<u>Classification System</u>

We have classified our customers in to two different groups: Good customers and bad customers. We will first look at why we would classify someone as a good customer.

Good Customer:

Low Return Percentage – we want the least amount of returns possible.

Sales Growth – we would like to see our wholesale accounts grow year over year. A good wholesale customer would be a growing customer.

Account Status – our good customers have accounts in good standing or have a COD account.

Higher gross profit – we consider a good customer one in which we make more profit or one that we make more than 17% profit on.

Bad Customer:

High return percentage – a bad customer has a high return percentage

Low gross profit – a customer who we are not making enough gross profit on

Overdue account – customers who do not pay their bills on time

Low volume – a customer who has a low sales volume.

TOP THREE CUSTOMERS:

All of our top customers share a few similar classifications. They all share high gross profit percentage, all have good account statuses and the cost of doing business is low with each.

VanaMax, BP Customs, MFD Car Doctor

BOTTOM THREE CUSTOMERS:

All of our bottom customers share similar classifications as well. We have very low margins on all of them, have an 8.5% average return rate and there is a high cost of doing business with each.

Accidents Happen, H &T Ford, M & D Used Cars

OPPORTUNITIES FOR IMPROVEMENT

We have found some areas where we feel this dealership could improve.

Hiring a second wholesale employee – we could send a second employee out to all of our overdue accounts to collect money. We could also send this employee out to find new business by going to body shops personally instead of relying on word of mouth and sporadic cold calls.

Tiered pricing system – we could tier wholesale discounts to give better customers more of a discount.

Restocking fee – we would implement a 20% restocking fee and an incentive program to deter shops from returning items as much. We would incentivize shops that have low return rate percentages monthly.