

Classification System

We looked at the wholesale customers in a few different ways. How are they paying for the parts? Are they current? We also look at the rate of return to determine if they were keeping enough of the parts and we were still profitable. Most all of the wholesale customer were paying under the gross profit of 22-25% NADA guide which means most of the wholesale business is costing us money.

Top Three Customers

1. M&B Collision. For the past 2 years M&B Collision has purchased from us consistently and returned roughly 5% less than average collision facilities. With their returns taken into consideration YTD Gross Profit \$32,340 which was 18.60% of \$173,872. Prior year Gross Profit \$31,938 which was 17.90% of \$178,427. With a few adjustments in our pricing matrix we'll be able to increase of GP to 20% with parts mark up of 25%.
2. VanaMax. Highest gross profit. Has had the highest Sales volume for the past 2 years and are a valued customer. Although VanaMax return rate is 10% YTD the with the Prior year being 8.60% we still made a profit of \$57,398 YTD and \$66,691 the prior year. We will keep their pricing structure in place.
3. BP Customer. Lastly BP Customs has consistently been one of our top performing wholesale customers. They have a low return rate of YTD 5.9% prior year 6.4% and we have made a decent profit of 18.3% YTD \$14,228 and 18.9% prior year \$16,034. With a few adjustments in our pricing matrix we'll be able to increase of GP to 22% with parts mark up of 28.20%.

Bottom Three Customers

1. M & D Used Cars. To start off M&D Used Cars is currently past due. In order to stay a wholesale customer, we will need to change their payment method to COD for the next 6 months and we can reevaluate then. The Gross Profit is low at 7.60% YTD and 11.30% prior year. I will be looking into how they received such a low markup and it appears they are giving a kickback to the parts consultant. I hope I'm wrong, I will do an internal review. Chosen because of their low markup and poor pay history they are in our bottom 3.
2. M & M Auto Sales. Although M&M Auto Sales pays for their parts COD, the markup they enjoy comes at a huge cost to us. If NADA considers the breakeven point to be approximately 17% we essentially lose 7-10% wholesaling to them every time. Chosen for low markup.
3. Accidents Happen. Accidents Happen enjoy a very low markup with very modest sales. They are not the lowest volume customer but rank in the top 3.

Opportunities for Improvement:

For starters we need a consistent pricing structure. If our goal is to be 22% GP than we need to be marking up a minimum of 28.20% after discount. Also, we need to focus on customer acquisitions. Set up a time daily to make phone calls to past wholesale customers thanking them for their business and seeing what we can help them with. Also need to set up time for to cold call other Body Shops, Independent repair facilities, local and State Municipalities along with Schools and Churches to try and capture their business. We currently have 2 delivery drivers on the road at any given time and do business all over the State. We will come up with a why buy from us message and deliver a gift basket to new potential customers. This will be done in person by our delivery drivers. Delivery drivers will be compensated for any new customer signed up by receiving 1% of the GP for that customer if more than 1 driver is responsible for that customer, they will split the 1%. We are implementing a parts training initiative for our entire parts department, it will focus on customer service, the dos and don'ts of taking sales call that will include what to say and not to say. With focus customer persuasion techniques. Every person working in the parts department will be included.

Within our pricing structure we should include a discount for COD 1-3% and a restocking fee for returns of 5%-up to the % of parts you return. For instance, if the customers return YTD is 12% then there restock fee would be 12% this should help offset the cost of labor and delivery for our 3 employees handling wholesale. Customer rewards program paid out in the form of a parts credit. Reward program will start at .25%