

Dealer peer groups exchange information

So, what's the big deal?

By TRENT HUMMEL

HAVING BEEN PRIVY to many dealers' thoughts and beliefs about peer groups, I thought it was time to chime in on the pros and cons of being in a group.

In my role as a consultant and trainer, which includes facilitating peer groups, it is apparent there is a misunderstanding about these types of groups and their purpose.

Consulting companies use a variety of names to market their peer group programs. A sample of some of these names include 20 groups, industry groups, business groups, peer groups, 20/20 groups, and more.

Regardless of the name, all groups are meant to serve the same purpose, which is to expose, discuss and gather suggestions from other members related to best practices, leadership issues, financial performance, industry trends, family/personal dynamics, manufacturer pressures, succession planning and everything else that makes operating a dealership difficult.

Listening to dealers, their employees and industry people, the peer group confusion is related to a lack of understanding about how groups are formatted. I will get into that later.

As noted by a mentor of mine who is a seasoned facilitator, "The peer group members are your board of directors. Where else can you be as open and honest about your issues and, in return, get a basket of suggestions from genuinely concerned people who have lived it or experiencing the same issues." We share our work struggles with family and friends but do they really understand our challenges? In a peer group, when you are transparent with your issues, the members feel your pain. They live the same day-to-day struggles.

During a recent visit with a dealer, the topic of peer groups arose. This dealer started his company in the late '70s. He said he had been in a peer group program for 30+ years. In his office, the book shelf immediately behind his chair held about 10 years' worth of peer group financial data and meeting notes. Currently, data is sent electronically but he showed me the outdated stack of peer group reports to demonstrate his commitment and belief in the peer program.

With 30+ years in a peer group, I asked "How does a peer group benefit your dealership that has above average profitability, uses best operational practices and employs a team that is very capable of doing their jobs?"

He had a number of comments about peer groups but the few he repeated during our conversation are as follows:

- Peer groups challenged him to be better just when he thought he had it all figured out.

- Discussions in the peer group meetings kept him abreast of industry changes and manufacturer challenges.
- The financial reports forced him to understand, interpret and know how to make operational changes from industry-specific metrics and measurements.
- They provided a network of dealer peers that he felt comfortable to call any time, even outside of a meeting, to gather information about a pressing issue.

He said these four benefits alone have added millions to his family's purse. But that only happened because he had an attitude that he was going to be engaged in the peer group processes. Far too many members attend meetings but take no action with the suggestions from others. A dealer not doing anything is a frustration for other members of a group.

Following are the types of groups in the equipment industry.

TYPE 1

Members are from the same geographical market area, often the same city. The members' businesses are not serving the same industry. Members are a mix from every local industry, i.e., bankers, restaurant owners, landscapers, etc. – all in the same group. Obviously, they do not compare financial metrics. Discussions about operational matters or their mix of industry issues would not stimulate a lively conversation.

They do, however, talk about leadership, local government issues and regional growth initiatives. A hotel operator, taxi company owner or officials with an airport authority would likely all be interested in discussing a proposal for attracting a semi-pro sports team to town. Leadership or employee topics create lively discussions in any type of peer group. Everyone has something to gain from leadership discussions. Type 1 groups are often an extension of the local chamber of commerce or community business group.

TYPE 2

All members in this type of group are in the same industry but far enough apart geographically and not competing against each other.

These are the peer groups with which most dealers are familiar. I will try to shed some light on the innerworkings and benefits of this type of group.

My family has been involved with peer groups since 1986. This length of time has given us the opportunity to observe how peer groups have changed over the decades. The business skills of members and depth of topics discussed have grown as dealerships have evolved.



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A group in the mid '80s was primarily given a lesson in financial management, industry metrics and specific measurements of the equipment industry. Every meeting was heavily focused on financial lessons. That was a good thing since most members did not have the level of financial understanding we have today. To survive in business, every generation has to know more than the prior generation. My Dad, who started in a group in the mid '70s, said what he knew about running a successful dealership in the '70s would not allow him to get past the first year in today's business climate.

As I was told from the start of my peer group initiation, you are naked on the table. At least your financials are naked. Every member is looking at every other member's detailed financials.

Most groups have their members' names tagged to their data. There is no hiding... everyone knows your data. It allows other members to dissect your numbers and challenge you.

The peer group provider will compile each member's data in a comparable fashion. It is important that members are comparing apples to apples. It allows all members to review each line of their data in detail while comparing data to the other members' financials. Is your business trending up or down in a particular area? Now is when the others offer suggestions based on past successes and failures.

Another financial benefit is the group composite, which compares all the members' metrics in one spreadsheet. It allows you to easily see how you measure up to others in the group. I have used the composite multiple times with naysayer employees. We all have an employee (or two) who continually says something cannot be done. At a department meeting, we would share the composite copy with everyone. This would allow them to see that other dealerships are meeting or beating an industry benchmark in a specific area.

In my experience, the only member issue to which no one had a solution or idea for (other than firing someone) was as follows: A store manager caught a parts counter person pretending to be talking on the phone with a customer. The parts person did this so he would not have to serve walk-in customers. The dealership found out he did this often and with multiple customers at the counter.

TYPE 3

This type of group is common in multi-store auto dealer groups. The dealership has its own internal peer group. Each location's

leadership team attends a meeting as if it is a stand-alone store. The other members are the leadership teams from the dealership's other locations.

This process is effective. It fosters an environment where location leadership teams take ownership of their locations. If the group meetings are a true learning and sharing meeting, the meeting fosters a healthy competition among the locations.

One of the biggest complaints we hear about from department managers in a multi-store dealership is there is no avenue to really get to know their peers in the other locations. The internal peer group program has two great advantages: 1) the peers get to know each other on a personal level and 2) for two days they talk shop, compare financials, share operational practices, discuss employee issues. It opens up the communication and sharing not only during a meeting but between meetings.

The auto dealers have shared that their internal groups hit new heights when they started to allow outside, industry-specific people to facilitate their groups. When an owner or senior manager facilitated their groups, it did not get the energy up with the attendees. Outside facilitators brought industry knowledge and ideas from attending other group meetings, industry events and their experiences. An outside person will challenge an attendee without being the bossy boss.

Summary

Peer groups can be set up in any format the members request or require. It is important to recognize that having similar size dealerships in a group is a plus but not the deciding factor to a group's makeup. More importantly, members with similar business acumen is a plus. This is required in order for members to challenge each other effectively. The members grow together. When the spread between members knowing too little and knowing a whole lot, it's like an expert and beginner skiing together – it's not a fun ride for either.

We have had many dealers indicate that going to conferences, being on dealer councils and attending manufacturer events allows time to discuss issues with other dealers as if they were in a peer group. I can assure any dealer that if the conversations you have with others at random dealer gatherings stimulates you, the conversations in a peer group will rock your world – and it's just good business. **WED**

HERE'S WHAT YOU SOLD – Equipment Retail Sales in Units

U.S. – August 2018 Ag Tractor and Combine Report	August			Y-T-D August			August 2018
	2018	2017	% Chg	2018	2017	% Chg	Beginning Inventory
2WD < 40 HP	12,941	10,914	18.6	111,835	101,200	10.5	82,054
2WD 40 < 100 HP	5,195	5,047	2.9	39,957	38,973	2.5	33,982
2WD 100+ HP	1,254	989	26.8	11,334	10,573	7.2	8,469
Total 2WD Farm Tractors	19,390	16,950	14.4	163,126	150,746	8.2	124,505
Total 4WD Farm Tractors	161	138	16.7	1,455	1,287	13.1	887
Total Farm Tractors	19,551	17,088	14.4	164,581	152,033	8.3	125,392
Self-Propelled Combines	469	380	23.4	3,038	2,458	23.6	1,094

Data provided by the Association of Equipment Manufacturers (AEM).