

A CYGNUS PUBLICATION

# YARD & GARDEN

## ■ Dealer Success Guide ■ volume 10

A supplement to Yard & Garden magazine

■ Profitably running  
your service department

■ Brought to you exclusively by

**STIHL**®

## Table of contents

Best practices  
*Servicing dealers are becoming more innovative in their battle for service market share – here’s how . . . . .4*

Make money with your service department  
*It’s not what we don’t know that hurts us . . . . .14*

Competing to win  
*Effectively merchandising your service department . . . .16*

Death to dead time  
*A paperless service department generates more profit . .17*

Selling service  
*An important first step toward profitability. . . . .20*

Managing off-season payroll  
*A little creative scheduling can overcome seasonality . .21*

Generating profits from service  
*Pricing correctly key to making money . . . . .22*

Filling the gap  
*Competing with mass merchant service. . . . .24*

Silent salesman  
*Dealer uses the Internet to sell parts . . . . .26*

Parting ways  
*Don’t get bogged down in SKUs that aren’t turning . . .28*

## Robert Warde, editor

You may have noticed that some things are different in this edition of *Dealer Success Guide*. Yeah, that’s the first change. The publication is now known as the *Dealer Success Guide*.

As we move to the 5th anniversary of the publication, it seemed to us that, in many cases, survival isn’t enough. Why put in the long hours and hard work just to survive? We want to help dealers thrive and become successful, so we changed the name. The other change was small, but we added some color to the cover. Much as when Dorothy moved from the tornado in Kansas to the beauty of OZ, we want to bring a bit of life to the cover of the *Dealer Success Guide*.



This certainly isn’t to imply that we’re viewing life through rose-colored glasses. The *Yard & Garden* team understands that this is still a tough industry. But as we move across the country, talking to dealers to profile and gathering industry intelligence to help you run your business, we know that there is a lot of talent out there fighting the big boxes to stake their claim to success.

Some of that talent can be found in these pages. Industry consultants Jim Yount (P. 14) and Jim Riley (P. 20) are both members of Stihl’s Retail Readiness team. Stihl has served as our exclusive partner in this publication for several years now. Stihl has a vested interest in seeing servicing dealers survive and thrive. But their commitment in assembling its retail team and other ways they work toward your success goes beyond the obvious. They work daily to provide dealers with the tools to succeed.

That’s ultimately what the *Dealer Success Guide* is about – doing our part to help you be a success in terms defined by you. So go ahead, use it. Make copies to share with your managers and other employees. Discuss some of the concepts found inside. Keep your copy with the other past editions. It’s designed to be an effective research tool. It’s like picking the brains of some of the outdoor power equipment industry’s brightest – and most successful players. **YG**



Page 4

## Best practices

*Servicing dealers are becoming more innovative in their battle for service market share – here's how they do it.*

*Across the country servicing dealers of all sizes are using their creativity to bring traffic through the doors, work in their shops and profit to their bottom lines. *Yard & Garden's Dealer Success Guide* brings you the best practices of those dealers.*

### Growing in South Jersey

South Jersey Mowers, located on the busiest corner in Maple Shade, New Jersey, isn't so small anymore. Residential sales are steady. Commercial sales are on the climb. Parts and service also continue to grow, with a good portion of that business coming from homeowners. As a whole, annual revenue has now eclipsed \$1.6 million with approximately 30% annual growth.

---

**“I try to trust my gut. I don't extend credit to just anybody. In fact, I try not to do it at all.”**

— Teresa Porrini

Shawn Porrini, co-owner of South Jersey Mowers, tries to keep it all in perspective.

In business since 1980, the Porrinis pride themselves on their ability to read customers. Shawn, a former lawyer, is especially good at it. And take Teresa, for instance. Among her many duties is managing accounts receivables. Shawn says she does an amazing job of keeping things up to date. She is also very stringent about giving open accounts.

“I try to trust my gut,” Teresa says. “I don't extend credit to just anybody. In fact, I try not to do it at all. There are some customers we've done business with for a long time. We know we can trust them. There are others we don't know so well, and I wouldn't sell them a spark plug on an open account. That trust comes over time.”

Parts purchases and shop labor bills make up the majority of South Jersey Mower's accounts receivable. For the most part, it's commercial customers, namely

governmental. Shawn says that sometimes, in the middle of the season, South Jersey might have \$150,000 out on the street. That's a lot of dough. If they don't collect, their bottom line for that month can turn red in a hurry. Again, Teresa's up to the task.

“At the end of the month, I print a statement of all open accounts from our SofTek business system,” Teresa explains. “We then fax or mail the statements to the customers. When I was running the office by myself, it was sometimes the middle of the month before I got all the letters out. Since we hired LouAnn last year, she and I can get it done in a day, which makes a big difference. Sending these letters out right at the beginning of the month really helps in getting customers to pay on time. And if they don't pay in 30 days, I'm on the phone. I'm polite — but very stern. That's the only way to do it. You have to stay on top of your receivables, or they can break you.”

One of Teresa's tactics that helps get customers to pay on time is reinforcing how good South Jersey's service is. “If our guys in the shop are going to jump like they do for you, they expect to be paid fairly and on time,” Teresa reminds customers. For many dealers, service is their strongest attribute. At South Jersey Mowers, it's taken to a whole new level.

“One of our claims to fame,” Shawn tells, “is our outdoor service station we added about four years ago. We call it our 'triage' area. There are overhangs that provide shade and protection from the elements. We have a



customer-designed outside lift, automatic oil guns, automatic grease guns and an oil extractor. If the weather gets too bad, we can transition back inside quickly since the indoor shop is adjacent to the triage area."

The outdoor bays enable South Jersey Mowers to provide more instant, on-the-spot service. When the customer drives up, the techs are right there in the parking lot with their tools, ready to respond immediately. Even the mig welder can extend 50 feet to allow for welding on a landscaper's trailer. Also, an ample stock of numerous fast-moving parts are kept right there in the indoor shop — in close proximity to the triage area.

## **"We push very hard to get the repair done that same day — especially on Saturdays."**

— Shawn Porrini

Shawn relates, "On a typical Saturday in April, May or June, I literally stand in the middle of the parking lot directing traffic. Sometimes, 10 or 15 cars pull in at once. I greet the customers and ask what they need. If they're looking to buy parts or equipment, I direct them to the showroom where Teresa and LouAnn can help them. If the customer is looking for service, I help unload his mower and try to diagnose what the failure is.

"I keep repair tags in my back pocket," Shawn continues. "Once I figure out what the problem is, I tag the mower and wheel it over to one of the service bays. We push very hard to get the repair done that same day — especially on Saturdays."

The unwritten rule at South Jersey Mowers is: Don't move it, just fix it. Bill Porrini has learned a lot from watching how other dealers do things, noting both the "good" and the "bad" when it comes to daily operations. He says, "I see a lot of dealers wasting a lot of time moving mowers from A to B and from B to C. We don't have the time, money or personnel to waste time moving mowers around our lot. When a customer comes into our triage area, our goal is to fix that mower that

### *All eggs in two baskets*

*South Jersey Mowers has long been known for its substantial parts business — primarily to the residential sector. This profit center remains as strong as ever today. However, as many dealers across the country have been experiencing, commercial business at South Jersey Mowers has really been on the climb.*

*Always level-headed with his feet on the ground, Bill Porrini is careful not to go overboard. "Some dealers have decided they don't even want to mess with homeowners any more," Bill says. "On the other hand, other dealers say they don't want to mess with landscapers. At South Jersey Mowers, we want both. We need both to make it."*

*Bill points out that both customer groups present their own headaches for a dealer. They also present their own benefits. For instance, Bill says residential is his more profitable customer group. On the other side of the coin, Bill says commercial is where the volume comes from. "I might see a homeowner once a year for service, but I'll see a landscaper seven times," he relates.*

*One thing that makes Bill uneasy is the notion of losing landscape customers to attrition. He explains, "I've seen big cutters and small cutters go out of business very quickly. Some even owed us money. At any rate, I don't want to be too dependent on their business. I'd rather see a balance of revenue coming in from a couple different directions."*

*To keep their name out there as the landscape market continues to turn over, South Jersey Mowers' annual customer appreciation day has become increasingly important. Today, the dealership has around 500 landscapers in its database. An open house is held in March at a nearby banquet hall.*

*Distributor Philadelphia Turf Co. helped get the event started a few years ago. Now, the South Jersey staff has taken over most of the planning and execution. This year, they're even looking at bringing in some guest speakers to add educational value to the event.*

*continued on page 6*

*continued from page 5*

day. Most of the time it's a routine service, so there's no reason why we can't turn the repair around that day. Typically, we do."

To make it happen, obviously, a substantial investment in parts is required. That's not a problem for South Jersey Mowers. The dealership has always had a strong reputation when it comes to parts availability — and not just for the equipment lines it carries.

"We've always done a tremendous parts volume, even before our commercial business began to really grow a few years ago," Shawn says. "We stock a lot of 'department store' parts like Murray and MTD blades and belts, etc. A lot of consumers around here think they'll never find a part anywhere if they can't find it at South Jersey Mowers."

Many years ago, South Jersey Mowers made the conscious decision to become a service center for Murray and MTD. "We knew this would do two things," Shawn says. "First of all, it would bring more business into our shop, helping keep our mechanics busy. And secondly, it would give us great advertising. For example, when customers dial MTD's 800 number and punch in their zip code, they're directed right to our store."

This has helped South Jersey increase its parts business over the years, which now represents roughly 40% of its total annual revenue. The Porrinis like the extra service work it provides, too — even the warranties.

Shawn says, "Dealers can make money on warranties. You just need legitimate techs who can move at a legitimate speed. And you need to stay on top of open warranty claims. I check at least monthly to ensure that warranties are getting finished and billed, and that we're getting paid. As long as I stay on top of it, we make money."

The other thing that helps is the fact that South Jersey Mowers is part of Toro's Master Dealer Program, Briggs & Stratton's Master Tech and Master Dealer Programs, and Tecumseh's Premier Dealer Program. "You typically get posted shop rates for warranty work once you achieve these designations," Shawn points out. "We make sure we're part of these programs. Now I'm working on attaining our Kohler Expert Dealer status."

### Less is more in Georgia

Ronald and Patti Loveless own a power equipment

dealership in Marietta, Georgia, that couldn't be more appropriately named. The key to this dealership's success, the Lovelesses say, is having fun on the job. So that's exactly what each member of the six-person staff at Fun Wheels Power Equipment does. Who would've thought that cutting staff by a third would make working at Fun Wheels even more enjoyable?

Ronald and Patti purchased Fun Wheels from Ronald's parents in 1995, and successfully ran the business with two other employees. As the market continued to shift in the ensuing years, so did Fun Wheels. A growing commercial base coaxed the Lovelesses into hiring additional technicians and support staff. By 2000, with sales hovering around \$1.7 million, the dealership employed nine full-timers and one part-timer. As Patti puts it, "Sales were great, but our profitability was poor due to high overhead. We were forced to look for opportunities to increase our bottom line." Little did they know that the most influential change would come from within.

---

**"Dealers can make money on warranties. You just need legitimate techs who can move at a legitimate speed."**

— Shawn Porrini

Over the course of the next several months, three full-time employees and the one part-timer left the dealership; two began their own business, one left for personal reasons and the fourth left to return to school. What first seemed to be a detrimental blow soon became the opportunity everyone had been waiting for — to make improvements in the business and boost profitability.

As a result of the staff reductions, roughly \$100,000 was chiseled from payroll. But, could Fun Wheels survive with a third less staff while the business continued to grow?

"We not only survived, we began to thrive," Ronald says.

"To our amazement," Patti adds, "our total sales

increased and our shop labor production remained the same. As a business owner, things sometimes happen that are out of your control, and making a significant change may scare you to death. We were not sure what would happen with four less people. But I have to say, it is the best thing that could've happened to us. Now, the rest of us know what we all can do together."

The streamlining that occurred during the Fun Wheels renaissance was not confined to staff reductions.

### Deciding what to service

"We do not service mass merchant equipment," Patti points out. "We are able to offer our customers the unsurpassed service we do because we don't jam up our shop with too much product. Furthermore, we do not see a substantial profit factor in servicing equipment for people who bought the cheapest products they could find."

Ironically, Fun Wheels got its start in lawn and garden by doing exactly what it refuses to do today: service mass merchant-sold equipment. Ronald's parents founded the business more than 34 years ago as a motorcycle and dirt bike dealership. When the market for such products faded in the late '70s, the dealership added fun-

---

**"We were not sure what would happen with four less people. But I have to say, it is the best thing that could've happened to us."**

— Patti Loveless

karts, ATVs, and eventually lawn and garden equipment. Furthermore, to help with cash flow, Fun Wheels began servicing just about any piece of power equipment a customer would bring in — as long as Ronald's father could get the necessary parts.

The dealership is a little more selective today. With 60% of its annual revenue coming from equipment sales, the lean and mean Fun Wheels staff keeps plenty busy supporting only the products it has sold.

Fun Wheels has built its reputation on service —

behind the sales counter and in the shop. Matt Johnson, who's been with the dealership for three years, is the company's full-time mechanic. Matt has a natural talent for mechanics, and continues to upgrade his knowledge through seminars and classes.

### In it for the long haul in Pennsylvania

If asked to sum up David H. Lightkep Inc. with a single word, that word would have to be "longevity." Celebrating its 70th anniversary this year, the Maple Glen, Pennsylvania, dealership has had a long history of steady growth. Lightkep's has pretty much carried the same brands year after year. The tenure of each dealership employee ranges from 15 to 22 years. Mobile service has been offered for more than 30 years. It's this type of predictability and reliability that has provided a solid foundation for the Lightkep family to build a reputable business on.

However, David H. Lightkep Inc. has thrived for 70 years because of its flexibility. The experienced staff has been the heart and soul of the operation. And its willingness to change and adapt is the reason the dealership is where it is today. The landscape contractor boom of the late '80s caused Lightkep's to rethink its position. "Our business had to evolve in order to accommodate the growing number of commercial cutters in our market," says David Lightkep Jr., who co-owns the business with his father. "At that time, we were outfitting 20 to 25 new landscapers every year."

The market shift caused Lightkep's to fine-tune its operation. The dealership needed technicians who were well-trained and proficient in diagnostics. It needed a more substantial parts inventory, and needed to become computerized in order to effectively manage that larger inventory.

David Jr. recalls, "It wasn't an overnight or deliberate shift. We just adapted over time as our market changed. That's been our philosophy in general. Our dealership has grown one employee at a time. It was never a situation where we had to frantically hire three new technicians in order to handle the increase in commercial work. We just shifted a couple of our technicians' emphasis toward commercial as the need arose. We knew they were very capable of doing what needed to be done."

*continued on page 8*

continued from page 7

One thing that needed to be done was computerization. Lightkep's decided to take the plunge 12 years ago. It was an exciting time, David Jr. recalls. But it was also a nervous time. And it was a major turning point in the way the dealership did business. "It was a commitment by our entire staff to do things differently," David Jr. says. "We now have electronic parts lookup at five stations, and would be lost without it."

"We handle roughly 3/4 of our warranty claims over the Internet," David Jr. continues. "This has really taken the drudgery out of warranty filing. Doing war-

ranties was something I'd always dreaded. Before, six to eight weeks worth would pile up and I'd just say, 'I don't want to bother with that; it's not worth it.' Doing it online is much easier.

"I used to feel like I needed to fill out the warranty forms myself, to make sure they were done correctly and the failures were described accurately. My wife (Sandy) does it now. When you do it over the Internet, you have to fill it out correctly or the claim is rejected. So when you're finished you know you're finished, and you know you're going to get paid soon."

### Turning service into sales

Over the course of its 42-year history, Maestranzi Bros. of Beverly, Massachusetts, has sold thousands upon thousands of lawn mowers, snow throwers and other related machinery to its massive customer base. Many of those units come back for off-season service every year. Of course, even the best machine will not last forever. When it's time for a customer to purchase a new unit, the service-focused Maestranzi Bros. wants to be ready, willing and able to solve the customer's problem — this time from the showroom.

On each of the two off-season servicing mailings Maestranzi Bros. sends out each year, the customer can check a box indicating that he's thinking about purchasing a new unit for the coming season. The sales reps then follow-up with those customers who checked the box, often scheduling a demo.

Direct marketing (mail and telephone) tends to be the most effective form of advertising for Maestranzi Bros. Overall, the dealership spends around 5% of gross on advertising, spreading it across several media.

Another effective tool is the custom folders customers are sent home with when they stop by the store. Leo Maestranzi says, "If a customer doesn't buy a machine when he initially visits our store, we make sure he leaves



with a brochure that's stuffed inside one of our folders. The folder explains everything about our company and what we stand for. This way, the customer has the two pieces of information he needs when going home to think things over: 1) information on the product he's considering, and 2) information on the dealership he should buy that product from."

The folder is peppered with logos, product images and catchy slogans that get at the heart of the Maestranzi Bros. organization. "Equipment, service and quality all year long." "We service what we sell, ask your neighbor!" "Investment ... capability ... attitude ... Maestranzi Bros." "Model for model we have the lowest prices for the highest quality."

That last statement might explain why Maestranzi Bros. has thrived for 42 years, while many of its fleeting competitors have come and gone. "We sell wholegoods at MSRP," Leo points out. "I see many dealers selling at the promo price, which is typically 10% less. We don't do that. We couldn't achieve our desired margins if we did. If a customer doesn't want to pay it, so what? There are hundreds who will. We don't want the word to get out that we'll wheel and deal. We don't want to be known for that. We want to be known for our outstanding organization."

Another trend the Lightkeps have been more than happy with is the popularity of the mobile service it provides. For more than 30 years, David H. Lightkep Inc. has operated an at-home service van for the residential market. Typically covering a 15- to 20-mile radius, the service van has allowed Lightkep's to capture business from consumers who may have never taken the time to bring their mowers into the dealership. More importantly, the at-home service feature has allowed Lightkep's to set itself apart from the competition.

"For a flat fee of \$45, we'll drive to the consumer's home and take a look at the mower," David Jr. explains. "If we can't fix it in 10 minutes, we then start charging our normal labor rate. And if the repair is too complicated to take care of right there, the van can haul the mower back to the shop. Even in those instances, we get the mower back to the customer in a couple days, which is still a lot better turnaround than many dealers can provide."

From March through November, the van is on the road just about every day. In the winter (December through February) the van hits the streets a couple days a week to service snow-handling equipment. David Jr. says, "The key to doing this profitably is to compile an entire afternoon's worth of work and plan an efficient route. We don't want to drive all over the county for one or two service calls."

Lightkep's allows calls to come in throughout the morning. Then, the route is planned for the afternoon. Sometimes, David Jr. points out, the dealership has to let calls mount up for a couple days. But that's rare. "During heavy cutting times, the calls come in fast enough that we can plan efficient runs every afternoon," he says. "We do a good job of screening the calls and diagnosing over the phone so we don't make too many unnecessary stops for repairs we can't perform out of the van."

The van is large enough to stock ample parts, and still allow room for a technician to stand and work on a machine with up to a 60-inch deck. It's equipped with a

winch to lift machines and change blades, a generator to use electric power tools, and an air pump for tire repair.

"Cell phones and two-way radios have also helped us be more efficient in this service," David Jr. points out. "If we receive a phone call after our technician (Baird Miller) has begun his route, we can catch up to him on the road and add a call to his list. Scheduling, a well-stocked van and a highly skilled technician have been the keys to making this work over the years."

The key to making service work profitably back at the dealership can be chalked up to that one familiar word again: flexibility. For many years, the Lightkeps thought the service shop was simply needed to support the sale of new equipment. Then, around the time more equipment was popping up at the box stores, a light bulb went on. "We realized that our shop was our most unique asset, and that we had a responsibility to ourselves and our staff to be profitable with service," David Jr. relates.

Part of that meant charging a fair rate for its professional service. Part of that also meant becoming more efficient in its operations. To accommodate the increase in commercial business, the dealership equipped itself to service landscapers out on their trailers, when practical. "We moved some air compressors outside so we could

power our tools," David Jr. explains. "We also put in some loading docks at a couple different heights."

In 1996 the service staff at Lightkep's also benefited from the addition of a 60' x 40' warehouse. Before the warehouse existed, inventory was stored "just about anywhere it could fit under our roof," according to David Jr. When the warehouse went up, the Lightkeps quickly converted what was an inefficient storage area into a very workable shop. And the new warehouse quickly filled up with inventory.

### A-OK in Santa Barbara

Resting peacefully between the California coastline and the Santa Ynez Mountains, Santa Barbara is definite-

**"We handle roughly 3/4 of our warranty claims over the Internet. This has taken drudgery out of warranty filing."**

— David Lightkep Jr.



*continued from page 9*

ly among the most exquisite destinations in the country.

It's kind of ironic. The person this upscale community relies on to help keep its properties on par with the glamorous image the city portrays is not someone you would exactly refer to as glitzy. In fact, dealer Larry Thomas puts it best, "I'm from the old-school."

Having grown up in a dealership, Thomas learned at an early age the value of strong customer service. He also learned how to turn a wrench, which is something he still does today as the owner of A-OK Lawnmower. As a matter of fact, Thomas often wonders if dealers today have enough technical knowledge. He's a firm believer that in order to run a really successful dealership, you need some sort of mechanical background, along with a good sense of how to run a profitable business.

Thomas maintains a strong parts inventory and offers timely service, which can lead to a few headaches. "Between the two stores, I have around \$200,000 worth of parts in stock," Thomas says. "That's a lot of parts; a

---

**"So I keep one of my mechanics prepared to tackle units that come in and need immediate attention"**

— Larry Thomas

lot more than I really want. However, in order to take care of my commercial customers, I need the parts here. Now, in order to better manage this large inventory, I have to get it all into the computer. That's my main goal this winter. I've grown so quickly, I simply have no choice. I'm going to have to just quit what I'm doing one month, and go through all the parts and get it all straightened out."

That extensive parts inventory allows A-OK to offer its commercial customers a "Three-Day ASAP" service guarantee. That means: If a part is available, the customer has his unit back in three days or less. On rare occasions, A-OK does not have the needed part in stock. So, when a unit comes in and looks like it will need parts,

Thomas makes sure it is checked out right that second. Then, if he needs to order a part, he can do it right away so the part arrives the next day.

Thomas adds, "Sometimes the customer needs the unit back immediately, especially the smaller landscaper who typically doesn't have backup units. So I keep one of my mechanics prepared to tackle units that come in and need immediate attention. I'm trying to convince my smaller customers to get backups by offering better terms, for instance."

Will Thomas be able to convince them? It would be a safe bet. His casual way of doing business the last 25 years has created a pretty strong bond between him and his customers. In other words, his old-school charm is just too hard to resist.

### Going for the max in Wichita

For Carl Witte, owner of Maximum Tractor in Wichita, Kansas, the goal is to keep Maximum Tractor on its steady path of comfortable growth. Since the dealership dedicated itself to outdoor power equipment in 1995, it has been on a relentless quest to cement its place in the Wichita market. Brands have been added, and brands have been dropped. Presently, Witte feels pretty comfortable with the product lineup he's offering to his commercial and residential customer bases — both of which are growing.

Witte has built quite a rapport with his landscape customers. He knows them by name. And he knows what they need. One of those needs, obviously, is parts. Last year, Maximum Tractor made a big push in this area. And this year, they're taking it even further.

Witte explains, "Back in 2001, we were having a problem with one of our distributors selling parts directly to some of our commercial customers. We had a talk with that distributor. He told us that since most dealers don't really push parts enough or do outside sales to commercial accounts, a lot of parts business is lost. So the distributor gets pressure from the manufacturer to get that business.

"We decided to be the exception to the rule and start marketing parts aggressively," Witte continues. "In 2002, my son Paul came up with the idea to put a binder together outlining all our programs for both aftermarket

and OEM parts. The catalog also includes brochures for all the equipment and engines we sell, along with catalogs from both our aftermarket suppliers."

In 2002, Witte says Maximum Tractor's parts catalogs were handed out to commercial customers as they stopped by the dealership. But this year, Maximum Tractor is going to be much more aggressive. "Paul is going to have the catalogs ready in time for our open house," Witte points out. "We also want to have some available at the Wichita Garden Show. Then, we're going to go around and see our big commercial customers, and make sure they each get a catalog."

Each catalog costs about \$10 to produce, and Witte produces around 100 a year. Of course, the brochures included in the catalog are supplied by Maximum

**"We had a talk with that distributor. He told us that... most dealers don't really push parts enough."**

— Carl Witte

Tractor's vendors. But the customized pages are created by Paul, and then printed by an outside source.

As a result of their aggressive parts marketing approach, Witte says Maximum Tractor has become one of the largest parts dealers in southern Kansas. Overall, parts account for 18% of the dealership's \$1.75 million business. That percentage is expected to grow this year.

The parts inventory stands at around \$175,000 after Witte recently beefed it up by about \$50,000 in anticipation of the increased business the catalog is projected to bring in. "The SKUs I've stocked up on are based on feedback I've gotten from distributors regarding what is selling in our area," Witte says. "It's faster-moving parts such as edger blades. For example, we used to order 200 at a time. But this year, I ordered 2,000."

Witte leaves it to Paul, a 20-year-old college student, to manage the parts department. Paul's pre-season order is based on half of a three-year average. Then, throughout the year, he orders parts twice a week from each of

*If you weld it, they will come*

*Chilton Air Cooled Engines is actually a subsidiary of The Chilton Companies. Another subsidiary, Industrial Machine & Tool Co., was started by Rob's great grandfather in 1914. Today, Rob's father, Robert H. Chilton III, is the president.*

*Located on the same property as the dealership, the machine shop allows Rob to offer his customers some unique services that add value to his overall offering. For instance, Rob's shop can perform some major reconstruction repairs that some dealerships may have to sub out or turn away. Chilton's can also perform trailer repair and customization, installation of trailer racks and gates, and any welding that needs to be done. In rare instances, the machine shop will even re-produce a part Rob can't get a hold of.*



his suppliers to keep the orders large enough that he qualifies for free freight. Inventory turns roughly 2.5 times a year.

Running a tight ship in Oklahoma

Over the past 31 years, Pregler Lawn & Garden in

*continued on page 12*

*continued from page 11*

Glenpool, Oklahoma, has done a pretty steady business from season to season. Owner Rick Pregler has tried a number of different things to keep the business fresh and moving forward.

Throughout its existence, however, one of the dealership's characteristics has remained constant: Rick Pregler runs a tight, lean ship. Today, annual sales are hovering around \$600,000. Over the past few years, the dealership has experienced modest growth of roughly 3% a year, a figure Pregler is more than happy with. "We're looking to continue bringing our sales up a little every year," he says. "All it takes, I think, is hard work and loyalty to my customers."

Loyalty to his right-hand man, Ricky Level, is also a factor of monumental importance. Together, Pregler and Level are Pregler Lawn & Garden. A part-time delivery person helps out during the spring rush, but Pregler and Level do everything else. This dynamic duo act as the

**“Being a two-man shop, it’s very difficult to stay on top of everything in the busy season.”**

— Rick Pregler

dealership's service department, parts department, sales force and office staff. They do it all — and it's a lot of work.

"We start getting busy again in mid-January, when customers begin bringing us equipment in response to our winter service flyer," Pregler says. "But from October to mid-January, we don't get much business at all. In all honesty, this down period is very welcomed by Ricky and myself, since we've been breaking our backs for the past eight months. We cut store hours back to 8:30 to 5:30, Monday to Friday. We have plenty of projects around the shop to help fill our day. We get our inventory brought up to date. We get our used equipment ready to go. We repair all our shop equipment and clean it up so it's running in tip-top shape when things start picking up again. This past fall, Ricky and I painted the outside

of our building, the bathroom and all our workbenches."

Pregler must also plan for the fast pace he and Ricky have to maintain during the mowing season. "Being a two-man shop, it's very difficult to stay on top of everything in the busy season," Pregler says. "For the most part, Ricky stays in the service shop, and I work the counter. When we get a store full of customers, I'll call Ricky out from the back to help out. Similarly, when we have a quiet spell, I'll head back to the shop for a while."

Pregler's primary consideration, generally speaking, is service turnaround. He makes sure it stays within 10 days, because, as Pregler points out, 10 days is a long time in Oklahoma during the growing season. So Pregler and Ricky do whatever's necessary to get each unit out in that 10-day timeframe.

Pregler relates, "The first key is getting the parts ordered right away. Then, it's a matter of prioritizing; warranties come first, along with customers who bought from us. From there I just need to stay on top of all the shop orders. I make it a daily routine to check the computer every night for an update on our shop jobs, to make sure everything is getting out in 10 days."

When it comes to staying organized, technology has been Pregler's best friend. Not only does he rely on c-Systems Software to help keep his daily operations on track, but Pregler also relies on the cordless phone system he bought at Office Depot.

"About five years ago, just before Ricky came to work for me, I invested in cordless telephone headsets," Pregler tells. "Both Ricky and I use them, and they're a huge help during the busy season. The headsets allow me, for example, to answer the phone while I'm back in the shop working on a mower. Before we had these headsets, it was a real inconvenience to keep running from the back to answer the phone up front. All that running back and forth got pretty tiring, too. Now, I can talk to a customer while I'm sharpening a chain. It's a big time-saver."

Pregler's shop is divided into three sectors. In one section are the machines awaiting repair. In another section are machines awaiting parts. And in a third section are the completed machines. Furthermore, all machines are tagged, and serial numbers are tracked via the computer.

## Creating a classic in Nashville

Back in 1999, Chilton Air Cooled Engines, then a servicing distributorship, recognized a need that wasn't being met in its marketplace. The timing was perfect, because their needs were no longer being met as a small distributor in the Nashville area. So they decided to become a "super dealer" that catered to the landscape market. Away they went — and they haven't looked back.

The dealership's strong product offering has helped Rob achieve his goal of pulling commercial business back to Nashville — particularly his dealership. Of course, equipment is only part of the equation. Top-notch service and parts departments are a necessity, too.

This has definitely been the case when it comes to parts, which account for half of Chilton's annual revenue.

"Having a distribution-size parts inventory over the years has helped us," Rob explains. "People know that when they come in for a part, we'll have it. Since becoming a dealer, our fill rate is still 90%. We've downsized our inventory quite a bit, but it's still pretty large with roughly 20,000 part numbers in stock at peak capacity."

To ensure that his massive parts operation runs as efficiently and accurately as possible, Rob employs two full-time purchasing agents along with four people in the parts department. In addition, two warehouse clerks check in parts orders, put up stock, pull orders and ship orders. As many as 25 orders are shipped throughout the country each day during the spring and summer; orders that typically come through the dealership's Web site.

"Most dealers keep a good supply of fast-moving parts, but not other numbers," Rob says. "However, landscapers simply cannot afford to have a machine down. And today's homeowners are too busy to deal with the hassle of tracking parts down. We try to accommodate everyone. With some aftermarket companies and distributors marketing directly to landscapers as of late, we feel like we need to keep a high stock of parts, and offer them at competitive prices in order to get the business."

Rob explains, "This may sound strange, but in some cases we 'split the profit' on parts with our landscapers

## Securing an A-OK future

*Larry Thomas is looking for sons Kevin (28) and Chris (22) to take more of a leadership role in the business, and in turn, relieve some of the pressure on him. He never wants to completely retire, but he'd like one or both of his sons to assume the role of "go-to guy" so he can do some of the things he wishes he could do today but doesn't have time to get at.*

### Issues for the next generation

*Thomas has seen a lot of change in the industry over the 25-plus years he's been a part of it. There are three main issues he says his children will continue to face as they take the business into the future.*

### Big box competition.


*"Over the last five years or so, I've lost about 10% of my business to big box stores," Thomas points out. "On the other hand, I've acquired several new customers Home Depot sent to me for service. So it can work both ways."*

### Engine technology.

*"I think technology is outracing the skills of the typical small engine technician. For instance, some new engines have EFI. Most techs don't deal with that too much."*

### CARB and EPA.

*"It's so tough to make an engine run decently anymore. And the customer just doesn't understand it. All he knows is that it doesn't run like his other one did. I feel the new technology coming with four-cycle engines will resolve this problem. It's just a matter of convincing the consumer that a four-cycle handheld product is good."*

who buy all their equipment from us. I look at it as a way to keep my equipment customers happy and coming back. Some dealers may view this as unnecessary. But in my opinion, getting some business is still better than not getting the business at all. " 

# You can make money with your service department

*Mark Twain said, "It's not what we don't know that hurts us, it's what we believe to be true."*

By Jim Yount

**F**or decades, outdoor power equipment dealers have invested money and time, sent their technicians to service schools, spent thousands of dollars equipping the department – and at the end of the year discovered that the labor income would not pay the technicians wages. After a few years of living with losses it's easy to begin believing "it's impossible to earn a profit with a service department." The end result is like eating junk food. Do it long enough it will take its toll on health. Because of conditioning

**It's what you don't know  
that's keeping you  
from earning a profit.**

from listening to "it's impossible to earn a profit with a service department," when exposed to the truth they walk past without hesitation. A hardening of the attitude has caused rickets of the mind.

If your dealership has struggled year after year with a dependent, non-profitable service department, and your current labor rate and department efficiency are not paying the bills, then realize:

*It's what you don't know that's keeping you from earning a profit.*

This may be old news for some dealers, but truth is "you cannot continue to manage your service department using the same principles and produce a different result." In simple terms, what is not written holds the key to service department success. Something must change in a process and/or policy, if a different result is expected and produced.

Success stories abound. Throughout North America we've seen dealerships producing exceptional profitability. I've seen the numbers and been told by dealers "I produce 25% of my gross profit dollars with three technicians. And my bottom line is healthy."

If you're ready to make some changes, seek the truth. Get the facts. There are some specific things you must know in order to manage your service department for profitability.

You'll find them in the following principles. Use them as a guide for setting-up and/or managing the service department for efficiency and profitability.

## Principle number One: Know the hard cost

The service department is responsible for its share of the rent, electricity, taxes, maintenance, etc. Additional costs are incurred in properly equipping the department: benches, lifts and tools of all kinds and sizes. This cost must be identified before it is possible to establish – a relative hourly shop labor rate. Wages and benefits are not included. Assign an equitable share of the hard cost to the service department.

## Principle number Two: Establish an equitable hourly shop labor rate

Following is a scientific process to determine your shop's equitable hourly labor rate. After assigning a share of the hard cost, add the cost of technicians to produce a total cost for operating the department. The next step includes asking and answering this question: At the present labor rate, example \$50.00 per hour, how many hours must we bill to customers to pay expenses. Should the number of hours represent 75% of payroll hours, there are too few hours left in each day to earn a profit. Managing your service department as a separate profit center requires a balance between cost of opera-

tion, hours billed to the customer, payroll hours, and the hourly shop labor rate.

**Principle number Three:  
Qualified Core Technicians**

At the center of a profitable service department are technicians who are experienced, qualified and certified. Professional technicians are those who accept responsibility for personal productivity and efficiency. Inexperienced technicians cannot perform at an efficiency rate sufficient to producing equitable profits. Hire trainees for future expansion and growth.

**Principle number Four:  
Manage the service department  
for efficiency and productivity**

Each technician is accountable for daily performance. The service manager is accountable for the department's daily efficiency and productivity. To

---

**Profit is the lifeblood  
of a business and the  
purpose for its existence.  
Everybody benefits  
from profit.**

— Jim Yount

receive the most from your investment, establish fair and equitable pay scales. Incentive programs are designed to maximize the profit potential by raising the performance level of the employee.

**Principle number Five:  
Manage the service department  
as a separate profit center.**


Due to the ever-changing mood that affects department revenues, the service department requires constant

supervision throughout each day. Here are a few issues that impact revenue: The customer's equipment is poorly maintained; encountering difficult and unusual technical problems; incomplete or lack of technical information; inability to complete the job for the need of parts or special tools; poor working conditions and minor injury can have a negative impact on hours billed. The objective is to solve the problems as they occur.

**Principle number Six: Marketing and  
promoting the service department**

If your store policy is one of – "we service what we sell" – promote the department accordingly. All daily sales activity should include promoting and marketing the department. Whether selling equipment, parts, accessories, part of the sales presentation should include a well-polished statement regarding your staff of qualified and certified technicians.

**Principle number Seven:  
Profit is the result of  
positive business activity**

Profit is the life-blood of a business and the purpose for its existence. Everybody benefits from profit. When profit is not sufficient, internal changes must be made. 

*Jim Yount of Jim Yount Success Dynamics is a long-time industry consultant. He is also a member of the Stihl Retail Readiness team. He can be reached at 903-796-3094, or via e-mail at [jimyount@attglobal.net](mailto:jimyount@attglobal.net).*



# Competing to win: Effectively merchandising your service department

By Steve Parmentier, merchandising specialist for STIHL Inc.

**T**here's good news for the servicing dealer in the new service battlefield. The easiest place to exceed your customers' expectations and differentiate your store from the big boxes is with your parts and service department.

Make your service department part of your sales pitch to new customers. One of your unique advantages over the competition is that you service products on-site. In-store service provided by factory-trained professionals is your primary advantage over mass merchants and is an important factor in attracting new customers.

In order to sell through your service department, know your customers' expectations and work to exceed them. For homeowners, the service department is an important feature, but for mid-range users and profes-

---

**The battle for market share and for the next generation of customers has already begun. These battles will be waged in the aisles of the mass merchants and in the stores of independent servicing dealers.**

sionals it's absolutely critical to follow these guidelines:

- The service department must be easy to find from the showroom or exterior of the building.
- Navigational signage and a clear flow of traffic will make the area convenient for the customer to access.
- Professional-looking signage that showcases your list of services, as well as corresponding rates, supports the professional image and helps justify service rates.
- A clean, professional looking service area is a must – and it starts at the service counter. You're selling trust and professionalism, so the service department has to look the part.

- Well-groomed service technicians with clean uniforms also help to project a professional image to your customers.

The most vital element in a professional retail environment is how your sales and service staff interacts with customers. Their friendly demeanor and product knowledge is a key advantage over the competition.

Creating a professional retail environment can attract customers, but then you have to provide that critical element of service to keep them coming back. Customers come in your door with expectations and needs. So, the key is to create a professional retail environment and anticipate and work to exceed their expectations.

The battle for market share and for the next generation of customers has already begun. These battles will be waged in the aisles of the mass merchants and in the stores of independent servicing dealers. Creating a professional retail environment can be a powerful weapon. From the building exterior to the service department, you can take steps to not only attract, but to capture new customers and turn first impressions into long-lasting customer relationships. **YG**



*A clean, professional looking service area is a must. In-store service provided by factory-trained professionals is your primary advantage over mass merchants. Differentiate your store from the big boxes with your parts and service department. Project a professional image to your customers.*

## Death to dead time

*By creating a 'paperless' service department, my shop now produces more billable hours and is more profitable than ever.*

By Lynn Pesson Jr.

I knew there was a problem. And after talking with another dealer last spring about how he ran his shop, my suspicions were confirmed. My shop simply wasn't putting out enough billable hours, and that had to change. But first I had to figure out what the problem was.

When I returned from that dealer meeting, I immediately put myself in our shop for a couple weeks. I was looking for work flow, and more importantly, dead time. After that, I called in our entire staff to see how we could improve our work efficiencies.

**There's this mentality out there that in order to increase business you have to "add another person." Dealers have to get away from that.**

What did we determine? First of all, the system we had in place was very effective in tracking work orders. That was great for the customer. But it was a burden on us. In other words, we were able to satisfy all of the customer's needs; turning their equipment around quickly, and being able to answer all of their questions promptly and accurately. But it took a tremendous amount of time to be able to do that. We were losing billable manhours — and we were losing thousands of dollars a year.

Prompt and precise,  
but a pain in the neck

We had a big tracking board in the shop office. It was great in showing us exactly where we were with every job. But it took a lot of time to manage; writing all the work orders on the board in our color-coding system. Furthermore, we had technicians who were constantly walking into that shop office to check the tracking board, and to retrieve/file the shop tickets. This was wasted

time, and it was killing our billable manhours. I figured we had one to two hours of this wasted time per day, per technician.

Another problem we had was that our technicians were going to the parts counter to get their own parts, and were personally pulling the mowers back into the shop and prepping them for repair. This was even more wasted time. Things had to change.

Prompt and precise,  
paperless and profitable

Our ultimate goal as a business is to increase our sales and service without increasing our cost. There's this mentality out there that in order to increase business you have to "add another person." Dealers have to get away from that. All that does is add overhead. You have to find ways to get leaner and more efficient, without compromising the satisfaction of your customers. Here's how we're doing that at Southland Engine.

We bought four computers, and put them in roll-around cabinets to protect them from all the oil, etc. in the shop. We switched to a cordless network system so each cabinet/computer can move around the shop, rather than be pinned in a given corner. We wanted our technicians to order parts right from their workstations. So we downloaded PartSmart and our c-Systems software into these four new computers. Now, 2/3 of the puzzle was in place.

To complete the third and final step, we sat down with a software developer to design an Access database that would, in essence, do what our old tracking board did. We wanted a system that would allow us to transfer job information from one person to another, without having to print and shuffle paperwork around. But none of the business management systems out there perform on-time job reporting. We had to come up with our own program.

Thus, our new database is designed to control shop order information from the front counter to the shop office to the shop itself. And it's paperless. Aside from the parts list that's needed to retrieve parts for a work order, nothing is printed. The same shop ticket isn't



continued from page 17

handled over and over by several different people. And our techs don't have to keep walking to the shop office to check the tracking board and pull the shop ticket out of the cabinet in order to get started on a repair.

Before, when a cutter drove up and needed his mower fixed, it took 20 minutes before a tech even knew the mower was there — by the time it was checked in at the counter, typed into the computer and placed on the master tracking board in the shop office. Now, with our new database, the tech knows the machine is there within 30 seconds.

After the mower is checked in at the front counter, the work order pops up on the tech's computer screen — right at his workstation in the shop. And the tech knows exactly which job to work on next since all jobs are prioritized when sent to his computer.

Two of the four shop computers are linked with commercial jobs and pre-delivery. The third computer is for homeowners, with one side of the screen for preferred customers and the other side of the screen for regular customers. The fourth computer is for hom-

---

## The new rule I tell our technicians is: If we can't bill it, you don't touch it.

owner two-cycle; both preferred and regular. Our shop is basically sectioned off in the same four quadrants: two for commercial, one for homeowner mowers and one for homeowner two-cycle. So each quadrant has its own computer.

See "Before ... and after" on page 19 for more on how a shop ticket is handled in this new "paperless" system at Southland Engine.

### Impact of the new system

We're looking at a \$10,000 investment for the computers, cabinets, software and developer's fees. We're hoping to get one more billable hour a day out of each

of our seven technicians. With a \$60/hour shop rate, that would equate to annual savings of roughly \$110,000.

Furthermore, we're able to run one less person on our front counter. They can now help customers faster since they don't have to keep leaving the counter to head back to the shop office. For the past few months, we've been short a person in the shop office. Now, we're able to put that extra front counter person back in the shop office, rather than having to hire another person. That alone is saving us \$30,000 a year.

When we sat down with the program developer, we had him add a time clock feature to the database. When the technician types in his mechanic code to start a job, a timer starts. When the tech clicks "finish" to send the work order to the shop coordinator, the timer stops. We know exactly how much time was spent on a job, not just the estimate that a tech sometimes has to put down.

### Other shop improvements

In addition to the new paperless system, we've changed some other things in our shop that should also help get more billable hours.

First of all, the new rule I tell our technicians is: If we can't bill it, you don't touch it. We've hired two "minimum wage" high school kids who act as runners. They pick up parts for the techs, sharpen blades, pull mowers back to the shop and wash them down, etc. Before, we had \$16/hour technicians doing all this themselves. That just wasn't cost-effective.

We completely reorganized our entire shop this past November. We split up the shop into bays. We installed drop-down hoses. There are now center benches on both sides of the shop where we can put another six technicians if we have to. And once it warms up a bit all the sections are going to be painted off.

When you walk back there now and see all of this, along with the computers, I think one more billable hour a day is a conservative estimate. We're finding a way to do more with less. That can make all the difference in the world when it comes to profitability.

### Paperless in other departments, too

Pre-delivery, along with pickup and delivery, will eventually be tied up into the same Access database that

the shop is on. So, just like with a shop job, when the front counter person rings in a pickup or delivery, it will pop up on the computer screen of the delivery person. The request indicates when the unit needs to be picked up or delivered, along with any other notes the counter person may have typed in.

We're also thinking about doing this with equipment sales. For example, when our sales manager sells a mower, he can type it into the Access program. When he clicks "done", the request goes to the computer in the back and tells our setup guy when he needs to have the mower ready to go. When the setup guy is finished, he clicks "done." Then, the request goes back to the

sales manager's computer indicating that the mower is ready. The sales manager can then call the customer. The request is saved on our server, so we can track engine numbers for the entire warranty period. **YG**

*Originally printed in Yard & Garden April/May 2003 issue.*

### About the Author

*Lynn Pesson Jr. is the president of Southland Engine Co. Inc. in Lafayette, LA. Southland Engine was established in 1960.*



### Before... and after

The flow of work in Southland Engine's shop has greatly improved as a result of the new "paperless" system. Here's a look at the life cycle of a work order before the new system was implemented, and what it's like now.

#### Before the paperless system

- Front counter waits on customer, types work order into computer, prints ticket and takes it back to shop office
- Front counter writes down work order on tracking board, files ticket in cabinet
- Tech comes to shop office to check tracking board, retrieves ticket from cabinet, returns to work station with shop ticket
  - Tech determines parts needed for job
  - Tech takes shop ticket to parts counter to order parts
    - Parts counter looks up parts on computer
    - Tech waits for parts counter to retrieve parts
    - Parts counter comes back with parts, downloads onto computer, gives tech parts and shop ticket
      - Tech goes back to work station with parts and shop ticket to begin repair
        - When completed, tech takes shop ticket back to shop office and re-files

Estimated non-billable time for tech to complete this work order: 20 minutes

#### Today's paperless system

- Front counter waits on customer, types order into computer by entering shop job - customer name - job priority, clicks "refresh," work order now goes to technician's computer back in the shop
  - Tech sees work order pop up on his computer while he's still working on another job
    - Tech tells "runner" to go get the machine and prep it for repair
      - Tech looks up parts on computer, presses print
      - Parts order prints in the parts room
      - Parts counter takes printout and retrieves parts
      - Parts counter clicks "parts ready," order goes back to tech's computer in the shop
        - Tech tells runner to go get parts at parts counter
        - Runner brings tech parts
        - Tech begins work order
        - When completed, tech clicks "finished"
          - Work order goes to main computer in shop office, letting service coordinator know the repair is finished

Estimated non-billable time for tech to complete this work order: 0 minutes

# Selling service

*An important first step toward profitability in the service department.*

By Jim Riley

I think most outdoor power equipment retailers take the service function for granted. It is so second nature – such a part of your everyday business routine – it is almost invisible as a marketing advantage, and an opportunity to boost the bottom line.

The most successful dealers I know actively market the service function. They make it a part of the point of sale (ask us about our “service advantage”) or they give tours of their in-store parts and service departments. They post their rates (\$59 - \$69 per hour), and their service technicians and work areas look like they are worth the money.

There is an axiom – a constant truism – in marketing that states people will respond to you the way you present yourself to them. I have personal experience, in my 25 years of running a small business, with both ends of the equation. As a young man I discounted my services – and for years my customers expected a discount. In recent times I have taken to dressing like a successful executive, and have been able to garner fees that allowed my business to be profitable.

## Taking the first step

The first step in marketing service is to clean and organize your service department. Consider a real overhaul – remove old equipment, paint the floor, clean the area. Insist the technician’s keep their work stations neat and organized. To motivate them, consider raising your hourly fees by \$5 - \$10, and offer to give them 20% of the increase. You may have to fire someone in order to effect real change in the area. (By the way, if raising your prices costs you a few customers, it may be a stroke of good fortune. Think about it.)

Next, consider uniforms – and maybe a dedicated service counter or window onto the department. That way your customers can see that you have in-store parts and service – something the mass merchants don’t have (yet...).

In marketing service, start with the grass roots:

- Add a sticker to price tags that tell customers

about your service advantage;

- Give tours to pro customers and homeowners so they can see you have dedicated parts and service departments and trained technicians;
- Start “selling from your service department.” Have your service techs recommend new products to replace equipment that is nearing the end of its use.

I have a special arrangement with my Stihl dealer. I pay him \$200 every January for my “service plan.” In return, he picks up my equipment anytime between January and March, and tunes and service the stuff at his convenience. It’s a win-win deal; he gets cash flow in a slow month, and can service my stuff during the slow time. I know that when spring rolls around my equipment will be ready to roar. (Frankly I don’t know why he doesn’t actively market the program – how would you like to have 100 customers like me, and \$20,000 extra revenue in a month like January or February?)

It’s OK to reinvent your business – or an aspect of your business, like service. In fact, it’s probably vital to survival and success. It’s just damn hard to do.

Good selling! **YG**

*Jim Riley of Red Letter Communications Inc. worked with Stihl Inc., as well as several Stihl distributors, for more than 10 years. He specializes in translating national advertising campaigns into tools that distributors and dealers can utilize in their local advertising and marketing. Riley is also a member of the “Stihl Retail*



# Managing off-season payroll

*A little creative scheduling can overcome the seasonality of the outdoor power equipment business.*

By Lynn Pesson Jr., president, Southland Engine Co. Inc.

Outdoor power equipment dealers face many challenges. For most dealerships in most parts of the country, one of the biggest challenges is the seasonality of this business. We work like crazy all spring and summer, but then the pace slows down considerably. Suddenly, the cash register isn't ringing as often as it was. And our employees aren't nearly as busy as they were just a couple months ago.

At Southland Engine, our goal is to make sure the winter months do not take away from the profits achieved during the summer months. By adjusting the way we schedule employees, which substantially reduces our payroll and workman's comp insurance costs, we are able to break even in the winter.

Perhaps more importantly, our off-season scheduling system permits us to keep all full-time employees on board through the winter. We understand that our employees have families to take care of and need a solid foundation here. So it's a give-and-take. This is how we start as a team but finish as a family at Southland Engine.

Another thing to consider is the fact that trying to find competent technicians at the start of the season is a nightmare. Furthermore, technician training is a huge cost for our dealership. We'd hate to invest in their training, but then risk losing them for good by letting them go in the winter.

## Three waves of off-season

We split our off-season into three segments based on certain sales levels. Our method of scheduling employees then coincides with 1) the volume of work to be done, and 2) the level of income available to support payroll during a certain period of time.

1. Between-season hours (Oct. 1)  
Sales start to dip, so modest cutbacks must be made.
2. Winter hours (Nov. 1)  
Sales are slow, so more substantial cutbacks must be made.
3. Between-season hours (Feb. 15)  
Sales are picking up but still slow, so modest cutbacks must be made.

Of course, these dates are just estimates. Sometimes

### *Off-season scheduling*

#### *Between-Season Hours*

- Nobody punches in before 7:30 a.m.
- Mandatory lunches of one hour
- Nobody works past 5 p.m.
- Inmates and part-timers never work Saturdays


#### *Winter Hours*

	Employees	Working on Saturday
<i>Commercial service</i>	4	2
<i>Homeowner service</i>	2	1
<i>Two-cycle service</i>	1	0
<i>Parts department</i>	4	3
<i>Office/clerical</i>	3	2

- *Between-season hours still stand*
- *Each team rotates people on Saturdays*
- *All part-timers are let go*
- *Inmates are reduced to two; one cleanup and one a helper for techs*

we are able to stay in "between-season" hours until December, for example, and start our "winter season" hours in January. It all depends on how business is going, what the weather is like, etc.

Our main objective is to cut out overtime. At Southland Engine, all employees are paid time and a half over 40 hours a week. We've set up rules that prevent overtime from happening in the off-season (see chart at left). To achieve this, minimizing the hours worked on Saturdays is critical.

Our entire team appreciates the sacrifices we all make during the winter in order to maintain desired profit levels. It really helps to show employees how the reduction in work hours actually affects the bottom line. They need goals to work toward. And profitability only happens when the team concept comes to fruition. 

*Originally printed in Yard & Garden's February 2004 issue.*

# Making money in service

*If priced correctly, the service function of your business can actually boost overall dealership profitability.*

By Kevin Kehoe

**T**here is money to be made in expanding the service side of your business. Of course, there are the associated hassles and cost. But overall, I have found that dealers who increase their service operations also increase their profits. This is based on a financial study I conducted of 150 dealers. One of the key drivers of higher-profit dealerships was a higher level of service sales in the revenue mix.

---

## **The margins on service are potentially higher than the margins for either equipment or parts. This assumes that the service is priced correctly.**

The revenue mix is defined as the relative percentages of product, parts and service sales in relation to total sales. For example, a revenue mix I found, more typically, associated with lower-profit dealers looked like this:

Equipment sales 60%  
Parts sales 30%  
Service sales 10%

The revenue mix I found, more typically, associated with higher-profit dealers looked like the following:

Equipment sales 45%  
Parts sales 30%  
Service sales 25%

The reason for higher profits is fairly straightforward. The margins on service are potentially higher than the margins for either equipment or parts. This, of course, assumes that the service is priced correctly. The rest of this article will address a method for determining the correct price for service sales.

**Getting the right pricing.** The pricing model is based on the time and materials billing method. Time for service work is priced at an hourly rate with minimum half-hour charges and billing increments, and materials (or parts) are charged out at the standard retail markup.

The model is also based on recovering all service department costs in the hourly labor rate.

The pricing model is based on the average wage paid to service personnel. This wage rate must be marked up for:

- Payroll taxes
- Non-utilized time
- Overtime
- Shop indirect costs
- Shop overhead costs
- Profit margin

Let's use the following example to determine shop service rate. We are assuming for purposes of this example that the company employs one full-time service shop mechanic.

**Step 1.** We start with an average wage rate of \$15 per hour. We first mark up this rate by factoring in the associated payroll taxes and benefits paid by the company to employ this person for an hour. The markup includes the company-paid costs of SUTA, FUTA, FICA, vacation, sick, medical and workers compensation. In the example, these costs amount to 28% of each wage dollar paid. Yours may be higher or lower than this, so just be sure to use the right percentage for you when calculating your rates. However, the 28% rate is a fair average.

Wage/hour	\$15	
Payroll taxes/benefits %	28%	
	$(\$15 \times 28\% = \$4.20)$	
First adjusted wage/hour	\$19.20	
	$(\$15 + \$4.20)$	

**Step 2.** We next calculate the cost of recovering non-utilized time. Non-utilized time is the time *paid* but not *billed* to a specific service ticket. This accounts for the hours that are not revenue-generating hours but are still paid for the mechanic to be at the shop.

You can easily estimate your utilization rate by comparing the number of hours charged to service tickets with the total numbers of hours paid through payroll. Based on survey averages, we will use a 60% utilization rate. This rate says that 40% of paid hours are not billed to a service ticket. Therefore, the cost for these hours

must be recovered in the hours that *are* billed to a ticket.

We start with a full-time number of hours 2,080 per year (52 weeks x 40 hours per week). Multiply these hours by the utilization rate of 60% (or 0.6). This yields 1,248 billable hours (832 non-billable hours) at a cost of \$19.20 per hour. Total utilization cost is \$15,974 per year (832 non-billable x \$19.20). Dividing this cost per year by the billable hours provides us with an hourly utilization cost that must be added to the first adjusted wage/hour.

Paid hours annually	2,080
Utilization rate	60%
Billable hours annually	1,248
Non-billable hours annually	832
Utilization cost	\$15,974
	(832 x \$19.20)
Utilization cost per hour	\$12.80
	(\$15,974 ÷ 1,248 hours)
Second adjusted wage/hour	
	(\$19.20 + \$12.80) \$32

**Step 3.** We then calculate the cost of possible overtime. We do not know when the overtime will occur, but we are assuming it will show up during peak season.

We are using a 10% overtime factor. This means that 10% of the wage hours will be paid an overtime premium of one-half time. Multiplying this overtime factor of 10% by the total full-time hours, then multiplying this number by one-half of the adjusted wage rate of \$19.20 (or \$9.60), calculates the overtime cost. This yields \$1.60 per hour that must be added to the second adjusted wage/hour.

Overtime factor	10%
Overtime hours (2,080 x 10%)	208
Overtime cost (208 x \$9.60)	\$1,997
Overtime cost per hour	
	(\$1,997 ÷ 1,248 hours) \$1.60
Third adjusted wage hour	
	(\$32 + \$1.60) \$33.60

**Step 4.** There are two additional costs that must be recovered in the hourly rate. These are indirect and overhead costs for setting up and maintaining the shop. Indirect costs include items like uniform costs, tool costs, repair and maintenance on shop equipment, and depreciation on the equipment. Overhead costs include the costs of rent for the shop area, the costs for utilities, and the costs for administrative overhead to support the shop.

In the example, we have estimated these costs from the company's profit and loss statement, and we apply them here as \$5,000 per year for indirect costs and \$15,000

for overhead costs. We then calculate a cost per hour for these items by summing the two and dividing by the number of billable hours identified earlier (indirect \$5,000 plus overhead \$15,000 — and that total divided by 1,248 billable hours). This yields a cost of \$16.03 per hour. This must be added to the third adjusted wage/hour to arrive at a breakeven cost per hour of \$49.63.

Indirect shop cost	\$5,000
Overhead shop cost	\$15,000
Cost per hour	\$16.03
	(\$20,000 ÷ 1,248 hours)
Breakeven cost per hour	\$49.63
	(\$33.60 + \$16.03)

**Step 5.** Since we do not want to work for simply breakeven, we need to add a profit to the breakeven cost/hour. We are going to mark up the breakeven by 20%. The calculation for this is important. In order to

## There is indeed money to be made in service. Just make sure that you are pricing your service correctly.

yield a true 20% margin, we do not simply multiply \$49.63 by 1.20. Instead, we use the following calculation.

Breakeven cost of \$49.63 divided by 1.00 minus the 20%. This is the same as dividing the breakeven cost of \$49.63 by 0.80. This calculation yields an average shop-billing rate of \$62.03 per hour. This rate recovers all the costs associated with running a service business — and it makes you a nice profit of 20%.

Profit margin	20%
Service rate	\$62.03

As you can see, there is indeed money to be made in service. Just make sure you are pricing service correctly. **YG**

*Originally printed in Yard & Garden's April/May 2003 issue.*

### About The Author

Kevin Kehoe of Kehoe Guido in Laguna, Calif., is a consultant and educator in the green industry. You can send your questions directly to him by e-mailing [kkehoe@earthlink.net](mailto:kkehoe@earthlink.net) or calling (949) 715-3804.



## Filling the gap

*Now that home centers are “servicing what they sell,” where do dealers fit into this rapidly changing retail channel?*

By Gregg Wartgow

**M**ass merchants have long been a force when it comes to consumer equipment sales. Now they’re forging ahead into the “after-sale service” arena, using business models never before seen by the industry. The two big home improvement centers, Home Depot and Lowe’s, are appealing more to contractors. They’re building new stores all the time, penetrating new markets and broadening their overall market presence. Is it a good time to be an independent dealer of outdoor power equipment?

For many, it sure seems to be. According to a recent Yard & Garden survey, roughly half of dealers report that business was been better last year than it was for the same time frame the year before. Another 29% say business is at least as good as it was the previous year.

The home centers are still in the process of developing and fine-tuning their service strategies. Will these strategies work in the long run? Time will tell. Regardless, the dealer also needs to use this window of time to fine-tune his own operations. As the younger generation of power equipment customers shapes its perceptions and buying preferences, being “professional” as a dealer has never been more important.

“Most dealers feel strongly that their service element will keep most customers coming their way, and will cause all other customers to make their second and subsequent purchases at a full-service dealer,” says Stan Crader, president of Crader Distributing and Blue Mountain Equipment in Marble Hill, Missouri, and McKinney, Texas. “Unfortunately,” Crader continues, “a recent survey indicates that young consumers perceive the service at Home Depot and Lowe’s to be superior to that of a service dealer. Granted, this perception isn’t well-grounded by fact. But for many, perception is as good as fact. More importantly, it’s a clear indication that the full-service dealer can’t count on his service reputation to draw customers; the younger generation is simply not aware of it.”

### Can big boxes succeed at after-sale service?

Crader says most of his dealers don’t see the mass merchants as a serious long-term threat. Many older deal-

ers cite the failure of McCulloch and Homelite to profitably sell their products through Sears and Wal-Mart as proof that the current model won’t last. However, Crader points out, the current model being used by Home Depot is something the industry has never seen before, so historical trends don’t necessarily apply.

“Altaquip is a Berkshire Hathaway holding,” Crader explains. “Berkshire Hathaway is a very well-funded conglomerate and is legendary at building successful businesses, then selling them. Altaquip will more than likely succeed, which means Home Depot will have good after-sale service for many years to come.”

Can the Lowe’s model work — allowing NEW Corp. to handle all post-sale service and warranty situations, which includes lining up authorized repair centers for each market area? In some instances, the repair center is a local dealer. In other instances, that repair center is A&E Factory Service, a network of mobile service vans with a long history of performing appliance repairs. Outdoor power equipment is a different animal, though.

John Held, vice president of customer service for Simplicity, identifies a couple of challenges when it comes to the mobile repair of outdoor power. First, a mobile servicer is going to make an initial call on the customer, but likely won’t be able to do much. It’s easy to stock the van with fast-moving parts. “But people don’t call to get their blades sharpened,” Held says. “They call because their mower doesn’t start and they don’t know why. This kind of thing requires diagnostic time and additional parts. So a second call will often be needed to actually get the mower going again.”

This leads to another challenge. “The seasonality of lawn and garden complicates the concept of mobile repair,” Held says. “Most lawn mowers break down in May and June, whereas a TV or stove will break down any time of year. When the majority of your service calls are jammed into a two-month period, you’re going to be running around like crazy just to keep up. Most of the customers, I suspect, will have just purchased their mower, which will add to their frustration level. It’s very common for a dealer to have a two-week backlog of

repairs. But it's not two weeks worth of equipment they just sold that spring. When a customer comes in who has a problem with a mower he bought a week or two ago, most dealers will bend over backward in order to save the sale and keep that customer.

"Out in the field, I suspect that a lot of 'parts changing' goes on," Held continues. "For example, if there was a bad seal in a transmission, a mobile tech, in order to quickly appease an angry customer, probably won't pull that seal out and replace it. He'll put a whole new transmission on. Generally speaking, mobile techs are not equipped to do true 'repairs' like a dealer is. Thus, somebody (manufacturer, retailer, servicer or customer) will eventually have to pay for a very expensive service call. Nobody can stay in business if a \$300 transmission is the solution when a \$3 seal is the problem."

And no service-oriented operation can stay in business without skilled technicians who can properly diagnose and repair equipment in a timely, cost-effective manner that satisfies both the OEM and the customer. "It all boils down to the fact that, no matter how large or famous a company is, they're going to have the same problem the Mom-and-Pops do: finding competent mechanics," says Rodney Rom of Rom's Reworks in Butler, Missouri, a service-only dealership.

### The dealer's market position

For most larger, retail-focused dealers, the movement of home centers into the servicing realm is not cause for alarm. These dealers have their own equipment lines to sell, their own customers to sell them to, and strong service and parts departments to back it all up. Many smaller servicing dealers with solid retail sales, especially those in markets not yet penetrated by home centers, also feel like they're on pretty solid ground. "The dealers who will survive are the ones who are prudent, thrifty, responsible and lucky enough to be able to wait out the eventual realization by mass merchants that a bottom line provided by service is completely different from a bottom line provided by assembly line-style volume sales," Rom says.

Some dealers, including the one- and two-man repair shops, are creating their own destinies. Take A to Z Small Engine Repair in Magnolia, Texas, for example. Owners Greg and Cathy Flores just took over the business this year. The previous owner decided to throw in the towel when he lost 42 Home Depot stores. Greg,

looking for a change of pace after getting burned out in another field, decided to buy the dealership last fall. Taking over a service-only operation after it was dealt such a punishing blow was a little unnerving, Greg relates. But it's worth the risk. He sees an opportunity to rebuild a solid service business.

"Right now we're chasing the public," Greg says. "We're sitting here in Magnolia, 50 miles from Houston out in the woods where there are just a couple other small shops. We inventory parts for many products including MTD and Snapper. We service pressure washers and generators ... just about everything a consumer can bring us. We also work for a couple Tractor Supply stores. We still get some Home Depot and Lowe's customers who stop in. They know about us. We do what we can to help them, thank them and ask them to spread the word. That's what it's going to take."

Over in southwestern Virginia, Elbert Fink continues to hold his own as a repair shop in Max Meadows, a town of roughly 25,000. Earlier this year Elbert's Repair Service became one of the several dealers NEW has added to its network of service providers. It was a little rough getting started, Fink recalls. "I spend a lot of time doing paperwork due to the third-party billing," he adds. "It took me two months to get up and running properly so I could submit my NEW claims through ServiceBench. It's working pretty well now and I'm satisfied."

Unlike the A&E mobile servicers who work for NEW, Fink does not perform any repairs in the field. When a customer has a problem, that customer calls NEW via the toll-free number. NEW then sends Fink a work order. Fink picks the unit up from either the customer's home or Lowe's, if the customer happened to bring the unit back to the store. He hauls the machine back to his shop, fixes it, submits his claim and returns the machine. NEW sends him a check, which typically arrives a couple weeks later.

"NEW pays the manufacturer's warranty rate, along with their set fee for pickup and delivery," Fink explains. "It kind of surprised me, but Lowe's just dropped 22 units off at my door and said they'd be back with more. I like that," Fink adds with a chuckle.

The mass merchants' foray into service has altered the playing field. Where is your market position going to be, and what are you going to do to solidify it? **YG**  
Originally printed in *Yard & Garden's* Aug./Sep. 2004 issue.



# The silent salesman

*An online parts store expands market reach for rookie Ohio dealer.*

By Gregg Wartgow

When Mike Ferguson opened the doors of Midwest Mower Parts in February 2002, his mission statement was to provide top of the line service to as many customers as possible. Based in Coshocton, Ohio, he realized from the start that his physical store alone would only be able to draw customers from a limited area. But, with the help of a good Web site, his market potential could open up immensely. And it wouldn't cost him an arm and a leg, either.

Before founding Midwest Mower Parts, Ferguson already had 12 years of experience racked up in the outdoor power industry. He spent time at a couple of different dealerships in Ohio working as a parts manager and service coordinator, while also getting involved in equipment sales. He learned a lot about dealership management during those 12 years. He also recognized an opportunity if he were to open up his own dealership.

---

**“We are able to reach a customer base that could never be reached 15 years ago.”**

— Mike Ferguson

For the most part, the Internet is an untapped tool when it comes to power equipment dealers. So Ferguson wanted it to be a major component of his business's marketing and sales functions. A good Web site would promote the quality brands he carried (Scag and RedMax), not to mention his dealership's stellar service department. But the site's main purpose would be to sell parts.

“First of all, we wanted our Web site to give local customers easy access to important information such as our hours of operation, showroom specials and labor rate specials,” Ferguson says. “Secondly, we wanted to provide a way for people to order mower parts online from the comfort of their homes — no matter where their homes might be.”

Initially, Ferguson wasn't quite sure what to expect from the Web site. Neither of the two dealerships he'd

previously worked for provided online ordering for customers. However, since the investment would be minimal (\$22.50 a month), he figured it would be worth a shot. Ferguson has been more than happy with the return on his \$22.50/month investment.

“I expected to take some local parts orders, but I had no idea I'd be receiving several orders a week from all over the world,” Ferguson tells. “We are able to reach a customer base that could never be reached 15 years ago.” To date, Midwest Mower Parts has received Internet orders from nearly all 48 continental United States, Hawaii, Canada, Denmark and France.

The question is: Why would a customer buy parts from you if you're a fair distance away from them? Ferguson says, “I think there are several reasons why customers from all over the world are submitting parts orders to our dealership. Perhaps, that customer doesn't have a local dealer. Perhaps that customer does have a local dealer but wants to do some price comparisons. Also, word of mouth is, in my opinion, still the best form of advertising. If someone bought from Midwest Mower Parts before, they might recommend our site to someone else. Finally, manufacturers often refer customers to dealer Web sites if they get parts inquiries.”

## Getting off the ground

Ferguson doesn't have a lot of experience with computer technology. But, as he points out, he's well aware of the benefits that technology can bring to his business. To meet his technological needs, Ferguson has looked to his 24-year-old son Matt, a computer programmer and Web site developer.

After talking things over with his father and determining the business goals, Matt went to work on the Midwest Mower Parts Web site. Mike provided the information. Matt then molded that information into an attractive, logical Web site presentation that would be easy for customers to understand.

Once Matt had the site up and running, orders started coming in almost immediately. “Before the drought hit last summer, I spent several hours each day responding to online order inquiries,” Mike Ferguson recalls. “In

all honesty, I wasn't prepared for that kind of response. Even during the drought, the orders kept coming in, although at a slower pace. This spring, I think I know what to expect, and am really looking forward to our second season in business."

### Making it easy for the customer

For \$22.50 a month, Ferguson gets his Web site hosted on the Internet 24 hours a day. He's given several e-mail accounts with which he can communicate with customers. Furthermore, the Web site is automatically backed up. So if it crashes, no data is lost.

Also for no additional charge, Ferguson is allowed to make as many updates to the site as he wants — whenever he wants. Matt typically takes care of that. However, Ferguson points out, very little updating or maintenance is ever necessary. "If we are running a special, for example, Matt will update our site," Ferguson says. "It only takes him a few minutes."

The parts inventory is not actually listed at the Web site. The parts ordering component is simply an easy-

---

**"In all honesty, I wasn't prepared for that kind of response. Even during the drought, the orders kept coming in, although at a slower pace."**

— Mike Ferguson

to-use inquiry form that gives customers a couple of options when ordering parts.

When a customer wants to order a part, he can simply type in the part number if he happens to know what it is. In most cases, however, the customer does not know the part number. Then, the customer can type in a description of the part, along with the brand, model and serial number of the machine the part is for. Midwest Mower Parts then tracks the part down.


"We'll contact the customer by e-mail to verify that we have the part he's looking for," Ferguson says. "No



order is ever shipped without first verifying that we are sending the correct part. We also verify pricing and shipping information, along with the customer's method of payment. If the customer is paying by check, we do not ship the part until the check is received. If the customer is paying by credit card, we recommend that they call us with the credit card information, or we will call them."

Ferguson personally fields the online inquiries, checking for orders several times each day. Online orders are sent directly to his regular e-mail address. Once Ferguson verifies, with the customer, that he's pulled the correct part, he ships it directly from his parts department. "If I don't have the part in stock, I check with our distributors," Ferguson adds. "If they have the part, they'll ship it directly to the customer. Either way, in most cases the part is same-day shipped to the customer."

For its first year in business, parts accounted for roughly 48% of Midwest Mower Parts' overall sales. Roughly 4% of that originated from online orders. Sure, online orders represented just a small percentage of the dealership's overall parts business. But, as Ferguson recognizes, it's an additional 4% he could have never gotten without the Internet.

That's all he ever wanted — a chance to offer his services to as many customers as possible. Having shipped parts to customers throughout the United States, not to mention Canada and Europe, it looks like he's accomplishing his goal. 

*Originally printed in Yard & Garden's April/May 2003 issue.*

## Parting ways

*Don't let your parts department get bogged down by SKUs that aren't turning.*

By Gregg Wartgow

It's a delicate balance, particularly if you're a dealer who caters to a commercial clientele. You need to maintain a substantial parts inventory in order to provide the rapid service turnaround landscapers expect. But in this day and age, with tight margins and storage space often limited, investing too many resources in slow-moving inventory can put a real strain on your business.

Many dealers with well-run parts departments have a goal of four or five turns a year, although certain SKUs will naturally turn more often than others. Regardless, achieving an appropriate level of turns is important because you don't want to tie up precious capital in parts that are slow to sell. "Obsolete parts should be discounted and sold as quickly

**Steve Brady of Brady's Power Equipment in Stormville, New York, has found mild success in getting rid of obsolete parts through an Internet auction site.**

as possible," says Josh Cook, parts manager at Fun Wheels Power Equipment in Marietta, Georgia. "If we can't sell them at a discounted price, we'll try to take advantage of our suppliers' parts return programs. If we can't make that work, we'll give the obsolete parts to our service department to be stored and utilized as needed."

Steve Brady of Brady's Power Equipment in Stormville, New York, has found mild success in getting rid of obsolete parts through the Internet auction site [www.eBay.com](http://www.eBay.com). He also contacts other dealers to see if they might be interested in the parts. And he looks for people in the "antique" business, especially when trying to unload parts from discontinued models. Steve's son Tom has come up with yet another method. "As a last ditch effort to get some money out of the parts before we just throw them out, we dump them all

in a box in the showroom," Tom says. "We sell them really cheap. We might put a sign on the box saying, 'Take this whole box for \$100.' It works pretty well."

This tactic has also been effective for Richard Whitworth, owner of Top Cut Lawn Center in Harlingen, Texas. He says, "I'm amazed at how many 'parts scavengers' there are out there. Once a year we pull parts inventory that hasn't sold in 12 months and put a zero value on it. If we can't return it to our suppliers, we sell it really cheap. That's still better than paying taxes on it again."

### Time to pull the plug

When is it time to label a part as "obsolete"? For Whitworth it's 12 months. For Randy Longnecker, owner of J&I Power Equipment in Olympia, Washington, it's 24 months. Parts that haven't sold in 12 months are considered "dead stock" and are returned to the supplier(s) if possible. If they're not returnable, they sit on the shelf one more year. If they haven't sold after the second year, they're coded a certain way in the computer so they show in inventory but not in the dollar total. The parts are then pulled from the main parts storage area and moved to a separate location. This dead stock is sold bit by bit over the course of the next two years. Once the shelves get too crowded, Longnecker tosses out the parts he's pretty sure will never sell.

Brady's Power Equipment has a similar system in place. Steve Brady says parts that only turn once a year are moved to a separate storage area he refers to as "the boneyard." These parts are discounted heavily and "picked at" for several months. They're eventually thrown out if they don't sell through one of the Bradys' tactics described earlier.

Longnecker says J&I Power Equipment's goal is to keep dead stock at 5% to 10% of total parts inventory. "Before we implemented our new system of tracking and ordering a couple years ago, we were constantly coming in at roughly 20%," he recalls. "We knew we needed to get better — and we have."

### Min's, max's and other indicators

The new tracking/ordering system at J&I Power Equipment takes several factors into account. J&I, like most

computerized dealerships, assigns minimum and maximum inventory levels to each part number. This predetermines how many of a certain part is wanted in inventory, and at which point to order more. Just like inventory turns, min-max levels will vary from one SKU to another.

"Faster-moving items have reorder points that reflect the amount we expect to sell before the next shipment arrives," Cook explains. "If our sales history suggests that we sell two of a certain air filter on a daily basis, and we expect a shipment to take three days to get here, the reorder point would be eight; two for each of the three days along with a couple extra for a little cushion. It's important to keep fast-moving parts in stock at all times. They're the bread and butter of our parts department, and are typically the most profitable."

Whitworth also pays particularly close attention to fast-moving maintenance items. To be on the safe side,

**"A lot of this is playing it by ear. And if you become tone deaf as a business manager, you can wind up broke pretty quickly."**

— Steve Brady, Brady's Power Equipment

his philosophy is to carry larger quantities and reorder at higher levels. He's not worried about the padded inventory, because he knows it will sell. "If we sell 30 belts a month, we'll reorder at 10," he says. "On the other hand, if it's a slower-moving item we sell only three times a year, we'll reorder at zero."

J&I Power Equipment takes the min-max method a step further by more closely examining the sales trend on a given SKU. "Our two parts managers generate a purchase order on the first of every month," Longnecker tells. "They look at the min-max levels, but also examine the previous

year's sales for the same 60-day period. For instance, if they're placing an order on June 1, they'll look at last year's sales for June-July and subtract what is already in stock. The objective is to order the necessary quantity to get us through the next 60-day period. But they're also looking at the min-max levels, which show us what we've done year to date. From there we can see if sales are trending up or down. It's then up to the parts managers to decide if the min-max levels should be adjusted."

### Get physical

When J&I Power Equipment relied solely on min-max levels, while still trying to maintain a high turn rate, the parts department received "mid size" orders every couple of days. "Our parts managers spent all of their time checking in orders," Longnecker says. "The way we do it now, they might spend a day pulling a big order together, then another day checking it in. But the rest of the month goes a lot more smoothly."

Most dealers agree that truly successful parts management cannot be accomplished without a computer system. "We could never manage our \$70,000 parts inventory without our computer," Whitworth relates. All the same, a good parts manager will not neglect the "physical" aspects of managing inventory. And for experienced dealers, it's a good idea to trust your instincts.

"It's very important for us to take a physical look at the inventory on a continual basis," Brady says. "Tom and I are always walking through, looking at things. We can see the parts that have dust on them. We've been doing this for 30 years. After a while you can feel it. A lot of this is playing it by ear. And if you become tone deaf as a business manager, you can wind up broke pretty quickly."

To many retailers, taking inventory is a necessary evil. At Fun Wheels Power Equipment, OEM-specific inventory counts are taken every two weeks. "We'll count inventory from one supplier one week, then the inventory from another supplier two weeks later," Cook explains. "We've found it to be much easier to count small sections on a regular basis rather than counting everything on a less frequent basis." Two major inventory counts are also taken each year.

*continued on page 30*

*continued from page 29*

In his three-plus years at the dealership, Cook has really taken ownership of the parts department. As Cook points out, it's easy to lose track of parts when so many people from multiple departments are using them. A dedicated parts manager makes things a lot easier. "I receive all parts, oversee the inventory and deliver parts to the technicians," Cook describes. "By establishing this personal accountability in the parts department, things tend to stay in better shape."

Even if you have a parts manager, Brady reminds, the

buck still stops with you — the owner. "You can rely on your people, and believe me I do," Brady says. "But as the owner, you have to feel the pulse of your business. You need to recognize when it's not doing well. You have to stay on top of everything. You can't rely solely on the computer or your people. Successfully managing the parts department, and the business in general, is really symbiotic. Everyone must rely on each other." **YG**

*Originally printed in Yard & Garden's June/July 2004 issue.*

### *Turning service into sales*

Over the course of its 42-year history, Maestranzi Bros. of Beverly, Massachusetts, has sold thousands upon thousands of lawn mowers, snow throwers and other related machinery to its massive customer base. Many of those units come back for off-season service every year. Of course, even the best machine will not last forever. When it's time for a customer to purchase a new unit, the service-focused Maestranzi Bros. wants to be ready, willing and able to solve the customer's problem — this time from the showroom.

On each of the two off-season servicing mailings Maestranzi Bros. sends out each year, the customer can check a box indicating that he's thinking about purchasing a new unit for the coming season. The sales reps then follow-up with those customers who checked the box, often scheduling a demo.

Direct marketing (mail and telephone) tends to be the most effective form of advertising for Maestranzi Bros. Overall, the dealership spends around 5% of gross on advertising, spreading it across several media.

Another effective tool is the custom folders customers are sent home with when they stop by the store. Leo Maestranzi says, "If a customer doesn't buy a machine when he initially visits our store, we make sure he leaves with a brochure that's stuffed

inside one of our folders. The folder explains everything about our company and what we stand for. This way, the customer has the two pieces of information he needs when going home to think things over: 1) information on the product he's considering, and 2) information on the dealership he should buy that product from."

The folder is peppered with logos, product images and catchy slogans that get at the heart of the Maestranzi Bros. organization. "Equipment, service and quality all year long." "We service what we sell, ask your neighbor!" "Investment ... capability ... attitude ... Maestranzi Bros." "Model for model we have the lowest prices for the highest quality."

That last statement might explain why Maestranzi Bros. has thrived for 42 years, while many of its fleeting competitors have come and gone. "We sell wholegoods at MSRP," Leo points out. "I see many dealers selling at the promo price, which is typically 10% less. We don't do that. We couldn't achieve our desired margins if we did. If a customer doesn't want to pay it, so what? There are hundreds who will. We don't want the word to get out that we'll wheel and deal. We don't want to be known for that. We want to be known for our outstanding organization."



—Dave Wood, owner, Smity's Lawn & Garden, Kansas City

**"I went from 6 brands to 1. Then my sales rose 30%.  
I'm no math whiz, but I'd say that's pretty interesting."**

"When I became STIHL-exclusive, I expected to reduce my parts inventory, maximize my showroom space and streamline my transaction time. And I did. What I wasn't expecting was for hundreds of new customers to start showing up looking for STIHL products. But sure enough, there they were. Maybe it's because STIHL has an industry-leading reputation. Or because STIHL

is one OPE brand they can't find at the warehouse stores. Or maybe people just like when a dealer stands behind what he sells. Whatever the case, you don't have to be a genius at math to see it's working. Although, I have been getting lots of practice lately adding up profits." 1 800 GO STIHL • [www.stihlusa.com](http://www.stihlusa.com)

**STIHL**



— Bill Murr, Owner & President, Cypress Ace Hardware, Houston, TX

## **“I don’t have time for brands that don’t have time for me.”**

“Sure, I used to carry a certain other brand of outdoor power equipment. That is, until it became worthless to my business. First these guys undercut me by selling through warehouse chains. Then they decided it wasn’t worth their time to give me the same support the megastores were getting. So,

see ya. Now I have fewer parts to order, less clutter on my sales floor, unbeatable product support, and more loyal customers than ever. In fact, my business has grown every year since I dropped those guys. Hey, maybe I should give ‘em a call, just to say thanks.”  
1 800 GO STIHL • [www.stihlusa.com](http://www.stihlusa.com)

**STIHL®**