

HAPPY HOLIDAYS

FROM CVSN STAFF AND
BOARD OF DIRECTORS



10 YEARS



2006-2015

DAVE WILLIS

CVSN President

President of CRW Parts Inc.



Hello everyone! From September 14th through the 16th I had the distinct pleasure of attending the CVSN Summit in Nashville Tennessee. The theme of this year's conference was "Back to Basics; The Blocking and Tackling of Our Business", and what better way to start off than with a fantastic keynote address by retired pro quarterback and coach Sam Wyche. Sam brought his unique perspective on how communication, coordination, hard work, and team work leads to successful outcomes.

The educational portion of this year's summit was outstanding. The "Telephone Doctor", Nancy Friedman gave a wonderful presentation on the 7 traits leaders use to be successful and how to apply them in your business. Then Mark Dancer, VP of Global Channel Management for AG Henkel Corporation, gave a strong overview of CRM with a strategic guide for planning and results. Ira Blumenthal of Co-Opportunities Inc. really hit home with his thoughts on brand building for your future and finally Anna Liotta, CEO of Resultance, put the icing on the cake with her insights into breaking the generational code. What makes the different generations tick and what ticks them off? Each speaker gave books away after their presentations and signed them; a true "take away" for those who attended!

In between these educational session attendees were updated by Marc Karon on the CVSN sponsored effort to give all parts and service aftermarket businesses access to information under the provisions of Right to Repair. Along with Marc, Dave Scheer, and Ian Johnston are leading this effort that will be a major victory

for our industry. We also attended many different Private Strategic Planning sessions offered by the manufacturers to keep us abreast of market conditions and their corporate plans.

One of my favorite programs at this meeting is The President's Award where we honor and celebrate the lives and accomplishments of industry leaders. This year we honored 5 people posthumously who left an indelible mark on our industry. The 5 were as follows: Mike McGrath SKF, Richard Andrews Stemco, Dave Robblee 6 Robblees, Phil Raymond Parts for Trucks, and Bo Willis CRW Parts Inc. These people all were tireless advocates for the industry, but they also shared the trait of humility; always giving credit to others while avoiding the spotlight. We were blessed to have known them.

CVSN is an association that brings companies from VIPAR, HDA TruckPride, Fleet Pride, and Truck Pro, to name just a few, to discuss industry issues, and educate our members on best practices as it relates to sales, purchasing, marketing, logistics, human resources, political issues, healthcare, and products. We are the independent distributor's voice at the state and federal level on the issues that affect our businesses today and tomorrow.

We conduct our meeting at some of the nicest places in North America in a venue and format that is unlike any other. Some comments that came out of Nashville were "This was one of the best conferences I have been to and I appreciate how kind and welcoming everyone was for a new attendee" Another said "At CVSN I could really feel the sense of community. CVSN has awesome people!"

Please get the word out and make plans to celebrate CVSN's 10th anniversary at our Summit in Newport, RI September 12-16, 2015.

RIGHT TO REPAIR UPDATE

MARC KARON

Total Truck Parts



The commercial vehicle industry is under attack. Whether you are a truck owner, fleet manager, independent repair shop that services commercial vehicles, or parts retailer, you are being negatively affected by your inability to get all the repair codes and reprogram on-board computers on vehicles over 14,000 GVW. In many cases, these vehicles must be repaired by vehicle dealers. Without universal legislation or a negotiated agreement with the engine and vehicle manufacturers, commercial vehicle repair will become the sole purview of the OE dealer.

CVSN has been working on this issue since 2008 and is happy to report that we were successful getting legislation passed recently in Massachusetts. For the first time, Right to Repair legislation, that granted the right to repair and access to information to entities other than OE dealers, was passed and signed into law in November, 2013. Building on this success, CVSN proposed additional legislation in seven other states. However, before we could get these laws passed, the OE vehicle manufacturers, through the Engine Manufacturers Association, requested that all parties attempt to reach a negotiated agreement.

Our goal in any agreement will be to provide independent repair shops, and parts providers' access to the necessary vehicle and component information equal to the dealer and that will enable them to compete fairly with the OE dealer and give the vehicle owner a choice on where to have their repairs completed. These negotiations are ongoing and we expect to have an agreement.

Other threats are surfacing that could threaten our industry in the near future. Issues like telematics and training could give the dealer advantages over the independent channel. CVSN is working to find solutions to these threats and keep the independent distribution channel competitive with the OE channel.

We need the industry to join the fight. It will take everyone pulling together to remain viable and keep our businesses competitive. CVSN Members who do not participate or get involved with this fight will fall behind and soon disappear.

This is a CALL TO ACTION to all independent distributors in our industry to join CVSN so the resources are available to continue this very important all-industry fight.

If you have any questions, please contact RtoR Chairman, Marc Karon at mkaron@totaltruckparts.net or Angelo Volpe at avolpe@cvsn.org or any of the other CVSN Board members.

SUPPORTING ORGANIZATIONS



NANCY FRIEDMAN

Telephone Doctor



Almost anyone who's been in a customer service position has had the opportunity of running into either an irate call or person or a situation that, shall we say, is not pleasant. And even though it may not even be our fault, we still need to know how to recover the situation. Here are the Telephone Doctor's seven steps to service recovery that will help make your day a better one!

1. It IS your responsibility. If you have answered the phone on behalf of the company, you have indeed accepted 100% responsibility. At least that's what the caller/customer believes. So get off the "it's not my fault" syndrome. And get on with the "what can I do for you?" position.

2. "I apologize" DOES work. Every once in a while, people tell me they don't feel they should apologize when it wasn't their fault. Well, as stated above, in the customer's mind, it is your fault. While apologizing may not fix the problem, it definitely does help to defuse it immediately. Try it. You'll see. Is the customer always right? Nope, the customer always 'thinks' they're right.

3. Sympathize or empathize immediately. When someone is angry or frustrated with your company, the one thing they need is someone to understand them, or at least feel as though they're being understood. Be careful, "I know exactly how you feel" is NOT a good thing to say unless you have actually been through what they have experienced. Try: "That's got to be so frustrating" or "What an unfortunate situation."

4. IMMEDIATE action is necessary to make a service recovery. Don't make a customer wait for good service. Get whatever it is they need to them immediately. Overnight service if it's necessary. That's recovery. Remember Telephone Doctor's motto: IT SHOULD NEVER TAKE 2 PEOPLE TO GIVE GOOD CUSTOMER SERVICE.

5. Ask what would make them happy. In a few rare cases, the customer can be a most difficult one. If you have tried what you considered "everything," simply ask the customer: "What can I do to make you happy, Mr. Jones?" In most cases, it may be something you're able to do. You just may not have thought of it. So go ahead and ask them.

6. Understand the true meaning of service recovery. Service recovery is not just fixing the problem. It's making sure it doesn't happen again. It's listening to the customer. It's going above and beyond.

7. FOLLOW UP. After you feel the problem has been fixed, follow up. After you've made the customer happy, call them a day or so later. Ask them: "Have we fixed everything for you?" "What else can we do for you?" Be sure they're satisfied. When you hear: "Thanks, you've done a great job. I appreciate it." Then you know you've achieved SERVICE RECOVERY!

BONUS: A handwritten note after all is done, thanking them, is a nice thing to do.

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A recent 2-time speaker at CVSN, Nancy delighted the audiences with great tips for our business. She can be reached at www.nancyfriedman.com, nancy@telephonedoctor.com or call 314-291-1012.

ANNA LIOTTA

*Generationally Savvy™
Communication Solutions*



Are you selling across the generations effectively?

All too often, we think we are being effective in a sales conversation, when we are really just getting on the nerves of the other person and “Ticking them OFF”.

We do not know it because we are violating **Rule #1 of Generationally Savvy Selling:** Communicate in the style of the person you seek to attract or persuade.

In order to “make the sale”, one must be diligent in seeking to understand the Generational CODES™ that shape the customer’s preferred sales style. All things being equal, prevailing wisdom says people prefer to do business with people they know, like, and trust. However, each generation has its own process and gestation cycle of deciding whom it likes and trusts in business and trying to communicate in your generational code ends up in a Generational Communication Breakdown™.

Here are two examples of Generational Communication Breakdown

Traditionalist Joanne: Joanne, a Traditionalist insurance agent, called to make an appointment to sell insurance that would cover our millennial administrative assistant and me. Although it was a small policy, she drove to my office and spent half an hour visiting with us before beginning the business of selling the insurance. She then proceeded to explain all the options, filled out the forms with us, and mailed them in personally. Our Millennial employee was shocked that she would take

that much time for a small client and said, “How can she afford to spend that much time with each person? She’ll never make a living that way.”

Gen Xer Zack: During a one-day Generationally Savvy Sales Training, a Gen Xer gentleman sitting in the front appeared to be vacillating between puzzled and jazzed. He took copious notes throughout the training, and spent every break in the hall animatedly on the phone. At the end of the day he said, “Thank you; I learned some really good things about Baby Boomers today.” Two weeks later, Gen Xer Zack contacted me to say, “I have something I’ve got to tell you. I did more business with Baby Boomers in January than I had done in all of last year. I realized I have been talking to Boomers like a Gen Xer!”

By trying to be respectful of their time, I was getting right to the facts and down to business. I thought I was being patient, even though in my mind, I kept thinking, come on, come on, cut to the chase, bottom line it; let’s get it done!” He continued, “After your seminar, I called my potential Boomer clients and asked whether they would like to have lunch or coffee and just spend time together.” He laughed as he said, “I never would have thought to do that before. I’ve been eating ten meals a day, but I’ve been closing deal after deal because I stopped communicating only like a Gen Xer.” Zack said, “I finally get it!” When I am working to attract Boomer clients, I need to shift into their generational style.”

What these two stories reflect are avoidable “Generational Communication Breakdowns”.

Joanne wanted to deliver world-class service that she knew would lead to not only long-term customer satisfaction, but also future referrals. She was willing to invest the time in a small client to build that foundation.

Zack quickly wanted to show that he could offer bottom-line solutions, but he was stepping over the most vital stage of the sale for his Boomer clients, which is to build a strong interpersonal relationship—something Zack typically tries to avoid or at least reserves for people who have demonstrated enough value first.

Knowing when and how to adjust your communication style to match the other person can mean a sale and a relationship is built or it can mean there may not be a second chance to meet with the prospective client because we were “just ticking them off”.

THE PROFITABILITY YO-YO

DR. AL BATES

Profit Planning Group

The 2014 Distributor Profitability Trends Report has just been completed by the Profit Planning Group. The report, which was expanded to include 34 different lines of trade, highlights an up and down pattern to profitability going back five years.

During 2013 (the last year for which complete information is available), distributors, as a group, experienced slowing sales growth which lead to an increase in expenses as a percent of sales. That problem was more than offset by an increase in the gross margin percentage. The net result was a slight increase in profitability.

Despite the increase, the results do nothing more than continue a pattern of a profitability increase in one year followed by a decrease the next. This up and down pattern suggest that real profit improvements are still somewhat illusory.

The following paragraphs review the key findings from the analysis. It is important to note that comparisons across industries are chal-

lenging. Some factors can be compared directly, while others can not.

Sales growth, for example, can be compared industry by industry. If one industry grows and another does not, it is a directly measurable factor. Given the significance of sales growth in driving profit, such comparisons provide direct insights into profitability.

On most of the factors that influence profitability, though, direct comparisons are not possible. Some distribution industries, for example, have high gross margin percentages while others have low percentages. By the same token, some industries have high expense ratios, while others have low ratios. Similar differences exist with regard to inventory turnover and account receivable collection patterns.

For all of these factors, such as gross margin, the key is the degree of change. If the gross margin percentage is declining for a specific industry while the rest of distribution is increasing, it is a clear indicator that attention is needed.

The Distributor Profitability Trends Report includes six exhibits which cover overall financial results and the Critical Profit Drivers

THE PROFITABILITY YO-YO

YOUR WINDOW TO THE AFTERMARKET

(CPVs) that underlie the profit trends. Each exhibit is reviewed briefly in the following paragraphs.

Exhibit 1—Return on Assets (ROA) is the best overall measure of distributor profitability. It is profit, after all expenses but before income taxes, expressed as a percent of the total asset investment in the business. Simply put, it reflects the economic viability of the firm.

ROA fell from 2009 to 2010, increased in 2011, fell again in 2012 and then finally rose again in 2013. It was, to use the title of this report, on a yo-yo path. Individual industries deviated from this up and down pattern due to conditions unique to a single line of trade. However, distributors, in aggregate, could not develop any real profit momentum during the five year period.

During the time period, ROA hovered in the 6.0% to 7.0% range. This is enough profit to be able to continue to expand modestly, but is below the 10.0% level that would note very strong profits. Distributors were able to maintain adequate, but unexciting, profit levels.

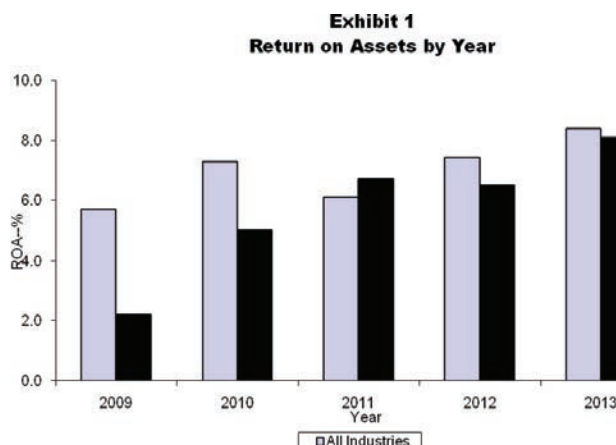
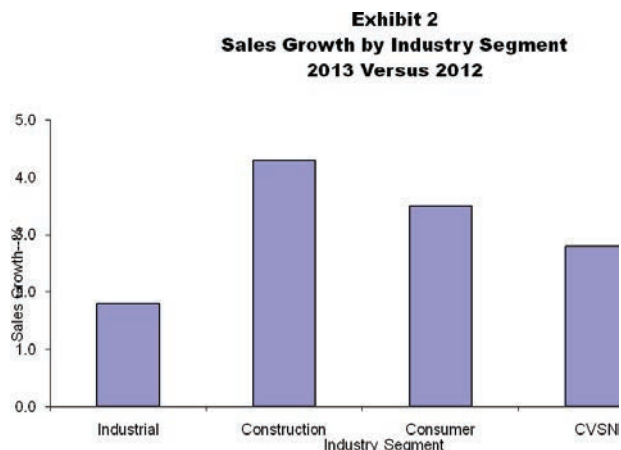


Exhibit 2—The most important factor taking place in 2013, was the moderating of sales growth. In 2012, sales growth was in excess of 5.0% for the industries tracked in the report. In 2013, as shown in the exhibit, sales growth fell back into the 4.0% range. This was true across

all three sectors analyzed—distributors selling largely in the industrial market, distributors selling into the construction market and distributors selling directly to consumers or to retailers ultimately selling to consumers.



A mere 1.0 percentage point decline in sales growth may seem trivial. However, long-term historical evidence suggests that sales growth in excess of 5.0% is needed to help firms offset cost increases and improve profitability on an on-going basis.

The fact that profitability ticked up slightly in the absence of strong sales growth suggests that some other factors were at work. Those factors were the combined impact of the other CPVs—gross margin, operating expenses, inventory turnover and the DSO.

Exhibit 3—The key factor behind the increase in profit in a time of modest sales was an increase in the gross margin percentage. Both the industrial and construction segments experienced measurable improvements, while the consumer segment was up, but only by an insignificant .1%.

Gross margin is one of the two most important drivers of profitability. If additional improvements can be generated in the future, distributors have an excellent chance of breaking out of the profitability rut.

THE PROFITABILITY YO-YO

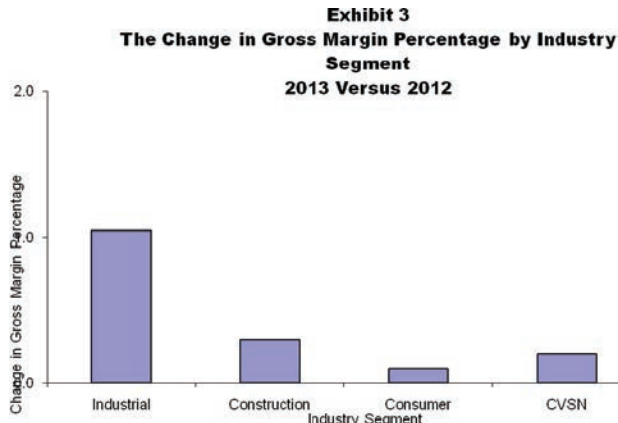


Exhibit 4—The one thing that sales growth should do is help drive down operating expense percentages. Given the modest sales gains in 2013, the operating expense percentage rose slightly in two of the three segments. While the changes were small, they should be an area of concern going forward. The consumer segment was able to reduce operating expenses, slightly which, combined with higher gross margins, drove profits for that segment.

This negative change may reflect a period of reinvestment in infrastructure in anticipation of accelerated future sales growth. However, if the increase in operating expense percentages continues in the future, it will cause all of the potential sales growth to be little more than wasted effort.

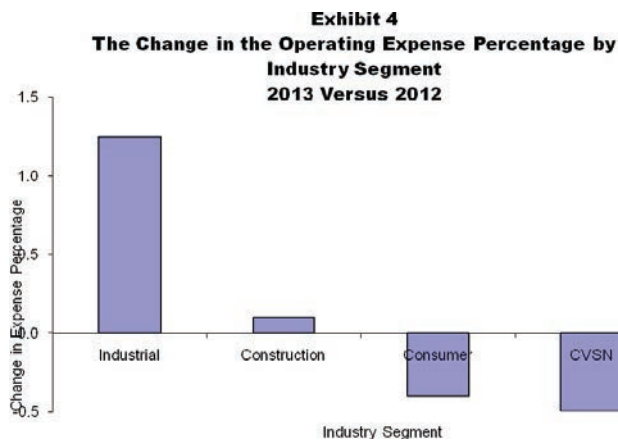


Exhibit 5—Inventory turnover rates demonstrated a decidedly mixed pattern. Turnover

increased very slightly for the industrial segment, fell slightly for construction and remained constant for the consumer segment. The small size of the changes suggests that inventory levels essentially rose with the small increase in sales.

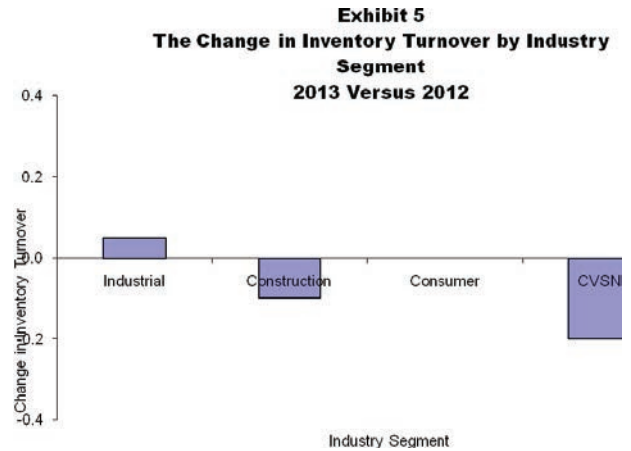
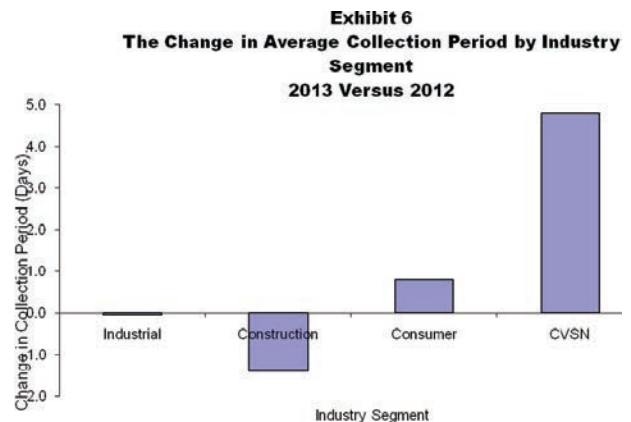


Exhibit 6—The average collection period (or Days Sales Outstanding) followed the exact opposite pattern as for inventory turnover. Specifically, the DSO got worse for industrial sector, got better for the construction sector and remained constant for the consumer sector. None of the changes were significant.

In aggregate the figures suggest that distribution is in something of a “muddling through” pattern. Improvement in the future will require regenerating sales growth, maintaining strength in gross margin and controlling expenses to a much more significant degree. Such changes should be possible with concerted effort.



HEAVY DUTY AFTERMARKET WEEK (HDAW)

The Mirage Hotel and Casino
Las Vegas, NV

January 26-29, 2015

www.hdaw.org

HDA TP ANNUAL MEETING

JW Marriott Hill Country
San Antonio, TX

April 15-19, 2015

HEAVY DUTY AFTERMARKET CANADA (HDAC)

Hilton Markham Suites Hotel
Markham, Ontario, Canada

May 30-June 2, 2015

www.hddc.ca

CVSN AFTERMARKET DISTRIBUTION SUMMIT

Newport Marriott
Newport, RI

September 12-16, 2015

www.cvsnads.org

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October 19-23, 2015

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