

Boating INDUSTRY

[How to Thrive] TIPS ON SURVIVING IN A DOWN MARKET

Master the non-verbal

Get back to the basics

Send the right message

Operate with a plan

Learn from the prosperous

Focus on your strengths

Exceed expectations

Capitalize on opportunities

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Back to Basics

Business basics can sustain marine dealers – even during tough times.

When the economy is booming and boats seemingly sail out of the dealership, it's easy to forget the trials and tribulations that preceded this period of prosperity.

Like most retail channels, the marine industry is cyclical. But the huge investment in inventory and staff required to run a successful dealership can turn sour when the economy isn't so hot, as many dealers are finding out. Reactionary measures may sustain a dealer in the short-term but aren't likely to help in the long run.

Boating Industry spoke with top consultants and industry experts to get their take on surviving and thriving during all economic conditions. Although the experts vary widely among their positions in the industry, a number of common themes emerged from their responses.

Most involve sticking to one's business plan while looking for quality growth opportunities in closely related areas, concentrating on marketing and advertising, taking a critical look at each employee should layoffs need to happen, asking manufacturers for help with customer appreciation functions and taking steps to move older inventory.

Now's not the time to panic. Now's the time to heed the advice of experts and refocus your efforts on your dealership. > > > > > > > > > >

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The power of the non-verbal

How the right attitude can help you survive the tough times.

CONTENT FOR THIS ARTICLE
WAS DERIVED FROM A
CONVERSATION WITH
DUANE SPADER
OF SPADER BUSINESS
MANAGEMENT.
BY
MATT GRUHN.

Your Non-Verbal Essentials Checklist

- Exhibit confidence
- Display professionalism
- Show respect for other employees & customers
- Ensure a clean facility
- Greet all customers
- Improve every aspect of your operation
- Sell one boat at a time
- Tackle the cost-cutting
- Advertise your strengths

With the current economic conditions at the forefront of his mind, the No. 1 thing Duane Spader began telling people last year, was that dealer management had to be responsible for the non-verbal portion of its operations. Sounds a little too philosophical, but it makes sense. And dealer principals need to understand the effects of the non-verbal.

Often in tough times, business owners begin looking for the one instant answer to solve all of their problems. And let's be honest, with the Middle East turmoil, gas prices and a resulting economic condition that doesn't seem to favor boat buying, times could definitely be considered tough. So it's important to pay attention to what Spader coins as the non-verbal. And that amounts to a combination of many things. To Duane, it's the message he's been sending to all of the successful dealerships he's been working with for years: It's not the one thing that you do 1,000-percent better that matters, it's the 1,000 things you do 1-percent better.

Not all dealers are doing poorly during these times, either. The truth is that those dealers that are doing those 1,000 things better make more money during soft times than they do during good times. That's because they are doing all those things better and the non-verbal of the dealership is better because everyone is productive. In soft times people still want to buy, but they want to buy from dealerships where the non-verbal is good.

The non-verbal message that a business elicits is its attitude. It's an aura of confidence that is visible and obvious to anyone who walks through the front doors. It's the solid confidence that says, "things might be tougher, but we can do better." It sends a statement that says, "times might be tight, but we don't have to give up." Instead of giving up, it says "we have to do better. We can do better. And we're going to put more efforts into doing the right things." That doesn't mean the gimmick of the month,

mind you. Trying the ol' rah-rah-hoop-doo doesn't work. It's like the old mantra Spader has taught for years: Good habits are formed during tough times; bad habits are formed during easy times.

It's an attitude of professionalism and respect for one another. It's a message of teamwork that took years to build. It's much more than just trying to give away boats at a low price. It means cleaning up the facility to improve your appearance. It means making sure the bathrooms are clean. It means greeting every customer who walks through the door. It's improving those 1,000 different aspects of your operation.

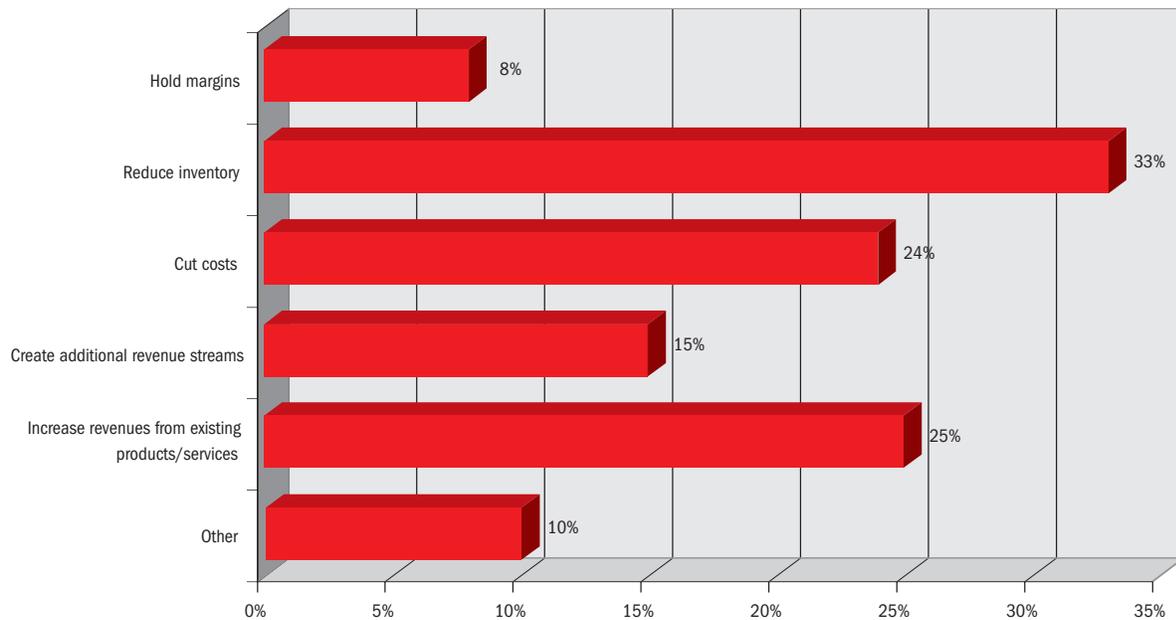
Does your dealership succeed with the non-verbal? Evaluate how your employees talk about each other. And what their attitude toward management feels like. What's the attitude among different departments? The attitude should be one of confidence ... that you and your employees are doing the professional things that can be done.

It all starts with the understanding that customers buy one boat at a time. And they want to buy that boat as opposed to being sold a boat because of a cheap price. And it sure is easier to talk and write about this than it is to implement it. But if price selling is happening, you're just compounding your problems.

There is a methodology to it that dealers really have to concentrate on, and that's selling one boat at a time. Typically, what happens when the market goes soft, dealers forget that, and they try *giving away* one boat at a time, rather than selling one boat at a time. And giving it away creates more of a negative effect than selling it. By giving it away, the sales rep is selling only price and emphasizing to customer that the industry is soft: "Other people are not buying, so you shouldn't buy even though the price is good." Selling is based upon addressing customers' needs and being positive about it. Customers don't want to be sold; they want

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During tough economic times what is your No. 1 focus?



to buy. When we get into price selling, it's the salesman selling and not letting the customer buy.

When it comes to evaluating the cost-cutting side of the business, you need to first understand where your costs are associated and which are the largest. The No. 1 cost in a dealership is people. No. 2 is interest. No. 3 is advertising. You can tackle all the nickels and dimes, which are important, but if you don't tackle those three, you're not going to make progress. Those three make up about 65 percent of your total expenses, if you're managing the business properly.

You have to be careful with cutting back on your advertising (see "Effective marketing in a tough environment, page 7). All advertising should be planned well in advance and executed accordingly. You cannot advertise your way out of shortfalls. You have to sell your way out. The tendency with dealers in tough times is always to promote low prices. That's going to tell the customer that this is not the right time because no one else is buying now either.

Now is the right time to buy, and it's the

Boating Industry magazine polled dealers in a number of areas focused on surviving in tough economic conditions. In all, 221 dealers responded to this survey. Of these dealers, 74 percent had only one location, 21 percent had two or three locations, and 5 percent had four or more locations. Additionally, 29 percent of these dealers noted their annual revenues to be between \$2 million and \$5 million; 31 percent were less than \$2 million; 35 percent were between \$5 million and \$20 million; and 7 percent were \$20 million or greater. When tough economic times hit, 33 percent of these dealers focus first on reducing their inventory.

right time to buy from a strong business. Without advertising, you will be less likely to move boats, and if sales are dropping and you have excess inventory, your problems are compounding because the interest rates continue to climb. Focus on selling one boat at a time as discussed above.

The toughest place, but oftentimes the most productive place to cut back is with the people. You've got to look at your people. Evaluate the positions needed department by department; not by the total dealership. And that is the most gut-wrenching and difficult process for dealership owners to go through. The most difficult responsibility a business owner has is to have to dismiss some of their people.

But it's a double-edged sword. If an owner doesn't let someone go, and it needs to be done, then everyone at the

company is demoralized. And that is actually chasing customers away from the dealership. It's also subconsciously telling customers, don't buy here. You have two types of employees: productive and busy. Everybody starts getting busy and nobody becomes productive because of lack of direction and dedication to the work. They will often get busy just looking busy. When employees know someone should be let go and the owner does it, then they go back to work. They are the toughest, yet the most important, decisions and shouldn't be handled lightly.

When the market forces are bigger than the dealership, both on the way up and the way down, you have to adjust your business to the plateau level. You should do it by each individual department so that you don't have to do that by the entire dealership. Many dealerships have been saved by understanding and adjusting to those plateaus. And in most cases, the adjustment is successful only because the employees understand them as well. Their understanding of your business' needs will help create a solid non-verbal. ■

GE's six tips for survival

An inside look on ideas gleaned from best practices and years of experience.

CONTENT FOR THIS ARTICLE
WAS DERIVED FROM
CONVERSATION WITH
EXECUTIVES OF
GE CAPITAL SOLUTIONS.

BY
MATT GRUHN.

Six tips to consider

1. Expand your business model
2. Cultivate existing customers
3. Work with your manufacturers
4. Expand F&I
5. Avoid asset birthdays
6. Develop your pre-owned business

With more than 3,000 dealer customers, 300 manufacturer customers and 30 years of experience, the Marine Group at GE Capital Solutions has a deep understanding of – and commitment to – the marine industry. The company not only has the ability to gauge the flow of business through daily interactions with customers, but it also hosts its own dealer council and works closely with many manufacturers that interact with the best dealers in the industry. Factor in the company's first-hand knowledge of how inventory costs affect dealer business, and executives are a wealth of information.

"As a leading marine lender, we've had the opportunity to work with the best manufacturers and dealers over the past few decades and learn what has been fundamental to their success," said Bruce Van Wagoner, president of the GE Capital Solutions Marine unit. "These strategies – coupled with GE's market research – may benefit many retailers across the country as they assess their current business practices."

While admittedly not on the front line of marine retail, GE's proximity to it has given it the knowledge needed to develop innovative programs – such as the new 30-day free financing for pre-owned units – to assist dealers both in the good times and bad. They also take advantage of opportunities to collect valuable data on trends around the industry, through informal discussions and formal surveys. Using their industry knowledge, experience, and information they have gathered, GE has offered the following six suggestions that may help you weather the current economic storm.

1. Expand your business model. Provide consumers multiple ways to do business with you by offering them more than just a boat. This philosophy not only provides a great experience for the customer, but it also brings in additional revenue sources, whether it's storage, fuel and maintenance or parts, garments and accessories. By develop-

ing and maintaining multiple revenue streams, you will maintain relationships and drive sales. For example, by removing the worries customers often have about storage or maintenance, you will allow them to enjoy their boat.

2. Cultivate existing customers. Create more business opportunities from your existing customer base. Your repeat customers and referral customers are great opportunities for growth, and that type of business is what is going to help you survive. Existing customers already know you and trust you. You won't be attempting to convince someone to come into boating, which can be a much tougher sell.

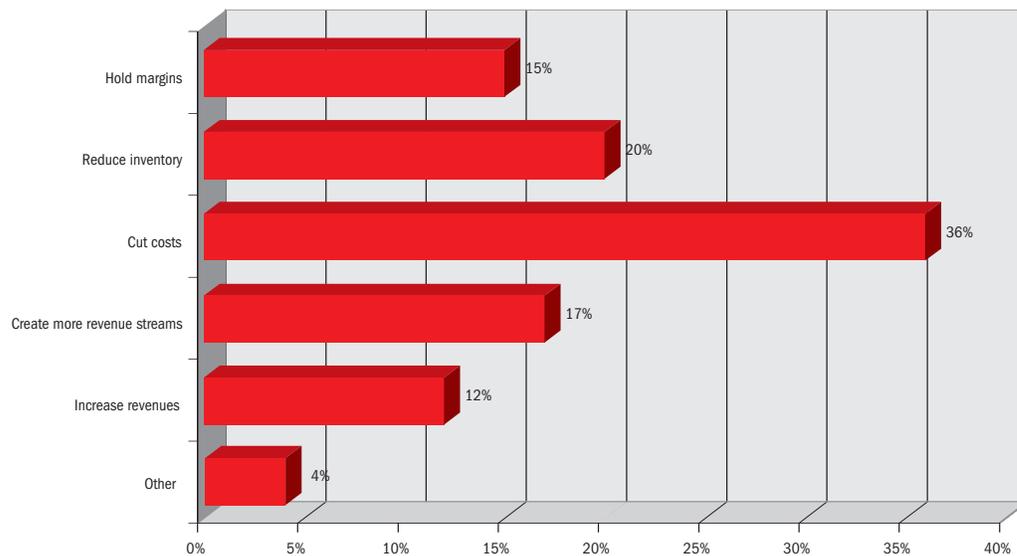
3. Work with your manufacturers. Manufacturers want to help and there are a number of initiatives underway to support dealers in this environment. There are short-term strategies, such as incentives and retail promotions aimed at driving traffic: gas cards, rate buy-downs, discounts or rebates.

Other strategies are more long-term and can require structural changes. For example, a couple of programs have surfaced recently. One is an inventory transfer program, through which manufacturers take steps to make it easier for dealers to move inventory across the channel. One dealer might have low inventory of a certain model, while another might have a surplus of that same model because it isn't selling as quickly in their particular market. Manufacturers can alleviate this burden by helping to redistribute the inventory amongst their dealers.

GE has also seen manufacturers roll-out pre-owned programs. Pre-owned units play an important role in a consumer's boating lifecycle and manufacturers are increasingly providing support to their dealers and giving them an incentive to be more aggressive with their pre-owned business. Every sale counts and if you feel confident about taking a trade-in you are going to be in a better position to make every prospect a customer.

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What would you consider your second-most-important area of focus?



When it comes to buckling down during the tough times, the majority of dealers (36 percent) turn to cutting costs as their second-most important area of focus.

4. Expand F&I. The best dealers do very well in this area but many dealers leave money on the table when it comes to financing and insurance.

5. Avoid asset birthdays. Carrying costs on aged units are significant and you need to focus on moving these units. The historical data that GE has gathered surrounding aged inventory paints a clear picture of the negative impact of not turning these units. GE reviews liquidation trends across the portfolio and it is clear that the curve slows down for units older than 12 months, and becomes flat for units past 15 months. The inventory just stays there.

Steps must be taken to move these units out of your store immediately because the market is not going to do it for you. The scenario becomes a tangled web: You have new product arriving but you are still selling last year's models. Some inventory reaches the 12-month aging mark, but you still have a chance to sell it. Then it reaches the 15-month mark, and it becomes psychological. You should not hold out for a buyer to come in and buy an aged unit for the price you originally expected because the data shows that it does not happen.

If you have one unit, you could probably work through that. But if you have multiple aged units, you really need to take action and do something innovative on the sales and marketing side. You have to develop a plan to generate traffic and interest in these

units. Additionally, you may have to offer an added incentive to your sales team. Finally, you might want to consider swapping that unit with another dealer if they have a better market for it. Creating a plan and focusing effort and energy on selling aged units will go a long way to breathe some fresh air into your dealership.

6. Develop your pre-owned business. Convert every opportunity. Take trade-ins. The pre-owned market is an \$11 billion segment that, for dealers, represents a huge opportunity for additional revenue. If you are already taking trades, ask yourself if you are doing everything you can in the pre-owned market. Are you out there buying boats? Think about it this way: 1 million pre-owned units change hands every year. Compare that to a little over 300,000 new units that sell annually.

The potential buyer base on the pre-owned side is significantly larger than it is on the new boat side. When things get tough with moving new inventory, you need to expand your customer base. Give customers fair deals on pre-owned units to move new inventory, especially the aged boats.

Here's an example that GE uses to show why it's important to focus on both of these last two items: The prime interest rate is at 8.25% (as of August 1st). For many dealers, especially those who came into the business within the last 5 years, that rate appears to be very high. But if you look at

the last 40 or 50 years, that is still below the average. Carrying costs associated with inventory are getting higher and it is difficult for dealers who had been enjoying the benefits of low interest rates. So if you have an aged unit, it is likely that the associated carrying costs have increased over time. If you can take a trade while selling an aged unit, the interest cost savings will be a benefit and the trade can also provide a solid profit. The pre-owned market has been a focus of GE for a while, and the company has even introduced a 30-day-interest free program for pre-owned units.

Sometimes challenges can open the door to opportunities that would never have otherwise been explored. While some of these ideas may not be big revelations, going back to the basics and focusing on fundamentals can help your business grow – not only when times are tough, but in the long run as well.

"This is a challenging time for the entire industry, and we are dedicated to helping it and our customers continue to thrive," states Van Wagoner. "Our commitment to our customers extends beyond a floor planning relationship."

These 6 tips come from GE's observations of high performing marine businesses and are offered as suggestions only. By taking advantage of the potential opportunities that these ideas provide, you may just find this storm a little easier to weather. ■

Effective marketing in a tough environment

Facilitate positive change with a marketing plan.

BY
DALE BARNES,
DIVISION MANAGER,
MARKETING,
YAMAHA MARINE GROUP

Every industry, be it automotive, marine, real estate, etc., has experienced or will experience the effects of a “soft” market. For retailers in particular, soft market situations can have a major impact on sales and consumer behavior. The marine industry is going through one of these situations now and some dealers are beginning to feel the effects on their businesses.

In a soft market, consumers have a tendency to stall their purchasing decisions, especially when it comes to “recreational” purchases like boats. In these kinds of market conditions, consumers tend to open their minds a bit more to alternative choices. This is dangerous for boat dealers because, not only could the consumer choose not to purchase a boat altogether, but they could also have the tendency to look a little closer at other dealers for comparison purposes.

When marine dealers are faced with the challenges of a soft market, they basically have three choices:

- Go about business as usual and wait until the market comes back around
- Cut any marketing expenses to save money during a down market
- Take an active approach by rolling up the sleeves and digging in to find creative marketing alternatives.

I believe that the third choice is the best. Dealers who choose an active approach during a soft market not only keep the momentum flowing but also have a better chance of leveraging that momentum when the market turns around. Most importantly, aggressive marketing, even in a thriving market, does not require spending a lot of money. Award-winning ads and grand slam marketing campaigns are nice but not usually the best use of funds. However, there are some inexpensive, extremely effective tactics dealers can use to boost momentum, even in a soft market.

Step 1: Asking the Right Questions

How do you begin to develop a campaign? First, you need to consider your dealership competition. Ask yourself:

- What is their strongest advantage?
- What is their greatest weakness?

Then turn the questions right back around at your own dealership:

- How well do you really know your customers?
- Why do they buy product from you?
 - Customer satisfaction/experience
 - Convenience/location/ease
 - Selection (niche, depth, new, used)
 - Customer care
 - Ownership/lifestyle relationship
 - Knowledge
 - Reputation

The first step is to hone in on your unique selling advantage and determine how it differentiates you from other dealerships. You also need to know why that is important to your customers.

Step 2: Building a Marketing Plan

Once you have identified the strengths and weaknesses of your competition and have determined your own competitive advantage, it's time to start building your marketing plan. To do this, you need to ask yourself the following questions:

- What is my business objective?
- What am I planning to do to achieve that objective?
- Why am I implementing this plan?
- Who am I targeting with these marketing efforts?
- When and where will I execute my plan?
- How will I communicate my key messages and execute my plan?

Now, we are going to take a look at these questions individually.

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What strategic changes will you make or consider making now through year's end?*

Answer 1: The most difficult strategy for a dealer remains the same every year. We have to project what boats will be in demand at which time of year. The manufacturer knows ahead of time, based on the dealers' orders, what to produce, but the dealer can only guess as to what to order. If the dealer projects incorrectly, he is left with stagnant inventory and missed sales opportunities.

Answer 2: Ensure that every possible lead or offered business is worked quickly and thoroughly. We can not afford to miss any opportunity to close.

**Answers to our survey were provided anonymously.*

Defining Business Goals and Objectives

The easiest way to measure the success of a marketing campaign is to first determine a goal you would like to reach through the program. The goal is really the "why" of the plan, encompassing the business priorities, customer satisfaction, or unique selling advantage. Some examples include:

- Sell 10 new ACME packages this month
- Turn used boat inventory by 25 percent in August"
- Increase service income for the month by 25 percent
- Increase new customer traffic by 25 percent
- Enroll 10 boat demo appointments next weekend

Who is your audience?

Now that you know what you would like to do to achieve your business goals, it's time to determine who you need to reach to accomplish the objectives. Are you looking to target:

- Loyal, active customers?
- Inactive, past customers?
- Active new prospects?
- Future prospects?
- A combination of the above?

What are you going to do to reach out to your target audience?

Any dealership can advertise lower prices, but is that really the best way to achieve your business objectives? Consider these alternatives:

- Promote the service aspect of your business
 - Free 10-point inspection
 - Free boat wash – even an opportunity to get the community involved here by joining forces with a local high school

- Include pick up and delivery in the pricing of the product
- Offer a scheduled maintenance upgrade special
- Promote the product and program aspects of your business
 - Free 10-point inspection
 - Limited time upgrade offers
 - Trade-in extravaganza
 - Low-interest financing
 - Easy finance qualifications
 - Free fishing license for life
 - Cross promo specials (i.e. throw in an iPod for the kids or spa or shopping certificates for mom)
- Host special events or create activities around other events
 - Free 10-point inspection
 - "By invitation only" new product previews
 - Special seminars or demos (ex. "How to Master the Launch Ramp")
 - Host local boating club meetings
 - Teach "Joys of Boating" courses at local community colleges of recreation centers
 - Customer appreciation BBQ
 - Invite local CPA to use your dealership for appointments during tax season. Offer a discount to customers who apply their tax refund toward the down payment on a new product

The "where": Your dealership can play a big role in the success of your marketing initiatives

When you think about when and where you want to execute your marketing plan, you need to think about your own dealership. The most effective way to continue to "brand" your dealership is to actually host

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What strategic changes will you make or consider making now through year's end?*

Answer 3: Reduce inventory purchases due to the slower economy and higher interest rates. We're not in a rush to take advantage of "early buy" discounts.

Answer 4: Take a hard look at every employee. Lean times give you a reason to cut loose any dead wood in your organization.

*Answers to our survey were provided anonymously.

events at the facility. However, it's critical that you take a good look at your facility and staff before launching a campaign.

Does your dealership:

- Stage the dream of owning a boat?
- Justify the price point you are selling?
- Do your displays promote your unique selling advantage?
- Are all departments presentable to the same standard?

Does your staff enhance your brand? Are they...

- Enthusiastic?
- Friendly?
- Knowledgeable?
- Do they take self initiative to satisfy?
- Do you take the time to involve them in the marketing strategy?

How will you communicate your marketing messages to your target audience?

Now that you have taken a good look at your dealership, and defined your objectives and plan of action, you need to determine what methods you will use to communicate your plan with your target audience.

If you are reaching out to loyal customers and active prospects, you may want to consider the following communication tactics:

- Phone call invitation priority
- Direct mail and email follow-up
 - If you are trying to recruit new customers, you may want to try:
 - Getting included in a newspaper article by a local outdoor writer
 - Conducting club events at your dealership
 - Direct mail to local demographics
 - Cross promotions with other local retailers

The success of your communication efforts will depend on the effectiveness of your database. There are many customer database resources available to dealerships. Most states give data vendors access to registration information and those lists are also available for purchase. Another option is to exchange customer lists with a cross-promotions partner.

Key to Successful Marketing During a Tough Market

The key to successful marketing in a soft market is getting all of your employees involved in the message. Make sure they are aware of the brand development process and ensure they understand the reasons behind the marketing campaign. Set measurable objectives for your campaign as well as your employees so they feel they are a part of the overall mission of the company. Contributing employees are often your best brand evangelists.

Most importantly, measure the success of your campaign. Make sure you understand why it worked/did not work. While not all marketing programs are successful, no marketing at all can lead to "brand paralysis" during a soft market. Don't be afraid to be aggressive with your marketing. Not only will you gain a deeper understanding of your current customers, you may gain a new understanding of your business' strengths and weaknesses.

Marketing campaigns facilitate change, whether in customer behavior or improved business processes. There are many inexpensive methods for reaching your target audience and you never know how effective they may be until you try. Businesses that embrace change will continue to weather even the toughest of markets and will enter a strong market cycle with increased momentum. ■

Operate with a plan

Managing adversity begins with knowing where you're headed.

BY
NOEL OSBORNE,
CONSULTANT

I agree with you that the industry is in for some tough times and that a number of dealers will probably fail because they are not prepared for the downturn. When you are only operating on a few percentage points of profit, it doesn't take much of a downturn to financially cripple your store.

We have been doing quite well as an industry for more than 10 years. As you know the economy goes through cycles with or without wars or gas problems. You simply cannot combine the ending of a prosperous period of the economy, \$3.00+ gas prices, significantly higher interest rates and a very volatile situation in the middle east and North Korea, and not

expect to see some dramatic changes in the buying habits of our customers.

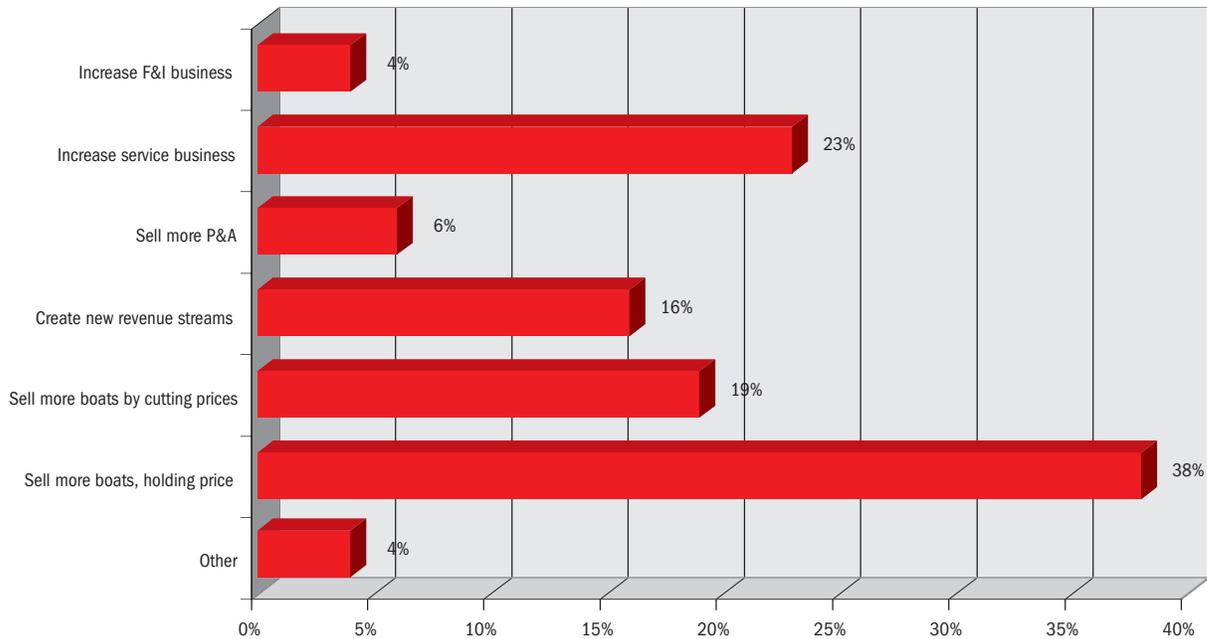
The lower end of the market, or entry level buyers have been slow in purchasing new boats for several years. During this period, the larger boats have been the only bright spot in the industry. Now these folks are getting scared and are going to wait and see what the outcome is going to be for all of the areas of concern I noted above.

Those dealers who followed the recommendations of individuals like myself and are operating their dealerships in accordance

Ideas to include in your plan

1. Project cash flow and act accordingly
2. Get "lean and mean"
3. Advertise your services
4. Do not fall "out of trust"
5. Counteract "expense creep"
6. Get employees involved
7. Conserve on costs
8. Find service work
9. Follow-up on every lead
10. Sell your competitive advantage
11. Control your inventory

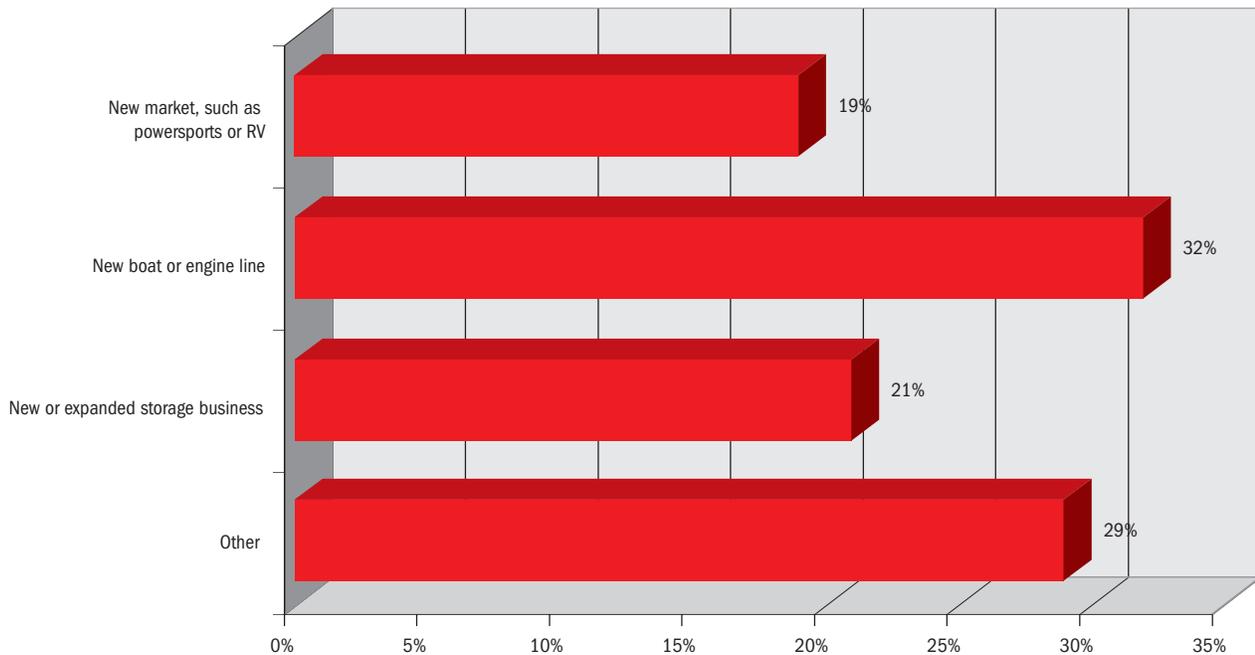
When you look to increase revenues, what's your No. 1 priority?



For those dealers looking to increase revenues, twice as many (38 percent) say they try to drive more sales while holding their prices as those (19 percent) who say they look to sell more boats by cutting prices. Additionally, 23 percent of the dealers said they focus first on increasing their service business.

OPERATE WITH A PLAN

When you look to create new revenue streams, what option do you consider first?



Sixteen percent of the 221 dealers polled by Boating Industry said their No. 1 priority when it comes to increasing revenues is to create new revenue streams. Of the 221 dealers, 40 percent said that they look first to adding a new boat or engine line when it comes to creating new revenue streams. Of the 9 percent who chose "other," 33 percent said they'd add new products or services to their offering, while 22 percent said they'd look to move into new markets or acquire other dealers.

with a solid business plan should be able to weather the storm by managing adversity. Anyone can make money during the good times, but only those who know how to manage adversity can survive the bad times.

The first key step is to project their cash-flow needs for the next 12 months. This can be accomplished by conducting a break-even analysis. Simply project each month's operating expense totals and determine what level of sales it is going to take to produce the gross profits to cover those expenses.

Hopefully the dealers did not wastefully spend all of the profits they made over the past 10 years and can utilize some of that cash reserve to weather the storm. If they did not do this, then they only have one hope and that is to produce enough gross profit monthly to cover their expenses.

Now is the time to get lean and mean. Look carefully at your entire employee base. Which key employees would it be very difficult to replace? We know that service personnel are very difficult to find and the dealers must do everything possible to keep them. In addition, we must recognize that service must play a key role in bringing

in revenue if sales cannot do it. Are the dealers advertising these services? If not, now may be the time to start doing this.

Typically the biggest problem that develops when the dealers run short of cash is that they fail to pay off sold boats within the time-frame stipulated by the lender. This of course is referred to as being "out of trust" and is the kiss of death to a marine dealer. They simply cannot allow this to happen. If the dealer feels that they are going to be short of cash, contact their lenders and let them know that a potential problem exists. Ask for the lender's help. The lender does not want to see the dealer fail and will in all likelihood, attempt to assist them in surviving the financial problem.

Whenever times are good, dealerships tend to encounter what I refer to as "expense creep." They do not closely monitor their expenses monthly and certain expense areas increase because nobody is paying attention to them. Examine every expense item and ask yourself these questions, "does this expense item seem high?" "Is there a better and less expensive way to address this expense area?"

Get your employees involved. Don't try to handle these problems alone. Explain to

them that it appears that times are going to get tougher and that you need their help. Ask them to conserve by cutting down on telephone calls, recycle shop supplies, do service walk-arounds for every service customer to obtain more work, and follow up on every sales lead.

If your salespeople do not know what your "competitive advantages" are, you better teach them now. By the way, most do not. As inventories climb, the competition will become fiercer, and it will become more difficult to preserve your gross profit margins. Consumers will become more cognizant of the reasons why they should buy from a particular dealership, who provides added value to them. It is up to your salespeople to tell them what those added values are.

Inventory control becomes key during difficult economic times. Do not overstock. Remember that you need three inventory turns for new boats to be profitable. If you are projecting a 20 percent decrease in sales, then you better factor that into your turns and cut back on your purchases. Look close at your parts and accessory inventory levels. Can you cut back on some of them and free up cash without suffering poor customer relations? ■

5 reasons why strong dealers prosper

Sales are up for some dealers; here are a few ideas why.

BY
DAVID PARKER,
PRESIDENT,
PARKER BUSINESS
PLANNING

HERE ARE THE AREAS THESE
DEALERS FOCUS ON TO
REMAIN SUCCESSFUL

When I was asked to comment on the downturn that many dealers are experiencing this year, the first thing I thought was, “what downturn”? To double-check myself I looked at the average of all five of my 20 Groups to see how they were doing. Sales are up 9.3 percent through May over last year. However, since some dealers in the country may be experiencing a downturn, hopefully I can offer some helpful strategies.

1. Reduce Inventory Excess non-current inventory is one of the primary reasons dealers go out of business. It is important to recognize that you have a depreciating product that is costing interest payments every month. Be ruthless when it comes to getting inventory to the right levels. A good rule of thumb is to have no more than 20 percent of expected annual sales (in units) of a particular brand in inventory by July 31, and no more than 10 percent after Labor Day. For example, if you expect to sell 100 units of a particular brand of boat (2007 models), then you would have no more than 20 units in stock by July 31, and no more than 10 units in stock by the end of Labor Day weekend. The 2008 model year’s product usually comes with free floorplan, so it is not a concern at this time.

If you are caught with significant amounts of inventory above these parameters then you could do the following:

1. Clean the boats up and present them as professionally as possible.
2. Have the sales people do a “Feature/Benefit” presentation to each other on these so-called “Old Dogs” to enhance their knowledge about the boats.
3. Increase the commission or put a spiff on the boat if sold at normal margins. This will help to increase enthusiasm.
4. If the unit is more than 12-18 months

old, get all the margin you can, but be willing to take invoice or less and pay a spiff in order to sell it. Again, be ruthless in reducing inventory.

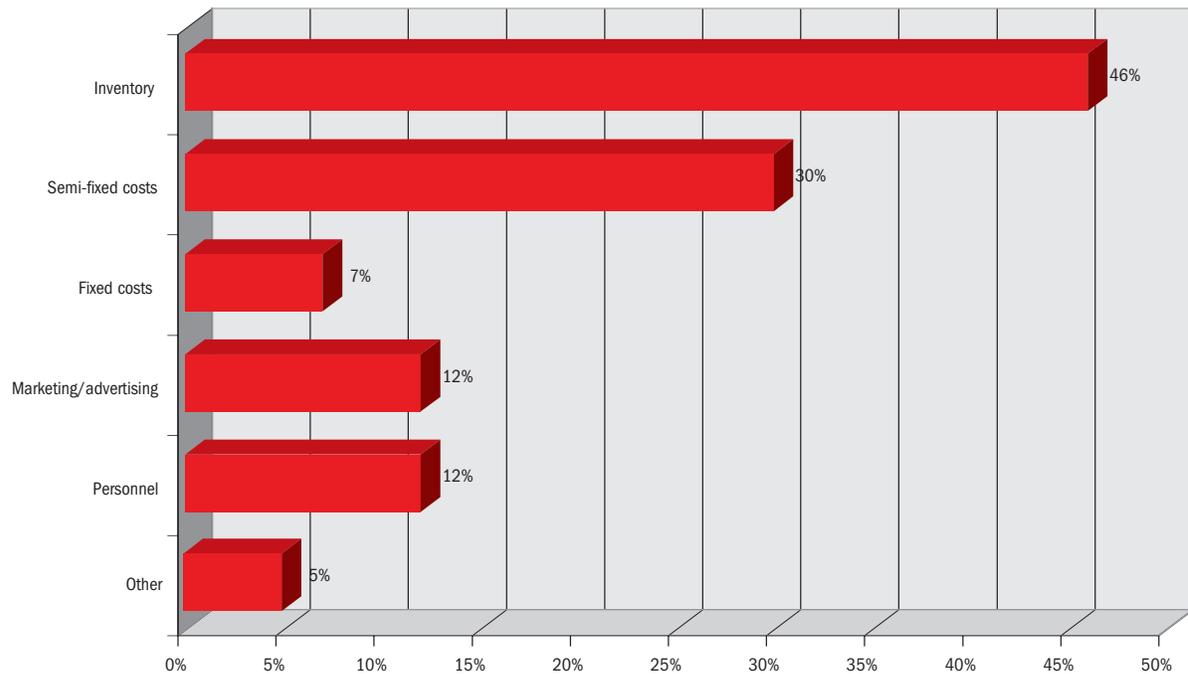
5. Log all customers into a Guest Register or Customer Log and follow them up. This sounds simple, yet I am amazed at how few dealers actually do it.
6. Have the sales manager (or better still the owner) call to thank each customer for coming in. Ask if they were taken care of properly and if they have any more questions.

Don’t forget to ask how your boat brand is “stacking up” in their shopping process. If you do not want to follow-up yourself, you can hire an outside firm such as CSI or Applied Concepts to do the follow-up for you for a nominal fee. You will be amazed at what you can find out.

2. Personnel Adjustments The best way I know to approach any personnel reduction is to mentally fire everyone in the dealership and then ask yourself “Would I rehire this person again if I had the opportunity?” If the answer is no, then you know what to do. If you decide that a particular employee is too valuable, then you may want to carry this person regardless of your volume loss. However, if you have determined that you absolutely have to lay some people off, do it from the top down. This means that you eliminate one or more of the layers of management above the production people. For example, if you have a sales manager, he/she becomes an assistant sales manager/sales person again, deriving the bulk of income from personal sales. Many times ego will not let them do this, so you may lose them from your dealership. The same would apply to a service manager. He/she

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When you focus on cutting costs, where do you look first?



For those dealers who responded to Boating Industry's survey, 46 percent said they'd look to reduce inventory first when cutting costs.

moves to a shop foreman position and turns wrenches 25 percent to 50 percent of the time.

3. Budget Although this is listed third it really should be first. An annual budget (when I do this for a client I call it a "Strategic Profit Plan") will give you much greater peace of mind if you will take the time to produce one and then MONITOR it (compare it to actual) each month. One benefit of a monitored budget is it will highlight any area of sales or expenses that need attention.

4. Join a 20 Group There is no better way to stay abreast of what is happening in the marine industry than being in a 20 Group. A 20 Group is a group of non-competing dealers (up to 20) who are committed to each others best interest, that meet around a round table and compare their financial information on a common format, three or four times per year. You share and teach each other the best industry practices. It is a statistically proven process that improves

professionalism and profitability for its members. Any floor plan lender will tell you that, as a whole, 20 Group members are better financial risks than the bulk of the industry. In fact, one floor plan lender made a statement during a presentation to one of my 20 Groups that, "20 Groups are the only effective means of learning for a marine dealer today."

5. Lines of Credit Now is the time to establish any additional lines of credit. It is much easier to do so when times are better than in the middle of a downturn. In addition, I recommend you always have two sources of floor plan. We have all seen the many lenders who have come and gone in the marine industry. Two sources of floor plan would save you a lot of grief if yours is one of those that depart the industry.

There are many other things that could be done to help improve your business; however these strategies will give you the most return on your efforts if faced with a downturn. ■

Focus efforts on your strongest brands

When times get tough, focus your resources.

BY
PHIL DYSKOW,
PRESIDENT,
YAMAHA MARINE GROUP

I think it is doing the industry a disservice to take the position that all business is off and that all dealers and manufacturers need to hunker down. If you look at the Southeast and all of the devastation that occurred down there in 2005, Louisiana and Mississippi, for example, enjoyed double-digit growth with all the replacement business, whereas the industry in Florida is still a bit softer.

When times are booming, the boomer can sell anything that he can get his hands on. Most of the well-known brands are in short supply, so a dealer takes on extra brands just to meet demand. When the market gets a little tougher, those marginal brands are usually the first ones affected, often in dramatic fashion. Strong brands that have consumer loyalty and retail demand tend to weather those adjustments in the market far more successfully than other brands.

During tough times, the smartest strategy a dealer can pursue is to focus his resources – whether it be people, floor plan or whatever – around his strongest brands. If a dealer has five brands during boom times, he might want to rethink that strategy when the market is down. So switch gears immediately and circle your wagons around your stronger brands.

And just like in the housing market, a dealer will have to reassess his profit expectations per deal. I think the take-it-or-leave-it approach to pricing is much more difficult during a reduced market. Don't let any potential buyer walk away. A dealer should take any good deal he can get. No secret there.

I think another key point is to keep your sales force motivated. Many times when floor traffic and volume are significantly reduced, salespeople look at this as an opportunity to take a vacation, shorten their work hours or do other things during nor-

mal business hours. I think that the manager needs to be responsible for keeping that sales force there and focused.

Like in the car business or the real estate business, when it is a buyers' market because of the available overload of inventory, advertise that fact. Advertise for buyers. Let people know this is a wonderful time for them to take advantage of the buying opportunity. Rather than hiding from the problem, advertise it. Shout from the tops of mountains; let people know that you have a great inventory of products and that prices will never be better than they are today.

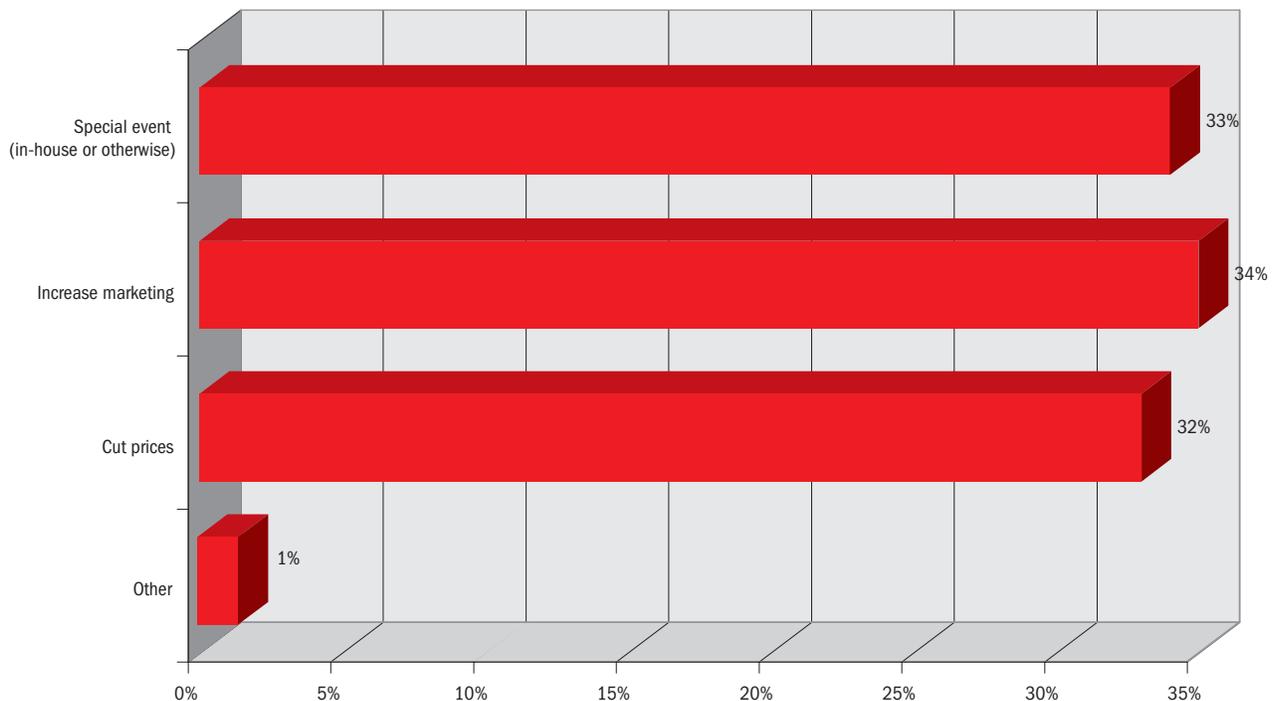
By focusing on operations, a dealer can grow market share when the market tightens up and then really cash in when the market turns around. I would be the last to say that business is not tougher and more competitive today than it was 18 months ago, but that does not mean you can't have a phenomenal year, even in a tough market. You definitely have to reassess and refocus your business.

Remember, the entire market isn't down. There are segments, there are geographic sectors and there are specific brands that are down. Dealers need to understand where there is softness and avoid those areas. Find out where the opportunities for growth are. For example, in our market we saw some of our traditional sectors soften up last year, but we made that up in other sectors. Our growth last year did not come where we had originally planned it to come, but it came in other segments where we saw opportunities and took advantage of them.

Dealers should look for ways to cut costs wherever possible. Two places to avoid cutting are marketing and promotional expenses because those are very visible. If you stop advertising, consumers will perceive that perhaps your business is off.

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What is your No.1 tactic you pursue when focusing on reducing your inventory



And when looking to reduce inventory, 34 percent of the dealers who responded to Boating Industry's survey said they'd increase their marketing, while 33 percent and 32 percent said they'd cut prices and hold special events, respectively.

When you look at where to cut overhead, I would cut it in non-visible areas. Instead of hiring a service to clean your boats, have your employees clean boats or clean them yourself. Instead of hiring a lawn service to mow your grass, have your workers do it. Reduce your electricity bill. Reduce your water bill. Focus on things that do not directly impact sales. The last thing you want to do is make the situation worse by reducing your advertising. I am back to this brand analogy, "circle your wagons around your strongest brands." Don't waste your ad dollars on third- or fourth-tier brands. Spend your ad dollars exclusively on your bread-and-butter brands.

I immerse myself in information: whether it is statistical data, one-on-one phone conversations or face-to-face meetings with dealers and boat builders. If I were a dealer, I would use every resource available to get as much information as I possibly could to make informed decisions in my market. I would certainly not make business decisions based on what I hear on the 6 o'clock news. They are there to shock you and to entertain you, not to give you good information. They are going to show bombs

exploding in Lebanon, they are going to show villages being destroyed in Iraq, and they are going to show you leaders in Iran shaking their fists.

They are not going to talk about hard facts, facts such as consumer confidence being actually much higher right now than it was projected to be. Peak growth is actually pretty good right now and higher than it was projected to be. There is lots of good positive information out there: unemployment is still low, interest rates have crept up a little bit, but there is still no shortage of good, very competitive boat loans. This is the kind of stuff that does not make good news bites, but it is much more important to your business.

I guess the biggest point that I could make is in line with strong brands because I know a lot of dealers that had a good year in 2006. I know some dealers that had marginal years and I know some people that are just in areas that have been just totally smacked like southeast Florida or southwest Florida. They have to work a lot harder for the same amount of money, but they still had what I would categorize as a great year. ■

Exceed expectations

Create a new level of service excellence – and live by it.

BY
DEBBIE DAVIS,
WAYPOINT GROUP, INC.

The concept of exceeding your customers' expectations has never been more important than today in the retail boat business. Not only because we're vying for recreational dollars that have an increasing number of options they could be directed, but also because the manufacturer's today are tying more fiscal incentive to Customer Satisfaction Index ratings than ever before.

Figure in the sensitive economic times we face today, and you must ensure that you are capturing every income opportunity possible, leveraging those you do have, and enhancing volume, revenue and profitability prospects by delivering an exceptional buying and ownership experience.

So, let's break it down. Random House Dictionary provides the following definitions:

■ **Service**, *n.* an act of helpful activity; aid

■ **Excellence**, *n.* state of excelling; superiority; eminence

■ **Expectation**, *n.* the act or the state of expecting, looking forward or anticipating

What's more interesting than the definitions were the synonyms. For example:

■ Service is synonymous with help, assistance, value

■ Excellence is synonymous with greatness, superbness, high quality

■ Expectation is synonymous with words like hopefulness, optimism, and trust

So when we put it all together, here is what it looks like: Customers who are hopeful, optimistic and trusting believe that they will receive great, superb, high-quality, valuable help and assistance. That defines "service excellence." That's one tall order. Or is it?

Whether you are a manufacturer, a distributor, a retailer, a marina operator or a provider of services of any type, isn't service excellence what you aspire to deliver and, more importantly, what you expect to receive? "Satisfaction" is no longer the benchmark; it's simply not good enough to merely satisfy your customer. The minimum

you should do is meet a customer's expectations and, therefore, satisfy them.

That's why, in order to thrive and not just survive, in today's business climate, you must surprise and delight customers and exceed their expectations in order to build loyalty. Loyalty, after all, is the difference between enjoying a customer for life vs. a customer for the moment.

So your goal should be to instill a service excellence culture at every level of your organization. I believe you should begin that by creating a culture of communication throughout your company, discussing financial and operational objectives with your employees.

Communication is key. Communication can take on many shapes and forms, but the backbone of the concept should be based on encouraging and rewarding service excellence. Try sending a handwritten "Welcome Aboard" card to every new hire who joins your team. Their success is your success and they need to know that they play an integral part in delighting your customers. Host new employee orientations, taking the opportunity to personally communicate the importance of service excellence and encourage them to bring you suggestions for continual improvement. Recognize top service performers when someone goes above and beyond for either an internal or external customer. Acknowledgement and recognition alone go a long way in getting everyone on board and keeping everyone on track.

CSI strategy. If you haven't already done so, you need to develop and implement a company-wide CSI campaign to bring awareness to the manufacturer surveys, when they can be expected and how important they are to you and your organization. Disseminate 100-percent of the surveys returned to 100-percent of your team. If you question whether or not someone on staff should see the scores, ask yourself which team member is more or less important to delivering service excellence? Your answer

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What advice would you give to other dealers who might be feeling the heat during these tough times?*

Answer 1: Offer great service after the sale, and you will survive. Take care of your employees – they make the wheels turn. If they are happy and motivated, you can survive during the tough times.

Answer 2: Do your best to sell whatever you have for whatever you can get for it, but don't advertise blow-out sales or let the public know the market is tough.

Answer 3: Allow yourself and your business to be flexible. Change with the times instead of grumbling about the effects the changing times are having on your business.

Answer 4: It takes time to see the results of cautionary moves made to maintain the company's well being. Don't wait too long to start.

*Answers to our survey were provided anonymously.

should be, "none." The ultimate key to success when it comes to CSI is in earning a top score, not by asking, buying or embarrassing your customer into giving you one.

Insightful analysis. Conduct a financial analysis to determine not just how much you're giving away in customer goodwill (i.e. your sales and service policies), but also the "why" you're giving it away. The key to reducing this counter-productive bucket of waste, is to identify it and educate about it. Once you dig in, you will find countless opportunities to plug the holes in the proverbial dam by further educating the customer about things such as your service process (how to obtain service, scope of warranty coverage, normal wear and tear, customer responsibility, out of area service resources, extended product protection plans, third party vendors, etc.). Likewise, expand your new-owner orientation to reduce the non-recoverable costs of repairs or mobile service calls due to lack of owner indoctrination. Create value-added weekend workshops to address redundant and recurrent troubleshooting issues. They can be taught by your own sales, service or delivery personnel. This serves to bring customers in to your showroom, provides weekend saving tips and reduces your costs of non-recoverable goodwill sales and service policy.

Excellent extensions. Service excellence does not end with you. It extends to your vendor partners as well; you are dependent on each other. Establish vendor standards and require your vendors meet those standards in order to earn your business. It may appear difficult to set expectations for how a third party operates; however you are the customer in this instance and are entitled to

have your service expectations met. Operate from strength, not weakness. It has been said that excellence is the result of caring more than others think is wise, risking more than others think is safe, dreaming more than others think is practical and expecting more than others think is possible.

Improving processes. Service excellence is as much about internal process as it is superior customer service. Consistently assess internal systems, processes and their correlating results. Then explore new ways for betterment. The best resource for this is your team. Who knows better what challenges they face daily or how best to resolve those challenges? Take a proactive approach to service excellence. You can talk the talk, but you've got to walk the walk.

Be the author. There are a lot of authors of books on the subject of exceptional customer service: Sewell, Covey, Ziglar, Maxwell – the list is lengthy. They all offer something meaningful and valuable. But, perhaps, the most valuable book of all is your own and has yet to be written. Take the time to define what service excellence means to you and what it should look like within your organization. Then brand it to set you apart from your competition so that you not only represent the boat brand of choice but you also become the dealer of choice in your marketplace. Engage and communicate with your team while empowering and rewarding them for performing to those standards. The financial benefits may be the initial driver; and the overall results will be the motivation to stay the course. Hence the cliché, it is a journey, not a destination. It is a marathon, not a sprint. It is a culture, not a CSI score. ■

Myriad opportunities available

Staying aggressive will keep you positioned well.

BY
PHIL KEETER,
PRESIDENT,
MARINE RETAILERS
ASSOCIATION OF AMERICA

In an economic environment like we have today, it is critical that dealers increase the amount of foot traffic into their stores. Now, there are many ways to do this, but where we find dealers have the most success is with initiatives like direct mail campaigns, or mining their database for customers who should be ready to trade up; or host some weekend events – maybe a customer appreciation – to create some sort of an atmosphere to get the people into their dealerships. But the key is to do this immediately.

One area where dealers tend to shy away from is to ask their manufacturer partners for some incentives to help them. We hear of some of the top manufacturers doing quite a few things for their dealers as far as assistance is concerned – helping them plan a party, helping them host an event, helping them subsidize that event, having factory personnel there and that sort of thing. I think dealers need to say to their manufacturers, “Hey, now is the time I need some of your help, some of your expertise. I need some of your people here for an event this weekend, and I need some extra marketing money.” Some of them are going to give it and some of them are not. But in the spirit of the partnership, it’s OK to search for options.

I don’t believe dealers should cut back on any of their marketing expenses. I think they need to be bold about marketing and do so just as quickly as they can. There are all sorts of people who can help them with that. We have a relationship with Shared Marketing, for example, and these guys can plan an event for you. They can do it instantly. They can get a direct mail campaign started instantly. You give them what you think you want to do, and they will run with it. This is not something that takes them months to turn around; they can turn it around in a few days. And that kind of a turnaround is crucial for dealers who want to thrive in these tough times.

I don’t think it’s a smart time to expand your market or take on new product lines unless some particular event prompts it, such as a competing dealer going out of

business. I do think, though, that dealers need to look at the competition, and if someone is beating them up on a particular model for some reason, then they need to try to correct that or get out of that market. They should resist the temptation to take on new products without first understanding their market. You have to stay with what you are the very best at and do that.

Bold dealers are stealing business from other dealers. In order to maintain sales or increase a little, they are really working the consumer base while the other guy is sitting back on his haunches and not doing anything but crying the blues. This is probably a bigger issue, but there will be opportunities for aggressive dealers, well-positioned in a market, to take over smaller dealers. Some guy who is just barely getting along but has one good boat line or a good location might be prime for a takeover. I think there are some real opportunities out there that dealers need to look at because those opportunities are not going to be any cheaper than they are today.

Dealers also miss the opportunity to sell new boats when units come in for service. There should be somebody in your sales department, either your sales manager or a good salesperson, who looks at every boat that comes in for service, calls the customer and starts talking about making a trade. Some dealerships do that, even putting a trade-in quote on service tickets. I think dealerships need to expand that opportunity. If those people are out there still boating, and are out there using their boats and bringing them in for service, you know they are good customers.

I see an awful lot of dealers right now adding storage facilities to their property – nothing more than lot storage. Customers don’t have to worry about hauling their boat back and forth to the lake, parking it in their neighborhood, storing it in their garage or renting a storage place. Dealers can say, “Store it here. We’ll make it a good deal for you and we can service it for you too.”

I think dealers don’t recognize many opportunities right in front of them. ■