

EXPERT ADVICE FOR STRENGTHENING YOUR BUSINESS

NOVEMBER 2010 e-WHITE PAPER

Boating INDUSTRY

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BUSINESS *intelligence*



How to
plan for, measure
& manage the success
that you deserve.

Presented by:



imagination at work

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intelligence



To *kick off* this initiative, GE Capital, has partnered with *Boating Industry* to sponsor an informative white paper aimed at *educating* marine professionals on a few of these important topics.

Industry *insights*

Information to help you identify metrics and grow your business.

GE Capital, Commercial Distribution Finance (CDF) is dedicated to supporting the marine industry with smart capital to help our customers grow their businesses. This means that, in addition to providing secure and stable inventory financing, we can share our expertise and knowledge to help customers with their business planning needs.

As we move forward into 2011, we at GE Capital, CDF are excited to announce a series of what we are calling "Spotlight Newsletters" designed to cover various topics related to inventory financing. The topics covered will range from highlighting the critical few things borrowers should do to improve their chances of securing and retaining financing to identifying the key business metrics integral to efficient inventory management, to understanding all of the cash flow drivers essential to building a solid business plan. The series, in total, is designed to help our customers reach their business goals and to be in the best possible position as industry conditions continue to improve.

To kick off this initiative, GE Capital, CDF has partnered with *Boating Industry* to sponsor an informative white paper aimed at educating marine professionals on a few of these important topics. The result of this exciting collaboration will enable all industry participants the opportunity to gain key insights, collected from a wide range of industry experts. We hope you will find this white paper as well as our continued series of Spotlight articles, insightful reading – please share them as you see fit.

We at CDF take very seriously our dedication to providing you the best service based on a solid foundation of financial stability. Our financial strength and industry expertise can provide you with the resources you need to grow in a smart way in today's economy. We will publish a new Spotlight topic every month or so; please let your GE Capital, CDF representative know if you have any questions about the topics covered, and feel free to forward me any suggestions you may have about future topics. I thank you for your continued support, and as always, we appreciate your business.



Sincerely,

Bruce Van Wagoner
President, GE Capital, Commercial Distribution Finance



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What's it going to *take?*

Here at *Boating Industry*, we spend a lot of time asking the audiences we serve what they would like us to deliver to them.

We use a survey, for example, to ask boat dealers what they would like to learn about at the Marine Dealer Conference & Expo. And the agenda for the annual conference becomes a mirror image of what those dealers tell us.

On an annual basis, we also ask some of North America's leading dealers, members of the Top 100 Dealers Program, what they want to learn about through the pages of *Boating Industry* magazine and the other products we create. And the white paper you're looking at today is direct result of one of those conversations.

What do dealers need today? They need data. And they need to know how to properly use it. They need statistics that give them a clearer picture of the past, present and future. And they need information to help them better manage their businesses.

So in response, we reached out to some of the leading data and statistic companies in the industry, in addition to some of the top experts and dealers, in an effort to outline exactly what data dealers should be monitoring.

The results of that effort follow in this, the largest and most complete e-white paper we've ever produced. Our work began by partnering with the one company that holds the lion's share of data about the marine industry – GE Capital, Commercial Distribution Finance – and together, we conceptualized how this package could come together.

GE has created a series of products and services that help dealers better manage their businesses. You can think of this white paper as one of them.

Over the next 40-plus pages of this publication, there are 15 never-seen-before articles, authored specifically for this publication, and there are a series of business and marketing planning articles, previously published in *Boating Industry* magazine, that reinforce the messages these experts share throughout.

As a complete package, we hope that this compilation will help you improve on the way that you plan for, measure and manage the success that you deserve.

Best of luck.

Matt Gruhn
Publisher and Editorial Director
Boating Industry



Special thank you to Dodi Vessels, art director, and Steve Rosenberg, project editor, for bringing this e-white paper to life.



Key *metrics*

What performance measurements are you monitoring? Top 100 dealers share their perspectives.

In the 2009 finale to the Marine Dealer Conference & Expo's Sales & Marketing Track, marine industry consultant and 20 Group moderator John Spader presented a comical view of how people define success.

At age 4, Spader suggested, people define success as "not wetting their pants." At age 10, "having friends." At age 16, "having a driver's license." At age 20, "making love." And at age 35, he noted, success is defined by "having money."

At age 50, Spader says, people continue to define success as "having money." At age 60, they define it as "making love." Age, 75, "having a driver's license." Age, 80, "having friends," and you can pretty much figure out the progression from there.

In his session, which was titled "Moving On: The Survivor's Edition," Spader, president of Spader Business Management, outlines that businesses, like people, define success in different ways. Some businesses define success by the number of units they sell, or the amount of service business they conduct, or the margins they make, or, taking the current economy into consideration, the amount of cash they currently have in the bank account.

So, how do you define success? And more importantly, what metrics do you monitor to ensure your success? Our editorial team has seen leading dealers' answers to these questions evolve over the last few years, as the economy has shifted.

But throughout, these dealers have clearly demonstrated that if you consistently monitor the right metrics, you'll be equipped with the information you need to operate your business strategically and successfully. Gut instinct, experience and showroom savvy will only get you so far, especially in this economy.

While you should measure and manage the performance of every facet of your dealership, here are the three most critical that help the Top 100 Dealers run successful operations.

Profitability

It's no secret that profitability is the ... uh, bottom line of any business' success. The truth of the matter, however, is that very few businesses manage profitability properly.

Recently, the "cash is king" mentality has had us balancing our checkbooks by the hour. Before that, however, the monthly monitoring of P&L statements was lax throughout the industry, making it difficult to suddenly turn on their fiscal responsibility when the economy turned sour. In addition, very few dealerships tracked the profitability of each department within their business, treating them as individual companies capable of standing on their own.

Perhaps those dealers who weren't following these practices have disappeared. If you're still around, put a monthly (at minimum) reporting system in place and begin tracking profitability by department.

You might want to use Seattle Boat Co. as your model. When the Top 100 Dealers application asks for the three key metrics that dealers manage to, Seattle Boat Co. apologetically admits that it uses four. One of the top financially managed companies among the Top 100, Seattle Boat Co. uses Daily Health Reports, Daily Efficiency Reports, Productivity Reports and a Daily Cash Received Report to provide virtual glances at its overall operational performance in addition to its ongoing profitability.

Customer Satisfaction

If measuring and managing financials has become an emphasis for dealers throughout this downturn, it could be argued that customer satisfaction has been sacrificed. Boat dealers have cut staff and unnecessary expenses, both of which threaten to compromise customer satisfaction levels. And some of their boat builder partners have stopped investing in CSI programs altogether.

But the best companies increased their focus on customer satisfaction during the recession. In fact, some of them have also begun tracking customer loyalty. They understand that these all-important metrics can't be overlooked. It gives them a third-party scorecard. It gives them feedback and a direct opportunity for improvement. And it gives them a stronger future because, as we all know, it's not merely current

If there's a fast route to customer *satisfaction*, it's to ensure employee satisfaction.

customers who are easier to sell to ... it's our happy and loyal current customers who are.

M&P Mercury Sales Ltd. is one company that recently upped its focus on customer satisfaction, posting weekly results in lunch rooms, work areas and outside the restrooms, as well as amending its employees' compensation plans to include a CSI bonus tied to quarterly results. The changes not only "increased the level of motivation and engagement of all employees," according to the company, but it also enabled the company to increase its CSI scores to 97 percent.

Employee Satisfaction

If there's a fast route to customer satisfaction, it's to ensure employee satisfaction. For most dealers, employee satisfaction is measured by, well, gut feel. It's hard to measure and perhaps even more difficult to manage.

Without incorporating a system for doing so, that is.

Thanks to the Marine Industry Dealership Certification program, however, dealers now have access to a quality employee satisfaction survey, and this survey has become a mandate for annual recertification. Hundreds of dealers have become certified and have, with great success, now begun measuring this key statistic to help them better manage their businesses.

The key to successfully managing it, however, is not surveying employees because you are required to or feel obligated to. Insincerity is transparent. The key is to know that your business's success is driven by their performance and to measure and react productively to their feedback.

"If they are not happy, our business will not flourish," admits Wayne Sorensen, president of Watersports Dealer Services, based in Salt Lake City, Utah. "This year, with lower sales, more stress, and smaller staffs, it has been a challenge to keep our employees satisfied. However, we have gone to great lengths to ensure our employees are happy, working hard and engaged in the business." ■



Budgeting made *easy*

How to create a budget to get your business started off on the right foot.

Before any company can properly and accurately measure its performance, it must have a baseline expectation. That baseline is a budget.

There are a plethora of reasons for you to create an annual budget, but one of the best reasons is to provide a sense of control over your income and expenses. Merely creating a budget has been proven to significantly increase the chances of operating a successful business.

One of my college professors once told me that businesses that use budgets occasionally go out of business; however, most all businesses that go out of business never had one. Having spent the majority of my life since that point operating a business and helping others do the same, I can assure he was accurate.

I often wonder how many now-defunct dealers would have made it through the last couple years had they been operating off of a budget. At any rate, learn from the message the way I did and understand that creating a budget is the first and most important step in increasing your chances of success.

Many dealers today don't create a budget because they simply don't think they know how. The concept of budgeting can seem quite daunting, but it's really quite simple once you understand the principles. And to make it even easier for you, I'm going to offer you two things: first, my one-page budget template, and second, my advice on how to successfully implement it into your business.

Before you read on, though, you may want to email me so I can send you a copy of the template: david@parkerbusinessplanning.com. Then, you can follow along, section by section, below. Please note that all amounts entered represent an entire year.

Sales & Gross Margins Section

Look at the top of the form, Blue Side, Box A. Start by entering each of the brands you carry where it says "Brand 1" and "Brand 2" (feel free to add more by inserting additional lines) and then enter each of the models you plan to carry (where it says Model 1, Model 2 and so forth) within each brand. Don't forget your used boats. And if you have any non-currents, list them separately so that their margins do not skew the real margins on current merchandise. In the example on this page, you'll see that I project making 5-percent margins, on average, for non-currents.

Once you have those items input, follow the order 1 through 5 to begin budgeting.

1. Enter the "Number of Units" you expect to sell next year of each brand/model in the second column from the right.
2. Enter the "Average Stocking Level" market price, in dollars, for each model, in the far right-hand column.
3. In my template, after entering items 1 and 2 above, your total sales expectation for each model will automatically calculate into the column labeled "3 Sales \$". In the example on this page, you'll see that I entered that I expect to sell 3 units of Brand 1, Model 1 at an average price of \$40,000, for a total of \$120,000 in sales for that model.

4. Now enter the gross margin percentage you expect to achieve for each model in the column labeled "(4) = G/M %".

5. Once you've entered the GM percentage, my template, again, will automatically calculate the gross margin dollars you'll realize if you perform according to budget. You can see in the example on this page that my 17-percent gross margin expectation on the \$120,000 in sales I expect for Brand 1, Model 1 will leave me with \$20,400 in actual gross margin dollars.

Parts & Accessories and Service budgets can be completed in a similar fashion. You enter the dollar sales expectations and the margin expectations, and the totals are automatic. Please note that if you track rigging costs, then you'll need to remember to subtract them from the projected gross margins (last line

BOX A							MEMO		(1)
SALES CATEGORIES		(3)	(4)	(5) GROSS	(1) # x	(2) AVG UNIT			
Include Motors/Proshop/Boat Cost		SALES \$	G / M %	MARGIN \$	UNITS	MARKET PRICE			
Brand 1		\$	120,000	17.0%	20,400	3	\$	40,000	
	Model 2	\$	252,000	17.0%	42,840	6	\$	42,000	
	Model 3	\$	186,000	18.0%	35,280	4	\$	49,000	
	Model 4	\$	570,000	19.0%	108,300	10	\$	57,000	
	Model 5	\$	62,000	20.0%	12,400	1	\$	62,000	
	Model 6	\$	70,000	20.0%	14,000	1	\$	70,000	
Subtotal Brand 1		\$	1,270,000	18.4%	233,220	25	\$	50,800	
Brand 2		\$	280,000	18.0%	44,800	14	\$	20,000	
	17	\$	275,000	18.0%	44,000	11	\$	25,000	
	19	\$	242,000	17.0%	40,800	8	\$	30,000	
	22	\$	210,000	18.0%	37,800	6	\$	35,000	
Subtotal Brand 2		\$	1,005,000	18.7%	167,400	39	\$	25,769	
Trailers		\$	7,500	20.0%	1,500	3	\$	2,500	
	Brand 1 Non-Currents	\$	250,000	5.0%	12,500	5	\$	50,000	
	Brand 2 Non-Currents	\$	100,000	5.0%	5,000	4	\$	25,000	
Mfr Rebates		\$	-75						
TOTAL NEW SALES		\$	2,632,500	15.9%	419,620	76	\$	34,638	
USED / CONSIGNMENT UNITS		\$	360,000	20.0%	72,000	20	\$	18,000	
RIGGING COSTS (Total of Rig Parts & Rig Labor) >>>			-2.8%		(59,760)				
TOTAL NEW & USED SALES		\$	2,992,500	14.4%	431,820	96			
Access / Proshop Sales		\$	175,000	38.0%	63,000				
Parts Sales - Retail		\$	75,000	40.0%	30,000				
Parts Sales - Warranty		\$	10,000	5.0%	500			P&A	
Parts Sales - Rigging		\$	9,700	40.0%	3,880			% of total	
Sublet Sales		\$	15,000	25.0%	3,750			(15-18)	
Subtotal P&A Proshop		\$	284,700	35.5%	101,130			9.5%	
Customer Labor @ \$25/hr		\$	200,000	100.0%	200,000			WTF %	
Warranty Labor		\$	25,000	100.0%	25,000			1.3%	
Rigging Labor		\$	50,000	100.0%	50,000			(17-25%)	
Subtotal Service		\$	275,000	100.0%	275,000			9.2%	
Storage / Other Sales		\$	0	0.0%	0			(0-8)	
TOTAL COMPANY			SALES \$	GM %	GM \$	#			
SALES & GROSS MARGIN >>>			3,552,200	22.7%	808,050	96			
COPYRIGHT PARKER BUSINESS PLANNING, INC. 1999									

Five-Step Margin Calculator

under unit sales). Rigging costs for both parts and labor are income to the service department and a cost of sale for the sales department.

In the example on this page, you can see that the overall dealership is projected to sell 96 units plus parts and service for a total of \$3,552,200 at a 22.7% gross margin.

5 Categories of Expenses

Expenses are broken into five categories: Personnel, Marketing, Floor Plan Interest, Semi-Fixed and Fixed; and I've detailed all of them for you below.

1. Personnel: A list of typical positions are provided in the template provided. In order to budget effectively, you will need to plug in the wages (don't forget commissions) for each corresponding position within your dealership. If you have a position that is not listed on my template, simply write it in and include the compensation in the column next to it. In the column just to the right of Wages/Commissions, you'll find the "Other Benefits" column. This section allows you to budget for payroll taxes, workman's compensation insurance, uniforms, etc. Once you've completed column one and the "other Benefits" section, my template will automatically calculate your Total Personnel Expense line in the middle of column 2.

2. Marketing: Everyone's marketing plan is different from the next guy's. (You DO have a marketing plan, right?) My template outlines most, if not all of the marketing opportunities you should be considering. Enter the amount in the financial column and feel free to add to or change any of the itemized marketing avenues as you see fit. Projections for co-op advertising can be entered into the box below the marketing options. Don't forget to put a negative sign in front of each co-op amount.

3. Floor Plan Interest: In this section, you'll need to estimate the average amount of inventory that you'll have on your floor plan for the year. Once you've calculated that, multiply the total times the estimated average interest rate and plug in the amount in this box, one line per floor plan lender makes it easier to calculate. Be sure to adjust for free floor plan when making your calculations. This can obviously be difficult to predict, which makes it all the more important for you to have historical data to pull from and solid metrics that will help you monitor your progress over time. You can also work with your lenders to help you budget properly.

4. Semi-Fixed Expenses: This section provides you an opportunity to enter many of your smaller expenses, the expenses that you typically have on a monthly, quarterly or annual basis but aren't always critical or set in stone for operating your business. I've included a sampling (both in the example on this page and in my template) of many of the types of expenses that go in this column. Once again, feel free to adapt this to your business, noting the expense item and the corresponding dollar amount.

5. Fixed Expenses: The items listed here are typically those that you must expect on a regular basis. They include the majority of your major expenses that must be paid for in order to operate your business. They include such things as taxes, mortgages or rent, real estate and so forth. If the expenses are not easily deleted or reduced, they typically go in this box.

Non-Operating Income and Expenses

The final box in the Expenses template is the non-operating income and expenses section. You'll find it in Blue Box C in the lower right-hand cor-

#	BOX B	EXPENSES		SEMI-FIXED
LINE #	WAGES / COMMISSIONS	OTHER BENEFITS		
1	Unit Sales - Manager	\$ 82,000		
2	Unit Sales - Salesperson	\$ 28,200		
3	Subtotal Management	\$ 110,200		
4	Admin - Bookkeeper	\$ 38,000		
5	Admin - Service Writer	\$ 26,000		
6	Admin - Parts Person	\$ 15,000		
7	Admin - Detailer	\$ 15,000		
8	Subtotal Administration	\$ 94,000		
9	Prod - Sales - Owner / GM	\$ 70,000		
10	Prod - Sales - Salesperson	\$ 40,000		
11	Prod - Parts	\$ 40,000		
12	Prod - PMA	\$ 40,000		
13	Prod - Service Tech	\$ 40,000		
14	Prod - Service Writer	\$ 30,000		
15	Prod - Parts	\$ 30,000		
16	Prod - Service Writer	\$ 30,000		
17	Prod - Parts	\$ 30,000		
18	Subtotal Production	\$ 240,000		
19	Subtotal Wages/Com	\$ 343,000		
20	Other Benefits - 11.7%	\$ 40,131		
21	Subtotal Personnel Exp	\$ 391,021		
22	Marketing			
23	Adv - Boat Trailer	\$ 4,000		
24	Adv - Direct Mail	\$ 4,000		
25	Adv - Newspaper	\$ 4,000		
26	Adv - Radio	\$ 4,000		
27	Adv - Shows in House	\$ 3,000		
28	Adv - Shows Off Site	\$ 3,000		
29	Adv - TV	\$ 3,000		
30	Adv - Radio	\$ 3,000		
31	Adv - Yellow Pages	\$ 2,500		
32	Adv - Other Internet	\$ 2,500		
33	Subtotal Marketing	\$ 26,000		
34	Floor Plan Interest			
35	Finance - Source A	\$ 40,000		
36	Finance - Source B	\$ 40,000		
37	Subtotal Floorplan	\$ 80,000		
38	Subtotal Marketing	\$ 26,000		
39	Subtotal Floorplan Interest	\$ 80,000		
40	Subtotal Marketing	\$ 26,000		
41	Subtotal Floorplan Interest	\$ 80,000		
42	Subtotal Marketing	\$ 26,000		
43	Subtotal Floorplan Interest	\$ 80,000		
44	Subtotal Marketing	\$ 26,000		
45	Subtotal Floorplan Interest	\$ 80,000		
46	Subtotal Marketing	\$ 26,000		
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299	Subtotal Floorplan Interest	\$ 80,000		
300	Subtotal Marketing	\$ 26,000		
301	Subtotal Floorplan Interest	\$ 80,000		
302	Subtotal Marketing	\$ 26,000		
303	Subtotal Floorplan Interest	\$ 80,000		
304	Subtotal			



The hull *truth*

Boat identification numbers hold useful business intelligence.

Sometimes the answer is right under your nose. Actually just over the gunwale and fiercely clinging to the gel coat. Those 12-character Hull Identification Numbers, first mandated back in 1971, contain a boatload of helpful business intelligence that can help you track market share, turn inventory faster and improve your overall profitability.

HULL IDENTIFICATION

US	BMA	45678	A 3	03
Nation of Origin	Manufacturer's Identification Code	Production or Serial Number	*Month Year of Production	Model Year

History of Hull Identification Numbers

The Federal Boat Safety Act of 1971 required manufacturers to assign a unique number to identify vessels for the purpose of recalls or defect notification. This hull identification number (HIN) is a 12-character serial number required on each recreational vessel manufactured in or imported into the United States for the purposes of sale. The Coast Guard assigns the first three characters, a manufacturer identification code (MIC), which identifies the manufacturer or importer; characters four through eight are a manufacturer serial number; characters nine and ten indicate date of certification for vessels subject to safety standards or the date of manufacture for vessels not subject to standards; and characters eleven and twelve indicate the model year. As international trade increased, a two-character country code was added, placed ahead of the 12-character HIN already established, separated by a space or hyphen.

HIN numbers are assigned by the manufacturer at the time of production and track a boat when it is wholesaled to a dealer and retailed to the customer. Depending upon the length of the boat, the HIN number will become either registered by a state and/or documented by the United States Coast Guard <http://www.uscgboating.org>. State laws vary, but as a general rule, boats over 30 feet are required to be documented by federal law. BoatU.S. has a nice resource for learning about individual states and their registration and tax rules <http://www.boatus.com/gov/StatetaxRegistration.asp>.

Once a boat is retailed, the federal and or state records generated by the transaction can be used as business intelligence. Unlike the automobile industry where all transactions pass thru the Department of Motor Vehicles, boats can be registered by the DMV, the Department of Fisheries, or the Department of Natural Resources. This makes collecting the business intelligence more difficult in the marine industry as compared to many other recreational vehicle markets.

State and Federal agencies use the information generated by the HIN number to fund boating safety programs and law enforcement as well as track recalls. In the private sector, the HIN has many other uses beyond the public sector applications.

Manufacturers and retailers alike can utilize the information generated from the HIN for many purposes, but the five primary uses of HIN data for dealers are:

1. Maximize opportunities by tracking regional retail activity and regional brand market share.
2. Increase inventory turns with regional market capacity planning for business plans and annual monthly floor planning.
3. Increase sales with customer prospecting/mapping.
4. Keep abreast of demographic changes with retail site location planning and evaluation.
5. Minimize obsolescence by monitoring model year turns by brand and boat length.

All five of these areas of usage are important, but the average retailer traditionally, relies upon the OEM to provide Option 1, except that that information is provided on a national basis, as opposed to regional. Dealers rarely explore the other four areas of opportunity.

Options 1-3 are where a Dealer has the greatest opportunity to improve their short term profitability. Option 2 is receiving the most attention today with floor planning issues in a state of flux. Option 3 is the most underutilized area of opportunity but should be implemented with careful due diligence because of



unscrupulous vendors, ever changing state privacy laws and limited open access to consumer name and address information.

You can reference the map below for open and closed states to see where you can take advantage of the data in your state. In closed states some providers will have access to modeled name and address information, even if the state is marked as closed on the national diagram.

The HIN was originally created to handle safety and recall issues and is strictly protected by state confidentiality laws similar to an individual's social security number. When used as a cross reference index or transaction file by qualified vendors the HIN, along with geographic and demographic information, becomes a robust business intelligence tool. Dealers that do not capitalize on this readily attainable information will be at a competitive disadvantage as they navigate the ever changing marine market. ■

AARN D. ROSEN IS NATIONAL MARINE SALES MANAGER WITH STATISTICAL SURVEYS, INC., WHICH HAS BEEN PROVIDING PUBLIC AND PRIVATE FIRMS WITH RETAIL BUSINESS INTELLIGENCE FOR OVER 30 YEARS.



Aid to *navigation*

Take the guesswork out of your planning efforts with market-based data.

Relatively few dealers in the marine industry currently use market-based information in their business planning. Once or twice a year a manufacturer or lender may provide their dealers information relative to their mutual business interest, but unless you are a one-banner shop, this does not typically address a dealer's overall information needs.

Historically, some database knowledge was necessary to manipulate data to produce information. Most dealers, however, have not traditionally had the staff or expertise to accomplish the task. The good news is that with advances in technology, tools exist that have greatly simplified the process and if you can point and click, the information is more readily usable than it has ever been.

Why do you need it?

We often use the adage that market information can do what GPS and other technological advances have done for boaters. While you may be in familiar waters (wouldn't that be nice), your situational awareness is greatly improved. While it is possible to navigate without a GPS unit, it sure takes a lot of guesswork out of the equation. Likewise it is also useful to have an independent confirmation of your perception and test your hypotheses before spending the resources pursuing a particular strategy.

Looking forward, for most marine dealers it is likely to become increasingly difficult to survive on new boat sales alone. Dealerships will have to continue to evolve to further embrace their position as a resource for boaters and connect with customers and prospects on the basis of their needs. Now more than ever consumers set the tone; whether it is new boat sales, pre-owned boat sales, fractional ownership, repower, repairs and maintenance as well as other services that get and keep people on the water.

While dealers may know how they are doing based on their own internal information, how that compares to the environment puts context into your business plans. Moreover lenders are more interested in what you can prove versus what you think. An independent, unbiased view of actual marketplace activity is likely to carry some weight. It can also be used to help frame your marketing efforts and periodically monitor your progress.

New Boat Sales:

New boat sales reporting is useful information in order to assess how overall market trends are changing, how your competitors are fairing and where activity is taking place within your primary market area. It can also be trained on markets that you are not in, in order to evaluate, rank or otherwise prioritize territory expansion strategies. Likewise, if you are considering adding a brand to your line up, how that company is fairing nationally before expending the resources to promote that brand in your market.

Many manufacturers use this type of information to help them make decisions on an ongoing basis. However, in the case of a dealer where you are typically looking at a limited geography, a once- or twice-a-year checkup on activity for your brand and your principal competitive set in your area would likely be sufficient.

The Total Market:

New boat sales are important; however at Info-Link we take the approach that it is just one part of the big picture. For this reason, in addition to new boat sales, we maintain detailed registration records for all registered boats in the United States and track and monitor changes in ownership. By looking at the total market, you can make more exacting determination regarding boat type, propulsion type, size and the like in order to ascertain what activities are prevalent in your market area. Armed with this information your strategy can be developed to resonate with boaters in your primary market area.

Many times, dealers know they need information but not having worked with this type of data before, it can be challenging to know specifically what questions to ask or what data solution would be best for your particular circumstances. ■

PETER HOUSEWORTH IS WITH INFO-LINK TECHNOLOGIES, WHICH COMPREHENSIVE DATA AND IN-DEPTH RESEARCH FOR THE MARINE AND OUTDOOR RECREATION INDUSTRIES.



Metric *system*

Why and how you should monitor the business metrics around you.

Frequently, when faced with downturns in revenues, many business executives start looking for ways to cut operating costs. Market research and/or business intelligence gathering activities are often among the first areas cut. However, most marketing professionals would agree that this is the wrong tactic to take. In fact, marketers advise taking the opposite strategy, and investing in research so that the company will be ahead of the game when the economy turns around and the industry starts to grow.

Thus, the question becomes, "What should be invested?" In most cases, it is more about spending time rather than dollars. There are several good, low-cost metrics available on the Internet, and they can be used in conjunction with company sales data to track the company's performance relative to the recreational marine industry. Dealers may also look to their manufacturers to assist in their business intelligence gathering activities.

The Metric Mix

The National Marine Manufacturers Association tracks five different metrics and compares them to traditional powerboat sales, (outboard, sterndrive and inboard boats) on a monthly basis, in order to estimate where the boating industry has been and where it is heading. These metrics are:

- The Consumer Confidence Index
- Light Vehicle Sales
- Recreational Vehicle Sales
- New Home Sale
- New Outboard Engine Sales

Resources for the Metric Mix

There are two main sources of traditional powerboat sales data for the recreational boating industry: Info-Link Technologies and Statistical Surveys. Both companies can provide sales data at the national, state and local levels (and both have also contributed to this white paper). In addition, both companies have a national bellwether report, which gives an early estimate of powerboat sales trends while waiting for all 50 states to report their registration data.

The Conference Board is the source of the Consumer Confidence Index. This index is based on a monthly survey of 5,000 U.S. households. Results are published on the last Tuesday of the month and can be viewed at www.conference-board.org.

Light vehicle retail sales include automobile, SUV and light truck sales data and is published monthly by JD Power & Associates, www.jdpower.com, and Autodata Corp. www.motorintelligence.com/m_frame-set.html. Recreational vehicle retail sales are reported quarterly by Statistical Surveys, <http://statisticalsurveys.com/>. NMMA receives monthly outboard engine retail sales data from the engine manufacturers at the zip code level, which the association compiles and reports back to the manufacturers as a national report. Marine dealers should monitor local area outboard engine sales reports, which can be used to track their engine sales against the local competition as well as tracking against the national norms. Monthly new home sales data is reported by U.S. Census Bureau, www.census.gov/const/newressales.pdf.

How to Use the Metrics

To smooth out seasonality variability it is best to convert sales data to a rolling 12-month view. Furthermore, to aid in comparing different industries the rolling 12-month data can be converted to an annualized percent change. This will make it possible to compare changes in consumer confidence (or light vehicle sales, RV sales, new home sales) to changes in traditional powerboat sales.

Once the national comparisons have been made, it is then possible for the boat dealer to plot his rolling 12-month sales data against the national data to determine if sales are tracking with the industry or deviating from it. Since these metrics tend to be reported several months before the states report boat sales to either Info-Link or SSI, following these metrics makes it possible to anticipate both downturns as well as upturns in the boating industry. Thus, savvy dealers can adjust inventory levels as well as marketing programs to meet market conditions. ■

JIM PETRU, DIRECTOR OF
INDUSTRY STATISTICS AND
RESEARCH FOR THE NATIONAL
MARINE MANUFACTURERS
ASSOCIATION.



Capital *improvements*

With the right approach and the proper presentation, you can maximize the amount of cash available to you.

Your company has a promising future. You've worked hard, made smart choices and navigated through the Great Recession. What you need now is capital. The good news is many lenders are actively seeking new opportunities to put their money to work.

While not everyone seeking financing will get it, there are ways you can increase the likelihood of success. Drawing on experience with thousands of borrowers nationwide, GE Capital set out to answer a central question: What do the smartest borrowers do that make their quest for capital more successful?

Every situation is unique and there are many factors beyond a company's cash flow and credit history that have a big impact on the outcome of a credit application; however, one clear differentiator did emerge: How a company presents itself to a lender is critical.

With the following tips, GE Capital's goal is to help all borrowers be smarter and more successful when applying for credit.

Reach Out Early To a Lender

What's the right time to approach a lender? The best time is before you need capital. Putting time and effort into building a relationship and educating a potential lender about your business prior to applying for a loan can have a big impact. The more a lender knows about you and your business, the better it can advocate for you to its underwriters. If you wait until you need money in a hurry, you may have limited your options and those of your lender.

Treat Your Lender as a Strategic Supplier

Relationships matter. A lot. You and your lender must work with a set of shared goals. Smart borrowers come to the table with an understanding of both sides of the equation – taking the lender's perspective into account – with the mindset of finding two-sided solutions when financing challenges arise.

Truth Trumps: Be Transparent

Trust underlies all credit relationships so you must be upfront with your lender about your challenges. You may think negative information or a troubled financial history will eliminate your chance for a loan. Not so. The real deal-killer is having the lender invest time and resources into your account only to find late in the process that the information you've provided is materially different from what is discovered during the underwriting process. The smart borrower sees financing challenges as an opportunity to demonstrate their grasp of the issues facing their business and to suggest win-win financing solutions for both parties to consider.

Tell a Compelling Story

Every business has a story. Tell yours in a way that highlights your successes and acknowledges your challenges. Create a forward-looking business plan that adds breadth and depth. Also, organize your financials and be sure they align with the narrative. Your presentation doesn't have to be perfect, just honest and complete. Lenders understand the impact of the downturn on businesses. What they need to see is how you overcame obstacles and solved problems – and how you plan to move forward now.

Sweat the Small Stuff: Get Your Documents in Order

One credit officer referred to them as "foot faults" – easily avoidable mistakes that borrowers may make. Every interaction with a potential lender carries a lot of weight. Mistakes, even if they seem inconsequential, can cause the lender to lose confidence in you and your business.

Understand all the key terms in your covenants, contracts and credit documents. Also, show that you will meet your commitments. One effective way to facilitate the process is to put a cover letter on your business plan that includes important dates and obligations.

Find a Lender Who Understands Your Industry

An industry-savvy lender can be an invaluable advisor and an advocate in the credit approval process. Experienced in your sector, he or she will have a better understanding of your business plan, position in the industry and challenges you face. That knowledge will be helpful in structuring your financing and maximizing the credit available to you.

Have a Plan

Understand your business drivers and be able to clearly articulate where you have been, where you are now and, most importantly, where you are going. A comprehensive business plan and defined process to measure your businesses performance plan is a critical component of any loan request. This information will be relied upon heavily throughout the decision-making process; it will also be utilized by your lender during the credit-approval process.

Metrics and Measures

Gather the critical metrics you use to gauge progress, either industry-wide metrics or simply those that pertain to your own business. This demonstrates a clear understanding of the business cycle and reinforces managerial acumen.

In the marine industry, for example, the current drivers are inventory turn, inventory aging and liquidity. By demonstrating that you have a point of view and a plan surrounding these items, a good lender can differentiate your business relative to the industry, geographic or segment norms. Regardless of a positive or negative variance, identifying the correct metrics to use in benchmarking yourself and developing a plan to address any shortcomings go a long way in maximizing the credit available to you.

Communicate, Communicate, Communicate

A lack of communication can kill your prospects for landing financing. From day-to-day details to big changes, keep your lender informed. If an unexpected event occurs – say, an important executive resigns suddenly or a facility experiences a disaster – contact your lender as soon as possible, preferably before it hits the news. Be sure to adequately explain both the issue and any impact it may have on your ability to meet the obligations of your loan agreement. Advance warning will build the trust that underpins a productive lending relationship and allow your lender to be as flexible as possible while your company works through its challenges.

Think Like a Lender

As I mentioned earlier, thinking with the mindset of both a borrower and a lender will help you get the most out of the rela-

With careful
preparation,
borrowers that work in a
spirit of collaboration with
their lenders can boost
their chances of *success*

tionship. Whether you're seeking increased credit or disclosing a new challenge, understanding the thought process and considerations your lender must evaluate will help you to have a more fruitful interaction.

One example is the growing trend of finding ways to “amend and extend” credit, which can be complex and somewhat time-consuming agreements to work through. Smart borrowers understand these dynamics and have the foresight to contact their lender 18 months before their loan comes due to start the conversation about making any necessary adjustments.

Know Your Peers' Financing Structures

Learn about the financing structures of the peers in your industry. By taking the time to do your homework, you can improve the discussion with your lender and improve the chances of creating a workable financing solution for your business. While a particular peer's structure may not work for you, it could be a great starting point.

Optimize Cash Flow

Cash flow is king. Your lender needs to understand all monies coming in and out of your business as well as your payment history and that of your customers. Better yet, show your lender exactly how you are working to increase cash management efficiencies.

With careful preparation, borrowers that work in a spirit of collaboration with their lenders can boost their chances of success. Borrowers should look to their lenders to be flexible, have enough capital on hand to support them through both good and tough times, and have the industry expertise to understand the true value of the collateral used to secure loans that will help to maximize the amount of financing they can extend.

For well-managed businesses, there is capital available but, in today's environment, it's more important than ever to present yourself and your company in the best light. ■

DAVID S. WILSON IS VICE PRESIDENT OF FIELD MARKETING FOR GE CAPITAL, COMMERCIAL DISTRIBUTION FINANCE (CDF), A LEADING FINANCING PROVIDER TO MANUFACTURERS AND THEIR DISTRIBUTORS.



In the *driver's seat*

Chart daily, weekly, monthly goals to make sure cash moves according to plan.

The old adage that “You cannot manage what you do not measure” has been around for a long time. But the fact remains that there are still a number of marine dealers who still do not understand the importance of that statement and therefore do not practice it.

Of course, their numbers are dwindling as the current recession has weeded many of those out. The recession has also been responsible for the majority of the remaining dealers to know and understand the importance of managing their dealerships by practicing state-of-the-art financial management techniques.

Further, the uncertainty as to when the recovery will take place and the shape of that recovery will be the greatest challenge facing the industry for at least the next several years. Profits will be fragile and management will have to diligently manage all aspects of the business in an effort to maintain cash flows that will not jeopardize their future.

The necessity for a detailed business plan that clearly details your monthly sales, cost of sales, and operating expenses has been firmly established. Every dealer must know how it is performing, monthly, against the goals contained in the plan.

We know that up until this latest economic downturn many dealers never reviewed their profit and loss statements on a monthly basis. In fact many dealers would not receive their P&L's for months. As long as cash flowed and there was money in the checkbook this practice did not seem to be a major problem for many. Interestingly enough, those dealers who achieved the highest net profits were paying attention to their P&L's and managed their dealerships accordingly.

Normally a P&L reaches the hands of the owner or manager within 10 days after the previous months closing. That means that they may not be aware of problems until as many as 40 days have passed for the period being evaluated. Many of our dealers, especially those in the northern states, book the majority of their sales in a three-month period of time. Waiting 40 days to find out that your sales staff or your service department is not meeting their goals will be a problem. You need to know how your primary cash generating sales are trending on a daily basis.

It's recommended that you employ “drivers” to allow you to analyze your sales and service performance on a daily basis. A “Driver” is simply a chart, like that shown on this page, that illustrates performance on a daily basis against the projected monthly goal for that particular goal.

As an example if your top salesperson, “John,” had a sales goal of \$300,000, that would equate to \$10,000 per day. Of course he probably does not work Sunday so the daily goals would be proportionally higher. Your “driver” chart would have five column headings: Day of the Month, Daily Goal, Cumulative Daily Goal, Actual Sales, and Cumulative Actual Sales and Deviation.

SEE CHART ON PAGE 16

You and your management team, along with the salesperson or technician, can clearly see how they are performing against their goals on a daily basis. You don't have to wait until the 10th of the following month to find out that you have a problem. And consider employing such drivers in every department, including parts and F&I. There is no substitute for current performance data and these drivers can provide that for you. ■

MONTHLY SALES DRIVER CHART

Salesperson- John

Month					
June 2010					
Day	Daily Goal	Cumulative Goal	Actual Performance	Cumulative Performance	Deviation
1	10,000	10,000	0	0	-10,000
2	10,000	20,000	0	0	-20,000
3	10,000	30,000	40,000	40,000	20,000
4	10,000	40,000	0	40,000	0
5	10,000	50,000	0	40,000	-10,000
6	10,000	60,000	0	40,000	-20,000
7	10,000	70,000	20,000	60,000	0
8	10,000	80,000			
9	10,000	90,000			
10	10,000	100,000			
11	10,000	110,000			
12	10,000	120,000			
13	10,000	130,000			
14	10,000	140,000			
15	10,000	150,000			
16	10,000	160,000			
17	10,000	170,000			
18	10,000	180,000			
19	10,000	190,000			
20	10,000	200,000			
21	10,000	210,000			
22	10,000	220,000			
23	10,000	230,000			
24	10,000	240,000			
25	10,000	250,000			
26	10,000	260,000			
27	10,000	270,000			
28	10,000	280,000			
29	10,000	290,000			
30	10,000	300,000			

NOEL OSBORNE IS THE OWNER OF OSBORNE & ASSOCIATES, WHICH ASSISTS BOAT DEALERS IN MANAGING THE ADVERSITY ASSOCIATED WITH THE CURRENT ECONOMIC DOWNTURN.



Opportunity *knocks*

Managing margin is the key to dealership profitability

In a study of marine sales conducted in August of this year, the difference between dealership approaches to margin management is striking. While market forces do set general limits, there remains a broad field of opportunity, which some dealers have seized, and others have surrendered.

The study gathered sales data from 43 participating dealerships located in 24 states. It ranges from January 1, 2009, through August 10, 2010, and includes 9,600 unit sales, 420,000 parts counter tickets, 48,000 repair orders and totals \$330,000,000. All sales were drawn from marine dealerships only. Non-marine transactions found in mixed-use stores were purged to focus results on marine sales only. Personal Watercraft were included.

Unit Sales

The study of new major unit sales centered on unit types, gross margin per type, and lastly, the amount of gross margin dollars contributed as a result of volume and rate of gross margin. The results are displayed in the following three charts.

Chart A classes major unit sales by retail selling price. While there are many different ways to classify marine units, it was felt that selling price would be a straightforward and simple method to produce homogenous groupings. Fifteen natural groupings were found between the limits of \$500 on the low end, and \$650,000 on the top. While there were a number of units found under \$500, these were eliminated as non-standard products not consistent with the rest of the sample. There were no units sold in excess of \$650,000.

According to the results, 59 percent of all units sold fell between \$2,000 and \$15,000. The highest number of units in any one group – 2,136 – sold between \$5,000 and \$10,000. There were 14 units sold in excess of \$300,000.

Chart B presents the gross margin percentage gained in each of the 15 groupings. These percentages range widely, from a minimum of 2.8 percent for the eight units sold in the \$300,000-to-\$400,000 range, to a high of 18.7 percent in those units sold between \$20,000 and \$30,000.

While Chart A clearly shows that the majority of units sold fall between \$2,000 and \$15,000, Chart B indicates that those same units yield a lower gross margin percentage than do units of other groupings. The highest gross margin yield rate is derived from units sold in the \$15,000 to \$60,000 range. This difference in volume and yield rate lead to Chart C, where total margin dollars are reported.

In Chart C we see an example of differences produced by the combination of volume and rate. Units sold between \$10,000 and \$15,000 numbered 2,136. This is our volume. Checking Chart B, we see that gross margin for that group was running at 10.3 percent. This is the rate. The product of volume (total sales revenue from 2,136 units) multiplied by the gross margin rate (.103) gives us the total margin dollars produced in this sales group. It was \$1.5 million, or about \$700 per unit.

Contrasted with this, we see that sales falling between \$20,000 and \$30,000 totaled only 722 units. However, those units produced a gross margin rate of 18.7 percent. This volume, at this rate, yielded \$3.3 million dollars in margin, or \$4,570 per unit.

Analysis such as this will help managers and owners alike to predict the amount of margin that may be available to them as they plan their inventory and design advertising plans in their respective market areas. More units do not always generate more margin dollars. Also, the relatively few sales of high-end units may not yield sufficient margin to maintain the effort and resources necessary to support this type of customer.



Chart A: Evaluating Unit Sales by Price
Chart B: Evaluating Gross Margin Percentage by Price
Chart C: Evaluating Gross Profit by Price

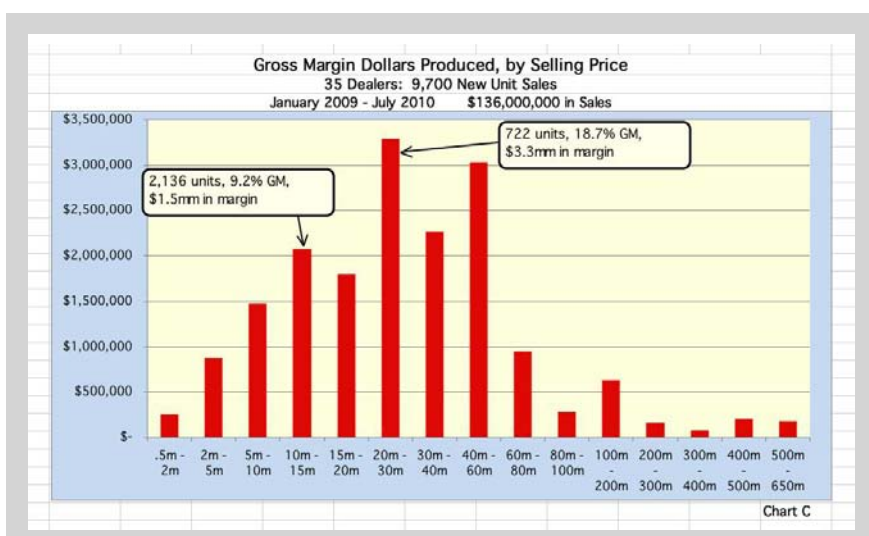
Service Sales

Analysis of 48,000 repair orders (RO) found an overall average of \$0.89 in parts for every \$1.00 of labor sold on each RO. However, on dividing all dealers into three equal groups (high, mid and low) the study showed that the high group averaged \$1.35 in parts for each labor dollar, and the low group averaged only \$0.55. This lower average amounted to more than \$5.7 million in lost parts sales for the low group, which in turn would have yielded \$1.8 million in margin.

Parts Sales

Finally, looking at the gross margin gained in the parts department revealed the top one-third of dealers were generating 41 percent gross margin on parts. Dealers in the bottom third were getting only 30 percent. That difference in rate amounted to a collective loss of \$3.8 million margin dollars for the bottom group.

In these challenging times, dealers are encouraged to use this report as a guide to what is possible, change what they can control, and strengthen their business by producing the maximum amount of margin that their market will sustain. ■



HOW DO I USE THIS INFO?

Accurately calculate your margins for the "Budgeting made easy" article on **page 6**.

HAL ETHINGTON IS A SENIOR INDUSTRY EXPERT WITH SALT LAKE CITY-BASED ADP LIGHTSPEED, WHICH SPECIALIZES IN DEALER SOFTWARE PRODUCTS TO HELP DEALERS MAXIMIZE INVENTORY CONTROL, BUSINESS PROCESSES AND PROFITABILITY.

Forecasting *reality*

Use available market data to set your course toward profitability.

The economic downturn has made forecasting and planning much more challenging for dealers. The natural tendency is to be overly conservative. However with the market likely headed back to volume growth in the coming year, it's particularly important to forecast your business in a way that is tightly coupled to the current realities of your local market. This article presents a simple forecast method you can use to do exactly that.

Brand Share is the Key, at Two Levels

The key metric in forecasting your business is brand share, both local and national. Situations where local market brand share is considerably below the average national brand share are good candidates for growth. Conversely when local share is well above national share, trying to further increase penetration will likely be both difficult and expensive.

Start with Current Market Data

Three data points are needed from the most recent year for each of the boat types carried by your dealership:

- Segment Volume (dealer market)
- Brand Volume (dealer market)
- Brand National Share (in the boat segment)

The required data is shown in the green cells in the table below. Often boat manufacturers you deal with can provide this data for you.

Lakeshore Marine Dealership Brand Performance Recent Year Through 2010 Q1

Dealership Name **Lakeshore Marine**
Last Data Quarter **2010 Q1**

Brand	Boat Segment	Segment Characteristics				Dealer Market Recent Year New Boat Volume		Recent Year Brand National Share
		Hull	Propulsion	Min Length	Max Length	Segment Volume	Brand Volume	
Alpha Boats	IO Sportboat	Fiberglass	Stern	18	24	150	15	8.0%
Silver Boats	AL Fish Boat	Aluminum	Outboard	14	20	347	14	2.4%
Weld Tough	AL Fish Boat	Aluminum	Outboard	14	20	347	16	1.1%
FishMax	AL Fish Boat	Aluminum	Outboard	14	20	347	20	3.8%
Medallion	Pontoon	Aluminum	Outboard	18	26	148	6	10.7%
Explorer	Pontoon	Aluminum	Outboard	18	26	148	8	1.5%

Be sure to define your data parameters precisely to ensure data consistency:

Dealer Market – Define the market served by your dealership by county (within a reasonable driving distance of your dealership).

Competitors – Identify the brands you compete with for each boat type.

Boat Characteristics – Define boat characteristics for each of your segments as shown in the table above.

Forecasting the Coming Model Year

A second worksheet to forecast the coming model year is shown below. The first green cell for you to complete is the percent growth (or decline) in local market volume that you expect from the historic local market data entered above. Clearly this is a very important entry to be based on your understanding of the local economy. It defines the forecast size of local market segments that you participate in as shown on the bottom line of the table below.

The forecast local share for a brand will remain the recent year local share, unless changed. The chart above compares:

Recent year brand national share

Recent year brand local share

Forecast brand local share

As you make changes in the forecast local brand share, note the rationales and planned actions to realize the changes. For example:

Aluminum Fish Boats

– With three brands in the segment, Lakeshore Marine has become the one-stop-shopping location for aluminum fishing boats resulting in local brand shares that are consistently higher than national brand shares. Silver Boats is the brand most recently added and is still growing share. In addition Silver Boats is adding two new models this year at lengths previously not offered.

Pontoons – Late last year Lakeshore Marine started selling Medallion Pontoons, a premium brand with weak local share. Lakeshore Marine was confident they could grow Medallion share significantly with increased pontoon promotion. In addition that augmented pontoon promotion would grow share for their value priced pontoon line, Explorer.

The share bar chart provides a way to link a forecast to market reality. Some of the questions you should ask are:

- Do the forecasted brand shares seem reasonable vs. national shares?

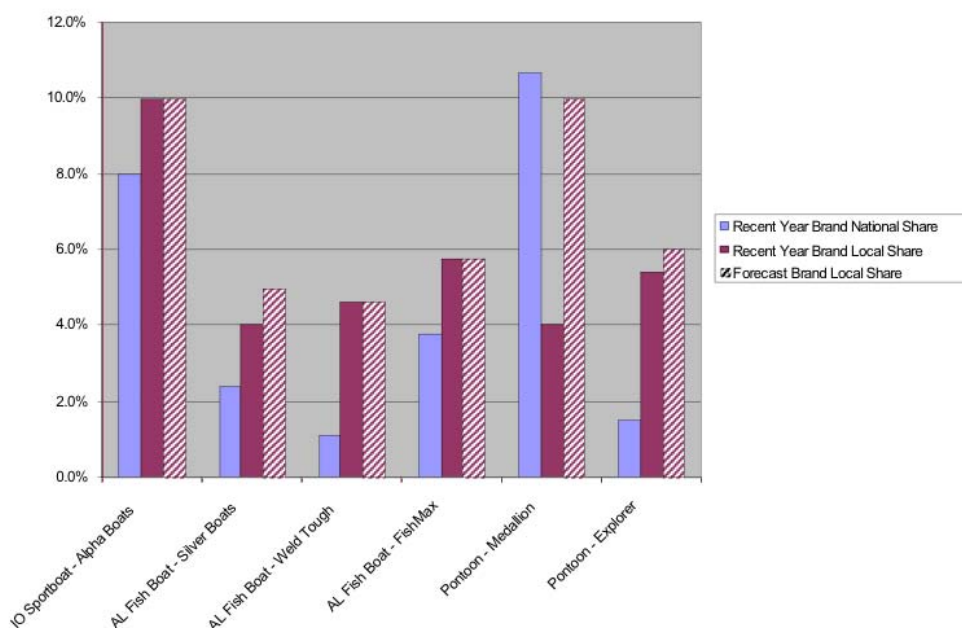
Lakeshore Marine Annual Forecast Tool - Based on Data Year Ending 2010 Q1

Forecast Local Boat Mkt Rate of Change

5%

	IO Sportboat - Alpha Boats	AL Fish Boat - Silver Boats	AL Fish Boat - Weld Tough	AL Fish Boat - FishMax	Pontoon - Medallion	Pontoon - Explorer	Totals
Recent Year Local Share	10.0%	4.0%	4.6%	5.8%	4.1%	5.4%	
Forecast Local Share (if changing)		5.0%			10.0%	6.0%	
Dealership Annual Planned Volume	16	18	17	21	16	9	97
Change in Dealership Annl Planned Vol	1	4	1	1	10	1	18
Local Mkt Segment Fcst Annl Volume	158	364	364	364	155	155	

Lakeshore Marine Annual Forecast Tool - Based on Data Year Ending 2010 Q1



- If your dealership sells multiple brands in a single boat type, is the combined boat type share reasonable in the local market?

- In cases of a forecast of significant local share increase, what competitive brands will you likely take that share increase from?

This simple forecast method is aimed at the big picture – namely getting the right total volume and brand mix of new boat business for your dealership. It enables you to plan your business on dynamics unique to your local market, something that is crucial in today's market as it heads back toward growth.

This analysis can also be really helpful in negotiations to land a new boat line. If you can show a pattern of local share exceeding national brand share it speaks volumes about dealership strength.

Want a free copy of the Excel workbook used in this article? E mail info@marinematrix.com. ■

JOHN HUGHES IS WITH MARINE METRIX, WHICH PROVIDES CUSTOMIZED MARKET ANALYSIS AND REPORTING TO BOAT MANUFACTURERS AND DEALERS.



The 12 *commandments* of performance measurement

Drive continuous improvement through measurements, lean thinking, and best practices.

Surviving as a boat dealer today isn't easy. And even as the industry recovers going forward, the complexities and challenges aren't going to get any easier. Marine dealerships are complex businesses with tough competition, rising customer expectations, increasing taxes and regulations, higher dealer standards, new information technology, and shrinking margins.

There is a proven system that addresses these challenges by utilizing performance measurement and lean management processes. It's the driving force for not only successful marine dealerships, but is available and is not only being applied successfully to marine dealerships but also for all sorts of organizations, retail operations, and dealerships in other industries.

We all know the old axiom "you can't improve what you don't measure." The best path to success is to have a robust performance measurement system to drive continuous improvement. The alternative is to keep the status quo in place, which leads to stagnation, complacency and mediocrity.

Other industries that have applied the principles of performance-measurement systems have seen impressive results. They have doubled their output, eliminated unnecessary staff time, reduced the number of dissatisfied customers and staff turnover, and eliminated waste, while at the same time increasing net margins.

The best way to get started with such a process is to measure and analyze the current state of your dealership with an operations audit. Such an audit should be from an unbiased and independent perspective and should take a quantitative and qualitative look at your operation's productivity.

The audit would evaluate your own operation against a set of internal expectations, as well as external, industry-accepted best practices. Once you gather the data and make comparisons, you'll be able to draft an action plan for improvement.

But the challenges run deep and there are many questions to be answered:

- How do you know where to improve?
- How do you know where to allocate or re-allocate money and people?
- How do you know how you compare with others?
- How do you know whether you are improving or declining?
- How do you know whether or which programs, processes, or employees are producing results that are cost effective and efficient?

The following steps will help you answer these questions and diagnose and analyze your dealership on a continuous basis to make sure a dealership is driving toward continuous improvement in operations, customer satisfaction, employee satisfaction, growth and profits.

1) Customer Satisfaction Survey – Having a reliable CSI feedback source is essential to measure the quality of your business operations. Accepting the concept that "a complaint is a gift" is a great way to get better, faster. Marine dealers, who want to improve, must want all the bad news they can find. Believing that you have "no problems" is a problem, and it leads to complacency, and leaves us operating in the dark, all the while the best will continue to get better. Tracking and trending the customer issues through CSI input is a powerful motivator.

2) Employee Satisfaction – Employees are obviously the essential key to everything at a dealership. It is a proven fact that the higher your employee satisfaction the higher your customer satisfaction.

There are three main areas regarding employee measurement and management that are essential to

business health and growth. An employee satisfaction survey is an excellent resource for understanding your employee's wants and needs, what they value, and how to keep them loyal. Keep in mind that the simple act of measuring operating metrics and reporting the results to your employees will result in an improvement – even if you do nothing else with the data. Why? Most employees just want to know how they're doing. By setting expectations and then telling everyone how they're measuring up, you can improve overall productivity.

Other essential performance measurements regarding employees include job descriptions and performance reviews. These two items are vital to establishing clean lines of communication, workflow, and employee accountability. Regular staff meetings can help you address concerns or developments before they grow into a bigger problem.

3) Website Guidelines – A website's impact on a dealer's bottom line today is far greater than simple measures of e-commerce revenues. The homepage is your dealership's face to the world. Increasingly, potential customers will look at your company's online presence before doing business with you – regardless of whether they plan to close the actual sale online.

Here are 6 'must haves' for a marine dealer website:

- Makes and models represented are current.
- Hours of operation shown.
- Address displayed with phone numbers.
- Email capabilities available for customers.
- Service scheduling capabilities.
- Separate Parts section included.

Improving your homepage multiplies the entire website's business value, so following these key guidelines for homepage usability is well worth the investment.

4) Internet Lead Handling – Your website has to be at least one step above your competitors, and your follow up must be a giant leap above your competitors. Successful marine dealers develop and map a lean process for handling Internet leads, to include responding within 24 hours. But the first person to get back to the customer has the best opportunity to win. Put a person and process in place to follow up on the leads – fast!

5) Process Mapping – Creating a process map leads to increased awareness of inefficiencies and related opportunities for improvements. Simply talking through the various steps, decision points, and causes of variation among employees or situations reveal issues that must be addressed in order to improve performance.

Process mapping activity will provide information about potential bottlenecks, delays, and other common sources of inefficiencies, costs, and errors. Many marine dealers were immediately encouraged by the operational improvements that resulted. Of course, the sales, service and parts mapping activity is best re-evaluated on a continuing basis to assure continuous improvement.

6) Training – Training enhances a worker's skills, while providing a sense of satisfaction, which is an intrinsic motivator. Training also results in multi-skill employees, which increases employer commitment to their job and their organization. Better understanding of jobs also reduces accidents.

Research shows that customers expect to be dealing with knowledgeable employees when they visit a marine dealer. At a minimum, marine dealers should have training performance measurements that ensure:

- Ongoing technician training on all products serviced by the dealer
- Owners/managers attend management courses at least three days per year

Training also results in multi-skill employees, which increases employer *commitment* to their job and their organization.

- Job training is provided to every employee
- Annual product training for sales and service staffs

7) Sales Process – Regardless of the type of marine business you have it's important to understand how to sell your product or service. This becomes critical if you have any desire to grow your company. The sales process must be mapped out as a flow chart: At one end is a raw lead and at the other is either a paying customer or someone that you may get to become a customer in the future. In between are the various decision points and attributes that must be collected in order to move the lead into the next stage.

By breaking down the sales process into stages you can begin to understand what it will take to move prospects through those stages. If you're not using a well-defined sales process now, these simple steps will give you a great start in getting it under control.

- Provide adequate inventory to support customer requirements
- Approach selling in an organized and professional manner
- Ensure customers are greeted promptly and courteously
- Ensure all the needs and concerns of the customer are addressed in an honest, professional and non-manipulative manner
- Provide customers with a thorough product orientation of every boat/motor purchased, including on-the-water demonstration (where practical)
- Before delivery, prepare and inspect the boat according to manufacturer's guidelines
- Ensure customer receives an explanation of manuals, warranties, and instructions for safe operation

8) Service Process – There's no question that good new or used boat referrals from great marine service are the easiest opportunities to develop and close. Therefore, it only makes sense to constantly position service efforts so that you'll continuously get new referrals from your service customers. Here are five strategies to make sure get plenty of referrals:

- Have a service philosophy that emphasizes relationship building.
- Value the relationship more than making your quota.
- Consider yourself and your dealership as the best at what you do – and live it.
- Achieve a perfect job of delivering what you promised – a lean process approach is the only way.
- Think end-of-month service friendships not end-of-month totals.

The best marine dealers document and follow mapped service and parts processes, conduct quarterly management reviews, document corrective actions and process improvements, and communicate process improvements to employees. They also maintain a work process that includes: finished on time, repair progress, work quotations, a comeback log, and a robust quality assurance process after the fix.

9) Facility Measurements – Generally, you can tell a lot about a dealership just by looking at the facility's overall organization and appearance. An overall pleasing dealership appearance and cleanliness provides customers their first impression of how your operation is managed. It can make them either more comfortable, or possibly more concerned. Many leading marine dealers utilize a quarterly facility checklist that inspects for the following:

- Appropriate permanent signage
- Clearly marked boat and vehicle parking
- Boat and accessories are displayed properly in a clean, orderly and customer-accessible fashion
- Outdoor display areas are attractive, well-organized and easily recognizable
- Service areas clean, well-maintained, organized and uncluttered
- Well-maintained landscaping

Bottom line: Keep your dealership clean and organized on a continuing basis.

10) Customer Follow-Up – Your customers are ultimately the ones responsible for 100 percent of your revenue. By listening to your customers' needs and desires, you can tailor your products and services to better meet their demands. Your customers should design your processes. This will ultimately lead to greater success.

The more you know about what your customers think and want, the easier it will be to improve your quality and reputation as a business. Look for as many ways of capturing this information as possible, including: sales data, questionnaires, phone calls, and comment cards, and mystery shopping. Remember that many customers will simply switch dealers before making a complaint. Here are the key steps to consider:

- Track issues and identify trends
- Document corrective actions and process improvements
- Communicate improvements and changes to your employees

Looking at things from your customers' perspective can help you avoid getting sidetracked as you consider your options for growth.

11) Stretch Goals and Action Planning – The best marine dealers have learned how to set useful targets for their business. It is just a small step from measuring your performance to the much more dynamic process of driving up performance levels across your business. This involves setting performance targets in the key areas that drive your business performance.

Once you have identified the targets based on your operations audit that you believe will deliver the strategic growth you're aiming for, make sure you follow through by assigning clear responsibility for delivering each of them. Your targets should be concrete and clearly owned by a department or individual. Also, undertake regular reviews to assist with motivation and to make changes if the progress made isn't as expected.

12) Social Media – Now is the time! – Some Internet-savvy marine dealers are fully engaging in social media marketing as an incremental strategy to build their business. As an alternative to traditional advertising, social media could be uniquely valuable to marine dealers.

Social Media Marketing is definitely not a fad. There's quite a bit of data that clearly shows the fantastic growth of this new communication medium. Not convinced that your dealership should integrate social media

Time spent on social networks
is growing at *three-times*
the overall Internet rate.

into your overall marketing strategy? Here are a few more eye-opening things to consider:

- Social networking sites are the Internet's No. 1 activity.
- Twitter has seen an increase of almost 1,500 percent over the last year.
- 2 out of 3 people on the planet visit social networks.
- Time spent on social networks is growing at three-times the overall Internet rate.
- More than 5 billion minutes are spent on Facebook each day and more than 1.5 million pieces of content are shared on Facebook daily.
- 68 percent of Internet users have used social networks, while only 65.1 percent have used email.

Some of the ways you can influence your online performance is to promote your presence to Facebook and Twitter with your current customer base. Here are some suggestions:

- Let your customers know they can find you on Twitter and Facebook
- Include your Facebook and Twitter information in your offline advertising, in the service drive, on customer receipts, in customer waiting areas, and in your showroom
- Actively build your Facebook fan base and Twitter followers by asking your customers to join.

In order to make progress you need to have a formal system in place that provides the structure to support your goals by measuring the areas that truly impact your dealership. The Marine Industry Five Star Dealer Certification program provides the perfect framework for this and is designed by marine dealers for marine dealers. It includes all the above content and is based upon lean thinking, process management, performance measurement, and annual operations audits. The development is all done and proven, so you don't have to reinvent the wheel.

The Marine Five Star Dealer Certification program is a 'win-win-win' for customers, employees, and dealership owners alike. It is a structured system for continuous improvement, creating best practices, and growth. It is a continuous drive to perfection. The end result is a truly lean and efficient dealer with an outstanding reputation, and loyal customers and employees. ■

HOW DO I CREATE A MARKETING PLAN FOR MY DEALERSHIP?

See pg 40 for tips and advice.

BOB WILLIAMS IS PRESIDENT AND CEO OF FIVE STAR SOLUTIONS, WHICH SPECIALIZES IN AUTOMOTIVE AND MARINE DEALERSHIP OPERATIONS IMPROVEMENT AND TRAINING. FOR MORE INFORMATION, VISIT WWW.FIVESTARSOLUTIONS.COM.



Intelligent *intelligence*

Make 'cents' (and some dollars, too) using information that is readily available to you.

Though the marine industry has experienced some upswings in 2010, most of us are still controlling expenses and searching for solutions that result in the highest return on investment. And, thanks to industry partners like *Boating Industry*, dealers have chronicled best practices from the most successful dealers during the recession.

These dealers are developing programs based on metrics derived from business intelligence (BI). Whether it's a customer-retention program, expense-control initiative, employee-performance analysis or an effective online marketing solution to better position the dealership for the economic turn-around, they are using BI to gain maximum value from their existing assets and a better understanding about their business, competitors and consumer demands.

BI is not a new concept; however, boat dealers and brokers are benefiting from the value in this data as marine partners like Boat Trader and YachtWorld.com deliver more in-depth business intelligence to help dealers achieve their goals. Boat Trader's Business Intelligence reporting suite is designed to capture consumer demand and uncover any potential inventory inconsistencies. And YachtWorld's SoldBoats.com, the most reliable source of sold boat data available, provides exclusive access to more than 185,000 sold boat records as reported by YachtWorld member brokers.

With such robust BI platforms available, dealers and brokers are well-positioned in this new marketplace. This article will focus on three main goals that BI helps dealers and brokers achieve: positioning inventory more effectively, improving inventory turnover and enhancing employee performance.

WARNING: Don't feel overwhelmed! This article will take you through the most important steps to achieving your goals.

Using BI to Position Inventory More Effectively

One of the most fundamental ways that BI can improve your business is by shortening the time in which it takes to obtain information. With a few mouse clicks, dealers and brokers have access to BI that reveals consumer demand, share of inventory views within a market place and pricing data for listed and sold boats.

A Boat Trader sales consultant used BI to identify business opportunities for a Delaware dealer. With 86 boats on Boatrader.com, the dealer received more than 165,000 views to his inventory in December. That sounds good to anyone at first glance.

But, what percentage of the total search views is this dealer sharing with competitors in his area? And, which boats are generating the highest views?

The Boat Trader consultant used the Share Of Views Report to reveal that only eight of the dealer's boats captured 75 percent or more of the views in the marketplace; therefore, it's likely that the majority of the leads were generated for this inventory. Next, the Boat Trader consultant reviewed the MSA Pricing By Dealer Model Report, which revealed that 80 percent of the inventory that received 5 percent or less share of views was also priced above the average within the MSA. Finally, the consultant noted that only one model was highly saturated in the MSA; however, since the dealer priced it among the 10th percentile of the price ranges, the boat generated more views.

Now let's take a look at the business opportunities that this BI analysis offers.

Business Opportunity No. 1: Easily identify issues with inventory positioning (photos, video, pricing, number of units listed) in the marketplace early and adjust to meet demand. As a result of the BI analysis, the dealer worked with the consultant to modify pricing on the inventory that was under-performing compared to local competitors. In addition, the dealer swapped manufacturer stock images for actual inventory photos.

Business Opportunity No. 2: With instant real-time visibility on pricing and its effect on inventory views, you can make immediate tweaks guided by relevant data to move the needle in your favor. Working with the consultant, the dealer changed units displaying “Call for Price” to an actual price value that was consistent with demand.

Results: By leveraging the business opportunities offered by BI, the dealer was able to make significant inroads. Within 14 days, previously under-performing inventory had increased its lead volume by 42 percent.

Using BI to Improve Inventory Turnover

There are business-intelligence platforms that allow dealers and brokers to make more profit-minded floor plan and trade-in decisions based on data that reveals the types and price ranges of boats that are moving fastest in a specific area. This type of intelligence results in faster inventory turnover and higher profit margins as dealers and brokers begin to meet the demands of the consumers in their market place – taking assumptions out of the process.

A YachtWorld.com consultant used BI to help a broker in Washington improve his inventory turnover. The broker had 45 boats listed on YachtWorld.com and 21 displayed on Boat Trader. Having only generated five leads and 33,000 impressions to his inventory on Boat Trader during the off-season, the broker was disappointed in the performance and needed a solution for moving inventory more quickly.

The broker’s inventory was under-performing compared to that of competitors in the area, and the MSA Share Of Views revealed that he only shared 2-5 percent of the total views within the marketplace. Competitors were taking a large portion of potential prospects, and the BI would identify the possible causes. Upon reviewing the MSA Pricing By Model Report, the sales consultant revealed that more than half of the broker’s inventory was priced in the 75th percentile – much higher than the average within the marketplace.

The last piece of BI that was used in this analysis was the Scarcity Report, which showed that much of the broker’s inventory was in low-demand. Of the highly demanded inventory, only a portion displayed a price, which further detracts prospects from submitting a lead.

Business Opportunity No. 3: Move highly saturated units to a wholesale marketplace, potentially in another market with higher demand and lower supply. Launch targeted campaigns to reach consumers within markets where demand is high. The broker placed a portion of models identified as being in low-demand as featured ads on Boat Trader’s homepage, allowing him to geo-target by buyers’ location. He also modified pricing to reflect real world market conditions by utilizing SoldBoats.com and the MSA Pricing Report BI.

Business Opportunity No. 4: Design your floor plan using supply/demand BI to provide insight about what prospects in your MSA are searching. The broker used the BI to determine specific inventory for which to seek co-brokerage opportunities, as well as inventory that would be most effective for trade-in.

Results: Upon modifying prices and targeting specific inventory to markets where BI revealed demand was higher, the broker saw leads increase 27 percent over 30 days.

Business intelligence does more for a dealership than just impact the bottom line; it can also *enhance* employee performance.

Using BI to Enhance Employee Performance

Business intelligence does more for a dealership than just impact the bottom line; it can also enhance employee performance. One Boat Trader dealer discovered just how important call tracking BI was to the success of his sales team.

The dealer, based in Michigan, was prepared to cancel his business with Boat Trader as he perceived that incoming leads were “tire kickers” because few were converting to sales. The Boat Trader sales consultant used call tracking to detail the number of incoming leads and time spent on the call – all of which showed solid results. To further reinforce the lead performance, the consultant used the call recording feature to provide the dealer more insight about his team.

Business Opportunity No. 5: Utilize all methods for collecting BI. It doesn’t have to be in the form of data to help your dealership make better decisions. The call recording feature revealed major training opportunities. As the dealer listened, he heard one of the sales reps tell a prospect that the boat of interest could not be accessed because it was “already winterized for the season.” With such poor sales communication, there is no wonder that leads were not converting to sales.

This case study reinforces the definition of business intelligence – leveraging your internal and external information assets for making better business decisions. BI isn’t always in the form of numbers or data, and it doesn’t have to be overwhelming.

Identify the right partner in business intelligence, and you can bet that your dealership will start to make more “cents” (and dollars, too). ■

See pg 10 for more information on finding opportunities for your business using market-based data

COURTNEY CHALMERS IS DIRECTOR OF MARKETING AT DOMINION MARINE MEDIA, WHICH OWNS YACHTWORLD.COM, BOATS.COM, BOAT TRADER AND SOUNDINGS.



What's your *real* rate?

Service metrics monitoring begins with your ELR

One of the most critical methods for monitoring the success of your service department is to manage your effective labor rate (ELR). For the most part, dealership personnel and our top service people focus their energy on the posted labor rates, and there is much debate surrounding this number. But the true measure of success of any service department is found much deeper than the numbers that are posted on your menu pricing.

The true measure of success is your effective labor rate, which is calculated as follows:

$$\frac{\text{Total Sales In A Labor Category}}{\text{The Hours Paid A Technician(s) To Achieve These Sales}}$$

So, for example, if a job is timed out at 5 hours and our posted rate is \$80, for example, we should be collecting \$400 (5 X \$80). However, when we look at it closely we see that the actual rate we are collecting from our customers might be way less than we think we are charging. The real rate we are collecting from our customers is the ELR.

If a service department collects \$25,000 in customer sales and pays technicians 300 hours to achieve these sales, the ELR is \$83.33 per hour (\$25,000 / 300). However, if we only collect \$15,000 in customer sales, our ELR is \$50 per hour (\$15,000 / 300). Some of our people gather even more precise information by evaluating technicians and service writers individually.

The difference between a posted labor rate and the ELR is important because it affects our profit picture. Generally speaking, we want to pay technicians around 25 to 30 percent as a cost of sales, not counting benefits.

The remaining 70 to 75 percent leaves us enough gross to pay all the other service related expenses and have enough left over for a decent profit. This assumes, of course, that we want to make money in the service department.

The following, which uses these examples from above, assumes that we pay one technician \$20 an hour or all of our technicians an average of \$20 an hour. We have to be careful to take into account which technician does what work, how many hours she/he works, etc. when averaging.

- $\$83.33 - \$20 / \$83.33 = 76\%$. There are no problems here.
- $\$50 - \$20 = 60\%$. This is too low. We are approaching partnership level with the technician, except that we are covering all the expenses.

In dealership operations, one or more factors usually cause the difference between a posted door rate and the ELR. Here they are, generally speaking, in no particular order:

1. Accounting – Many dealerships cost the difference between a special and the regular price for a job. When doing this, you should think about expensing the difference between the two in an advertising/promotion account. This allows you to keep track of the money you give away. For example, your normal charge for something may be \$400. However, you will offer a special price of \$350 if the customer does it in October. The charge on the repair order is still \$400. However, the \$50 difference is ac-

Task Classification	Classification As A % Of Total Work	Try-On Rate In \$	Calculation	ELR
Competitive	55	40	0.55 X 40	\$22.00
Maintenance	23	75	0.23 X 75	\$17.25
Repair	17	85	0.17 X 85	\$14.45
High-Tech	5	100	0.05 X 100	\$5.00
	100	Test Try-On ELR		\$58.70
	Customer Door Rate = Target Effective Labor Rate =			\$75.00

counted for in advertising (or some other expense account).

2. Post-work discounting – This is lessening the final bill because someone quoted a job incorrectly, the technician was not held to the correct labor time standard, we allowed the customer to negotiate after the job was completed, etc. This discrepancy can be hidden by adjusting the repair order or it may be simply written off and not expensed at all.

3. Complex repairs – A pricing structure that allows for discounting to meet the competition but does not allow for a raise in pricing for complex repairs or only repairs that we can do. Take a look at the following example:

Simply put, we charge different rates for different tasks. These tasks are classified according to the level of skill involved. We keep adjusting our try-on rates until we hit the ELR we want. We work toward achieving a target ELR when all the tasks are blended together. As you can see we are short of our target ELR. We have to keep playing with our try-on rates.

■ Competitive tasks are those that anyone can do such as winterizing, bottom painting, etc. We can only charge \$40 an hour because that is what the competition charges.

■ Maintenance tasks are those that are more difficult than competitive. For example, these may be things that are done to maintain the boat and keep it up to factory specifications. We can charge more than the competitive rate because the skill level, training, and equipment required cuts into the number of people who can do these operations.

■ Repair tasks are those more complicated than maintenance. Consequently, they take a higher level of training, skill, and tools/equipment than either competitive or maintenance tasks. They may also take longer to do than the others.

■ High-tech tasks are those tasks that can only be done by a relatively few well-trained and equipped individuals. Electronics repair and installation are typical examples.

Raising the ELR to increase profit is probably easier and cheaper to do than trying to bring in additional customers. To raise the ELR, of the three methods outlined above, the easiest to do is to account for any specials and promotions in an expense account. Preventing discounting can be done, but it is a constant battle.

Classifying tasks, playing with try-on rates, etc. is also important. However, it takes a fair amount of time and must be constantly evaluated. For example, there is always the danger of work mix changing. Then too, no matter what we do, there is always someone trying to give our money away through the aforementioned discounting.

Begin by getting your ELR in the proper range, though, and you'll be well on your way to ensuring your service department metrics are on the track to profitability. ■



7 strong service *habits*

Make sure that all your wrench-turning is turning a profit.

Is your service department as profitable as it could be? The relationship between management and the shop has everything to do with the turning of wrenches turning a profit.

Understanding what needs to be tracked, communicated and implemented is not overly complex – it just relies on good habits. Once you build these habits, they are easy to maintain. Let's look at what these "good service habits" are and how to put them into action.

1. Holding shop meetings is the first discipline that should be scheduled at least weekly and more frequently if issues or opportunities arise. There is a welcome paradigm shift that happens when managers realize that these meetings help them discover the answers with their team instead of feeling that they should already know the answer. The team will respect you and work harder for you if they are involved in the problem solving. That said, don't allow these meetings to turn into a free for all. Have a short time frame (30 minutes max) and a schedule of what will be discussed. One of the main points of discussion should be profitability.

2. Tracking efficiency is something that should be done loosely on a daily basis and solidly each week. Track the overall shop and each individual tech and rigger. There are many ways to do this, and you should keep it as simple as possible. How many hours were worked in total – both individually and as a shop – compared to how many labor hours were billed?

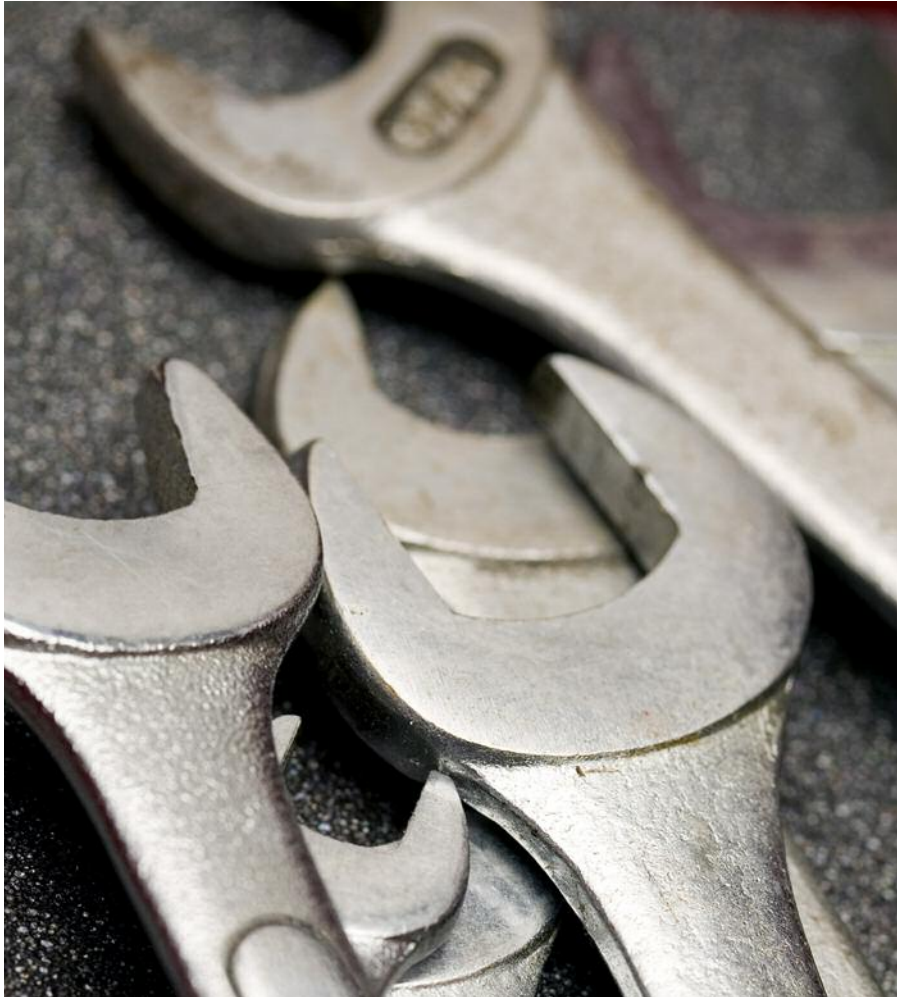
Many managers do well to post the shop totals in a place where everyone can see and privately take a minute with each tech to tell them their numbers. Much can be learned in these few well-spent minutes. Every time a shop picks up this practice, profitability goes up. Just tracking the number makes a huge difference, and the same can be said for the next numbers.

3. Hours per repair order should be reviewed and tracked to look for major fluctuations and opportunities to improve. Small additions can pay off big. While you are looking at this, you can also see if there are huge variances in the parts-to-labor ratio. It is natural for these numbers to change a bit, but when you see big changes, it can be a warning.

One of the most common dangers is to see the hours per repair order drop significantly during our busy season. This is usually a sign of jobs being churned out without much value-added work being suggested to the customer. Using a multi-point boat inspection form with each customer can help keep this to a minimum. It is more efficient for both the shop and the customer to get the work done while it is here instead of having to bring it back in for another visit later.

4. Take a look at how many open work orders we have every week and pay attention to their status (waiting on parts, waiting on approval, etc.). Route sheets will give everyone a glance on the status of the entire shop.

5. When your season gets busy and the open work order number gets large, pay particular attention to the phone calls coming into the service department. Phone call quality can drop significantly during our busy season, and that can hurt profitability. If you are concerned, cold call your dealership to see how the phones are being handled. That "ring" equals "cha-ching," and it needs to be treated that way. Keeping a phone log can be a great way to make sure that no one falls through the cracks. It also gives us something to follow up on.



6. Weekly, take a look at the special tools to make sure that we have everything we need. This can be a good thing to discuss in the weekly shop meeting. When you hear about something that is needed or wanted in the shop, always put the request in one of three categories:

- This will increase profitability.
- This may increase profitability.
- This would just be nice to have.

Obviously, we want to direct our attention to these in order of importance to the bottom line. The items that fall into category 3 can be good ways to incentivize the team.

7. A final missing piece for many excellent service departments is marketing. Are you including your shop's offerings in your advertising and switching it up seasonally? To what extent, and what's the return?

There may be times when you get a little lax with your good service habits, and you will almost always pay for it. Just like slipping up on a healthy diet or working out, tomorrow is a fresh day to hold a shop meeting, track efficiency, get out a fresh route sheet, look at the hours per repair order and parts to labor ratios, see how many open repair orders you have and why, look at the phone log or place a call yourself. Spaced over a week, these healthy service habits don't take much time at all and provide peace of mind and profitability. ■

VALERIE ZIEBRON IS AN INSTRUCTOR AT YAMAHA MARINE UNIVERSITY.



Horsepower

Give your marketing efforts a boost with this proven process

In this difficult economy, it is more important than ever for marine dealers and manufacturers to use their marketing dollars wisely. The obvious question is: how you do this? While there are no simple answers, a key requirement is to start with a solid marketing strategy or foundation.

There used to be a familiar advertising slogan that went: "S.T.P. is the Racers Edge." Now, just think of S.T.P. as the marketer's edge. Instead of talking about fuel and oil additives, S.T.P. in this context stands for Segmentation, Target selection and Positioning. These three items represent the core strategic decisions from which all of your marketing activities should flow.

Segmentation refers to dividing the market into homogenous groups based on how consumers relate to the category – in this case, boats and boating. Members within one group or segment should think or behave similarly to others within the same group and differently from those in other segments. There are many ways to segment your market:

- By Product Type (e.g., Fishing vs. Pleasure boats)
- By Need/End Benefit (e.g., relaxation/stress relief, build relationships, adventure, catch fish)
- By Geography (specific zip codes, counties or regions)
- By Demographic Characteristics (age, income, etc.)

Oftentimes, the best approach is to combine multiple segmentation schemes. For example, you might classify target consumers based on where they live (geography) and the type of product (fishing or pleasure boats) they might be interested in.

Once you have decided how to segment the market, the next step is to determine which segment to Target. The goal is to identify which segment or segments your business could successfully serve and fulfill their needs better than your competitors. A common temptation is to "cast a wide net" and try to hit all the major segments. Though this can work in certain circumstances, this approach is often a mistake since trying to serve all segments usually ends up with not satisfying any one exceptionally well.

Some things to consider in choosing the right target(s) are as follows:

- How large is the segment? Is it sufficient in size to support your sales goals?
- Are there certain segments that are not currently served, or underserved, by your competitors?
- Does your business have the skills and resources to serve a particular segment better than your competitors?

Target selection is not about refusing to do business with those outside your target. Instead it is about focus. Picking the right target(s) is a critical decision that can have wide sweeping ramifications on your business. For example, if you decide to exclusively target fishing enthusiasts, you may need to reconsider some of the pleasure boat lines or models that you are currently carrying.

The final marketing strategic decision is to determine your Positioning. The goal is to decide what aspects of your business to emphasize to differentiate you from your competitors. To do this well requires intimate knowledge of your chosen target customers and your competitors. In developing a positioning, ask yourself the following questions:

- What are the important needs and wants of my target market?
- What key customer needs and wants can my business better serve than my competitors?
- Who are my competitors?

The last item above might sound simple but isn't always obvious. For example, if you sell boats that often cater to first-time boat buyers, chances are you are often competing with private sellers of used boats.

Though the goal of creating a positioning is to determine what competitive advantages to emphasize with your marketing efforts, this doesn't mean that you should start slamming your competition and pointing out their weaknesses in your advertisements. Instead, you are likely much better off communicating your strengths so that when a target customer sees or hears your message, he or she subconsciously thinks that your business is a good choice for someone like me.

The survey research will help you *identify* customer needs/wants and the perceived strengths and *weaknesses* of your business and your competitors.

So there you have the strategic elements (S.T.P) from which all your other marketing decisions, including your advertisements, promotions and even the products you carry should stem from.

Now you might wonder how to determine your own S.T.P. In addition to your own experience and judgment, you can use both sales/share data and survey research of your customers and, ideally, prospective and competitor customers. The sales/share data will help you determine the size of various market segments and where customers within each segment live. The survey research will help you identify customer needs/wants and the perceived strengths and weaknesses of your business and your competitors.

However, doing survey research well can be both difficult and expensive. An online survey is often appropriate and there are free or low-cost tools available (e.g., surveymonkey.com, polldaddy.com) to construct your survey if you have the time and inclination.

By developing your S.T.P. and using this to guide your business decisions, you will boost the performance of your marketing investments. ■

JERRY MONA IS PRESIDENT OF LEFT BRAIN MARKETING, A LEADING RESEARCH COMPANY FOCUSING ON THE MARINE INDUSTRY. HE CAN BE REACHED AT JERRYM@LEFTBRAININC.COM



Survival *skills*

3 key predictors you should know to make your business succeed.

In our 35-plus years of consulting with small businesses, one of the most common requests that we hear is, “What are the most important metrics that I need to manage to ensure my business is successful?”

When they ask this question, most small business people are thinking in terms of a financial benchmark such as a key sales or expense ratio. We refer to this type of measurement as the economic side of the business success equation or the “harder side” of business. Many small business people have a preference for the economic side of the business.

Starting and running a small business attracts individuals with a predictable work style and work interests. Individuals who share this work style and work interest are naturally drawn toward the “hard side” of the business. This is how they are “wired.”

Historically, Spader Business Management has spent considerable resources on defining, tracking and measuring the economic equation for small and medium-sized businesses. However, Spader has long stressed the importance of balancing both sides of this business success formula – the economic equation (“harder side” of a business) with the human equation (“softer side” of a business).

At the first 20 Group meeting we held, we introduced the members to the DISC profile concept that identifies how our natural habits often drive our business decisions and actions – and too often at the expense of our business success when we don’t understand and effectively manage such habits when they don’t make sound business sense. The DISC profile continues to be presented at the opening of our flagship Total Management Workshop and four years ago we expanded our curriculum on the “softer side” of the business with our week-long Total Management 2 Workshop.

While it’s true that every business needs to begin with a stable economic (financial) base, it’s also true that without a positive and productive human side of the business equation the total business success that can be achieved and sustained will be limited. In fact, in working with so many companies we have found that proper attention given to the human equation of your business is often what is needed to get you through difficult economic times such as these.

One of the key reasons business people need to focus beyond the economic side of the business is because most financial measurements are lagging indicators. They are a measure of what has happened in the past. It’s like the score at the end of the game. We know if we won or lost, but we can’t do anything at the end of the game to change the score.

In our work with thousands of small business people, we have learned that there are human equation measurements that are leading indicators. They predict (very accurately) what business could be like in the future. For example, customer surveys and employee assessments most often tell us in advance the likelihood of a strong or weak business.

So what have we discovered are the Key Predictors of Organizational Survival and Success? Here are the three most essential:

First predictor

Continuing alignment with business values across departments, products, services and employees.

This predictor has the single-largest impact on business success. Your business values are the “rules of the road” in your business. They can be less formal for smaller businesses and more formal for larger organizations. However, they must always be:

- In business terms and results required for survival and success
- Clear to all key company stakeholder groups
- Communicated clearly, regularly and effectively
- Aligned with your key business processes and people

Second predictor (second greatest impact for your organization)

Ongoing (not just one year) high performance from especially critical performers of the Key Results from their work contributions that are required for your business to continue.

What's the chance of successfully reaching your company's *goals* if your expectations are different than those of your *key* employees?

That's a mouthful, but what we are saying is that every business has critical key results that have to be achieved in order for the business to survive, succeed and thrive. In working with a variety of industries in addition to marine dealers all over the United States and Canada, we have been able to identify what those critical key results are for this business. Second to that is that an organization needs to have high-performing employees responsible for those critical key results. You want your best people in the most critical areas of your business.

Third predictor

Identifying and achieving individual, team, and function performance goals that are strongly aligned with your organization's goals and strategies.

There are two elements to this predictor. The first is identifying those goals that when achieved will result in the organization achieving the success that it desires. This may seem simple, but there are many examples of organizations identifying and setting goals for employees that in the end, were counterproductive to the business focus required for the organization's success. We have learned that this often occurs because managers and/or consultants advising them made the wrong diagnosis of the business situation or provided too much freedom to use valuable time, money and resources on personal agendas and interests that are not essential for the business.

The second element of this predictor is that goals are understood and agreed upon by the performers accountable for achieving them. Try the following exercise in your organization. Ask your key employees to list the three to five most important key results produced by their job, and then ask them to rank them from most important to less important. Do this separately yourself for each of these key jobs.

Then compare these lists— invariably there will be differences. What's the chance of successfully reaching your company's goals if your expectations are different than those of your key employees? By reviewing the areas of agreement and differences, you can work together to identify what really is most critical for achieving your company's most vital expected results!

To summarize, while there are many financial scores that are important, even critical to your business, don't overlook the importance of getting the human equation right, too, since both are essential for your business to have sustained success.

Understand the tendency of many small business people to manage only by the numbers and assume the people side of the business will take care of itself or can wait until a later time. For far too many businesses that we have worked with, this flawed thinking has been the limiting factor that jeopardized their chances to survive and thrive. ■

To get a **FREE** worksheet to help you set your Top Work Priorities, send an email to info@spader.com.

DR. MICHAEL O'CONNOR AND **NOEL LAIS** ARE WITH SPADER BUSINESS MANAGEMENT WHICH OFFERS TOOLS, WORKSHOPS AND CONSULTING AND COACHING PROGRAMS TO REVITALIZE YOUR BUSINESS AND RESTORE OPTIMISM, CONFIDENCE AND CERTAINTY IN YOUR PLANS FOR SUCCESS.



Dealership 101: The Business *plan*

If there is one thing that you must have in 2011 to stay in business or grow your business, it is a formal business plan.



Dealership: Farm Island Repair & Marine

Location: Aitkin, Minnesota

Like most dealers, Art and Deb Olson of Farm Island Repair & Marine had a tough 2009. Economic challenges forced the seven-year-old business' owners to lay off personnel and close a second location. As the boating season came to an end with few signs of recovery ahead, they found themselves asking, "What next?"

The 2009 Marine Dealer Conference & Expo was the first step toward answering that question, according to Deb. During the event, lenders, F&I experts and dealership consultants alike stressed the importance of dealers having an updated business plan in hand in order to survive the year ahead. Regardless of which combination of seminars dealers attended, the message was difficult to escape.

"The conference gave us that first kick in the pants to get us moving," Deb explains. "We walked away with a few things. The first one was that we have to plan for our future no matter what. The only way we can have growth and opportunity

is to plan. The second thing was that we have to face the new reality of the business we're in and reposition ourselves in the marketplace. And finally, we had a list of action items, things we could do immediately to improve our business going forward."

The top item on that list was to formulate a three-year business plan. In today's marketplace, a business plan is a must-have. It's an essential tool for dealership owners to maintain good relationships with their current lenders, attract new lenders or be considered for grants. It can help dealers campaigning for a new boat line or looking for more support from their vendors. And it can motivate and unite employees by giving them insight into how they contribute to the company's success and by ensuring they are all on the same page, envisioning the same future.

But most importantly, a well-thought-out plan will allow dealers to adjust to the new marine business landscape as it evolves, a difficult environment unlikely to rebound as quickly as it fell apart. Without a true plan, dealers are putting themselves and their employees in serious jeopardy.

"Some dealers don't think it's worth the extra time and effort a business plan requires," says Bruce Van Wagoner, president of GE Capital, Commercial Distribution Finance's Marine Group. "I had one dealer customer that at his peak had \$50 million in annual sales. But he wouldn't invest in adequate planning tools. He just couldn't adjust. Now, his company is out of business."

The lending equation

For decades, a good business plan has been an effective tool for small business owners seeking loans. But with the recent tightening of the credit markets and the move to a more regulated lending environment, they have become essential for most businesses to successfully secure financing from lenders. At the same time, the sense of urgency of most marine dealers to secure financing has skyrocketed.

"Many boat dealers are fighting to find a new lender for their inventory management needs," says Bill Thompson of Cardinal Points Network. "Many more find themselves fighting to keep their current floor-plan source. Some feel they just can't negotiate with any lender."

In other industries, creating and maintaining a business plan – or some of its components – has become a standard practice. For instance, auto manufacturers require their dealers to submit monthly financial statements, a critical component of a well-maintained business plan. In the marine industry, however, deal-

HOW TO:

Write a business plan from scratch

The essential elements of a good business plan for growing companies include the following: executive summary; market analysis; company description; organization and management; marketing and sales strategies; products and services; funding request; financials and an appendix, according to the Small Business Administration. Here is a brief overview of what the SBA says each section should include. Full details of the SBA's advice on writing and managing a business plan are available at <http://www.sba.gov/smallbusinessplan/plan/writeabusinessplan/index.html>.

Executive summary: This, the most important section of your business plan, is a concise overview of where your company is and where you want to take it. It should be written last because it should serve as a summary of the entire plan. This is the make-it or break-it piece of what you're presenting to potential or current lenders. It will either convince them to keep reading or it'll lead to another dead-end in your pursuit of funding. An executive summary should include the following:

- Mission statement
- Date business was launched
- Names and functions of founders
- Number of employees
- Location of business and all of its branches
- Description of facilities
- Products and services offered
- Banking relationships and information on any current investors
- Summary of company financials
- Summary of plans for the future

Market analysis: This section should describe the industry your business is in, its future outlook, the specific markets you are targeting and an analysis of your competitors. The first element is especially important if

you're seeking funds from a lender without boating industry experience. This section should include any research you have done or data you have collected about the industry and your target customers.

Company description: This section should help the reader understand how all the various pieces of your business fit together and the core reasons you expect it to be a success going forward. It should describe the marketplace needs you intend to satisfy, how you intend to satisfy them and the competitive advantages you offer.

Organization & management: This section is designed to offer information about your company's organizational structure, ownership and management team. If you have an organizational chart, this is where to include it. You should also include the background and responsibilities of your managers and detailed descriptions of each division or department within your business and its function. You may want to include key employees' resumes and/or a list of achievements. Finally, describe the legal structure of your business along with the related ownership information, including the names of the owners, the percentage of ownership they hold, the extent of their involvement with the company, the forms of ownership (common stock, preferred stock, general partner, limited partner, etc.), outstanding equity equivalents (i.e. options, warrants, convertible debt) and common stock (i.e. authorized or issued).

Marketing & sales strategies: This section should include your strategies for growing your business, communicating with current and potential customers, gaining new and/or retaining current product lines and selling your product. You'll also want to include information on sales training, sales team compensation and identification and pursuit of prospects.

Products & services: In this section, you'll describe the products and services you offer, the benefits each offers to current and potential customers (compared to those of your competitors) and how that fulfills the needs of your market, as well as any plans to add new

products. Here is where you might describe your relationship with your suppliers and the availability and costs of your products and services.

Funding request: This is where you will request the amount of funding you'll need to expand your business. You'll want to include your current funding requirement, future funding requirements over the next five years, how you will use the funds you receive and any long-term financial strategies you are planning that will impact your funding request.

Financials: This is where you will supply historical data related to your company's performance over the past three to five years, including income statement, balance sheets and cash flow statements for each year. In addition, you'll provide financial projections for the next five years, including forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets. For the first year, the projections should be monthly or quarterly. For years two through five, you can move to quarterly or annual projections. If these projections are made based on certain assumptions, share those assumptions within this section so readers are not left guessing. You may also want to graph out any positive trends you wish to emphasize.

Appendix: This section might include any of the following:

- Credit history
- Resumes of key managers
- Product pictures
- Letters of reference
- Details of market studies
- Relevant magazine articles or book references
- Licenses or permits
- Legal documents
- Copies of leases
- Building permits
- Contracts
- Lists of business consultants, including attorney and accountant ■

ers are often reluctant to share their financials, especially when they don't paint a positive picture of the business. And many simply haven't invested the time and energy required to create a weekly, monthly or even quarterly budget and cash flow projection for the year ahead. Experts estimate that less than 25 percent, maybe even as low as 10 percent of today's marine dealers have a business plan.

It's no surprise, then, that GE Commercial Distribution Finance's Marine Group often struggles to obtain financial statements from customers in distress.

"We understand the financials aren't always going to look very good," says Van Wagoner. "Dealers are better off sharing their financial statements and what they're doing to fix the situation. We can't help them unless we have that information."

It's not enough for dealers to simply hire an accountant. "Once you look back at the end of the year, it's too late," Van Wagoner explains. "The advice you get from a CPA doesn't include banking or vendor considerations. It's based mainly on taxes."

A business plan is the solution. It explains where the business is today, the strategies being embraced to drive future improvement and growth, and the financial results that are expected to come from those strategies.

Without that insight into where a business stands and where it's going,

GE Capital and other lenders have difficulty justifying the renewal of a dealer's credit facilities, and if a customer is delinquent on payments, the combination could lead to termination.

On the flip side, a business plan can give a lender like GE Capital enough confidence in a dealership's future to sell that story internally and stay committed to the relationship, despite the challenges the dealership may be facing today.

"Simply put, if you can't paint a picture of your business into the future," Thompson explains, "lenders cannot see you in the future and won't be likely to provide you with funding."

Creating a business plan isn't as difficult as it sounds. GE Capital executives say the U.S. Small Business Administration's recommendations are on target. Dealers can also turn to consultants like Spader Business Management, Parker Business Planning, Osborne & Associates and Cardinal Points Network for help, as well as the many off-the-shelf business planning books and software packages available.

In addition, GE Capital, Commercial Distribution Finance has recently created a Dealer Health Kit to aid dealers in preparing the information the Marine Group needs from them, complete with cash flow analysis and income statement templates. But it's not enough to just create the documents. For a business plan to be an effective tool, dealers also need to

HOW TO: Convert your Top 100 Dealer application into a business plan

If you're a 2009 Top 100 Dealer applicant, you have a leg up on most other dealers writing a business plan for the first time, or even those updating one. Much of the information you provided for the Top 100 application can be copied right into your business plan. Here is a guide on how to do exactly that.

Top 100 Application Question:

Company Data Section, Questions 1-17 – In this section, you provide your company name, address, contact info, number of locations, description of locations, photos of locations, year founded, succession plan, number of full-time and part-time employees, boat brands, engine brands and other products and services. This is exactly the kind of information that should be included in your business plan's Executive Summary. If you went into any depth regarding your products and services, you may want to save those details for the Products & Services section of your business plan.

Company Data Section, Question 21 – This question asks you to describe your dealership's short- and long-term goals. You may want to consider including the highlights of these goals in the summary of management's future plans within the business plan's Executive Summary.

Sales & Profits Section, Questions 14 and 16 – These questions ask you to explain the organizational structure of your sales and F&I departments and how you incorporate F&I products and services into your business. Those of you that submitted organizational

charts for Question 14 may want to include those in your business plan's Appendix. In addition, an explanation of how these two departments work together is appropriate for inclusion in the business plan's Company Description.

Sales & Profits Section, Question 17 – This question asks you to explain the special consumer promotions you use to encourage potential customers to purchase from your dealership. This is a core piece of your marketing strategy and thus should be included in your business plan's Marketing & Sales Strategies section.

Sales & Profits Section, Question 19 – This question asks you to explain your strategy for selling pre-owned boats. Your answer should be included in the Marketing & Sales Strategies section of your business plan.

Service and Customer Satisfaction Section, Question 1 – This question asks you to explain the organizational structure of your service and parts departments. If you provided an organizational chart for this section, it should be included in your business plan's Appendix. In addition, you may want to include some of this content in the Company Description section of your business plan if it sheds some light on how these two departments function within your company at large.

Service and Customer Satisfaction Section, Question 6 – This question asks what promotions you use to increase service department revenues and profitability. Your answer speaks to your marketing strategy for this department and thus should be considered for inclusion in the Marketing & Sales Strategies section of your business plan.

Service and Customer Satisfaction Section, Questions 8-13 – Each of these questions ask you to describe a different aspect of interaction with your customers. In many cases, your strategies related to your relationship with customers represent your competitive advantages in your market and thus should be an important part of the Marketing & Sales Strategies section of your business plan.

Marketing Section, Question 1 – Once updated for the current year, your answer to this question regarding your business development and marketing plan strategy should make-up the backbone of the Marketing & Sales Strategies section of your business plan.

Marketing Section, Question 5 – Your answer to this question regarding research conducted into the needs and desires of boating consumers in your area is exactly the kind of content you'll want to include in the Market Analysis section of your business plan.

Marketing Section, Questions 6, 7 and 8 – The answers to these questions regarding your boat show, in-store and community event strategies should be inserted directly into your business plan's Marketing & Sales Strategies section.

Marketing Section, Question 9 – One option the U.S. Small Business Administration proposed within the business planning section of its Web site was to create a Web section of a business plan. If you feel the Internet is a significant portion of your business, you may want to dedicate a section of your business plan to those strategies. Otherwise, your answer to this question regarding how you use the Internet in your business should be incorporated into the Marketing & Sales Strategies section of your business plan.

Marketing Section, Questions 10 and 11 – Your answers to these two questions regarding lead-fulfillment should be included as part of your business plan's Marketing & Sales Strategies section.

Marketing Section, Question 12 – Your answer to this question on what sets you apart from your competition is a key part of the message you want to send in your business plan. You may want to consider including a summary of it in your business plan's Executive Summary. In addition, it could be a good fit in the Market Analysis and Company Description sections of your business plan. ■

update them on a regular basis. Experts agree that a business plan should be a constant work-in-progress, a living, breathing document that evolves with a business and the economy.

"Once they have that plan together, there needs to be constant adjustment to it," says Van Wagoner. "If they add or drop a brand or location, what impact does it have on the long-term plan, for instance."

The first step

One of the first steps the Olsons took when they returned from the conference was to lock themselves away for a few days and write their business plan. While they had written a five-year plan when they started their business seven years ago, they decided to start from scratch this time.

First, they used the Internet to look up and review business plans from a range of industries, borrowing pieces from those templates that made the most sense for their dealership. One Web site they borrowed from quite a bit is the U.S. Small Business Administration site, www.sba.gov (See "How To: Write a business plan from scratch," page 14, for the SBA's business plan recommendations.)

Then, they began talking and writing. Three days later, they had a 24-

page report, including a 16-page business plan and another eight pages of financials, a package that Deb describes as "simple and concise."

The executive summary – the introductory section that is standard within most business plans – begins with a quote from the SBA Web site. "Companies that out-market, out-sell and out-promote their competitors emerge from the recession with increased market share and better long-term profitability." And that is exactly what Farm Island Repair & Marine plans to do.

As Deb puts it, the business is "sticking with what we do best and what is most profitable for us." Art has a background in manufacturing, which he is using to begin manufacturing the dealership's own aluminum and wooden dock line. In the past, the dealership has lost business when those customers who aren't interested in the high-end docks they carry turn to their competitors. With the addition of the new docks they'll be manufacturing, they'll be able to offer customers both types of products.

The dealership has also eliminated its non-core products, such as ATVs, snowmobiles and outdoor lawn equipment, to focus on its profitable product lines and its service department. The dealership currently carries Skeeter boats, G3 boats and pontoons, Yamaha and Mercury outboard

Paint Your Business' Picture for Lenders

By: Bill Thompson

Many boat dealers are fighting to find a new lender for their inventory management needs. Many more find themselves fighting to keep their current floor plan source. Some feel they just can't negotiate with any lender. If you find yourself in any of these scenarios, are you providing your detailed business plan, in writing, to any of these to prove your case?

You may ask, why does a lender need to see my business plan? "I've been at this business for 5...10...20 years and I know what I need, that should be enough." Or, perhaps you're not sure what to expect and don't feel you can put together projections. Simply put, if you can't paint a picture of your business into the future, lenders cannot see you in the future and won't be likely to provide you with funding.

Whether you are courting a new lender or negotiating with an old lender, you do not want them to paint your company's picture from past financial performance. In their eyes, your next two years will probably look like your last two years. Is that the picture you want to be painted with? Probably not. You need a business plan to paint the financial picture you believe in so your current or prospective lender can see the future as you see it.

There are many books, software programs, consultants and groups that can help you put together a business plan. Most of them are just fine, but you need to choose the method that is right for you and get started.

Your business plan needs to have the basics:

- Business Description
- Product and Services Offering
- Market Analysis and Strategy
- Management and Operations Structure
- Financial Projections

Any lender will likely read the Business Description, and then skip directly to Financial Projections. "Who are you and are you viable" are their first and last considerations. While the "how" is important, if the business can't support itself, it's irrelevant.

Regardless if you are presenting to a new or old lender, you will need to provide revenue and expense projections as well as corresponding cash flow projections. These projections work hand in hand and will not only paint a picture for your lender, but help you better understand your cash and credit needs. Find a template to work from, be deliberate through this process and work in this order:

- Recurring fixed expenses such as rent, utilities, loan payments and payroll.
- Recurring income such as storage, dockage and winterization.
- Average 2006, 2007 and 2008 variable income (unit sales) and expenses.

- What do you think you will do this year? Plot this monthly, then weekly.
- Don't forget trades and other sources and uses of capital (i.e. dealer owned, used, trades, lines of credit).

Once completed you should have projections that not only provide a backdrop for a bank, but allow you to see how cash and profits move throughout the year. Be prepared to plot actual results against these projections throughout the year and explain any differences for your own management as well as your lenders.

Everything discussed to this point will help a new lender understand and appreciate your business in the effort to gain new financing. This same information is important for existing lenders as well. Realizing that many businesses in the boating industry have struggled over the past two years, it is important to be able to "re-sell" your current lender on why you should remain a customer of theirs.

When providing business plans to a lender that is familiar with your business, you will need to think about what your business looks like from their point of view. How old is your inventory? How quickly have you been turning product? What is selling? What isn't? How does your bottom line look as a result of moving stale product? Are you current on interest and curtailment payments?

Understanding that keeping your current lending source can be very important, you will need to address these critical issues. In addition to the information above, draw a picture for your lender that addresses:

- What you have done so far? Have you sold stale, unpopular inventory for reduced margins, cut expenses, reduced staff, closed non-performing locations and so on?
- Your current inventory position. Is your current offering marketable? What efforts are in place to move the stale inventory?
- What do you need to do to survive and ultimately be successful? Think about the lessons learned over the past 18 months and what you still need to do. Let your lender know what you have in store for your business in the coming months so they aren't surprised.

The message delivered over and over again at the Marine Dealer Conference and Expo was twofold: Planning and preparation will help you succeed AND those that are able to survive will have the opportunity to be successful in the future. The lenders in the industry, or potentially entering the industry, realize this.

Paint the picture of your successful business for them and you will gain an increased ability to obtain new lenders, retain old lenders and better negotiate terms with all of them. ■

BILL THOMPSON IS PRINCIPAL AT CARDINAL POINTS NETWORK, LLC, A LENDING, CONSULTING AND TRAINING COMPANY SERVING THE MARINE AND RV MARKETS. HE'S ALSO THE AUTHOR OF A MARINE LENDING WHITE PAPER (WWW.MARINEBANKERS.ORG) DISTRIBUTED BY THE NATIONAL MARINE BANKERS ASSOCIATION.

Planning For Success: Two Types of Business Plans

By David Parker

Business plans are becoming more and more recognized as a necessary tool to compete in today's economy. There are two basic reasons for creating a business plan: one is for personal use, to improve your business, and the other is to obtain a bank loan from new or existing lenders. Both types of business plans will contain information pertinent to their purpose.

Business Plan for Personal Use

Creating a business plan for use in your dealership or marina involves the following items which are foundational to creating a plan for a bank loan. In other words, do the personal business plan for your own use, and then formalize it, as discussed later, if you need to apply for a bank loan.

The items needed in the business plan for personal use are as follows:

- 1. Proforma budget or strategic profit plan** – Here you will project your annual income by department and all expenses for the next year, then break each item down to monthly projections. It is very helpful to get input from the sales people and department managers in this process.
- 2. Cash flow projections** – The bottom line of the proforma budget is the top line of the cash flow statement. Add back non-cash expenses, such as depreciation, and subtract cash consuming items that do not show on the profit-and-loss statement, such as prepaid expenses and expected accounts receivable balances. Do these for each month so you (and the bank) can better determine

your cash needs during the year.

3. Action list – Have a place to put ideas down as you are building the budget. It is invaluable to capture ideas that come to you during this process. Place them in one document, and then create an action list to check off as you complete the tasks. This is one of the most valuable documents that will come out of this process.

4. Marketing plan – Project how much you will spend on the different categories of marketing and when you plan to spend it. This is the basis for your marketing plan for next year. Work with a calendar to create a timeline to prepare for each event. For example, how many months prior to a boat show do the boats need to be ordered, and the booth space secured, brochures ordered, etc.

5. Create a way to monitor the projected budget as compared to the actual results each month. If you need help here, I have a new Online Budgeting Service that enables this one to easily be done for a small monthly fee.

It will help to place these documents in a ring binder with dividers for each of the main categories. Put the action list on top, budget/cash flow next, then expense categories such as personnel, marketing, inventory/floorplan interest, semi-fixed, fixed and non-operating income and expenses. The binder is easy to reference during the year.

Business Plan for Existing Lenders

If you are applying for a loan with an existing lender rather than a new lender, use the proforma budget and cash flow mentioned

motors, Yamaha PWCs and Floe docks and lifts. It also is finalizing the addition of a new pontoon line.

"We are aligning ourselves with strong product brands and strong financial companies that will be around for the future and can grow with us," says Deb. "That's important now with all the manufacturers going out of business."

In addition, the company is leveraging its strategic competitive advantage – one of the highest educated service departments in Minnesota, according to Deb. It features a Yamaha Master Technician who receives two to three weeks of schooling each year, she says.

Farm Island Repair & Marine is also focusing on lowering its inventory levels by working with manufacturers on inventory turn ratios and partnering with other marine dealers to share inventory.

Finally, through discussions with its bank, the dealership has negotiated lower interest rates on its business loans and then continued to pay the same amount toward the principle, allowing it to pay the loans off quicker.

"Recessions are market growth opportunities," the Olsons wrote at the end of their executive summary. "The playing field is less crowded, and our competitors are adopting a surviving approach, but we're adopting a thriving attitude."

Putting it to Good Use

Once Art and Deb finished their business plan, they started sending it out to their business partners. A copy went to their local credit union, which handles

all of the dealership's business loans and many of its customers' boat loans.

"She's a partner with us, and we want her to know our road map here," Deb explains.

They also sent it out to GE Commercial Distribution Finance, which provides the dealership with floorplan financing for G3 and Skeeter boats and with which they hope to gain floorplan financing for their new pontoon line.

Finally, Art and Deb sent the business plan to the Aitkin (Minnesota) County Economic Development Department, with which they have been working closely regarding their new manufacturing business.

"We wanted to make sure they had it in their hands to see where we are going and how they may be able to help us," she said.

But the most significant action the duo says they have taken has been sharing it with their employees. It has ensured the entire team is on the same path, heading in the same direction.

As the experts point out, the marine dealer of the past has been living in a world in which they had enough flexibility to survive, but many are finding out that their level of sophistication is now inadequate for the business climate they operate in. As dealers look to evolve over the months ahead – whether that means securing the loans they need, managing their financial situation better or aligning their employees toward a common mission – writing a business plan and adapting it to fit a changing marketplace will be critical to their survival. ■

above then create an Executive Summary as the first page. In this summary, address any significant changes in the financials (sales, gross margins and/or expenses) for last year; then state your plans for improving the upcoming year. Also, address how much non-current inventory you did have and (hopefully) how little of it you currently have on hand. Please don't underestimate the value of this one page. It is your chance to set a positive tone to offset any negatives with which you may be dealing.

Business Plan for New Lenders – SBA

Bank loans, especially floor plan loans, are dealers' most common concern today. I will list the items that should be included in a bank presentation for non-SBA type floorplan loans. To apply for an SBA loan, approach a bank that is very familiar with the process or use a specialist as a consultant, such as Bill Thompson of Cardinal Points Network (see Thompson's business plan article on p. 22). It takes someone who is familiar with the requirements and nuances of federal government programs to efficiently work through their red tape. Most individuals would waste a lot of time trying to do this on their own.

Business Plan for New Lenders, Non-SBA

The best chance of getting a non-SBA floorplan loan is to approach a local or regional lender with four or more branches that has money to lend. Numerous dealers report that they have gone through the lengthy process of applying for a loan but were turned down, not because they were a poor credit risk, but because the bank did not have the money to lend. Typically the way this plays out is the lender either gives you a direct turn down or makes the requirements too extreme for any prudent business person to accept. When first approaching a bank, ask if they have money to lend and watch for the non-verbal communication. If they are hesitant in their response, you may want to move on.

When you have selected a lender to apply to, invite the president of that bank to visit your operation. Sometime during the visit, ask the banker why you should be choosing their bank to do business with. It is likely they will want all your banking business, especially your business checking account(s), so ask questions about how they do things here as well.

The items needed in the business plan for a new lender are:

1. Executive summary (one page maximum) – This is the most important part of the business plan. It is a brief summary of everything in the plan. It also states your request in regards to the loan: the amount, terms, interest rate, etc. It should include a brief dealership history: where you have come from, your current situation, and what you want to do with the money.

Be sure to address any negatives evident in the financial statements which will be included in the plan. You will need to explain why sales or gross margins were down (or up) and, if you were unprofitable, what are you doing to turn it around. Also address any non-current inventory, especially if that is the reason why margins were down last year. It is smart to address negatives up front, because the lender will discover them eventually. This approach al-

lows you to present your situation in as positive a way as possible.

2. Proforma budget – This is where you detail where you are going if you get the loan. Make sure you have worked the budget to the point that it shows you making more money than you made last year. Lenders do not want to fund losses. Be prepared to answer questions justifying any improvements in next year's projection.

3. Cash flow projection – Follow the guidelines above for this one.

4. Marketing plan – Detail here what you intend to do over the next fiscal year to ensure that sales reach the targets projected. Include items such as boat shows, Internet, Boat Trader, billboards, etc. This could be as simple as a spreadsheet showing how much and when you plan to spend your marketing dollars in the upcoming year.

5. Most current financials – Include the most recent financial statements, both profit and loss and balance sheet, business and personal.

6. Last year's financials – Include both profit and loss and balance sheet for the last fiscal year for business and personal.

7. Tax returns – Include copies of most recent business and personal tax returns.

8. Brochures and story about your primary vendors – Tell why you represent these products and what you like about them. Be brief – one or two short paragraphs for each vendor is adequate.

Compile the Business Plan/Loan Application into a ring binder with a cover and dividers for each category. Create a simple cover insert for the ring binder that will allow the banker to quickly recognize the plan/application.

Creating a business plan, whether for a bank loan or for your personal use, requires planning and diligence that will pay off by improving your chances that 2010 will be a success! ■

BUSINESS PLANNING RESOURCES

The following are Web links that may provide additional tools or insight to help you create a business plan:

U.S. Small Business Administration (SBA) Business Planning Center

<http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/>

Business plan samples from other industries

http://www.bplans.com/sample_business_plans.cfm

2009 Market Data Book, August 2009 issue (for Market Analysis section)*

<http://www.boating-industry.com/archives/toc.cfm?issueid=1015>

Your Advantage Here, July 2009 issue (for Company Description section)*

<http://www.boating-industry.com/output.cfm?id=2207989>

Survival School, February 2009 issue (for cash flow analysis within Financial section)*

<http://www.boating-industry.com/output.cfm?id=1995589>

Info-Link Bellwether Reports (for Market Analysis section)

<http://www.boating-industry.com/archives/searchresults.cfm?criteria=Info-Link>

Dealer Key Performance Indicators (for Market Analysis section)

<http://www.boating-industry.com/archives/searchresults.cfm?criteria=KPIs>

Spader Business Management Dealer Reports (for Market Analysis section)

<http://www.boating-industry.com/reports/dealer.cfm>

Learning from experience

Two leading dealers share how their business plans have benefited them.

While a relatively small percentage of dealers currently have a written business plan in place, those dealers that do use one have a hard time imagining running their businesses without it.

"Do you go on a trip without a map?" asks Chuck Guthrie, owner of Lynnhaven Marine, Virginia Beach, Va. "Without one, how do you know how you are doing?"

Not only has Guthrie had a rolling three-year plan in place for many years, he conducts "budget projects" to help him imagine alternative versions of his business with or without different profit centers.

While Guthrie admits that sales projections have been difficult to make and meet over the past three years, he says his expense projections have been quite accurate.

"A business plan is essential when you plan big changes like adding new lines or a new location or restructuring your service objectives," he says. "It must take into consideration competition, local markets, financial climates, trend analysis, cash flow considerations, product compatibility with your abilities, infrastructure cost, the cost of money to your company, ownership risk, etc."

Seattle Boat Co. is another dealership that has relied on a business plan for many years.

"We began a formal process in 2005," says Alan Bohling, president and CEO. "Our company was experiencing substantial growth and positive returns; a number of our management team had completed a training/educational program called Management Action Planning; and personal experiences with other boards all were reasons to create annual business planning."

In addition to monthly management meetings, Seattle Boat Co. now conducts annual strategic planning retreats off-site with all key employees. Bohling uses plans and ideas he has found online, in combination with his experience in planning sessions conducted by professional consultants, to design those meetings.

During the three-day retreat, employees brainstorm to create short- and long-term goals. Afterward, a review is drafted that highlights the plan's cornerstone initiatives for each department. Then, a scorecard matrix is added, placing every idea for improvement and growth into the document. That scorecard is reviewed monthly at management vital factor meetings, he explains.

The end result has been shared confidence, determination and agreement amongst employees throughout the business.

"Whether good times or bad, the development of the business plan has assured our staff of a confidence in the future, knowing we have hard work in front of us and lofty goals to reach," says Bohling.

Here's what a typical day looks like during Seattle Boat Co.'s annual strategic planning retreat:

Service Strategic Planning AGENDA December 15, 2009

Outline for the Day:

- ☐ Celebrate Accomplishments
- ☐ Becoming More Effective Managers
- ☐ Vision, Mission, Values
- ☐ What is important to you
- ☐ Identify, Prioritize and Establish Plan

A. TEAM BUILDING

9:30 – 9:50

- a. Meeting Fundamentals
- b. Introductions, de-scramble, IQ Test

B. IDENTIFY ACCOMPLISHMENTS

9:50 – 10:05

- a. Successes and Highlights
- b. Current Year and Prior Year

C. IDENTIFY FAILURES

10:05 – 10:30

- a. Missed Opportunities
- b. S.W.O.T.
- c. Start, Stop, Keep Doing

D. VALUES, MISSION, VISION

10:30 – 10:45

- a. The Basis for all decisions
- b. Review Company Statements
- c. On Track? New points or goals?
- d. Newport Plans review

Break and Activities

10:45 – 11:15

E. DAILY HEALTH REVIEW

11:15 – 11:45

- a. What is Efficiency, Productivity, Standard Hours
- b. Basic Training, entering time

F. FINANCIAL PLANNING

11:45 – 12:30

- a. The P&L Statement
- b. What influences labor rate?
- c. Working from the bottom up
- d. Establishing Productivity and Efficiency goals
- e. Spader "Moving On" questions

Lunch and Activities

12:30 – 1:15

G. GOAL SETTING

1:15 – 2:45

- a. Brainstorming, explorations, ideas
- b. Prioritize, distribute
- c. Round Robin Teams develop plan from Priorities

Break and Activities

2:45 – 3:15

H. CONSOLIDATE PLAN

3:15 – 4:00

- a. Removing Barriers
- b. Develop Outline
- c. Share Plan

I. Survey

4:00 –



Your plan for *success*

Prepare a marketing plan to dominate 2011

A famous late-night comedian once said to a celebrity guest who had hired a psychologist to work with her dog, "You know what else you can do? Get up on the roof of your house, take a handful of money and just throw it into the wind."

Owners and managers who spend tens of thousands of dollars each year marketing their businesses without a plan in place to guide the expenditure of that money often achieve the same result. And, unfortunately, still too many companies in the marine industry are taking that approach.

Wanda Kenton Smith, president of Kenton Smith Marketing and the Marine Marketers of America, says she has seen very few companies develop bona fide marketing plans during the more than 30 years she's worked in the industry.

"Some have short-term tactics in place for the coming year tied into specific goals, but few really take the time to strategize a formal plan," Kenton Smith says. "There is too much shotgun marketing in the marine industry, from my observation. Companies often shoot from the hip, trying this or that, hoping one idea will stick and deliver. Or they play 'follow the leader,' mimicking what others do. Fewer even consider measuring their marketing initiatives in order to analyze what works."

Books have been written on the subject of creating a marketing plan, and numerous resources are available for those who would like to write one for their business. Because of the unique variables involved in each circumstance, there is no one-size-fits-all method for doing so. But there are shared elements many of the experts agree must be included when drawing up a plan.

What follows is a guide you can use to help begin creating your own marketing plan. It is based on a marketing plan outline found on the Small Business Administration's website (see Learn More at www.boating-industry.com) and also incorporates tips and suggestions from a number of other sources. However, this is only a guide. Experts caution that while outlines and templates can provide valuable information, they are no substitute for an experienced advisor. The outline on the following pages is not meant to replace that person, but it should give you an idea of what is involved in creating a marketing plan and provide a place to start.

Step 1. Write Your Executive Summary

In a marketing plan, the summary comes at the beginning of the document because the reader may not have the time or the interest to go through the entire report. The executive summary is intended to introduce the business and should describe what the company does and the products and services it offers.

If you already have a business plan, the executive summary, which should begin that document, can be taken directly from it and used here. If not, include the following as you put yours together:

- ☐ Tell the reader how long you've been in business and how long you've been at your current location.
- ☐ Describe your business activities, including sales and customers.
- ☐ Highlight your accomplishments and successes.
- ☐ Provide the company's mission statement. (This, again, is likely in the business plan and can be copied to use here.)
- ☐ Outline the company's objectives.
- ☐ Describe the organizational structure of the business. Is there one owner, a partnership, corporation, etc.
- ☐ Introduce the company's management team, who they are, what they do, background, etc.
- ☐ Close the summary with a brief statement of the marketing objectives and strategies in the plan.

Step 2. Provide a Snapshot of Your Current Situation

This section provides information about your location, target market and competitive environment, which will include a brief description of the key issues faced by the company, although more detail will be provided later.

Location(s) – Describe how the business is situated: Is it on the water, on a highway, in town, how large is the property; and what does it comprise: how many buildings are onsite, how large are they, what are they used for. If you have any expansion plans, describe those and how you expect they will impact sales and operations.

Target Market Description – You can't plan an effective marketing strategy if you don't understand who it is you're targeting. A target market is not a place or a thing, it's a group of people with something in common, and a business may have more than one.

Start by describing the size of your primary target market and include statistics and information on whether the size of the market is growing, shrinking or staying the same. If it is changing, how is it changing and explain why that's the case.

Describe the particular customers you will target. What characteristics do the people in your target market share: age, income level, sex, race, marital status, where they live, etc.? What habits or hobbies or wants or needs do they have and how do your products or services fulfill them? What are their buying habits? How do they spend their disposable income – how often, when, how much?

"Too often, marketing plans are diluted by the fact that subsequent advertising and marketing efforts are geared toward 'all boaters,'" says Rob May, owner of Inside Out Marketing Group. "Well, not everyone wants the same boat type, reads the same magazines, interacts with social media in the same way, and so on. Figure out who you want to engage with, then tailor your [marketing communications] efforts specifically to that group. Today's consumer is very selective in who they interact with, and on which platforms."

Once you are done describing your primary target market, include any secondary groups if you feel they will provide significant business. It's important to identify the characteristics, needs, etc., for each group because these will most likely impact the marketing strategy for that group.

Step 3. Analyze the Business Environment

The purpose of this section is to provide a detailed explanation of the external challenges and opportunities the business may face now or in the future. Looking at competitors and analyzing them is helpful in determining what your competitive advantages are, allowing you to then communicate them to your customers. And once you've determined what your unique selling points are, Greg Boersma – owner and chief marketing office at INSIGHT Marketing & Media LLC – says you must then focus on the benefits they provide your customers.

"I see too many advertisers that want to boast about

"I see too many advertisers that want to boast about their product features. To truly connect with a buyer, you must relay how those features serve (i.e. benefit) the purchaser."

their product features," Boersma says. "To truly connect with a buyer, you must relay how those features serve (i.e. benefit) the purchaser."

Working to identify your competitors' are strengths and weaknesses also helps you learn from what they do well, learn more about the market you all serve and, if you identify unmet customer needs, potentially create a niche for your business.

Competitor Analysis – The first step in analyzing the competition is to name all the businesses that compete with you. For a boat dealership, that not only means naming all the boat dealers and other marine retailers in the market, it also includes all those businesses that are competing for the discretionary dollars of the customers in your target market.

List those companies (create a file for each one) with their locations, the products they sell, the quality of those products, their advertising, staff distribution methods, promotional strategies, customer service, etc. Are their sales increasing, decreasing, steady? Why? List the strengths and weaknesses of each competitor, doing so from the perspective of a customer of that business, then discuss how you will capitalize on the weaknesses and compete with the strengths.

The next step is to gather and analyze information on your competitors' strategies and objectives. Publicly traded companies must issue reports that make collecting some of this information easier, but most businesses keep that material close to the vest. However, it's not that difficult to learn about the competition simply by paying close attention to how each company operates. Here are ways to learn more about your competitors:



More Expert Advice

With 18 articles from the leading marine industry marketing experts, *Boating Industry's* "Cost-Effective and Proven Marketing Tactics" e-White Paper is a definitive resource for those looking to put together an effective marketing plan. Download it for free by following the Resources tab at www.boating-industry.com.



For Your Online Marketing Needs

Any strong marketing plan should incorporate an online presence. With topics such as "Tell Your Story Online," "What is eMarketing?"; and "Tips for a Steady Supply of Leads," and 12 other expert articles and best practices, *Boating Industry* magazine's eProfitability White Paper is your definitive resource for online success. Download it for free by following the Resources tab at www.boating-industry.com.

THE DEALER'S PERSPECTIVE

By Carly Poole, marketing director,
Buckeye Marine, Bobcaygeon, Ontario

In a dealership, we as operators are very proactive about forecasting inventory, budgeting expenses and profits and scheduling service. All of this is done as a method of advanced planning to help us run our dealership more efficiently and effectively. Why then do so many dealerships not do the same with their marketing? To us a marketing plan is just another part of the road map that helps us run a successful business.

Marketing, however, isn't just about advertising and in my opinion that is where marketing plans need to start. You need to know who you are, what you do (or don't do) and how effective it is. First you need to look at who you are as a company, what you do well and what sets you apart from your competition to determine your niche.

Remember, you can't be everything to everyone. Once you have nailed that down, you need to take a look at who your customers are, where they are and what they do. This will give you a basis for your mar-

keting plan. This task will take some research. I would suggest that you involve your staff and customers in this process. You may find that you will learn a lot about your business that you didn't know by doing this.

From this point, write a simple list noting all aspects of your business that are touched or seen by customers and understand that all of that is part of marketing. From the sign at your front entrance, to the outdated poster hanging on the door that someone forgot to take down. Look at your staff and how approachable they are. This can be determined by their attitudes and what they look and smell like (Yes, I said smell — how many boats will a salesperson sell if they smell like yesterday's dirty laundry?). The look and presentation of the product you have for sale along with every ad or promotion you use to get customers to your dealership is all part of marketing.

Using the list you formulated, determine what you do well, what you need to improve on, what works and what doesn't work — you can reassess this as time goes on. For advertising, this is often a little easier to determine with the use of 800 tracking numbers, Web trend reports and customer surveys. For the other equally important points, this is where the assistance of your staff and customers come in. Ask them what they think.

After you determine who you are, who you are talking to, your good points and your bad, you can decide where you want to go from there. Putting together a plan is much more manageable with this information. Just before the end of our fiscal year

(for us this is in the fall), we gather our 800 tracking numbers, Web trend reports, customer focus group reports, customer follow-up logs (which always include the questions: "How did you hear about us?" and "What could we do to improve your experience?") and look through them thoroughly to see our wins and losses. Then we meet with staff and management to get their opinion on what they think we did well and what we should change or add for next year, as well as what the forecasted sales will be for the coming year, to help determine what product segments need special attention.

After this research, we sit down with a calendar and chart what our advertising and promotions will look like for the coming year. Once the calendar is complete, we use the dollar amount that is allocated during the dealership's budgeting process to allocate funds to all of the different marketing initiatives for the coming year.

In the end we have created a specific marketing budget, which helps to guide us through the coming year. It is important to note that all of this is monitored throughout the year and adjusted as the market changes, mediums prove ineffective and inventory levels need to be refocused. We borrow money from some initiatives to give to others as we see fit.

In the end, this gives us a good road map for where we are going. Like every road map, there are detours along the way, but as long as you return to the map you are sure to get to your final destination. ■

Pay a visit — The best way to see how competitors treat their customers is to become one yourself. (If it's not possible for you — as the business owner — to visit anonymously, send a trusted friend, relative, employee or hire a secret shopper). Whoever visits should pay attention to how they, and the other consumers, are treated, what the facilities look like, how the products are displayed and priced, etc.

Use the Internet — Spend time on the company's website and note how user-friendly, professional and helpful it is from a customer's perspective. E-mail a question and see how long it takes to get a response. Visit social media sites to see how the competition takes advantage of those, or what their clients are saying about them.

Talk to your customers — Chances are your customers are your competitors' customers too, or have at least visited their store, surfed their website or spoken with them on the phone. Ask them, or have your salespeople ask, about those experiences.

Advertising — Pay attention to how, where and when your competitors advertise. Are they on TV, on the radio, in print? Then, if they're on the radio for example, what station are they on: classic rock, country, sports, news? What time of day do the ads air?

All of these bits and pieces of information can help you gain insight into who the opposition believes its target market is, how it positions its products, what it believes the benefits of those products are, price points, etc.

Show displays — Walk the floor when you're at a boat show to see what products your competitors brought, how they're priced, special offers, how big the booths are, how many staff are on hand, etc. If there are classes or seminars any of your competitors will be speaking at, attend those — or any other speeches or presentations they give — to learn from and about them.

Other resources sources — Trade magazines or trade association publications, general business journals, local newspapers, industry research or surveys, can all provide further insight into your market and your rivals.

Step 4. Prepare an Issue (SWOT) Analysis

Competitors aren't the only obstacles to running a profitable business. Other factors, both internal and external, need to be considered when putting together a marketing plan. This is where the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis comes in. The Strengths and Weaknesses portion of SWOT refers to an internal review of the company, while Opportunities and Threats concerns external factors.

As Mark Kellum, who is currently the marketing manager for Regal Marine Industries, wrote in a column for Boating Industry's September 2008 issue, the internal analysis should include: company culture; company image; organizational structure; key staff; access to natural resources; position on experience curve; operational efficiency; operational capacity; brand awareness; market share; financial resources; exclusive contracts; and patents and trade secrets.

The objective is to turn a mirror on your business and its operations to analyze how things are done and identify the strengths and weaknesses of the company.

As far as the Opportunities and Threats, the SBA suggests identifying and ranking, in order of importance, all the threats and opportunities a business faces from outside influences. For example:

Economic Outlook — What is the economic outlook for your market? Are the people you are trying to sell your products to economically healthy enough to buy them? If so, that's an opportunity. If not, it's a threat. Thaddeus B. Kubis, president of NAK Integrated Marketing, puts it this way: "A marketing plan, in part, is based on the market itself. A marketing plan that does not take into full consideration the current balance of any given market is not a true plan."

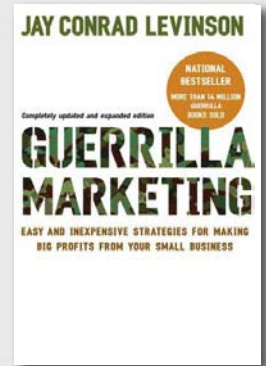
Product innovation — What product innovations are taking place and how will those impact you? Are the boats you sell improving every year in terms of quality or styling or performance, and how do those innovations compare to the evolution of the product the competition sells?

Barriers to market entry — How difficult, or easy, would it be for a com-

7 QUESTIONS YOUR PLAN SHOULD ANSWER

In the book “Guerilla Marketing” by Jay Conrad Levinson, the author lists seven questions he says any marketing plan should answer. They are:

1. What physical act does your marketing plan want the potential customer to perform? Log onto a website, visit a dealer, request more information, etc.
2. What competitive advantage does your product offer? What benefit does the product offer that the competition does not have?
3. What is your target audience(s)? Make sure you consider all potential demographics.
4. What weapons (tactics) will be deployed? E-mail, direct mail, events, etc.
5. What is the niche your product will fill? This should be a positioning statement.
6. What is your identity?
7. What is your marketing budget? Most companies set aside 4 percent of projected gross sales as a working budget. ■



petitor to open or begin a new business in your market? What would be required for them to do so and are those things relatively easy or difficult to come by?

Environmental issues – Are your products eco-friendly? What will that mean in terms of current or future government regulation?

Once the SWOT has been done, SBA recommends that an Issues Statement be written in order to set the stage for the development of the marketing objectives and strategies. As an example, the statement could say something like “Although market conditions are some of the worst seen in recent history, Example Boats sells products that are on the cutting edge of innovation and has a competitive advantage over its nearest competitors in both product performance and reputation. Inefficiencies in the service department will be corrected with a new scheduling system, to be in place by the end of August.”

Step 5. Outline Your Marketing Objectives & Strategies

Now that an assessment has been done of your business and the environment in which it operates, it is time to create marketing objectives and come up with a game plan to achieve them. Each objective should be unambiguous, quantifiable and have a stated timeframe to be achieved. And meeting a marketing objective should lead to sales. If it doesn't, you need to set different objectives.

An example of a good marketing objective would be: To increase awareness of your company's competitive advantage among its target audience leading to a 10-percent increase in sales in one year. Kellum says one of the most important things a business can do when creating a marketing plan is to set clear, measurable and obtainable goals.

“‘I want to make millions,’ ‘I need to increase sales,’ ‘I want to grow my business,’ are all goals but they are not tangible,” Kellum says. “A declarative goal would be, ‘Increase sales by 5 percent each quarter and continue to show a 2-percent profit on all sold goods or services.’ This goal easily meets the first two requirements, it is clear and it is measurable. However, the third requirement, is it obtainable, requires much more analysis. Can the company increase production to a level that would sustain a 5-percent growth? Is there a plan to hire that includes how many employees and when to hire, and will this plan sustain a 2-percent profit?”

When there are multiple objectives, make sure they don't conflict. “Unless you determine what your marketing efforts (and expenditures) are designed to produce, you're just shouting like most every other marine OEM or retailer,” May says. “What is your desired end result – customer retention, competitive conversion, unit sales, brand awareness? Oftentimes you can have multiple strategies, with definitive tactics. That's fine. Just define what

An example of a *good* marketing objective would be:
To increase awareness of your company's competitive advantage among its target audience leading to a 10-percent *increase* in sales in one year.

your plan(s) are set out to achieve before you throw time and money at it.”

Developing the next steps of your marketing plan will help further refine your objectives. It may be that once you come up with a strategy, budget, etc., it will become obvious that you lack the resources to achieve all the objectives at once and it becomes necessary to prioritize. But setting the objectives is how you start.

Defining the Strategy

The marketing strategy is your game plan. It should include four things: product, price, promotion and place.

Product description – Provide a detailed description of your products and services in terms of the features and benefits they offer customers.

Pricing – List the price of your products, with price ranges for product lines rather than a detailed price list: “Boats range in price from \$20,000 to \$60,000,” rather than a list of every model and its price. Then describe any price flexibility, and how much negotiation exists. Are discounts given to long-time customers or for prompt payment, etc.? Also include the terms of sale, such as extended payment plans or whether you accept credit cards.

Promotion plan – This describes the tools and tactics used to accomplish the marketing objectives. If your marketing objective is to create aware-

MORE TIPS FROM THE PROS

Editor's note: *Much of what follows was taken from a discussion on the Marine Marketers of America's LinkedIn forum after Boating Industry posted a question there asking about marketing plans. The responses have been edited for space and clarity.*

**Wanda Kenton Smith, president,
Kenton Smith Marketing and Marine
Marketers of America**

For those who have the desire, they often simply lack know-how or the in-house expertise and that stymies the process. Many smaller companies simply have no clue what's involved or required to develop and execute a plan. Occasionally, the person charged with marketing will have the desire to create a strategic roadmap, but will fail to gain support from management or ownership. Creating an effective plan requires buy-in and a shared vision.

There are a zillion resources out there to help you learn how to create and execute a marketing plan. Besides the wealth of free online resources, books and magazines available, there are also lots of affordable programs available through local colleges, small business chambers or training centers. For companies with no one in-house to take charge, or who might appreciate additional guidance, marketing consultants are available to assist. If you want to learn, it's as simple as Googling in some search words.

One quick caution, however. Be sure you don't take the "plug-and-play" approach to developing your plan. You can't simply take an online template and just plug in information by changing a few words around. The template is a guideline — often a good guideline — but your plan needs to be totally customized for your business.

**Rob May, owner,
Inside Out Marketing Group**

Measurement and research — Unless you figure out how it worked, you'll never know IF your plan worked. And therefore, it will be impossible to justify a similar campaign in the next budget go-round, or be able to repeat if it was, in fact, successful. Market research doesn't have to be expensive, but it does have to produce a reliable result. From personal interviews to digital surveys to market research groups, there are plenty of options.

I think the greatest challenge to all of the above is realizing that any marine company today is probably going to want to do "all" of it (or at least expect to), with limited resources to effectively tackle the job.

An under-funded plan — developed and executed by the same person who is answering customer service questions, handling payroll and managing product development — is a plan that is high on hope, low on execution. Getting your key stakeholders to define what CAN be done with the available resources is probably the biggest challenge in marine marketing today. We're all under stresses to do more with less, but at some point idealism has to adjust to realism.

**Winston Fowler, principal,
WinSue Enterprise**

An effective marketing plan starts with a "living business plan" that includes a vision or mission statement; current trends in industry and your market; the critical elements for success (your strengths); a financial aspect, with budgets based on forecasted cash flow, borrowing, etc.; very measurable goals/objectives with action steps (tactics) stating who is responsible with timelines; options and an alternative course of action for "crossroads" in the process should certain objectives not be met or need to be changed.

Now, assuming that the time and resources have been dedicated to a good business plan, the marketing plan that supports it should include the following:

- A detailed situation or market analysis, which would include your competitors and your peers inside and outside your geographic area (if you are local);

- Identify your potential customers and, if necessary, classify them according to how they do business with you;

- Using the general business plan, derive your sales and marketing objectives with defined measures, designate who is responsible, timelines, resources needed to achieve;

- Set times to measure results and be willing to make changes as conditions dictate so that alternative objectives can be created and action plans modified as necessary.

Have a living plan — one that is flexible, real and current. All too many plans get introduced in a pretty folder and then never come out of a drawer until the end of the business cycle while the business is managed from the seat of someone's pants during the year. A good business plan is a critical investment in a successful enterprise.

**Mike Dickman, owner,
Dickman Marketing**

After more than 20 years of marketing experience within the marine industry, and having had the opportunities to work with companies that have not been afraid to experiment, I can attest that the three most

important elements to a marine marketing plan are:

1. Have a plan, which includes a method of measurement. Use your measurements to adjust your plan. Your "gut" feelings are not always right, but numbers will always tell the truth.

2. Don't be afraid to take a chance, be really creative. Be prepared to fail at being really creative.

3. Recognize that new media (social marketing), needs to be woven into your traditional marketing plan and not an addendum. All the parts must work together and feed each other in order to take advantage of the strengths and weaknesses of each.

**Ian Treibick, owner,
WindPath Sailing Inc.**

I would supplement any plan's starting point with a few questions I ask myself, and clearly answer, before doing anything else:

- Who is your prospect? Define them in great detail: age, gender, interests, passions, where do they live, what do they like and dislike, are they married, kids, etc.

- What does your prospect REALLY want: skills, romance, prestige, social acceptance, lifestyle change, etc.?

- What are their major HOT points? What keeps them from making a purchase decision today?

- What are their top fears and frustrations? What about your product or service keeps them up at night: cost, risk, time, knowledge, spouse?

- What are their top wants and desires?

- What is the outcome they really want?

- What does your product or service do or give that they do not know about?

If you take some time with these and really think the answers through to the core desires and motivators for your prospect when you are done you just may look down on the paper and have a solid foundation for your plan.

**Ken Stofflet, principal,
Marine Reps Inc.**

No one wants risk, well that's business, boys; if you do your homework you minimize that risk. Doing the same old thing won't cut it any more, you must get creative on how you approach your market and just what your message will be.

As slow as I have personally been to fully embracing the new media; I have found that it must be incorporated into your marketing mix, because the numbers don't lie. There are an ever-growing number of people getting their information in that format rather than traditional methods.

Our boat-builder friends and dealers alike who want to stay alive in this business will need to adapt to the realities of the marketplace and the consumer's needs. ■

ness of a new fishing boat line you've taken on, the tools and tactics of your promotion plan might be to get active on message boards frequented by local fisherman, buy ads in regional fishing publications or display a couple boats in front of the popular outdoors-equipment retailer. (In the Action Program section of the plan you will describe in detail what steps need to be taken, who will do them, the deadlines for completion, etc.).

Placement (sales & distribution) — Describe how your products "meet" your customers through sales and distribution. What are your sales philosophies and methods? Are you aggressive in trying for large numbers of quick sales, or do you have a more relaxed approach where customers

aren't pressured to buy now? How are your salespeople compensated? With regard to distribution, do you sell your products through a bricks-and-mortar location or online? What inventory challenges do you have? How does demand for your products change throughout the year? Do you sell directly to end-users or resellers?

Step 6. Create an Action Program

The Action Program picks up where the Promotion Plan leaves off. "Create a website, develop an advertising campaign, launch a PR campaign are strategies," Kellum says. "Tactics [action programs] are hiring a webmaster,

FITTING SOCIAL MEDIA INTO YOUR MARKETING PUZZLE

By Christopher Kourtakis, director of sales and marketing, 360° Industry Solutions

Your business's marketing strategy is a lot like a small jigsaw puzzle with large pieces. Each piece of the puzzle is as important as the next in order to develop the big picture. Without one piece, you cannot complete the puzzle and there is a big hole in the final product. Each piece has its own specialized place in the puzzle. That specific piece ties into another important piece that is used to create the big picture.

Your marketing plan should not be any different. Everything you do has to have one common goal, to get customers in the door of your facility. Each part of your plan has a certain place in the large picture and connects to another specific piece.

Some of those pieces can be boat shows, dealer open houses, your website, social media, print advertising and lead management. Whichever methods you choose, it

is important that they all have the same message.

A great example is social media. Alone, social media cannot be your entire marketing plan. Your business has to use social media to compliment your other channels. When used with other channels, it is a strong tool that cannot be underestimated.

Social media channels such as Facebook, Twitter, YouTube and Flickr need to have one common goal. You cannot just develop a Facebook page and expect all of your customers to become fans or visit it faithfully. You cannot place videos of your facility on YouTube and expect that this will draw in new customers. Your social media strategy needs to be channeling to other social media resources and ultimately guiding your customers and potential customers to your website and, ultimately, to your facility.

Yes, social media is a powerful tool, but it cannot be the only tool. Social media allows your business to communicate with your customers. It allows your business to converse with your customers and provide immediate information and immediate responses. This is a great way to communicate new inventory, service specials, dealer events or even communicating to your customers from one of your events.

A good example of how to use social media is to ask customers what inventory they would like you to carry. What colors would they like to see on certain models? Creating small surveys does two things: First, it assists you in making sure that you are stocking a boat that your customers want and that you can turn relatively quickly. Second, it shows your customers that

you are listening to what they have to say and that you value their opinion.

On the flip side, if social media isn't part of your marketing plan, then you could potentially be missing out on great opportunities to connect with customers who may be searching for a new service center, events to go to on their boats, or just looking to connect with other boaters in the area. Think about this, Facebook surpassed Google for the past couple of months as the most visited site on the Web. If you do not have a profile or fan page on Facebook, your current customers and potential customers will not find you.

Facebook specifically focuses on ensuring that their pages come up first in searches on Bing, Google, Yahoo, etc. Social media is the new Internet. Remember back several years when you could not decide whether or not you needed a website for your business. Ultimately, you decided to allocate the resources to the development of your site because so many people were using the Web to look up information. Social media is currently in that stage in the development process with most businesses. People are using social media to search for information. Just think, YouTube is the No. 2 search engine used today, just behind Google and ahead of others such as Yahoo and Bing.

In the end, each part of your marketing plan needs to compliment the other. Each piece of the puzzle is as important as the next. Without each specific piece, the puzzle is not complete and an incomplete puzzle will never give you the big picture. ■

creating strong message to market, developing an ad schedule, creating the budgets, etc."

This is where the detailed "to-do" list is developed, which outlines exactly what is to be done, when it is to be started and/or completed, who is responsible for doing it, etc.

If you say in your Promotion Plan that you are going to increase your company's visibility by attending more shows, this is the place to list the locations and dates of the shows you will attend, who will attend, what their duties will be, the results you expect to achieve, the marketing tactics you will employ, etc.

A spreadsheet is a good way to organize all of this information, but use whichever method best helps you plan and keep track of those plans. Action programs can be listed chronologically, by event type or however it makes the most sense to you.

Step 7. Prepare a Marketing Budget

How much will your marketing plan cost? The needs and costs of marketing activities vary widely from one business to the next, and there's no simple rule to help determine what a marketing budget should be. Many small-business owners allocate a percentage of their gross sales for the year, often about 2-4 percent, although some companies go several percentage points higher.

Experts say it's best to estimate the cost of the marketing activities described in the marketing plan as a means to develop at least a rough budget that can be used to keep everyone on track over the course of the year. Typical marketing expense categories are marketing communications, market research, promotions, advertising, events and public relations.

Ultimately, how much to spend on the marketing plan is a decision each business will have to make on its own. But Kenton Smith believes

"Marketing is a critically important component to business success."

proper planning, to help spend marketing dollars wisely, is a necessity these days, and companies that instead decide to treat marketing as a low priority do so at their own risk.

"Marketing is a critically important component to business success," she says. "I've been terribly disappointed to see so many marine companies go dark on their marketing during the recent recession. Doom and gloom become a self-fulfilling prophecy when companies fail to market, advertise and promote their products and services.

"I understand the need to tighten your belt and analyze your buy to maximize your return on investment, but to simply cut out marketing is a huge mistake. You can be smart about it, and you should be. By having a plan in place, you can make well-thought-out marketing decisions that will help you achieve your goals and objectives by allowing you to laser target your customers and prospects most effectively, and efficiently. Every decision you make about your marketing should be weighed against the plan. Does it achieve the top goals and priorities you've set forth? Yes, it's an investment of time at the outset but the truth is, having a plan in place should save you time and money in the long haul." ■