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10 Secrets of Dealer Success

By Don Ray

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PM

I'd like to share some great information I picked up at an automotive chief financial officer conference sponsored by Moss Adams, a Seattle-based CPA firm.

Bob Hinton, a Moss Adams partner specializing in auto dealerships, talked about "10 Secrets to Dealership Financial Success."

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They are especially relevant to dealers during these tough times. With Bob's permission I am stealing (I guess if I have his permission, it isn't really stealing) his ideas and in some cases adding a few thoughts of my own.

Let's get the countdown started:

Secret 10: Good Financial Information

Get timely and accurate information from each of your departments. You cannot make good business decisions without information or with old information or with inaccurate information.

Secret 9: Hire Professionals

Spend the money to get the best folks you can afford, both in terms of your internal staff and your external advisors. Incompetence (intellectually or morally) is one of the highest-expense areas of many dealerships. As Jim Collins asks in his best-selling book, "Good to Great": Do you have the right people on the bus and in the right seats?

Secret 8: Budgets and Forecasts

You say that you don't have a crystal ball to look into the future. Well, neither do I, but we all have the ability to look into the past. We have often heard that the best predictor of the future is the past.

When I study the past and consider future possibilities, I am better prepared to deal with the present. In today's retail automotive environment considering the realities of the past and the possibilities of the future will better prepare us to right size our stores for today.

Secret 7: Hold People Accountable

Demand the best, but remember the old saying: "You get what you inspect, not what you expect." Expect the achievement of SMART goals (Specific, Measurable, Attainable, Realistic and Time-based).

Secret 6: Reward the Right Behaviors

Determine what behaviors you want to encourage. Then pay well for those. Make sure your pay plans actually reward the right behaviors and find creative ways (not just compensation) to reward the behaviors you want.

Secret 5: Manage Cash

"Cash is King." That has never been more true than today. You should be projecting out your cash needs and its availability. Do you really have enough cash to spend on the image program the factory is pushing on you?

Secret 4: Unlock Frozen Assets

Here I refer you to my *Ward's Dealer Business* column of February 2004:

(http://wardsdealer.com/ar/auto_try_not_chill).

Secret 3: Reinvest

Unlocked capital and excess cash should be reinvested. While you may want to use excess capital to buy another store, you should always make sure you have ready access to cash for the rainy day that will be coming.

Secret 2: Manage Debt

It has been said that debt is both a lifeblood and a toxin. Make sure you can get it when you need it on terms that make sense. Just as important, make sure you don't get too much.

Secret 1: Pay Your Company First

Jack Welch wrote a book, "Control Your Own Destiny Or Someone Else Will." What great, simple

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advice. Make sure that you do what's best for the company, not for your employees, suppliers, etc. If the company fails, what happens to your employees, suppliers, etc? To control your own destiny you must warehouse resources, such as cash, employees, real estate and more.

Now, thanks to Bob Hinton, the secrets are out. How well are you keeping them?

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