

## Wanted: Sales Manager

By Tom Junge, Iowa Field Director

Growing multi-store equipment dealership needs professional individual to oversee the sales department.

Responsibilities include:

Managing 60-65% of the assets of the business

Managing 75-80% of the sales of the business

Maintaining an inventory turn of at least 2.5

Increasing sales margin percentage and contribution margin of the sales department

Maintaining manufacturer acceptable market share

Managing “independent” sales force and instilling accountability of salesmen

Setting the book value for used equipment

Working with the service department in managing reconditioning expense

Embracing and effectively utilizing the electronic tools provided to the sales department

This partial list of responsibilities for today’s sales manager indicates that dealers need to dedicate more resources to managing the sales department as they have done in the service and parts departments. For many dealerships, sales managers are not fully engaged in management. According to the 2005 IA-NE salary compensation survey, many sales managers spend 50 percent of their time selling. The day of dealership employees wearing multiple hats (store manager, salesman and sales manager) is no longer optimal for large sales organizations.

According to the just released 2005 *Cost of Doing Business Study* provided through the Association, dealers dedicate fewer resources for the direct management of the sales department. The average dealer in Iowa and Nebraska has only .83 of an individual managing the sales department compared to 1.48 in the parts department and 1.56 in the service department (Table 1). I’m sure one explanation is that a typical owner remains more involved in the management of the sales department than other departments. However, this is becoming less apparent in larger operations as owners find more of their time spent on managing the overall operation.

Table 1	# of Managers	Gross Margin Contribution	Sales Dollars	Personnel Managed
Parts Department	1.48	497,805	1,755,448	2.99
Service Department	1.56	546,661	846,600	10.19
Sales Department	.83	552,901	8,451,262	3.33
Total Dealership			11,272,120	

Comparing current dealer financials to ten years ago indicates that Iowa and Nebraska dealers have made considerable improvement in the parts and service departments, but not the sales department (Table 2). I believe this improvement resulted from the focus and guidance of consultants and manufacturers; the computerization of those departments; and instilling accountability of the employees in those departments. This resulted in a

senior parts man becoming a parts manager and a service foreman becoming a service manager. The same thing needs to occur today – a dedicated sales manager, not a salesman wearing a sales manager’s hat.

Table 2	1996	2005	
Parts Productivity *	27.55%	18.09%	Goal = 33% or less
* Parts Productivity = parts salaries + commissions/parts department gross margin.			
Parts Gross Margin %	27.14	28.36%	
Service Productivity **	103.82%	54.86%	Goal = 65% or less
** Service Productivity = service salaries + commissions/service department gross margin.			
Service Gross Margin %	49.06%	64.57%	
Sales Productivity ***	29.74%	32.60%	Goal = 35% or less
*** Sales Productivity = sales salaries + commissions/sales department gross margin.			
Sales Gross Margin %	6.08%	6.54%	

While there always is more that can be done in the service and parts departments, many dealers have made considerable strides in these areas and only have limited opportunities left for improvement. Manufacturers want a 100 percent absorption rate. However, this performance will be the exception rather than the rule (Iowa and Nebraska average is under 69%). In my eyes, it has become more apparent that the overall financial performance of the dealership lies in the improved management of the sales department. It has the highest dollar of sales; highest potential for profitability; and the second highest number of personnel (assets) to manage. It also has the highest risk-to-profit ratio (when considering the sale of high dollar items at minimal margins, which ties up the majority of the dealership’s cash flow).

Ask yourself these questions. Is your dealership generating a sales margin of 10.2 percent (a 20 Group’s high profit dealer average)? Are all your salesmen generating at least \$155,000 in contribution margin (2005 Salary Survey – 2<sup>nd</sup> salesman production; top producers are well over \$200,000)? Do you have an inventory turn of at least 2.5 (2005 CODBS)? Do you know how many sales calls, cold calls and quotes your salesmen produced last month? Do you know the accuracy rate of your salesmen in estimating reconditioning expense?

If you answered, “yes” to these questions, you are taking steps toward managing your sales department. If not, you need to dedicate resources to manage the sales department as you have done to the other departments.

Note: The 2005 Cost of Doing Business Study is available from the Association office for \$99.00 plus s & h and sales tax.