

# 3 BIG MISTAKES DEALERS SHOULD AVOID

## When Implementing an Aftermarket Supply Plan



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For a business owner, implementing a successful Aftermarket Supply Plan in 2013 would be like arming your company with secret weapons that can bring higher revenues and higher profits. Does that sound good to you? If you answered yes, I encourage you to read on... though I warn you, it takes work!

A successful Aftermarket Supply Plan needs to be just as important a strategy as your top 3 objectives for 2013 (or may even be one of your top 3 objectives). Based on interviews from Industry Analysts' "Imaging Systems Dealer Strategy Report," here are some common trends from responses stating "profits are down" because:

*I am forced to compete with my primary vendor in 30% of my customer interactions. This has a significant negative impact on my margins.*

*Vendor competition aside, my margins are lower. My cost of goods sold is increasing beyond my ability to pass those costs onto my customers.*

Using compatible products in these particular areas is a strategy that can help combat these issues, which will not only lower your costs, it will also help you increase revenue by winning deals that you walked away from, or lost bids on due to price. However, implementing a successful strategy is easier said than done. If you want to implement a successful aftermarket supply plan using compatible products, you need to avoid these common mistakes:

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## 1. Not getting enough employees involved in the process

When it comes to a compatible implementation strategy, in more than half the cases I see this process go not much further than a purchasing person, and/or someone in service that is responsible for giving a product field test, and reporting the results. Getting more of your employees involved will help them gain the confidence and importance of using compatible products to help your business grow and be profitable. By not doing this, I will tell you from experience, that any of your employees that experience an issue with a compatible product that were not involved in the process, or not informed that you were going to use compatible products, are quick to snipe that this is "management's fault; they tried to cut some corners and save a buck!" I believe this is more of culture statement of the company, rather than a product experience.

You need to think about drilling deep down to everyone in your organization that is involved in the process of using compatible products in your aftermarket strategies. You don't have to use all of them, but here is a list to consider:

- President/CEO/General Manager
- Purchasing
- Service Manager
- Sales Manager
- CFO
- Supply Sales Manager
- Customer Service



Let me give you another fact to consider. According to a recent Gallup Poll on employees trusting their employer, it states that:

Employees that are engaged - 96% trust their employer.

Employees that are not engaged - 46% trust their employer.

What do you want your company to look like? As a business owner, if you want to be trusted by your employees, I believe the choice is clear.

## 2. Not believing that compatible products can help increase revenues

How much business did you lose last year? Why did you lose that business? How much of that business was lost due to price? How many bids did you walk away from because you knew that you could not compete?

This is why I listed Sales Manager in the previous topic, and I would expect the Sales Manager to be engaging the Sales Staff on gathering that information. Any of the lost business that was due to "not being competitive" price wise, a compatible strategy could help to get you back in the game. What type of business revenues could your company reap if you had another competitive option in your portfolio to present to customers and potential customers?

Last year one of our customers had a relevant experience. We were introducing a new popular toner for use in Kyocera in 2012. We always get interest from our regular customers during the development stages about when the product will be available, yet I was surprised when the owner of this company reached me on my cell phone to ask for the

price on the new toner we were introducing. I explained that we had completed testing of the toner, and we were still about six weeks away from stocking regular inventory, so we did not have our costs finalized just yet. Naturally I asked, "What's the reason that you need this price today?" He went on to explain that the renewal was coming up on one of his largest customers, and he would be competing against another manufacturer on this renewal. Thankfully, as a courtesy of being the incumbent vendor, his customer provided him with their bid. "I already did the math on this bid, and if I use OEM toner, I will not beat the other manufacturer. I will lose this customer," he said. "And I have to submit my bid by next week. If I have the cost on your product, at least I have a shot at keeping this customer's business."

We were able to get him a cost quoted in a day, and he subsequently won the contract, and avoided losing a major account. You will always need to give your primary OEM, supplies business. Although what is your OEM doing to help you win deals when the market place is too competitive for you? Almost a third of the time you are even competing against them! How much more business could your Sales Staff bring when you arm them with more weapons to go to war against the competition?

## 3. Not assessing the health of your customer base

Do you have a benchmark for what constitutes a healthy customer versus an unhealthy customer? If you do not know, you need to take immediate action so you can focus on turning it around. The strategy here is no different from dealing with a subpar employee: you either fix the problem, or make them available to the industry.

In making your customers healthier by your standards, you can use compatible products to help lower your costs, and get them to meet your benchmark. You can also raise the cost of your services to those customers to bring them in line with your benchmark.

I met the owner of one dealership this summer that really has a handle on this concept. They had written their own software program to assess the profitability of their customer base. They were doing a good amount of growth through acquisition, and this program helped assess the customer base and focus on getting the low and non-profitable customers to become profitable.

Did they cut some customers loose? You better believe they did. Whenever they were unsuccessful in having a customer choose options that were more in line with their benchmarks, they realized it was time to cut the cord. This owner actually kept business cards of his competitors, so that when it was clear that particular companies would not fit in their future plans, he would tell them: "Since we are not meeting your expectations, these other companies may be a better fit for you." That act is memorable. If ever a customer returns down the road, it has helped establish trust, and has set a standard of doing business going forward.

I hope these topics help you resolve a focus on improving your Aftermarket Strategy for 2013. It's one of the first steps to improving revenues and profits for your dealership this year. If you would like help in forming your strategy, please feel free to contact us for more information. [www.polek.com](http://www.polek.com)

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