

THE CUTTING EDGE

Published by the Outdoor Power Equipment Aftermarket Association  Winter 2006

Preparations Are Well Under Way For The 20th Annual Meeting In San Diego

Well, another Louisville Expo has come and gone, and now it's time to turn our attention to the upcoming 2006 season. With that in mind, plans are coming together for the 2006 OPEAA Annual Meeting. This time around, the meeting will be held in San Diego from Feb. 18-21 at the Westgate Hotel, Downtown San Diego. This is a great hotel, so be sure to check out the accommodations on the OPEAA website. We are planning a very informative meeting dealing with the constant change that faces our industry and business in general. Do you find yourself thinking about how change affects your business? If you do, and wonder how to be proactive in dealing with it, be sure to make plans to attend the meeting.

Our meeting focus will be centered on "Change Happens . . . What Can You Do About It?" Our keynote speaker will be James Newton, the founder of Newton Learning Corporation.

James has many years of experience in advising companies and his keynote subject will be Changing Times, Changing Minds. To learn more about James Newton, check out his website at www.newtonlearning.com. The meeting will also feature other subjects with regard to dealing with every day business concerns.

Another important event taking place at this year's meeting will be our celebration of the Association's 20th anniversary. So make your plans now to attend the 2006 OPEAA meeting! Go to the OPEAA website, www.opeaa.org, for the registration form and other information. By registering, we can start gauging attendance for this annual meeting and remember it is always a great learning forum and a great opportunity to renew old friendships and establish new ones. Hope to see you there.

Jeff Waechter Joins OPEAA Board Of Directors

Jeff Waechter, Director of Aftermarket Sales for Carlisle Tire and Wheel Company of Aiken, South Carolina, has been appointed to the OPEAA Board of Directors. Jeff will fill the balance of the term of Guy Armstrong from American Lubricating Company, who left the industry in August. Jeff has been with Carlisle Tire and Wheel for the past seven years and was with Tilden for nine years before they were acquired by Carlisle in 1997.

Jeff is a 1985 graduate of Central Missouri State University, where he earned a BS and a BA degree. Jeff's professional goals for Carlisle Tire are to provide leadership within the company, recognize and create opportunities to grow the aftermarket segment of their business, and maintain a leadership position in the market.



As a new OPEAA Director, Jeff's goals for the organization are to promote

communication and cooperation within the Outdoor Power Equipment Aftermarket industry. Jeff and his wife Kim have two children, Kelsey and Luke.

Enzi Includes AHPs In Senate Bill

Senator Mike Enzi (R-WY), chairman of the Senate Health, Education, Labor and Pensions Committee, introduced legislation (S. 1955) on Nov. 3 which, among other things, allows for association-sponsored, fully insured small business health plans. S. 1955 is similar to the Small Business Fairness Act (S. 406), which OPEAA has been supporting.

OPEAA, a long-time advocate for legislation that would allow small businesses and self-employed individuals the opportunity to band together through bona fide trade and professional associations to purchase affordable health coverage, appreciates Chairman Enzi's leadership and looks forward to working with him on this important legislation. Earlier this year, the House passed H.R. 525, companion legislation to S. 406. More details will follow on this important development as they occur.

From The President . . .

What Changes Will Our Industry Go Through?

By Jack Woodruff, President BECO/Battery & Electric Co., President OPEAA



I was in love with her the moment my son, Chip, told me his wife Nancy was expecting our first grandchild. Sara came into our lives on Aug. 8 of this year. What wonders she will see and experience in her life. My new Treo Phone/PDA will look like a Model T to her when she gets her first spacecraft! What will our world look like when she is 20? Will we still be dealing with suicide bombers, fuel shortages and wars? Will we find a way to better deal with devastating hurricanes?

What changes will our industry go through? Will the "Will Fit" versus OEM war finally be won? Distribution always seems to go in cycles of consolidation of sources (our current trend), to a period of diversification where

product lines flow to smaller regional distributors. I suspect technology will change distribution more than anything. Distributors have always sold availability and knowledge. The Internet is affecting both of these core distributor assets—what will take their place?

One thing is sure, and that is—change. Our upcoming San Diego Annual Meeting will address this issue. There will be opportunities to grow businesses and make them profitable. Hard work, intelligence and forward thinking will be rewarded. What great opportunities little Sara will have—and what wonders will she truly see?

U.S. House Supports End To Lawsuit Abuse

On Oct. 27, the U.S. House of Representatives passed the Lawsuit Abuse Reduction Act of 2005 (LARA), H.R. 420, by a vote of 228-184. LARA will help businesses that have been or are potential victims of some of the worst abuses of our civil justice system—frivolous lawsuits and forum shopping, according to the Lawsuit Abuse Reform Coalition (LARC).

"We commend members of the House for their strong support toward putting an end to lawsuit abuse and plaintiffs' lawyers misusing the civil justice system," said Jack Woodruff, President of OPEAA. "LARA will require sanctions for lawyers filing frivolous claims which will discourage the bottom-feeder lawyers who engage in legal extortion to force unjustified settlements. These lawyers smear the entire legal profession by this unscrupulous behavior."

LARA would deter the filing of frivolous lawsuits by placing the cost of defending frivolous claims on the lawyers who bring them. LARA also would put an end to forum shopping by properly limiting the filing of personal injury claims to places where plaintiffs live or were hurt, or in the jurisdiction of the defendant's principal place of business.

"OPEAA strongly endorsed this bill because it will significantly reduce the culture of predatory lawsuits harming our small businesses, communities and economy," said OPEAA Executive Vice President, Bill Bergman. "Small businesses welcome LARA's passage in the House, and we urge the Senate to take up this common-sense legislation."

"Since LARC was formed this spring, it has grown to include more than 320 member organizations including OPEAA, and representing millions of businesses throughout the United States," said Jim Anderson, Vice President-Government Relations of the National Association of Wholesaler-Distributors. "Lawsuit abuse affects everyone, but it can severely affect a small business' bottom line, and we thank OPEAA and its members for their help and support. We urge the Senate to act expeditiously on this bill that is of particular importance to the small business community."

"The House is pushing back on plaintiffs' lawyers' reckless and costly misuse of our courts by reining in lawsuit abuse. We applaud their efforts and call on the Senate to do their part to limit the burden of junk lawsuits on American employers and consumers," remarked Lisa Rickard, President of the U.S. Chamber Institute for Legal Reform.

"Both our society and our economy need a legal system that is respected for its integrity and reliability," said National Association of Manufacturers President John Engler. "To maintain such integrity and reliability, the system must demand – with threat of serious sanction – professional discipline from the trial attorneys who practice within it."

LARA was favorably reported by the House Committee on the Judiciary May 25 by a vote of 19-11. LARA was reintroduced January 26 in the U.S. House of Representatives by Representative Lamar Smith (TX). Last year, the House passed the Lawsuit Abuse Reduction Act of 2004 (H.R. 4571) on September 14, 2004, by a bipartisan vote of 229-174.

Washington Outlook



William S. Bergman, CAE
Executive Vice President

Will The GOP's Levees Hold?

Inevitably, when the subject of possible turnover in House control comes up, the argument is that there are simply too few seats in play for Democrats to be able to pick up the 15 seats they need to gain the majority. Giving some credibility to this assessment is the fact that *The Cook Political Report* lists just 28 seats as competitive. Under these circumstances, Democrats would need to hold all 11 of their vulnerable seats and win 88 percent of the 17 Republican-held seats to get a bare majority. That's about as easy as getting an inside straight twice in one poker game.

But what this argument misses is the fact most states' filing deadlines are quite a long way off. In fact, the last deadline isn't until Aug. 11, in Louisiana.

The bigger question is how well Democrats do in recruiting in those states where there are the best opportunities. In Ohio, where the political environment is downright toxic for Republicans, thanks to state government scandals and a GOP governor who is sitting on a 15 percent approval rating, Democrats have tremendous opportunities. Filing closes Feb. 16 in the Buckeye State.

It is also true that there will not be as many seats in play in 2006 as there were in 1994, when Republicans won the majority. By October 1994, there were 136 competitive seats, with nearly 70 percent of them held by Democrats.

But, Democrats don't need to put 90-plus Republican seats in play. A more realistic number is 50 seats. To get a sense of how close they are to this target, analysts are

actively watching 85 or so Republican-held districts that might be competitive in 2006, and Democrats still haven't found challengers to run against some of their most obvious targets. Plus, Democrats have their own vulnerable seats to defend.

With the average House campaign now costing at least \$1 million, a challenger who enters the race too late might never have time to catch up with a better-funded incumbent. To use an analogy that we are now, unfortunately, all too familiar with, we can look at the structure that Republicans have built to protect their majority like a levee.

This levee has worked in years past to keep the GOP majority safe and has been built on the following blocks: redistricting that helped shore up their vulnerable incumbents, solid fundraising by incumbents and the National Republican Congressional Committee, an ability to hold down the number of retirements, and an aggressive campaign strategy in which Republican candidates define the terms of the debate early and force Democrats to follow their lead.

Like the infamous levees in New Orleans, those built by the GOP have not yet been tested by a serious storm. If next year's political climate is more like a Category 1 or 2 storm, then it is likely the walls will hold and only the weakest Republican incumbents will succumb to the flood.

If, however, the storm is stronger, all bets are off. In that kind of storm, even a Democrat who looks like a mediocre challenger today might find himself swept over the barriers. Another sign to watch for in the coming weeks is the number of top-tier Democratic challengers who earlier in the year were either on the fence or leaning against running, and ultimately decide to run.

With the 2006 elections less than a year away, there is a lot of time for the political climate to change. But keeping track of how Democrats do in getting candidates to run over the next few months will give us a good sense of just how well positioned they will be should the winds blow their way.

The Hidden Price Increase

By Jack Woodruff, BECO/Battery & Electric Company, and President of the Outdoor Power Equipment Aftermarket Association

If you have been checking your monthly credit card statements, you may have noticed a huge increase in fees the merchant pays. With this change effective April 2005, MasterCard, Visa and Discover didn't raise the rates — but they did change the way certain cards are processed. These changes affected our provider, First Data, and every other processor by the same amount.

Here is what they did . . .

- The corporate or rewards cards (Sky Miles, earn backs, etc.) that were scanned by the merchant were always

processed at the basic rate. For our Association, that was approximately 1.8% plus 25¢. After April, whether the card is scanned or not, these cards are now "downgraded" to a 3.57% plus 10¢ rate. This is the Association's highest rate. This 1.5% plus 10¢ equals a 79% increase!

- Visa, MasterCard and Discover have the public hooked on rewards and earn backs. Now they have decided the merchant should pick up the tab.

The next question you should ask yourself is: "What percent
(Continued on page 4)

The Hidden Price Increase

(Continued from page 3)

(of the cards I process) are downgraded to the highest rate?" In August, my company had 28% of transactions — and more importantly, 35% of the dollars processed — downgraded to the higher rate because of this change.

Remember, this affected all processors, not just First Data. Eric Naimark, our Association Representative with First Data, is now seeing non-Association members who are being charged 6% for downgraded cards.

Currently, there are at least three lawsuits pending regarding this change. The owners of MasterCard, Visa and Discover will probably settle these suits to satisfy the litigants, and keep on charging the new fees. They will also continue to advertise reward programs and push corporate cards so that the merchant has no choice but to comply with these changes. The public loves cash back, free trips, etc., and is largely unaware that the merchant pays "anything" to accept credit cards.

Here are some basic things you can do to help reduce the new cost:

1. Accept Debit Cards and have the consumer use the PIN Pad. No matter what the amount purchased, by being a member of our Association, you pay 39¢ to 79¢ for processing Debit Cards with the consumer entering his

Personal Identification Number (PIN). In August, debit transactions cost my company an average of 63¢ each.

2. Use "AVS" (Address Verification System) and "CV" Codes (Card Validation Codes) when processing all credit cards. Whether it's an Internet order, a phone order or the customer is standing in front of you — you can have your terminal programmed to ask for the street number and zip code of the billing address. This is simple to do and the public appreciates the fact that you are protecting them — by ensuring that someone didn't just find the card on the street — because the card owner knows where the bill goes. First Data can do this programming change over the phone — so just call them. This can save you up to 0.75%!
3. Rule changes now allow merchants to charge a fee for phone and Internet orders.
4. If you process Internet orders, you can set up an "Internet Account". These fees are currently 2.5% plus 35¢ per transaction. That's 22% less on downgraded corporate or rewards card fees of 3.57% plus 10¢.

The major U.S. banks own MasterCard and Visa, and Sears is the primary owner for Discover. It may be time to buy stocks in these companies. We all worry about high oil prices, but as far as "price gouging" goes — these guys may be leading the way!

Rotary Corporation Selects ProQuest Business Solutions

Rotary to provide a real-time inventory, pricing and ordering solution complete with integration into the leading business management systems for its dealer network.

ProQuest Business Solutions, a business unit of ProQuest Company (NYSE: PQE), announced today it has signed a contract with Rotary Corporation, the world's largest supplier of aftermarket outdoor power equipment parts to provide an inventory query, price look-up and ordering solution.

The ProQuest eConnect solution provides real-time inventory availability, pricing status, purchase order submittal and purchase order confirmation receipt. Dealers will be able to submit parts orders seamlessly to Rotary's business system directly from their dealer management systems, eliminating duplicate order entry. With this end-to-end solution, orders will be received and processed more quickly and accurately.

This new system will enable dealers to quickly check inventory, pricing, submit orders and receive order confirmation 24 hours a day, 7 days a week. This crucial information will enable the dealer to provide its customer with better information at the time of purchase, increasing customer and dealer satisfaction.

"We are excited to partner with Rotary to help improve their service level to their dealers and customers," said Scott McEwen, Vice President of ProQuest Business Solutions. "More and more outdoor power manufacturers are realizing the value of eConnect as the premier e-commerce solution. Rotary is the sixth major OPE company in the last six months to come onboard as a ProQuest partner.

Ed Nelson, President of Rotary, stated "With our large dealer base, we need a system that is quick to implement, easy-to-use and one that provides rock solid stability. We chose the ProQuest eConnect Suite of Solutions because it enables our customers to do business with speed and accuracy. ProQuest offers tight integration with the industry's leading Dealer Management System vendors. This is a solution that will require minimal training because our dealers can continue to use their business systems as they take advantage of the new eConnect solution."

Commit To Growth In Your Business

By Rhonda Abrams

You're sitting there running your business, day in and day out. Things are going along relatively smoothly. Sure, some days are better than others, and some months are better than others, overall you're pretty satisfied. If it ain't broke, don't fix it — right?

Not necessarily. It may be time to grow your business.

Growth is hard. Really hard. It means changing roles — taking on more responsibilities in your own company. It means expanding in new directions — taking on more risks and, often, more debt. So why grow?

If you don't grow, your business will inevitably shrink. As someone once said, "If you just sit there, you'll get run over." There are three primary reasons why:

- **Natural loss of customers:** Every year, you'll lose some customers no matter how good a job you're doing. After all, some customers will move away or their needs will change. Nobody's client base stays the same forever.
- **New competition:** Inevitably, you'll face new competitors or new types of competition. If you've got a healthy market, new competitors will enter to get a piece of the action. Even in a troubled market, some new, creative competitors may see opportunities. And we all know the increasing competitive threats from the Internet and globalization.
- **Increasing costs:** You don't need me to tell you that prices keep rising on just about everything, especially with higher gas prices affecting all shipped goods. Increasing prices mean shrinking profit margins even when your sales remain stable.

Being aware of those negative pressures should keep you on your toes at whatever stage of business you're in. But there are certain times in the life of a business, when it's particularly important to sit down and consider growth.

When do you know you're at one of those critical growth turning points?

- You're four-to-seven years from retirement. What's going to happen to your income when you decide to leave your business? Perhaps you've been saving money and investing wisely in retirement plans or real estate. Good for you. In that case, it won't matter if you just close up shop and walk away.

Most entrepreneurs, however, continually reinvest their profits in their businesses. Their business is, in effect, their retirement plan. So if they're not able to turn their business into cash when they retire, they'll have to keep on working.

Instead, start planning now to build your business so it has significant value — and the ability to be sold — when you're ready to retire. Achieving growth takes a few years, so start working on growth soon.

- You want to sell your company within the next few years. Even if you're not ready to retire, you may want to sell

your company in the near future. If so, you need to start growing your business now.

Most entrepreneurs vastly overestimate the actual worth of their companies. You may believe you can sell it to your employees or a competitor, but the reality is a very small company commands a very small price — if they're able to find a buyer at all.

- **Your industry is consolidating.** In rapidly consolidating industries — think hardware stores or banking — it's difficult to stay very small. Big players become huge players by acquiring medium-size companies and fast-growing smaller companies. Growth may be your only strategy for survival.
- **You're bored.** When an owner is bored with their company, they neglect the business, focus only on their personal interests, or go off in unrelated directions. Growth — focused planned growth — provides a meaningful challenge, re-sparking the owner's interest without jeopardizing the well-being of the company.

My company is growing, so I know growth is a major challenge. But there are times in the life of any company when it must grow in order to survive and thrive. Take heart: Growth is also exhilarating and exciting — making it more interesting to go to work every day.

Rhonda Abrams is author of The Successful Business Plan: Secrets & Strategies and president of The Planning Shop, publishers of books and other tools for business plans.

OPEAA CONTINUES TO GROW

As OPEAA continues to grow with the addition of new members, it is truly becoming the fastest-growing association in the outdoor power equipment industry. In 2005, we gained eight new members, and four of those since we published the September newsletter.

Please welcome Mark Loftin, Loftin Equipment Co., Phoenix, Arizona; Carl Keigley, Tulsa Engine Warehouse Inc., Twin Oaks, Oklahoma; Scott Burgess, Central Power Systems, Columbus, Ohio; and we welcome back former member Bennett Denmark, Sumpter Small Engine, Sumpter, South Carolina.

To learn more about these companies, visit www.opeaa.org and click on membership. When you do, you can also check your own listing and be sure it is up to date. The four other companies joining earlier this year are S & W Engines, The Carlton Company, Dixie Sales Company and O'Neill Associates.

Obviously, our Membership Committee has been doing a great job under the leadership of Bob Titterington, Phoenix Manufacturing, and his dedicated committee composed of Jerry Alexander, Thermoid HBD Industries; James Mosier, Mosier International; Craig Smith, Stens; and Jack Woodruff, BECO.

Changes At GB

Tom Beerens has become sole proprietor of Griffiths & Beerens. In a move that took many in the OPE Industry by surprise, GB founder Neil Beerens' eldest son has acquired G.B. Paul Duggan's substantial minority shareholding.

"We had been discussing GB's future," Beerens said, "and considered many different ways to take the business forward to better respond to the challenges of the current business environment." Tom Beerens says that the deal will allow him to better structure the company to enable it to focus on customer relationships, supply and product quality along with GB's traditionally high investment in R & D.

Founded in 1959 by Neil Beerens and the late Jack Griffiths, the Sunshine-based manufacturer exports about 80% of its production to over 80 countries around the world including the USA where it has a subsidiary, "GB American". The group also has an Australian OPE aftermarket distribution arm, "GB Products".

"For over 30 years, Paul's passion, enthusiasm and commitment has led GB from humble beginnings to become the world's second-largest independent guide bar manufacturer," Tom says. "We are very pleased that he will

continue to be involved with the business so that the name 'Duggan' will remain synonymous with Griffiths & Beerens for many years to come".

Paul Duggan thanked Tom Beerens for his kind compliments and expressed his desire to ensure that business continued as normal through the transition period. Previously Director of Manufacturing, Tom Beerens was the driving force behind GB's product development and quality accomplishments. Having assumed the role of GB President, Tom Beerens says the he will pilot the company from within a Management Board.

"I intend to lead the company with a focus on systems and structure," he said. Manufacturing and Engineering Departments will be developed with other staff, freeing Tom to take an overview of the complete operation. Day-to-day running of the business will be the responsibility of new COO Mark Gwynne. Mark has an extensive background in international sales and manufacturing.

"We are looking forward to working together with Paul, our colleagues inside GB and our business partners to continue GB's great tradition as a proud Australian manufacturing and distribution company," Mark said.

Freight Volume Gains — Not Oil — Now Driving Rate Increases

By James Haughey, Director of Economics, Logistics Management

Add sharply rising freight volume to the list of forces that will keep motor freight rates rising much faster than inflation over the next year.

While the recent freight rate increases have been driven from the supply side, mostly oil and drivers cost increases, the impact from \$50-60 per barrel oil is now largely included in freight rates. As a matter of fact, we project that some of the current oil premium built into rates is likely to be reversed by next summer. Nevertheless, the relentless rise in truck driver costs will continue to boost rates—but not by much over the next year.

We're projecting that the expected faster growth in freight volume will be the main driver of freight rate increases moving into 2006. Freight demand will expand faster than carrier capacity and could find carriers rationing freight services with higher prices—either directly or by adding premiums for previously included services.

Freight volume has been rising for the last two years, matching the 7.5 percent (annual rate) rise in the "goods" portion of U.S. GDP. Enough of the spare freight capacity has now been absorbed to permit carriers to begin to boost their margins. Investors anticipating higher carrier profits have boosted the Dow Jones U.S. Trucking Index 10 percent in the last month.

The imminent impact of freight volume on freight rates was masked during the second quarter by a growth pause in both U.S. manufacturing and imports to work off a temporary inventory surplus—but that's now behind us.

Production and imports will resume growing with the 6-7-percent growth in goods consumption that is consistent with the expected 3.5 percent GDP growth. Preliminary June reports already show a surge in factory orders and a pickup in production.

How much can rising freight demand increase freight rates? We're projecting perhaps 2 percent in the next year on top of the impact from oil, driver costs, and general inflation. But the potential for higher rates will grow quickly if GDP growth continues into 2007 at 3.2 percent or more. Less than truckload rates rose at a 7.5 percent pace during 1997-2000 when GDP growth was above the sustainable long-term growth rate and that was with only a small contribution from higher diesel prices.

What Sellers Should Expect — How To Make The Best Deal Work, Part 2

By Brent R. Grover

For any distributor considering the sale of the business, this three-part article provides a wealth of information and perspective on how to evaluate and manage the many variables to achieve the best outcome. It provides detailed tips based on extensive interviews and experience on types of buyers, key considerations for sellers, expectations vs. reality, confidentiality, curb appeal and closing the deal.

Lessons From The Prince: Expectations vs. Reality

Poor Niccolo Machiavelli wasn't really such a bad guy; he is just misunderstood. Machiavelli was a long-time civil servant who took the trouble to write down his observations about what worked, and what didn't work, in the politics of Italy in the 16th century. He was not the person in charge, but in his role close to the boss, he was able to learn the rules of the game. Some of the rules that Machiavelli authored pertain to the business of acquiring a company. One of those rules was this:

When taking over a principality, you only have to do two things: Kill the previous prince and his whole family and do not change current laws and taxes.

Most successful acquirers may not be able to quote from *The Prince*, but many of Machiavelli's rules are second nature to them. Sellers take note.

Poor George Westinghouse. He ran his companies for progress, for his people, and for profits. Thinking the founder to be a poor manager, the moneymen finally gained control of Westinghouse Electric and ran it strictly for profit. Westinghouse lived until 1914 but never got over the changes made after he was pushed out.

(Continued on page 8)



The Changing Face of Business

By Thomas J. Donohue, President and CEO, U.S. Chamber of Commerce

Recently, the U.S. Census Bureau released statistics showing that small businesses are growing at a brisk pace—both in number and in gross receipts. This is important for two reasons: first, the success of small businesses will increasingly drive the success of the overall U.S. economy. Second, in order to ensure a vibrant economy, elected officials, regulators, and the financial community will need to create an atmosphere where small businesses can succeed.

The Census Bureau report, "The Survey of Business Owners," is conducted every five years. The latest edition covers the years 1997 to 2002. It shows that firms with no paid employees – which account for 17.5 million of the nation's 23 million small business—earned \$767.5 billion over those five years, an increase of 19%, while cash receipts for firms with paid employees grew 22%, to \$21.9 trillion.

The Census study also shows that minority groups and women are increasing their business ownership at a much higher rate than the national average. There were 1.2 million businesses owned by African-Americans in 2002, an increase of 45% over 1997 figures. Hispanic-owned businesses grew to 1.6 million, a 31% increase, while women-owned businesses increased 20% to 6.5 million. Native Hawaiian- and other Pacific Islander-owned businesses as well as American Indian- and Alaska Native-owned businesses also posted large gains.

Additionally, the study identifies trends within the small business community. African American-owned businesses tended to operate in service industries; Hispanic-owned businesses operated in waste management, office administration, health care, and construction; Asian-owned businesses tended towards health care, professional services, and retail trade, while women-owned businesses included health care, professional services, wholesale, and retail trades.

At the Chamber, we are committed to helping small businesses succeed. That's why we're fighting to completely repeal the death tax. It's why we're supporting policies like Small Business Health Plans so small businesses can have better access to affordable health care. It's why we're aggressively pushing for tort reform to protect small businesses from predatory trial and class action lawyers. And it's why we've made access to capital a top priority, so entrepreneurs can create and expand their businesses.

It's easy to forget about the vital role small businesses play in our economy when the media and financial markets focus so heavily on the fortunes of mega-corporations. But it's not something the Chamber will let our elected officials and policymakers forget. In fact, we're telling them every day, and so should you.

What Sellers Should Expect

(Continued from page 7)

If you sell your company with the expectation that you will continue to work there for a long time, in a role similar to the one you are accustomed to, you are not being realistic. No matter what was said during the negotiations, you are being unrealistic. You may beat the odds, but the chances of this happening are about the same as winning the lottery. If you're feeling that lucky, maybe you should buy a lottery ticket.

Advisors

Ironically, the owner-manager may be supremely confident (overconfident) about his ability to negotiate the sale transaction without outside help. An executive who has piloted his business successfully for years—avoiding the shoals, dealing skillfully with customers, suppliers, employees, lenders, and politicians—feels supremely confident. Such a leader may not anticipate too much of a challenge when faced with financial types who don't really understand the business.

Tragically, the owner with a long history of having vanquished the competition may stumble when working on the biggest sale of his life. A distribution owner-manager in upstate New York was known for his skill in assembling his large business through shrewd acquisitions. Ironically, he was a victim of selling his company to one of the failed industry rollups described in an earlier chapter.

Stalking Horse

Buyers like to work on acquisitions where the seller is not negotiating with anyone else. A primary reason is that buyers are usually able to pay a smaller premium when they aren't forced to compete with another suitor.

Just because the seller prefers not having another suitor does not automatically mean that you're better off playing one buyer off another. An auction may not be in your best interests, depending on the circumstances.

In general, I think sellers should have at least two qualified buyers lined up. Competition does tend to bring better offers.

Here are some of the possible negatives:

- The auction may scare some good buyers away. They don't want to invest the time and money on a transaction with a low likelihood of success.
- The auction process forces you to open your books to several prospective buyers, some of whom may just be fishing for information, which can be used against you in the marketplace.
- The process may make you feel forced to sell the business to someone, even if the offers are disappointing. The company may be seen as shopworn if you ultimately decide not to sell.

Confidentiality

The larger the buyer's organization, the sooner word of the deal will leak out. It's almost impossible to keep secrets in big companies due to the anonymity factor: leaks can't be traced when so many people are in on the secret. The lethal grapevine of security leaks in distribution is through the network of suppliers. Many acquirers canvass supplier personnel as part of their deal planning and, later, due diligence. The acquirer wants background information about the pros and cons of buying various competing distributors. They want to know if the suppliers will support the change in ownership. Supplier employees, especially sales people, tend to confide in the salespeople and buyers at their distributors. Despite the usual pledges of confidentiality, and sincere efforts to comply, the "need to know" network in most acquirers is too large to prevent such leaks.

It's far better for the prospective seller's people to hear about what's going on from the seller himself. Most employees are sophisticated and alert enough to understand the owner's position and appreciate the respect shown to them by their leader. The owner-manager then has the opportunity to preempt the rumor mill and provide his side of the story. If the "secret" deal becomes widely known and then falls through, the prospective seller has breached the trust of his people and endangered morale.

Buyers well know the sensitivity of the confidentiality issue, and some try to use the seller's fear against him. Many buyers have renegotiated the pending deal with the owner, knowing that he worries about holding the company together should the deal fall through.

Brent Grover's firm, Evergreen Consulting, LLC, advises owner/managers of closely-held distribution and manufacturing companies about the challenges of strategy and ownership succession. Brent, a former national firm CPA and business school accounting instructor, has published several articles about these topics. He was in the distribution industry for over 25 years, most recently as CEO of National Paper & Packaging Co.

Upgrading the Distribution Sales Force— Are your sales people ready for tomorrow's challenges?

By Adam J. Fein, Ph.D.

Although roles and value will change, there is little evidence to suggest the complete elimination of distributors as important contributors to selling channels in business-to-business markets. The distribution sales force will evolve, but not vanish. Our *Facing the Forces of Change: the Road to Opportunity* study highlights two important changes:

- The value of a distributor's sales force will revolve around consultative roles that involve understanding and addressing customers' needs. There will be less of a need for order taking, answering basic questions or providing readily available product knowledge. Salespeople will need to provide more value than merely understanding the peculiarities of the pricing structure.
- Inside salespeople will have more account management responsibilities as customers take a more active role in the buying process. Examples of these responsibilities include soliciting orders from new and existing customers, suggesting complementary products or services, solving problems, handling complaints and becoming the primary point of contact between a wholesaler-distributor and the customer.

The evolution of distribution creates opportunities to boost productivity and increase the effectiveness of the typical sales rep using technology.

E-mail will be the foundation of many conversations with buyers. Since desktop e-mail is poorly suited for mobile employees such as salespeople, the use of wireless e-mail solutions will jump dramatically. Most distributors should also expect to provide a corporate e-mail account for all their employees given the ever-dropping costs of the technology and increasing customer expectations.

Most salespeople today have the usual complement of laptop and handheld computers to go with their cell phone. While the equipment itself is highly mobile, the information contained in computer devices is detached from the company until these devices are synchronized at the beginning or end of the sales day. As a result, many salespeople lack the ability to access information to answer questions or retrieve customer and order information during the sales day.

Sales force automation is now evolving toward small, local devices connected anytime, anywhere. The goal is roaming access to information contained in a central and secure location at the company. These technologies will provide salespeople with the ability to access information and answer questions or retrieve customer information during the sales day. Naturally, contact information and price lists do not change frequently and do not need to be updated in real-time. But other information, such as whether a particular product is available right now, changes frequently enough to justify the extra expense of real-time connectivity.

Other emerging opportunities include private Internet sites for a sales force that would provide updates on sales leads and opportunities, links to information about prospective customers and collaborative tools such as online meetings.

Much of this functionality is embedded in Customer Relationship Management (CRM) software products. Typical CRM applications contain a collection of integrated tools for contact management, information sharing, product configuration, proposal templates, calendars and to-do lists—the basics of day-to-day selling processes. In a recent survey, we found that four out of ten industrial distributors are already using CRM in their business.

The goal is to create an integrated information system for sales planning, scheduling and controlling all pre-sales and post-sales activities. *Facing the Forces of Change: The Road to Opportunity* found that customers will increasingly expect their distributor to treat them in a consistent, integrated manner. If customers use both conventional and online methods to communicate with you, they will not want to repeat themselves just because different parts of your organization do not share information.

Salespeople, many of whom are accustomed to selling on price, will need training to compete in the evolving world. Distribution sales executives should evaluate each of their salespeople to determine if he or she needs training in qualifying customers, uncovering problems, identifying solutions or bringing the company's resources together for problem solving.

Make sure each sales person is comfortable selling through new technologies and can teach customers how to gain information, place an order, or solve simple problems themselves. For example, your sales rep should be able to teach customers how to access your company's website for product information, special marketing promotions, and account information.

Like your customers, salespeople will not use any technology that is too complicated or does not provide real value. Think about your salespeople as "internal customers" who will adopt a new technology only if it helps them do their job better. If the technology does not help them sell more effectively, then the system is to blame, not the salesperson.

*Adam J. Fein, Ph.D. is the founder and president of Pembroke Consulting, a firm that helps senior executives of distribution, manufacturing and B2B technology companies build and sustain market leadership. He can be reached at (215) 523-5700 or on the web at www.PembrokeConsulting.com. This article is adapted from *Facing the Forces of Change: The Road to Opportunity*, which is available for purchase online at www.nawpubs.org.*

LEAN AND DEMAND-DRIVEN: The New Supply Chain Synergy

The Principles of Lean and Demand-Driven

Using lean principles originally conceived on the manufacturing floor, a growing number of companies are effectively driving waste out of their supply chains while streamlining overall operations. Still others are emphasizing demand-driven supply chain management, which centers on effectively “pulling” demand signals from customers rather than “pushing” products and services out the door.

What many of those firms don’t realize is that by fusing the lean and demand-driven principles, they could experience even further gains in productivity, waste reduction and performance improvement across their supply chains. Add a robust IT infrastructure to the equation, and the sum of the mutually supportive principles is sure to drive new levels of performance and profitability.

This newsletter will walk you through the principles of lean and demand-driven as they apply to supply chain management. We’ll also provide key definitions and examples of these principles in action, and then explain the synergy that can exist between the two. Part II of this newsletter series will examine the lean, demand-driven supply chain in action, and Part III will show you the competitive advantages of developing a lean, demand-driven supply chain.

Based on a 2004 survey of the development and adoption of lean principles in supply chain management, this report highlights six key drivers of the lean supply chain shows how organizations can use these principles.

Laying the Lean Foundation

In their recent report on Attributes of a Lean Supply Chain, authors Kate Vitasek of Supply Chain Visions, Karl Manrodt of Georgia Southern University, and Jeff Abbott of Oracle Corp., single out the six major attributes of a lean supply chain as:

- Demand management: Transforming from a “push” to a “pull” system, so that products or services are “pulled” when requested by a final customer.
- Cost and waste reduction: Working individually and with supply chain partners to eliminate wasteful processes and excess inventory across the channel.
- Process standardization: Enabling continuous flow--the uninterrupted movement of a product or service through the system, and to the customer.
- Industry standardization: Creating standardized processes across the enterprise and the supply chain.
- Cultural change: Enhancing employee development and reducing employee turnover within the organization.
- Cross-enterprise collaboration: Working together across the supply chain to maximize the added value provided to the customer.

Lean logistics concentrates on eliminating non-value added activities from a company, and streamlining the value-added activities. A firm with a lean supply chain tends to use less physical space, utilizes transportation more effectively, increases inventory turnover, and integrates information both internally and with its suppliers and customers. Other key lean characteristics include an emphasis on quality, preventative maintenance, continuous improvement and employee involvement. By combining these key principles, and maintaining a sharp focus on removing redundancy and waste from the supply chain, companies can achieve results previously un-

realized with improvements in productivity, performance, and profitability.

Demand-Driven Systems

AMR Research defines the demand-driven supply network (DDSN) as a system of technologies and processes that senses and reacts to real-time demand across a network of customers, suppliers, and employees. DDSN differs from the traditional supply chain model, which focuses more on pushing product from the factory through mass-production techniques. The demand-driven instead approach adopts a “pull” model, which reacts to changes in actual customer or user demand.

The demand-driven model proactively manages demand and employs optimization methods to handle variability. And while traditional supply chain metrics look at things like plant utilization, labor costs, and freight-handling costs, the more comprehensive demand metrics include:

- Operational excellence (including perfect order fulfillment rate and total supply chain management cost).
- Innovation excellence (e.g., time to market).
- Success of that innovation (or, the business impact of new, blockbuster products and line extensions).

Says Kevin O'Marah, vice president of research at AMR: "A circular, self-renewing process that focuses tightly on consumer demand, the demand driven model creates nimbler businesses that can more deftly tap business opportunities."

Connecting the Dots

Companies can most effectively maximize their investments in lean and demand-driven capabilities by combining the two into a single streamlined supply chain management process. Enabled by IT and supported by the entire organization and its business partners, the lean, demand-driven supply chain is the new Holy Grail for organizations looking to drive the best possible results out of their operations.

Randy Villeneuve, Oracle’s vice president for industrial manufacturing, says the complexity of today’s supplier networks and increasing use of outsourcing necessitate a new way of thinking about supply chain management. “By better enabling lean concepts, and applying them to the demand-driven principles within the supply chain,” says Villeneuve, “companies can map out the entire value stream--from the time they receive an order until the product or service is in the end user’s hands.”

O'Marah of AMR Research calls the marriage of lean and demand-driven a natural partnering, since the concepts represent two of the best business practices available today. He says the firm that starts by using daily (or, more frequent) pick, pack and ship operations in its distribution center, or that strives for a 30-minute shipment door cycle time, is on the right track to realizing the benefits of the two value-added concepts.

“When you start thinking along these lines,” says O'Marah, “the lean, demand-driven supply chain begins to take shape.”

This article is based on a 2004 survey of the development and adoption of lean principles in supply chain management. The report of the survey highlights six key drivers of the lean supply chain shows how organizations can use these principles. For a copy of the White Paper contact: www.oracle.com Oracle Corporation, 500 Oracle Parkway, Redwood City, CA 94065.

20 Years
 1986  PEAA 2006

Outdoor Power Equipment Aftermarket Association

Visit beautiful San Diego, California to learn how to accept and adapt to change in your life and business.



Keynote Speaker, James Newton

Founder of Newton Learning Corporation, James is a nationally known consultant, facilitator and speaker. With over 20 years experience, James brings a unique blend of insight and business acumen, providing inspiration integrated with practical tools for application. Join us for his enlightening insight on "Changing Times—Changing Minds".

*For more information contact:
 OPEAA, 1726 M Street, NW - Suite 1101
 Washington, DC 20036 US
 E-mail: opeaa@opeaa.org
 Phone 202-775-8605 Fax: 202-833-1577*



Take in the timeless elegance of the Westgate Hotel, one of the city's most impressive cultural landmarks.



Feb. 18-21 —Come Celebrate Our 20th Birthday With Us!

Change Happens . . . What Can You Do About It?

OUTLOOK 2006

Now is the time to look toward the future using OUTLOOK 2006—an all-new executive's companion to FACING THE FORCES OF CHANGE: THE ROAD TO OPPORTUNITY.

OUTLOOK 2006 is a diverse collection of insights from a power-packed group of ten distribution analysts, authors, educators, and consultants. Each contributor uses FACING THE FORCES OF CHANGE as a starting point for analyzing the year ahead, and provides his own assessments and predictions about a particular topic, along with specific action steps and recommendations, to help your company thrive in 2006 and beyond.

Topics include:

- Preparing for the future of wholesale distribution.
- Increasing your company's value to potential investors.
- Creating momentum and positive strategic change for your employees.
- Reinvigorating business relationships with your key suppliers.
- Transforming your sales system and sales force.
- Building and defending your corporate brand.
- Using strategic communications to create and shape the attitudes of your customers, employees, and suppliers toward your brand.
- Employing technology more efficiently and effectively.
- Applying customer profitability data to better respond to industry trends.
- Evaluating whether establishing or acquiring outsourced logistics services is right for your company.

The contributing authors to OUTLOOK 2006 are:

- Adam J. Fein, Ph.D., President, Pembroke Consulting, Inc., and Executive Editor
- Ken Ackerman, President, The Ackerman Company
- Mark Dancer, Vice President and Principal, Pembroke Consulting, Inc.
- Thomas P. Gale, President, Gale Media
- Brent R. Grover, President, Evergreen Consulting

- Dave Kahle, President, the DaCo Corporation
- F. Barry Lawrence, Ph.D., Industrial Distribution Program Coordinator and Director of the Thomas and Joan Read Center for Distribution Research and Education at Texas A&M University
- J. Michael Marks, Principal and Managing Partner, Indian River Consulting Group
- James C. Miller, Managing Director and Principal, Brown Gibbons Lang & Company
- Randolph P. Ryerson, Vice President and Principal, Pembroke Consulting, Inc.

OUTLOOK 2006: An Executive's Companion to Facing the Forces of Change®

Adam J. Fein, Ph.D., Executive Editor
 Ships October 17, 2005

"Don't read this book unless you are willing to change how you think about your business and its future."

-- Mark W. Kramer, President and CEO, Laird Plastics

"OUTLOOK 2006 is a powerful set of distribution-specific advice on the latest industry trends."

-- Julie Copeland, President and CEO, Arbill Industries, Inc.

OUTLOOK 2006: An Executive's Companion to Facing the Forces of Change gives wholesale distribution executives an interim update on the key issues identified in the industry's trends report Facing the Forces of Change: The Road to Opportunity.

OUTLOOK 2006 is a diverse and powerful collection of insights from ten wholesale distribution analysts, authors, educators, and consultants. Each contributor uses Facing the Forces of Change as a starting point for analyzing the year ahead, and provides his own assessments and predictions about a particular topic, along with specific action steps and recommendations for distributors.

Publication Price: Member of NAW Member Assn.: \$89.00.



Residential Delivery Signatures Cost Extra

By Ray Bohman, Logistics Management

Effective July 11, two of FedEx Corp's subsidiaries—FedEx Express and FedEx Ground—began delivering packages to residences without securing a signature. If you want to obtain one, it now costs you extra.

This policy change is intended to allow the carriers to deliver more packages to residential customers without a recipient signature, and thereby complete more deliveries on the first attempt. For shippers that require a signature on delivery of packages to residential customers in the United States, both companies now offer three new, fee-based "signature options."

Here are the three options and the charges for each:

1. Indirect Signature Required. For a fee of \$1.50, FedEx Ground or FedEx Express will obtain a signature from:
 - any person at the delivery address;
 - a neighbor, building manager, or other person at a neighborhood address; or
 - the recipient can sign a FedEx door tag authorizing release of the package without anyone present.
2. Direct Signature Required. For a fee of \$2.00, FedEx Ground or FedEx Express will obtain a signature from any person at the delivery address. If no one is at the address, the carrier will reattempt delivery. The recipient may also choose to pick up the package at the location indicated on the door tag.
3. Adult Signature Required. For a fee of \$2.75, FedEx Ground or FedEx Express will obtain a signature from any person at the delivery address who is at least 21 years old. A government-issued, photo identification is required to prove the signer's age. If no one is at the delivery address, the carrier will reattempt delivery. The recipient may also choose to pick up the package at the location indicated on the door tag.

FedEx said its policy on obtaining signatures for shipments to non-residential addresses is not changing. Drivers will still attempt to obtain a signature from someone at the delivery address or a neighboring address, and no fee will apply. For shippers with more specific requirements, the two subsidiaries will also offer the second and third options shown above, namely:

Direct Signature Required—fee of \$2.00

Adult Signature Required—fee of \$2.75

UPS already has a signature rule titled "Delivery Confirmation Service" (Rule 600), which provides for an additional charge when a shipper requests the driver to obtain the recipient's signature and include it in the delivery confirmation. In addition, shippers may request that UPS obtain the signature of an adult 21 years of age or older and to include it in the delivery confirmation. UPS will assess an additional charge for each such confirmation. The carrier reserves the right to request photo identification confirming the recipient's age before completing delivery. Adult signatures typically are required for delivery of regulated substances, such as tobacco, alcoholic beverages, and pharmaceuticals.

DHL Worldwide Express likewise charges extra for signatures. The carrier has a

Outdoor Power Equipment Aftermarket Association

1726 M Street N.W., Suite 1101
Washington, D.C. 20036
Phone: (202) 775-8605
Fax: (202) 833-1577
e-mail: opeaa@opeaa.org

OFFICERS:

President
Jack Woodruff
BECO/Battery & Electric Co.

Vice President
Bob Titterington
Phoenix Mfg. Co., Inc.

Secretary
John "Robbie" Fogle
Desert Extrusion Corp.

Treasurer
David Duffee
Birmingham Electric Battery Co.

Immediate Past President
Don Martin
Rotary Corporation

Executive Vice President
William S. Bergman, CAE

DIRECTORS:

Chris Fehn
GB (Griffiths & Beerens)

Joe Holtschulte
Prime Line Power
Equipment Products

James Mosier
Mosier International

Craig Smith
Stens Corporation

rule in its Ground Tariff 1001-B titled "Signature Required Fee." That rule provides that DHL will charge a fee of \$2.00 when the sender requests that a signature be obtained at the time of a residential delivery.

If you're presently using FedEx Ground or FedEx Express in the United States to make residential deliveries, this would be a good time to verify what types of shipments require customers' signatures, and which of the three options you'll want to choose.