

Hallmarks of Successful Dealerships

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***Hallmark* /hól-märk/ n. - Any mark indicating quality or excellence.**

At the beginning of a new year it might be good to pause to consider what elements are present at most of the successful dealerships I visit. While I do not know anyone who attains a perfect score, we can learn the good ideas from many sources and, from that study, build a composite example in our mind's eye.

The bullet points listed here are common to some degree in all the successful stores I have seen over time. I am sure there are others. These are so compelling as to rise to the top of my "hit parade." I hope they give you pause to consider how you measure up at the dawn of the new millennium. And I hope that you use them to further your own successes in the coming years.

Compulsion to closure

There is a pervasive attitude that calls for immediate action to complete any and all tasks at hand. Everyone in the store has it. The employees are simply driven to finish the things they start. It is not a question of "if." The question is more along the lines of "how quickly."

Values-driven company

The mission of the company is so compelling that you would do it even if it failed to produce a profit. Of course, you must have a profit to stay in business, but the profit is important because it is the means to stay in business to accomplish the mission. All personnel understand the values under which the company operates. There are fewer misunderstandings because everyone understands "the way business is done."

Clearly Communicated "Roles and Goals"

Everyone also knows what his or her job duties and responsibilities are. They understand how the performance of those daily tasks relates to the jobs of others. They are held accountable for performance and rewarded if it is good.

A story to tell that everyone knows

Since all employees know the boundaries and expectations, you find that they are willing to communicate that understanding within and outside of the

organization. This sharing of the story was likely started by the “head cheerleader” (also known as “the boss”).

Customer focus

These stores look at the customer in a different way than others. Believe it or not, there are some misguided people who look at their customers as the opposing team. They think the customer is someone to “overcome.” They think the customer is someone with whom they should “play games.” It is a completely new level of business when you rise above that thinking. Find a customer need. Fill it with a high quality product or service. Then communicate aggressively through advertising that you are able to do that. The world will beat a path to your door.

Reliance on a systematic approach

In a large way, the success stems from not having to reinvent the way you do things each and every time. The store is managed by the rule of systems. It is, again, “the way we do things” rather than making a new policy for each exception we encounter.

Management by measurement

Great stores know what their objectives are and where they stand against those objectives. Almost anyone in the store can recite how they are measured and how they compare. It takes away the personal feelings and makes it a business decision when people can see an objective way they are measured. Along the same lines, you cannot manage what you don’t measure. Trying to do so is like trying to keep 25 Ping-Pong balls under water all at the same time.

Accounting system

In order to have that way to measure, you must have an accounting system. It’s important that everyone trusts it. How can someone feel good about the pay they receive from commissions when they have seen mistake after mistake in the administration of the accounting? That usually means a good computer system. Contrary to the opinion of some, integrated systems are the only way to go. When the money doesn’t go into the same bucket, it’s like those Ping-Pong balls all over again.

Daily, immediate feedback on performance

I said “daily, immediate.” Perhaps the better way is to say that feedback on performance is continuous and ongoing. How sad it is to find that a store does “annual reviews.” It is good that they review and discuss performance. The problem I have with the annual review is when it is the only feedback. Consider how idiotic it is to perform a review as some bizarre ritual prior to which both parties have assembled comments and built a case with a year’s information that should have been immediate feedback. The rationale is to consider a change in

compensation annually. When the feedback happens only once a year, it isn't a review; it is a battle. The good stores have weekly management meetings, bi-weekly sales meetings, monthly shop meetings, a monthly statement and daily financial reports to department heads.

A long-range business plan

At a minimum, a successful dealer must do an annual budget and sales forecast. That is just the entry level. Ideally, it has been going on for a number of years and they have a history to use as a model for future planning and business. It also makes it so much easier to go to the bank for a line of credit when you can show them that you know what you are doing.

Dedicated plan for ongoing training

One highly successful store I know spends 10 percent of their time in training. That means four hours each and every week. The name of the store would be one you would certainly recognize. It is no mistake that they recognize the importance of ongoing training for all employees. Above all, they have a plan. It starts with the basics and goes to advanced. When the training has "run its course," it starts again with the basics.

Pay plans that motivate and compensate

A great organization finds a way to reward employees for doing the job the right way. Usually, that takes the form of a variable pay plan that allows the company to recognize, in a financial way, the employees who help them reach their targets.

A corps of long-term employees

Just like the saying, "Business goes where it is invited and stays where it is welcomed," employees in well-run companies tend to "homestead." When you consider how hard it is to find good employees, it changes your perspective. You have heard it said that it is cheaper to keep a customer than to find a new one. The same is true of employees. When they feel like a part of a great organization, they are more likely to stay. That strengthens the company in at least two ways. First, it is cheaper when you don't have to recruit so much. Secondly, the depth of organizations that have many long-term employees allows you to respond more quickly to customer requests or problems. Also, you aren't held hostage as frequently because there is an employee who is perceived to be the "only one" who can fill a position.

Good manufacturer relationships

The two of you view each other as partners in meeting the market's needs. There is a spirit of trust and respect. You can count on each other, which is far different from the adversarial relationship that often exists.

Mortar to support the mission

I can't think of a single "excellent" company on whom I have called that works from a cracker box facility. Beyond that, the facility must make it easy to do business. That is how you get a grip on the traffic. The building should be flexible to run and expand while being structured to meet a customer's needs. The ways and places to conduct business and pay for services should be clear to the customer. Lot control is essential in our industry.

Proper capitalization

No one has changed the rule that says you need money to make money. The most common reason for business failure is that the business is under-capitalized. When you are scrambling for cash to make payroll, you are slow to pay your bills. That affects the relationships with the vendors. You miss out on trade discounts. When a truly worthwhile purchasing "deal" comes along you miss the opportunity if you aren't adequately capitalized.

Growth that is present and under control

Growth is essential. If your business isn't growing, it is dying on the vine. You must have the capital needed to fund that growth. The rule of thumb is don't grow faster than you can pay your way. Serious leveraging caused a ton of problems in the 1980s. Now that the good times are here, don't be overzealous.

There are more ways to assess the success of companies that excel. It is a good thing to step back several times a year to consider where your business is relative to its potential. That is the role of the leader. Set the vision of the way business is done and the direction you are heading. Find managers who are interested in doing things the "right" way. And you keep them doing the right things.

Best wishes and great success in this and future years!

Chuck Marzahn is well-known and respected in the RV Industry. He has worked with many dealers at all levels of dealership operation throughout the United States and Canada. Your comments are welcome at chuck@marzahn.com