

# Group Case Study

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# OBSO Position

<b>Activity</b>	<b>Value \$</b>	<b>%</b>
0 - 3 Months	\$238,281.00	41%
4 - 6 Months	\$71,863.00	12%
7-12 Months	\$22,693.00	4%
Over 12 months	\$175,383.00	30%
New parts no sale	\$76,401.00	13%
Total inventory	\$584,621.00	100%

## **OBSO Position:**

.75 Times \$	\$17,019.75
Plus	\$175,383.00
Plus	\$76,401.00
Equals <b>46%</b>	\$268,803.80

## **Guides**

**Active Inventory at 75%**

**Active Inventory at 23%**

**76% will likely become OBSO 2% guide**

**Technical Obsolescence 2% is guide**

**Minimal amount**

Increase breadth

Look at moving the over 12 months of inventory (Facebook, Amazon, OE Connect or other outlets)

Use your return money to remove old stock

# Average Monthly Sales

Good



-Reach more wholesale

-Cheap service work incentives

-Lowest prices in area

-Potential for cost plus percentage sales

The dealership has the potential to make more profit with a new pricing strategy to see more growth, While currently the prices are low and still selling the price strategy if raising prices should increase little each month, to not jump prices and scare off customers.

Sales with no gross profit \$61,240

Selling parts at cost the good and bad

Bad

-Lower profit

-Low growth for department

-No safety net for extra expenses

-No matrix pricing, where you could lower the price and still make profit, no room to decrease price.



Not a lot of value

# Parts Gross Profit Sales

	Repair Order Mechanical	Body Shop	Counter Retail	Internal (new/used)	Wholesale	Warranty	TOTAL
YTD Sales	\$345,555.00	\$289,252.00	\$105,808.00	\$346,007.00	\$356,715.00	\$222,777.00	\$1,666,114.00
YTD Gross Profit	\$110,507.00	\$33,801.00	\$30,041.00	\$50,996.00	\$100,001.00	\$51,661.00	\$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	1.69	1.33	1.69	1.69	1.39	1.39	1.53
Desired Gross %	41.00	25.00	41.00	41.00	28.00	28.00	34.00
NEW YTD Sales	\$398,386.44	\$340,601.33	\$128,418.64	\$500,018.64	\$356,547.22	\$237,661.11	\$1,961,633.40
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	\$52,831.44	\$51,349.33	\$22,610.64	\$154,011.64	(\$167.78)	\$14,884.11	\$295,519.40

**\$ 295,519.40**  
Additional Gross Profit  
if NADA Guidelines Met



### 3 Steps to get closer to NADA Guidelines

1. Watch discounting. Have guidelines/procedures in place for catching. Limit discounting access. Pass through Manager or follow DMS setup
2. Keep emergency purchases to a minimum. Verify stocking practices/RIM set up accurately and daily to meet demands as best possible
3. Keep proper training of parts personnel on sales and phone skills. Have incentive bonuses for attainable goals.

# Monthly Reconciliation

Monthly Reconciliation Of Parts To General Ledger	
Dollar value of parts on dealership management report	\$ 584,621
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
	=
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 (no part number) parts	+ \$ 4,766
Dollar value of parts with no cost record	+ \$ 29,265
	=
Other Adjustments (price updates, bin count adj, outside purch.)	+ \$ 8,132
<b>Total Inventory</b>	<b>\$ 681,834</b>
<b>Inventory Per Financial Statement</b>	<b>\$ 627,903</b>
<b>Difference</b>	<b>\$ 53,931</b>

# SWOT Analysis

## S

High gross Profit in wholesale 28%  
High Level of service 90.5%

## O

Change phase-in to 3/12 to increase breadth  
Use OBSO return reserve  
Order more parts DRO  
Implement Lost Sales Process

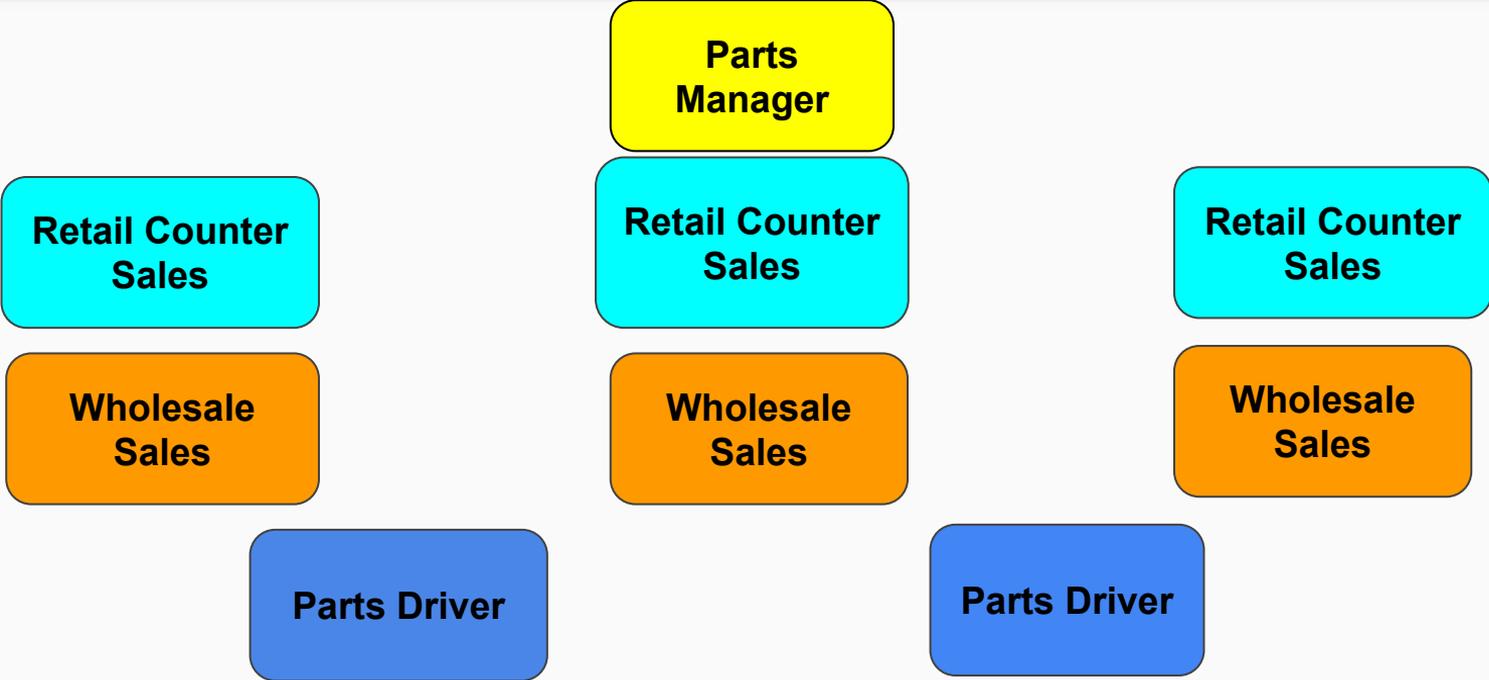
## W

Lost sales 0%  
Too shallow phase-in  $\frac{2}{3}$   
High emergency purchases  
Low overall gross profit 22.6%

## T

Old receivables  
Parts sold at cost  
20% of purchases from outside sources  
Too high BSL and BRP  
Price overrides  
High potential OBSO based on sales  
Movement 53%/6 mo.

# Parts Department Organizational Chart



# Recommendations

- Decrease one parts sales person
- Revamp price structure to help with the low gross
- Work with Service and Body Shop on sales and the gross
- Look at putting in more fast moving parts verse getting them from other dealers
- Change phase in to 3/12
- We recommend to purchase the dealer at a good price. Will need to do some restructuring in the department.