



# 20 Group tackles issues

Dealerships compare notes on doing business in today's challenging environment

BY LYNN GROOMS

**S**ALES slumps... too much inventory... what's a dealer to do? Representatives from six dealerships met last summer to tackle these and other issues at a NAEDA 20 Group meeting in Madison, Wis. The two-day session was facilitated by George Keen, senior partner, Currie Management Consultants (CMC), Inc., Worcester, Mass. Keen challenged the dealers to think about what they were going to do differently over the ensuing weeks and months to improve their performance and profitability.

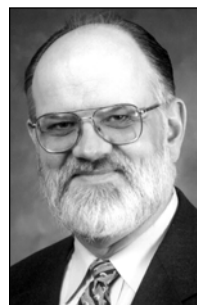
In fact, the chief reasons behind the 20 Group concept (so called because the goal is to have about 20 dealer participants) are to share ideas with similar businesses, compare performance parameters (such as operating expenses) with group benchmarks and develop best practices. Dealers can then take what they have learned from these experiences to improve their own businesses.

The group that met in Wisconsin is made up of dealers from four states. They are called a "Mixed Group" because they carry different brands of equipment. But, they are similar in size, which helps when it comes to comparing quarterly and annual sales performance, gross profit and expenses.

Another NAEDA 20 Group, made up of John Deere dealerships, each with three stores or more, will meet in March. They have now been meeting for more than seven years. There is a third NAEDA 20 Group that also meets regularly.

## Group guest

NAEDA 20 Groups are available to NAEDA members, Keen points out. Dealers interested in joining a group are invited as a guest to one of the 20 Group meetings. After this first meeting, the other participants vote on whether to accept guest dealers into the group.



George Keen, senior partner, Currie Management Consultants (CMC), Inc., Worcester, Mass.

At this time, guest dealers also can determine whether they find a group a good match for their needs.

Tom Ballweg, from Ballweg Implement, a John Deere dealership with locations in Waupun and Beaver Dam, Wis., has been involved with the NAEDA 20 Group program for 13 years. "Joining a 20 Group has been one of the best investments I've ever made," says Ballweg, who has owned the dealership since 1976.

Ballweg and Joan, his wife, co-owners of the dealership, hosted a tour of their company during the Mixed Group's time in Wisconsin last summer. The tour was followed up with a survey where other group members provided the Ballwegs feedback on their buildings and grounds, and sales, service, parts, and administrative departments. They rated the dealership on such things as appearance of building and grounds and departments, whether the showroom projected a professional image, whether pricing was clearly marked, and so on.

Chris Baxla, president, Baxla Tractor Sales, Inc., a New Holland dealership with stores in Seaman and Washington Court House, Ohio, is also a member of the Mixed Group. He said one of the most significant benefits of belonging to the group is comparing his dealership to others in such key areas as labor rates and related charges. He estimated that paying more attention to such rates and charges will improve his dealership's bottom line by around \$50,000. "There are many other benefits of belonging to such a group," Baxla

added. "For me, it's a matter of looking more closely at how I run the business, making me step back and look at what's happening – not just shoving forward every day."

NAEDA's 20 Groups generally meet three times per year. CMC collects their dealership financial information and prepares a "gap analysis," which is the difference between a model income statement and the actual income statement, for each of the 20 Group's participants. This information is shared with the group but kept confidential from others.

During the meeting in Wisconsin, Keen reviewed with the dealers various parameters, such as expenses (including personnel, recoverables, operating, and occupancy expenses). For example, the expenses as a percentage of sales was 8.7 percent in the model (based on the department mix of these dealers) while the average actual expense for the group was 13.2 percent. The model gross profit was 20 percent based on the sales mix for this group. The participating dealers came close to this with a median of 19.3 percent gross profit.

Keen suggested that the dealers could better control aftermarket sales. The dealers discussed ways to improve in this area. One dealer was providing incentives to the parts delivery driver to sell warranty work and revamping technician incentives. This was helping to keep both the driver and the service department busier. It also was improving cash flow, the dealer said.

Another dealer was scouting new employees from other dealerships. He had already hired a new service manager from a competing dealership and was looking to hire qualified technicians from other dealerships as well. He also had hired a person to focus only on aftermarket sales and warranty work for consumer products.

"We had had a lot of issues with warranties before and late claims were our fault," this dealer said. With the new hire, the dealership expected to get warranties processed in a more timely manner. He added that the dealership was getting business that big box stores did not. The latter could not service outdoor power equipment fast enough, especially for landscapers, owners of apartments/condos and municipalities.

A dealer who had seen his winter service business dropping off said that his dealership decided to host an open house in December. The dealership asked customers for their business during that event rather than a month or two later as they had been doing.

## Wholesale financing

When the Mixed Group dealers met last summer they also expressed their concerns about the limited availability of wholesale financing and what they were doing as a result. One dealer had turned to local banks, establishing lines of credit there rather than working with his manufacturer whose interest rates had climbed. Another recommended getting a guaranteed buy back agreement from shortline manufacturers, particularly if they had recommended certain products or a standard spare parts stocking list.



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Chris Baxla, president, Baxla Tractor Sales, Inc., Seaman and Washington Court House, Ohio

Another who carried powersports products was working on reducing his inventory and getting out of that particular business. He also was reducing his used equipment inventory by selling online. He was having some positive results using [Fastline.com](http://Fastline.com) and was working on his dealership's Web site as well.

## Turning and earning

Keen discussed the importance of turning inventory. He said that dealerships should aim toward three or four asset turns per year. If, for example, a dealership turns inventory three times rather than one, the carrying cost is less and the cash flow better. If the dealership makes 15 percent on the sale, this leaves five percent as profit. Low margin products need to be turned more often than higher margin products, Keen added.

On the second day of the 20 Group meeting, dealers bring at least one idea for the Idea Exchange. The idea should be something they have already implemented in their business. At the beginning of this exchange, each dealer puts \$20 into a hat. After all of the presentations are made, the group votes on the best idea. The winner takes the pot.

"I've always liked the Idea Exchange," says Arnold Luptak, president, The Hersrud Co., a New Holland dealership with stores in Sturgis and Belle Fourche, S.D. "Many are money-saving if you follow through with them," Luptak says. He would like to see the ideas the exchange has generated over the years published in a book, but understands they are confidential within the 20 Group.

Luptak has participated in the NAEDA 20 Group for about six years. He knew that 20 Group meetings were helpful from having attended several in the retail automobile business with his brother-in-law several years ago. The Hersrud Company also sells GM vehicles. Luptak adds that it is helpful to talk with similar-sized dealers in both the 20 Group meetings and in casual conversations during meals at those meetings. ■

LYNN GROOMS is an agricultural journalist living in Mt. Horeb, Wis.



## The chief reasons behind the 20 Group concept are to:

- share ideas with similar businesses
- compare performance parameters (such as operating expenses) with group benchmarks
- develop best practices

Dealers interested in joining a 20 Group (or forming a new group) are invited to contact NAEDA at 636/349-5000.