

South Western Flash

November 2006, Vol.4, No. 11



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Upcoming Events of Interest

Western Farm Show

Feb. 24-26, 2007
American Royal Complex
Kansas City, Mo.

SouthWestern Regional Conferences

Monday, Jan. 22, 2007 -

San Antonio, Texas

Tuesday, Jan. 23, 2007 -

Fort Worth, Texas

Wednesday, Jan. 24, 2007 -

Oklahoma City, Oklahoma

Thursday, Jan. 25, 2007 -

Amarillo, Texas

Friday, Feb. 23, 2007 -

Kansas City, Missouri

(in conjunction with the Western Farm Show)

South Western Association

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www.swassn.com

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Association correspondence to

your attention via e-mail. Please

register your e-mail address at:

www.swassn.com/register-email.htm

Regional Conferences' Keynote Speaker

Bill Sharp Presents "Managing Yourself To Peak Performance"

No two of us are alike...have the same native skills. *That's easy to say but difficult to quantify.*

Yes, we're each unique...but in what ways? The educational program at this year's regional conferences will be an absolutely fascinating and easy to understand look...at the unique you.

To participate and learn, you will complete an on-line questionnaire done with one of the top sports psychologists in the world. He works exclusively with world class and Olympic athletes. His survey is so powerful it is now also used by *Navy SEALs, top producing sales people, key executives and owners of companies (male and female)...and others who live and/or work in high performance/high stress environments.*



You will learn:

- Times when *your in-born skills cause you to sail when others are floundering*
- *Circumstances when stressful situations are likely to cause mental errors*
- How you "*come across*" to others
- Details about how you make decisions...and insight into the combinations of *events when you will be "spot on correct" or "miss the mark and be left standing at the station."*

You'll laugh...say, "**Wow!**"...wish you had known this when you were in some tough negotiations in years past...and wish you knew the survey results of every person you work with.

It's a fast-paced, high participation workshop taught by an old friend of our association, Bill Sharp. Owners and managers have attended his programs periodically for the past 25 years. Many have had him come to do private programs for their entire team.

Members of our association know Bill for his "*just makes sense*" selling skills programs. For this program, he's leaving his "*Cold Call Selling*" and "*Dealing With Objections*" topics at home. You won't hear anything about the *Walnut Grand Piano* or have to remember where *Crazy Horse* was before the battle began. You're going to see a completely different side of "Dr. Bill."

He began working closely with heavy hitters about 25 years ago, then he found this unique assessment survey, and later turned it into an eye opening workshop. *No psycho-babble or mumbo jumbo in this one. You'll learn a ton about yourself...and enjoy the experience.*

Check the list at left for the regional conference closest to you. Registration forms and additional conference information will be sent to members soon or check on line at www.swassn.com.

Lost Profits Means No New Boat

Information is key to successful business relationships

Copyright of Mike Brittain, CAE 2006, all rights reserved. Mike Brittain is President and Chief Operating Officer of the National Association of Credit Management, NACM MidAmerica in Oklahoma City, OK, is a founding member of American Subcontractors Association.

It doesn't matter if you sell farm equipment, outdoor power equipment, industrial equipment or are any other type of supplier, or even if you are an insurer or bank: Who your customer is and how they perform are questions that inevitably arise. Not knowing the answer simply means that you'll be wondering why you didn't get paid on time and pleading for payment later.

Here's the math: If your price sheet, bid or quote includes a net profit margin of 5% and, for whatever reason, you don't or aren't able to collect \$500 for work performed or equipment/parts supplied, you have to generate an additional \$10,000 in new or additional sales (revenue) just to get yourself back to where you would have been if you had collected the \$500 worth of merchandise or services you sold or performed in the first place.

Now, multiply that \$500 loss by 10 times. A \$5000 loss at 5% profit means you must now generate \$100,000 in new sales or revenue just to get yourself back to even. Heaven forbid that your profit margin is lower than 5%. But look at the chart and just see how much revenue has to be produced at 2% net margin just to break-even.

(The "Lost Profits" chart on page 4 illustrates additional

revenues necessary to make up for lost profits at various profit margins. Readers may extrapolate from these numbers revenues necessary to be generated to cover for larger losses).

But losses are not limited to uncollected funds only. Payment delays, reduced invoice amounts, retainage, backcharges, work/change orders, job site management and other contract performance issues can all mean "Lost Profits" to you.

Does the term "spinning your wheels" come to mind?

Each meeting I attend, speak at or arrange it's always most apparent to me just how large the issue of getting paid is to businesses from every industry. One guest spoke up saying how frustrated he was that he couldn't buy a new boat because a customer with whom he had done business with for years wouldn't or couldn't pay. This story isn't all that rare or amusing. But it does bring to light the seriousness and importance of getting paid. And, not just getting paid, but getting paid on time. So, whether you tithe to your church, take your family on vacation or buy a new boat, you deserve to be paid for sales, services rendered or work performed and profits are what allow us to do all the things that we most want to do.

Continued on next page



Thanks to Toolchex, technicians are taking home more of what they make.



"Thanks to my employer for providing Toolchex as an employee benefit. It has made a big impact on my take home pay this year."

Luis Navarro Technician

Benefits for Technicians and Dealerships:

- The Toolchex employee benefit can help dealerships retain valuable technicians by allowing them to take home an average of \$150 more each month.
- Toolchex can save dealerships an average of \$750 in employment taxes per technician per year.
- Toolchex can reduce payroll costs and premiums based on total payroll (workers' compensation, shop owners liability insurance, general liability insurance, etc.).



Helping Dealers Succeed.

This program is endorsed by the North American Equipment Dealers Association

Consult your tax advisors regarding the tax considerations with respect to adopting or participating in the Toolchex accountable plan. © 2004 Copyright Toolchex, Inc.

800.498.2256 or visit www.toolchex.com

Lost Profits Means No New Boat

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Information is the first step to getting paid. Remember, 'getting paid' is not limited to writing and issuing a check. It can mean no delays or additional costs to you that could create a dispute causing slow or no payment for delivery of services or products. 1) What kind of information should you get? 2) Where should you go to get the kind of information you need?

You should get the kind of information that tells you how your customer pays other businesses. What you're looking for at this stage is a prequalification process before you open the customer account or otherwise enter into a contractual relationship. Your objective is to have a look at the customer's overall business operation to determine some or all of the following:

(If the customer has no business credit record, then consumer credit report(s) on the main principle of the business will tell you how that customer treats personal credit obligations).

- Ability to meet current & future obligations. Do they have the money?
- Character. Do they do what they said they would do when they said they would do it?
- Experience to match this job's requirements. Are they into something they don't know about or haven't done before?

- Equipment to perform the work. If no, how will they get it? At what cost? Will getting right equipment cause further delays?
- Financial Strength. Is project financing in place? Can they pay you even if they don't get paid? Are you going to be their bank by virtue of the open account line of credit or credit limit you give them?
- History of prompt payment to other suppliers, service providers and banks. Have they always paid on time – or not? Have Mechanics or Tax Liens been filed, suits initiated, judgments obtained?
- Good standing with bank. Who is their loan officer? How long have they banked with same bank? What is their average balance? Do they borrow? What is their average loan balance? What is their line of credit? Have any checks been returned NSF?

I know what you're asking now: "It's impossible to get this kind of information," or, "I can't ask these kinds of questions – it's against the law," or "Nobody in their right mind is going to answer these questions," or "I can't get this information myself – is there someplace I can get it or somebody who can get it for me?"

Answers to above (in order): No, it's not impossible; Yes, you can ask all of these questions – and it is legal in a business relationship because the governing body of law is different

Take Charge of Your Bottom Line

The NAEDA/NOVA Bankcard Program* is the most widely used processing program in the equipment industry. With this program you can depend on:

Complete Processing Solutions

Credit and debit cards**, corporate cards, third-party (private label) cards as well as check verification services

Reliable Processing

Ranked # 1 by MasterCard for reliability and speed

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For additional information please call toll-free 800-546-1831 or email us at associations@novainfo.com. Mention promotional code #82057 to receive your exclusive association discount rate.

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* The program is not available in Canada.

** Rates for American Express and Discover negotiated separately.

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Processing Options

Terminal, PC and Internet solutions

Additional Benefits

- Eliminate house accounts
- Improve your cash flow
- Reduce your risk
- Faster settlements



NOVA NETWORK
The most reliable payment processing network in the industry



from that which protects the privacy of individuals. *(Aside: privacy laws are in place to protect information about individuals, not companies or corporations. In seeking information relative to business to business relationships, the Supreme Court agrees that you have a right to ask the types of questions appearing above);* Yes, it is possible that all of the questions posed above will not be answered – but they can legally be asked. If the customer gets upset because you ask, fails to answer or is hesitant to do so, then you may possibly have a ‘red flag’ to which caution should be exercised if you are seriously considering selling your merchandise or service on open account, unsecured credit. It’s your product, your service, your inventory – why would you give it away and then use new money to replace those items ‘given away.’ Sometimes, no information or no answer or a vague answer to a question can, by itself, be valuable information and a reason to ask even more questions; Yes, actually all of this information can be obtained by you just by asking. And, yes, there does exist helpful sources from which to obtain answers to the questions suggested.

Other Sources of Information

There are numerous sources and agencies to help you obtain the information that you decide you require. You, of course are the first source. If you have an existing relationship with the customer, then look at how they have performed in the past

You can look at Public Records which tell you if there are suits, judgments, tax liens, mechanics liens or bankruptcies filed in the past. Secretary of

Lost Profits

If you have an actual loss of:	and your net profit is:				
	2%	3%	4%	5%	6%
	You will require this amount in additional sales to offset the loss:				
↓	↓	↓	↓	↓	↓
\$300	\$15,000	\$10,000	\$7,500	\$6,000	\$5,000
\$500	25,000	16,666	12,500	10,000	8,333
\$1,000	50,000	33,333	25,000	20,000	16,667
\$3,000	150,000	100,000	75,000	60,000	50,000
\$5,000	250,000	166,666	125,000	100,000	83,333

State records will tell you how long the company has been around, who are the owners or principals of the company, are there UCC-1 filings from banks, leasing companies or other finance companies for equipment purchases or other capital financing. County records will tell you if the customer or his company owns real property (real estate) to which a judgment can be attached later if necessary.

However, you are just one source, so don’t stop there. Numerous resources are available to do all of this for you plus help you get current trade payment and historical payment information on prospective, new and existing customers and whether or not they are really worthy of your investment in their business albeit short-term – hopefully. Listed here are many sources available to you with suggestions about when and how to use each one. Many of these resources have all of the information mentioned above including public record, trade payment history, principal ownership, bank information, scores and much, much more.

- **NACM Reports** - when selling to builders, contractors, or other general business entities. NACM reports offer:
 - † Details of payment history
 - † Public record filings
 - † If placed for collection
 - † NSF checks if reported
 - † General owner information
- **Experian Business Reports** - when selling to a business entity from another state or if no information exists in another database. The Business Profile Report offers details of the subject’s payment performance, public record history, and general information. The Intellicore (Risk) Report is a summary of the Profile report. It provides condensed information shown on the Profile report but offers, in addition, a “Risk Score” to the business.
- **Equifax Business Reports** – This report is the best third-party resource for bank information on business credit cards, loans, leases and other debt extended by financial institutions, leasing companies and credit card issuers. The report also offers Company Profile, scores, public records, financial credit line utilization and trade payment data.
- **D&B (Dun & Bradstreet) Reports** offers information beyond the paying habits of companies throughout the U.S. If the credit exposure is large, or if there just isn’t enough information to satisfy the amount of risk you are being asked to consider, then these reports are suggested.
- **SkyMinder Reports** offers newspaper stories from around the world where the company inquired upon has appeared in any story. This report can help you see if your customer has been involved in controversy or applauded for service to the community.

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Mueller Foundation Publishes Customer Satisfaction Study

Help! That's what customers want when they go shopping at family-owned hardware stores: Help to solve problems ... help to select the right products ... and help to know exactly what to do when they get home.

Consumers participating in a newly released market study said hardware stores do a superb job of providing that help. They also gave clear signals as to the competitive advantage that hardware stores enjoy over big box home improvement center competitors.

The new study, *What Matters to Customers*, was commissioned by the Russell R. Mueller Retail Hardware Research Foundation. It answers three critical questions:

- *What is important to customers when they go shopping in hardware stores?* Customers expect hardware stores to provide expert help in solving their problems, buying precisely the right products and knowing what to do when they get home. Less important is assistance such as help loading their purchases into their vehicles and home delivery. In the middle are services such as paint mixing, repairs and in-home installation.

- *How well do hardware stores meet their expectations?* Customers appear to be very happy with what they are getting from their hardware stores. They rated hardware stores very high in performance on the factors that are important to them as well as on those that were less important. Even though the big box competitor is perceived as offering significant cost savings and wider selection, customers strongly indicate that hardware stores offer significant shopping value.

- *How do shopping expectations differ between hardware stores and big box home improvement centers?* Customers indicated they visit big boxes less frequently and for different reasons than they visit hardware stores. Big box patronage is driven by perceived price savings, particularly when larger items and/or larger quantities are involved. Hardware stores win the vote for service and convenience.

Nearly 900 customers of family-owned hardware stores participated in the study. They shopped in hardware stores across the United States and in a variety of market areas

including major cities, suburbs, smaller cities and towns.

The study asked customers to evaluate the importance of nearly a dozen factors that contribute to customer satisfaction when shopping at hardware stores and to grade hardware stores' performance on each factor. The accompanying chart summarizes their responses.

They were also asked to rank six factors relating to the likelihood of their continuing to shop at the hardware store and 10 factors that described the kind of relationship they have with the staff at the hardware store. Finally, they were asked to indicate why they would choose to shop at a hardware store vs. a big box home improvement center. The study included questions on customer characteristics, such as age, gender, level of do-it-yourself activity, distance traveled to shop and frequency of shopping trips. **Continued on page 6**

PartnerShip



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The NAEDA Freight Program is designed by PartnerShip to help association-affiliated equipment dealers save money. We work hard to give you excellent shipping service and competitive shipping discounts. Free enrollment gives you savings of **62%** on your freight shipments with Yellow Transportation, one of the largest commercial transportation providers in the United States, whether they're coming in from a vendor or going out to a customer.

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Mueller Foundation Study

Continued from page 5

In addition to looking at the panel of customer respondents as a whole, the study breaks results out by gender, by age and by type of customer (light or serious do-it-yourselfer or professional). The study also identified high-performance hardware stores with the intent of pinpointing what they do differently or better than other hardware stores.

Full results are presented in an industry report, *What Matters to Customers: How Hardware Stores Keep Customers Happy*. Single copy price is \$100 but companies directly associated with the hardware industry will receive a 50 percent discount. For information about the study, contact the Foundation at (317) 290-0338.

Major funding for *What Matters to Customers* came from Distribution America, Do it Best Corp., Hyde Tools Inc., Orgill Inc., Robert Bosch Tool Corp./Accessories Div. and True Value Co.

Research was conducted by Reginald A. Litz, Ph.D, Litz Consulting Services, Winnipeg, Manitoba.

What Customers Think of Hardware Stores

Factors that contribute to shopping satisfaction...

Average Ratings

	Importance to Customers*	Hardware Store Performance**
Provide expert help in solving problems	4.21	4.38
Provide expert help in understanding exactly what products are needed	3.93	4.30
Provide expert help in understanding how to use or install products at home	3.74	4.20
Get products ready for use at home; e.g.: mix paint	3.72	4.27
Help complete purchases quickly	3.69	4.40
Provide services to repair broken items	3.35	4.16
Personal greeting when entering the store	2.86	4.37
Help to load purchases into vehicles	2.80	4.25
Provide assistance at home; e.g.: installing a product purchased at the store	2.55	4.09
Offer rental services	2.28	4.07
Deliver purchases to customer's home	1.85	4.11

* Average ratings are based on a five-point scale with one meaning not important and five meaning extremely important.

** Average ratings are based on a five-point scale with one meaning did not apply and five meaning excellent. Did not apply answers were not included in the ratings, which range from poor to excellent.

Source: Russell R. Mueller Retail Hardware Research Foundation, Oct. 31, 2006.

Lost Profits Means No New Boat

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• **Consumer Reports** - When the customer is an individual, or is a new business with no credit history as a business, or when little or no information is available in any of the various business reports on the business itself either as a company or a trade name. Available from:

- † Trans Union
- † Equifax
- † Experian

All of these resources are available from NACM MidAmerica for SouthWestern members and require nothing more than a call from you to order the report you need or get help determining which report will work best for you.

NACM MidAmerica requires no advance purchase, subscription or other up front fees, deposits or costs. As a members can purchase as little or as much service as they require on a pay-as-you-go basis. NACM is the leading resource for credit and financial management, providing information, products and services for effective accounts receivable management.

NACM is a not-for profit association and represents 22,000 business firms nationwide making NACM the oldest and largest business credit bureau associations in the United States.

**It is recommended that credit information on principal business owners be researched also. If no history exists or the business entity is too new to have generated trade credit history, then you will have to look to the person behind the business, the owner or officer, for payment in accordance with your terms regardless of whether or not your customer is paid by their customer.*

Federal Legislative Update

Extending Tax Breaks – Several tax breaks expired this year. They were part of a package of tax extenders in a three-part bill that included estate tax relief and an increase in the minimum wage. That bill fell to a Senate filibuster.

Sen. Charles Grassley (R-IA), chairman of the Senate Finance Committee, wanted to pass the tax extenders as a separate bill. He got little support in his efforts as Republican leaders insisted on holding the original bill together while they looked for something to attract Democratic votes. They were talking about bringing it up during the lame-duck session, but there was little hope Democrats would break their solid blockade of estate tax relief.

There are good reasons to deal with the extenders, especially tax breaks that have already expired. These include the research and development, welfare-to-work and work opportunity tax credits and deductions for state and local sales taxes, college tuition and fees and teachers' classroom expenses.

Without action to extend the credits, businesses will pay higher taxes and, according to the Internal Revenue Service, the lost deductions will raise tax bills for more than 19 million individual taxpayers.

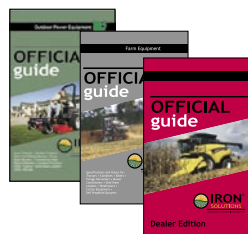
Even if Congress acts after the election, printing deadlines for tax forms could result in errors, and updates of tax preparation software could be delayed, all leading to more headaches next April.

Source: North American Retail Hardware Association

Tools For Profitability

Helping dealers to manage profitability...

IRON Solutions' products provide solutions to enable customers to make informed business decisions and impact profitability. Whether looking to evaluate the value of a trade-in, browsing for a particular piece of equipment, or managing your dealership business systems, IRON Solutions has the Equipment Market Intelligence needed for the successful dealer, consumer, auctioneer, financial institution, and buyer.



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Sales Assistant Tools (SAT)—Combination of Appraisal Manager, IRON Search, Inventory Manager, IRON Quote Express, and Official Guides Reporting



Quote Pro Sales Suite (QPSS)—E-Bundle—Integration of Appraisal Manager, Profile Manager, Margin Manager, and Inventory Manager



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United Carrier Alliance Scam Alert

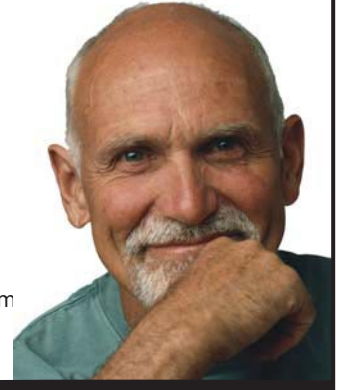
A farm equipment dealership in Oklahoma recently reported a scam involving payment of "undercharges" for an old freight bill. The freight company, United Carrier Alliance, in Tennessee contacted this dealership requesting payment of undercharges on old freight bills. The freight charges were related to a shipment from a manufacturer that the dealership buys equipment from. Because of this existing relationship with the manufacturer, the dealership paid the bill. Later, dealership personnel began to question the charge and contacted the manufacturing company. The manufacturer told them that they do not ship freight collect, nor had they ever heard of United Carriers.

Business owners have filed complaints with the Better Business Bureau alleging United Carrier Alliance has used threatening tactics to secure payment of unsubstantiated undercharges. The majority of companies receiving invoices from United Carrier Alliance advise BBB they have no record of contracting for the freight service in question. BBB advises business owners to seek legal counsel concerning the statute of limitations for any third party attempting to collect undercharges determined after an original freight invoice has been paid in full.

Why do I use DealerWin™ ?



The Windows-Based
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For Equipment Dealers



To maximize my profits!

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- Total Accountability



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