

November 2017

RV PRO

FOR THE RV PROFESSIONAL



A Bigger, Better Show

RVIA is fine tuning the National RV Trade Show to give dealers and exhibitors a good experience.



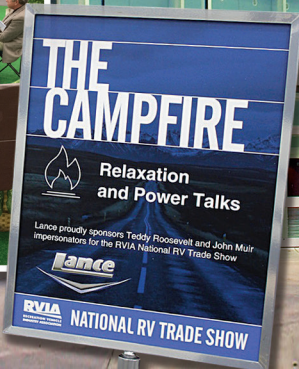
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The Practical Tactical Side of Strategic Planning

It's the time of year to take a deep look and plan your business for the future.

Your dealership, if it's like most across North America, is heading into what we know as "the off-season."

The bad part is the pace of business slows. Of course, that results in lower revenues, gross profit and the ability to make a profit. There are expenses, after all, that continue even when the business slows.

The good part of slowing down is that dealers have more time to use in looking at the business, the processes, challenges and opportunities that the next selling cycle presents. Many dealers use that time to reflect on market conditions and to make plans in the areas of budgeting, sales forecasting, staffing and stocking of unit inven-

tory. If you're a student of Stephen Covey, you'd know these as "Quadrant Two" activities. Big improvements follow the spending of time in planning, training and working *on* the business instead of *in* the business.

There is a rhythm to our industry. As soon as the business slows up, dealers get busy with Elkhart Open House Week, the RVDA Convention/ Expo, RVIA's National RV Trade Show and a host of training opportunities. I can tell you it's also the busy time for the trainers and consultants. All the dealers take a moment after the season, and if they've planned well, they are ready to ramp up improvements in areas that the season exposed as being weaker.



By Chuck Marzahn

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Taking time to think things through is an important task for the dealer.

Strategic Planning Is the First Step

That gets us into the area of strategic planning. Some years back, I wrote about how strategic planning involves rising above the day to day bustle.

The best example is the commander of a Roman Legion getting on top of a hill to see the whole battlefield. The Latin root “strata” is a key to understanding. You must put yourself at a different level to see what’s really going on. Einstein said, “The significant problems you face cannot be solved at your current level of thinking.”

Think about soaring into the stratosphere and looking down like a satellite. It’s the way most of us in the business of consulting make a living. Dealers are too close to the business to see it unless they pause to step away and look at it from a different perspective.

It is now time to take stock, to adjust, and to plan for a successful future.

It’s Tactical Planning That Gives Results

The tactical side is where the change happens.

What are the things that need to change before the dealership can get better? There are tons and tons of small things you can do. You just won’t see them unless you think strategically first.

Simply stated, the question is: What tactics will you employ to make the needed changes to give you the strategic results?

But let’s start getting very practical about being tactical. What are the usual tactical steps that come from strategic planning at season’s end?

Most commonly, dealers in our industry will give some consideration to what is commonly referred to as a “budget.” Calling it a budget is only half the name. What you’re really doing is a budget *and* sales forecast.

My point is you should really start with the sales forecast first. If you don’t know how much is available to spend, you can’t make any decisions about expenses, stocking or staffing. And looking at costs and expenses is hugely

important. Don’t begin until you count the cost.

After all, who would begin construction of a building without first calculating the cost to see if there is enough money to finish it?

Getting a Practical Start: Budgeting

But start by getting a sales projection from each of your managers. The idea here is to look at trends over the past three years. Then, throw in a dash of the direction of the market. If you think the economy and market are strong for the next year, be a bit more aggressive. Still realistic, but a bit more aggressive.

Look at the margins you’ve demonstrated. Are you changing product lines? Will that change make sales or margins change? Get that info, not just from sales managers, but from each of the department managers.

When looking at the sales departments (new and used), I like to use what I call the “Big Four” with each product. You can think of each line or each type (A, D, C, TT, 5W, etc.). Here are the “Big Four”:

1. Number of units.
2. Average selling price.
3. Gross profit margin percentage.
4. How many I need to stock, on average?

Those four will let you calculate the total revenue from that unit. Also, the amount of GP dollars. And the cost of inventory. It shows “turns.” Even a return on investment. In other words, a whole bunch of decisions can be made using only those four data points.

Finance is usually a percentage of unit sales revenue. That just makes it easy. Parts and service can be drawn from growth in sales and their individual department historical performance.

When you know what the sales are likely to be, the next question is what demands will that level of sales place on staffing? Will it require more? Will they need raises? Does it require more or different positions?

Then – and only after thinking those items through – would I get into expense planning. That’s the actual “budgeting” part. By then you know how much is selling. That leads to how much gross profit you have to pay the bills.

Use 20 Groups as a Resource

I should mention that it’s a great discussion to have with your 20 Group. Questions such as: “What are you thinking in terms of percentage of growth next year?” or “How do you see the economy going forward?”

My 20 Group often has that meeting between Open House Week and the National RV Trade Show. These groups also are great for identifying the weaker areas of your business. If your margin in a particular department is below the group average, you should see it as an opportunity. The composite shows every dealer where improvement can be and needs to be made.

The budgeting process is the most traditional approach to RV dealership strategic planning. It’s also the most practical. With a completed budget and sales forecast, you have a way to hold department managers to a higher level of accountability.

It should be done using the three-year departmental trends for each of the months. In that way, you should end up with a budget and sales forecast for each department for each month. You can then see how well a manager is doing in reaching those goals.

Some stores have the “drop dead” goal that the manager is super committed to attain. Then they have a level of “stretch goals” complete with bonuses for the managers who hit them.

What’s the Best, Best Practice?

Before I wrap it up for this month, let’s look at some of the more “artful” ways to use strategic planning that translates into tactical, practical tasks and jobs. Here’s a short list of things to think about:

- One of the easiest, most productive, and yet least executed tactics, is to build and publish a training

plan. Who needs it? Where can I get it? Can I do it in-house with my own people? Publishing it reinforces that it will actually get done.

- Take a look at the routine meeting schedule. Are the ones you have productive? Could they be shortened with a tighter agenda? Are the right people in attendance? Should I hold short, very focused meetings daily in some areas like delivery, sales promotion?
- Give close scrutiny to staffing with regard to productivity. What metrics am I using to see if my people are performing? Does the finance department show product well? Is that warranty administrator really a full-time job? How many open tickets does each writer follow ... and close out? How much gross does each employee generate?

- Do an audit of relationships. Product lines: Are they the best I can get? Vendors: Is that smaller guy hungry enough to give better service or better pricing? How long has it been since I shopped benefits and insurance carriers?
- Do reviews and one-on-ones. Personally, I'm not a fan of annual review. You should really review most employees more frequently. Still, they need to be done!
- What attitudes need to be adjusted?
- Look at things to spruce up. To clean up. Can you use some of the under-employed folks during the off season to do it?
- Take some time for rewards, restorations and recreation with your people. If it's appropriate, take some out for a meal. Listen to their thoughts on the business.

- Take a critical look at what you can simplify.
- Spend some time day-dreaming with your managers. Be crystal-clear on your direction and vision.

Taking time to think these things through is an important role for the dealer. Managers also should look at their departments in this same way.

It's the blessing we have that there is a bit of down-time in the natural flow of the year. Be sure to take best advantage of it. Doing so will be helpful beyond what you might ever imagine. **PRO**

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