



Overview

For the third year in a row, dealers had more success with their parts and service businesses than they did with wholegoods—a trend that most dealers expect to continue into 2012.

According to an October survey of *Yard & Garden* readers, 56% of dealers said parts business was up again this year, while 46% said service business was up. Conversely, only 25% said equipment business was up.

The overall outlook among dealers is rather favorable for 2012. The majority expect another increase in parts and service business. Plus, two of five dealers expect to sell more equipment. Conversely, only 12% are forecasting a dip in equipment sales. An even smaller group (4%) forecast a drop in parts and service business.

Up and down on equipment

Dealers benefited from the release of some pent-up demand among landscape contractors in 2010, as 41% said they saw an increase in equipment sales. However, 2011 has been a bit of a letdown. While 38% had expected to see growth in equipment sales this year, only 25% said they actually did. Furthermore, while only 21% had expected to sell less equipment this year, 43% said they've ended up selling less. (See chart 1 on page four.)

Dealers remain optimistic, though. Looking ahead to 2012, 40% expect to grow equipment sales, while only 12% expect another dip. (See chart 2 on page four.) Of those dealers who do expect to sell less equipment next year, 88% have annual sales below \$1 million. Conversely, no dealers with annual sales above \$5 million said they anticipate selling less equipment in 2012. (Proprietary data.)

Tight wholegoods margins have become a reality which most dealers have learned to live with. For the key mower and tractor categories, only a small number of dealers earn a margin of at least 20%. Conversely, a third to nearly half earn less than 15%. Handheld categories fare a bit better for most dealers. Nearly a third report margins of at least 20%. However, another third report margins of less than 15%. (See charts 4 and 5 on pages five and six.)

Dealers continue to diversify their showrooms to drive additional sales to existing customers. Popular shortline products include tillers (76% of dealers carry), generators (71%), snowthrowers (70%), chipper/shredders (64%), lawn vacs (60%), aerators and dethatchers (52%), concrete saws (51%), and chemical sprayers (49%). (See chart 7 on page seven.)

Consumer confidence, commercial mis-read?

Dealers are expecting big things from the consumer market. Roughly 45% expect more business from consumers, while just 9% anticipate less. Dealers are less bullish on the commercial market—and that could prove to be a mistake for some. Just 19% expect more business from landscapers, while 13% anticipate less. (See chart 3 on page five.)

Generally speaking, however, landscapers are in a buying mood. According to a similar survey of landscape contractors conducted by sister publication *Green Industry PRO magazine*:

- 58% of maintenance contractors expect business to be up in 2012, only 7% expect to see a drop
- 49% of lawn care contractors (fertilizer, weed control, etc.) expect business to be up, 8% expect a drop
- 48% of installation contractors expect business to be up, 7% expect a drop
- 62% of contractors plan to buy a string trimmer in 2012
- 59% plan to buy a mower
- 46% plan to buy a chainsaw
- 44% plan to buy a leaf blower
- 40% plan to buy a trailer
- 37% plan to buy attachments for their mower or tractor, another 5% plan to rent
- 25% plan to buy an aerator, another 11% plan to rent

Parts and service still mainstays

Roughly 56% of dealers saw an increase in parts sales this year, and 63% anticipate continued growth next year. On the other hand, just 15% saw a decrease in parts sales—and only 4% anticipate a decrease in 2012. (See charts 1 and 2 on page four.)

Margins remain strong in the parts department. On OEM parts, half of dealers said they earn at least 36%. On aftermarket parts, nearly two-thirds said they earn at least 36%. (See chart 6 on page six.)

Many dealers' service departments continue to thrive. Roughly 46% saw an increase in business this year, while another 33% said business held steady. Looking ahead to 2012, 54% anticipate

continued growth, while 42% anticipate the same amount of service business. Only 4% forecast a reduction in service business. (See charts 1 and 2 on page four.)

Somewhat surprisingly, 21% of dealers did report a dip in service business this year. Even more surprisingly, data shows that these are many of the same dealers who also saw decreases in parts and equipment sales—suggesting that all facets of their businesses are failing. On a positive note, the overwhelming majority of these dealers, 76% of whom have annual sales below \$1 million, expect to do better in 2012. (Proprietary data.)

Roughly half of dealers plan on raising their shop labor rate in 2012. Very few are currently charging less than \$50 per hour, while the majority are charging in the \$51-70 range. (See charts 8 and 9 on page eight.)

Profits, and a Look into the Future

The majority of dealers (71%) are earning a net profit of at least 6%. On the other hand, 5% aren't turning a profit at all. (See chart 10 on page eight.) Furthermore:

- All dealers with annual sales over \$1 million are remaining profitable (proprietary data)
- 83% of the most profitable dealers have sales below \$1 million (proprietary data)
- 63% of all dealers expect to be more profitable in 2012, while only 10% expect to be less profitable (see chart 11 on page eight)

For many dealers, a host of changes will be ushered in over the next five years:

- Will open another store – 8%
- Will sell more lines – 11%
- Will sell fewer lines – 7%
- Under new ownership (family member) – 6%
- Under new ownership (one of our employees) – 4%
- Under new ownership (another dealer) – 1%
- Under new ownership (other) – 7%
- Closed and out of business – 2%

(See chart 12 on page nine.)

Chart 1

How have sales fared this year compared to last?

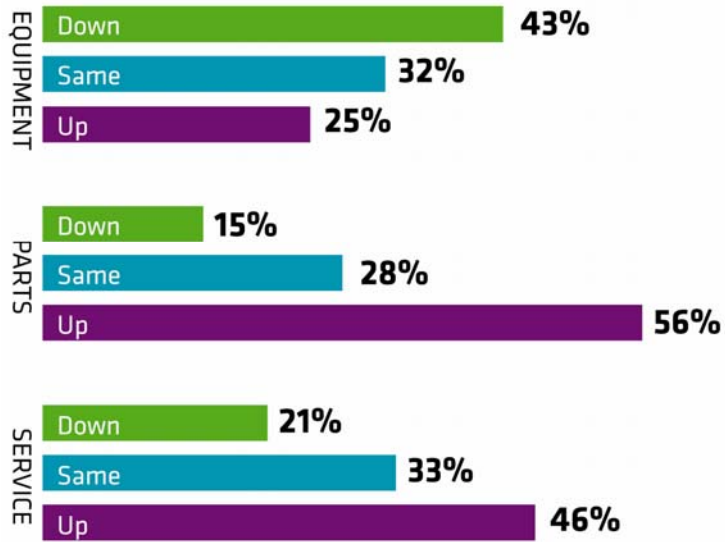


Chart 2

What are you anticipating for sales activity next year?

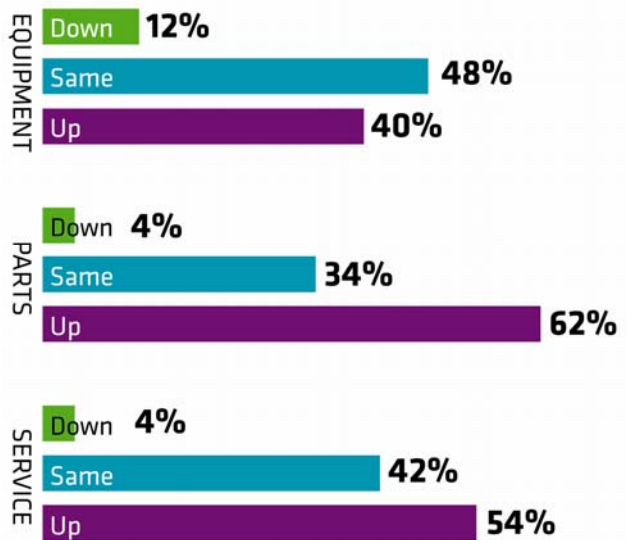


Chart 3

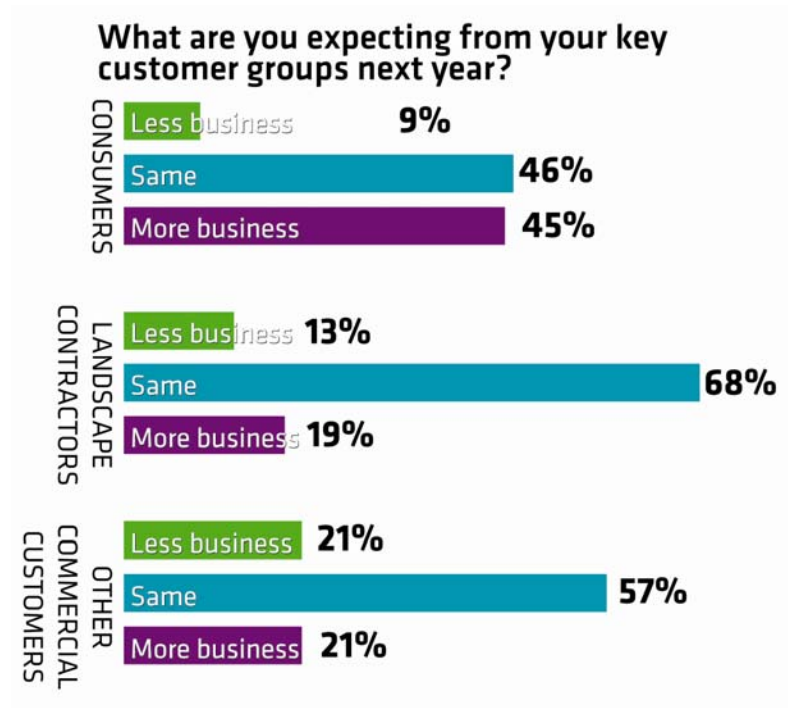
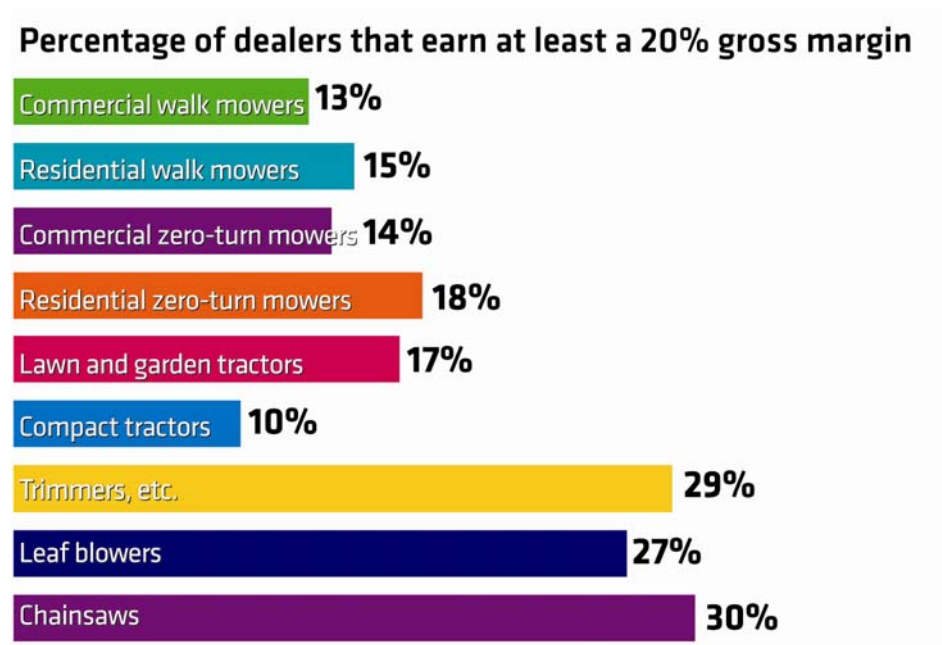


Chart 4



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Chart 5

Percentage of dealers that earn less than a 15% margin

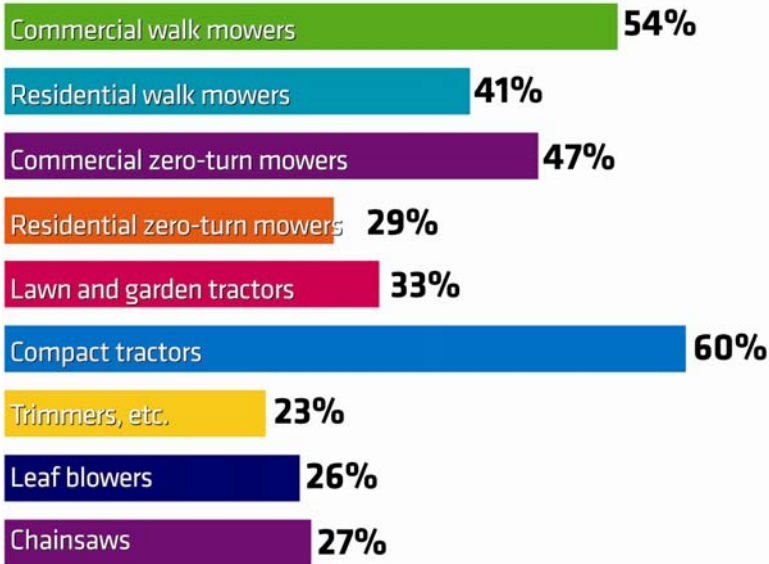


Chart 6

Percentage of dealers that earn at least a 35% margin on parts

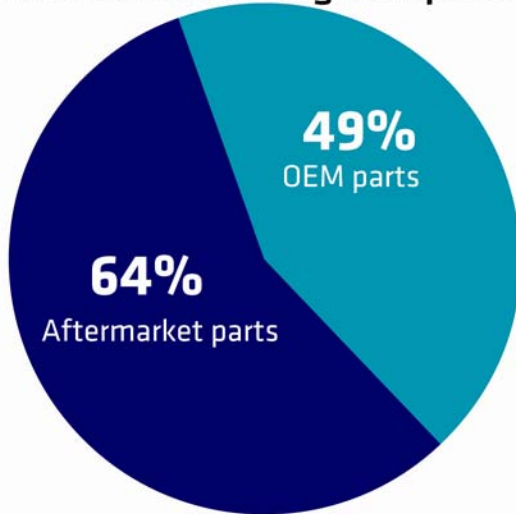
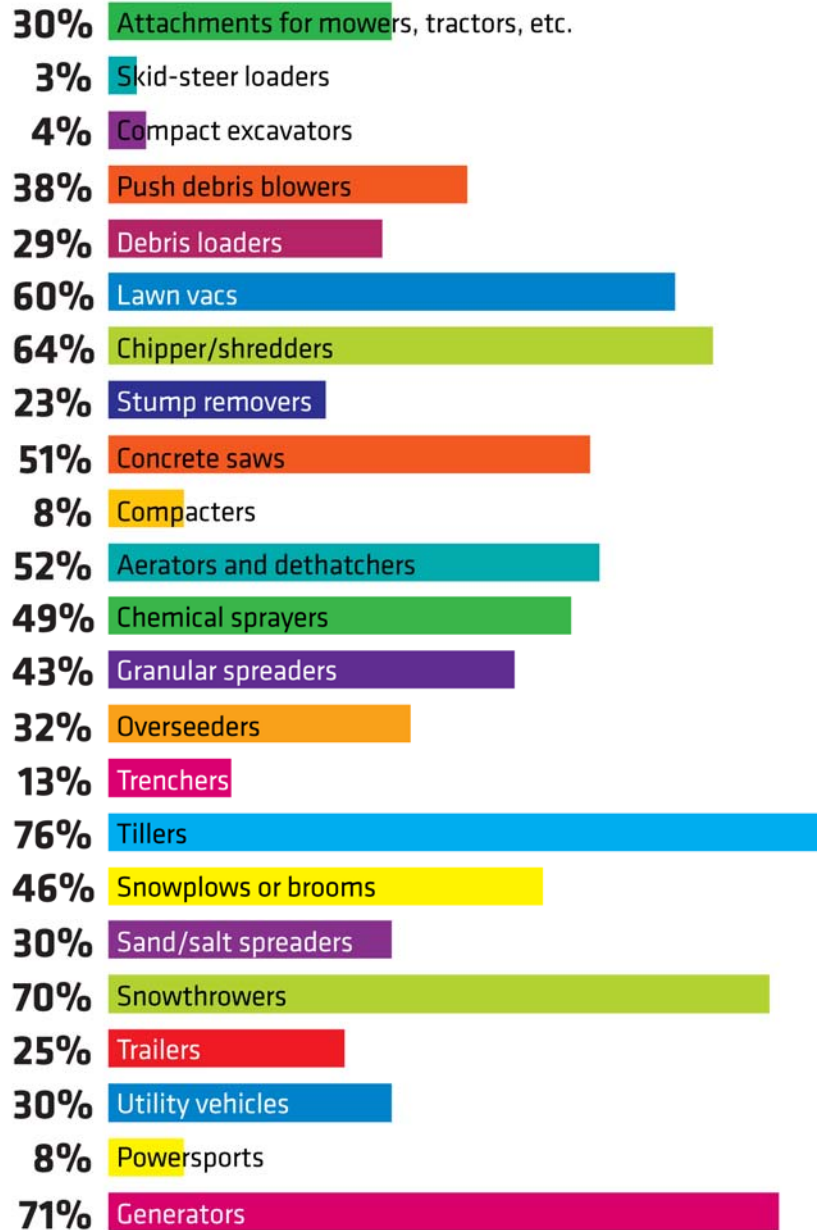


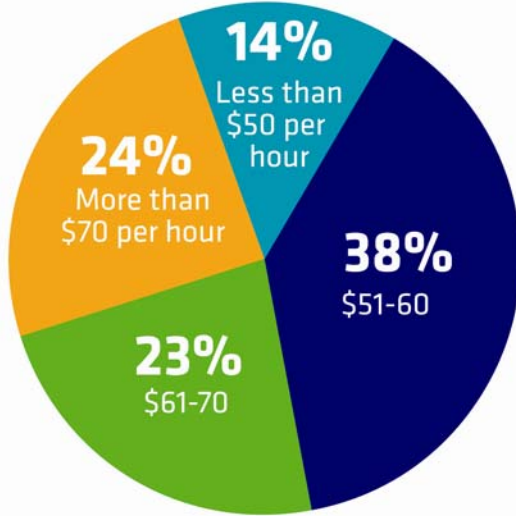
Chart 7

Percentage of dealers that sell or rent the following shortlines

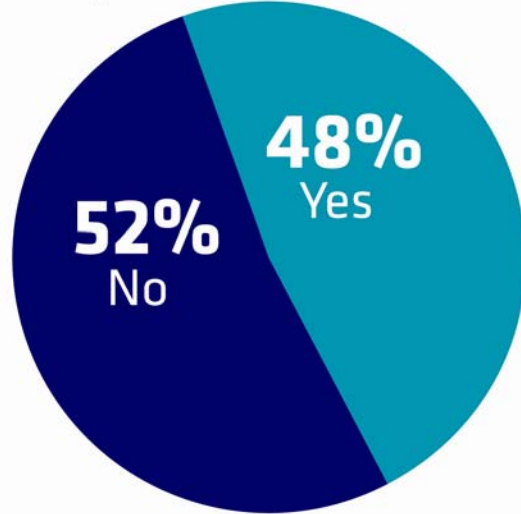


Charts 8 and 9

What is your shop labor rate?

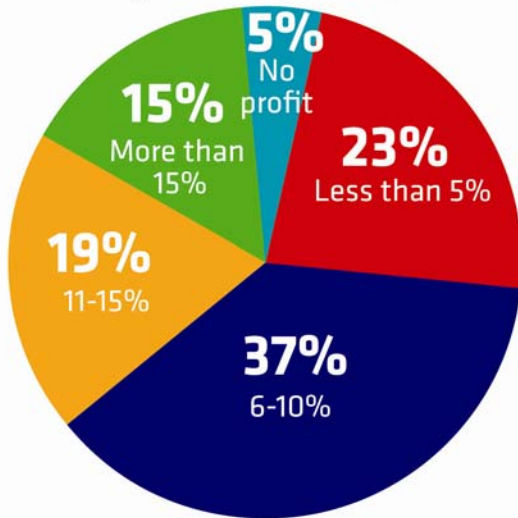


Do you plan on raising your shop labor rate in 2012?



Charts 10 and 11

What is your net profit percentage?



Do you plan on being more or less profitable in 2012?

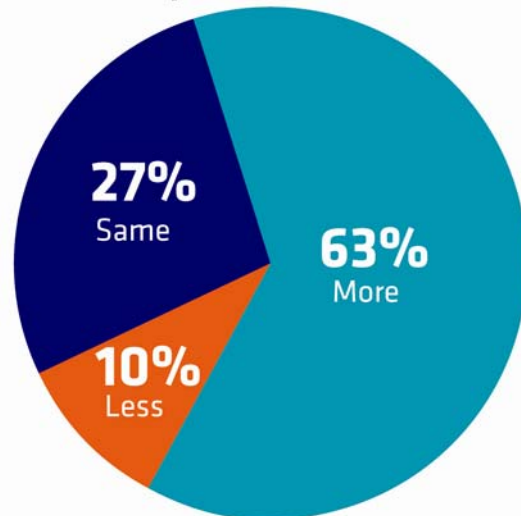


Chart 12

18% of dealerships expect to be under new management within the next five years

