

CANADIAN EQUIPMENT DEALER RESOURCES FOR SUCCESSFUL DEALERS

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Dealers and farmers confront risks of equipment chipping

Canadian Equipment Dealer
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offer their perspective on this
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Dealers and farmers confront risks of **EQUIPMENT CHIPPING**

by KIERAN BRETT



MORE AND MORE FARM EQUIPMENT IN CANADA

is coming in for service or trade that's had its software tuned or emissions systems removed by a third party with the intention of boosting performance. In this special Canadian Equipment Dealer report, we asked dealers to offer their perspective on this issue.

On a recent summer day, Don Henry found himself in a tough situation – delivering some expensive news to a long-time farm customer.

This customer's machine had broken down and needed a quick repair to get back in the field. The trouble was, this piece of equipment had been chipped. The farmer was promised increased horsepower while burning less fuel, but what he actually got was engine failure – requiring a repair now not covered by the original manufacturer's warranty.

"We've seen issues on three customers' engines as a result of chipping or tuning," says Henry, sales development manager for South Country Equipment in Saskatchewan. "We had an engine failure in a combine where chipping had been done and the invoice was \$100,000. That's a really tough pill to swallow for everybody."

Welcome to the front lines of equipment chipping and tuning in Canada.

Chipping or tuning is a process that occurs where an engine built to be within a certain specification of horsepower is tuned to exceed that horsepower range. This can cause engines to overheat, other parts to experience added wear-and-tear outside what they are designed for and can ultimately result in high repair bills.

Understanding the issue

While most Canadian dealers won't perform chipping or tuning in their shops, dealers are seeing these services grow every year, offered by third-party companies. Some chippers are sophisticated technology companies. Others could be a guy with a laptop and a pickup truck.

It's understandable that farmers dealing with high input costs, who are promised a quick way to get more horsepower or better fuel economy out of a machine, might take someone up on that. Henry warns that there are real risks in going down that road.

The risks involved with modifying a precision piece of equipment are multifaceted. Not the least of it is that if the equipment is still on original warranty, changing computer chips or tuning the components voids the manufacturer's warranty. Case closed.

Henry explains that many producers don't know that chipping or tuning immediately voids the equipment manufacturer's warranty. If they've been told by the chipper that there is a warranty involved, producers need to understand: that's the *chipper's* warranty only and not the OEM.

"They're not going to warranty an engine failure," Henry explains. "They'll warranty *their* product but not take responsibility if the engine fails. The manufacturer states that any modification voids the warranty. We need to make our customers aware that this is a real possibility. We've lived it on three occasions now."

Emission deletion or modifications are illegal and subject to fines

While changes to the engine void the manufacturer's warranty, other modifications – specifically those made to equipment's Diesel Exhaust Fluid or DEF emissions systems – are illegal and could result in hefty fines.

Vehicle emission standards in Canada have been harmonized with the United States' Environmental Protection Agency (EPA) standards. The EPA Clean Air Act prohibits anyone from tampering with an emission control device on a motor vehicle by removing it or making it inoperable.

Dealers selling new engines are treated the same as manufacturers under EPA regulations and are therefore held to the same standards as manufacturers under the Clean Air Act. To help dealers understand the ins and outs of emissions standards, and how to avoid penalties, the Western Equipment Dealers Association (WEDA) has prepared the document *EPA Compliance Guidelines for Equipment Sale, Repairs and Trade* that can be found on the WEDA website at www.westerneda.com/advocacy/osha-epa-regulations.

Kevin Rossler, sales manager for Markusson New Holland near Regina, would be the first to admit that issues with emissions systems were present early on as different tiers of controls were phased in throughout North America.

"As it progressed into the Tier-Four emissions, or DEF systems, there were early problems in agricultural equipment," notes Rossler. "If DEF is not stored correctly or is mismanaged, it can cause quite an issue. An error code from a sensor failing at seeding time can shut you down, and that's pretty frustrating. That caused some operators to want to get rid of the DEF systems, or get DEF delete kits to get away from using it."

After almost two decades on the service side of the business, Rossler has seen the DEF technology get significantly better. DEF systems are no longer causing big issues anymore. He says farmer talk around this issue has been so pervasive that some producers still opt to remove these emissions-reducing devices and re-program the engine for better performance, even though this measure is rarely needed.

From Rossler's point of view, with an action that's unnecessary, plus the fact that it's illegal,



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is an Alberta-based agriculture writer who has covered topics ranging from crop production to farm business to agricultural research since 1989.



"We've seen issues on three customers' engines as a result of chipping or tuning... We had an engine failure in a combine where chipping had been done and the invoice was \$100,000. That's a really tough pill to swallow for everybody."

DON HENRY | Sales Development Manager
South Country Equipment, Emerald Park, SK.



"I'm not sure how some companies can advertise removing these DEF systems because the federal government says it's illegal... The problem is that the federal government has made it the provincial government's responsibility to police it, and the provinces say they don't have the manpower to police it."

KEVIN ROSSLER | Sales Manager
Markusson New Holland, Emerald Park, SK.



"We don't always know it's been done until later, when the equipment comes in for something else, and we find out that it's been chipped... There is a lot that goes into these computer programs, and these chippers are not getting their information from the manufacturer. There's more to it than just boosting up the horsepower."

TERRY SWYSTUN | President & CEO
Full Line Ag Sales Ltd., Saskatoon, SK

modifying or removing DEF systems should not be done.

"I'm not sure how some companies can advertise removing these DEF systems because the federal government says it's illegal," says Rossler. "The problem is that the federal government has made it the provincial government's responsibility to police it, and the provinces say they don't have the manpower to police it."

According to Rossler, emissions violations like this are pursued more rigorously in the U.S. Even without the risk of aggressive enforcement in Canada, producers should know that major damage can occur when removing or modifying emissions systems. As Rossler explains, rendering any part of the emissions system inactive can cause these or other parts to fail, and the potential for repairs can be substantial.

"When we're taking these pieces of equipment in on trade, these modifications will need to be reversed, and these parts can be very expensive," he explains. "There are some components in the emissions system that can be \$5,000 to \$7,000, or even more. If I have to replace that part on that trade-in, that's not something the next buyer of that equipment is getting any value for."

From Rossler's time as a journeyman service technician, a service manager and working on the sales side of the agricultural equipment business, he's seen chipping problems many times. His advice on chipping, tuning or DEF deletes? Don't do it.

Rossler relays a story about a customer who asked their technician to come out to work on his tractor. This was a highly competent journeyman technician who had worked on that tractor for years. When he arrived onsite, he couldn't get hooked up to the tractor's system, despite trying two different computers. It all became clear once his customer told him



Chipping or Tuning. What's in a name?

As farm and heavy equipment gets more refined, more of the components are run with chips and modules. Companies promising custom tunes for enhanced performance or better fuel economy on equipment call these services by many different names. These include:

- diesel chipping or diesel tuning
- chipping or chip tuning
- ECM or ECU tuning
- ECU remapping
- performance tuning
- fuel economy tuning
- tractor tuning
- calibrated power
- emission deletes
- DPF or DEF Delete or EGR delete kits

Regardless of what it's called, there are significant consequences to changing the manufacturer's settings on farm equipment.

he'd had a custom tune done on the tractor.

"Unfortunately, we had to walk away from it," says Rossler. "That operation was down for days because he had to get the guy who tuned it back to troubleshoot it. Let's face it, a lot of these fellows putting custom tunes on agriculture equipment are not qualified technicians."

Even off warranty, it's still not a good idea

For Terry Swystun, president and CEO of Full Line Ag Sales Ltd., in Saskatoon, Saskatchewan, chipping and tuning is a no-go in their shop. Their dealership won't do them or promote them, and they are diligent about telling their customers that a chipped machine is no longer on warranty. Where the grey area sometimes is for customers is when that equipment is off the warranty.

"For customers, if there's no warranty, it's their piece of equipment and they can do what they want," Swystun says. "But, when they trade it back to me and I know the engine's been working harder because someone's chipped it, and the horsepower's been boosted up to a level that's not right for the tractor or combine, then what are the damages on that?"

Dealers aren't always told a piece of equipment has been chipped because the original owner may not think it's relevant. Swystun points out that assessing that kind of damage on a trade-in is tricky. There's often more wear-and-tear when something is modified beyond its original intended parameters or the computer program has been changed, and an hour of use is no longer a 'true' hour of use.

To Swystun's way of thinking, the chipping dealers are seeing today could be just the tip of the iceberg. He's anticipating more problems when the bulk of chipped equipment from the last eight to 10 years starts showing up on trade. If an engine fails because it has been run too hot, and the dealer may not know it's been done or the tune is turned back to the original specifications, he wonders who is liable for the repair.

"We don't always know it's been done until later, when the equipment comes in for something else, and we find out that it's been chipped," Swystun explains. "There is a lot that goes into these computer programs, and these chippers are not getting their information from the manufacturer. There's more to it than just boosting up the horsepower."



“At the end of the day, chips are bad... We shouldn’t ever be putting them on, we should be removing them... As dealers, we shouldn’t be taking this equipment in on trade, and we shouldn’t be reselling it. If it is done, someone’s not looking after the best interest of their customers.”

JASON HINTZE | Sales Manager
Western Sales, Rosetown, SK

The surprise of unanticipated repairs

In Jason Hintze’s Saskatchewan dealerships, the trouble Swystun is expecting is already in plain sight.

“It’s a bigger issue than we’re aware of, judging from the amount of equipment we see in our shops,” says Hintze, sales manager of Western Sales. “It’s becoming more and more an issue all the time.”

Hintze explains that problems often show up around the 2,000- to 3,000-hour mark if equipment has been chipped from new. Although it can be difficult to attribute all problems to a chip, some problems their shop has seen occur appear in the transmission, rear end and final drives. He notes that jacking up the horsepower from 400 HP to 500 HP may seem like a small adjustment, but it puts stress on the driveline and the powertrain because the system is not designed for that kind of flow-through in the long term.

If these modifications have been rolled back to the original specifications on a trade-in, or dealers aren’t told equipment has been chipped, it can take several years for a problem to show up. This puts dealers and customers in a risky position because it raises the question of payment for a repair neither party is aware of. Hintze’s shop currently has one tractor with a \$70,000 repair bill. Hintze believes it’s 100% attributable to a chip.

“Everyone selling these chips is going to tell you how good it is, but there is long-term damage that’s being done to these machines,” explains Hintze. “We’re seeing it in the shops all the time. No one is telling you the problems that are coming up, like the \$70,000 engine job that you’re going to do in a year or two.”

Hintze also questions the belief, held by some, that DEF is harmful to the environment. He notes that nitrogen gas and water, which come out of the exhaust, are harmless.

How can dealers protect themselves and their customers when it comes to the issue of chipping and tuning? Hintze believes that making buyers aware of the chipping and tuning issue is the first line of defense. Hintze’s dealerships also use a WEDA waiver form (see sidebar) releasing the dealership from chipping liability.

Additionally, Hintze proposes three important questions that owners of farm equipment should ask anyone wanting to sell them chipping or tuning and claiming these services will improve their performance.

1. Does this affect my manufacturer’s warranty?

In all cases, and with all manufacturers of equipment, changing a computer program, adding a chip or tuning the equipment’s components voids the manufacturer’s warranty. This includes the warranty on emissions systems, and in the case of emissions systems, modifying them is illegal in Canada.

2. Does this affect the service I can get from my dealership?

In many cases, dealers won’t – or can’t – work on chipped equipment because modifications won’t allow the dealer’s computer system to accurately read the modified system. If the issue directly relates to the chipping or tuning, the customer may need to go back to the chipper for the repair. In other cases, chipped or tuned equipment may need to be put back to a factory reset or have equipment reinstalled (with costs and time delays involved) before repair work can be done.

3. What are the long-term effects of this on my engine and other parts?

Today’s farm equipment is highly-engineered and calibrated for specific agricultural uses. When you tinker with a \$500,000 piece of specialized equipment, and it is modified to perform beyond its original designed use, that can put undue stress on many components in the machine.

Hintze’s final word on the issue is simple: if it seems too good to be true, it usually is.

“At the end of the day, chips are bad,” Hintze says. “We shouldn’t ever be putting them on, we should be removing them. Our message to customers should be clear: we can’t deal with you if you chip your machines. As dealers, we shouldn’t be taking this equipment in on trade, and we shouldn’t be reselling it. If it is done, someone’s not looking after the best interest of their customers.” **CED**

What WEDA is doing about chipping

The issue of chipping has grown significantly as new technology in farm equipment evolves. WEDA is reaching out to dealers this fall on the chipping issue with a communications package that offers tools for managing this situation in the dealership.

“When we have anything that has an impact in the thousands of dollars, or that comes up against the law, we need to be proactive on getting the message out about this,” saysCarolynn Sinclair, WEDA marketing communications director. “We’re creating and offering these materials to our dealers for their communication around the issues of chipping and tuning.”

WEDA will provide dealers with...

1. A Waiver Compliance Form for used equipment.
2. Print-ready brochures, posters, pop-up banners and counter displays will be designed and created for immediate download by dealerships, so they can be printed locally.

Watch for these materials as an email from WEDA early in October.

KIERAN BRETT is an Alberta-based agriculture writer who has covered topics ranging from crop production to farm business to agricultural research since 1989.

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METEORIC GROWTH SETS DEALERSHIP APART

Alberta AG Centre is three-for-three

by JANET KANTERS

IN NOW ITS THIRD YEAR OF OPERATION, ALBERTA AG CENTRE IS WELL ON ITS WAY to becoming THE premier CLAAS dealership in Canada. And with three dealerships in three locations, the company's meteoric rise shows no signs of slowing down.

Most recently, Alberta AG Centre opened its third location in High River, where it sells and services all CLAAS equipment, including combines, tractors, forage harvesters, balers and hay tools. The High River dealership joins the Taber location (established in June 2017) and flagship location Crossfield, which officially opened Aug. 2, 2016.

Alberta AG Centre president and CEO is Jason Wilson, who says the company is on target with its business plan. "Our goal is to open five locations in five years, and we're three for three so far," he says. "We've managed to exceed our business plan each year."

Each store features a full stock of parts, a knowledgeable sales team and a complement of factory-trained technicians. The team places a strong emphasis on customer service and they strive to build long-term relationships with Alberta producers.

"We offer the entire North American lineup of CLAAS equipment along with other great product lines to meet the demands of the Alberta agriculture industry," says Wilson.

German farm machinery maker CLAAS has built a strong reputation in Western Canada for 20 years, initially working with Caterpillar. For several years, the two companies jointly built the LEXION combine in Omaha, Neb., but in 2002, Caterpillar pulled out of the manufacturing operation as part of a strategic initiative to focus on their core competency of construction equipment. Today, CLAAS has company-owned dealerships in Regina, Swift Current, Yorkton and Saskatoon, Sask., and is expanding its network of independent distributors.

"CLAAS is a very value-rich product," notes Wilson. "It offers the farmer efficiency and productivity, and it's a very good value proposition for western Canadian farmers."

Alberta AG Centre is owned by a German company with co-operative roots called BayWa. With over 280 dealerships worldwide, BayWa is the largest CLAAS (and AGCO) dealer in the world.

"BayWa was looking to spread its wings outside of Europe where they're based [in Germany]. They were put in touch with CLAAS of America in Omaha, and given a choice between some territory in Alberta and some territory in the U.S. Given that they had no business dealings at all in



"We offer the entire North American lineup of CLAAS equipment along with other great product lines to

meet the demands of the Alberta agriculture industry,"

– Jason Wilson, Alberta AG Centre president and CEO



Jason Wilson (left), Alberta AG Centre president and CEO with Kurt Madsen, CLAAS Territory Manager



Andrew Wills (left), Alberta AG Centre Service Manager with Paul Key and Dawn Sigmeth, Alberta AG Centre Service Administrator

Our most important asset is our people... "We have a pretty simple business philosophy here, and that is if we look after our people, they look after our customers and our customers look after us."

JASON WILSON
Alberta AG Centre president and CEO



Canada, they chose Canada," says Wilson. "Today, the partnership with Alberta AG Centre and BayWa is focused on providing CLAAS products and service in this province. Together, the companies are enhancing the dealer presence in the province to serve growers with the very finest agriculture equipment and the service to match."

Wilson adds Alberta AG Centre locations do not, and will not, infringe on existing independent dealers' markets. The locations to date were chosen based on open territories, places in which CLAAS didn't have existing dealers.

In his first two months of employment with the company, Wilson visited BayWa's and CLAAS' headquarters in Germany. It was a busy time; from his hotel room, Wilson was ordering office furniture and computers, and arranging dealership telephone numbers and email addresses. When he returned to Canada, it was time to recruit staff—about seven staff members comprised the Crossfield dealership when it opened.

"Today, we have a staff of close to 30," says Wilson. "Our most

important asset is our people. We have a pretty simple business philosophy here, and that is if we look after our people, they look after our customers and our customers look after us. Our people are important – they understand that our customers are our greatest asset next to them."

All three Alberta AG Centre dealerships are full-service operations. That is, they are full-line dealers, or as CLAAS classifies them, long-line dealers.

"That's the key with us versus some of the other CLAAS dealers in the province and in Western Canada – we sell all the products that CLAAS has in North America," says Wilson. "So, for instance, there are CLAAS dealers in Western Canada that just deal in combines, or just deal in forage harvesters. But now the focus is on long-line dealerships, which is what sets us apart."

The three Alberta AG Centre dealerships currently serve southern Alberta – with plans for future growth. Wilson says the farm machinery business continues to grow, and he sees continued



sell, Parts Manager



“Our goal is to strategically place dealerships and then have a good stock of parts and a good group of service technicians and service trucks to reach out to the farmers to look after them, versus having a dealership every 30 or 40 minutes down the road.”

demand for both new and good used farm equipment province-wide. To that end, Alberta AG Centre deals in about 50 per cent new and 50 per cent used.

“We’re selling larger and more efficient machines, and we have returning customers who trust that we’ll offer them the best sales and service in the industry.”

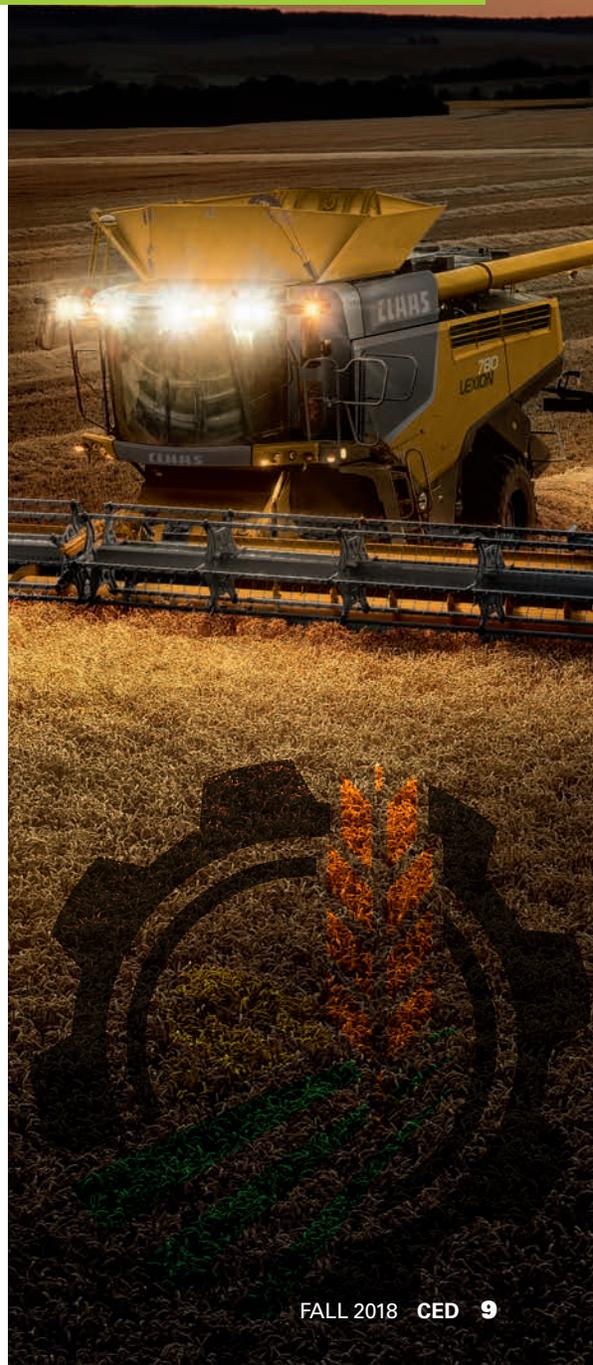
Across the three dealerships, Alberta AG Centre has 10 to 12 service staff who do the majority of machinery servicing on-farm. “We have brand new, fully-equipped service trucks with welders, generators, cranes and a good stock of tools to service all our equipment,” says Wilson. “Our goal is to strategically place dealerships and then have a good stock of parts and a good group of service technicians and service trucks to reach out to the farmers to look after them, versus having a dealership every 30 or 40 minutes down the road.”

Service technicians attend regular training, either at the Regina CLAAS operation, which also houses the parts distribution and logistics operations, or in Omaha. “A typical technician will make probably three to four visits to those training centres each year,” says Wilson. “We try to train in winter as much as we can, but there are times of the year where we don’t have that opportunity, so we’re also training in-season or prior to harvest. As we continue to grow, it depends, too, on when we hire a technician. If they join us in May or June, they may go to combine training in July so they’re ready for the upcoming harvest.”

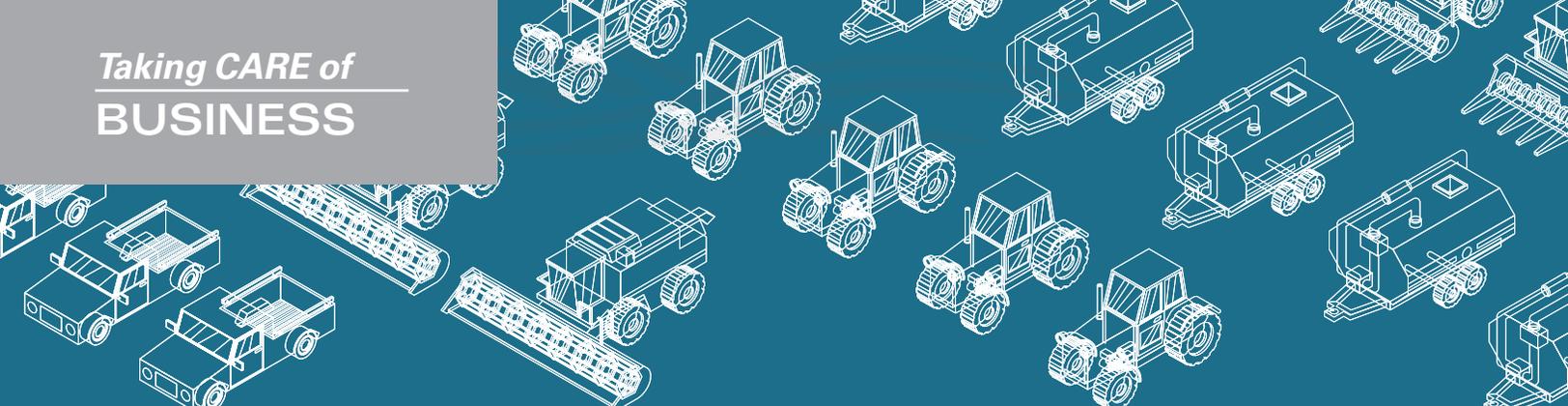
As it grows, Alberta AG Centre looks to continue its staff training regimen by taking advantage of opportunities offered by Western Equipment Dealership Association (WEDA), which offers dealership owners, managers and employees the information and skills they need to serve customers and grow business.

Wilson particularly appreciates WEDA’s skill at managing relationships with equipment manufacturers. But that’s not all. “On the operational level, they make us aware of trends in the industry, things we should be taking advantage of, things that we should be aware of, good or bad,” he notes.

It appears Alberta AG Centre will be a force to reckon with as they continue their unprecedented growth as an independent local dealership with financial backing of a large corporate dealer, and their pride in helping local producers maximize their bottom line with their long line of CLAAS equipment. **CED**



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Profit Values | A Tech / B Tech / C Tech

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Net Income

Definition / Benchmarks | Areas that Affect NI | Ways to Improve

Parts Turnover

Definition / Benchmarks | Areas that Affect NI | Ways to Improve

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Skills for an Evolving Industry – Launch New Opportunities for 2019



In today's competitive North American equipment industry, dealership owners have to keep up with new standards. Owners are constantly looking for innovative ways to stay on the leading edge of managing people, tracking financial performance and much more.

That's why dealers plan to be at Scottsdale Resort at McCormick Ranch December 5-7, 2018. We've packed the 2018 WEDA Conference agenda with strategic insights and fresh thinking you can take home to put to profitable use right away.

"The core values of WEDA are to advocate, elevate and educate for the benefit of our members."

*- John Schmeiser
CEO, Western Equipment
Dealers Association*



NEW FOR 2018

Roundtable Discussions

Visit westerneda.com/roundtable to find out more!

Your Key Business Issues, Resolved

Our 2018 conference focuses strongly on education. We've assembled panels with top dealers, subject matter experts and trainers in our industry, along with speakers who bring expert insights on key issues. At WEDA 2018, we're digging deeper to get you answers to your key business challenges.



NAFTA and Tariffs

Brian Hancock, executive vice president and chief marketing officer of Kansas City Southern Railroad, begins our conference with a North American and global perspective on the imposed tariffs and the North American Free Trade Agreement (NAFTA). By the time December arrives, we may have a clearer picture of NAFTA, the effects of the tariffs, and the interactions between Canada, Mexico and the United States. Get an up-to-date look at how these events affect you and your customers.

Following this presentation, our WEDA VP of government affairs, Eric Wareham, will provide a closer look at the trade and tariff issue from the perspective of equipment dealers in our regions. This will set up a discussion format with Brian and Eric entertaining questions from dealers.

SESSIONS

Next Generation Leadership: Proven Strategies to Attract, Retain and Engage Millennial Talent

Ryan Jenkins, internationally recognized speaker and author of "The Millennial Manual: The Complete How-to Guide to Manage, Develop and Engage Millennials at Work," will deliver this year's keynote address at 3 p.m. on Thursday, December 6. Ryan helps organizations gain clarity around millennials and Generation Z so that leaders can effectively lead, engage and sell in today's multi-generational workplace.

FEATURED SESSION

The Digitization of Agriculture: Obstacles and Opportunities - Devin Dubois, CEO, FieldAlytics Canada

What's Your Purpose in Precision? Is it primarily to run a profitable business or to support your core equipment business? Your objective needs to be clear in order to craft the right plan for your dealership and effectively measure success.

Service vs. Widgets. What constitutes a precision department inside a dealership? Precision helps make sense of information generated by widgets and equipment.

Working with Third Parties. Dealers can provide integral support to their customers' other trusted advisors. What can you do to elevate the third parties supporting customers in your region?

Legislative and Regulatory Issues in Focus

Those in agriculture understand that changes in the law can impact businesses the same way changes in market prices can. A change in a state or federal tax law may greatly impact a dealer's succession plan. A court decision may bring new requirements on an operation. This session will provide an educational review of the top 2018 legal decisions that impacted agricultural dealers. At the same time, the presenters will give participants an idea of what to be prepared for in 2019. Participants will learn about resources available to aid operators in keeping up with legislative and regulatory changes.

TWO FOCUSED DEALER PANELS

Panelist Speakers

Leadership Panel

Brett Barriage, CEO, Premier Equipment

Owen Palm, CEO, 21st Century Equipment

Departmental Sales

Tom Healy, Service Manager,
Burnips Equipment

Carrie Roider, CEO, Erb Equipment

Derek Davis, VP Sales & Marketing,
Agri-Service

PANEL ONE

An Organization That Sells Together Profits Together

Break down the inefficiencies of siloed sales, the benefits of providing solutions over services and the importance of internal relationships.

PANEL TWO

Unleash Your Inner Superhero

Keep employees energized, equip leaders with the tools to be all-stars and find out how succession plans work for you.

MAJOR LINE MANUFACTURER-DEALER MEETINGS

Hear first-hand what the major line manufacturers are thinking, doing and planning for 2019 and beyond. On Friday, December 7, at 10:15 a.m., dealer meetings will occur with representatives of the leading manufacturers.

View full conference agenda at westerneda.com/agenda

FALL GOLF CLASSIC

The 2018 Fall Golf Classic will be held on Wednesday, December 5, on the Pine Course at the McCormick Ranch Golf Club, in Scottsdale, Arizona.

Registration – 11:00 a.m.

Lunch – 11:30 a.m.

Shotgun start – 12:30 p.m.

Awards –

At the Welcome Reception

Register at

westerneda.com/register

Fees include: Lunch, green fees, golf cart, prizes and fun! The Western Equipment Dealers Foundation was formed to provide funding for charitable purposes related to the shortage of properly trained technicians for our equipment members. The Foundation is operated by a group of volunteer dealers and association staff who coordinate the Foundation's activities:

1. To continue our support for the WEDA Industrial and Farm Equipment Technician Program at OSU Institute of Technology – a cooperative two-year college-level technician education program that leads to an associate in applied science degree with a major in industrial and farm equipment technology. The program is exclusively by and for Western Equipment Dealers Association members.
2. To establish scholarship programs at post-secondary educational institutions for deserving students and member employees interested in pursuing a degree program relative to the equipment industry.

The tournament will be a fundraiser for the Western Equipment Dealers Foundation. The format will be a four-person scramble, which makes it fun for every golfer – even those who are less skilled.

Arizona Golf Review describes the course: *“McCormick Ranch Golf Club features two Desmond Muirhead-designed 18-hole championship courses, along with fine amenities that make this property one of the top golf destinations in Scottsdale. The green complexes are a bit less raised and more accessible than those on the Palm Course, making the Pine a little more playable for the average golfer.”*

CONFERENCE HOTEL AND REGISTRATION

The Scottsdale Resort at McCormick Ranch

7700 East McCormick Parkwa, Scottsdale, AZ 85258

Take advantage of our conference rate of \$195/night plus applicable taxes. Mention Western Equipment Dealers Association when you make your reservations by November 6, 2018. Call direct at (800) 540-0727 or reserve your room online at westerneda.com/hotel. If space is available, this rate will be extended three days prior and after our conference. Check-in time is 4:00 p.m. with checkout at noon.

WEDA SPOUSE TOUR (Optional)

Taste It Tours of Scottsdale will take us on a food journey through Old Scottsdale while learning about special sites and peeking in a few stores along the way. This tour, a mixture of walking (one mile total) and riding the trolley, features stops at several restaurants. Each stop will showcase the most popular items at each establishment, and several are paired with a signature cocktail. Wear comfortable clothing and shoes.

Note: They are unable to accommodate for vegan, gluten-free or other dietary guidelines. They can accommodate vegetarian but no substitutions.



YOUR FUTURE... an investment with guaranteed growth.



KNOWLEDGE TRUST GROWTH

You've invested a lifetime in agriculture and the equipment dealer industry. Now, you can ensure that your investment is passed on to the next generation.

Since its inception in 1998, the CEDF has raised over \$2 million in pledges and commitments for dealership specific educational programs and scholarships.

As you plan your will, estate or income tax considerations, weigh the option of a tax-deductible gift to the CEDF. For more information about CEDF's planned giving programs, call today.

2435 Pegasus Road NE, Calgary, Alberta T2E 8C3
Phone 403-250-7581

CANADA
Equipment Dealers **Foundation**

Beware of Fake CRA Communications

by BDO CANADA LLP



FRAUDSTERS ARE TARGETING CANADIAN

taxpayers by posing as agents from the Canada Revenue Agency (CRA), either by telephone, mail, text message or email. These phony communications can be disconcerting if you are on the receiving end. To protect yourself and your finances, you need to know how to recognize a scam and distinguish it from a legitimate CRA communication.

As these criminals become more brazen, the need to protect your personal information – such as your social insurance number, credit card number, bank account number and passport information – has become an even bigger priority for Canadians.

Identifying fake communications

Scammers often use language that is aggressive, threatening and, most importantly, designed to scare you into paying fictitious amounts. To prevent you from falling victim to this type of fraud, here are some points to consider if you receive any sort of communication that purports to be from the CRA.

Telephone communications

Don't be surprised if fraudsters call your home, business or cell phone and tell you that you owe a large amount of unpaid taxes. To coerce you, they may even say that a criminal tax case has already been filed against you and urge you to call back on a fictitious hotline to avoid dire consequences. Often, the fraudsters demand that you provide them with your personal information or money in an unreasonably short time frame. This gives you little time to evaluate the legitimacy of their requests.

If you do receive a suspicious phone call that appears to be from the CRA, keep in mind that some scams involve caller ID spoofing, which allows a caller to disguise their identity by falsifying the information transmitted to your caller ID display. Because of this, you should never rely on the displayed caller information to confirm the identity of the caller.

As well, remember that if you do receive a phone call or voice message saying that you owe money to the CRA, you can confirm that this information is in fact correct by calling the CRA directly or by checking online using the My Account service. You should not provide any personal or financial information to the caller or leave it on an answering machine.

Mail, text or email communications

Phony communications by way of mail, text or email often urge taxpayers to visit a fake CRA website where they are asked to verify their identity by entering personal and financial information. Other fake communications may promise bogus tax refunds that can only be claimed after clicking on a link to a fraudulent website. You should note that the

CRA will only send an email containing links while their agents are on the phone with a taxpayer who has called to request a form or a link to specific information.

The CRA will never:

- send an email with a link and request that you divulge personal or financial information;
- ask for personal information of any kind by text message;
- request that you pay your tax liability with prepaid credit cards.

Remember that if you have signed up for online mail (available through My Account, My Business Account, and Represent a Client), the CRA will send a registration confirmation email to the address you provided for online mail service. The CRA will also send an email to the address you provided to notify you when new online mail can be viewed in the CRA's secure online services portal.

How you can respond

If you think that your CRA user ID or password has been unlawfully accessed, be sure to contact the CRA immediately. If they are able to confirm that your information has been compromised, they will act to ensure it is not used with CRA systems and processes. You can also ask the CRA to disable online access to your information on the CRA login services.

If you have unwittingly given out your personal or financial information as a result of fake CRA communications, contact your local police service.

Protect yourself

To help you properly identify scams, the CRA has posted samples of the more common ones, as well as transcripts of fraudulent communications, on their website. When it comes to communications from the CRA, exercising caution and ensuring that you never provide personal information online, by email, or over the phone can help protect you from fraud. Whether it is the promise of an unknown refund amount or the threat of an unpaid tax liability — if it doesn't seem right to you, it probably isn't, so trust your own judgment. **CED**



THIS IS A MODIFIED VERSION of an article released on www.bdo.ca in March 2018. The article is current to July 15, 2018. This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances. BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

STUDENT FOR LIFE: *Continued Training and Education*

by BONNIE JOHNSON, AgCareers.com



It's always important to grow as a person; conferences, continuing education, and other training opportunities are a great way to learn and evolve your career, your employees, and your business.

Are you a lifelong learner? Do you encourage lifelong learning for your employees?

No matter if you've just graduated, or have been out of school for thirty years, education continues throughout your lifespan. Truly learning, versus just being trained, makes the difference. Those who make the most of training and educational opportunities are often highly successful while being adaptable to change in their personal life and professional career.

In fact, employers often say they hire for attitude rather than hard skills. This is because many technical, product and company-specific hard skills will be taught on-the-job.

It's always important to grow as a person; conferences, continuing education, and other training opportunities are a great way to learn and evolve your career, your employees, and your business. Frequent training is essential for employees and employers to continually learn, take on new challenges and understand technological advances in their field.

Canadian agricultural employers are recognizing the value and putting it into action. Education and training is one of the top motivational approaches ag employers use to keep employees challenged and productive in their roles (2017-2018 Canadian Agribusiness HR Review). Continued learning allows employees and candidates to stay up-to-date on the latest information and technology.



Upcoming AgCareers.com Webinars

- **HR & Marketing Partnership for Recruiting**
October 19, 2018
- **Difficult but Necessary: Having Key Conversations**
December 07, 2018

To find out more about AgCareers.com educational opportunities and register, visit www.AgCareers.com and click on the "Conferences" or "Webinars/Workshops" tab under the employer drop-down menu. Email agcareers@agcareers.com with questions.

AgCareers.com offers several continuing education opportunities to aid in lifelong learning, stay up-to-date and motivate. AgCareers.com events are significant because they are specifically tailored to the agricultural industry. Our webinars are a popular way for our Canadian clients to stay connected and continue their education. These hour-long educational webinars offer insight on a range of hot topics related to recruitment, retention, and careers in agriculture. **CEB**

How do you decide what educational opportunities to invest in?

1. Research the event or training program:

- What is the goal / takeaway of the continuing education or training program?
- Compare a few different programs/events
- When will this occur and how much time away from your job?
- How much will it cost: Registration, Hotel/Lodging, Food, Transportation
- What type of businesses attend?

2. Determine the return on investment:

- How will this help you grow professionally and individually?
- Will participants be able to pass on any of these skills to other teammates?
- Does this aid in keeping up to date on trends in your industry?
- Will this help lead to new possibilities for the business?
- Is this a good opportunity to meet others in the industry for leads and referrals?

WEDA's Dealer Institute makes major move *Association acquires Friend Management Systems*

"I CAN ASSURE ANY DEALER THAT IF THE conversations you have with others at random dealer gatherings stimulates you, the conversations in a peer group will rock your world," writes Trent Hummel. Hummel discusses dealer peer groups in the current edition of *It's Just Good Business*, which begins on page 24.

The Western Equipment Dealers Association (WEDA) hopes Hummel's attitude about dealer peer groups catches on with other dealers and the Association's newest addition to its Dealer Institute, Friend Management Systems (FMS).

The Association's board approved the acquisition of FMS this past spring and the takeover date was September 1. FMS is a strong and well-known brand in dealer development that provides dealers with "access to unprecedented dealer performance metrics via a system of copyrighted benchmarking" to improve "dealership performance," according to Doug Friend, founder of Friend Management Systems.

While dealer peer groups are common in the equipment industry and other industries, how they're structured varies. Some groups may have 20 members, hence the name 20 Groups, or some may have less than 20 members. The common factor in many equipment industry groups is most members are generally dealer principals.

The structure used by FMS is more inclusive, meaning his groups, which are referred to as "dealer performance groups," are not limited to dealership owners.

"We offer three kinds of groups – leadership, aftermarket and in-house," says Friend. "The leadership groups are made up of four to five dealerships and three to six team members from those dealerships. The team members may include the CEO, GM, and corporate managers in sales, parts, service, finance, or precision ag."

The aftermarket groups include branch, parts and service managers from the dealerships in the leadership groups. The in-house groups include two- to three-day sessions and all parts, service and sales managers attend on different days.

Major addition to Dealer Institute

Although the Dealer Institute is an infant in the industry, it's a growing baby and the acquisition of FMS is a major addition to the Association's educational division. The Dealer Institute was created to help dealerships be prepared to manage daily operational needs as well as train employees and FMS has a proven track record of doing just that.

At this writing, however, the Friend program is only available to John Deere dealers but it fits the mission of the Dealer Institute and is a major addition to the mix of onsite and online training programs.

WEDA CEO John Schmeiser says Friend's dealer performance groups will be a stand-alone program within the Dealer Institute. "The key to this will be the support of current participants and John Deere," says Schmeiser, "and continuity is important."

"Over the past few years, WEDA has heard from numerous participants in FMS dealer performance groups about how valuable the program is to

their dealerships," says Schmeiser. "These dealers attribute a lot of their success to Friend's leadership and aftermarket groups. Since WEDA solely exists to serve its members, the Association viewed this acquisition as another way we could help dealers succeed in the future."

Helping dealers succeed was key to Doug Friend in aligning his business with the Association. "For Friend Management Systems it was the bench strength of WEDA's dealer members, which will allow for expansion and adding more financial data to the current \$6 billion-plus database to serve existing and future members."

Adds Friend, "the first order of business is to 'top up' some existing groups with WEDA members and to get one or two new groups off the ground."

Schmeiser agrees. "The intent is to fill existing groups and then use WEDA's resources and contacts throughout North America to add new groups." He says conversations with Deere dealers are already underway.

Friend Management Systems is a recommended provider of training for John Deere.

"The acquisition of Friend Management Systems confirms WEDA's commitment to the long-term success of dealers," says Michael Piercy, director of business development, for the Dealer Institute. "Our priority is to provide dealers access to the highest level of dealer development, training and education, and consulting services."

Joining a group requires commitment

Although currently limited to John Deere dealers, Doug Friend says dealers need to consider a few things before joining a group. "Dealers have to be prepared to have their full leadership team attend group meetings, including the CEO, and to be comfortable sharing full dealership financial performance with all of their team members," says Friend.

As for whether dealership type, such as agricultural, outdoor power or construction comes into play, Friend adds that "dealers in groups should have similar business models in terms of product offerings and size."

Schmeiser adds that dealers also need to understand these leadership groups operate like a board of directors. "This means other dealer principals will offer scrutiny and opinions about another dealer's operations and will hold them accountable for goals and objectives. Although some may be hesitant about the additional level of oversight, that is what leadership groups are designed to do and this system has proven to create high performing and highly profitable operations."

Looking ahead in the short term

As it stands today, FMS works exclusively with John Deere dealerships. As noted previously, the success of these business relationships has earned FMS a preferred provider status with John Deere.

Groups representing other brands aren't planned in the short term but that's not being ruled out by the Association. "The first priority is to fill existing openings and grow the John Deere groups," says Schmeiser. "Since WEDA's announcement of the purchase of FMS, a number of dealers have contacted the Association and expressed an interest in being part of a group."

Schmeiser adds that work on adding dealer groups of other colours will begin shortly. "Due to the nature of the groups, they must remain inline to be successful. The strong reputation of FMS in the industry will eventually lead to new groups with dealers of other brands."



“Over the past few years, WEDA has heard from numerous participants in FMS dealer performance groups about how valuable the program is to their dealerships,” says Schmeiser. “These dealers attribute a lot of their success to Friend’s leadership and aftermarket groups.”

JOHN SCHMEISER | CEO, WEDA



“For Friend Management Systems it was the bench strength of WEDA’s dealer members, which will allow for expansion and adding more financial data to the current \$6 billion-plus database to serve existing and future members.”

DOUG FRIEND | founder of Friend Management Systems



“The opportunity to work with Doug, learn from his experience and success in the industry, strengthens our position to be the premiere resource for dealers to meet the challenges of today’s market.”

MICHAEL PIERCY | Director, Business Development, WEDA Dealer Institute

Expansion requires trainers

One of the primary factors in managing dealer performance groups is having trainers who know the industry. While industry consultants bring a high level of ability to help their clients identify problems, reduce inefficiencies, create solutions, increase revenue, or improve the way a business functions, dealers seem more inclined to respond to dealers.

Friend believes trainers with dealership experience should be a prerequisite. Schmeiser agrees. “In creating the WEDA Dealer Institute, one of the goals was to provide fresh perspectives from individuals who were successful owners and operators of equipment dealerships and we’ve accomplished that.”

“We have found that trainers who were on the ground floor in the dealership and had a stake in the business, were best suited to pass on their knowledge to the next generation of leaders. Our feedback from Dealer Institute training consistently shows that dealership employees value the direction from those who have faced the same problems they have and are interested to learn how they resolved those problems.”

So, where does this leave Doug Friend and his decades of experience as a trainer? “At this point, a replacement for Doug has been found to lead the John Deere groups and that transition will take place over the next year,” says Schmeiser. “However, Doug will still be involved as long as he wants to be – in whatever capacity suits him. That will assist in the transition. As the program grows under WEDA, new facilitators will be found to work with newly established groups of other colours.”

The FMS difference

No matter what you call peer groups, Doug Friend says there is a difference between what FMS does versus other providers. “Like many 20 groups, FMS groups share best business practices. What separates us from other peer groups is the in-depth financial analysis, comparisons and rankings we do, the benchmarking based on actual dealer data, and the peer guidance and accountability of achieving annual goals,” says Friend.

“Having full leadership teams involved provides a vast educational experience on what is required, realizing what is possible and understanding the challenges facing the total dealership. Dealers that have been in the program outperform industry averages,” he adds.

Friend takes pride in knowing dealers who have been in one of his groups want to maintain that experience even when they move to another dealership. “A dealership manager who recently changed employers told me, ‘I got more out of your meetings than any other type of training / meeting I attended.’ That’s worth something to me,” concludes Friend.

And it’s worth something to the Association. “WEDA continues to be the leading dealer association in North America and the acquisition of FMS is one more service that WEDA can provide to dealers to help them succeed in their businesses,” says Schmeiser. “The track record of FMS is unquestioned. Participating dealers are committed to the program because

they see firsthand how it has helped their dealerships grow and grow profitability. With WEDA leveraging this acquisition to make it available to more dealers throughout North America, it has the potential to raise the bar to make the entire industry more profitable and provide long-term sustainability and success.”

“The opportunity to work with Doug, learn from his experience and success in the industry, strengthens our position to be the premiere resource for dealers to meet the challenges of today’s market,” adds Piercy.

The Dealer Institute difference

The Dealer Institute is a culmination of education and training programs offered by former SouthWestern and Canada West dealer associations. Following the merger of the two associations into what is now WEDA, Schmeiser spoke with many dealers who indicated a lot of training programs were recycled ideas presented by trainers who sometimes adopted strategies from other industries.

As a result, the Dealer Institute was established to give the industry fresh perspectives on education and training.

“We knew there was a wealth of knowledge out there from successful dealers who had exited the business through a merger or acquisition. They wanted to be involved in the industry and share their knowledge and do so without the excessive time demands that operating a dealership can bring,” says Schmeiser. “WEDA has been able to leverage this knowledge into the Dealer Institute with impressive results. Follow-up surveys on training provided consistently achieves a favourable rating of 80-plus percent.”

But the Dealer Institute isn’t just about favourable ratings. It supports WEDA’s mission to represent and advocate on behalf of dealers. “All of the profits made by Dealer Institute are reinvested into the Association’s advocacy efforts, which helps keep dues low,” notes Schmeiser. “With the creation of the Dealer Institute, WEDA has added significant resources to fund government affairs initiatives, which led to the Association being able to influence tax reforms to benefit dealers and their customers.”

Conclusion

As Doug Friend and John Schmeiser say, dealers who might be considering a peer group need to come to the table with a basic plan – be committed, get involved, listen to others, work to succeed. Also, as Trent Hummel notes, be ready to learn something that will “rock your world.”



Dealers interested in becoming part of a leadership or aftermarket group are encouraged to contact Michael Piercy, director of business development for the Dealer Institute at 800-762-5616 



Laying a foundation for creating and hitting service department labour budgets

by KELLY MATHISON

CREATING A SERVICE LABOUR BUDGET can be a stressful and intimidating time for many service managers. In many cases, service managers are comfortable when it comes to technical product knowledge but are less familiar with financial budgeting.

For some dealers, the budgeting process consists of looking at last year's numbers, adding a percent or two and that's about it. Others take a more in-depth approach. In this article, I will share a way to create a conservative, basic, yet effective labour budget and provide suggestions to keep you on track throughout the year. Labour inventory has NO shelf life.

Understanding labour inventory

If we buy an oil filter at 8 a.m. and don't sell it by 9 a.m., we still have it on the shelf to sell later in the day. However, if we pay a technician starting at 8 a.m. and don't sell that hour of labour by 9 a.m., that hour is gone. We would not allow this to happen with our other inventory, but tend to do it too often with labour inventory.

Some loss of labour inventory is unavoidable. Even though we may pay a technician for 40 hours/week, 52 weeks/year, they are not always available due to vacations, sick time, paid time off etc. The key is to limit the non-revenue or lost time when technicians are available.

How do you calculate your available labour inventory?

Chart 1 calculating available labour inventory

<i>Technician hours paid per week, per year</i>	<i>40 hrs. x 52 weeks</i>	<i>=</i>	<i>2,080 hrs.</i>
<i>3 weeks paid vacation</i>	<i>40 hrs. x 3 weeks</i>	<i>=</i>	<i>- 120 hrs.</i>
<i>1 week of sick time, paid leave or other paid time off</i>	<i>40 hrs. x 1 week</i>	<i>=</i>	<i>- 40 hrs.</i>
TOTAL HOURS AVAILABLE			1,920 hrs.

Realistically, there will be some non-revenue time, including training, breaks, talking with customers, waiting for parts, etc. We want to keep that to a minimum. We also want to minimize precious technician time spent on non-revenue workorders such as general shop cleaning, servicing internal company vehicles and other "make busy" work.

Generally, we want at least 85 percent of the available time to be assigned to revenue generating workorders.

Example

$$1,920 \text{ available hours} \times .85 = 1,632 \text{ revenue hours per technician}$$

By using this basic spreadsheet, you can plug in your own numbers (the highlighted areas) to come up with a realistic target for your shop.

Chart 2 calculating realistic target for service net income dollars

<i>Weeks per year</i>		<i>Hours worked per week</i>		<i>Number of Techs</i>		<i>Total paid hours</i>
52	x	40	x	6	=	12,480
<i>Total paid hours</i>		<i>Paid vacation / sick time off</i>		<i>Total hours available</i>		<i>Productivity</i>
12,480	-	960	=	11,520		85%
<i>Total revenue hours</i>		<i>Retail shop labour rate</i>		<i>Total labour sales dollars</i>		<i>Technician Salaries</i>
= 9,792	x	\$120 /hour	=	\$1,175,040	-	\$424,320
<i>Service GM dollars</i>		<i>Service dept. direct expenses</i>		<i>Service dollars net Income</i>		
= \$750,720	-	\$633,720	=	\$117,000 (10 percent)		

Putting your budget to work

Now that you have a realistic and attainable budget, you must get your whole team engaged to help hit the target. This begs the question, “How do you eat an elephant?” Answer, “One bite at a time.” The same logic applies when trying to hit your budget.

In the next examples, Charts 3 and 4, we had a target of 9,792 revenue hours for the year. By breaking it into smaller bites, we can use it as a scorecard to engage technicians and service administrators to hit the target.

Chart 3 technician revenue hours by month

Total available hours	Months per year	Monthly billing target	# of Techs	Hrs. billed/ tech/month
9,792	/ 12	= 816 hours	/ 6	136

Take it one step further and break it down into weeks.

Chart 4 technician revenue hours by week

Total available hours	Weeks per year	Weekly billing target	# of Techs	Hrs. billed/tech/week
9,792	/ 52	= 188.31	/ 6	31.4

Keeping your eye on the ball – and on the scoreboard

Do you ever notice professional (and amateur) athletes constantly check the scoreboard or game clock during a game?

Yes, they may be watching the replay of their goal celebration on the big screen, however, they are also aware of the score and the time remaining on the clock. The same should apply to your team.

Top performing service managers make a habit of keeping score and ensuring the whole team is aware of the time remaining on the clock.

This is as easy as putting up the weekly and monthly targets on the shop whiteboard for all techs to see, then updating the progress (score) on a regular basis. This can be done as a group or by individual technicians.

Some service managers have reported that this alone can be a magic bullet.

“Techs will check to see how many hours they need to bill to hit their monthly or weekly target, then put an extra effort into handing in their workorders on time,” according to one service manager.

Others have reported it has a positive effect on the whole service team including service administrators.

Another service manager commented during a training session, “I now hear our service administrator checking with the techs to see what workorders they can close prior to the end of the day, week or month... it’s sort of like an in-house competition to hit the targets.”

Be realistic

Realistically, you won’t hit the target every week, especially when you have techs away on training or vacation. However, you will have weeks where you will exceed your budget target. The trick is to ensure you are endeavouring to make up lost ground when you can, with a focus on the monthly, quarterly and annual targets.



KELLY MATHISON is a former dealer and current trainer and management consultant for the Western Equipment Dealers Association’s Dealer Institute.

TOP METRICS TO WATCH is an ongoing feature brought to you by the association’s Dealer Institute to help dealers better understand key performance indicators and industry metrics to effectively manage their businesses.

KELLY MATHISON is a former dealer and current trainer and management consultant for the Western Equipment Dealers Association’s Dealer Institute. Mathison specializes in parts, service and aftermarket training. Please send questions and/or comments to kelly@kayzen.ca.

EDITOR’S NOTE: If you would like an Excel spreadsheet template to create your own labour budget, please send a request to Kelly. Also, if you have a best practice you’d like to share with Kelly, please write to kelly@kayzen.ca.

Best practices

It is a key responsibility of the service manager to ensure technicians are assigned to revenue work orders at all times.

Top performing service departments have shared some of their other “best practices.”

- **Have a marketing plan to ensure you have revenue jobs available throughout the year.**
- **Quote 100 percent of the retail jobs to reduce writing off labour.**
- **Never quote hours to a customer.**
- **Give the customer a price...give the technician a time.**
- **Implement a standard or flat-rate pricing method to allow techs to succeed.**
- **Don’t wait until the month end to “batch close” workorders.**
- **Close workorders every day; month-end then becomes just another day.**
- **The older the workorder is, the harder it is to close and collect.**
- **Train technicians on proper documentation methods.**
- **Properly documented workorders are easier to close and show value to your customers.**
- **Document throughout the day.**
- **Document the time and steps taken to diagnose.**
- **Document the time and steps taken to repair.**
- **Document the time and steps taken to test the repair.**
- **It’s what you write, not how much you write.**
- **Never allow technicians to clock on to “non-revenue” workorders without approval from the service manager.**
- **Have revenue jobs lined up for each tech prior to the start of every day.**
- **Have secondary revenue jobs ready to assign in case of delays or interruptions.**

In my upcoming articles, I will discuss ways to take your service profitability even higher. For more information on upcoming aftermarket training programs, visit WEDA’s Dealer Institute at www.dealerinstitute.org.

To discuss a customized aftermarket program for your organization, send request to info@westerneda.com **GED**

DEALER PEER GROUPS EXCHANGE INFORMATION. So, what's the big deal?

by TRENT HUMMEL

HAVING BEEN PRIVY TO MANY DEALERS' THOUGHTS

and beliefs about peer groups, I thought it was time to chime in on the pros and cons of being in a group. In my role as a consultant and trainer, which includes facilitating peer groups, it is apparent there is a misunderstanding about these types of groups and their purpose.

Consulting companies use a variety of names to market their peer group programs. A sample of some of these names include 20 groups, industry groups, business groups, peer groups, 20/20 groups, and more.

Regardless of the name, all groups are meant to serve the same purpose, which is to expose, discuss and gather suggestions from other members related to best practices, leadership issues, financial performance, industry trends, family / personal dynamics, manufacturer pressures, succession planning and everything else that makes operating a dealership difficult.

Listening to dealers, their employees and industry people, the peer group confusion is related to a lack of understanding about how groups are formatted. I will get into that later.

As noted by a mentor of mine who is a seasoned facilitator, "The peer group members are your board of directors. Where else can you be as open and honest about your issues and, in return, get a basket of suggestions from genuinely concerned people who have lived it or experiencing the same issues?" We share our work struggles with family and friends but do they really understand our challenges? In a peer group, when you are transparent with your issues, the members feel your pain. They live the same day-to-day struggles.

During a recent visit with a dealer, the topic of peer groups arose. This dealer started his company in the late '70s. He said he had been in a peer group program for 30+ years. In his office, the book shelf immediately behind his chair held about 10 years' worth of peer group financial data and meeting notes. Currently, data is sent electronically but he showed me the outdated stack of peer group reports to demonstrate his commitment and belief in the peer program.

With 30+ years in a peer group, I asked "How does a peer group benefit your dealership that has above average profitability, uses best operational practices and employs a team that is very capable of doing their jobs?"

He had a number of comments but the few he repeated during our conversation are as follows:

- *Peer groups challenged him to be better just when he thought he had it all figured out.*
- *Discussions in the peer group meetings kept him abreast of industry changes and manufacturer challenges.*
- *The financial reports forced him to understand, interpret and know how to make operational changes from industry-specific metrics and measurements.*
- *They provided a network of dealer peers that he felt comfortable to call any time, even outside of a meeting, to gather information about a pressing issue.*

He said these four benefits alone have added millions to his family's purse. But that only happened because he had an attitude that he was going to be engaged in the peer group processes. Far too many members attend meetings but take no action with the suggestions from others. A dealer not doing anything is a frustration for other members of a group.

Following are the types of groups in the equipment industry.

Type 1

Members are from the same geographical market area, often the same city. The members' businesses are not serving the same industry. Members are a mix from every local industry, i.e., bankers, restaurant owners, landscapers, etc. – all in the same group. Obviously, they do not compare financial metrics. Discussions about operational matters or their mix of industry issues would not stimulate a lively conversation.

They do, however, talk about leadership, local government issues and regional growth initiatives. A hotel operator, taxi company owner or officials with an airport authority would likely all be interested in discussing a proposal for attracting a semi-pro sports team to town. Leadership or employee topics create lively discussions in any type of peer group. Everyone has something to gain from leadership discussions. Type 1 groups are often an extension of the local chamber of commerce or community business group.

Type 2

All members in this type of group are in the same industry but far enough apart geographically and not competing against each other. These are the peer groups with which most dealers are familiar. I will try to shed some light on the innerworkings and benefits of this type of group.

My family has been involved with peer groups since 1986. This length of time has given us the opportunity to observe how peer groups have changed over the decades. The business skills of members and depth of topics discussed have grown as dealerships have evolved.

A group in the mid '80s was primarily given a lesson in financial management, industry metrics and specific measurements of the equipment industry. Every meeting was heavily focused on financial lessons. That was a good thing since most members did not have the level of financial understanding we have today. To survive in business, every generation has to know more than the prior generation. My Dad, who started in a group in the mid '70s, said what he knew about running a successful dealership in the '70s would not allow him to get past the first year in today's business climate.

As I was told from the start of my peer group initiation, you are naked on the table. At least your financials are naked. Every member is looking at



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The peer group members are your board of directors. Where else can you be as open and honest about your issues and, in return, get a basket of suggestions from genuinely concerned people who have lived it or experiencing the same issues.

every other member's detailed financials.

Most groups have their members' names tagged to their data. There is no hiding... everyone knows your data. It allows other members to dissect your numbers and challenge you.

The peer group provider will compile each member's data in a comparable fashion. It is important that members are comparing apples to apples. It allows all members to review each line of their data in detail while comparing data to the other members' financials. Is your business trending up or down in a particular area? Now is when the others offer suggestions based on past successes and failures.

Another financial benefit is the group composite, which compares all the members' metrics in one spreadsheet. It allows you to easily see how you measure up to others in the group. I have used the composite multiple times with naysayer employees. We all have an employee (or two) who continually says something cannot be done. At a department meeting, we would share the composite copy with everyone. This would allow them to see that other dealerships are meeting or beating an industry benchmark in a specific area.

In my experience, the only member issue to which no one had a solution or idea for (other than firing someone) was as follows: A store manager caught a parts counter person pretending to be talking on the phone with a customer. The parts person did this so he would not have to serve walk-in customers. The dealership found out he did this often and with multiple customers at the counter.

Type 3

This type of group is common in multi-store auto dealer groups. The dealership has its own internal peer group. Each location's leadership team attends a meeting as if it is a stand-alone store. The other members are the leadership teams from the dealership's other locations.

This process is effective. It fosters an environment where location leadership teams take ownership of their locations. If the group meetings are a true learning and sharing meeting, the meeting fosters a healthy

competition among the locations.

One of the biggest complaints we hear about from department managers in a multi-store dealership is there is no avenue to really get to know their peers in the other locations. The internal peer group program has two great advantages: 1) the peers get to know each other on a personal level and 2) for two days they talk shop, compare financials, share operational practices, discuss employee issues. It opens up the communication and sharing not only during a meeting but between meetings.

The auto dealers have shared that their internal groups hit new heights when they started to allow outside, industry-specific people to facilitate their groups. When an owner or senior manager facilitated their groups, it did not get the energy up with the attendees. Outside facilitators brought industry knowledge and ideas from attending other group meetings, industry events and their experiences. An outside person will challenge an attendee without being the bossy boss.

Summary

Peer groups can be set up in any format the members request or require. It is important to recognize that having similar size dealerships in a group is a plus but not the deciding factor to a group's makeup. More importantly, members with similar business acumen is a plus. This is required in order for members to challenge each other effectively. The members grow together. When the spread between members knowing too little and knowing a whole lot, it's like an expert and beginner skiing together – it's not a fun ride for either.

We have had many dealers indicate that going to conferences, being on dealer councils and attending manufacturer events allows time to discuss issues with other dealers as if they were in a peer group. I can assure any dealer that if the conversations you have with others at random dealer gatherings stimulates you, the conversations in a peer group will rock your world – and it's just good business. **CED**

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@westerneda.com.

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YOU ONLY HAVE 24 HOURS

by DR. LARRY COLE

AS MANY OF YOU KNOW, TIME IS ONE OF OUR MOST precious and expensive resources. Calculate how much it costs the dealership to keep you employed per hour. Then do the same to determine the cost to run the dealership per hour. Research suggests that we lose 25 – 30 percent of our day to timewasters attributed to people issues, which doesn't include the loss of efficiency due to sloppy processes. A dealership with which we worked estimated a loss of 45 percent because the body was not communicating with the left and right hands. A total mess.

I'm currently facilitating a course for a manufacturer and was told about the bad habit of people showing up late for meetings. Just imagine how much money that costs when several people are waiting while others are disrespecting their time. Our sessions start on time and I put a sign on the door to please enter quietly after 8 a.m.

Given that we have a finite number of hours per day, there is tremendous variability as to how much people can achieve given the number of hours. The secret is how we manage our time. For example, a vice president complains about his workload and has to catch up on emails into the late evening hours. But he is known to walk the halls engaging others in chitchat. Not only is he wasting his time, but that of his fellow workers. These behaviors become rituals and become hard to see as timewasters.

Here are pet peeves of mine: not completing paperwork on time or submitting paperwork that doesn't include all the needed information. Just think about the time wasted with this simple and inconsiderate act. Ouch, that hurt.

Based on my work within dealerships, we've identified 40 timewasters that are common to many dealerships. Moreover, we're confident we don't have all of them listed. We use this content to help dealerships develop strategies to minimize or eliminate these expensive habits.

Common sense tells us that employees should be focused on making life easier and more successful for everyone than doing those things that cost us time and money. Your goal should be to create a corporate culture so that you've got every set of eyes looking for opportunities to eliminate timewasters and maximize performance.

Smart people maximize their use of time

I've included in this article the infamous time management matrix (see facing page) that was created by Stephen Covey, author of the popular book, *The 7 Habits of Highly Effective People*. I've embellished Covey's matrix by adding the estimated time we should spend in each category.

As you know, a tool only works when it is put to use. You can complete a time management audit. That is, at 15-minute intervals, take one minute to record what you are doing and the category in which it fits. What do you think I hear upon offering this suggestion?

You're right. I don't have the time.

It's been said that to get something done you give it to a busy person because they know how to get things done. Yes, this is an often-used strategy, but let me offer you a warning. Using that strategy basically punishes the high performers and allows the lower performers to be low performers. Thus, you're setting a new standard for the lower performers and burning out the higher ones. That doesn't make a lot of sense, does it?

Brian Moran offers an excellent idea in his book, *12 Week Year*. This author suggests compressing what we want to achieve in 52 weeks into 12-week blocks of time. He further suggests deciding what is to be achieved within each quarter and schedule what must be done for the four weeks of the first month. You continue this process for the following months. Planning it is the easy part. Staying focused on achieving the weekly objectives is the challenging part. For just a moment, think about the production that could be achieved by spending 80 percent of your time achieving your weekly objectives.

I've heard this excuse before too — we don't have the time to spend 80 percent of our time achieving our weekly objectives. The truth is, most people don't know what they are to achieve within a five-day work week other than repeat what was done yesterday. When that's the case, then anything you get done is okay, right?

Pattern of organization

As you can tell by my writing, I'm very structured. Getting things done is simple:

1. **Decide what must be done.**
2. **Schedule the time to do it. (I believe if we want to do something we will find a way if we look for it.)**
3. **Execute. Do whatever needs to be done within the defined timeline.**

Let me approach this subject from the empowerment standpoint. Supervisors are consistently doing things that down-line staff should be doing. I listened to a dealer principal explain how to repair a piece of equipment. That explanation lasted about five minutes. Subsequent to that interaction, I asked the owner why he did not refer the technician to the service manager. The response: "It's faster if I just tell him." I couldn't help but wonder why this technician didn't go to the service manager initially? What is being taught to the technician... and who is doing the teaching?

Let me conclude by saying, you can quickly be inundated with more ideas about how to manage your time than you could possibly put into place with just a few clicks of your mouse. But here's the real deal.



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Given that we have a finite number of hours per day, there is tremendous variability as to how much people can achieve given the number of hours. The secret is how we manage our time.



First, you've got to become aware that time management is an issue for you.

Second, you've got to be willing to accept the responsibility that you are creating your own problem.

Third, you've got to develop the plan to maximize the use of your time.

Fourth, exert the necessary self-discipline to execute a time-management plan. As you know, creating a new habit to replace an old one takes concerted effort.

My last bit of advice is important to consider: If you're not willing to manage your time to maximize your performance, then don't complain about being too busy. **GED**

The Time Management Matrix

	URGENT	NOT URGENT
IMPORTANT	I 10% <i>Crises</i> <i>Pressing problems</i> <i>Deadline-driven projects</i> RESULTS <i>Stress, burnout, crisis management</i> <i>Always putting out fires</i>	II 80% <i>Principle-Centered Planning</i> RESULTS <i>Vision, perspective</i> <i>Balance, discipline</i> <i>Control, few crises</i>
	III 9% <i>Interruption</i> <i>Some phone calls</i> RESULTS <i>Sees goals and plans as worthless</i> <i>Shallow relationships</i> <i>Feel out of control, victimized</i>	IV <1% <i>Trivia, busy work</i> <i>Phone calls</i>
NOT IMPORTANT	TOTAL IRRESPONSIBILITY FIRED FROM JOBS DEPENDENT ON OTHERS FOR BASICS	

Source: *The Time Management Matrix* is from *the 7 Habits of Highly Effective People* by Stephen Covey. The matrix is reprinted with permission of Franklin Covey Co., Salt Lake City, Utah.

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LENDING YOUR COMPANY CAR? Maybe think twice

by REZA KAMRANI



MANY PEOPLE MAY NOT THINK TWICE ABOUT lending their car to someone, especially if they're a friend or colleague. Some might also use their personal vehicle for business purposes, assuming it's not a big deal.

But in both of these instances, major problems could arise if something goes wrong. So it's important to think twice before lending out a company vehicle, and know as much as you can about what risks you're opening yourself up to.

What could happen?

Once you lend your car or truck out, you can't control what happens to it, but you could be negatively impacted by someone else's actions. For instance, if the person borrowing the vehicle is in an at-fault accident, your insurance premium may increase.

Another thing to keep in mind is that third-party coverage may also be affected if the driver does something that violates your insurance policy and gets involved in an accident. You could be implicated in the third-party insurer's recovery attempt as they could sue both the driver and vehicle owner. Your insurance coverage may not respond to the loss as a result of the violation, so you and the driver would have to pay for your own legal counsel.

Let's start with some questions

Because of the potential negative ramifications associated with lending out your company vehicle, it's important to ask some questions before doing so. And yes, this applies even when lending a car to your own employees.

Some possible questions to ask include:

- Do you have a proper driver's license for the type of vehicle you're using? You may wish to obtain a copy for your records, but also keep in mind applicable privacy law requirements when it comes to collecting personal information.
- What will the car be used for?
- How long will you need it for?
- Where will you be travelling (out of province, out of the country)?
- Who will be driving?
- How many passengers will you have?
- Will alcohol be consumed socially?

Some other things to keep in mind

You can never be too careful in a situation like this. There are a number of best practices that you should perform, just to make sure you're doing everything you can to avoid an unwanted situation.

Some important things to know are listed below:

- There should only be as many people in the vehicle as there are seat belts.
- See if there are any restrictions on the license of the person you're lending the vehicle to. Younger drivers especially may still be in some stage of their Graduated Driver License, which places restrictions on their driving status.
- Giving someone keys to your company vehicle gives them consent to drive it – even if there was no written or verbal agreement.
- Vehicles with company logos can be great advertising but may also be detrimental to your business' image if the vehicle is used irresponsibly or gets in an accident.

Coverage, coverage, coverage

You can't control what someone does when they're using your company vehicle, but you can be careful about who you lend it to, and determine the measures you have in place in case of an accident. **CEB**



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We hope you have found this issue of the Canadian Equipment Dealer both informative and educational. We welcome your feedback and invite you to submit any ideas you have for upcoming issues. Feel free to drop us a line (or two)...



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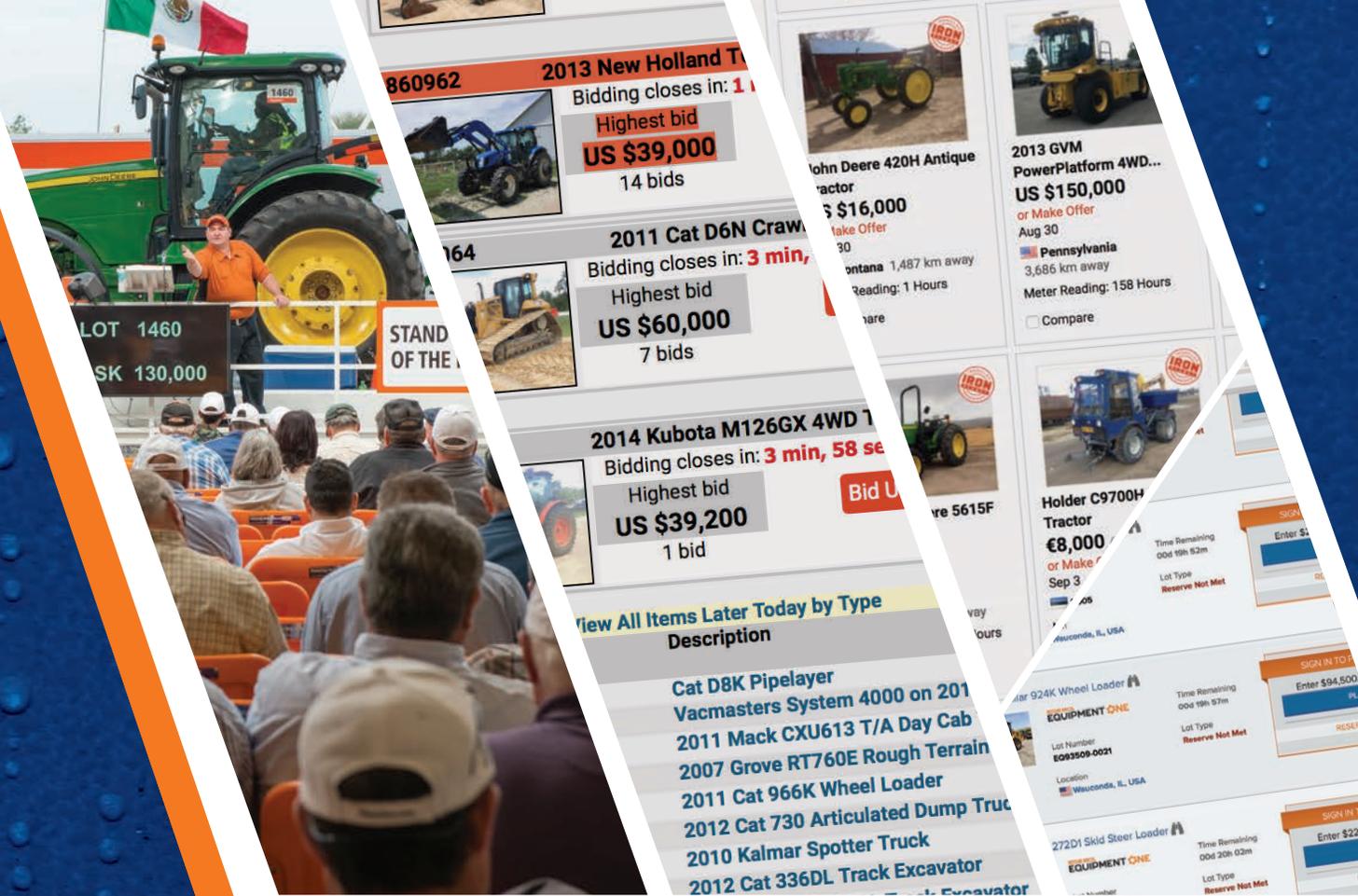
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