS

Much of what has begun as grapevine fodder in orga-

nizations is a function of miscommunication. One look or one memo can create an avalanche of damage control and attitude issues. Rally the troops and openly discuss what is going on with your business. What are the trends? What is affecting your business economically? Why are you changing a product line or price? If they are a part of the process and have all the information they need to know, employees are much less likely to create their own answers to keep from feeling in the dark.

REFOCUS TRAINING

Part of what helps an organization is training to keep up with the new skills needed and new advancements made. However, training is a 51 billion dollar industry and much of what organizations offer is not what will fix the problem. For example, time management training will not help employees overcome the fear of continued rejection, which may be the real reason they are not meeting their sales quota. A refocused training plan that begins with a complete analysis of where the problems lie may incur a slightly higher investment up front, but will leave you with lasting results far after the downtimes have gone.

GET TO KNOW WHO THEY REALLY ARE

Under stress, people will reach for and use traits and behaviors not normally utilized. If an employee

will help you and that employee to be more rational and productive, at all times.

BRING IN AN OUTSIDE SOURCE

If you have children then you have seen what happens when they ask you a question. You are just the

Your efforts may be the most important thing you do to save your company, your department and your employees from making a mad dash to the door for greener pastures.

parent and cannot possibly have any validity. Yet if the neighbor or a complete stranger provides the same answer you did to the same question, that outside, unfamiliar party seems to have real insight. The same is true in your dealership.

The voices of the familiar faces lose their value over time, and when an outside source comes in

RE-MOTIVATE MIDDLE MANAGEMENT

No one seems to suffer more than those in the middle of any situation. Middle management, when times are tough, gets it from senior levels in asking for more numbers and better results. But they also get it from the employee level in

complaints, attrition, or personal issues that prevent performance. Give some thought to the middle managers in your ranks who could use a little kudos, a little team spirit and a little pat on the back for being the glue that seems to hold it all together.

Whether you believe times to be tough or just fine, the perception of those you work with is the reality they face every day. What you do in the downtimes shows character and strength and conviction of your beliefs. It is easy to be happy and upbeat when things are good, but who are you when the chips are down and how many people do you help to pick up in the process? They say making it through the tough stuff builds character, but you have to make it through it to see all the new character you now have. ■

About the Author

Monica Wofford brings more than 17 years of experience as a business consultant, trainer and speaker to Monica Wofford International Inc. Her Orlando-based training firm provides one-on-one coaching, profile assessments and consulting on training problems to many Fortune 1000 companies. When asked what she does she often says, "I save companies approximately \$2-5 million dollars in employee attrition costs over about six months." Find out more by visiting www.monicawofford.com.



Part of what helps an organization remain successful is training employees to keep up with new skills and advancements.

shows an attitude problem when the stress is high and change is frequent, but not when times are good, it is possible that mere raised awareness will alleviate the problem. The awareness of what an employee does when under stress

and shares similar information in a different way, their credibility is automatically greater. Bring in a consultant, an advisor or a trainer that you trust to diagnose and deliver a solution to the problems that you are facing in these times.

“The dealer is a tool that the contractor needs to perform his job in the same way that he needs equipment to mow his grass.”

— Dealer Success Guide, Volume 8, Page 26

Moen Machinery in Gresham, OR

Moen Machinery moves a ton of iron. From a single location in Gresham, OR, the dealership’s wholegoods sales alone dwarf the total volumes of many reputable dealers. But bigger isn’t always better, which is why co-owner Greg Moen keeps his eye on the larger prize: customer loyalty and healthy profits, both of which enable the business to continue growing.

And grow it has. Cindy Luebbers, Moen’s sister who’s also a co-owner, says her nerves act up from time to time. Like a lot of dealerships, especially those with substantial commercial customer bases, Moen Machinery is busting at the seams. Virtually every square inch of available land is already in use, leaving no room to expand at the current location. In fact, Moen Machinery sometimes has to “borrow” lot space from the RV dealership across the street to store some of the big iron it sells. It’s a good thing Moen networks the way he does; he’s chummy with the owner of that RV dealership.

Relocating has been discussed on more than one occasion, but doesn’t appear to be the best thing for Moen Machinery at the present time. The dealership benefits greatly from the high amount of traffic passing by its doors each day. “Plus, zoning in our area limits our choices when it comes

to relocating,” Moen points out. “We don’t want to move so far out in the country that we risk losing some of our residential and lawn maintenance contractor business,” Luebbers adds.

Nobody likes to lose customers, at least not the good ones. Moen Machinery has spent the last six decades finding—and keeping—a lot of great ones, from a variety of pro and homeowner segments.

BIG IRON ... BIG OPPORTUNITIES

The dealership has a 60-year history of shifting with its market. It started out as a farm supply store. When the logging industry began showing promise, Moen Machinery evolved into more of a saw shop. Then it was back to ag, with a continued emphasis on logging. In the late 1960s, due to a tremendous surge in development, the Gresham area saw traditional ag farmers transitioning to nurseries. “That’s when we changed from being primarily an ag dealership to being a more diversified business,” Moen says.

That’s also about the same time Moen Machinery took on the Kubota line. “We became a lawn and garden/agricultural/light industrial store encompassing several customer categories,” Moen tells. “The Kubota line has taken us in directions we never thought we’d go. Had we needed to take on several different lines to achieve the same market coverage,



I don't think we would have."

As Moen points out, dealing with one supplier makes expanding into different product categories much easier. You have one set of financing and purchasing programs to learn, while your parts and service staff have just one more line to become familiar with.

BUILDING LOYALTIES ONE SEGMENT AT A TIME

For Moen Machinery, it's really all about knowing each customer inside and out.

Nurseries. Moen Machinery has actually been working with this customer group since its founding in 1947, at that time providing Bolens tractors for traveling in between the rows of nursery stock. Since nursery stock is now the largest agricultural crop in Oregon, this segment has become Moen Machinery's biggest on the commercial side. The dealership still provides tractors for traveling in between rows, along with general field work and loading/shipping tasks. Articulated wheel loaders have also become popular for handling palletized stock.

SALES TIP: Moen Machinery stays involved with the state-wide Oregon Association of Nurseries by participating in chapter meetings and exhibiting at the Farwest Nursery Show. Moen says outside sales are also required to establish relationships with the individual nurseries and determine their equipment needs. Each of Moen Machinery's four sales reps has his own truck. A dedicated delivery person is also on the payroll.

Light industrial. This is the dealership's fastest-growing market segment, thanks to the increasingly popular compact excavator. It's helped Moen Machinery earn business from building contractors,

municipalities, utility companies and even landscapers.

SALES TIP: Outside sales and product demonstrations are extremely important. "You need to be able to show how versatile the compact excavator is for a broad range of jobs," Moen says. Industrial customers also require your sales reps to have a higher level of product knowledge, and are often more sensitive to pricing concerns.

Landscapers. While not as large a market as nurseries, the landscape segment has been integral and continues to grow. Zero-turns, walk-behinds and handheld are the big movers.

SALES TIP: Many landscape customers also require outside sales to establish relationships and demo product. To help ensure fast turnaround on repairs, Moen Machinery gives landscapers priority in the shop. Loaner equipment is available for emergency situations.

JUGGLING ACT

In addition to product knowledge, sales manager David Dirksen says giving commercial customers priority in the shop is why Moen Machinery has had success with so many pro segments. Sometimes it can be a challenge, since the dealership serves so many professionals from so many different industries. No one pro customer is more important than the other, so precise planning and organization in the shop is essential.

Each of Moen's experienced technicians is assigned to a specific area of the business, including diesel, lawn and garden, handheld and commercial landscape (zero-turns). This kind of "division of labor" helps ensure prompt service turnaround for everyone, including homeowners.

In the midst of all the fuss over landscapers, building contractors, nurseries and governmental

accounts, Moen says it's important to not lose sight of the valuable residential segment. After all, it represents 60% of Moen Machinery's customer base and continues to grow. That's why Moen Machinery also offers loaners to homeowners when needed. And it's why the dealership has juggled some things around in the showroom to create a more pleasing shopping environment for consumers.

STIHL Concept Store displays have been in place for 10 years. Moen recently ordered a similar package for the opposite side of the showroom to display Honda generators, pumps and trimmers. The dealership put in a series of shelves to merchandise what Dirksen likes to call "grab and go" items right up front (see p. 30). The shelves have boosted parts and accessories sales dramatically.

Along with the showroom and merchandising changes, Moen Machinery has altered its hours of operation to make it more convenient for customers—without causing too much of an increase to payroll. The dealership is now open 8-7 M-F, 8-5 Saturday, and is closed on Sunday. "Smart, skeleton staffing is the key," Dirksen says. "We only keep a couple people here after 5, and keep a limited shop staff on Saturdays."

Creating a clean and attractive facility customers will want to come to is one of Greg Moen's three keys for growth and prosperity. The other two are good employees and product lines you can a profit on.

But Moen left one thing out: You also need a management team of consummate pros to steer the boat in the right direction. Moen Machinery is a pretty large boat. Throughout its 60 years in business, it's naturally hit some rough waters but never come close to capsizing. For now, it looks like some smooth sailing ahead. ■



CROSSING the Chasm

What it takes to become a big dealer ... without being crushed by overhead while you're growing.

The size of your business isn't always the best measure of your success. However, if you want to seriously play in the wholegoods retail market, consultant Rick Barrera says you need a strategy to grow sales fast, while remaining lean and mean in the process.

When a dealership evolves from "small repair shop" to "growing dealership with an increased emphasis on equipment sales," managing for profitability becomes much more difficult. These mid-level (Tier 2) dealers often see a 3-5% jump in overhead. Expenses such as payroll, training, advertising, fuel, maintenance/re-

pairs, office supplies and insurance often increase.

The interesting thing is, as the mid-level dealer grows sales and becomes a "large" dealer, his overhead often remains the same. He's simply making better use of his assets—and making more money in the process. That's why, Barrera explains, mid-level dealers need a strategy to rapidly grow sales while keeping their operating expenses in check. Otherwise, the chasm known as Tier 2 can be difficult to cross.

But it can be crossed. You just need to hunker down, focus and remain diligent. "There are a lot of things you can do to manage yourself through Tier 2,"

Barrera says. “Don’t think you have to do them all at once. Focus on one at a time as you rapidly work your way across the chasm.”

CHANGE FOCUS FROM OPERATIONS TO REVENUE

The first thing you have to do is transform your way of thinking. Smaller, service-oriented dealers are typically more operations-focused. They’re transfixed on the process of getting machines in the door, serviced and back out the door. They tend to see things more from their personal point of view.

Mid-level dealers, on the other hand, need to focus on revenue generation. “They need to really get customer-focused and start viewing their business through the customer’s eyes,” Barrera says. Ask yourself:

- Where do my customers and potential customers live?
- How can I serve them?
- How do I reach out to them?

“Start making a name for yourself,” advises Barrera, who happens to be a big fan of direct marketing. “Oversized postcards to specific zip codes are great. You can also make phone calls into those zip codes. You can really start to reach out in a very targeted way, and it doesn’t cost that much.”

Reaching out is even easier if your target is landscapers, which is an easily identifiable market. Look through the Yellow Pages. Pay attention to the trucks driving around your area. Develop a prospect list. Call these guys and set up appointments to go see them to learn what you can do to earn their business. Sometimes, all you have to do is ask for that business.

“A lot of times, landscapers haven’t been feeling the love from

their current dealer, especially when that dealer has been growing his customer base,” Barrera points out. “You may have a chance to poach some business. Similarly, you can go after other commercial customers, such as golf courses, nurseries and municipalities.”

In addition to direct marketing, Barrera says you should considering doing some special events. Again, identify who you want to target and tailor the event toward that customer. For example, incorporate more family fun events if you want to draw consumers. Put together some business sessions for landscapers. Municipal workers often enjoy safety and equipment maintenance clinics.

“Whatever you decide,” Barrera reminds, “you have to start doing some aggressive marketing so you can cross the Tier 2 chasm as quickly as possible—preferably in a season or two.”

LEAN AND MEAN

Challenging growth goals like that definitely require a revenue-focused mind-set. Still, it doesn’t mean you can completely lose your focus on operations. As pointed out earlier, operating expenses typically rise 3-5% in Tier 2, which has a direct impact on your net profitability. Efficient operations become as important as ever in Tier 2. You just approach it from a different angle.

Your business, which has been built around people, should now be built around processes. For example, “Bill the parts counter guy” has always done things his way. That’s fine; his way might be brilliant. Just get that process documented so it becomes the way that job or task is performed, regardless of who is performing it. Develop and document processes for everything you can think of—

parts ordering, service writing, pricing and estimating, collections, etc.

Systems are important because 1) you need to delegate more so you can keep your focus on revenue generation, and 2) you need to run a lean and mean staff.

When your dealership grows to a Tier 2 level, you become a lot busier with more customers to deal with. **The temptation is to add a bunch of staff. “You can’t do that,” Barrera warns.** “Five employees is ideal; seven at the most if you’re pushing well over \$1 million a year.” A general rule of thumb is \$150K in sales per employee, though many leading dealers average a lot more than that.

Barrera offers the following glimpse of what an effective Tier 2 dealership staff might look like:

- The owner focuses on revenue generation: selling on the show floor and sometimes parts counter, visiting customers, handling the advertising, etc. The owner also works with suppliers and manages wholegoods inventory.
- The parts manager works the counter selling parts and accessories, manages parts inventory, manages the rental department and helps out on the show floor with equipment sales. This is why a more sales-oriented parts manager, as opposed to a technician-turned-parts manager, is often more effective for a growing Tier 2 dealership.
- One or two technicians stay on their benches generating billable hours.
- An administrator does the bookkeeping, along with IT-related functions like generating financial and inventory reports from your business system,

Are you ready for STIHL at GIE+EXPO 2008?



Mark your calendars now to join STIHL at GIE+EXPO in Louisville to attend educational sessions, honor your peers and customers, and be entertained.

See the newest STIHL products at Booth #5074!

GIE+EXPO, October 23-25
Kentucky Exposition Center, Louisville, KY
www.gie-expo.com

P. Allen Smith

Thursday, October 23
9:30 a.m. & 2 p.m. - Featured speaker
PLANET GIC
Book Signing - STIHL Booth #5074



STIHL Lumberjack Challenge

Presented by Scheers Lumberjack Shows
Thursday & Friday: 10:30 a.m., 12:30 & 2:30 p.m.
Saturday: 10:30 a.m. & 12:30 p.m.



Dealers in Excellence Awards Reception

Friday, October 24
1:30-2:15 p.m.



Pros in Excellence Awards Reception

Friday, October 24
4:15 p.m. South Wing - Lobby A

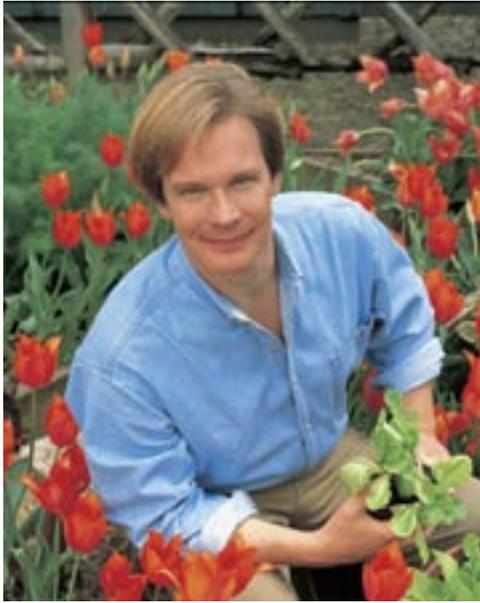
CHECK OUT NEW LOW-EMISSION PRODUCTS FROM STIHL AT GIE+EXPO!

Dedicated to developing products that are environmentally responsible, STIHL employs a variety of technologies to meet and exceed EPA and CARB requirements while meeting the needs of its customers. We are proud that our product line features some of the best available technologies and some of the cleanest running outdoor power equipment available today, reinforcing our assertive position in caring for nature.

For more information on the latest low-emission STIHL products, go to stihlusa.com/green or stop by the STIHL booth #5074 at GIE+EXPO.



Visit stihlusa.com/events/gie-expo to learn more!



STIHL IS BRINGING AWARD-WINNING GARDEN EXPERT P. ALLEN SMITH TO GIE+EXPO!

At the Professional Landcare Network (PLANET) Green Industry Conference (GIC), STIHL is pleased to bring you national celebrity garden designer, P. Allen Smith. As host of two nationally syndicated television shows and a regular contributor on "The Today Show," Smith is in touch with all the hot new living trends that customers want.

About P. Allen Smith

STIHL is the official handheld outdoor power equipment sponsor of the best-selling author, television personality and award-winning garden designer P. Allen Smith. Smith is a regular visiting expert on The Weather Channel, and host of public television program "P. Allen Smith's Garden Home" and the nationally syndicated "P. Allen Smith Gardens." Smith is currently in the process of developing and constructing his "green solutions" Garden Home Retreat near Little Rock, AR.

THE DEALER EXPERIENCE

THURSDAY, OCTOBER 23

12:00 – 1:30 p.m. – Session 1

Build Beneficial Relationships with Contractors to Build Your Bottom Line

- Jeremy Eck, Spruce It Up Inc., Springfield, MO
- Todd Reinhart, Reinhart Grounds Maintenance Inc., Bloomington, IL
- Roger Johnston, Fowlkes, Norman & Associates, Dallas/Fort Worth, TX
- Kurt Bland, Bland Landscaping Co. Inc., Apex, NC

1:30 – 2:45 p.m. – Session 2

What's Next: A Look at the Future of the OPE Industry and the Current Energy Situation; a conversation with Fred Whyte, president of STIHL Incorporated, Dan Ariens, president of Ariens Company and John Felmy, Chief Economist of the American Petroleum Institute.

3:00 – 4:30 p.m. – Session 3

Propel Your Company to Success with Value-Driven Marketing Practices

- Jeff Smith, Twin City Outdoor, West Monroe, LA
- Ralph Helm III, Ralph Helm Inc. Lawn Equipment Center, Elgin, IL
- Shaun O'Connor, O'Connor's Lawn & Garden, Oklahoma City, OK
- Kevin Hansut, Gulf Coast Tractor & Equipment, Land O'Lakes, FL

FRIDAY, OCTOBER 24

12:00 – 1:30 p.m. – Session 4

Successful Business Planning 101

- Lynn Pesson, Jr., Southland Engine Company, Lafayette, LA
- Tim Ahearn, Ahearn Equipment, Inc., Spencer, MA
- Phil Jacobi, Jacobi Sales, Palmyra, IN
- Carl Levien, Carl's Mower & Saw, Ferndale, WA

1:30 – 2:15 p.m. – Session 5

Yard & Garden's 6th annual Dealers in Excellence Awards presentation, sponsored by Ariens, STIHL, Equipment & Engine Training Council and GIE+EXPO.

2:30 – 4:30 p.m. – Session 6

Valuable Resources For Hiring, Training and Retention

- Tom Rigg, Riggs Mowers & More, Valparaiso, IN
- Scott Jardine, Arn's Equipment Ltd., Calgary, Alberta, Canada
- Terry Coffin, Beard's Outdoor Power Equipment, Crestwood, KY
- Barden Winstead, Land & Coates, Virginia Beach, VA

EXHIBIT HALL LEARNING CENTER

Friday, October 24
10:00 – 10:45 a.m.

Ethanol: Impact & Implications (technical workshop)
Speaker: Eddie Anderson, technical training coordinator for STIHL Inc.
Exhibit Hall Learning Center – Hall A

managing your website, etc.

- A runner does deliveries, equipment set-ups, assists technicians, takes out the trash, etc. This is a good job for a high-school kid or retired person. You can always hire a couple part-timers to handle this important function.

Along with the desire to add staff, many growing dealers also want to add a bunch of new lines. Barrera says this is another temptation to resist.

“Trying to be everything to everybody does not work,” he adds. “Build your business around a single brand you believe in. Then supplement it with no more than one or two other lines.”

Even if you are only carrying one unit from a manufacturer, it counts as a line. Barrera says, “Dealers love to cherry pick their favorite products from many manufacturers. This is deadly. It requires you to manage phone calls, visits, inventory, invoices, payments, credits, display space, POP, and many other time-consuming tasks for each vendor. You cannot afford this luxury in Tier 2. The narrower your lines, the faster you can cross Tier 2 profitably and get to Tier 3.

If you feel that you need to expand into other product categories—such as fun-karts or compact construction equipment to cover your slower times of the year—make sure the decision to add a new line or product category is preceded by thorough research so you know it’s something your market needs and an investment you’ll see a nice return on. Test the new line with a few units to ensure market acceptance and profitability before going whole hog. For many Tier 2 dealers, this kind of expansion is exactly the kind of distraction that isn’t needed.

Also on the lean and mean

side, Barrera says you should do zero-based budgeting. “Don’t look at what you spent last year,” he says. “Instead, ask yourself what the minimum amount you can spend is, without having a negative effect on productivity and customer service. Look at your phone bill, for instance. Do you really need three lines? Do you really need both a land line and a cell phone? On the other hand, you might need five to deliver great service, but you can lose that extra warehouse space if you consolidate your lines and get more efficient with your No. 1 line. Go through every line item in your budget and scrutinize everything.”

WORK THE EDGES

You’re actively seeking new customers to grow sales. You’ve trimmed all fat from your budget. Systems and processes have daily operations running smoothly, allowing you to keep your focus on revenue generation. “Now it’s time to work the edges—**identify the high-margin items and capitalize on them,**” Barrera says.

According to recent *Yard & Garden* State of the Dealer survey results, nearly 70% of Tier 2 dealers said parts/accessories account for 20-40% of total dealership revenue, with the average being 25%. The closer you can get to 40%, however, the better off you’ll be.

“It helps when your revenue mix is skewed toward high-margin, high-velocity items,” Barrera says. “Really push shovels, gloves, rakes, safety glasses and trimmer line. Look into products such as toys, flashlights, and even clothing like Carhartt. Don’t run out and buy a pile right off the bat. Do some tests to see what will sell. If something does, buy a tad more next year.”

Well-run used equipment and

rental departments can also help you improve your overall gross margin. They key with rental is to have what your customers need—typically things like aerators, chippers, skid-steer attachments, trenchers, edgers—and keep them “utilized” in the field. “The key with used equipment,” Barrera explains, “is to get it cheap and turn it fast.”

In regards to new equipment sales, buy right and take advantage of supplier programs, especially longer terms. Don’t tie up your money if you can use the suppliers’ money. “However, your best deal is often the everyday low price; then turn that inventory,” Barrera says. “You can also keep an eye out for your suppliers’ slightly damaged and overstocked items. Talk to your customers to determine if you have a market for these products. Selling last year’s models can also work, as long as the line didn’t undergo some serious improvements or price changes.” Your focus has to stay on revenue generation and margin. It is this magical pair that will be your bridge across the chasm.

There’s a lot to think about when trying to cross the Tier 2 chasm, which is why it’s gotten the best of many a dealer. Just remember that every Tier 3 was once a Tier 2. By shifting your focus from operations to revenue generation, keeping your dealership lean and mean, establishing systems and processes for everything, and capitalizing on your high-margin opportunities, you can ensure that you’ll be the next dealer to make it across. ■

About the Author

Rick Barrera is a nationally acclaimed speaker, marketing consultant and author known throughout the Fortune 500 for his extraordinary speaking ability and his unique approach to brand building.

More Tips to Help You Cross the Chasm

When you're looking to grow your dealership and sell more wholegoods, consultant Rick Barerra says you have to shift your focus from operations to revenue generation. You also have to make your dealership lean and mean, establish systems and processes for everything, and capitalize on your high-margin opportunities. Here are some more things Barerra says can help you cross the chasm.

STORE HOURS

If you're serious about growing retail sales, you should probably be open six, or even seven, days a week. Home Depot and Lowe's are open. If you aren't, you will not win the loyalty of the consumer market. Many successful dealers use skeleton staffing and limited hours on the weekend, such as 8-1 or 10-4.

If you think you should be open later at night during the week, keep in mind that you don't necessarily need a full staff the entire 10 or 12 hours you're open. For example, some dealers who are open later at night send the techs home at 5 p.m., maybe keeping just two or three employees on staff in the evening.

HIRE THE BEST

"You need to spend more time on the hiring process so you get the best people," Barerra says. "Go for a technician who already has a few years experience. Before you hire him, give him a unit to work on to see how he does. He needs to be well-trained, and you need a plan to continue training him so he grows."

GET MORE EFFICIENT IN THE SERVICE DEPARTMENT

Techs must be trained and their billable hours tracked. They must know they're being measured, and they must be rewarded for meeting and exceeding performance objectives. Also, depending on what other dealers are doing in your market, it's a good idea to charge for deliveries.

The same goes for collecting hefty deposits or full payments on service work. That way, if they don't pick it up for a month, your cash flow won't be compromised.

MEASURE EMPLOYEE PERFORMANCE

Techs aren't the only ones who should know they're being measured. Parts, administration and sales staff also have to know what they need to do to remain valuable. Create job descriptions and establish performance expectations for everyone.

STAFF MEETINGS ARE IMPORTANT FOR A GROWING BUSINESS

"Regular team meetings are one of the most under-utilized tools a dealer has at his disposal," Barerra says. "Whether you have them at the beginning of the week or end of the week is up to you. But you need some check-in points so you can keep the majority of your focus on revenue generation."

COLLECTIONS ARE CRITICAL TO A GROWING BUSINESS

If you're extending your own credit to customers, your administrative person has to be effective at collecting.

Better yet, find a good finance partner. "Some dealers like to extend credit to everyone and carry it themselves," Barerra relates. "Get it off-loaded to a finance company. It can be a high-margin item that improves

cash flow if you learn how to use it."

ASSET UTILIZATION

Make use of Section 179 of the IRS tax code. You're able to immediately deduct the cost of certain types of property, such as shop equipment and vehicles, even though you're paying on it over a period of years. Check with your CPA to discuss your options and current deduction limits. This can significantly reduce the taxes you pay and improve your cash flow.

NO OBSOLESCENCE

Barerra says you cannot afford slow inventory turns and obsolescence when crossing the Tier 2 chasm. You must constantly watch your inventory so you know what's moving and what isn't, and when certain units are coming due. "You have to sell everything before the end of the season," Barerra says. "Once it's just past your mid-season, start blowing things out. It's better to move something at a smaller margin than not move it at all."

Make sure your employees understand the devastating effect obsolescence can have on the business. Rotating stock is critical. When a new shipment comes in, it goes "behind" the existing inventory so the existing inventory moves first. Make it one of the systems and processes you develop in your quest to establish a lean and mean operation. Remember, it is easy to turn cash into inventory. It is hard to turn inventory into cash. Sell everything in season when demand is high. ■

Shrink

Narrow margins and flat demand make managing for profitability quite a challenge. Here's what you can do about it.

Shrinking wholegoods margins have been a problem for quite some time, but many dealers report that this problem has gotten even worse in the past couple of years. To make matters more thorny, the dealer's cost of doing business is rising and industry forecasts are calling for another year of flat demand for outdoor power equipment. Managing for profitability becomes quite a challenge during times like these.

"We haven't noticed any margin shift in the dealer programs being offered by our distributors, but in looking at the overall industry, we can see that there is pressure to move excessive inventory that has developed since mid-2005, and that generally will lead to reduced margins at every level of the supply chain," says Bob Walker, president of Walker Mfg. "We aren't seeing this as a long-term trend, but as more of a blip in the industry until inventories are reduced."

THE FIGHT FOR SHARE

While excess inventories have added fuel to the fire for the past couple years, other factors have played a role for years, including the increasingly sizeable market for disposable-type equipment.

"Some major manufacturers are out there driving retail pricing down for the box store with no real thought being given to the servicing dealer's need for margin," says Mike Thuecks, vice president of sales and marketing for Ariens Co. "I personally don't understand this; who will service the units after the sale? Then again, maybe after-sale service is of no consequence since the products they make are becoming more disposable in nature. We feel that a high percentage of the market has this 'disposable' disposition where product life cycle cost is not even considered. That might be the right way to go for some manufacturers. But is it good for the dealer?"

The manufacturer and distributor's natural desire for

WRAP





market share has also been a catalyst for dwindling whole-goods margins. “Many suppliers seem to be more concerned about market share than dealer health,” says dealer Gene Saville of Lamb & Webster in Springville, NY.

“We are definitely seeing lower gross margins, most notably in the heart of the consumer product category, that being lawn tractors and consumer zero-turns,” says dealer Dale Magie of West Chester Lawn & Garden in Liberty Township, OH. “Up until the mid 1990s, we were making 20-25% on this category. Now we’re making 15-16%, mainly because some manufacturers want to lower their MSRPs to maintain or gain market share.”

“As the outdoor power equipment market becomes more competitive, some companies choose to reduce dealer margins to either lower MSRPs, or maintain current MSRPs as their manufacturing costs escalate,” says Steve Meriam, manager, national sales and product development for STIHL Inc. “In any event, the dealer must earn a certain gross wholegoods margin to remain profitable, provide benefits to his employees and invest in growing his business. Therefore, we counsel our dealers to support the brands that provide them with adequate margins and eliminate those brands that are not profitable enough for them.”

WHAT'S AN ADEQUATE MARGIN?

An examination of all past Dealers in Excellence Award finalists (roughly 90 dealers) points to an average gross whole-goods margin of 19-20%—slightly above the industry average but below what many think is needed to effectively operate a lucrative outdoor power equipment dealership.

“The dealer must have the ability to make 25% on whole-goods (average) with volume incentives over and above to survive in the future,” Magie says. “With fewer dealers out there today, it seems to be easier to get dealers to start working together to create better marketing plans, as well as establish dealer retail needs by adding fees to obtain desired margins. For instance, most dealers in our area are now charging for set-up and delivery.”

It’s a lot easier to add those charges when your competitors are doing the same. Similarly, it’s a lot easier to hold your margin when your competitors aren’t discounting left and right.

“When are dealers going to say ‘enough is enough?’” asks Thuecks. “Too many dealers are still willing to sell a low-margin product because they think it’s better than nothing. I believe a lot of this really comes down to dealer mind-set. Do dealers want to give consumers a high-value alternative to shop in? The best thing that could happen is for dealers who don’t understand they are running a business to get out, allowing those who do get it more market space to make the money that’s available.”

Long-time industry consultant Jim Yount says some dealers think they’re in business for the wrong reasons. Some have told him they want to serve their community or provide jobs for

people. Those are certainly valid, commendable reasons, Yount says, but should be a byproduct of a profitable business. “Dealers must stop listening to the negative naysaying mantra of the unsuccessful people and focus on their business with a strategic plan—and manage it for growth.”

SELL SMART

The first step in that plan, especially when it comes to maximizing profitability from your wholegoods department, should be a clear, smart selling strategy. Consultant Ed Kovalchick of Net Profit Inc. says that slowing the sales process by working a designated selling plan (step by step) can create higher margins. “Gaining and keeping control of the transaction allows the seller to make the best use of his product knowledge and caring, friendly personality,” Kovalchick says.

It’s also important to identify gross profit requirements and make sure reps know their limits. “Create a minimum selling price for each

product that sets the boundary for making offers to customers,” Bob Walker advises. “This will stop low-margin sales as a discipline.”

Dealer Rusty Campbell of Outdoor Power Equipment – Nantucket Marine in Nantucket, MA, says they set acceptable margin ranges for each product line. “We look at these numbers on a daily sales sheet, and then again each month, and adjust prices as needed to assure we are making the margins we’re looking for,” Campbell explains.

One dealer, who chooses to remain anonymous for competitive reasons, says his margins are actually holding their own—due to selective selling. “If the product fits, we might steer a customer toward a certain product where we have more territory, less competition and better margins,” the dealer says.

Similarly, Yount says it’s critical to qualify the customer’s needs. Ask the customer what he’ll be maintaining and how he’ll be using the piece of equipment. Then let

those answers drive your follow-up questions.

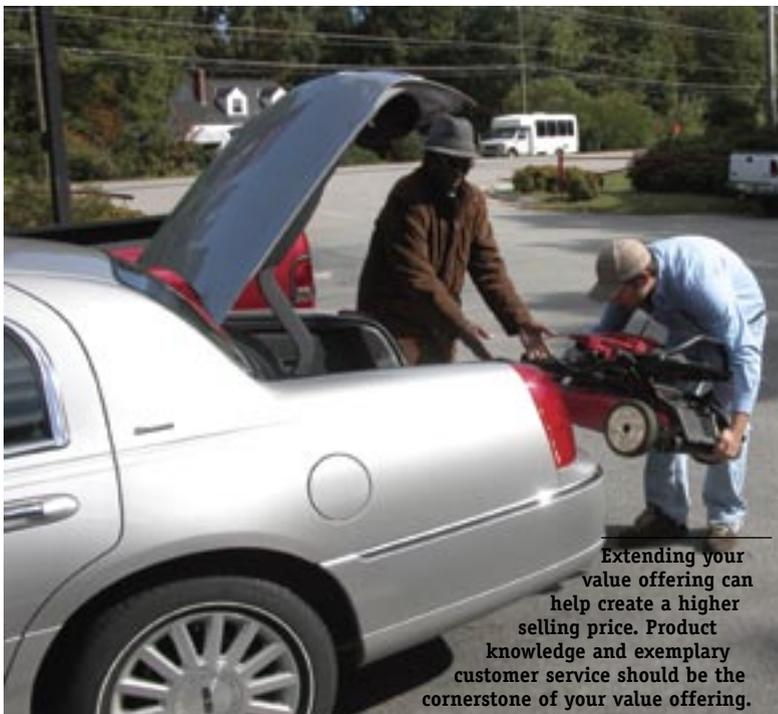
“This allows you to recommend the model best suited for the job,” Yount points out, “and to sell the model that’s the best value for the customer. Seldom does a low price-point model represent the best value for the customer. Plus, entry price-point models tend to come with a lower profit margin.”

In other words, slow down and take the time to learn what the customer needs, share your product knowledge with him, and educate him on the many products—and services—you have to offer. “Learn to sell the total package, the economic value-added services, not just the equipment,” Yount reminds.

SELL PACKAGES, BOOST “OVERALL” GROSS MARGIN

Mike Thuecks says too many dealers still “sell from a catalog” or “from the back room.” There’s a tremendous amount of money being left on the table by not merchandising accessories in the store, according to Thuecks.

Steve Meriam agrees. “Training sales personnel on how to encourage add-on accessory item sales is by far the easiest and most profitable way to increase overall gross margin dollars on every sale,” Meriam says. “Many customers do not know what accessory items they will need, or are even available, with their new piece of equipment. Making suggestions in a positive, non-pushy way to maximize comfort, safety or convenience is usually appreciated by the customer. Stocking, merchandising and maintaining clean, full accessory displays is critical to capturing these sales.”



Extending your value offering can help create a higher selling price. Product knowledge and exemplary customer service should be the cornerstone of your value offering.

An examination of all past Dealers in Excellence Award finalists (roughly 90 dealers) points to an average gross parts/accessories margin of 38-40%. But Yount says parts and accessories, if priced and marketed correctly, can produce an overall gross margin of 45-50%. Furthermore, they can represent a larger percentage of your overall dealership sales, helping boost your overall dealership profitability.

"For every service labor dollar sold, we typically see about 15 cents sold in parts," Yount says. "A good goal is 40-50 cents. Many dealers are not focused enough on the parts and accessories side of the business. The parts department is then left to develop at its own rate, which is not very effective. Dealers should be separately tracking sales of parts and accessories sold over the counter to walk-in customers."

EXTEND YOUR VALUE OFFERING

Dealers should also create value-added offerings to create a higher selling price, according to Bob Walker. "Deliver on your promise of extraordinary service," he says. "Great service also tends to raise the price of used equipment, which in turn supports a higher price for new equipment."

Consultant Kevin Kehoe says the only way dealers can maximize gross profit is by selling the value of service. More importantly, dealers should maximize service revenue and parts potential by managing those profit centers to strongly contribute to the overall dealership profitability. "New car dealers make 95% of their profit on used car sales, parts, service and other value-added services they sell," Kehoe points out.

Dealer Dale Magie says he sells

maintenance plans on all products, zero-downtime options and at-home service. "Customers are willing to pay extra for this convenience," Magie relates. Similarly, Thuecks says Ariens has formalized a relationship with Fail-Safe to offer extended service package programs. "This can boost the dealer's equipment sale margin by as much as 6% in some cases," Thuecks says.

MAXIMIZING SERVICE POTENTIAL

Dealer Dave Faxon of Faxon's Outdoor Power Equipment in Bowling Green, KY, says he feels that most dealers give away their service because they've subscribed to the notion that they can't make money with it. Faxon does the opposite. "I prefer to concentrate my efforts on turning a profit in the shop, which then allows the entire dealership to be more profitable," he says.

Magie has changed his way of thinking, as well. "We've worked hard over the last couple of years to get our shop efficiencies up to over 85% per tech hour."

"The shop is a gold mine," Kehoe adds. "If you address the many unbilled hours and few controls on what technicians are paid for repairs, there is money to be earned."

Kehoe also sees a fair amount of waste in the parts department. "Better inventory control and fewer SKUs can help," he says. "Someone needs to be watching the parts inventory to maximize returns and get rid of slow-turning inventory."

SCRUTINIZE ALL OPERATING COSTS

Even as you fight to hold your margins and maximize the potential of your service and parts departments, rising operating costs

present one more hurdle to clear on your path to improved profitability.

Dealer Gary Nichols of Nichols Equipment in Jacksonville, FL, sums it up this way: "I'm limited by weather, economy, the whims of manufacturers, rising property taxes and a great deal more outside my control. The explosion of credit card use by consumers adds another 2% cost to the bottom line. The latest round of surcharges, in the guise of parts freight, is almost too much to pass on."

Out of necessity, and to his credit, Nichols has become the consummate bean counter. "I look at every expense, from insurance to uniforms, and try to squeeze every nickel out," he relates.

Magie has worked closely with his accountant to eliminate all expenses he possibly can. Upon the accountant's advice, Magie is not afraid to charge what he needs to allow the dealership and its employees to survive and grow.

For example, "We have added fuel and prep charges to all whole-goods items sold," Magie says. "We charge \$5 on two-cycle products, \$12 on walk mowers, \$15 on snow blowers, \$30 on tractors and consumer Zs, and \$50 on commercial Zs. "We also charge a minimum of \$58.50 on delivery of new units."

WORK YOUR CURRENT CUSTOMER BASE

Again, it's a lot easier to add these types of charges when your competition is doing the same. But even if they're not, you need to remain focused on you and your business—and what you need to charge in order to yield a respectable pre-tax net profit.

It's also a sound strategy to remain focused on your current customer base when looking to maximize gross margin dollars.

The Trade-in Trap

Consultant Mike Marks says that some of the most profitable dealers he's worked with are doing about 50% of their total revenue from parts and service. The other 50% is wholegoods sales—and nearly half of that is used equipment.

These dealers recondition the used equipment they've taken in on trade and do a good job of selling it, often with their own warranty. In terms of overall dealership profitability, "These dealers are less reliant on new equipment margins," Marks says.

The key is that these dealers actively work a plan to make money on



the used equipment they take in. Unfortunately, according to consultant Jim Yount, these dealers are often few and far between. "From time to time we find a dealer who can prove to us that he knows how to make money on trade-ins," Yount says. "Most dealerships we've worked with, however, have a bone yard of old, worn-out mowers that have no value. That bone yard of mowers has been bought and paid for with gross profit dollars from the trade-in allowance."

"Whether or not your sales department takes a trade-in on the sale of new equipment is a matter of company policy," Yount adds. "At the core of any policy, though, is to serve your customers to their expectations and produce your gross profit margin as planned." ■

"Repeat buyers are willing to pay the most," Ed Kovalchick says. "There are successful sellers who seldom advertise, but rather spend the same amount of money on spiffs for referred customers and programs where the current customer base is maintained.

"The least expensive way to create additional and consistent volume is to continuously mine your current customer base," Kovalchick continues. "Customers who bought once will buy again—it might as well be from you."

When and how often the cus-

tomers buy has become more of a problem for some dealers, including Brent Hollopeter of Medina Tractor Sales in Medina, OH. "Our biggest sales increase has been to upscale homeowners who are buying commercial products," Hollopeter relates. "The problem is that this equipment doesn't wear out as fast."

In some instances, Hollopeter says, selling a maintenance plan along with the machine is an effective way to increase gross margin dollars on the sale. However, Hollopeter adds, "The problem arises when you work on these newer commercial mowers. They can get very expensive in a hurry and eat up anything you made on the plan."

At least you're helping foster loyalty among your customer base, which Mike Marks of Indian River Consulting says is critically important. Dealers should be thinking about the life value of a customer, not just a single transaction. Getting caught up in the "retail game" is what often leads to other problems, such as discounting, poor customer service and unhappy, disloyal customers.

"Instead of looking at a sale as a single transaction—what you sell and how much margin you make—look at what could be the life value of the customer," Marks explains. "The real play is not just someone coming in to buy a chain saw, for example. If that customer comes back once a year for five years, that's where the money is. It's not in the individual transaction, which happens to be the big box way of looking at it. Thinking that way ignores the real value a dealer has to offer." ■

The Dealer's Role



Photos courtesy of Finch Services Inc.

“Once dealers can take a step back and see the forest, not just the trees, they will feel better about viewing themselves and the industry as a good place to be.”

— Tim Wentz, NEDA

There’s no arguing the fact that there’s a massive shortage of skilled technical staff in this industry. But that’s all the more reason why a dealer needs to continually work the human resources component of his business.

NEDA’s Tim Wentz says the first thing a dealer can do is start viewing himself as a valued employer. That’s hard for some dealers to do—especially those who are quite humble by nature. But if a dealer isn’t willing to blow his own horn, it’s difficult to develop promotional materials and/or set aside time to visit schools and guidance counselors. “Once dealers can take a step back and see the forest, not just the trees, they will feel better about viewing themselves and the industry as a good place to be,” Wentz says.

PRESENT INDUSTRY IN A BETTER LIGHT

According to dealer Brad Finch, the 1990s computer focus has caused a lot of problems at the educational level. Vocational programs and community colleges have poured hundreds of thousands of dollars into computer labs, all at the expense of technical programs such as diesel and gas engine repair. But now that the market for computer-related jobs has tightened up, Finch sees an opportunity for the ag and outdoor power equipment industries.

Finch Services Inc. has created a six-page, glossy brochure for all new hires that it also passes out at

various job fairs, including one it personally holds at its own dealership. Finch says the brochure points out the benefits of a career in this industry, along with the comprehensive benefits plan offered at Finch Services.

RECRUITMENT IS AN ONGOING PROCESS

Finch says his dealership doesn’t wait until it has a vacancy to fill before it puts out a “help wanted” ad. At Finch Services, the hiring process is an ongoing task. “The main way we make it ongoing is by keeping positions out in front of our existing staff,” he relates. “We call it our team recruitment program. We want our existing employees to bring prospective employees to us, and we pay them incentives if they do.”

In the past two years at Finch Services, the retention rate for employees hired as a result of the team recruitment program has been 92%. Employees hired as a result of traditional media, such as newspaper ads, has only been 52%. Plus, Finch Services spent twice as much on the traditional media. Finch Services now employs roughly 190 people between its five stores in Maryland and Pennsylvania.

COMMUNICATE

At Finch Services, new hires are told exactly what is expected of them, along with what they can expect of the dealership in return. In 60 days the employee does an evaluation of the dealership. “The first step is



making sure we're meeting the new employee's needs," Finch points out. At 90 days the employee is then evaluated. Going forward, annual evaluations take place.

Monthly department meetings are also mandatory at Finch Services. "Part of our mission statement says we want to create a positive work environment that fosters team building with honest and respectful communications among all co-workers and management staff," Finch says.

CHART A CAREER PATH

Finch Services has developed a thorough service technician career development and compensation plan. The goal is to chart a career path for each technician and for each technician to understand what's expected of him to reach a higher level of performance and compensation. Finch has established six performance/pay levels.

"We also offer lateral movement," Finch says. "For instance, we have some lawn and garden technicians who switch over to ag, and vice versa. This has been critical to our success in attracting and keeping good technicians."

Creating an ideal work environment has been just as critical, if not more. "Dealers need to create cleaner, safer environments," Finch says. "In all of our Service Depart-

ments, each tech has his own exhaust fan in his work station. We don't sacrifice on tools. It's not a matter of how much something will cost ... if an employee will be more productive with the right tool, it's worth investing in. We treat our employees like assets. If we're not providing a clean, progressive environment to work in, we're not really investing in our people."

CHARGE WHAT YOU'RE WORTH

Finch says many dealers still aren't charging what they're worth, and subsequently, can't pay their employees what they are worth. It comes down to knowing what your costs are. "If you don't know what your costs are," Finch points out, "you'll never know what to charge for a labor rate."

A review of past Dealers in Excellence finalists (roughly 90 dealers nominated since 2003), points to an average shop labor rate of \$54.25 an hour. Larger dealers tend to charge a few dollars more. The overall trend points to higher labor rates, as the average rate for 2008 finalists is \$65. Hopefully dealers are headed in the right direction. Finch says dealerships need to be charging at least \$60 per hour, and the most highly skilled technicians should be earning minimally \$15-\$16 an hour.

ACCELERATE PERFORMANCE WITH INCENTIVES

Along with knowing their costs, dealers must know how their technicians are performing. Without a good computer system or other mechanism to measure a tech's performance, it's hard to motivate that tech with incentives.

Finch Services runs both efficiency and revenue recovery reports on each technician. Efficiency, which is what Finch is most interested in, measures against a flat-rate system. "I think dealers need to move in this direction," Finch says. "You need techs who can bill \$100 but get it done in \$80—and you need to keep them busy all the time."

Revenue recovery measures a technician's revenue-producing time by dividing the number of hours the tech is paid by the number of revenue hours the tech bills. "We assume there will be a certain amount of time spent on vacation, sick leave and non-revenue-producing tasks," Finch explains. "On the lawn and garden side of our business, we shoot for 75% recovery."

IMPROVED TRAINING

Mike Williams of NAEDA says NAEDA's OPE Dealer Council is studying the training of technicians, and regularly discusses the topic. "Their discussion centers on what's currently available, how that can be better utilized, and what needs to be changed and/or provided in the future. "Out of that discussion," Williams adds, "they hope to have some recommendations for manufacturers and distributors concerning training, and how everyone, including dealers, can partner to attract and keep qualified staffs." ■

THE THINK TANK**Jim Yount**

Jim Yount Success Dynamics
903-796-3094

jimyount@attglobal.net

Mitzi Hedinger

Stens Corp.

800-457-7444

www.stens.com

Scott Harris

Oregon Cutting Systems

www.oregonchain.com

Scott Summers

Power Equipment Systems (PES)

800-426-1661

www.pesnet.com

The Sum of all Parts

Seven ways to start making more money in parts

Parts and accessories are often considered to be a power equipment dealer's best profit opportunity, at least in terms of gross margin. As lucrative as your parts operation can be, however, it can also become a hindrance.

Disorganization, excess inventory and dead stock can add cost, reduce profits and impede growth. Even worse, it can drain resources from other areas of the dealership and impede their growth, as well. In other words, what can serve as a cash cow can soon become an albatross, and we're not talking about the web-footed sea bird.

If you want to start making more money in parts, take a look at these seven areas that can directly improve sales, increase margins and reduce costs.

1. GET A HANDLE ON INVENTORY

In an effort to determine appropriate stocking levels, most mid-size and larger dealers make good use of their business management systems to track sales histories part by part. If you're a smaller dealer who doesn't have a computerized business management system, you can still get a better handle on your inventory by working with your distributors. "Your reps should be able to reference purchase histories to help determine future inventory needs," says Scott Harris of Oregon Cutting Systems.

Consultant Jim Yount says it's important to look at your inventory needs on a seasonal basis. If you don't, you could end the year with too much inventory on the shelves. In other words, you probably want to bolster inventory levels during peak season, and then pull back a bit when your off-season starts to set in. Your business management system and/or distributors should be able to assist you here, too.

Yount says you never want to allow parts inventory to grow faster than parts sales. If it does, the inevitable result is a lower gross margin from the Parts Department. The focus should be on inventory turns.

"I'd say six turns a year is a good goal," Harris adds. One way to determine how many times your parts inventory turned over is to take your total parts purchases for the year and divide it by your average inventory, which is your start-of-year inventory plus your end-of-year inventory divided by two. Some analysts say you can use parts sales instead of parts purchases, and may even go as far as saying you can use end-of-year inventory rather than your average inventory.

Regardless of which formula you use, lower turnover rates may point to overstocking, obsolescence and poor marketing efforts. However, as important as turning inventory is, Yount offers a word of caution: "Trying too

hard to increase turns can lead to lost sales due to a lower fill rate. If you don't have a part in stock, the customer may not be willing to wait, resulting in lost sales."

"You don't want to overstock, but you also don't want to use your distributor as an overnight warehouse for inventory you should be stocking," says Scott Summers, vice president of Oregon-based distributor Power Equipment Systems. "Many dealers think they're saving tons of money by not stocking a lot of parts. In reality, when you figure the cost of acquiring the part and the time lost, you may not be saving as much as you think."

This is especially true when the part is needed to complete a repair. Summers says a dealer loses, on average, a half hour of labor when he has to halt a repair, order a part, move the machine aside, and then get the machine back out when the part arrives. "This is a big reason why many of our smaller dealers have shop efficiency ratings below 30%," Summers says.

Keeping a larger parts inventory to ensure a higher fill rate does cost more money to maintain, but Yount says you may be able to increase prices accordingly to make up for it. "Many customers are willing to pay a little bit more if they can get the part right then," he adds.

2. GET A HANDLE ON MARGINS

To maximize total Parts Department profitability, you should be examining the profitability of each part you sell anyway. Your business management system should be able to report parts sales by line item. For every part you stock, you need to know the price you paid for it, the price you sell it for, the gross profit dollars and the gross profit percent. For example, if you paid \$5

for a part and sold it for \$10, your gross profit dollars is \$5 and the gross profit percentage is 50%.

Yount says this information is vital because you need to sell your parts not only at a fair market value, but also at a value that allows you to cover your overhead costs and generate a profit. "A 30% average is not sufficient with today's cost of doing business," Yount points out. "If parts account for 20-25% of total dealership revenue, we seldom see profitability when the gross margin on parts is less than 35%. We believe it should be at least 40%, and have actually seen dealers who make more than 50%." (See "Playing within the margins" for a look at what dealers say they are earning on parts.)

3. MANAGE VENDORS

As pointed out earlier, your vendors can help you tailor your inventory levels by referencing your past purchases. They can also help you identify fast-moving parts with their "Top 50" list, for example. These "wearable" items such as belts and spindles are SKUs you always want to have in stock.

Summers says you have to "read the fine print" so you can take full advantage of a supplier's programs. For instance, booking with dating and terms helps you bring in the fast-moving inventory you need to maximize retail sales and keep the service department trucking along.

Another way some suppliers can help you is with a parts return (obsolescence) policy. Yount and Summers concur that you should take advantage of these programs as often as they will allow.

"Every time a part becomes obsolete you lose money," Yount explains. "We have seen obsolete parts total tens of thousands of dollars. Don't let it happen to you. Do not allow your inventory to

grow because you didn't take the time to return slow-moving parts."

"Try to keep the fast-movers in stock at all times, and then rotate the rest of your inventory on an obsolescence program every year," Summers advises. "Return your obsolete parts so you can order more fast-movers. There will still be those instances throughout the year where you have to order an oddball part. Do so as a special order and pass the freight along to the customer."

If possible, it's a good idea to tie a special-order part into a larger, perhaps weekly order so you can minimize freight charges. Understanding your vendors' freight programs is another key to making more money in parts. Harris says, "Try to balance your desire to qualify for prepaid freight with your desire for inventory turns."

Summers, who used to be a dealer before joining Power Equipment Systems, suggests ordering twice a week; maybe on a Monday/Thursday schedule. That way you're hopefully placing large enough orders to qualify for prepaid freight, but you're not spending too much time placing and receiving orders.

Prepaid freight falls under the umbrella of a broader concept known as "buying power." According to Mitzi Hedinger, marketing manager for Stens, some dealers cut themselves short by always looking for "the cheapest vendor" on a given part. At the end of the day, though, the dealer may not be saving as much as he thinks because he's limiting his buying power. He can't take advantage of a given vendor's volume discounts because he's spreading his purchases across several vendors. "By having a single partner in the replacement parts business, a dealer can consolidate his buying power, often get the same or better warranty, and gain

access to product lines he otherwise may not have," Hedinger says.

4. MAXIMIZE SPACE

The first three steps have dealt with reducing inventory cost and improving gross margin. Step four deals with creating a more efficient, productive environment that will help keep the Parts Department's net profitability from tanking.

"Look around your parts area, along with your shop, showroom, offices ... everywhere," Hedinger advises. "It's amazing how much space can be found once all the waste and clutter is eliminated. We see a lot of dealers who are holding onto old equipment, obsolete parts and other odds and ends that are just sitting around collecting dust. Cleaning those things up will create more room for storage."

According to Hedinger, Stens has worked with several dealers who have implemented parts storage solutions such as Vidmar cabinets. "Dealers tell us that the cabinets reduce the amount of space used to store inventory, allowing them to

keep a more accurate, lower inventory level," Hedinger says. "The cabinets also make finding parts a lot easier."

Harris adds, "Parts stay a lot cleaner tucked away in cabinets. This kind of organization also makes parts returns a lot easier. We've seen a lot of larger dealers going to bin location systems and parts drawers."

5. ASSIGN RESPONSIBILITY

Controlling inventory and maintaining organization is tough to do without those responsibilities landing on someone's desk. Whether that desk is a dedicated parts manager's, yours or someone else's, at least one pair of eyes must keep a constant watch on your parts operation.

A dedicated parts manager is the best way to go, but not realistic for many dealerships. Harris says that until you get to that million-dollar level, where you have five to seven employees and can really start managing your dealership depart-

ment by department, it's hard to justify a full-time, dedicated parts manager. For smaller dealers, just having a "part-time" parts manager who's in charge of ordering, organization and cleaning out obsolete inventory will be a big help.

What makes a good parts manager these days? "Computer skills are absolutely on the rise," Harris points out. "This is really important for larger dealers who are relying more on business systems and online ordering. Also for larger dealers, having a parts manager who's a little more business-savvy could be more important than having technical skills, though there's still an advantage to knowing the equipment from a service standpoint."

6. MERCHANDISE

You've worked hard to clean up your inventory and improve organization. Now it's time to start marketing your Parts Department more aggressively to give sales a kick in the pants.

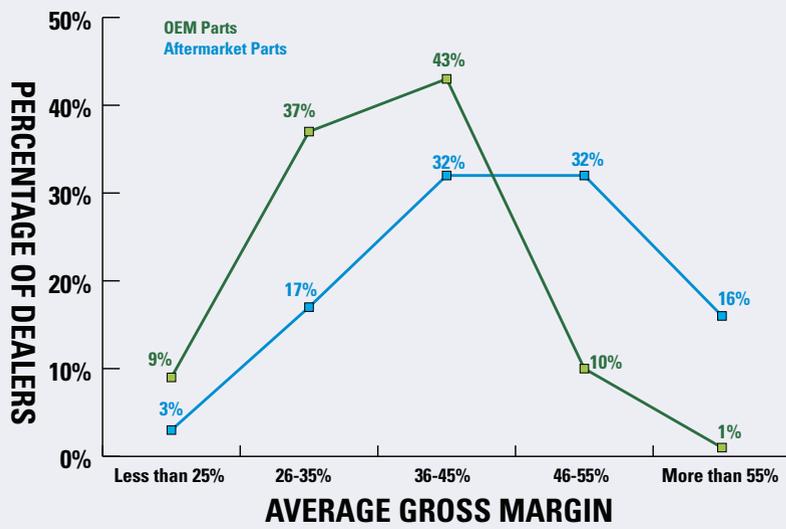
"Our most successful dealers have worked really hard to spiff up their showrooms," Harris says. "There's no rule that says you have to stock your entire parts inventory in the back room. Keep in mind that packaging is a lot better today. Take down some of your traditional signage and displays that you've had around forever. Work with your suppliers to get updated materials and showcase as many of these fast-moving parts as you can."

7. ASK FOR THE SALE

If customers don't see these parts on display, chances are, your parts sales will extend little beyond the everyday repair order. "Your parts and service departments should work together to not only perform basic repairs, but also preventive maintenance," Harris says. "More dealers are using the Internet

PLAYING WITHIN THE MARGINS

According to results from recent *Yard & Garden State of the Dealer* surveys, more dealers seem to be making a little better money on aftermarket parts than OEM. Nonetheless, 75% of dealers said more than half of total parts sales are still OEM parts. Here's a look at the average gross margin earned on parts/accessories sales, along with the percentage of dealers who fall into each range:



today. Get your customers' e-mail addresses and promote accessory sales and spring tune-ups."

Jim Yount says you should track the ratio of parts sales to service labor dollars. While it's difficult to say what a good ratio is, because there is so much variation from one piece of equipment to the next, this will help you monitor progress. For instance, if you're averaging \$1 in parts to every \$5 in labor, imple-

ment some strategies to help close that gap. If in a month you're now averaging \$2 in parts to every \$5 in labor, you're making some serious progress. Keep it up.

"When a customer brings a piece of equipment in for service," Yount says, "take two minutes and complete an inspection while the customer watches. Discuss what you see—worn tires, wobbling wheels, cables, lights, switches,

filters, seats, blades, saw chain, guide bars, chain brakes, sprockets, hydraulics, leaking fluids, etc. Ask the customer about replacing or repairing each item. Give him or her a guarantee. If you don't have a checklist, develop one. Then, when your business grows sufficiently and you can afford one, hire a service writer."

Aside from the customers coming into your dealership for service, you can also reach out to customers in an effort to boost parts sales. Harris says many of the better dealers he sees have developed parts catalogs for their commercial customers. Those dealers are also seeing an increasing number of parts orders coming through their websites.

Hedinger concurs, saying, "Consumers are more educated than ever and like to shop ahead. They may want to check out their options online, or maybe even place their order online, so their wait time is minimized when they do travel to the dealership. A professional website can give a dealer a leg up."

Staying on the topic of the Internet, most dealers are now using it to place their own orders. Harris says some of Oregon's distributors report that 25-37% of parts orders are now coming in electronically. A good website that offers easy cross referencing, inventory look-up, access to statements and payment information all help the dealer save time and money.

If you're looking to make more money in parts, finding ways to save time will play a big part. Getting a handle on inventory, merchandising and selling more aggressively, getting organized and staying focused will, as well. Put them all together and watch parts profitability soar. ■

Dealer Best Practice: Think grab 'n go with displays

When Moen Machinery in Gresham, OR, decided to remodel its showroom a few years ago, part of the new floorplan was reserved for a series of island shelving displays. Those displays, placed directly in front of the parts counter, have had a dramatic effect on the sale of fast-moving parts.

David Dirksen, a sales manager at Moen Machinery, says there was a dual purpose for the displays. First, the dealership had run out of storage room behind the counter. Second, it wanted to increase sales for those products with the highest profit margins. "It's a win-win deal," Dirksen points out. "It takes less labor for the counter people, and less space for storage of items in the back."

The displays were designed to accommodate the different wholegoods lines Moen Machinery handled. Products like tractor accessories and STIHL hand tools complemented items such as filters, blades, clips, pins, hardware, oils and chemicals, batteries and trimmer line. "The displays were designed to spur the customer, who's in the store anyway, to grab the items they're going to need soon or later," Dirksen says.

The key to making parts displays work, Dirksen relates, is to keep the shelves clean at all times. You also want to keep the shelves fully stocked and "faced," which means all product is pulled to the front of the shelves. Then create a system that makes sense.

"Keep grease near the grease guns, battery accessories near the batteries, filters near the oil, trimmer accessories near the two-stroke oil, and so on," Dirksen explains. "Have a plan, but remain flexible to change what doesn't seem to work, expand on what does seem to work, and adjust for the season. We put out more trimmer line in the spring, bar oil in the fall and toys around Christmas. Keep in mind, however, that nothing will work if your parts displays are cluttered or complicated. The customer cannot be allowed to think too much. You want the customer to simply grab 'n go."

As far as pricing goes, sales and specials can be dangerous. While it's true that many commercial customers expect a discount, most consumers do not. They're more concerned with having what they need when they need it, so long as your pricing is fair. Make sure all of your product is priced in a clean, professional manner. Hand-written price tags can create the impression that prices are negotiable.

Signage should tell the customer what you carry by brand. Make customers realize that you carry more than what they were there for that particular day. Remind them you're a multi-line dealer. Build brand awareness for all that you sell through signage and displays.

"When considering the purchasing habits of the younger generation, we can learn from the box stores' successes by taking their merchandising ideas and making them work in our dealerships," Dirksen says.

Why is the world's number one selling brand of chain saw not sold at Lowe's® or The Home Depot®?



STIHL has been running this ad in some of the nation's largest newspapers. We are proud of independent STIHL dealers and we want the world to know that we

support the professionals who stand behind the STIHL product they carry. Our dealers know, STIHL doesn't sell its products in a box, not even in a big one.

To learn how to become a STIHL Dealer, contact your local STIHL Distributor.

The Home Depot and Lowe's are registered trademarks of their respective companies.

Number 1 Worldwide **STIHL**®



*Josh and Jeremy Ahearn
Ahearn Equipment, Spencer, Mass.*

“Our parents gave us a 30-year head start on a great future.”

Josh and Jeremy Ahearn literally grew up in their parents' outdoor power equipment dealership. Today, the sons are poised to take over the booming business. “Bringing the boys in re-energized all of us,” says dad, Tim. “Our parents believed in the business, and so do we,” adds Josh. And business has never been better, especially since their

decision to go STIHL Elite. “Consumers want premium brands you can't get at the box stores,” Jeremy says. “STIHL Elite gives us that advantage, improves our margins, and lets us compete right alongside the big boys.”

www.stihlusa.com 1 800 GO STIHL



For More Information Circle 101 on Reader Service Card

Number 1 Worldwide **STIHL**[®]