MEASURING UP:
Dealers Share Performance Data

By Dave Kanicki, Executive Editor

The erratic business levels in recent years have tested outdoor power equipment dealers' ability to perform in good times and bad.

Over the past 5 years there has been nothing steady when it comes to the business levels for dealers selling outdoor power equipment (OPE). They've witnessed a swing in annual revenues of 31% on average between 2012-16 ($3.32 million vs. $4.34 million). But this wasn't the worst of it. Between 2013-15 alone, total revenues, on average, fluctuated by more than half ($2.85 million vs. $4.34 million).

Fortunately, dealers have seen some growth during the past 2 years, according to the Cost of Doing Business Studies conducted by the UNITED Equipment Dealers Assn. (UEDA). Their numbers show that after 2 years of declining revenues in 2012 and 2013 ($2.9 million and $2.8 million, respectively), revenues on average increased to $3.3 million in 2014 and $4.3 million in 2015.

To determine which of the wide-ranging measurements covered in UEDA's Cost of Doing Business Study were most relevant to OPE dealers, Rural Lifestyle Dealer conducted a survey of a small sample of dealers. The operational and financial metrics covered in this report reflect those selected by the dealers who responded to the survey.

Revenue Mix

Over the course of the past 5 years, results of the studies show that sales of new equipment wholegoods increased in both total dollars and as a percentage of total revenues in 3 of the 5 years considered in this report. Overall, revenues generated by sales of new wholegoods ranged from $1.95 million in the 2012 study, or about 59% of revenues, to $2.95 million or 68% of total revenues in the

2016 study. During the 5 years, annual revenues from new wholegoods averaged $2.12 million, or 63% of total revenues. (See the chart below.)

At the same time, sales of used wholegoods as a percent of total revenues was erratic throughout the period studied, from a high of 13% in 2012 to a low of 4.8% in 2013. On average, sales of used wholegoods comprised 7.5% of total revenues over the 5 years studied.

Looking at the sales of parts and accessories between 2012-16, it appears in the years when new wholegoods decline, dealers have a greater potential to increase parts sales. For example, in 2014 when sales of new wholegoods fell close to their lowest levels, 59.9% of total revenues, parts and accessory sales peaked at 22.6% of total revenues. When sales of new equipment peaked at 68% of revenues, part and accessory sales dropped to their lowest level of the 5-year period, at 16.1% of revenues.

On average, over the 5-year period studied, revenues from parts and accessories averaged 19.5% of total revenues, second only to new equipment sales.

Sales of technical services would also seem to hold solid potential for increasing OPE dealers' bottom line. Over the 5 years in question, service represented slightly less than 8% of total revenue. Service revenues held steady at about 8.3% during the first 3 years when sales of new wholegoods never got past $2 million. But as new equipment sales surpassed the $2 million mark in 2015 and reached nearly $3 million in the 2016 report, service revenues dipped below 8% and 7%, respectively.

This is most likely due to the fact that newer equipment requires less service compared to older products. However, this may also present an opportunity for dealers to increase preventative maintenance-type packages and sales to take

OPE Dealers' Cost of Doing Business

The United Equipment Dealers Assn.'s (UEDA) Cost of Doing Business Study presents the annual financial and operational profile of independent, retail equipment dealerships. The 2016 study assesses the financial performance of outdoor power equipment dealers (OPE) who submitted confidential financial reports for 2015 to the association for tabulation by a certified public accounting firm. The study presents composite income statements and balance sheets in addition to averages for key financial performance ratios. The year the studies were released reflects the prior year's results.

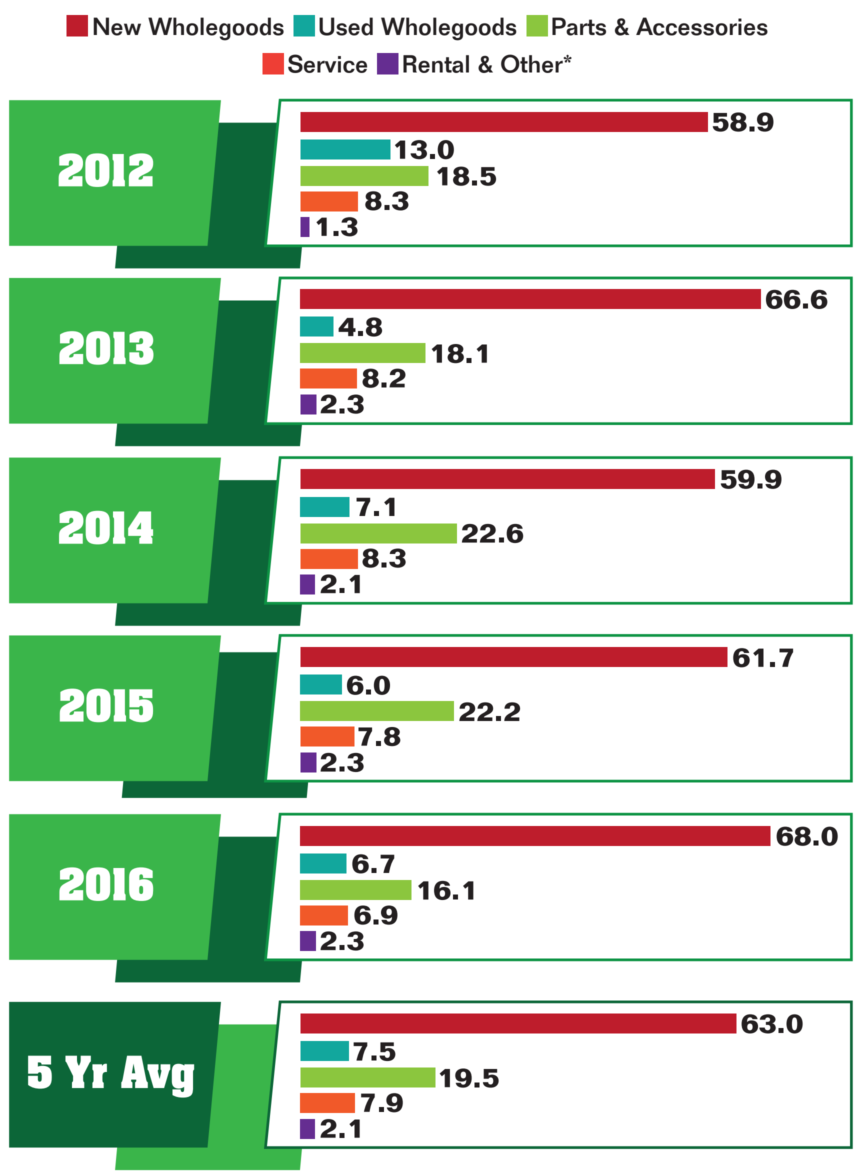
The results shown include outdoor power equipment dealers from 4 states — Kentucky, Indiana, Michigan and Ohio — comprising the UEDA members who participated in this study. Complete copies of the reports are available by contacting UEDA.

A 5-year packet of the studies included in this report is available to dealers from UEDA for $299. Please contact Bill Garling at 800-606-6332.

advantage of the higher margins typically available with service.

Rex Collins, head of the Dealership Industry Group at HBK CPAs & Consultants, says as a percent of total revenues, a balanced revenue mix for OPE dealers would fall into the range of 62-68% for new equipment, 6-7% for used wholegoods, 16-22% for parts and 6-8% for service operations. Collins also suggests that given the higher gross profits generated in the service and parts departments, the most successful dealers are looking to grow those portions of the business.

OPE REVENUE MIX — 2012-16



Over the 5 years studied, dealers showed an increasing reliance on new wholegoods to meet their revenue goals. During this period, new equipment made up 63% of sales.

**Other includes freight, delivery, warranty, outside labor and cash/volume discounts*