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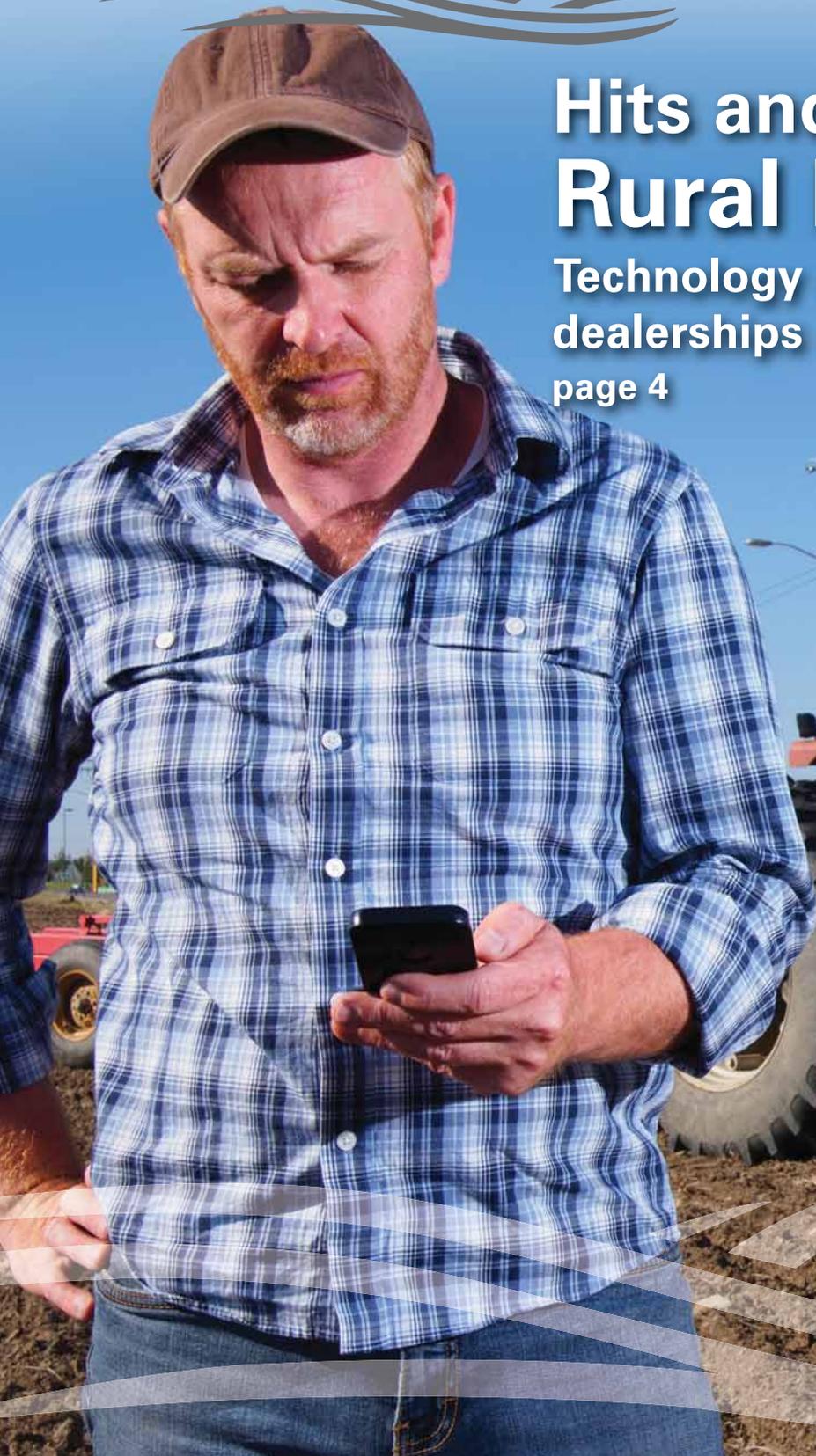
Equipment Dealer

RESOURCES FOR
SUCCESSFUL DEALERS



Hits and misses of Rural Broadband

Technology gaps affecting
dealerships and customers
page 4



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to high-speed internet service. It's
especially troublesome for farmers who
can't get remote access to dealers to
diagnose equipment problems.



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WESTERN Equipment Dealer



RESOURCES FOR
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Hits and misses of Rural Broadband

Technology gaps affecting dealerships and customers

By ERIC WAREHAM

EVERY DAY, IT SEEMS, new technology advancements are announced that change the way we interact and the way we work. What once seemed far-fetched becomes commonplace as the technological revolution marches forward.

The rapid growth of new technology abounds everywhere, including areas of the economy that many view as primitive industries, such as agriculture. It surprises many outside of the agricultural community to know how much technology has transformed farming operations, especially farm equipment. However, there is clear evidence the technological advancements in agriculture and farm equipment are quickly outpacing the infrastructure that allows us to use these new technologies.

In this article, we'll discuss how the lack of rural broadband is affecting your dealership and customers, the current state of the problem, and how we are on the cusp of making serious gains in the so-called "digital divide." But, first, let's look back at history.

In the early 20th century, a technological revolution was sweeping the country – electrification. Great gains in productivity and standard of living came about because of the availability of affordable electricity that powered lights and machines. Around this new technology sprang up numerous advancements in industry and household improvements, such as running water and refrigeration. Not all areas of the country were reaping the benefits, though. In 1920, less than 10 percent of farm families in the U.S. had electricity.

Despite the problem being widely acknowledged for over a decade, nothing was done until an event occurred that exacerbated the problem and triggered action.

After the stock market crash of 1929, the Great Depression ensued and highlighted the poverty of many areas throughout rural America. The "Dirty Thirties" showed just how far behind rural areas were in the technological advancements and how detrimental this was to agriculture production. It was clear something needed to be done.

During the presidential campaign of 1932, Pres. Franklin D. Roosevelt gave a speech in Portland, Ore., that made rural electrification an issue. In his speech, he declared that electricity "is no longer a luxury. It is a definite necessity..." He added it would "lift the great burden off the shoulders of the hardworking farmer." In May of 1936, Congress passed the landmark Rural Electrification Act that brought various agencies working on rural electrification under the authority of the Department of Agriculture. Although it took some time, by the 1950's nearly 95 percent of farms had electricity. By bringing publicity to the issue, investing public resources in the effort, and through engineering advancements, the gap between rural and urban electrification was eliminated.

Not to belabor the point, but anyone can see there are strong parallels between what took place in the early 20th century and what is occurring nearly a hundred years later with another technological revolution. The numbers are nearly as staggering as the last century. Over 23.5 million people in rural America lack broadband access. In several states, such as Kansas and Texas, over 80

percent of rural areas do not have access to broadband. It is now as clear as it was then that something must be done.

Rural broadband access affecting the dealership

For farm equipment dealers, the pain of not having rural broadband access is creating issues for them and their customers. In a recent survey conducted by WEDA (*see survey results on page 5*), over 89 percent of dealers said access to broadband is an issue for their customers, and nearly half said it was an issue for their dealerships. But why is this problem more than just a nuisance?

As farm equipment has become dramatically more complex and technologically advanced, the broadband infrastructure required to use the technology and service the equipment is woefully inadequate. Productivity gains created by precision ag are only achievable if telematics are available, which requires GPS and wireless connectivity to operate. Many farmers simply don't have the ability to operate precision ag equipment due to lack of broadband on the farm or in the field. On the other side of the equation, when farm equipment needs to be serviced, the lack of broadband makes it difficult or impossible to remotely diagnose the problem. In our survey, more than 80 percent of dealers said their ability to remotely diagnose



ERIC WAREHAM

is vice-president of government affairs for the Western Equipment Dealers Association.



THE SURVEY SAYS...

WEDA's dealers respond to survey about broadband availability

IN A HIGH-TECH WORLD where mobile devices now outnumber global population, it's difficult to imagine there are dead zones where broadband is limited or not available at all.

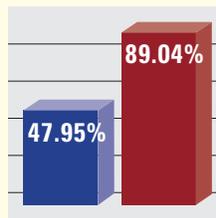
According to the U.S. Federal Communications Commission, nearly one-fourth of rural residents don't have access to broadband service. This problem has been on the radar of the public and private sectors for many years but solutions have been bogged down for a variety of reasons. However, it's clear that without broadband improvements in rural areas, the production of food and the operation of the machines used in food production puts North American agriculture at risk of remaining static instead moving forward – and it also could cripple rural areas in receiving or providing other services or taking advantage of economic opportunities.

To measure whether poor broadband access is having an effect on WEDA's members, Eric Wareham, vice president of government affairs for the association, recently surveyed dealers to determine if the lack of availability is an obstacle to their businesses and their customers.

The survey was revealing. Following are the survey questions, the results and some dealer comments.

■ Dealership % Yes
■ Customers % Yes

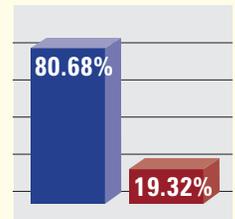
Is broadband availability a problem for your dealership and your customers?



- Almost all customers have access to cellular to their locations. However, there are still dead areas. Speed with wireless or cellular connections is poor and unreliable.
- It is a problem for our dealership because in some areas we cannot use the internet to access service resources or diagnostic tools. Many of our customers do not regularly use internet due to access issues – or because the service they have access to is expensive and only available by dial-up.
- This slows the speed of business.

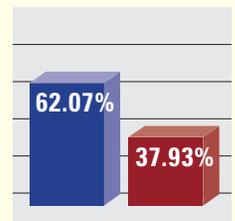
- We have only one source of reliable broadband and if it is off it is off most of the day.

Would expanded broadband availability improve your dealership's use of remote equipment diagnostics?



- Customers who have poor or no cellular connections while in the field makes it difficult for us to connect.
- Technology is at the core of the equipment we sell but broadband availability/coverage is the limiting factor.
- It would help to make repairs in the field if service were available and make repairs more cost effective.
- Service department has to be able to use laptop to run diagnostics on machinery.

Has limited access to broadband affected your dealership's ability to serve your customers?



- With poor or lack of services, this causes us the inability to remotely diagnose, assist and resolve issues.
- Makes download of software difficult on the farm or in the field.
- We will have to haul the machines to our shop instead of being able to diagnose in the field.
- We have to rely on other means to supply the service we need and these other alternatives are not fully reliable.

While the survey revealed that some dealerships are fortunate to have adequate access to broadband, WEDA is concerned about the vast majority of members who responded that the lack of access is a problem. That is why the association is getting involved to work with other stakeholders and policymakers to close the broadband access gap and resolve this problem. **WEDA**

equipment would improve with expanded broadband access.

As a result of the digital divide, farmers and ranchers are growing frustrated with increasing downtime and the inability to repair their highly advanced farm equipment themselves. Because of the sophistication of modern equipment, highly trained technicians are required to perform service on the equipment. Decreasing downtime for customers is tremendously affected then when the dealership does not have the ability to remotely diagnose the equipment because broadband is unavailable at the farm. Technicians are even sometimes forced to bring the equipment back to the dealership for repairs because a farm lacks connectivity to diagnose the problem, or download required updates.

Realizing this problem, the association has partnered with companies like AgriSync that provide solutions to connecting dealerships with their customers. Casey Niemann, founder and president of AgriSync, is well positioned to understand these issues and recent developments in technology. Niemann, who worked for Microsoft for 14 years, now runs a company that provides one-touch mobile access to local dealership advisers to help troubleshoot machinery in a timely, cost-effective way. He understands that equipment manufacturers have “delivered a tremendous amount of technology to the farm” and that “innovative dealers are taking the first steps with innovative services that connect the dealer with their customers.”

Continued on page 6



WED Feature

Continued from page 5

...the technological advancements in agriculture and farm equipment are quickly outpacing the infrastructure that allows us to use these new technologies.

These issues have become a focal point in the legislative arena, too. The issue known as 'Right to Repair' poses divisive, unnecessary legislation caused by the inability of dealers to remotely diagnose farm equipment in the field and reduce downtime for their customers because of inadequate broadband accessibility. When frustrations build over the lack of infrastructure, sometimes the finger gets pointed in the wrong direction, as is the case here.

Equipment dealers are partners with their customers, and their success is dependent on their customers' success. However, frustration over the inability to quickly diagnose problems remotely is increasing downtime and costs for farmers and ranchers. The lack of broadband is slowly pitting some customers against dealers and sparking legislation, such as 'Right to Repair,' but the real culprit of this problem is the digital divide that is leaving rural areas behind without the infrastructure to use technology.

Moving beyond the Digital Divide

Much like the last century's difficulty in overcoming the electrification gap, an event has triggered action by public and private actors. The election of Pres. Donald Trump highlighted the dissatisfaction of many rural voters and the sentiment from those voters that they

are not realizing the economic progress occurring in metro areas. To many, this can be partially attributed to the digital divide. And people have taken notice.

The conversation about how to close the broadband gap is nothing new. The National Telecommunications & Information Administration (NTIA) has been collecting data through U.S. Census Bureau surveys for some time, and the disparity between rural and urban broadband accessibility has been known for well over a decade. Yet, despite much being said about the problem, there has been little done about it because of the costs associated with bringing broadband to remote areas. However, because of recent engineering advancements and a shift in political winds, there is change on the horizon.

One of the participants in bringing about this change is Microsoft. In July, Microsoft President Brad Smith announced in a Washington, D.C., speech that his company is committed to connecting over two million rural residents to broadband and eliminating the digital divide within five years. This ambitious plan is based on using TV white spaces, the unused channels between television broadcasts, to provide broadband to people who live in areas with population densities between two and two-hundred people per square mile. This method of delivering broadband is 80 percent less costly than fiber optics and makes it economically viable. Microsoft has already demonstrated the technology works by connecting over 185,000 people throughout the world using TV white spaces.

The Trump administration is also committing to closing the digital divide. Among

the components of a future infrastructure package, the president has stated that a significant investment will be made in rural broadband. His intention to invest public resources in bringing broadband to the farm is buttressed by the attention given to the issue by U.S. Secretary of Agriculture Sonny Perdue. Testifying before the House Agriculture Committee in May, Perdue supported rural broadband by stating that "if young folks can't stay connected, it will be hard to keep them living in rural America." In addition to that, the Federal Communications Commission is doing its part to encourage dissemination of broadband by stepping up efforts to collect and distribute data on rural broadband usage to identify needs, and working with companies like Microsoft to provide additional unlicensed TV channels to be used for delivering broadband through TV white spaces.

The association is committed to working with both private and public entities to bring publicity to the issue, help identify needs, and pursue public policies that will facilitate future investment in rural broadband. As we approach the next generation of ag automation, we must have the infrastructure to support the use of it. The association is in a prime position to advocate for that investment and eliminate the digital divide we are facing in this latest technology revolution as our predecessors once did nearly a century ago. **WED**

ERIC WAREHAM is vice-president of government affairs for the Western Equipment Dealers Association. He is a graduate of the Willamette University College of Law and Augusta State University. Eric may be reached by writing to ewareham@westerneda.com.



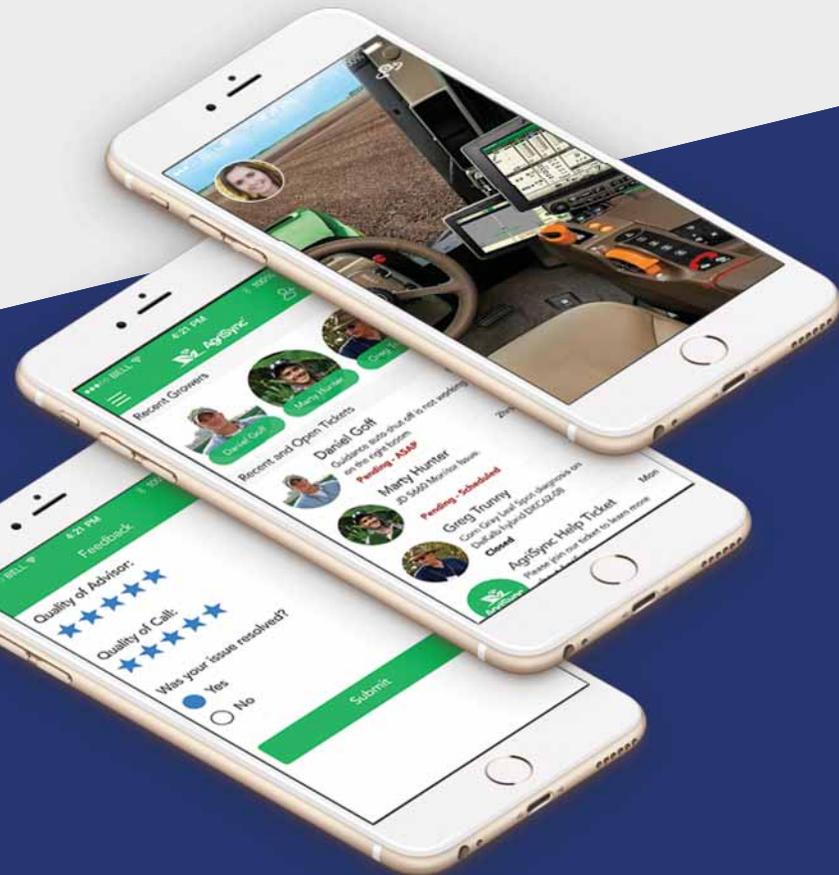
HERE'S WHAT YOU SOLD – Equipment Retail Sales in Units

| U.S. – July 2017 Ag Tractor and Combine Report | July | | | Y-T-D July | | | July 2017 |
|---|--------|--------|-------|------------|---------|-------|---------------------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg | Beginning Inventory |
| 2WD < 40 HP | 12,558 | 12,255 | 2.5 | 91,707 | 82,591 | 11.0 | 69,657 |
| 2WD 40 < 100 HP | 5,222 | 5,044 | 3.5 | 32,807 | 32,926 | -0.4 | 32,208 |
| 2WD 100+ HP | 1,215 | 1,608 | -24.4 | 9,604 | 11,372 | -15.5 | 8,153 |
| Total 2WD Farm Tractors | 18,995 | 18,907 | 0.5 | 134,118 | 126,889 | 5.7 | 110,018 |
| Total 4WD Farm Tractors | 120 | 120 | 0.0 | 1,149 | 1,216 | -5.5 | 694 |
| Total Farm Tractors | 19,115 | 19,027 | 0.5 | 135,267 | 128,105 | 5.6 | 110,712 |
| Self-Propelled Combines | 409 | 428 | -4.4 | 2,079 | 2,205 | -5.7 | 1,006 |

Data provided by the Association of Equipment Manufacturers (AEM).



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Loaded coat tree leads dealer to inspiration

By LYNN GROOMS

Three days a week for years Brad Derr drove from Savannah, Mo., to neighboring St. Joseph. He would see people on the streets, thinking they were just walking to work or heading home. Little did he know that many of the people didn't have a home or that one day he would call many by name.

And little did the Case IH dealer from Savannah know that clearing a coat tree at home would later have a lasting impact on his native northwest Missouri. An accidental call to a friend has grown into an inspirational arc of helping the homeless and mobilizing volunteers.

Making a coat tree grow

It all started last December when Derr realized that, for years, he hadn't seen the coat tree at his home. By the time he added the mountain of coats from the coat tree to a windrow of those he cleaned out from several closets and two garages, Derr had collected more than 70 coats and jackets.

Derr was planning to call Goodwill to make a donation, but accidentally called Sandy Dozier, one of his friends instead. Dozier told him that if he wanted to give coats directly to people in need he should visit the Open Door Food Kitchen in St. Joseph, a city of about 77,000 people.

"We handed them out to people who weren't wearing a coat or – at best a very light coat – and realized that we didn't even have a quarter of what we needed on that 10-degree December day," Derr said.

That's when the dealer decided to enlist the help of family, friends and Facebook. With additional donations, they were able to supply coats and personal hygiene kits at the kitchen for the next several weeks. He learned that the kitchen was closed on Sundays. The homeless only received a cold snack and lunch and really had nowhere to get out of bad weather until shelters reopened on late Sunday afternoons.

Derr talked with Dan Moyer, the kitchen's manager, and received board approval to begin organizing and serving Sunday breakfasts at the site. He, family members and about a dozen volunteers began serving Sunday breakfasts on Super Bowl weekend and have been doing so ever since. That first Sunday



The Derr Equipment showroom is a multipurpose space. New equipment is surrounded by clothing and other items that will be donated to local charities and shelters. The equipment is for sale – the clothing is donated, never sold.

they fed about 140 people. They now feed an average of 240 people each Sunday.

"We receive about \$300 per week in donations to buy food," Derr said.

Mission: not impossible

Sheila Mendez, facility coordinator at Community Missions, St. Joseph, said, "Brad is an absolute godsend. He's one of the biggest humanitarians I've seen in my lifetime and he's also very modest. He'll just say, 'I'm doing God's work.'"

Community Missions works to eliminate homelessness by providing affordable housing and supportive services to men with low to moderate incomes in northwest Missouri. In the past six months, Mendez said the organization has provided services to about 700 people. She attributes increased awareness about Community Missions' services to Derr and his work.

"He has a special gift for enlisting the help of church groups and youth groups," she said.

Rhonda Bullmaster works in individual and family services homeless outreach for InterServ, a group of volunteers, churches and community organizations that helps people in the St. Joseph area. The group is particularly focused on identifying and addressing unmet needs in the community. Derr coordinates donations to purchase toothpaste, shampoo, razors and other items for people in need, she said.

"Brad follows through with what he says," Bullmaster said. "He's an exceptional person."

Angela Reynolds, project coordinator for St. Joseph Youth Alliance, added that she's impressed with how Derr has devoted space



LYNN GROOMS

is an agricultural journalist living in Mt. Horeb, Wis.



All photos provided by Garrett Derr, Derr Equipment.



Brad Derr, dealer principal, visits with a lawn and garden customer.

Derr Equipment

Established: 1947

Location: Single store in Savannah, Mo., serving eight counties in Missouri and two counties in Kansas

Owner: Brad Derr

Employees: 27 full-time

Major line: Case IH agricultural equipment

Other lines: Kubota, Cub Cadet and Woods

Website: derrequipment.com



Sons and fathers. Standing from left to right are three generations of Derrs. Brad's sons are Garrett (*far left*) and Cutler (*far right*). Brad is flanked by his father, George, who's wearing the Case IH cap.

to donations at his dealership in Savannah. Teams of young people regularly travel to Derr Equipment to help sort and organize clothes.

There are currently about 60,000 pieces of clothing in a quarter section of the dealership's 60- x 100-foot showroom, Derr said. And Joe Knorr and family, who own a flower shop and other buildings in Savannah, donated a 65- x 16.5-foot building. It is being used to store furniture, appliances and other household item donations.

Furniture is delivered to people who are just establishing households and are working their way to better incomes and lives. Derr Equipment's trucks also are used to pick up leftover items from garage sales.

Through Help the Homeless of Northwest Missouri, Derr and his volunteers have created forms to help people make an easier transition into a home. The forms are distributed at the Open Door Food Kitchen as well as at churches, schools and other locations for people to specifically indicate what they need.

Reaching out to veterans

In early 2017, Help the Homeless of Northwest Missouri also was approached by a family that wanted to donate land on which to build small transitional homes for military veterans in need. The land hopefully will be able to accommodate 24 small homes, Derr said.

Dave Thomas, veteran navigator for the Salvation Army's support service for veterans and their families, said, "Brad is a compassionate man who treats homeless people with dignity and respect. He not only reaches out to find people who need help but helps to guide them on the right path as well."

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Derr's leadership in the community and, more importantly, his humanity is an inspiration to all – to help offer a hand up when it's needed the most.

There are four levels of homelessness, Derr said. Of the people served now, about 50 are living outside on the streets, 150 are considered "squatters," or living in condemned buildings. About 170 people are living in shelters while about 200 people are "displaced," living with family members or friends. Many were affected by the Great Recession.

"Homeless refers to anyone who doesn't have a place to call their own," he said.

Among the homeless are women who have fled abusive relationships. Others are drug addicts, mentally ill, or people who have lost everything through a business failure or a divorce.

Help the Homeless of Northwest Missouri is non-denominational, and no donated items are ever sold. "They're always given away," Derr said.

Derr donates a great deal of time to helping those in need and can do so with the support of his wife, sons, a daughter-in-law and a team of dedicated employees, including technicians cur-

rently in training at Oklahoma State University Institute of Technology in Okmulgee, Oklahoma – a program supported by the Western Equipment Dealers Association.

Derr Equipment's 27 employees include Derr's sons – Garrett and Cutler. Garrett, 26, joined the dealership in 2013, and manages the precision farming department. Cutler, 21, joined the dealership in 2016, and sells lawn and garden equipment. In addition to Case IH and Kubota agricultural equipment, the dealership sells and services Cub Cadet, Kubota and Woods mowers and various other short lines. Brad Derr's sons are the fourth generation of family to work in the dealership.

The company was established in 1947 by Edward Derr. When he retired, Brad's father, George, bought the business. Brad joined the company in 1986 and is now the owner. In addition to operating the family dealership for the past 30-plus years, Derr served 25 years on the Southern Fire Protection District's volunteer fire department in his hometown of Oregon, Mo. He served 12 years on the Oregon City Council, the last four years as its mayor.

Derr's leadership in the community and, more importantly, his humanity is an inspiration to all – to help offer a hand up when it's needed the most. And he always tells people, "This is God's project; we're just the delivery guys." **WED**

Visit [Help the Homeless of Northwest Missouri](#) on Facebook.

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PCI compliance: The basics

When you boil it all down, PCI compliance is about doing what is right for your customers and maintaining their trust.

Any good business wants to keep its systems secure and safeguard customers' payment information. Unfortunately, the process and standards for keeping this sensitive data safe continues to become increasingly complex and require more resources. Keep reading to learn more about PCI compliance and why it is so important for WEDA members to be compliant.

What is PCI compliance?

Any company that processes, stores or transmits payment cardholder data must adhere to a set of standards known as PCI DSS – the Payment Card Industry Data Security Standard.

Cardholder data refers to the personally identifiable information (PII) associated with the owner of a debit, credit or pre-paid payment card. PCI compliance is how the Payment Card Industry Security Standards Council (PCI SSC) ensures merchants handle cardholder data in a secure environment.

Which businesses are required to comply with PCI standards?

Any debit, credit or prepaid card associated with any of the five members of the PCI SSC – American Express, Discover, JCB, MasterCard and Visa – falls under the scope of PCI compliance.

So, all merchants who accept card transactions by any mechanism – from point-of-sale swipe terminals to e-commerce shopping carts – need to meet and maintain some level of PCI compliance criteria. This level is typically related to transaction volume.

How does transaction volume affect a merchant's need to be PCI compliant?

PCI compliance is required of all card-accepting merchants, regardless of the size or number of card transactions. However, the transaction volume does affect the level of compliance each merchant is subject to. Merchants fall into one of four validation levels based on their annual card transaction volume. The larger the business, the higher the validation level, and thus the higher the compliance requirements.

LEVEL 1 6M+ Transactions/Year

LEVEL 2 1-6M Transactions/Year

LEVEL 3 20K-1M Transactions/Year

LEVEL 4 <20K Transactions/Year

Merchants who have suffered a breach that compromised cardholder data may be bumped up to a higher validation level to introduce a more stringent level of compliance.

What steps must every merchant take to meet PCI compliance?

There are 12 categories of PCI DSS requirements that all merchants must meet to be considered compliant or they risk financial penalties imposed by the card brands. These categories provide a framework comprised of more than 275 questions and requirements and are dependent upon the four levels previously listed as well as the role each party plays in the transaction process.

The 12 categories are:

1. Install and maintain a firewall configuration to protect cardholder data
2. Do not use vendor-supplied defaults for system passwords and other security parameters
3. Protect stored cardholder data
4. Encrypt the transmission of cardholder data across open, public networks
5. Use and regularly update anti-virus software or programs
6. Develop and maintain secure systems and applications
7. Restrict access to cardholder data by business need to know
8. Assign a unique ID to each person with computer access
9. Restrict physical access to cardholder data
10. Track and monitor all access to network resources and cardholder data
11. Regularly test security systems and processes
12. Maintain a policy that addresses information security for all personnel



What are the risks of not being PCI compliant?

PCI DSS is a set of standards, not laws, but almost every state has enacted legislation requiring merchants to notify their customers of security breaches. Current state and federal privacy regulations forbid merchants from storing unencrypted cardholder data, PIN numbers as well as other PII.

Merchants who do not comply with PCI standards risk being subject to costly consequences – fines, legal fees, card replacement costs, forensic audits, decreases in stock equity, reputation damage, and loss of business.

How do third-party payment processors help merchants reach PCI compliance?

Payment processors can help merchants simplify ongoing compliance needs and rest easy knowing they're meeting all 12 requirements. Hackers are growing smarter and more relentless every day. A third-party processor can reduce a merchant's risk of exposure and serve as an ongoing security consultant. Processors can identify system vulnerabilities that could be targeted by cyber criminals seeking access to a merchant's private network. They should also have expert knowledge on the latest compliance rules, as well as a pulse on new and customizable technologies that can decrease or remove a merchant's system from the scope of PCI compliance. **WED**

CardConnect is the recommended provider of payment processing solutions of the Western Equipment Dealers Association. With solutions including their patented tokenization and PCI-validated point-to-point encryption (P2PE), CardConnect ensures that your data is protected and your PCI compliance is better managed. To learn more and receive your complimentary savings analysis, visit <https://cardconnect.com/partner/weda>.

Commission plans to drive retail sales

By TRENT HUMMEL

For every 100 dealerships, there are 200 commission structures. We work with dealerships that have a different compensation structure for each salesperson. If it works, don't fix it. But is your compensation plan generating the results you desire or just the results you have come to accept?

There is a saying we've used over the years that, "decisions we make in the good times carry us through the bad times." Currently, there are many senior managers echoing the following "the decisions we made in the bad times have kept us alive" And, in some cases, thriving.

Depending on the products you offer, the markets you serve and, most of all, the actions you've taken in the last few years, your dealership might be in a great position or you could still be hoping for better days. Regardless, change is the key to getting different results.

Having worked with hundreds of dealerships, we can safely say there is room for improvement on retailing aging new inventory and reducing the number of days used equipment is in inventory. Everyone desires a new trade to be sold as soon as possible without giving up margin dollars.

As an owner or sales manager, to achieve this alone is nearly impossible. Unless you are a one-person sales force, you will need all the horses (salespeople) pulling in the same direction in order to get meaningful results. Imagine, everyone in the sales force exhibiting the behavior you desire regarding wholegoods inventory management. Oh, what can't be accomplished when a team puts its mind to it?

Is the target wrong?

As outlined in Western Equipment Dealers Association's *Cost of Doing Business* study and noted in other dealership financial reports, the target percent of aged wholegoods units is stated as "zero units over 12 months old." We believe that target is outdated. We do not know of any dealership that is ordering units with intent to retail the unit 11 months after arrival.

We might be ordering new units more than 12 months ahead of the planned retail month but more than likely the plan is to not have units in the yard for nine, 10 or 11 months before they are sold. New units age by just sitting outside.

Used equipment is even worse. There are too many external factors that can adjust a unit's value over a 12-month period. We have all bought a trade at \$50,000 with intent to sell it in the mid \$50,000s. At the time we bought the trade, mid \$50,000s was the right retail number. Twelve months later, however, the right retail number might be \$45,000. Values are constantly changing. Therefore, the sooner we get units sold the better off we are.

In the previous example, how many dealerships have had to pay a spiff in order to get a salesperson to sell a unit at zero margin or a loss? Disregard the fact that the department paid full commission on the deal that generated the trade. Dealerships are asked to pony up more

money in order to get a trade sold, which either was bought wrong in the first place or did not get sold before the market value adjusted. Either way, we end up paying more of our gross margin dollars in commissions.

Changing sales force behavior

Following is a list of behaviors dealerships should encourage their salespeople to adopt:

1. Urgency to sell fresh inventory
2. Avoid taking the hard-to-sell trades
3. Target potential trades that are desirable in your market
4. Presell trades as often as possible
5. Improve used marketing skills to complement selling skills
6. Quickly sell trade mistakes without salespeople complaining about making no commissions
7. Reduce number of trades in a series
8. Accept commissions paid from actual gross margins
9. Understand that every new and used unit in a series of trades is equally important
10. Have a healthy appreciation for all the negatives that aging new and used inventory has on the cash flow of the dealership

There has always been a manager's hope that by presenting and explaining these 10 issues, salespeople will change their behaviors. The reality is behaviors seldom change until an individual hits rock bottom.

The proven and effective method to change a behavior is to change a policy/procedure, which, in turn, will drive the desired behavioral change – but it's easier said than done. Many managers will share experiences of a procedural change that produced results far greater than expected.

Let's get into a commission structure that has produced results for a number of wholegoods departments.

CONVENTIONAL DEALS AND COMMISSION PLANS

DEAL 1 in a series of deals

| | |
|-----------------------------|-----------------|
| New unit cost of sale | \$100,000 |
| Trade wholesale value | (\$60,000) |
| Breakeven | \$40,000 |
| Gross margin (GM) 10%..... | <u>\$10,000</u> |
| Customer difference | <u>\$50,000</u> |
| Deal 1 commission | 25% or \$2,500 |



TRENT HUMMEL

is a fourth-generation agricultural equipment dealer and a leader in the equipment industry.

DEAL 2

| | |
|---------------------------------|-----------------|
| 1st trade cost of sale | \$60,000 |
| 2nd trade wholesale value | <u>\$20,000</u> |
| Breakeven | \$40,000 |
| GM 10%..... | <u>\$ 6,000</u> |
| Customer difference | <u>\$46,000</u> |
| Deal 2 commission | 25% or \$1,500 |

DEAL 3

| | |
|------------------------------|-----------------|
| 2nd trade cost of sale | \$20,000 |
| GM 10%..... | <u>\$ 2,000</u> |
| Customer cash price..... | <u>\$22,000</u> |
| Deal 3 commission | 25% or \$500 |

BACK-LOAD ALL GROSS MARGIN TO THE LAST TRADE

DEAL 1 in a series of deals

| | |
|-----------------------------|-----------------|
| New unit cost of sale | \$100,000 |
| Trade wholesale value | (\$60,000) |
| Breakeven | \$40,000 |
| GM 10%..... | <u>\$10,000</u> |
| Customer difference | <u>\$50,000</u> |

Reduce trade wholesale value by GM to \$50,000

| | |
|-------------------------|-----|
| Deal 1 commission | \$0 |
|-------------------------|-----|

DEAL 2

| | |
|---------------------------------|-----------------|
| 1st trade cost of sale | \$50,000 |
| 2nd trade wholesale value | <u>\$20,000</u> |
| Breakeven | \$30,000 |
| GM | <u>\$16,000</u> |
| Customer difference | <u>\$46,000</u> |
| Reduce trade by GM to | <u>\$ 4,000</u> |

| | |
|-------------------------|-----|
| Deal 2 commission | \$0 |
|-------------------------|-----|

DEAL 3

| | |
|------------------------------|-----------------|
| 2nd trade cost of sale | \$ 4,000 |
| GM | <u>\$18,000</u> |
| Customer cash price..... | <u>\$22,000</u> |
| Deal 3 commission | 25% or \$4,500 |

In both the conventional and back-loaded series, the customer paid the same amount. In both series, the GM (gross margin) expected is the same – the only difference is the dealership and salesperson did not realize the GM until the last trade was sold.

From the list of behaviors previously listed, let's examine how this back-loading procedure changes sales staff behaviors.

To clarify, the 3rd deal has \$18,000 GM and \$4,500 commission, not all of which is paid to the salesperson who closed the 3rd deal. The total commission is evenly split between every salesperson who closed one of deals. For example, if Tom closed the first deal, Dick closed the second deal and Harry closed the third deal, the \$4,500 commission would be an even split of \$1,500 each.

If Tom closed two of the three deals, he would get two-thirds of the commission with the remainder being paid to the salesperson who closed the remaining deal. Let's suggest that the 2nd trade is not desirable and we did not make 10 percent GM and we had to sell. We sold it at \$20,000. This leaves \$16,000 GM in the total series. The split is based on the actual gross margin earned on this series. The dealership does not have to pay a spiff to retail the undesirable trade.

Salespeople do not want to share commissions. Most salespeople soon figure out when they presell the trade, the whole deal is their deal and no sharing. If a salesman is having difficulty selling a trade, he is helpful to another salesperson to get his trade sold. His commission is tied up until the trade sells.

There is a huge dealership benefit for the used deal to be turned in along with the new deal. There will be no trade to floor plan and no risk in used value corrections.

In the series above, the 2nd trade was undesirable. In the back-loaded scenario, the salesperson closing the 2nd deal will do everything to talk the customer out of trading the undesirable unit. The fewer deals in a series of trades reduces the chance of having to share. If the 2nd trade was a cherry and the salesperson could make good money on it, the salesperson will go after that trade.

When salespeople start to think like a wholesaler, they will go after the cherries and get away from the loser trades. Having a yard full of cherry trades will increase the speed at which used equipment sells. The after effect of this is improved gross margins, increased equipment turnover and a reputation of having desirable trades.

The secret to preselling a trade is to have the right type of trade. Ambitious salespeople comb the countryside looking for the trades that are selling well – or trades the market is demanding. These salespeople master the technique at logging a used equipment lead, find the unit being sought after and then get it on trade in order to presell it. This creates discipline for the sales staff to go after the right trades. Finding buyers, remembering leads and leaving no stone unturned is the nature of making money in all this.

Manufacturer sales staff bonuses have long been a hot topic among dealer principals, sales managers and salespeople. Why do manufacturers offer sales bonuses? It's simple, bonuses drive results. My position on this is as follows: Let the salespeople collect all the bonuses but in return they must agree to sell the no margin units.

I have worked with a few dealerships that have imitated this structure. One dealership only applied it to their planting equipment. This resulted in the salespeople finding presell buyers and staying away from bad trades.

Another company is using this in its power sports division. The company had a history of taking worn out quads and the trades would sit until the owner hauled them to auction where he took a loss. Now, the salespeople seem to buy the trades right along with having a buyer in mind long before the first deal is signed. They get their money when the last trade is sold, which drives good behaviors.

I have used this method in everything from combines to lawn mowers. Without a miss, every time this has been implemented, turnover has increased, aging is reduced, interest expenses are decreased, and paid inventory is reduced – results that are important to management. On the other hand and more importantly, the salespeople sell more units and make more money and this is what keeps it going.

Please note the structure outlined may not work for you exactly as stated but a similar version could cleanup many of your past and current wholegoods issues. In an industry that takes as many high and low dollar trades as we do, we need to dump out the box of old ideas and get a structure that will work for both the dealership and salespeople because it's just good business. **WED**

TRENT HUMMEL is a fourth-generation agricultural equipment dealer and a leader in the equipment industry. He also is a lead trainer for and consultant to the Western Equipment Dealers Association's Dealer Institute. He provides onsite training and public courses to improve dealership asset management and business operations. Please send questions and/or comments to thummel@westernmeda.com.

401(k) retirement plan beneficiaries

What you need to consider

By DAVID WENTZ

When meeting with clients at equipment dealerships, one of the things I always stress is beneficiary designation for retirement plans, as well as life insurance. In the event of your death, the money accumulated in your 401(k) plan and life insurance is distributed based on who you name as the beneficiaries for each respective plan. There is sometimes confusion among investors related to the operation of testamentary documents, such as a will. To be clear, **beneficiaries selected on financial contracts supersede wishes left in a will.**

In most cases, you can select anyone you want to be a beneficiary. However, 401(k) beneficiary designation is unique. As a participant in a 401(k), you are required by law to designate a spouse as the primary beneficiary to your 401(k). In the event you want someone else to be your primary beneficiary, your spouse must sign a waiver. Once that waiver is signed, you are free to designate anyone or any organization you wish.

However, many married participants elect to name their spouse as their primary beneficiary. **It is always important to designate contingent beneficiaries** in the event that something would happen to your primary beneficiary. What if you're single or your spouse is deceased? Even though you are single, it is still important for you to name beneficiaries to your retirement plan. There are multiple ways to do this, including naming them as alternates on the original document or as primary on an amended form. Why is this important? If your heirs are not listed specifically, the plan administrator will not transfer the assets automatically. Consequently, the proceeds from your 401(k) would pass to your estate and would thus be subject to additional regulations that may not be ideal for your heirs.

An additional aspect of a 401(k) plan that is important as related to beneficiary designation revolves around how money is distributed. Generally speaking, **the money can be paid out in a variety of ways** that in-

clude a lump sum payment or paid out over many years dependent on your beneficiary's life expectancy. In some cases, there are additional restrictions that don't apply in other places. For example, some plans might specify the way in which the proceeds are to be distributed. Plan restrictions can have implications for tax purposes. Therefore, in the event you have questions, do not hesitate to get in touch with your plan administrator.

When you leave your 401(k) to your heirs, there are certain tax considerations that can affect them. Your 401(k) can potentially be the subject of federal estate tax if your estate's value is greater than the lifetime federal gift tax and estate tax exclusion amount. The federal estate tax can be applied to both traditional and Roth plans. However, beneficiaries of a traditional 401(k) plan are far more likely to be affected by federal and state income taxes. Why is that? Retirement accounts traditionally defer taxes on contributions and earnings in the account. Eventually, you will pay taxes on that money upon withdrawing your contributions and earnings (excluding after-tax contributions). Beneficiaries will deal with this when they do the same.

You should also consider age and tax bracket when electing beneficiaries. In the event that your spouse is financially sound, and does not need the 401(k) contributions, leaving the money to your younger heirs is a great option, as younger people tend to benefit the most from an extended distribution compared to older people. Something else to think about is leaving your retirement income to heirs with lower incomes and in lower tax brackets.

Moving on, I want to briefly discuss life insurance regarding beneficiary designation. I mentioned earlier that (in most cases) you have the ability to select anyone as your primary and secondary beneficiary. This is the case in life insurance contracts as well. You can also select multiple secondary and contingent beneficiaries through a per stirpes designation, which allows your assets to

be divided equally among your children and adopted children. However, this does not include stepchildren.

Additionally, **there are two other kinds of life insurance beneficiaries that are important to keep in mind: irrevocable and revocable.** An irrevocable beneficiary is one whose stake in your contract cannot be changed without his or her consent. We see this become an issue with divorced couples. For example, Jim and Pam were married for 10 years before getting divorced. Jim then gets married to Angela and wants her to be the primary beneficiary of his life insurance contract. In order for this to happen, Jim will need to get the consent (signature) of Pam. If Jim isn't able to get Pam's consent, Pam, not Angela, will be the beneficiary of Jim's death benefit. Now the opposite of an irrevocable beneficiary is a revocable beneficiary. When you name someone as a revocable beneficiary, you retain the ability to change who will receive the death benefit from your policy or terminate the policy without the consent of the beneficiary.

As always, we work for you. So, if you have any questions, do not hesitate to get in touch with your financial professional. **WED**

DAVID WENTZ is CEO of Tax Favored Benefits, Overland Park, Kan. Wentz is a graduate of the University of Kansas School of Law with a Juris Doctor degree. Wentz frequently speaks at various professional and business seminars about pensions, profit sharing, 401(k) plans, tax favored benefits, and investment programs. Western Equipment Dealers Association endorses Tax Favored Benefits as a 401(k) provider. No compensation is received. More information is available at www.taxfavoredbenefits.com.



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Optimistic leadership

Being the leaders followers like to follow

By DR. LARRY COLE



Let's start this article by looking at your hand. Stick your left hand in front of you and look to find something you would change about it. Perhaps you have wrinkles or unattractive fingernails. Some of you will look at your wedding ring and think you've got the wrong ring on. Now look for something you like. Perhaps you have five fingers and all of them work.

This simple exercise illustrates two important psychological points. First, is that everything has positive and negative characteristics. Second, is that when you see the good, you don't see the bad and vice versa. They are mutually exclusive categories.

As leaders we have both positive and negative characteristics. Let's look at a list of synonyms on a continuum of ranging from pessimism to optimism and you can decide who you would prefer to work with.

Further, Martin Seligman, the father of positive psychology, in his book *Learned Optimism* wrote that:

- Optimists believe bad events are temporary while pessimists believe bad events are permanent.
- Optimists compartmentalize failure while pessimists believe that a failure in one area of life means failure in life as a whole.
- Optimists believe that bad things happen to good people whereas pessimists believe everything about them is bad.

All of us are on this continuum somewhere. Circle the number that represents you. Ask your employees to do the same and discuss the ratings.

We need to point out that optimists are not Pollyannaish. Pollyannaish people have the unrealistic expectation that everything is going to be good. That's not the way the world works. As noted in Harold Kushner's best-selling book, *When Bad Things Happen to Good People* – all of us are aware of bad things happening.

The optimistic leader's default position is summarized in the words of Catherine Ponder who wrote in her book, *The Dynamic Laws of Prosperity*, that "failure is nothing but success trying to be born in a different way."

Before discussing how you can become a more optimistic leader, here is a list of some of the advantages of being one.

- Such leaders generally have a well-defined direction for the business and expect to be successful. These leaders take advantage of the Law of Expectation, i.e., you will receive that which you expect to receive.
- We are hardwired to seek pleasure and avoid pain and it's more pleasurable to follow an optimistic leader.
- People will enjoy being around you when you help them feel that everything is going to be okay.
- Therefore, people will more readily follow you.
- Employee morale is higher.
- You and your people will be more productive and profitable.
- You are more willing to be innovative; therefore more willing to step out of the comfort zone and take calculated risks.
- When you approach problems with an optimistic attitude you will find solutions easier and faster.
- Optimistic leaders are more resilient – that is they bounce back faster from frustrations and disappointments.

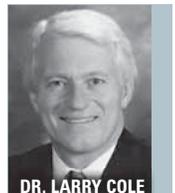
Now let's review some of the benefits for you as a person. Optimists:

- Enjoy the many blessings of living life fully.
- They are healthier.
- They live longer.
- Generally are more financially successful.

Now let's turn our attention to what you can do to become a more optimistic leader.

Yes, we can learn to be optimistic, it is not DNA determined. Actually, you can be as optimistic as you want and the more you use your optimistic muscles, the stronger they become. If we examine our life process, our first experiences on this earth were negative. On August 30, 1945, I was being born.

- I left a warm environment and came into one that was cold.



DR. LARRY COLE

is a lead trainer for the Western Equipment Dealers Association's Dealers Institute.



| Pessimism | | | | | Optimism | | | | |
|--------------------------|---|---|---|---|----------|---------------------------|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Cynical | | | | | | Confidence | | | |
| Gloom | | | | | | Hope | | | |
| Distrust | | | | | | Cheerfulness | | | |
| Negative | | | | | | Positive | | | |
| Looks for the bad things | | | | | | Looks for the good things | | | |

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- I left a relative quiet environment and came into a noisy one.
- Mom's womb was dark and I entered a world of bright lights.
- Then the doctor spanked my little butt under the pretense to help me breath. But psychologically that spank tells us the *"honeymoon is over. This is a tough world out here."*

Our journey to optimism is made more challenging by the fact that our brain generates 50,000 thoughts a day and that 80 percent of them are negative in some fashion. We have to learn to ignore this chatter while focusing on more optimistic thoughts. Let's begin this journey by putting in writing the kind of day you want live every day.

Let's complete another exercise for our journey. List and prioritize your top 10 blessings.

Our challenge is to reprogram our mind and I'm going to share with you the 10 strategies I use.

1. Take the time to write your vision, mission and your core values. Your vision is where you want to go in life and your mission is why you want to do that. There are multiple tools to help you write your vision and mission. I completed mine through self-examination.
2. When you lay in bed at night, think about one reason why you might want to wake-up in the morning.
3. Many people hit the snooze button upon hearing the alarm clock in the morning and, of course, that's a negative thought and action. Instead, enthusiastically sit up in bed and exclaim, Oh, Boy. It is time for me to start my day. I over dramatized this point, but I'm sure you get the point.
4. Then lie in bed for a few minutes and visualize the kind of day you want to have today. Visual imagery is an excellent tool to reprogram your mind.

5. There is a major difference between the nights you are going to bed to go to work the next morning vs. going on a vacation. You're excited about going on a vacation and you're wide awake. Let's take advantage of this practice and go on a mini vacation every morning. Wake-up at least 30 minutes early to do something that is just for you.
6. Complete simple stretch exercises to awaken your muscles while thinking about the kind of day you want to have today.
7. During a few minutes of morning quiet time, review your vision, mission, the description of the day you want to live and your ten blessings.
8. Problems = Opportunities. The word "problem" has a negative connotation whereas the word "opportunity" has a positive one. Work on substituting the word "problem" with "opportunity."
9. Fake it until you make it is an excellent strategy. Force yourself to be optimistic. A favorite expression of mine when experiencing disappointment is asking myself, "Is this the end of the world?" Obviously not. Then I immediately use the tenth strategy.
10. Look for the good and you will find it. Look for the answers to the following questions:
 - What did you learn?
 - How are you going to be better?
 - What additional opportunities are being presented by this situation?

If you develop the habit of looking for the good you will find it. **WED**



AgriSync enables live video calling, which gives equipment operators immediate access to dealership technicians to remotely provide service when breakdowns occur or decisions need to be made.



What WEDA members say about AgriSync

"I fixed the salesmen that I work with up with AgriSync so I can help them while they are out with customers. One salesman called while he was delivering the machine and needed help setting up the display layout. For me, this is one of the hardest things to do on a John Deere display without seeing it. AgriSync made it easy and we gave the customer a good experience too."

Marty Albrecht, integrated solutions specialist, PrairieLand Partners

"We are new users of the AgriSync application but see great value in it. The ability to remotely support a customer is becoming increasingly important in today's world. We utilize John Deere's RDA to support their displays. AgriSync takes it to the next level by giving us better visibility to what the customer is experiencing and allowing us to better support him by reducing or possibly eliminating a visit to the tractor."

Barry Peterson, integrated solutions manager, Pape Machinery

"We provide innovative solutions that help our customers be more efficient and productive, and reduce downtime. AgriSync helps us do that. We're enhancing customer support and are standing by our commitment to keep our farmers up and running."

Jeff Lemna, director of customers support, RDO Equipment Co.

EDITOR'S NOTE: AgriSync is a privately held company founded in 2014 to help farmers and the people they rely on connect more efficiently to make farming less complicated and more productive. The AgriSync service maximizes the use of technology for farmers and lowers the cost of quality service delivery for advisors, including equipment dealers

For more information about this association-endorsed provider, visit www.agrisync.com.

For more information about P&C Ag Solutions, visit www.pccagsolutions.com.

P&C Ag Solutions elevates customer support

Company partners with AgriSync

P&C AG SOLUTIONS has partnered with AgriSync to further the company's commitment to providing excellent service and support to area farmers.

Through the AgriSync service management tool, P&C Ag Solutions' expert advisors can deliver additional support and problem solving remotely through any smartphone. This provides another method to help their farmer customers solve problems, make decisions and maximize uptime.

"P&C Ag Solutions is an innovative leader in the emerging precision agriculture technology market," says Casey Niemann, president of AgriSync, Inc. "We're excited to partner with them and help their experts troubleshoot issues, explain new technology, and continue to deliver high-quality customer support and satisfaction."

P&C Ag Solutions was founded in 2000 with the goal of providing a high level of expertise in agronomy and technology. They have also become experts in the emerging area of precision agriculture technology, specifically precision planting, providing farmers the latest technology and advancements on the market.

"AgriSync gives our customers a better support experience, and gives our compa-



ny the ability to handle high support volume more effectively and efficiently," says Mike Houghtaling, president of P&C Ag Solutions. "AgriSync is a total win!"

AgriSync is the first remote support app for agriculture. It enables live video calling, which will assist equipment technicians and subject matter experts in providing better service to their farmer customers when breakdowns occur or decisions need to be made. The live video technology allows the advisor to see exactly what the farmer sees to help bring speed to resolution. Within the app, advisors can organize and manage their help requests through a ticketing system and obtain instant feedback from customers about the quality of service they received.

P&C Ag Solutions has introduced AgriSync to current customers and is using this new technology within its service plans and service calls. **WED**



Do you have business-related problems? **WEDA's hotline is here for you**

By JOHN SCHMEISER

For many years, we have offered a hotline to you as members. Our hotline is consistently rated by members as the best service we provide. Even though many of you take advantage of this service, I want to remind everyone about the hotline, how it works and encourage you to use it for your benefit and the benefit of your fellow members. Following is information about WEDA's hotline and we always look forward to hearing from you.

What is the number?

1-800-762-5616

Write it down, add it to your contacts, put it on speed dial – whatever works best for you.

When should you call the hotline?

If you have a legal, tax, accounting, human resources or other type of regulatory issue come up (and unfortunately, who hasn't?), you should call the hotline. More importantly, we want the hotline to be the FIRST call you make. We understand that your instinct might be to call your local advisor, but due to the thousands of calls we've handled over the years, there is a good chance that we've heard your question before and our experts can give you quick, practical guidance to help you work through the problem. Best of all, your call to the hotline is included as part of your membership so you will not only get an answer to your question but it will also avoid a bill from your local advisor.

Who should call the hotline?

Any member can call the hotline. We handle questions from single-store dealers to some of the biggest multi-unit dealers in the world. Even if you have specialists on staff, encourage them to use the hotline. Our experts can be used as a sounding board and share insight on what has worked or not worked in similar situations.

What kinds of issues can be handled by the hotline?

You name it and we've probably heard it. The most frequent calls we receive from dealers relate to manufacturer relations (buy-back issues, dealer agreement terminations, war-

ranty audits, etc.), human resources and customer disputes (lawsuits, repair lien questions, etc.). This is not a surprise since these often represent common relationship issues with your suppliers, employees and customers. However, we also handle calls about issues that occur less frequently, like succession planning, business sales, tax/accounting, OSHA/EPA, insurance, and financing.

How do my calls help the association and other members?

We love hearing from you because it allows us to help you get through the day. But another big benefit of your hotline participation is that it allows us to see trends and common issues that dealers face. This information helps us identify industry issues that we may turn into action items for discussion with suppliers through the Industry Relations Task Force or lobbying for changes in laws or regulations for the benefit of dealers. In addition, if we see enough issues in an area, we will often devote more resources to that area to develop materials that can help guide you. Examples of this include information we have created related to UCC searches/trade-in procedures, repair lien "cheat sheet" materials and forms and model forms and implementation guide to address data privacy and information security issues. Your continued calls are critical to enable us to create relevant and targeted materials that will help you in your day-to-day business.

Are my calls confidential?

Yes, unless you give us permission to share your issues with other dealers or a supplier, we will keep your information confidential. In addition, when you speak with our attorneys through the hotline, they will not share correspondence between you and them with the association (unless you give permission) to protect the attorney-client privilege between you and the law firm.

How many times can I call?

There isn't a limit on the number of calls you can make to the hotline and we haven't yet had to tell anyone to stop calling. For dealers who use the hotline, we'll typically hear from them a couple of times a year as need-

ed. But the bottom line is: We know you can't control when you are going to have issues and we want to be there to assist when those times arise.

How much does it cost?

As mentioned previously, there is no cost for the calls because they are included as part of your membership dues. This applies to your initial calls to address an issue and, in almost all cases, we're able to take care of the issue with the initial call. Our average time on a call and related follow up is approximately 30 minutes. In the rare situations where more assistance will be needed to resolve the issue, you'll be informed before any charges are incurred with our experts and you will have the option to work with our experts or any other advisor that you choose. We expect our experts to give you estimated costs whenever feasible so that you can make a good assessment of how you'd like to proceed.

Who is on your team?

When you call our hotline, you get access to a group of experts that are familiar with your business.

- **LEGAL COUNSEL.** If you need an attorney, you will be put in contact with Seigfreid Bingham. The attorneys at Seigfreid Bingham include Lance Formwalt, John Neyens and Dave Shay. Lance will handle most of the manufacturer, succession planning, tax and business-related questions, John is on point for HR issues and Dave works with dealers on customer disputes, including lawsuits and bankruptcy issues.

- **ACCOUNTANT.** Curt Kleoppel and other accountants with Equipment Dealer Consulting, LLC will provide you with accounting, tax and valuation advice. EDC focuses only on equipment dealerships and many of you also know Curt as the CFO for the association.

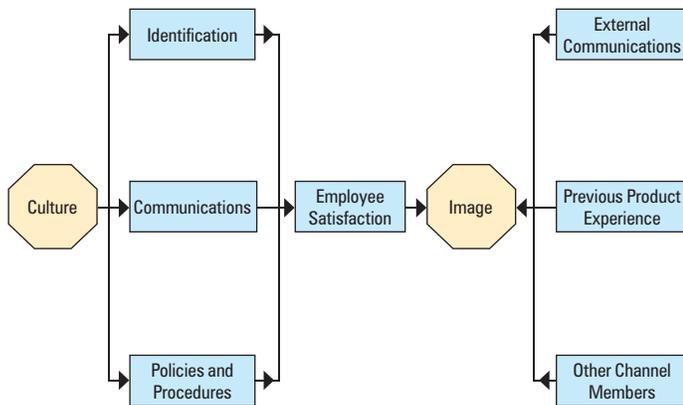
- **OSHA.** Robert Uhler is a member of the association's staff and is certified to conduct mock OSHA evaluations. If you have any questions about OSHA compliance, you will be put in contact with Robert. 

JOHN SCHMEISER is CEO of the Western Equipment Dealers Association.

Growing your business by developing a professional image – Part 3

By DR. JIM WEBER

As the two previously articles articulated, and the following diagram illustrates, the culture that exists within a dealership plays a pivotal role in establishing the image of that dealership. The following diagram also illustrates, however, that various other components help shape the way the dealership is perceived by both internal and external stakeholders.



There is no doubt that a dealership's culture is not only the heart to a dealership's image, but also the soul to the dealership's profitability. Dealers that are going to be successful in the years to come must project that all important image which is really a function of that dealership's culture. A warm, customer driven culture will not only create a positive image, but also a profitable business.

While dealership culture is the foundation for a successful image, dealership identification is a major building block for a successful image. Dealership identification is to image what exercise is to physical fitness or Botox is to eliminating or minimizing wrinkles. The better one looks, the greater the attraction. While a good image helps to attract the people necessary for success, that is, employees and customers, a good identification program helps to secure that image.

Whereas dealership culture provides the vehicle by which departmental managers and employees come to understand the unique values and beliefs that shape the dealership's strategies, the dealership's identification program is the means by which these values and beliefs are communicated to the marketplace. A precursor to a successful identification program requires the dealer principal to answer a series of questions, such as:

- What is the dealership's mission?
- In what areas do you anticipate growth?
- Do you have a plan to manage that growth?
- Is your existing identity in line with those expectations?

Dealers must use the answers to these types of questions to clearly differentiate their business from those of other dealerships. While manufacturers want to emphasize the OEM brand, successful dealers of the future will focus on creating a dealership brand wherein the manufacturer's product is only one component of the overall dealership brand.

Because of the limited customer base and the highly competitive nature of the agricultural equipment industry, AG dealers in the future will have to secure a competitive advantage by capitalizing on their strengths while simultaneously taking advantage of their competition's weaknesses. This in turn will require dealers to ascertain their niche in the marketplace and utilize their resources accordingly. To accomplish this, dealers will have to assess their meaningful competitive advantage and then vigorously promote that

advantage by using e-mail, text messaging and social media as well as other conventional means of marketing.

A positive dealership identity will require that all dealership locations be neat, clean and well lighted. For many, this will require a major overhaul. In many instances it is not uncommon to enter a dealership and immediately come to the conclusion that the dealer principal and many of the departmental managers are believers in reincarnation. One need only look around to realize that these individuals are going to enter their second life as junk dealers. A professional identification program does not necessarily require the building of a monument to the manufacturer, but rather the implementation of the highest standards as they relate to cleanliness and organization.

Likewise, a clean and orderly facility implies a lot that is regularly maintained. Equipment should be frequently moved and the weeds kept to a minimum. Flowers and shrubbery add more to a professional identity than do weeds and empty beer cans.

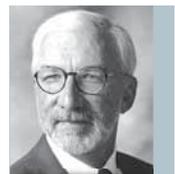
In all of this, dealers will have to project a professional identity. Dealerships must have the latest lighted signs to promote their dealership. Rolling stock should be uniformly decaled and should be washed at least weekly. Employees should be prevented from smoking within the rolling stock or leaving their leftovers from lunch or snack-time.

Dealers will likewise have to demand an improved appearance from their personnel. Improved identification requires attention to animate objects as well as inanimate objects. Employees that come in contact with customers – which is virtually every employee in the dealership – must adhere to the highest possible standards relative to appearance, personal hygiene and use of language. Gone will be the dinosaur holding up the parts counter and blowing smoke in the customer's face. In his place will be properly attired personnel representing a professional dealership and a professional manufacturer. Likewise, the use of personal telephones should be prohibited except for emergency purposes. Employees should be focused on making eye contact with the customer rather than playing video games on their phone or text messaging a "loved" one for the thirty-second time of the day.

Furthermore, the present identity of many AG dealers is one of being a price leader. Is your dealership identified with superior prices or is your dealership identified with superior service? The competitiveness of the marketplace and the intelligence of the end-user dictates that the profitable dealership of the future will require an identification program that emphasizes superior service at competitive prices. For many, this will require retraining and reeducating the customer and the employee.

The best way to undertake this retraining and reeducation is through the development of a comprehensive communication program. Successful dealers recognize the need for both internal and external communication programs. Internal programs consist of weekly and monthly meetings, memos, newsletters, and award ceremonies; while external communication consist of advertising, direct mail, newsletters, social media, or any other means of disseminating the dealership's values, beliefs and identity.

Probably the most underutilized management tool in the dealership, and the one that employees are thus most critical of, is the proper use of communication. Many dealers believe that the proper use of communication consists of autocratically and dictatorially bellowing out commands. This approach may have been effective 50 years ago, but today, with the mobility of the work force and the employment opportunities available to most hardworking employees, such an approach is no longer feasible. Top-



DR. JIM WEBER

has been a management consultant to the agricultural, construction and outdoor power equipment industries for over 30 years.

down communication must be replaced by solicitation of bottom-up input. This can best be effectuated by having employees, especially departmental managers, develop their own goals and objectives. The role of the dealers should be that of a facilitator, or change agent, whose primary duty is to provide the resources necessary for change as well as the required follow-up to ensure change.

This follow-up should consist of a weekly management meeting to discuss what happened as well as what's going to happen. In addition, a quarterly meeting of all employees should be held to keep each and every employee informed of their department's and dealership's performance. Furthermore, all employees should be formally evaluated every six months at which time they are told not only what "good things" they are doing, but also, what "not so good things" they are doing. In addition, employees should be provided the means and wherewithal to improve their performance. Ideally, these evaluations should be centered on individual job descriptions that were mutually developed. Dealership communication will greatly improve the day that dealers recognize the usefulness of job descriptions, the utility of objectives, and the importance of follow-up.

Another approach that has worked successfully, not only in improving communication but also profitability, is the use of a suggestion box. Employees who come up with the best cost reduction, or sales enhancer, could receive a \$500 gift certificate or other award of the dealer's choice. This award, along with other employee awards such as the most valuable or most congenial employee, could be announced at an annual awards banquet.

Still another approach that could improve communication, especially in dealerships with multiple locations, would be the use of an internal newsletter. This newsletter should be used to keep employees informed of dealership successes, employment of new personnel, initiation of new policy, employee recognition and inclusion of family happenings outside the dealership. An off-shoot of this latter point would be to have the dealer principal or general manager send a personalized birthday card or anniversary card to each applicable employee or family member.

Equally important as the internal communication is the external communication that a dealer undertakes. The external communication that a dealer utilizes should achieve three objectives. These objectives are:

- To reinforce a dealership's presence and change or solidify an existing image;
- To attract top quality employees; and
- To provide a solid foundation from which marketing efforts can stem.

Profitable dealers have recognized the two requirements for a successful marketing program. First, the message should clearly differentiate the dealership from competitive dealerships and should build on the identity and culture previously mentioned. Second, dealers should stop utilizing a shotgun approach and adopt a BB gun approach by narrowing in on the target customers. Except for dealerships selling consumer products, mass media advertising should be replaced with e-mail marketing, text messaging, direct-mail marketing and the use of social media.

The third building block of a successful dealership image is the development and dissemination of dealership policies and procedures. Policies may be viewed as a standing plan that charts a course of action. As such, policies are used over and over to guide specific action and to give predictability and consistency to actions taken at different times by different employees. In addition, policy serves a key role in spelling out and clarifying the strategy previously articulated.

Dealership policies that contribute to the dealership's image, and thus to profitability, include but are not limited to the following:

- Clean rolling stock
- No profanity
- Manicured lot
- No smoking/chewing tobacco
- Spotless parts displays
- Proper telephone etiquette
- Immaculate bathrooms
- Organized tool room
- No telephone texting
- No interdepartmental squabbles

Dealers with these kinds of policies do not feel the need to apologize for a spotlessly clean facility; instead they take pride in having the cleanest, most organized dealership in town. Successful dealers have long recognized that cleanliness and organization not only contribute to profitability but also to increased morale. Studies have consistently demonstrated that businesses

that develop and adhere to policies and standards built around cleanliness will have more customers, happier employees, and increased profits.

As a result of a dealership's policies, communication and identification programs, and ultimately its culture, employees begin to formulate their own perception, or image, of the dealership. This employee perception is critical since it is the interaction with employees where most customers form their perceptions of the dealership. Employees who are treated like royalty will in turn treat the customer like royalty. Similarly, employees who work in clean, well-organized facilities will project a similar kind of feeling. Consequently, customer perception is primarily a manifestation of the employee's feelings, attitudes, and beliefs toward the dealership. Thus, the question becomes: "How would you evaluate the way your employees feel about your dealership?"

More specifically, questions that would give you a pretty good idea of your dealership image would include:

- Do your employees thoroughly enjoy coming to work?
- Are positive attitudes reinforced and negativism frowned upon?
- Is collaboration and collegiality the norm rather than the exception?
- Is employee ebullience encouraged and employee enmity discouraged?
- Do your employees see the customer as the most important component of the business?
- Does your dealership reflect the highest standards of housekeeping?
- Are employees rewarded commensurate with their performance?
- Does the dealership have a defined mission statement? And even more importantly, can each employee recite it?
- Do employees know their duties and responsibilities?
- Are employees regularly evaluated?

If you were able to answer affirmatively to each of these questions, then chances are that your employees are highly motivated and positively project these feelings to the customer. In turn, customers come away from that interaction with a very positive perception of the dealership.

Also impacting the way a customer perceives a dealership are three external image building blocks. The first external image building block is external communication. External communication refers to the communication that takes place between customers outside the dealership. Such communication may be rumor, gossip or factual, and generally confirm or refute the actual perceptions that were derived from the interpersonal communication between employee and customer.

Another external image building block is the customer's previous product experience. In those instances where the product has been less than desirable, the negative image toward the dealership and its product can only be mitigated if the dealership and its employees work doubly hard to overcome this experience. Unfortunately, many dealership managers and employees exacerbate the problem by spending more time commiserating with the customer rather than ameliorating the problem.

Instead of denigrating the product or the manufacturer, dealers need to come up with innovative ways to overcome the problem. Programs like guaranteed uptime, free inspections, technicians in the field, "free" loaner, etc., will do more to overcome negative product experience than will blaming the product or the manufacturer.

Another external image building block that will also serve to help overcome the previous product experience is the interaction between the customer and other manufacturer personnel such as the territory sales manager or the territory service manager. These individuals should serve to enhance the customer's perception by answering questions in a professional, consultative manner. Their demeanor, attire, knowledge and communication skills will leave an impression on the customer that will favorably or unfavorably impact the perception of the manufacturer, product, and ultimately the dealership. Thus, manufacturing personnel should be a critical component of the image building process and, when appropriate, should be used by the dealers to improve the dealership's image.

This column, as well as the previous two columns, addressed the fundamental components of a dealership's image. The concluding column in this series, which will appear in the next issue, will address what steps a dealer could take to improve upon an existing dealership image and how those steps could be effectively and efficiently implemented. **WED**

Triple Protection Plan

An employee retention strategy

By JERRY LEEMKUIL

Over the years you've built a profitable business. You've invested your money, your time, and your passion. Now ask yourself, "What is my most valuable business asset?" While physical assets – the buildings and equipment – support financial goals, the success of many businesses can be traced to the good judgment, skills, and expertise of your key employees.

- *What if a competitor makes your key employee an offer he/she can't refuse?*
- *What is the impact on the business if you or your key employee dies?*
- *What happens to your key employee's family when the paycheck stops?*

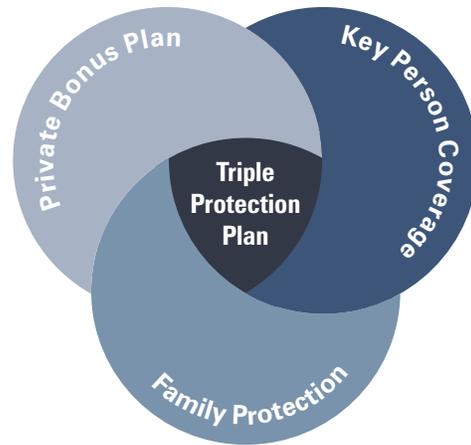
Your key employees aren't listed on your balance sheet or your income statement, but what they do shows up there. Unfortunately, many business owners train and mentor employees with the intention they will stay forever only to have them leave. Most people don't realize how costly this can be because they have not thought about losing an employee nor the consequences associated with that loss.

So the question becomes, "How can I protect my business against these possibilities?" The answer is to wisely allocate your financial resources and provide protection for multiple concerns with a specially designed program.

Triple Protection Plan

With a Triple Protection Plan (aka Three Part Plan) you can address your employee retention concerns and help protect against the financial impact of an employee death. It can also provide a benefit for an employee's spouse and/or children.

1. A Private Bonus Plan can help retain employees. It is a written agreement that pays selected employees set bonuses at specific times. The plan is informally funded



By using a Triple Protection Plan, your talented employees will be more likely to stay...

with a cash value life insurance policy and it protects against the employee's voluntary departure by providing a strong incentive to stay. The business applies for, owns, and pays the premiums on a life insurance policy on the key employee to informally fund the private bonus plan. The business withdraws policy cash values as needed to pay the scheduled bonuses.

2. Key Person Coverage protects against financial losses associated with an employee's death. The proceeds from the same life insurance policy provide liquidity, which can be used to recruit, hire, and train a replacement. It can also be used for business continuation or overhead expenses.

3. Family Protection allows the business the opportunity to share the life insurance protection with the employee's family. Using an Endorsement Split Dollar plan, the company can provide life insurance to a key employee. And, the company remains in control of the policy while offering financial security for the key employee's family with a portion of the death benefit.

Employee retention and the potential departure of a key person are concerns for all business owners. By using a Triple Protection Plan, your talented employees will be more likely to stay and you gain peace of mind thanks to an added degree of stability and security. One solution for three problems! ^{WED}



JERRY LEEMKUIL

is field manager for Association Risk Management Services, Federated Insurance Company. For information, write to Jerry at jleemkuil@fedins.com or call 1-507-455-5507.

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WEDA 2017 INTERNATIONAL CONFERENCE

NOV 29 - DEC 1, 2017

2017 Conference tackles the ISSUES THAT MATTER TODAY

JOIN US FROM Nov. 29 to Dec. 1, 2017, at Scottsdale Resort at McCormick Ranch in Scottsdale, Ariz., as we explore practical ways to make your dealership successful and profitable in 2018.

In today's competitive North American equipment industry, dealership owners are challenged to raise their game. On issues from people management to financial performance and much more, owners are looking for new ideas to stay on the leading edge.

That's why dealers are pencilling in Nov. 29 to Dec. 1, 2017, at Scottsdale Resort at McCormick Ranch. It's the 2017 edition of the WEDA Conference and we've packed the agenda with insights and fresh thinking you can take home and use profitably right away.

"The core values of WEDA are to advocate, elevate and educate for the benefit of our members," says CEO John Schmeiser. "Our 2017 Conference features a strong focus on education. We've put together panels with the top dealers, manufacturers and trainers in our industry, along with speakers who bring expert insights on key issues. At WEDA 2017, we're rolling up our sleeves and getting you answers to your key business challenges."



John Schmeiser,
CEO, Western
Equipment
Dealers
Association

Three focused dealer panels

WEDA is constantly in touch with our members, asking what matters to you and which issues you want to know more about. Based on that, the centerpiece of WEDA 2017 is three 60-minute panel discussions with WEDA members and associates who know the issues inside-out. We've asked them to take on one specific topic and dive deep.

PANEL 1: Interdepartmental Relationships. Conflicting relationships and miscommunication between departments can impair efficiency, harm the customer experience and cost you money. Three dealers give their best advice for how to get everyone talking, pulling in the same direction and going all out for your customers.

PANEL 2: Service Flat Rate. Hourly or flat rate: which is best for your organization? It's a big question. Beyond your physical facility, the high-tech diagnostic tools and equipment needed to service today's equipment requires a huge investment. Three dealers who've wrestled with hourly vs. flat rate take you through their thinking.



Peer-to-peer discussions among dealers highlight WEDA meetings.

PANEL 3: Metrics of a Successful Dealer. It's the age of analytics, benchmarks and big data. For dealers, the key is to focus on the numbers that best reflect what's happening in your business. In this panel, three Dealer Institute trainers guide you through the key metrics that drive your performance. Measure what matters and manage accordingly.

Major line panel discussion and dealer meetings

WEDA 2017 is the place to hear first-hand what the major line manufacturers are thinking, doing and planning for 2018 and beyond. On Thursday, Nov. 30, at 12:45 p.m., representatives of leading manufacturers such as AGCO, Case IH, CNH, John Deere and Kubota will share their news and answer your questions in a 75-minute session. Dealer meetings occur on Friday, Dec. 1, from 9:45 a.m. to noon.

Keynote address

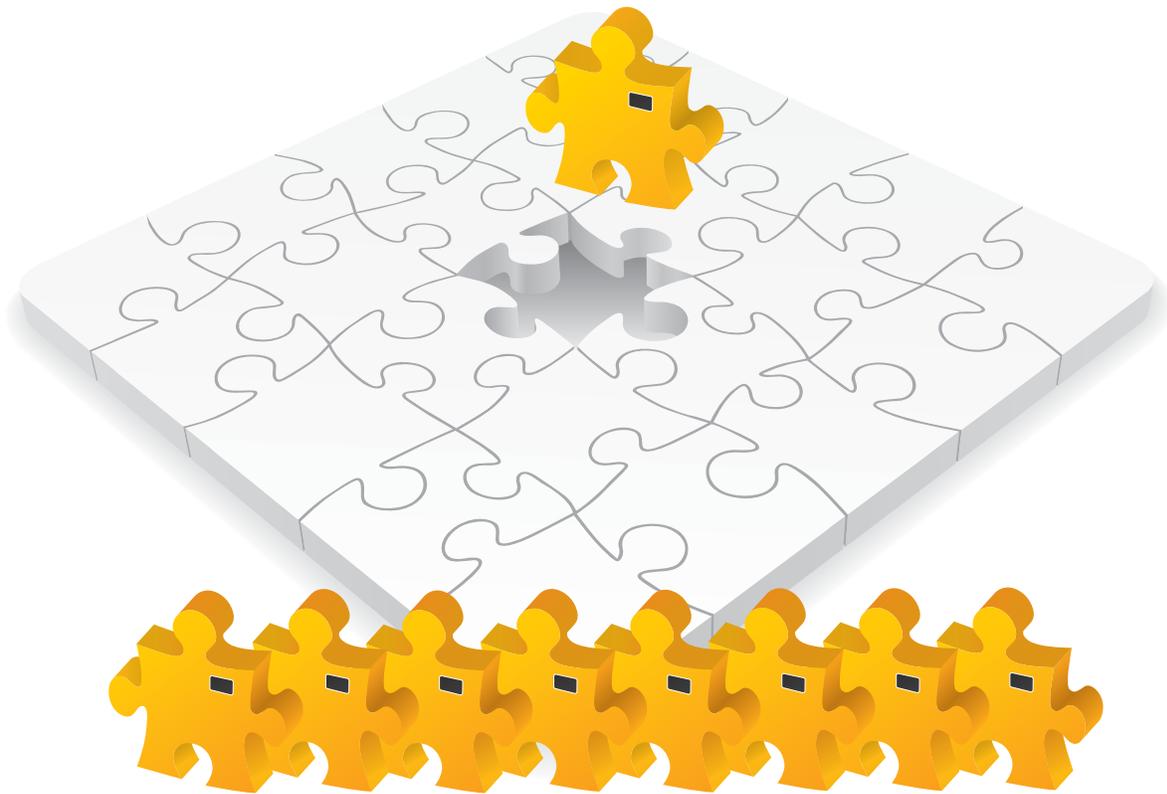
WEDA has extended an invitation for U.S. Secretary of Agriculture Sonny Perdue to join us as our keynote speaker on Thursday, Nov. 30.

North American agricultural economy

Following the keynote address, economist J.P. Gervais will outline his views and expectations for the U.S. and Canadian ag economies for 2018.

"WEDA 2017 will provide our members a package of practical ideas and insights that you can't get anywhere else," says CEO

Continued on page 26



Filling the need for technicians with new scholarship programs

HELP US PUT THE PIECES TOGETHER

The *Western Equipment Dealers Association (WEDA)* has created a foundation (WEDF) to help members get one step closer to filling technician vacancies. The Foundation's mission is to continue our support for the WEDA Industrial and Farm Equipment Technician Program at OSU Institute of Technology, and to establish scholarship programs at post-secondary education institutions for deserving students and member employees interested in pursuing a degree program relative to the equipment industry. You can help. Please call today with your support.

**MAKE A
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Please contact Olivia
Holcombe at
800-762-5616.





AGENDA

WEDA's Conference Center is Scottsdale Resort at McCormick Ranch in Scottsdale, Ariz.

Continued from page 24

John Schmeiser. "I invite you to learn more about the conference agenda and book your place at WEDA 2017 today."

Peer-to-Peer networking opportunities

In addition to top-rated learning sessions, the WEDA 2017 International Dealer Conference features plenty of opportunities to connect and network with colleagues and industry thought leaders from across North America in a collaborative and casual setting.

The WEDA International Conference app will be available for download in early October. The mobile app will allow registered attendees to view and connect with other conference attendees.

Use social media to get the latest conference updates and connect with your colleagues and the larger equipment dealer community. Don't forget to include the official #WEDA2017 hashtag. **WED**

WEDNESDAY 11/29

- 11:00 a.m. Registration Opens
- 11:30 a.m. Lunch for Registered Golfers Only
- 12:30 p.m. Golf Tournament – Palm Course
- 6:30 – 8:30 p.m. Opening Network and Welcome Reception

THURSDAY 11/30

- 7:00 – 8:00 a.m. Breakfast
- 8:00 – 9:00 a.m. Keynote Address – Invited U.S. Secretary of Agriculture Sonny Perdue
- 9:00 – 10:00 a.m. North American Ag Economy – J.P. Gervais, Vice-President and Chief Agriculture Economist, Farm Credit Canada
- 10:00 – 10:30 a.m. Networking Break
- 10:30 – 11:30 a.m. Panel Discussion: Interdepartmental Relationships: Dr. Larry Cole, Shawn Skaggs, Livingston Machinery, TBD
- 11:30 – 12:30 p.m. Lunch
- 12:45 – 2:00 p.m. Panel Discussion: Major Line Manufacturers: AGCO, Case IH, John Deere, Kubota, New Holland
- 2:00 – 3:00 p.m. Panel Discussion: Service Flat Rate: Jeff Irwin, Brandt Holdings Company; Sean Young, Youngs Equipment, Inc.; TBD
- 3:00 – 3:30 p.m. Networking Break
- 3:30 – 4:00 p.m. WEDA Annual Meeting
- 4:00 – 4:30 p.m. Selling Your Business: Employee Stock Ownership Plans: Lance Formwalt, Seigfreid Bingham
- 6:00 – 6:45 p.m. Networking Reception
- 6:45 – 9:00 p.m. Dinner; Entertainment: Dueling Pianos

FRIDAY 12/1

- 7:00 – 8:00 a.m. Breakfast
- 8:00 – 8:30 a.m. Hot Button Legislative Items – Eric Wareham, Vice-President of Government Affairs, Western Equipment Dealers Association
- 8:30 – 9:30 a.m. Panel Discussion: Metrics of a Successful Dealer: Gord Thompson, Kelly Mathison, Trent Hummel
- 9:45 – noon Dealer Meetings with their Manufacturers

CONFERENCE HOTEL AND REGISTRATION

- The WEDA 2017 International Conference will be held at the Scottsdale Resort at McCormick Ranch in Scottsdale, Ariz.
- Take advantage of our conference rate of \$189/night, plus applicable taxes. Mention Western Equipment Dealers Association when you make your reservations by Nov. 6, 2017, call direct at (800) 540-0727.
- If space is available, this rate will be extended three days prior to and after our conference. Check-in time is 4:00 p.m. with checkout at noon.



The Western Equipment Dealer magazine is the official publication of the Western Equipment Dealers Association (WEDA).

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- Practical sales advice to future-proof your dealership
- Learn about the business economy
- Network with in-line dealers and manufacturers



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