Plain Talk
Consider Partnering Up

COLUMN BY ROB BUKSAR

Last month I praised Nick Staub's thinking on "partnering up." Let me be real clear—there are many possibilities and approaches to partnering up. Like most things it's not for everyone. But if the shoe fits, it very well could mean salvation for a small owner/operator.

If you think changing strategy is not necessary for you, let's revisit some facts about where rebuilding is today. Sometimes hearing it again is like having a wooden leg and being constantly reminded you're limping. Nevertheless, this background info better enables me to offer one man's opinion of what might be a solution to the commercial woes some of us are experiencing.

Here's what we know but sometimes try to forget:

- You have been circumvented. Many customers that formerly came to you for "A" and "B" level units and merchandise now go to the dealer or large corporate chain distribution for new and cheap. You may still see this customer from time to time but it's only for parts or units he can't find within his new distribution network.
- Replacement component parts are difficult to find for late model units. Suppliers can provide a new replacement unit but components to rebuild it are "slim pickins" or costly. This is beginning to translate into smaller margins for the rebuilder.
- The dealers and corporate retailers are able to sell new units to the public in many cases cheaper than you can buy them from your sources.
- The OEM guys are not interested in having you involved in their distribution chain. They have eliminated the margins for jobbers so you're now cut out of that picture.
- A small operation is often overly dependent on one major customer.
- It's almost impossible to work on your business and in your business at the same time. These days, being small and self-employed is difficult because you're working for a crazy person—yourself. I know, I've done it for 30 years.

So now that some of you have revisited your relatively needy position, I offer encouragement to consider the possibility of partnering or co-venturing with another much larger company that's probably unlike your own.

Start by looking outside of our industry. Most of us can remember when American highways were dominated by small trucking companies and independent owner operators. How much of this do you see today? Next to none. Where are they? Those that didn't retire or bail out of transportation have either been bought up, crushed, merged or signed on as a subcontractor to a larger cartage company. The larger company provides all the logistical support, marketing, sales, billing, finding loads and collecting the money. The former independent now does only what he did best when he was on his own—deliver loads and take care of his truck.

He also can now take advantage of whatever cost reductions are offered by the larger company such as cheaper fuel, parts, maintenance, and insurance. He can probably even participate in the larger company's retirement plan, and there's a good chance it's better than what he had if he had one. Last but not least, cash flow is no longer an issue.

For decades auto and truck parts in this country were dominated by independently owned distributors. Generations of the same families owned and operated these concerns. How many do you see today? Darn few. Did the former independents bail out when the corporations moved in? Some retired, some died, some changed industries, some were bought out, merged or crushed. Yet many are still in parts and doing well. When they realized that they couldn't beat them they joined them. Why? Because this is business and it just made good financial sense to do so in many cases.

I could go on and on from one industry or business to the next. Everything from gas stations to grocery stores, dry cleaners to messenger services—even medical offices have few independents remaining. Most of them are now part of larger corporations. The cost of doing business coupled with the individual cost of living has gotten too high for a small concern to tackle on its own. By the time the small guy pays his overhead there's little left. Is your wife's job subsidizing your small business?

Unless you have an exclusive, unique product line or service, or a captive market, you are probably working a lot harder for a whole lot less, or you're hardly working at all.

The Illusion of Independence

I wouldn't be concerned about relinquishing the illusion of your independence and becoming captive to a larger corporate partner or investor. I've been a rebuilder for 30 years and have known armies of guys like myself who thought they were independent when actually they were totally in bondage to their little business (job).

How many ball games, PTA meetings, birthday parties, holiday festivities, vacations, or dates have you missed due to the business? There are costs involved in everything and lunch for a small business owner gets more expensive daily. Many of us are not as independent as we would like to believe. Remember the old cigarette commercial, "Are you smoking more but enjoying it less? Change brands!"

That's what all the above boils down to—not quitting, but changing brands. The need for you is still there. A new delivery system or approach may be in order.

Momentum is everything. It's much harder for a billion dollar company to grow ten percent than it is for a million dollar company to do the same. The big guys are always on a quest to grow another percent or two. At this level this is frequently done through merger or acquisition.

Consider this scenario: A chain or truck parts stores would love to own its own rebuild shop. Do they have the knowledge, background or equipment? No. Do they have on staff a person capable of heading the operation if they were to start one? No. If they started from scratch could they afford the costly learning curve and customer damage? No. Would a chain like this be receptive to discussing the idea of a joint venture, purchase, or modified partnership? You bet they would be willing to listen if your plan makes sense.

How about a major cartage company. Do you have any idea what these guys spend on rebuildable parts? It's millions, and these big businesses would like to get some of this money back. A joint venture may save a major company between 25 and 40 percent of its expenditures. Also, some visionary, progressive rebuilder would expose himself to more dedicated income than he ever thought existed. Everybody wins and what have you really given up?

Any big company with major maintenance and parts expenditures are candidates for this idea. From steel mills to truck leasing, parts sales, cartage companies, and everything in between.

I can't tell you how to structure the deal. That's up to you and whatever has a chance to sell. Keep in mind everybody has to win. Putting together a basic platform to propose is your first step. There will be some give and take (that's called negotiating), and that's what business is about. Keep in mind this is nothing more than doing the same thing in a different way. Don't let it scare you.

If this has any possibility for you, research it and act soon before someone beats you to the punch. If you don't know where you want to go or what you want to accomplish in business, disregard all the above and answer that question for yourself first. It's not possible to plot a course if you don't know where you want to go.

Don't lose sight of the fact that rebuilding is a business, not a religion. Doing this differently is not sinful! Good luck, good hunting, and may God bless.

Rob Buksar is owner of Hoosier Electric Co., Gary, Ind.