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# NAEDA Equipment DEALER



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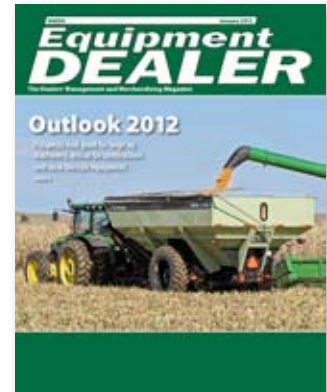
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### 6 Outlook 2012

Prospects look good for large ag machinery, less so for construction and rural lifestyle equipment.

**COVER PHOTO:** Orthman 1210 Chief Grain Cart (available for fall 2012 harvest)



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*"Committed to building the best business environment for North American equipment dealers."*



# Four keys to improving parts profitability

IN TODAY'S dealerships, parts departments are the heartbeat that push profits through to the bottom line. From service to wholegoods sales, there is seldom a transaction that takes place that doesn't involve the parts department at some point. Because of the value it brings to the bottom line and the impact it has on customers, it is important as a new year begins to do a quick evaluation and look at ways to improve both the flow of parts and the profits produced from them.

## 1. Measure Lost Sales

Classifying the parts that flow through the department is a critical component to having a strong grasp on whether the right parts are being stocked. If you classify everything as a stock order, you can't measure what is coming out of your inventory upon initial request and what is being special-ordered for a customer.

By having an accurate measurement of parts that are sold but not in on-hand inventory, you have a better grasp of if you are stocking the correct parts. If you don't have the part on hand, it should be categorized as a lost sale. Remember that your lost sales report is not telling you that you didn't sell a part, it is telling you that you didn't sell it from your on-hand inventory.

## 2. Use your system reports

Your business management system is full of reports that can be used to help improve the profitability of the parts department. Many managers look at the turn ratio report, which is important, but equally important is to evaluate where you have your inventory invested. Are the bulk of the dollars invested in inventory represented by fast moving parts? What percent of the inventory is obsolete? Are you coding your parts properly so that the popular parts are reordered and those that are slower moving are marked as non-stocking so they are not mistakenly ordered only to be later returned?

## 3. Keep an eye out for obsolete parts.

Perhaps one of the biggest drains on a dealer's inventory is obsolete parts. While there is no way to eliminate all obsolete parts, there is a way to keep them to a minimum. Keep in mind that any dollar you have tied up in obsolete parts is a dollar that can't be working for you otherwise.

The biggest reason for obsolete parts, other than improper phase-in criteria, is special-order parts that are never picked up by the customer and were not paid for at the time of the order. I encourage all my dealers to require at least 50% payment on any part that is a special order. That way, if the part is not picked up, you have dollars available to cover the handling, freight to return and restocking fees that might apply from your vendors. The most important thing is to send it back and don't add it to your inventory. The cost of holding a part can run up to 20% of the cost of that part on a yearly basis.

## 4. Evaluate your pricing strategy

Many of the parts managers I work with use a broad-based pricing strategy that is applied across the board regardless of the part or the vendor it comes from. I encourage all of the managers I work with to break their inventory into smaller segments and price those out accordingly. Most of the ag dealerships I work with do some segmenting of price, whether it's on twine, batteries or lubricants. The challenge is that they tend to reduce the price on those items to be competitive but fail to use the same strategy to increase the margins on parts that are captive or at least not as competitive.

The same holds true for parts sold over the front counter compared to parts that are sold through the shop. It makes no sense not to charge the shop a few percentages more on parts they install. The overhead costs for the dealership are higher. Think about this:

When a customer walks into your dealership to pick up a part, he or she is furnishing at least 50% of the labor and time over that same part being sold to the shop. In the shop, someone has to look it up, pull it and deliver it to the tech. Why not add 3% to the cost of the part to help recover some of the overhead?

The same holds true with high-value parts versus maintenance parts. Why not charge a slightly higher percentage on an engine part than, say, a fuel filter? In probably 80% of the cases, the engine part will be installed by your service department while the maintenance part is installed by the customer. Again, you don't have to add a lot, but a couple of percentage points of gain can add valuable net profit dollars to the dealership and have little, if any, impact on the customer. ■



BOB CLEMENTS is president of Bob Clements International, Inc., a consulting firm that specializes in the development of high-performance dealerships. Bob and his team work hands-on with dealerships throughout North America, helping them to improve their service and parts department profitability. Contact Bob at 800-480-0737 or [bob@bobclements.com](mailto:bob@bobclements.com). Visit [www.bobclements.com](http://www.bobclements.com) for more information.

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**STIHL BR 430 Backpack Blower**

The Stihl BR 430 Backpack Blower is ergonomically designed to help reduce operator fatigue. It features an advanced anti-vibration system and a simplified starting procedure. Back padding broad-shoulder straps and a rubberized grip provide support and comfort. A tube-mounted throttle allows for single-handed operation. The 3.9 bhp engine produces less exhaust emissions than standard two-stroke engines. For more information visit [www.stihlusa.com/blowers/BR430.html](http://www.stihlusa.com/blowers/BR430.html).

**Reelcraft Series SD Hose Reels**

Reelcraft Series SD 10000 low-profile spring-retractable hose reels are designed to handle 3/4-inch and 1-inch hoses up to 50 feet in length. They feature a high-quality external drive spring and a heavy-gauge all-bolted frame. Its compact profile makes it ideal for mounting in truck cabinets or other areas where space is limited. Models are available for air, water, oil or vacuum recovery hoses. For more information, call 1-800-444-3134, or visit [www.reelcraft.com](http://www.reelcraft.com).



**Arctic Snow Compact-Duty Plows**

Arctic Snow and Ice Control Products' new addition to its Sectional Sno-Plow lineup—the Compact-Duty (CD) Plows—is compatible with small skid-steers, compact tractors and small wheel loaders, and are designed for clearing small parking lots, sidewalks and larger driveways. Each individual 24-inch-wide moldboard-type section is equipped with its own spring-loaded trip edge, allowing it to move up and down independently. This design enables the plow to clear and scrape snow and ice clean, reducing salt usage and follow-up plowing. The CD plow is available in three sizes ranging from 6 to 10 feet wide. For more information, visit [www.arcticsnowandice.com](http://www.arcticsnowandice.com).



Direct new product information to: *NAEDA Equipment Dealer*, 3105 Springbranch Dr., Richardson, TX, 75802-2462, or e-mail to [naedanews@gmail.com](mailto:naedanews@gmail.com).

**NEW**  
Products



**ToolPak ToolVest**

Paktek, Inc., has introduced ToolPak ToolVest, a versatile tool organizer and safety vest combined. With 20 easy-to-reach pockets—six flap-covered—including large rear pockets that are accessible from both sides, the ToolVest keeps workers organized and hands-free. The vest has four quick-release buckle adjust points for perfect fit and slips on and off like a jacket. Fluorescent panels and reflective stripes provide visibility and safety. For more information, call 1-253-584-4914 or visit [www.toolpak.com](http://www.toolpak.com).



**DeWalt Hammerdrill/Impact Driver Combo Kit**

The DeWalt 20V MAX\* Lithium Ion Compact Hammerdrill/Impact Driver Combo Kit features a 1/2-inch hammerdrill with two-speed transmission and a 1/4-inch impact driver with 3 LED lights with a 20-second delay to provide visibility without shadows. The kit also includes two 20-volt MAX Lithium Ion 1.5 ah (amp hour) battery packs with a fast charger, two belt hooks, a bit holder and a kitbox. For more information, contact [www.dewalt.com/home.aspx](http://www.dewalt.com/home.aspx).

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**New Rules Ban Telephoning While Driving**

The Federal Motor Carrier Safety Administration (FMCSA), jointly with the Pipeline and Hazardous Materials Safety Administration (PHMSA), has announced a final rule prohibiting interstate trucks and bus drivers from using hand-held cell phones while operating commercial motor vehicles.

Drivers who violate the restriction will face penalties of up to \$2,750 for each offense and may be disqualified from operating a commercial motor vehicle for multiple offenses. Additionally, states will suspend a driver's commercial driver's license after two or more serious traffic violations. Commercial truck and bus companies that allow their drivers to use hand-held cell phones while driving will face a maximum penalty of \$11,000.

This rule went into effect on January 3, 2012. However, multiple "gray areas" remain to be cleared up. Basically, the rules restrict a driver from holding a mobile telephone to conduct a voice communication and dialing a mobile telephone to by pressing more than a single button. At this time, hand-free use is allowed via either an earpiece (Bluetooth) or speakerphone.

Companies need to focus on educating ALL drivers, putting together a policy, having drivers document that they have been trained, and make sure that ALL drivers are following the regulation. To read the rules in their entirety, visit [www.naeda.com](http://www.naeda.com) and click on **Government Relations > Legislative Resources > Cell Phone Restriction Rule**.

# Bad weather driving basics

## Tips for driving in hazardous conditions

IT HAS undoubtedly happened to you. You are driving in extreme weather conditions—rain, snow or ice—and suddenly, your vehicle starts to skid. Your heart starts pounding and grips the steering wheel so tightly your knuckles turn white. Sound familiar?

Losing control of your vehicle, even just for a moment, can be frightening and indeed dangerous. That's why it is important to be prepared and stay alert when you have to travel under hazardous weather and road conditions.

Skidding or hydroplaning is the No. 1 hazard when driving in rain, snow or ice because your tires lose contact with the road primarily because of oily surfaces, moisture or ice. Police and auto clubs warn that the most dangerous time to drive in the rain is immediately after it begins to rain, when oil and grease deposit on the road.

### Survival Kits

Here is a list of recommended items that you should have in your vehicle if you will be driving in bad weather or hazardous road conditions.

#### FOR YOU

- Flashlight
- Extra batteries
- Blankets
- Flares
- Brightly colored cloth
- Non-perishable food items
- Shovel
- Boots
- Cell phone
- First aid kit
- Water

#### FOR YOUR VEHICLE

- At least ½ tank of fuel
- Spare tire
- Tripod-type jack
- Wheel wrench
- Jumper cable
- Snow scraper
- Tow and tire chains
- Tool kit
- Bag of salt or kitty litter
- Engine oil
- Coolant

#### IF STRANDED:

- ▶ Don't leave the car.
- ▶ Use flares or tie cloth to aerial to attract attention.
- ▶ Run engine for 10 minutes every hour.
- ▶ Unblock exhaust pipe.
- ▶ Use blankets to stay warm
- ▶ Keep one window slightly open.

Following are some safety reminders for driving under all hazardous road conditions:

- ▶ Slow down when conditions are bad, especially around curves.
- ▶ Avoid sharp moves.
- ▶ Steer and brake gently.
- ▶ Avoid slamming on the brakes.
- ▶ Drive in the tire tracks of previous vehicles.
- ▶ Keep your hands on the wheel.
- ▶ Maintain at least three times more space than normal between you and the vehicle in front of you.
- ▶ Don't use cruise control.
- ▶ Avoid distractions, such as use of cell phones, texting or changing radio stations or disc players.

Safety experts emphasize that it is very important to maintain proper tire inflation. Inadequately inflated tires are much more likely to lose contact with the road and skid or hydroplane when conditions are bad. Check your spare tire, too. And make sure your tires have good tread.

When driving in snow or ice, it may become necessary to use a lower gear to maintain traction. Be especially cautious when approaching bridges and overpasses that may have ice accumulation. And never pass a snow plow or sanding truck. Keep in mind that the road ahead of them is more hazardous than the road behind them.

Safety experts recommend that you winterize your vehicle ahead of time.

- ▶ Inspect battery, brakes, belts and hoses.
- ▶ Check tire pressures; inspect tires for adequate tread and sidewall wear. Make sure your spare is properly inflated, as well. Install snow tires, if needed.
- ▶ Check antifreeze and windshield washer fluid levels.
- ▶ Check wiper blades, and replace, if necessary. Safety experts recommend replacement twice a year or every 6,000 miles.
- ▶ Make sure you are using the proper viscosity of oil for winter.
- ▶ Make sure your heater and defroster are working properly.

This may seem like a lot of effort, especially if you consider yourself a safe driver. But a rain-slick or icy road can challenge even the best drivers. It's always best to be prepared. ■



This month's Training Topic source:

The SouthWestern Association's Online Campus –

<http://www.swassn.com/education/OnlineCampus.html>

**Questions?** Call the SouthWestern Association at 816-561-5323.