by Scott Silverman

Worried About Hitting Your Sales Objectives? – You Should Be!

"BEYOND INCENTIVE PROGRAMS, MANUFACTURERS ARE NOW GETTING DEALERS TO COMMIT IN WRITING TO SALES METRICS."

Do you recall your manufacturer voluntarily reducing or lowering your sales objectives?

If it has happened, you're sure to remember it as a watershed event. Every manufacturer wants to increase sales volume, and they are always willing to make you sacrifice your gross to hit their numbers. Surprisingly, in this post-bankruptcy environment, the pressure tactics used to accomplish this goal have increased. It seems manufacturers believe they can accomplish their goal of getting back to 16-17 million annual sales by simply squeezing dealers with no consideration for the fact that increased demand (and a general economic turn-around) is the only change that will generate their desired results. They enjoyed the "high" from the success of sales boom - and have become obsessed with getting back to those sales figures.

Beyond incentive programs, manufacturers are now getting dealers to commit in writing to sales metrics. It is now the rare renewal agreement that does not contain performance metrics – with serious consequences for failure. However, various situations indicate that manufacturers are no longer patient enough to wait for renewal time to create hard-line requirements. "We want you to upgrade your facility – we'll even contribute financially." Of course, the punch-line to this joke is the "new agreement" they want you to sign to memorialize the terms of the assistance. Invariably the formal documentation comes with the following terms:•

• "Dealer agrees that the sales performance standards and requirements contained within this Agreement are objectively reasonable."

• "In the event that Dealer does not achieve a minimum of 100% of their sales objective at all times during the term of this Agreement . . . then Dealer agrees to divest of the dealership assets as provided below."

Why should these terms concern you (if they don't already)? Statistically, for every dealer above 100%, there is a dealer below 100%. While manufacturer representatives might argue otherwise, essentially, once manufacturers get all dealers to sign these type of agreements, approximately 50% will be in breach. Two things to think about:

1. Carefully analyze and evaluate the objectives your manufacturer has assigned. Are your performance numbers unreasonable? Is your market misunderstood? If you feel like you have a well run operation and good sales performance yet you consistently miss objectives, the answer to both of these questions is probably "yes", and you need to be proactive in analyzing how you are evaluated, find the problem, and communicate these findings to the factory! Make no mistake – three years from this summer there will be import dealers that need to remind their factory reps that their numbers were down in the summer of 2011 because they had no cars to sell.
2. Be as calculated as the manufacturers when they ask you to sign documents/ agreements.

Why should you avoid signing documents at all costs? For the same reason that Tokyo, one of the most modern and sophisticated cities in the world will experience a summer of rolling black-outs due to a rationing of electricity. Is this something anyone would have predicted? Some agreements have force majeure clauses, and it would be hard to imagine that a judge would not view these circumstances as special. However, there are always factors outside of your control and, by signing agreements with the language above, you may prohibit yourself from explaining those circumstances.

As for those agreements that you feel compelled to sign, sometimes there truly is no reasonable alternative. However, explore every alternative thoroughly before giving in. The next time you sign an agreement because you think you have no choice without eliminating every possibility, think of the following movie scene and ask yourself if you were experiencing the same level of pressure – if not, as a business person, any court or arbitrator will have little sympathy for any "coercion" argument:

> Michael: So the next day, my father went to see him, only this time with Luca Brasi. And within an hour, he signed a release, for a certified check for $1,000.
> Kay: How'd he do that?
> Michael: My father made him an offer he couldn't refuse.
> Kay: What was that?
> Michael: Luca Brasi held a gun to his head, and my father assured him that either his brains or his signature would be on the contract. That's a true story. That's my family, Kay, it's not me.
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> *(Michael Corleone, The Godfather, Paramount Pictures)*

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