

SUNSET KEYS MOTORS



Store improvements by:
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OBSO POSITION

OBSO Position calculated using the DMS Scorecard

Activity	Value \$	%	Notes & Guides			
0-3 Months	238,281	41%	ACTIVE INVENTORY at 75%			
4-6 Months	71,863	12%	ACTIVE INVENTORY at 23%	OBSO POSITION		
7-12 Months	22,693	4%	75% will likely become Obso 2% is guide	.75 TIMES \$		17019.75
Over 12 Months	175,383	30%	Technical Obsolescence 2% is guide	PLUS		175,383
New parts no sales	76,401	13%	Minimal Amount	PLUS		76,401
Total Inventory	584,621	100%		EQUALS	46%	268803.75

OBSO POSITION



OBSO Position

- \$268,803.75
- 46%

Analysis

- 7-12 Month is acceptable, however, 12+ Month and NPNS is way too high
- Creating a very poor OBSO Position
- The reasonable 7-12 month position indicates that potentially an issue with the ordering process that played a role in causing this mess was addressed, but now still stuck with aging inventory
- Addressing the 12+ and NPNS inventory should result in closer to guide numbers across all aging categories.

Plan to Address Poor Position

- Re-evaluate SOP Order Process and self-auditing procedures to ensure this doesn't occur in the future
- Utilize creative ways to get rid of the obsolescence
 - Utilize the OBSO credit earned, but not used
 - Develop online presence through eBay or Amazon
 - Discounts, coupons, flash sales, etc.
 - Send out list of parts to other dealers in country to try to sell what you can
 - Donation to tech schools, etc.

SALES WITH NO GROSS

Average of \$61,240 of sales (29.4%) is being sold with no gross a month.



They may sell the parts with no gross because...

- ✓ Tracking manufacture incentive (pace) income
- ✓ An internal mistake forcing you to be responsible for covering the cost of the part.
- ✓ Owners with multiple franchises agree to sell to each other at cost.
- ✓ Dealership has an agreement with same make dealerships to alleviate cost.
- ✓ Staying competitive to your competition and online sales.

PARTS GROSS SALES

The Sunset Key Motors parts department is at 22.6% gross profit YTD and needs to be brought up to NADA standards of 33.5%. If we would have met NADA guide, the additional gross profit would have been \$295,687.17. To bring us closer to NADA guide the first three things we will implement is:

- Pricing: Meet with new and used car managers, and let them know prices for internal will be charged at suggested retail pricing with no discounts.
- Inventory: Reduce emergency purchases, we are roughly at 35% of total purchases. We will do this by making inventory improvements, changing phase in from 2/3 to 3/12, improving our first-time fill rate, and recording all lost sales.
- Body Shop: We will correct body shop by negotiating better discounts with vendors, a restocking fee of 20% on total loses and possible increase on sales gross depending on the volume and frequency they buy.

MONTHLY RECONCILIATION

Dollar value of parts on dealership management report	\$	584,621
Minus		
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
Plus		
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	\$	29,265
Plus / Minus		
Other Adjustments (shortage claims, damage, etc.)	\$	5,076

Total Inventory	\$	678,778
Inventory Per Financial Statement	\$	627,903
Difference	\$	50,875

SWOT ANALYSIS



SWOT ANALYSIS

STRENGTHS

Parts employees

Stock order discounts earned

Bin count adjustments low

Size of service department

Large parts inventory

WEAKNESSES

Pricing strategy

Average gross profit % of sale

Lack of written processes

Obsolescence

Tracking lost sales

OPPORTUNITIES

Increase gross profit % for body shop and internal

Grow customer base retail and wholesale

Training of parts to work with the large service dept to increase sales and profit

Reduce lost sales and obsolescence

THREATS

Competition from other dealers

Pricing discounts causing lost profit

Competition from aftermarket

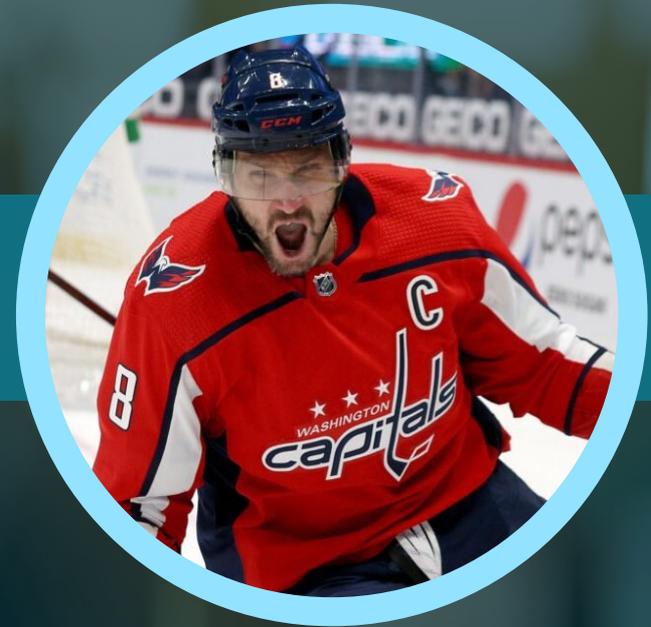
Frozen capital from obsolescence

Lost profit from lost sales

THE PARTS TEAM



The Parts Director will oversee the entire operation involved in the Parts Department. He will work in conjunction with the GM and the Service Director to optimize the Parts Department's total production. The Parts Director will oversee the rest of the department. The Parts Director will report directly to the GM.



Assistant Manager (Wholesale/Counter/Warranty)
The role of this manager will be to handle the Wholesale, Counter, and Warranty items primarily, while backing up the Retail/Internal Assistant Manager. The manager's pay will lay heavily on Wholesale/Counter/Warranty, but also tie into Retail/Internal. This person will report to the Parts Director.

THE PARTS TEAM

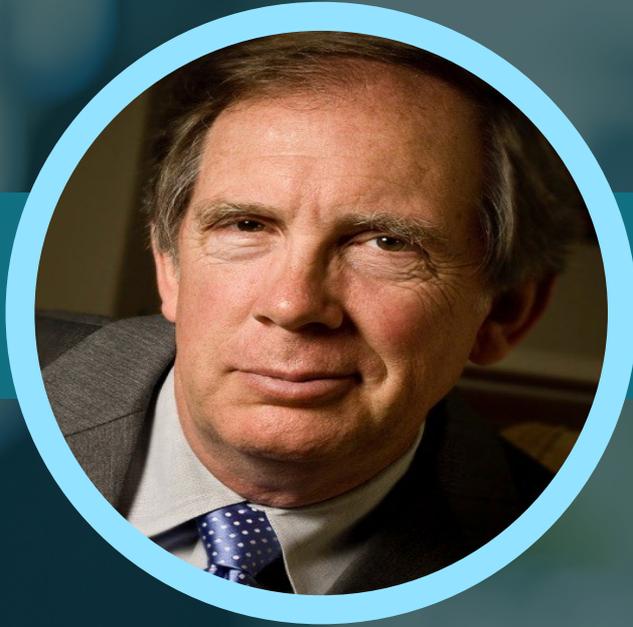


Assistant Manager (Retail/Internal) The role of this assistant manager will be to handle Retail and Internal orders primarily, while backing up the Wholesale/Counter/Warranty Assistant Manager. The manager's pay will lay heavily on Retail/Internal, but also tie into Wholesale/Counter/Warranty. This person reports to the Parts Director.



Parts Associate 1 and 2 Both Part Associates 1 and 2 will be keeping the department running smoothly and efficiently. They will report to the Assistant Managers to ensure everything is getting done. In a pinch they would be driving parts, but that should not be a problem for them.

THE PARTS TEAM

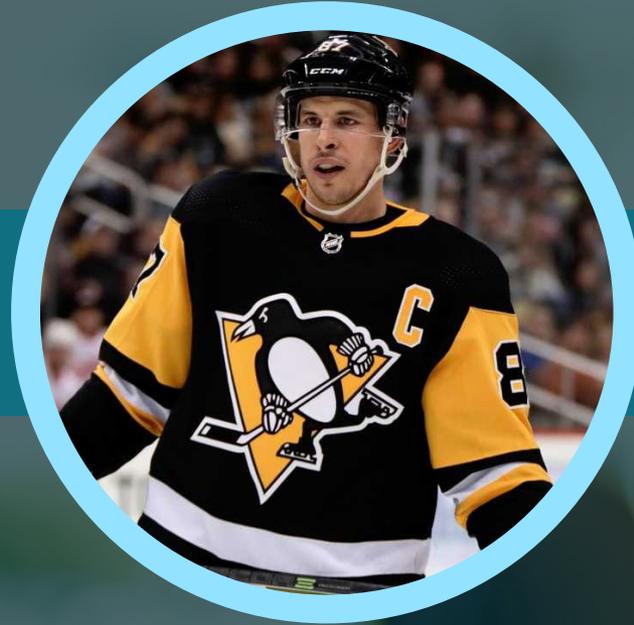


Parts BDC Associate The sole purpose of this Parts Associate will be getting new business. This business will be primarily in the Wholesale Department, but will also include monitoring the Counter Retail Business, keeping the display areas clean, and guiding the department to gain incremental business using their current customers along with finding new ones. This person reports to both Assistant Managers along with the Parts Director.



Parts Driver 1 and 2 These drivers will report to both Assistant Managers and help guide the Associates. They will be given a laid out schedule each morning to get the parts to the proper store in an efficient manner. They will have to be able to adjust to changes throughout the day to keep the Wholesale Business running efficiently. They will also assist in guiding the department through increasing counter sales with free local delivery.

THE PARTS TEAM



ELIMINATE ONE POSITION

Unfortunately due to the current production within the department, it will require eliminating one position. Currently with the production we have, we are overstaffed. Even though total production needs to increase, the department has only made \$902 in eight months. Even when we increase production by 10%, there will not be a need for an additional person. We need to see an increase of 12-15% on a consistent basis to add additional personnel.