

Dealer Economics

FIVE MINUTES. ONE IMPORTANT DEALERSHIP DECISION.
THE ECONOMICS BEHIND IT.

How good could your dealership actually be?

Most successful equipment dealers know what they made last year.

Far fewer know what the dealership could have made with the people, assets, inventory and capital it already had.

That distinction matters.

A dealership can be profitable, growing and well run – and still have hundreds of thousands of dollars of unrealized economic potential sitting inside the existing business.

The opportunity usually isn't one dramatic problem. It's five points of service utilization. Too much capital sitting in used equipment. A rental fleet producing an acceptable accounting profit but an inadequate return. Parts inventory that hasn't moved in years. A branch that makes money but consumes too much capital to justify the return.

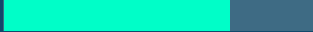
Individually, none of these may look like a crisis. Collectively, they can be the difference between a good dealership and an exceptional one.

THE DEALER MATH

Existing capacity. More revenue.

SERVICE UTILIZATION

CURRENT  68%

TARGET  73%

+5 percentage points

No new building. No new fleet.
No new technician.

\$340,000

ADDITIONAL ANNUAL
LABOR REVENUE

20 technicians / 40,000 annual hours
40,000 hours x 0.05 = 2,000 hours
2,000 billable hours x \$170 labor rate

Illustrative calculation, before any associated parts contribution. Additional revenue is not additional profit. Actual economics will vary by dealer.

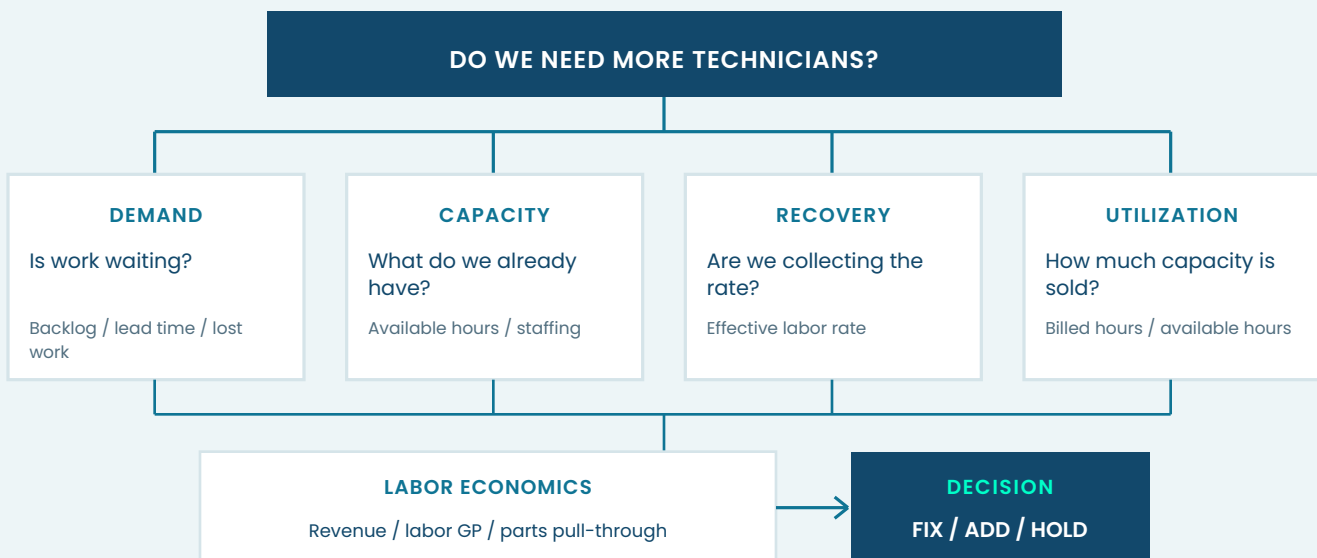
FROM PROFITABLE TO POTENTIAL

Before you add capacity, understand the constraint.

Management often focuses first on what the dealership needs to add: more technicians, more rental fleet, more inventory, another salesperson, another location.

THE DECISION MAP

Do we actually need more technicians?



THE MISTAKE I SEE

Before putting more capital into the business, I want to know whether we're getting enough economic output from what we already own. That is a different question.

IF THIS WERE MY DEALERSHIP

Before approving meaningful new investment, I would ask each department manager to answer two questions:

01 What capacity or capital do you already control?

People. Inventory. Fleet. Receivables. Facilities.

02 Are you producing an acceptable economic return from it?

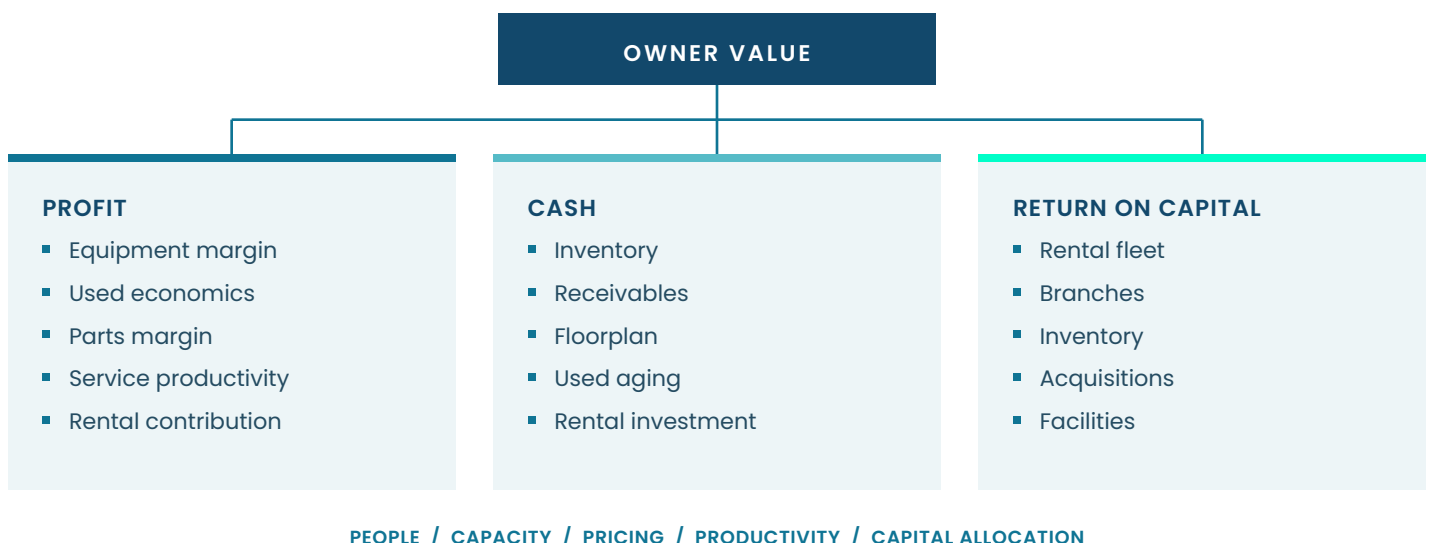
How productive are the resources we're already paying for?

THE OPERATING LENS

A better decision starts with the economics.

A successful dealership and a dealership performing at its potential are not necessarily the same thing. Before asking what the business needs next, understand what the business you already own is capable of producing.

DEALER ECONOMICS / THE MODEL BEHIND EVERY ISSUE



WHAT WOULD CHANGE MY MIND?

Sometimes additional investment is absolutely the answer. If utilization is already strong, backlog is growing, recovery is healthy and customers are waiting weeks for service, adding technicians may have an excellent return.

The point isn't never add capacity. The point is: quantify the economics before you do.

ASK YOUR TEAM MONDAY

"If we could improve only one operating number this quarter without adding people or capital, which number would create the greatest financial improvement?"

Then make somebody quantify the answer.

WANT TO RUN THE MATH ON YOUR DEALERSHIP?

A Dealer Economic Performance Assessment identifies the three largest opportunities, their causes and value, and the first 90 days of action.

Steve Kosciak, CPA, MBA / Former Equipment Dealer CFO/COO

**Book a Dealer
Performance Conversation**

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