

Get big, get better or get out?

What's your answer?

By TRENT HUMMEL

The three “Gets” are questions dealers should always be asking themselves. For many, these challenging times have presented ample opportunity to ponder on the answers to Get Big, Get Better or Get Out.

Are you a rural lifestyle or large ag or construction dealer or a mix of all? No two dealership answers will be the same.

More than anything, how are individual dealerships operating? Are they successful despite every challenge they face or do they float along with their market conditions?

For large ag dealerships, unfortunately, the downturn is throwing a curve ball as to how an owner or organization is able to answer. The current business cycle is making many dealerships choose *how they have to answer* and not *how they wish to answer*. For far too many, it is difficult to achieve what they desire.

There are a growing number of large ag equipment dealerships that are seeing light at the end of the tunnel. This number is growing daily. There is some chatter regarding financially healthy dealerships getting back to buying more locations.

On the flip side, there are a number of large ag dealerships that are likely in their last year of business. They will be out of money before we enter 2018.

As you will see in the charts in this article, not all markets are in a down cycle. Outside of the energy production regions, compact tractor and construction dealerships are experiencing a boom. Over a five-year span, there has been sales growth in these product types.

As it pertains to you, I challenge you to not only think about the Get Big, Get Better and Get Out answers, but to write out your thoughts. Words on a page are not as easily changed as the words in your head.

The “Get” questions are not always how they appear on the surface. I will share

some of the meaning of the three “Gets.” This will provide direction on how a dealer should answer.

Get Big

Most think adding more locations is the reference to this and, in some cases, it is. Quite often, buying more stores is considered a defensive action. If a strong competitor is encroaching, you may have to buy territory even when the timing is not right. If you have ever bought farmland, you know the time to buy is when it is available even though you may not be ready.

Buying another store has to do with a dealership's long-term vision. We should always be trying to grow sales. If a dealership is getting the maximum out of its current Area of Responsibility (AOR), the only way to grow is to buy more territory.

• **Before you add locations, ask yourself, “Are we getting the most out of our assigned AOR?”**

I'm not advocating that you buy market share, but market share reports indicate a dealership's penetration of a product type within an AOR. Outside of buying more locations, Get Big can also mean getting more than your share. We consistently hear from dealers about their desire to add more locations even though their existing stores are not getting an achievable market share.

Adding 25 percent growth to a store's sales can do wonders to the bottom line. With most organic growth, your expenses increase slightly and this adds more dollars to the bottom line.

Get Better

The absolute definition of insanity is doing things the same way over and over again and expecting different results. Many dealers are putting in long days and have done this for years. What kind of difference would it make on your health and your bottom line

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if you worked “*on the business*” instead of “*in the business*?”

• **Getting better is about being more efficient – not only more efficient as an owner or senior manager but more efficient throughout the organization.** This requires working with your employees to establish clear goals, achievable objectives and holding them accountable with follow-up reporting and feedback.

Becoming more efficient begins at the top. If employees do not see a change in management's behavior or procedures, they will see no reason to initiate change in their behavior or procedures.

We have been working with an organization that is on an efficiency kick. Efficiency and expense control have become part of their culture. They reduced expenses by 10 percent in year one and another 10 percent in year two. This is all being accomplished without employee layoffs or wage reductions. In fact, the organization is adding team members because of customer demand for their products and service.

The increased growth is due to being more efficient. In all departments, daily customer contacts are up, employee attitude is better and this equates to increased revenues.

This dealership was able to add more money to its bottom line by Getting better at expense control. The rev-



TRENT HUMMEL

is a fourth-generation agricultural equipment dealer and a leader in the equipment industry.

enue growth is an added bonus. It is a home-run for anyone when expenses are down and revenues are up.

Getting better is not limited to efficiencies or expense control. Better culture, better employees (removing dead wood), better product offerings (dropping/adding lines) and more make a difference. But nothing in your organization will get better without senior managers getting better.

Get Out

This is always a sore spot for some. When an owner has had a good run, made a good living, enjoyed servicing customers, made profitable deals, has had work-related fun with his team, and experienced great manufacturer relations, it is hard to face the reality that it might be coming to an end.

As manufacturers evolve, as an organization grows, as employees evolve, as customer needs become more demanding, the challenge of day-to-day operations can outgrow an owner's ability. This has nothing to do with age. Sometimes a business just outgrows an owner.

• **The worst thing an owner can do is hang on too long.** As the market and competitors move forward, the owner's dealership becomes stale and the value of the company tumbles.

All too often, all or some of the dealer's friends, family members, business associates and manufacturers' representatives can see that the organization is not growing. No one wants to say anything to the owner but someone should. It is a difficult conversation but a little fatherly advice in a motherly way never hurt anyone.

If exiting the business is in your plan, get started now. It takes time for a plan to come together. In my experience, the plan you have written will not be the actual events to your exit, which is okay because you're a dealer and successful dealers have the creativeness to adapt to the events.

Notice the large reduction in large ag unit sales in the last five years (Figure 2). It has to be difficult for a manufacturer to maintain an assembly plant.

The big increases are in the under 40 HP category (Figure 3). In the U.S. alone, more than 50,000 under 40 HP units were sold from 2010 to 2016. There weren't 50,000 total 4 WD units sold during the same time period.

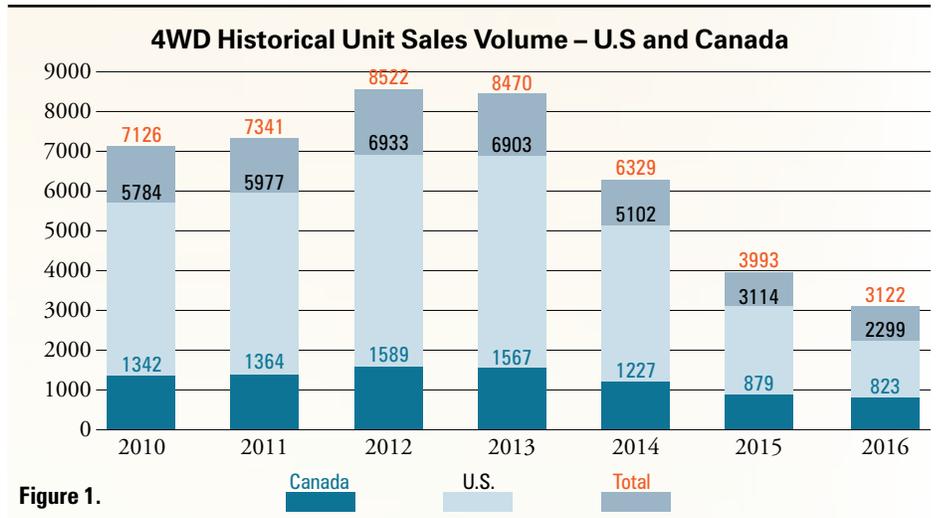


Figure 1.

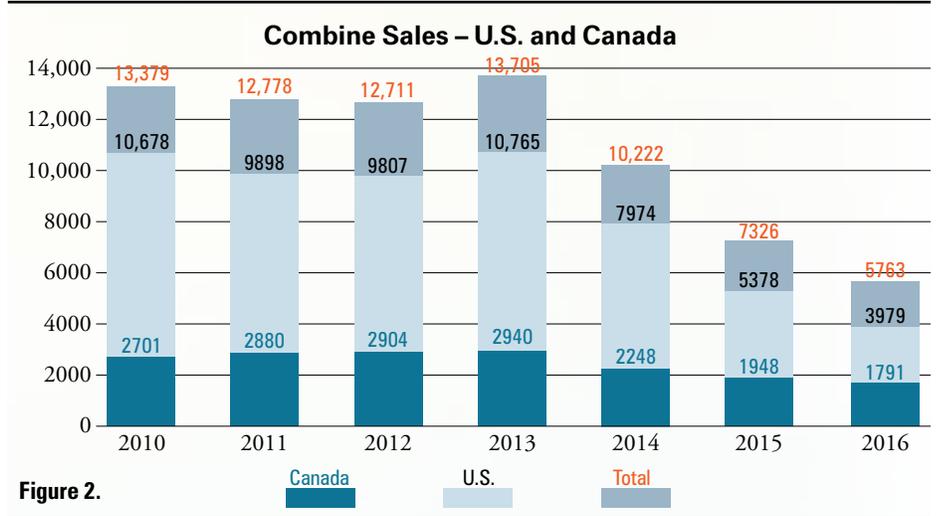


Figure 2.

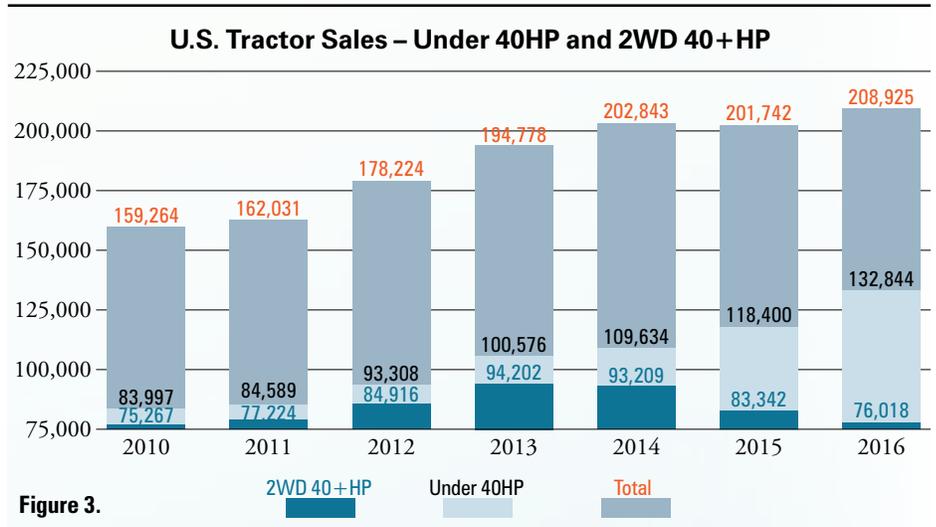


Figure 3.

Data provided by AEM and Glass Management Group

As you're writing down your answers to Get Big, Get Better, or Get Out, review the unit sales in the products you offer. How do you see your organization thriving in the future? Where are your opportunities?

The data is what it is. We might have wished for different numbers but now we have to answer one of the three "Gets" based on the historical unit sales volume and determine where we will fit into the

market going forward... and that's just good business. **WED**

TRENT HUMMEL is a fourth-generation agricultural equipment dealer and a leader in the equipment industry. He also is a lead trainer for and consultant to the Western Equipment Dealers Association's Dealer Institute. He provides onsite training and public courses to improve dealership asset management and business operations. Please send questions and/or comments to thummel@westerneda.com.