

# Mount Somewhere HinoBiltLiner

Exploring The Potential

By:

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# 1. Obsolescence Position

- ❑ Currently there are \$175,383 worth of parts over 12 Months with No Sale
- ❑ 28% of the inventory is Obsolete!
- ❑ Approximately \$29,265 worth of inventory is so old it is no longer priced by the OEM!
- ❑ We need to Cleanup the Inventory:
  - Use allowable OEM returns
  - Use OBSO/Scrap Credit of \$21,551
  - Sale/Discount aged inventory, Relocate to other locations
  - Return Cores in a Timely Manner
  - Adjust Stocking Criteria to Phase-In at 3/12, and Phase-Out 1/12
  - Implement a Special-Order Parts procedure
  - Monitor parts approaching 12 Months No Sale and return when possible
- ❑ \$17,488 Negative On Hand (757 numbers) is unacceptable and needs to be reviewed, cycle counted and reconciled in DMS

## 2. Sales with No Gross Profit

### ❑ Average Month Sales with No Gross Profit is \$61,240

#### ❑ Pro's to selling parts at cost:

- Rebate-able programs (filtration specifically) Sell @ cost and vendor makes rebate payment to cover the lost funds
- Help service shop to compete for profitable labor heavy jobs by way of adjusting parts margins (Seldomly utilized)
- Help service shop or sales department cover : mistakes / errors / comebacks, minimizing internal write off amounts (Closely monitored)
- Keep costs for New and Used truck sales units low
- Can be used to help clear out OBSO parts, if scrap or return unavailable recovering cost can be more attractive than OBSO
- Branch transfers (to promote intercompany co-operation and better customer service via part availability)

#### ❑ Con's to selling parts at cost:

- **Deflated gross margins!**
- If using no/low profit pricing as a tactic to undercut local competition, it can be very hard to turn around once you have won the business
- Setting a precedent of no profit sales would cause loss of trust with vendors / customers

### 3. Parts Department – Proforma Calculation

If Gross Sales met ATD Guide, there would be an additional \$132,085 of Profit

	Retail Counter	Serv Dealer/Wholesale	Serv Dept Customer	Warranty	Internal	Body Shop	TOTAL
YTD Sales	\$ 345,555	\$ 289,252	\$ 105,808	\$ 346,007	\$ 356,715	\$ 222,777	\$1,666,114.00
YTD Gross Profit	\$ 110,507	\$ 33,801	\$ 30,041	\$ 50,996	\$ 100,001	\$ 51,661	\$377,007.00
YTD Cost of Sales	\$235,048.00	\$255,451.00	\$75,767.00	\$295,011.00	\$256,714.00	\$171,116.00	\$1,289,107.00
NEW Mark-Up Factor	1.43	1.32	1.47	1.30	1.47	1.43	1.40
Desired Gross %	30.00	24.00	32.00	23.00	32.00	30.00	30.00
NEW YTD Sales	\$335,782.86	\$336,119.74	\$111,422.06	\$383,131.17	\$377,520.59	\$244,451.43	\$1,788,427.84
OLD YTD Sales	\$345,555.00	\$289,252.00	\$105,808.00	\$346,007.00	\$356,715.00	\$222,777.00	\$1,666,114.00
Additional Gross Profit	\$0.00	\$46,867.74	\$5,614.06	\$37,124.17	\$20,805.59	\$21,674.43	\$132,085.98

Steps to get closer to Guide:

- Decrease Emergency Orders – Emergency orders currently at 43% of total purchases. Adjusting Stocking Criteria should help
- Utilize DMS Reporting to identify who & how often discounting is happening, establish company policy of no discounting
- Provide Parts Technicians “Sales & Phone Skill Training”
- Have Outside Parts Technicians grade Wholesale Customers and reward Customers accordingly

# 4. SWOT Analysis

## ❑ Strengths:

- Excellent retail sales
- Low cost of labor
- Huge Shop
- Lots of Staff

## ❑ Opportunities:

- Could use more Outside Salespeople
- Increased hours of operation could boost sales
- Training (ATD Dealer Academy Classes)
- Collect on Parts and Service Receivables
- Create Parts Apprenticeship to train staff and reward high performers

## ❑ Weaknesses:

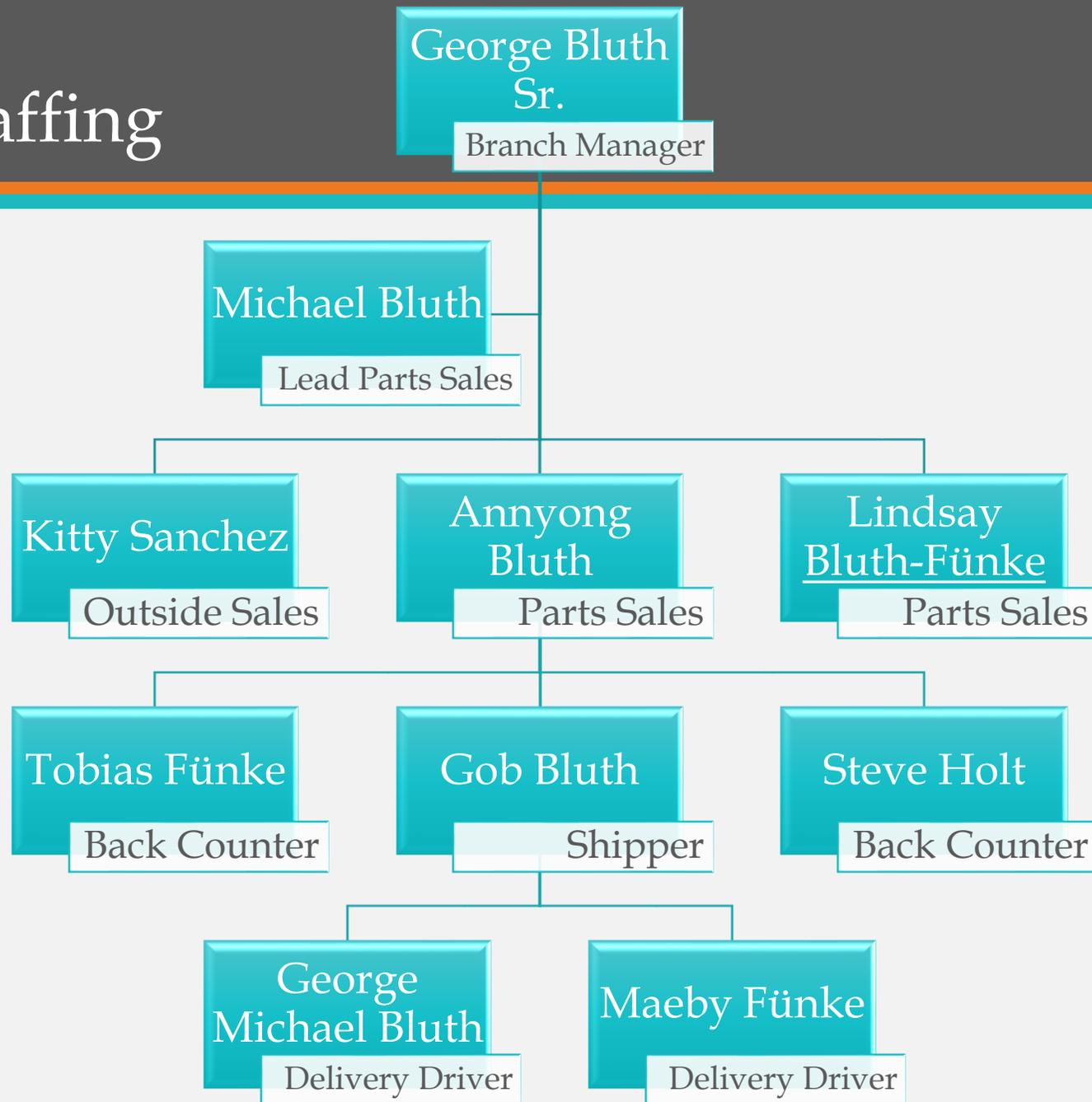
- Not recording lost sales
- 43% of purchases were emergency
- Parts Gross Margin only 22.6% (guide is 30%)
- 3.2 turns and 2.5 true turns of inventory
- Service/Dealer Wholesale is only contributing 11.7%(guide is 24%)
- Low knowledge of standard operating procedures
- Sales per Parts employee only \$23k (guide is \$60k)
- Inventory is Deep but not Wide

## ❑ Threats:

- Excess Inventory can create insolvency
- Lose quality staff over low wages
- Unhappy customers and Techs because of mismatched inventory
- Poor first time fill rate could push customers to competition

# 5. Parts Department Staffing

- ❑ Everyone Keeps Their Job!
- ❑ Promote Parts Lead to Manager
  - The Parts Department needs clear direction from someone who is empowered/responsible/competent
- ❑ Keep the Service Advisors away from Parts Pricing
- ❑ Training is Required
  - Start with Training the Parts Manager
  - Get staff to Record Lost Sales properly
  - Learn about and optimize Stocking Criteria in DMS



## 6. Should We Buy It?



- Yes, We should buy it
- The potential is there. The Parts Department turned a modest profit despite inadequate policies and underutilizing assets
- Training and Leadership could turn this Dealership into a Cash Machine = \$\$\$\$\$