

REPLACING THE LOST REVENUE

By Rob DiCerbo, Account Executive/New Product Development

We have all read the headlines; "Recession", "sub-prime mortgage mess", "\$130 oil." For those in the dealer community, these are not just empty words whose effect we do not see on a daily basis. All of these different scenarios lead to one big issue that we all must contend with, the overall business community has slowed down their spending and that means less copiers are moving out of the showroom. In times like this we must look for new and creative ways to maintain profitability so we can maintain our businesses through these times. The following is the story of one dealer that asked us about how to maintain profitability and how we were able to help.



The dealer, we will call them XYZ Copier Company, was a successful dealership. They had won the praise of not only their OEM manufacturers but also praise from many local and national business organizations. In business for over 25 years they had grown into one of the top dealerships in their geographic region. Over the past five years growth had been tremendous. With a couple stellar salespeople coming aboard every goal that was set was subsequently hit. That is until the second half of 2007 came around, and machine sales slowed to a trickle. For the entire year of 2007 XYZ Company had fallen short of their goal by \$1.5 million dollars. When we asked "What can we do to help you run your business better?" the response was, "find us our lost revenue."

We all know that the profit generated by that revenue is what we are all looking for. So it was important to determine what profits were missing. Now this dealership was making 18% after all expenses were accounted for, so with the missing revenue that equated to \$270,000 in lost profit. Now there was something I knew we could help with. This dealership was already buying aftermarket parts and drums so additional savings in this area would have less of an impact. However they were using OEM toner in all machines even those that were 5+ years old. Here was an opportunity to put real dollars back into the hands of the dealership. I asked for some current usages and pricing, then we went to work.

We designed a proposal whereby they would switch the toner to our compatible. Knowing that this company was currently using no generic toner we designed three proposals each one varying in the number of models that would be switched over. The first proposal only dealt with machines that were over three years old. The second also included newer machines segments 1-4, while the third proposal added segment 5. There were meaningful savings with all three proposals, and we presented all three to the dealership's management.

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The first proposal saved the dealership \$45,000 annually or 16.7% of the lost profit. The second proposal would have saved the dealership \$97,000 annually or 36% of the lost revenue, and the third proposal saved the dealership \$145,000 annually or 53.7% of the lost profits. When translated into recovered revenues this last proposal equated to an additional \$805,000 in revenue. The management team saw that this simple change could recover over half of the lost revenue they had experienced the prior year, and after a couple of meetings decided to move forward with proposal number three.

The important lesson here is that if a dealer is experiencing a mild or severe loss in revenue, we have a solution that we can implement to recoup some of those losses. The nice aspect about this proposal is that we went through the exercise through the lens of lost revenue. We have done this for many dealers, but the association to revenue really showed the impact that our products are able to have on dealership profitability. If any part of this picture sounds like a situation your dealership is facing, we want to run a similar scenario for your unique case to see how the use of our products can improve your dealership's profitability and keep your company financially strong for the times ahead.



Robert DiCerbo has been part of the Polek & Polek team since 1999. His current positions include advising customers as an Account Executive as well as being a member of the New Product Development team.