

Counterman Quarterly Newsletter



ARE YOU MAKING MONEY?

In this current unsteady economy and uncertain times, pulling a profit from your business can be more challenging than ever before. It is not easy making a net profit in this industry even in normal economic times; increasingly difficult in these trying times. However, please consider this:

Did you know, from day one, Counterman was originally designed to help your business be a profitable one? Sure, it's nice to have access to all the vendor/supplier pricing information, and have the ability to process a counter transaction in a matter of seconds; but few realize the power of "inventory control" (which equals profit) Counterman makes possible through utilizing the many tools available at your fingertips. Counterman can help you with most any aspect of your shop, well beyond the scope of simple counter transactions. It just takes some thought and effort to make sure your inventory generates a profitable return on investment. The reported information might be deceiving to anyone who does not fully understand how the profit margin is actually calculated. If you have a good understanding of "Price Markup" vs. "Profit Margin", you can skip down this article; but for anyone with the desire to learn more, using the "inventory control = profit" scenario, let us look first at the difference between "Price Markup %" and "Profit Margin %" using the same cost. For these examples, let's say you bought an item for \$50 and could sell it for \$100, essentially doubling your money.

Price Markup %:

In this case your markup would be (the difference between selling price and cost price) divided by the cost of the item and multiplied by 100 to bring it to a percentage:

$$(\$100 - \$50) = \$50 \text{ (difference). } \$50 \text{ (difference)} / \$50 \text{ (cost)} = 1 \times 100 = 100\% \text{ (with the "/" character for divide) Your "Price Markup \%"} \text{ would be } 100\%.$$

Profit Margin %:

When you look at the profit margin on that sale, this would be (the difference between selling price and cost price) divided by the selling price and multiplied by 100 to bring it to a percentage:

$$(\$100 - \$50) = \$50 \text{ (difference). } \$50 \text{ (difference)} / \$100 \text{ (selling price)} = .5 \times 100 = 50\% \text{ profit margin.}$$

As you can see in the examples given above, the only difference in the equations are by dividing by the cost or by the selling price. Breaking up the words "Profit Margin", "Profit" is the difference between what you sell it for and what you paid for it. "Margin" just means you turn the "Profit" into a percentage of the selling price. You do this so comparing the profit on different items is accomplished much easier. The difference is, "Markup" is your profit as a percentage of the cost and "Profit Margin" is the actual profit percentage of the selling price.

All of this is intended to provide an explanation of how and why Counterman approaches inventory control on a "Profit Margin %" basis. Once you understand it, it just makes more sense. Obviously, there is much more to look at when you consider the profitability of your shop. You begin with this big chunk, which is your "Profit Margin". Out of that, you have to pay your mortgage or rent, utilities, payroll, etc, etc, etc... What's left is known as "the net profit". Most businesses today squeak by on a 5-10% net profit, but many suffer into the negative. With this small "net profit" left after paying out what is necessary to keep the doors open, all it takes is one or two unfortunate circumstances and your small "net profit" calculates into a loss. But don't be dismayed! Counterman provides many tools that can help you boost your "Profit Margin %" while staying competitive in this industry. A wise man once said, "If I keep a close eye on the nickels and dimes, the dollars will take care of themselves". We encourage all Counterman customers to contact us for guidance!!!

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IMPORTANT!

**** = OEM Franchise Only!**
(If non-franchise, only retail prices will be provided)

Custom Chrome has stopped supplying quantity breaks in their price book!

UPDATED PRICE BOOK VENDORS (ON THIS UPDATED CD) 40-NEWLY UPDATED PB'S!

AC	Acerbis
AD	Advantage Perf. Dist.
AR	Arctic Cat**
AN	Arlen Ness
BA	Barnett Tool & Eng.
BI	Bell Industries
BM	BMW Motorcycles**
CA	Castle Sales Co.
CG	Cometic Gaskets
CCI	Custom Chrome, Inc.

DE	Diamond Engineering
DS	Drag Specialties
FH	Fulmer Helmets
FX	Fox
GW	Gardner-Wescott
HD	Harley-Davidson**
HH	Helmet House
KM	Kawasaki Motors**
KK	KK Motorcycle
KT	KTM Motorcycle**

KA	Kuryakyn
KW	Kustomwerks
MA	Marshall Distributing
MU	Mid-USA Parts
PU	Parts Unlimited
PO	Polaris/Victory/Indian**
PT	Power Twins
PR	Pro One
RE	Rivera Engineering
SB	Sullivan Brothers

SP	Samson Motorcycle
SM	Southern Motorcycle
SN	Sullivan's USA
ST	Supertrapp (NEW!)
TM	Triumph**
TR	Tucker Rocky
VL	Van Leeuwen
VT	Tedd's V-Twin
WP	Western Power
YA	Yamaha**



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Liquidating Dead/Non-Moving Inventory

You already bought it, it's yours. When you paid for it, it was worth more, but as it sits on the shelf it becomes less and less valuable. Yet it sits there, collecting dust, month after month, sometimes year after year... No matter what it is worth now, your money is still gone. Still, you just can't get yourself to sell it at cost or (God forbid) below the original cost price. Why? Because we get emotionally attached to those items along with cost investment. Consider comparing these dead/non-moving inventory items to shares of stock. Each item (or stock share) had a certain value when you laid down your hard earned cash for them, but as time progressed the value of these inventory items (or stock shares) began to go down and down. If it were stock shares, you would likely get out from under this bad investment and sell them for what you could get out of them before you lost your entire investment. Shares are just not worth anything until you sell them, right? But dead/non-moving inventory is essentially the same! Worthless until sold. Now shares are paper, but inventory is tangible. You can easily become emotionally attached to inventory items and their value because you can see them, hold them in your hand; stock market shares, not so much... Bottom line is, although selling off dead/non-moving inventory below cost is not the most desirable thing to do, it sure beats losing the entire investment. Moving forward, ordering smarter is the key to curb the emotional attachment when stocking your shop and will result in keeping future, dead/non-moving inventory liquidations to a minimum (*more on this in the next newsletter*). Some shop owners believe in the fairy tale, like the one about how someday, some desperate customer is going to walk in and buy half of all that dust covered inventory... but alas... for some reason, that customer never seems to make it through the door. The sale of one or two of these dead/non-moving inventory items perpetuates many a parts man's belief in this myth. However, these infrequent sales cannot come close to justifying maintaining all of the dust covered product that could add a needed jolt to your available equity, along with the added room you'll have when

they're gone. Before we discuss the many different ways you can sell these items, we need to separate them from live/selling inventory items. To accomplish this task, Counterman can provide filtered reporting processes to help you decide what sells and what does not. Depending on how much "dusty" inventory you have in stock, you can filter these reports accordingly. We would suggest starting with items that have been on the shelf with no movement in the past 12 months. To get a list of these items, run the 'Inventory Activity Report', set it for "Detail Report" and set these two filters:

Select	Filter Field or Calculation	Operation	Value
<input checked="" type="checkbox"/>	12 Month Sales	LTEQ	0
<input checked="" type="checkbox"/>	Qty Available	GT	0

The first one means; in the past 12 months you have sold zero or less (less can be true if any were returned), as the "Operation" column shows "LTEQ" which means "Less Than or Equal to the number in the "Value" column. The second filter means you actually have some in stock, as the "Operation" column shows "GT" which means "Greater Than" the number in the "Value" column. Where 0 (zero) is the value, so in order to be part of this report you would have to have at least one on hand. Keep in mind, no "Thru Value" entry is required for any of these filters.

You may want to 'Display' this report before you send it to the printer. Don't be surprised if this report is huge, especially if you have never done this before. It can be a bit overwhelming at first. If there are too many items to actually print the report, you could reduce the number of items

on the report by further filtering it. Maybe take a particular vendor at a time. In which case you could combine the two filters mentioned, then add a third filter:

Select	Filter Field or Calculation	Operation	Value
<input checked="" type="checkbox"/>	12 Month Sales	LTEQ	0
<input checked="" type="checkbox"/>	Qty Available	GT	0
<input checked="" type="checkbox"/>	Vendor Code	EQUAL	CCI

Because these filters work together and Counterman allows you to combine them to provide the desired results, all three of these filters must be true in order for the items to be included in the report. Adding the third one of "Vendor Code, Equal, CCI" will cause only Custom Chrome items to be a part of the report, in addition to the other filters. So in this case, only non-selling inventory in the past 12 months, with a balance on hand, and that were originally purchased from Custom Chrome, will be included. You can repeat this process for different vendors and begin to liquidate your dead/non-moving inventory vendor-by-vendor.

Several venues are available for the liquidation process. The first consideration would be, will the vendor/supplier take it back? If not, EBay, Craigslist, or other on-line auction should be considered. In the old days, we would setup a sale table in the showroom. Bring out a table, put a tablecloth over it, dust off that old inventory and price it at (or even below) cost. Customers will often buy something, even if it does not fit their bike, if the price is right!

If we can help with any of this, we encourage you to call for assistance! We want to help...

Ralph Weaver 