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Want to do better in 2017? Here's a little secret

The power of having a plan

Imagine jumping in your car to go on a road trip. You've packed a cooler, a bag full of snacks, and a playlist of tunes. You get behind the wheel and start driving. It doesn't take long before you realize you don't know where you're going. You don't have a plan.

A journey without a destination is just a joyride. Joyrides are fun. But if you have an ending point and a road map, you'll get where you're going much faster and with a lot less stress.

A lot of small business owners lack goals and roadmaps. I know. I've been guilty of it myself.

It's easy to get caught up in the day-to-day and put off long-range plans. But when I've outlined business goals and strategies I've had a better year financially and personally. So you'd think I'd set goals every year. But sometimes the unplanned crowds out planning.

There is no better time than the end of the year to reflect on 2016 and create a *written* plan for 2017. Think of it as your business New Year's Resolution.

Q. What planning? As long as I've been to all the stops on my route, I've done my job. Right?

A. You need to rethink your perspective: Mobile tool distribution isn't just a job, it's a business.

You didn't invest all that money in a truck and inventory to buy yourself a job. You invested in a business. And one of the benefits of that business is the opportunity for personal progress and financial freedom. You are your own boss and have "unlimited potential" (Or so says my wife, Beth, of the glories of self-employment—she's annoyingly positive sometimes.)

The problem is, although you are your own boss, as a tool dealer you are often your only employee. You need to do the hard work of running your business. But, it's important to make the time to assess your progress, set goals and lead your business to success.

Q. OK. I'll bite. Where do I start in planning?

A. "Begin with the end in mind," said the late Stephen Covey, author of the landmark book "The Seven Habits of Highly Effective People." Let's say you want to increase your income in 2017, for example. **Your plan is your roadmap.** With today's modern GPS mapping technology, you can often choose from several routes to get to the same destination. Knowing the best travel route depends on if your goal is to avoid traffic, construction or highway driving. But first you



need to know your starting point and ending point.

Similarly, there are several ways to increase your income. It all starts with knowing some basic numbers like inventory turn, time payment turn, sales, expenses and active customers.

The next step is to set your goals based on last year's numbers.

Q. What are the key numbers to know? How I can get them?

A. I think you need seven basic numbers. Some people think you need more or less. No one is right or wrong. I just think these seven give you simple, balanced perspective.

- **How much did you sell (gross)?** You can grab this from a tax return or a sales report. These numbers don't have to be exact. Close is close enough. Let's say your sales were \$500,000.
- **What is your paycheck (net)?** What did you clear after cost of goods, your truck payment and all the other costs of doing business? This is basically your paycheck. Let's say you earned \$75,000 last year before health insurance and taxes.
- **What was your net as a percent of gross?** So, if you sold \$500,000 in inventory and earned \$75,000 before

More online

It's important to establish goals for your business, but there's also an efficient way to take on the goal-setting process. For more information about setting SMART goals, visit VehicleServicePros.com/20838930

SALES Q & A

taxes, you averaged 15 percent. Or, 15 cents on a dollar sold.

- **How many customers do you sell to a week?** Your software should provide an active customer number. (Not how many customers you call on.) You want to know how many are actively buying and making timed payments. Say this number is 200 customers.
- **How much do you collect from customers each week?** If your software doesn't give you that number divide the gross sales by 52 to get average weekly sales. That should be close to weekly collections. Finally, divide the weekly sales by the number of customers. In our case it's about \$48 per week per customer.
- **How many hours did you work?** Say you work an average of 50 hours a week. Multiply 50 hours by 52 weeks a year and you see you worked 2,600 hours a year.
- **How much did you earn an hour?** Here is where it gets encouraging—or depressing. Divide your salary by the hours you worked. Say you earned \$75,000 last year and worked about 3,120 hours (about 60 hour/week). That means you earned \$24/hour.

Q. Okay, I have a headache from all this math. Now what?

A. Now it's time to assess your year and set some goals:

- **Gross sales:** How do 2016 sales compare to 2015? Compared to others dealers in your area?
- **Paycheck:** Want a raise? Should you increase sales, cut expenses, or both?
- **Net/gross:** What can you do to squeeze more profit out of every dollar sold?
- **Customers/week:** I'm told 200 customers is the magic number. Less is

usually too few. More is definitely awesome. Where do you fall?

- **Sales/collections:** You should collect \$50 to \$75 per customer every week. That means every customer should be worth \$2,600 to \$3,900 a year in sales to you.
- **Hours worked:** Are you putting in the hours? Or are you overworking? You need some down-time to avoid burnout. (One of my biggest struggles is work/life balance.)
- **Hourly rate:** What's your hourly wage? Do you need to hire help to buy more selling time? Are you spending too much unprofitable time at certain shops? See above: Are sales too low? Expenses too high? Do you have too few customers? Are sales or collections low?

What do you want/need to change next year? You need to write it down. And be sure you break it into bite-size pieces. Like any major project, you just need to achieve a little bit at a time to see big progress. Write it down and post where you'll see it often. Refer back to your goals often.

Q. How can I set goals? I can only sell what customers are buying. I can make only so many calls in a week. And what if the problem is the economy?

A. Maybe you're earning potential is maxed out. But, chances are you don't sell on every shop and every tech on your route. Ask yourself what sales you're overlooking.

It's easy to blame the economy. But a CEO of an automotive manufacturer once told me a sales-focused business can't blame the economy for lack of growth. There are always more sales out there, we just may have to work harder to uncover them. I believe he's right.

So, don't just wait for sales to come to you. Set growth-focused goals and work your plan. **PD**

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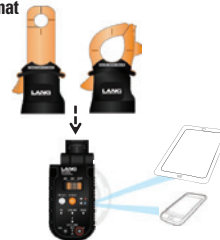
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