



# NADA Final Group Project

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# Determining Obsolescence

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12+ month inv= \$175,383

New part no sales= \$76,401

Parts w/ no cost record (1500x\$19.51) =\$29,265

Total value OBSO \$281,049

Percentage (281,049/584,621)=48%

With only \$21,551 in OBSO credit available

Recommendations

Cleaning up non paid SOPs with service( counts for 50%), use the OBSO credit, ask manufacture for 1 time buyout



Obsolescence

Parts Manager



# Average Months Sales With No Gross Profit=\$61,240.00

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Possible body shop orders selling at cost and not getting the reimbursement from the manufacture..BAD

Selling to internal parts policy for missing parts..BAD

Good reason: To gain/ retain customer satisfaction by selling part at cost.

01	Repair Order Mechanical 32%	<ul style="list-style-type: none"><li>• Should be higher %</li><li>• Matrix pricing would help.</li></ul>
02	Repair Order Body Shop 11.7%	<ul style="list-style-type: none"><li>• Increase % on low end body shops</li><li>• Grow % by using collision link</li></ul>
03	Counter Retail 28.4%	<ul style="list-style-type: none"><li>• Reduce discounts</li><li>• Offer shipping or delivers</li></ul>
04	Internal (new/used) 14.7%	<ul style="list-style-type: none"><li>• Offer aftermarket parts for higher gross</li><li>• Less discounts</li></ul>
05	Wholesale 28%	<ul style="list-style-type: none"><li>• Offer faster delivery</li><li>• Eliminate low sales/profit customers to focus on better wholesale customers</li></ul>

↳ \$39,521.50 could have been made if we met NADA Guide ↵

# Monthly Reconciliation

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Using the monthly reconciliation parts to ledger tool

Total inv \$699,682-financial statement \$627,093= \$71,779 difference

**Monthly Reconciliation Of Parts To General Ledger**

Dollar value of parts on dealership management report	\$	584,621
<b>Minus</b>		
Dollar value of packing lists for parts received, but not invoiced	\$	339
Dollar Value of bulk oil, gear lube, trans fluid in stock	\$	6,658
<b>Plus</b>		
Credits due for parts returned	\$	5,856
Inventory Core Value - clean	\$	15,031
Cores to be returned for credit - dirty	\$	7,550
Work in Process - Repair Orders & Invoices	\$	33,610
Dollar Value of NPN parts	\$	4,766
Dollar value of parts with no cost record	\$	29,625
<b>Plus / Minus</b>		
Other Adjustments (shortage claims, damage, etc.)	\$	25,620

<b>Total Inventory</b>	\$	699,682
<b>Inventory Per Financial Statement</b>	\$	627,903
<b>Difference</b>	\$	71,779

11.43%

# SWOT Analysis

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Strengths: high volume sales, total gross at 22.6%

Weakness: low B/S, warranty & counter%, high emergency purchases, high OBSO inventory

Opportunities: clean up OBSO and improve inventory, grow % in sales too 25%, post lost sales

Threats: OBSO can continue to grow affecting inventory and FTFR, loss in gross profit from E orders

# Nine Parts Department Employees

Increase gross profit!

Parts Manager

Assistant Parts Manager

2 Back Counter

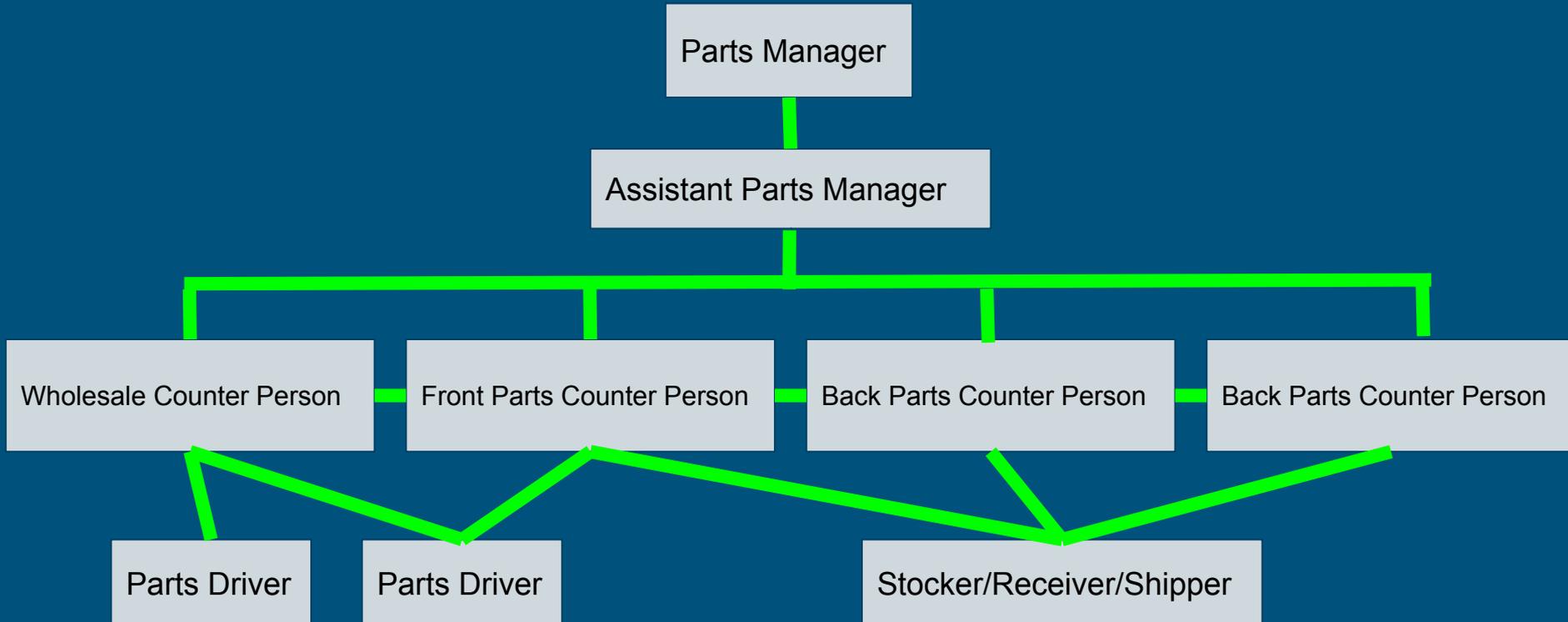
2 Front Counter

2 Drivers

1 Stocker/Receiver/Shipper

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# Organizational Chart



# Recommendation: YES or NO

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YES

With time this parts department has potential to grow. By investing time to properly train the counter people, you can see gross profit increase throughout all sales. Focusing on reducing obsolescence will increase money for your dealer as well as making room for stocking items.