

Dealers See ROI with the Right Software System



To improve profitability, an effective business management system needs to take the focus off the back-end of the business and put it back on the customer.

*By Ken Wysocky,
Contributing Writer*

In the years BC (Before Computers), ordering parts made Brian Carpenter feel less like a farm equipment dealer and more like a card dealer — albeit one playing with one very large deck of cards.

“We had thousands of 5- by 7-inch cards in drawers, one card for each part,” recalls the general manager of Champlain Valley Equipment, a family-owned dealership in Middlebury, Vt., that handles New Holland, Case IH and Kubota farm equipment.

“When we’d sell the last one of a particular part, we’d put a metal tab on the card. Whenever we’d order parts, we’d have to go through the cards to find the ones with tabs.

“When you have 10,000 part numbers, that’s a lot of drawers full of cards. And to make it worse, sometimes the tabs would fall off, or someone would forget to put one on. To try

and come up with what and how much to order was really time consuming.”

These days, Carpenter — who owns the dealership with his father, Russell — deals with keystrokes, not cards. A business management software package from Basic Software Systems (BSS) makes short work of

moving parts.”

Moreover, the software is much more accurate than hand-keyed orders, Carpenter adds, noting the time the dealership once needed 10 parts but accidentally ordered 1,000.

“Overall, we probably manage 50,000 part numbers in the time it

“Automation removes a lot of obstacles to growth...”

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Huron Tractor Ltd.*



previously complicated tasks, such as point-of-sale parts invoicing, parts ordering and parts management.

“Whenever we go below a minimum stock quantity for a part, the software automatically spits out a proposed order,” Carpenter explains. “Then you just ‘scrub’ it — double-check it for accuracy — and submit it. We’re continuously ordering fast-

used to take to manage 10,000 numbers — maybe even less,” notes Carpenter, whose company also runs a dealership in St. Albans, Vt. “Our parts department has become a better profit center.”

Carpenter’s experience vividly underscores how sophisticated business management software can improve dealer productivity and profitability. In the last

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several decades, business software has shouldered aside index-card files and their ilk, just as tractors rendered horse-drawn plows obsolete at the turn of the century.

These days, software does just about everything except perform oil changes in the repair shop. Among other things, they can manage parts inventory, orders and invoices more efficiently; provide clearer analysis of profit-and-loss statements and balance sheets; track the time technicians spend on repair jobs; and deftly monitor customers’ buying habits. They even provide customers with on-line access to their dealership accounts from home.

Payoff is Profitability

While selecting the right software package can be time consuming and arduous, it’s worth it in the long run to invest in a business information system, dealers say.

“Automation removes a lot of obstacles to growth,” says John Rudderham, vice president of parts and sales/information systems at Huron Tractor Ltd., a John Deere dealer with six stores in southwestern Ontario. “It makes growth easier because it allows you to focus staff on customers, not on the back end of the business.

“It’s also cheaper than doing things manually,” he adds, noting that Huron’s business management software from PFW Systems does the work of about 20 people. “It saves labor at a time when labor is in short supply.”

Irvie Loudermilk, general manager of Murfreesboro Kubota in Murfreesboro, Tenn., says dealers without business software are fly-

ing blind. The dealership, which also operates Russell Mason Tractor in Winchester, Yearwood Equipment Co. in Fayetteville and Warren County Kubota LLC in McMinnville, relies on DealerWin software package from Charter Software Inc., a 32-bit Windows-based system tailored specifically for dealerships.

“If a dealer doesn’t invest in a system, he has no way of knowing what’s in stock, what’s going out and how much money he’s making on it,” Loudermilk says. “For example, when you buy a piece of equipment, that’s not the only cost of doing business. Along with the cost of the equipment, there’s the cost of freight, the cost of set-up, and the cost of filling it with oil, hydraulic fluids and fuel. Those are the things a software system helps you keep up with.”

Too often, Loudermilk asserts, dealers think they’re making money when, in fact, they’re not. And the bigger the dealership, the better the chances of making a mistake.

Meeting Different Needs

Continual software upgrades and refinements enable dealers to manage their businesses in ways they couldn’t just several years ago. A good example is Murfreesboro Kubota.

“We always wanted the capability to track serialized equipment,” explains Loudermilk. “With this software, after a piece of equipment is sold and its serial number is entered in the system, the purchase is locked in. No serial number can be used twice. It keeps everyone honest. Without it, a salesperson could sell the same tractor twice and pocket \$20,000 and you’d never know it.”

The software also archives com-

plete customer histories, which provide details about their buying habits over the years.

“You just type in the serial number and all the information pops up,” Loudermilk says. “It saves us 30 minutes of digging around. Just like with everyone else, time is money.”

Moreover, the software alerts managers if the percentage markup on a part is lower than it should be, which recaptures otherwise-lost profits. It also provides insight into inventory-management details, such as how many units of a particular part were sold by month or by year.

“About 80% of the parts we sell come from 20% of the numbers in our world,” Loudermilk points out. “If you don’t turn something 3-4 times a year, you don’t want to stock it any more. All that information is right here at a glance.”

Minimal Paper Trail

Huron started out with a parts management and invoice module, then added capabilities such as customer profiles, accounts payable and receivable, and a ledger sheet.

“The life of our products is 20 to 30 years,” Rudderham notes. “So tracking a machine’s parts history and a customer’s buying habits — and the sheer intensity of the aftermarket — requires unique software.”

Two newer functions illustrate the gee-whiz factor software systems offer: electronic signature and invoice retention and customer on-line access to purchasing information.

The electronic signature retention has drastically reduced paper consumption at Huron Tractor, which processes 100,000 over-the-counter invoices a year and 20,000 work

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orders in its service department. Instead of using duplicate forms (one for accounting and one for customers), the system captures customers’ signatures electronically at the service counter and then associates it with that invoice.

“The system prints out an invoice with an electronic signature on it for the customer, and we get rid of 100,000 documents a year,” he says. “Once you’re able to capture invoices, only the customer needs a (hard) copy. Everything else is stored digitally here for 99 months.”

With the on-line access component, a customer can sit at a kitchen table with a laptop computer and, with one keystroke, retrieve years of invoices.

“Our entire business system is effectively a Web server for our customers,” Rudderham says. “A customer with high-speed Internet access can bring up all transactions and sort them based on dates, parts, machines and invoice numbers.”

This resource is especially valuable for customers who can’t remember what parts they ordered a year ago and what they paid for them, or who can’t reconcile a bill because, for instance, a hired hand forgot to turn in an invoice.

“Now he can find the missing invoice and print it out,” Rudderham says. “Before, the customer had to go through a lot of work to correct a billing error.”

Rudderham says customer use of the new technology is expanding exponentially, though not without growing pains. Customers lose passwords and need training, and others haven’t yet embraced personal computers as a management tool, or have no high-speed Internet access, he says.

Detailed Labor Analysis

Thanks to a software system from Dealer Information Systems (DIS), management at Young’s Equipment Inc. in Regina, Saskatchewan, can more easily analyze service technicians’ efficiency. They also can better explain the cost of repairs to customers that dispute a bill, says Brad Kruger of the company’s information technology support department.

“The system provides us with segregated work orders, which show the individual parts that were used on repair jobs and the amount of time the mechanic spent installing each one,” Kruger notes. “Before, all the

parts and time were lumped together. So if a customer disputed a bill, we had to go through the whole list of part numbers in order to verify each one was charged out.

“It definitely makes a big difference,” he adds. “Our parts guy who works with the mechanics isn’t pulling out his hair nearly as much as he used to.”

Technicians create the segregated orders. They use individual identification numbers to sign in and out of each portion of a repair job at Young’s, which sells a variety of products at five stores in southern Saskatchewan, including Kubota and



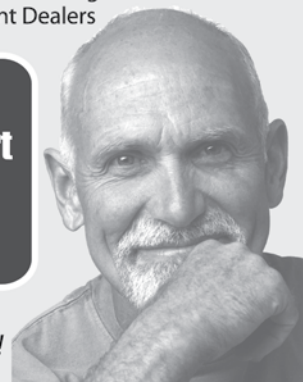
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— Brian Carpenter, Champlain Valley Equipment



John Deere equipment.

“The time is immediately recorded on the work order, instead of someone manually adding up a stack of time tickets later,” Kruger says. “You can tell how much time was spent on each repair ... which makes it easier to explain the bill to customers who complain about labor charges.”

Another timesaver is the software’s Keystone component, which enables managers to transfer financial reports into an Excel spreadsheet, eliminating the tedious and time consuming — not to mention possibly inaccurate — task of hand-keying data into a spreadsheet, Kruger adds.

At Champlain Valley, the BSS system allows Carpenter to keep separate balance sheets for each of his two stores, and merge them with one keystroke. That enables him to analyze how the individual stores are faring, as well as determine how various equipment lines perform.

“When it comes to rationalizing the equipment lines, I can see which ones are profitable and which ones aren’t — which ones have turns and which ones don’t,” he explains. “This has taken us from a 1% bottom-line margin to an average 3% bottom line. When you can do that, you know you’re managing your assets better.”

Same Destination, Different Roads

The roads dealers take to arrive at a software solution that best fits their businesses vary wildly. Take Huron Tractor, for instance. The company started out in the early 1980s with an IBM System 34 and IBM software. But the software didn’t work well

because it wasn’t customized for implement dealers, Rudderham says.

So Huron hired three programmers and developed its own custom software over a 5-year period. The software was so successful that its developers later split off and formed their own company: PFW Systems.

Murfreesboro Kubota’s Loudermilk looked at three or four different software packages during a couple of months before selecting Charter.

“We know what we do,” he observes. “It was just a matter of finding a system that fits us.”

Loudermilk liked how Charter personnel walked him through the package and answered all his questions thoroughly.

“No one passed the buck,” he says. “When I had questions, they had answers. I like that, because I’m a very direct person.

“With our old system, we were always caught in the middle when we had problems. One would say the hardware is at fault, and the other would say it’s the software. I felt like a ping-pong ball.”

For others, like Carpenter at Champlain Valley, familiarity was a key factor.

“At the time, Basic Software provided software for personal computer networks, which I was comfortable with,” he recalls. “So we went with Basic’s Windows-based system. It cost less money at the time, and New Holland was already using it at dealer-development stores. Plus, the financial statement format was very similar to what New Holland used for training classes, so that also made it easier.”

Research Required

What would these four dealers advise colleagues who are considering upgrading or changing their business management software systems? Do your homework, they say unanimously.

“The majority of dealers now use only a handful of suppliers in the business management software industry,” says Champlain Valley’s Carpenter. “You just have to feel comfortable with the vendor and be sure they provide the best aftermarket service.”

Carpenter suggests using a leading major supplier, because most of the major manufacturers also use those systems.

“Talk to other dealers, too,” he says. “Go and see what they use and what you like and dislike about it, then see if you can live with the dislikes. Every system has its downsides.”

Carpenter also urges dealers to consider whether a system can expand as a dealership’s needs change. In addition, he says the Internet is a great resource for finding out what customers say about whatever vendors are under consideration.

“Every dealership has to assess its needs and requirements,” says Al Hajewich, Young’s Equipment’s chief financial officer. “For instance, our DIS system would be overkill for a smaller business.”

At Murfreesboro Kubota, Loudermilk says dealers should ask if the new software could seamlessly integrate existing company data.

“You’ve got accounts payable, accounts receivable customer addresses, vendor lists — it’s a night-

“Every dealership needs to assess its specific requirements. Our system would be overkill for a smaller business.”

— Al Hajewich, Young's Equipment



mare if all that data can't be input into the new package,” he points out.

Loudermilk also suggests feeling out vendors by talking to them and asking the right questions.

“You'll find out right quick which ones are wishy-washy,” he says. “In the end, it's all about people.”

Huron's Rudderham urges dealers to be sure they have a sound computer network to support whatever software they're considering.

“You can have the best system out there, but if the network is unreliable, it's very frustrating,” he says.

He also emphasizes the importance of training and says dealers will find that employees are less resistant to change if they see how it benefits them.

“You can't assume you can train employees by osmosis — put it in front of them and let it soak in,” he says. “The organization needs to untrain employees, then retrain them with enthusiasm and excitement. Don't assume that the vendor is going to be the trainer. You need a champion in your organization who's going to put the blade down and push.”

Always Room for Improvement

While the four dealers are pleased with their current management software, they still have wish lists of additional capabilities.

“We'd love to have a fully integrated non-parts purchase order system with electronic approval,” says Rudderham. “That's one area of the company that's been a little loosey-goosey, with everyone having their own P.O. book.”

Says Carpenter: “We're not managing the wholegoods to its fullest extent. We're not utilizing the information for our sales force the way

we'd like to. It's not that the system is incapable; we're just not there yet.”

Ultimately, Carpenter would like to see salesmen be able to obtain costs and retail prices for goods on a laptop computer while with a customer, and print out a quote right there. Or call up a photo of a piece of used equipment for a customer to review.

“That way, you're giving the customer the information he needs right there, instead of having to take time to get back to him,” he explains. “Travel time in this business is critical. If you go to a farm and don't have all the right information, then you

have to go back again later.”

Also, if a farmer changes his mind about a piece of equipment in mid-conversation and wants to examine something else, salesmen would have the information on their computers, which would greatly increase customer satisfaction, he says.

“The more information they can take with them, the more prepared they are to quote a price and close a sale,” Carpenter notes.

Even without that capability, though, one thing is for sure: Carpenter's software sure beats shuffling through a mega-deck of cards.

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