

WHOLESALE ACTION PLAN

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

Re-analyze our current partnerships with our top two wholesale customers (ranked by net sales). As of, September 2020 YTD wholesale sales is \$494,718; total YTD gross is \$72,735 or 14.70%. Our top two wholesale customers represent \$207,842 in net sales; YTD GP for our top two customers is \$676 or .325%. The current consensus is that factory benefits allow compensate for the lost gross in the immediate sale. For our top two customers to take us above the 17% breakeven point for total wholesale we would need to be receiving at a minimum \$11,367 in bottom line benefits. Ideally, we would be able to attribute \$35,333 real dollars and benefits or 17% GP to just the top two customers bring total wholesale GP to 21.84%.

We need to start with a deep dive into factory programs and track them throughout the year. Total purchase allowances YTD are \$58,590 meaning we would need to be able to attribute 60.31% of all purchase allowances received to these two customers in order to hit our \$35,333 goal. However, the top two customers represent only 11.59% (1.7mil YTD total sales) of YTD total sales. Total inventory sits at 350k and turns are currently low. It seems unlikely that they would represent such a large portion of purchase allowances.

We currently have accrued \$33,121 in match funds (price matching reimbursement funds) that will expire at the end of the year, a large portion of which can be attributed to these two customers. However only \$12,567 has been utilized as of November meaning the majority will expire and a large portion of funds accrued were used to sell parts to these customers.

While more information is needed the initial conclusion is that prices will need to be raised on these two wholesale customers and more than likely sales from these customers will decrease. However, should all things remain constant while total YTD sales will decrease significantly; total GP should not significantly change.

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

If the conclusion does come down to phasing out these two customers from our current wholesale partnerships it would reduce personnel expense, increase time available to each counter person by decreasing workload in ordering, stocking, processing returns, tracking and delivery to these two customers. If we do not change anything we will continue to pack on added expense, wasting time on propping up two customers that are taking away from our bottom line and our employees ability to work more efficiently.

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

Both customers present a reciprocating relationship. Our top customer repairs vehicles sold at auction that have been damaged but not totalled and sells them to our used vehicle department. Our second customer represents our body shop, as we do not have one in shop. These benefits take place outside of the parts department. Both are long term customers. These benefits would need to be analyzed separately and possibly these separate relationships would need to be renegotiated. The main obstacle will be gathering all the necessary information in order to properly analyze if these are truly beneficial relationships for us with a combination of factory money and outside benefits since there is currently no gross profit in the actual selling of parts to them. They are currently intangible items since they are not tracked.

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

The parts manager, office manager and general manager would need to do deep dive into all outlets that these two customers feed into our operation. We will need to start tracking them throughout the sales, service and parts department since they touch all three. Office manager would be central to this as all vehicle purchases, vehicle sales, reconditioning, repair orders, factory money and parts invoices filter through the office. Ideally, we could come up with a streamlined process to follow them through each department. Currently, each department head is going with there gut that this relationship is benefiting one or more departments even if it is not their own.

Start Date: 12/01/2020

Completion Date: 01/31/2020