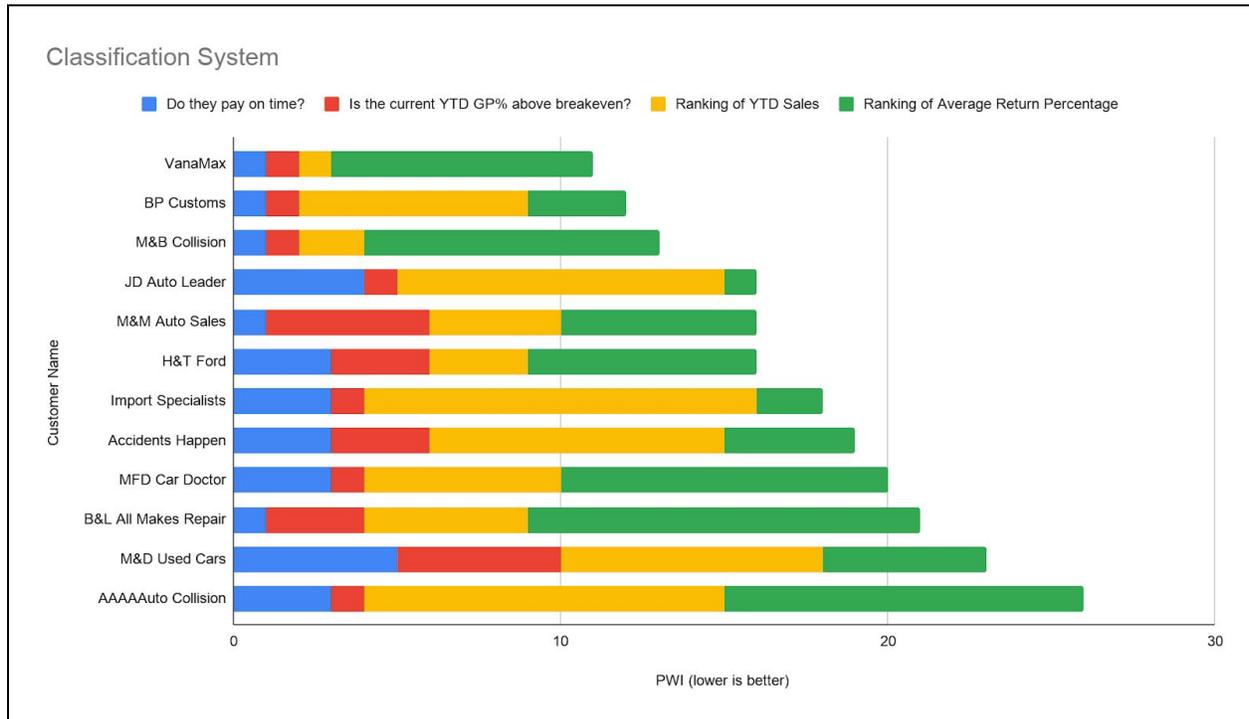


SMART GOAL

To increase Parts Wholesale YTD GP as a % of Sales from 16% to 22% by June 30th, 2019.

PARTS WHOLESALE CLASSIFICATION SYSTEM

The PWI (Parts Wholesale Index)



Preferred Wholesale:	Mid-Class Wholesale:	Discretionary Wholesale:
VanaMax	JD Auto Leader	B&L All Makes Repair
BP Customs	M&M Auto Sales	M&D Used Cars
M&B Collision	H&T Ford	AAAAAuto Collision
	Import Specialists	
	Accidents Happen	
	MFD Car Doctor	

Factors

1. Do they pay on time?

a. Scoring System: COD = 1, Net 15 = 2, Net 30 = 3, Overdue 15 = 4, Overdue 30 = 5

2. What is their Gross Profit %? Is that above or below the 17% break even?

a. Scoring System: Above 17% = 1, 8.5% - 16.9% = 3, Below 8.4% = 5

3. What is their YTD Sales?

a. Scoring System: Position rank of YTD Sales \$ against rest of group, 1-12

4. What is their Return Percentage?

a. Scoring System: Position rank of Return % against rest of group, 1-12

PARTS WHOLESALE OPPORTUNITIES

Preferred Wholesale Program

- Description: For clients that are currently at or above 17% GP% of Sales
- Details: Delivery speed guarantee & added savings for accelerated payments
- Objective: Encourage more business from top-performing customers

Let's incentivize our clients that are currently at or above the 17% to encourage more of their business - these are our bread and butter. This program will be referred to as our "Preferred Wholesale Program". It will feature items such as a delivery speed guarantee and additional savings for accelerated payment remittance.

Expense Control

- Description: Cut to 1 dedicated parts delivery vehicle & assess geographic reach
- Details: Flip other driver to Service Department & implement a travel log for Parts
- Objective: Increase yearly Gross %: From 16% - 22% via expense reduction

Remove one dedicated parts delivery vehicle from the fleet, the other will remain in use. We are assuming that there are two drivers on the parts payroll. We will be flipping one driver to a split role with the Service Department to reduce payroll expenses and utilize them as needed during peak times (.25 max). Our dedicated Wholesale Consultant will become part of our batting lineup on the counter.

We will continue to deliver parts to proximities that make sense at a predetermined time while mapping our route to maximize our resources prior to leaving. This will further reduce fuel consumption. A log will be kept at the store for the driver to document when he leaves, logs where he's going and what parts he left with, and his return time. This will provide a solid baseline for future efficiency consideration as well as changing the mindset that they are a production employee regardless of their "hourly wage".

Operational Efficiency

- Description: Increase inventory accessibility and Parts Consultant availability
- Details: Implement an online catalog system & a direct dial all-call to the dept
- Objective: Enhance service to recover market share (from YoY Sales decreases)

To further improve efficiencies, we will implement an online catalog system for minimal expense (perhaps negotiating it as a free trial run or petitioning for co-op reimbursement) and share those details with our wholesale clients - allowing them to see what we have in stock and place their order online. We will also ensure that there is a direct dial number setup with a ring group in our Parts Dept - someone should always be available to answer the phone during business hours regardless of vacations, scheduling, lunch hours, etc. This improved level of service with the digital catalog implementation and increased consultant availability will encourage any lost market share based on the accounts with major year over year decreases in sales to return to our store. However, we will need our Parts Manager to make some house calls to rebuild that rapport and trust.

END GOAL

Set Ourselves Apart

- Description: Utilize renewed vision to propel us toward sustainable profit
- Details: Motivate staff with additional tools, training, incentives & opportunities
- Objective: Deliver 1% GP% of Sales increase per month to hit 20Group average

We are currently at 16% Gross Profit (below the break even point of 17% that NADA benchmarks to be profitable), our 20 Group average is at 22%. We will set incremental targets between January and July to meet or exceed the 22% Gross Profit %. There will be department goals monthly to rise by 1% and we will have some team morale boosts in place - they will not be payroll oriented, the payroll increase should be natural with increased selling opportunities and improved tools for success. However, our Parts Manager will have a quarterly payroll incentive tied to net that is implemented. We will work to maximize our current book of business and vet additional COD wholesale clients at acceptable GP margins. If at the end of the 6 months we have not reached our goal, we will do a deep dive on all expenses tied to wholesale parts sales and make the tough decision to redirect many of those efforts to other business opportunities within our Parts Dept.

INSTRUCTIONS

- 1) *Work in your teams to complete the activity.*
- 2) *Read the scenario and review the sales report provided by the parts manager.*
- 3) *Create a classification system with criteria to distinguish your best wholesale customers from your not-so-great wholesale customers.*
- 4) *Classify the customers on the parts manager's sales report. Record your top three and bottom three on chart paper. Be prepared to explain why you chose them.*

SCENARIO

Your Dealer Principal (DP) has just returned from a 20 Group meeting with several action items to tackle before the next meeting. You, the newly appointed General Manager, are given the task of evaluating and improving the dealership's wholesale parts business. The DP was put in the hot seat for being at 16% gross as a percent of sales, which is below both NADA Guide and the 20 Group average. Being the go-getter that you are, you decide to not only tackle gross as a percent of sales but also plan to increase overall wholesale parts sales. You conduct an initial assessment of your wholesale parts performance and practices and find the following:

- *Your 20 Group average: 22%*
 - *NADA Guide: 20-25% (varies based on location and competition)*
- *YTD sales as of December 2018: \$1,916,825*
- *YTD gross as of December 2018: \$306,692*
- *YTD gross as a percent of sales as of December 2018: 16%*
- *One dedicated wholesale parts consultant*
- *Two delivery drivers*
- *Marketing strategy: Word of mouth, sporadic cold calls.*

OPPORTUNITIES

1. *Identify some opportunities for improvement and describe how you can take advantage of them.*
2. *Consider incentive programs, like those employed by airlines, hotels, department stores, grocery stores, etc.*