

# Controlling Sales Margins

By Mark Othmer, Nebraska Field Director



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The fall selling season will soon be upon us, and several members have expressed high expectations for an active fall and winter. Most feel the opportunity for increased sales remains extremely good, thanks to high market prices (that were contracted earlier this spring), excellent yields and continued customer demand for new and high quality used equipment. While there may be competition for the customer's dollar that members will have no control over – such as higher rent, higher fuel prices and opportunities to buy land – members still feel they will be included in most customer spending decisions.

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Members continue to show concern over the erosion of margins during this time of potential sales increases. Once again, it seems that market forces – whether 1) a dealer just can't pass up the opportunity, 2) market share pressures from manufacturers or 3) just plain lack of control of their sales forces – will cause an erosion of margins. Will we ever break this cycle?

At the risk of sounding like a broken record, before you can gain control over your new and used equipment sales margins, the first thing you must do is firmly believe it is possible and convey this belief to your sales force. Without everyone on your sales team pulling in the same direction, you can't expect to gain

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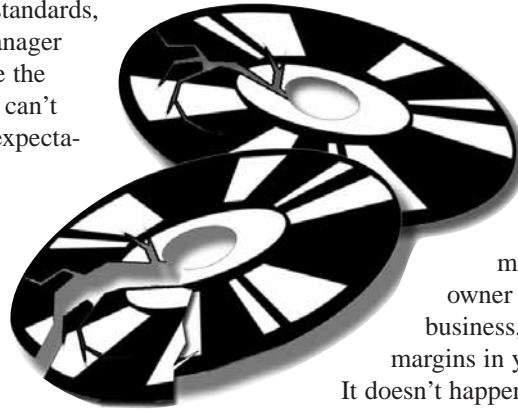
control over sales margins. This means no exceptions for special deals or special customers – especially if the dealership owner is involved. If anyone should be held to margin standards, the owner or manager should. They are the team leader and can't act contrary to expectations of other employees. I encourage you to take the decisions out of the owners' hands.

Every business should have a real sales manager who is responsible for any deviations from margin expectations.

Wouldn't it be nice if every business put into place a used equipment (trade-in) evaluation process? Once again, this would help maintain expected margin guidelines. Many members tell me they have done all of these things, but when I ask for the extended information and how this all works, things start getting a little fuzzy. It seems as though the business may be operating on unwritten rules and employee assumptions rather than stated, documented policies and procedures.

I remember back to my old dealership days when I'd receive the "Policy and Procedures" manual from my manufacturer. This manual outlined the "rules of the game," so to speak, of how we would do business together. I would often snicker to myself thinking that a manual containing hundreds of pages was the last thing I needed to guide how I would do business with a manufacturer. I was quickly proved wrong and realized how necessary that written manual was. I understood its importance and recognized that I needed to do the same thing with employees entrusted with selling the products from my company.

Unfortunately, I never got around to writing that policy manual for my sales employees and I found myself struggling



to maintain desired margins on sales of equipment.

So what does all this rambling really mean? Only you, the owner or manager of your business, can control expected margins in your sales department.

It doesn't happen by magic. You have to work at it. It probably wouldn't hurt to have a real sales manager and some written operating procedures in place so everyone understands your expectations.

Come to think of it, nearly every member has put these things in place for their parts and service departments already. Why in the world haven't they done it for their sales departments? Don't they want to relinquish that control to someone else? Don't they want the finger pointed at themselves? Whatever the case may be the only unacceptable answer is to do nothing. This industry has greatly improved operations and profits in its parts and service departments. Let's do the same with our sales departments. ■

**DON'T FORGET!**

*It's time to renew your*

*Association*

*Membership!*

