

Action Plan 2: ADDITIONAL GROSS PROFIT

What will you do differently as a result of what you learned in this section?

According to our Proforma Calculation, we have additional gross profit that we are not fully capitalizing on. To address this, we need to adjust our parts pricing matrix by using the mark-up factor we learned in class and train the parts team to recognize opportunities for offering additional parts. For example, when a customer requests new brakes, the parts consultant should recommend rotors as well. This approach will help us capture the gross profit we're currently missing. Additionally, we should educate the parts department on the differences between discounting and using coupons. Ensuring we have the right inventory mix will also contribute to maximizing our profit.

What will be the benefits of making these changes? What will be the consequences if you don't do anything differently?

Implementing these changes will increase our gross profit and create a more effective pricing matrix. If we do not act, we risk losing out on financial opportunities, including additional profit and sales.

What obstacles might you encounter and how can you overcome them?

Obstacles may include losing customers to cheaper options, such as aftermarket alternatives. Another challenge could be employee pushback or not adhering to training guidelines. To overcome this, we could revise their pay plan to base it on the gross profit they generate from sales, incentivizing them to follow the new strategies.

Identify your first few steps and the people who can help you with them.

The first step is to meet with my parts manager to develop a pricing matrix that will increase our gross profit without pricing us out of the market. Once the matrix is finalized, the next steps will be implementing it and training our staff. Key contributors to this process will include our GM, parts manager, parts staff, and the service department.

Start Date: January 2025

Completion Date: Ongoing action plan but lower obsolete inventory by Q1 of 2025