

A close-up photograph of a person's hand typing on a laptop keyboard. The hand is wearing a white smartwatch and a diamond ring. The background is a blurred image of a person in a blue suit. A vertical orange bar is on the left side of the image.

Parts Case Study

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OBSO Position

Dollar value of OBSO / Reconciled OBSO inventory

	Value \$	%	Notes & Guides
0-3 Months	\$238.00	41%	ACTIVE INVENTORY at 75%
4-6 Months	\$71.00	12%	ACTIVE INVENTORY at 23%
7-12 Months	\$22.00	4%	75% will likely become Obso 2% is guide
Over 12 Months	\$175.00	30%	Technical Obsolescence 2% is guide
New parts no sales	\$76.00	13%	Minimal Amount
Total Inventory	\$584.00	100%	

OBSO POSITION	
.75 TIMES \$	\$17,019
PLUS	\$175,383
PLUS	\$76,401
EQUALS	\$268,803 / 46%

Recommendations -

- \$21,551 avail in OBSO credit
- Phase-in should be 3 in 12 months / cut down emergency / excess inventory
- Post special parts inventory
- 12 month+ inventory 25% over guide (5%)
- Post lost sales - training
- Sell aged inventory on Ebay / Amazon
- Create special order parts process
- Purchase fast moving parts to enhance your return allowance
- Train all parts employees on how your DMS properly
- Identify the oldest parts and use the available funds of \$21,551 to send those parts back ASAP

Gross Profit

Monthly gross without profit

Not so good reasons

- Part was an “Other Dealer Emergency Purchase” - Parts Dept. has purchased \$521,884.00 worth of these parts in last 8 months which is \$65,235.50 worth per month. These parts are typically purchased at retail or higher, especially when you factor in shipping or pick up expenses, thereby making it hard to make any gross profit on them.
- Pricing could have been incorrect b/c of :
 - Employees overriding prices/discounting, especially if an error has been made at counter or in svc dept
 - Incorrect pricing entered as new or return part is added to inventory
 - Incorrect pricing due to Master Tape Update errors &/or System Setup errors
 - Sale was posted to wrong part #

Good reasons

- Part was deemed to be in Phase Out Status or has declining demand
- Part was deemed to be Obsolescent, Inventory 12 + months/Last sale is currently at \$175,383
- Part deemed to have Excessive Days Supply
- Part was identified to be SOP that was:
 - Ordered incorrectly & not returned in time
 - Ordered for a customer or shop w/out deposit or prior payment & either not picked up or returned
 - One of 2 parts ordered when only one part was needed

Parts Gross Sales

3 steps you can take to get closer to guide

	Repair Order Mechanical	Body Shop	Counter Retail	Internal (new/used)	Wholesale	Warranty	TOTAL
YTD Sales	\$ 345,555	\$ 289,252	\$ 105,808	\$ 346,007	\$ 356,717	\$ 222,777	\$1,666,116.00
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	\$256,716.00	\$171,116.00	\$1,289,109.00
NEW Mark-Up Factor	1.69	1.33	1.69	1.69	1.39	1.39	1.53
Desired Gross %	41%	25%	41%	41%	25%	28%	34.01%
NEW YTD Sales	\$398,386.44	\$340,601.33	\$128,418.64	\$500,018.64	\$356,718.45	\$237,661.11	\$1,961,804.62
OLD YTD Sales	\$345,555.00	\$289,252.00	\$105,808.00	\$346,007.00	\$356,717.00	\$222,777.00	\$1,666,116.00
Additional Gross Profit	\$52,831.44	\$51,349.33	\$22,610.64	\$154,011.64	\$	\$14,884.11	\$295,687.16

3 Steps to get closer to guide

- Sales Training - Sales training with both your parts employees and ASM's can help face price objections from customers and prevent them from discounting parts or using coupons when not needed
- Increase Pricing On Internals! Based on these numbers, they are discounting internals far below guide. By increasing your margin on internal reconditioning, you will see a big lift in Gross Profit on the parts side with very little effect on the price of the used car
- Petition the Factory for Retail Reimbursement on Warranty Parts - Check to see what reimbursement rate the department is getting for warranty parts. If it is not their retail rate, I would furnish your RO's to the factory showing your retail rates. This could net the department a BIG increase in gross profit.

Monthly Reconciliation

Conduct a monthly reconciliation

Monthly Reconciliation Of Parts To General Ledger	
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
	8.1%

Recommendation

- 8.1% difference is above the acceptable percentage
- Double check the accounting side of posting. It looks like the DMS is over more than the financial statement by \$50,875.
- Probably a late posting by accounting. I would keep an eye over the next few months to see if it corrects itself before making any adjustments .

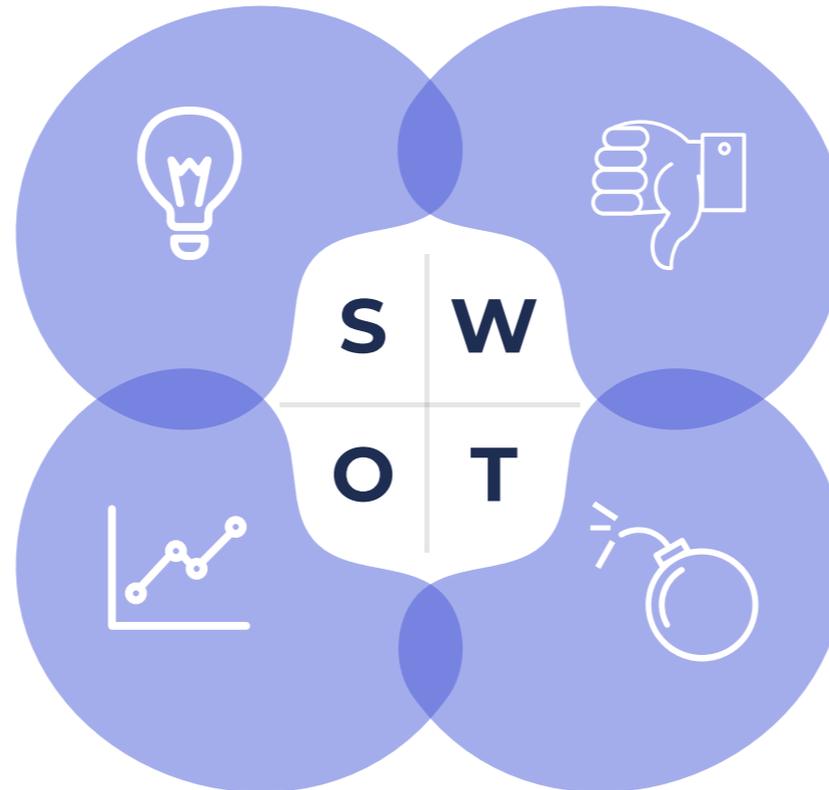
SWOT Analysis

Strengths

Wholesale Gross Percentage
Large Service department (27 technicians / 35 bays)

Opportunities

Sales Training
Internal Gross profit margin
OBSO credit available
Special Order Phase in (move to 3 in 12 months)
Tracking and posting Lost Sales
Employees taking off with new training and



Weaknesses

Inventory management (46% of inventory is obsolete)
Special Order Parts Process
Not tracking Lost Sales

Threats

Competition from local shops
Resistance from the variable side management
Overcome by sharing overall vision for store success
OBSO parts greatly outweigh OBSO credits
Slowly work through the previously mentioned disposal methods

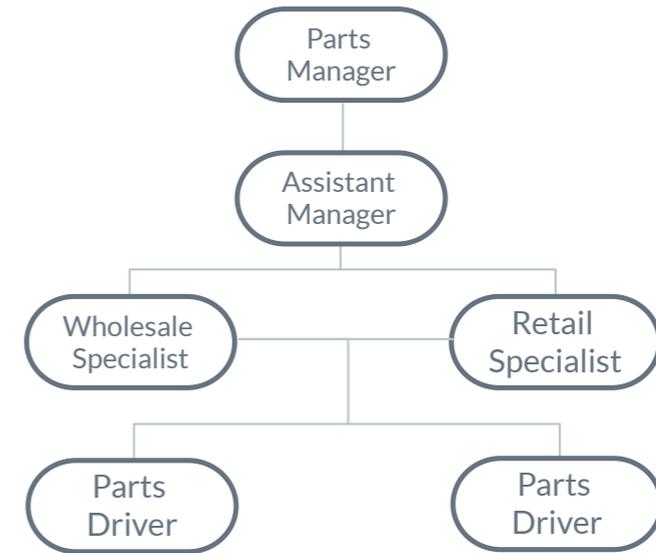
Department Employees

Organization Chart / Gross Profit

Focus - Re-allocating payroll / increase gross on internal & body shop parts

Staffing

- More full-time employees will help with inventory management, OBSO and emergency ordering
 - Based off current payroll - store is underpaying or using part-time employees
- Assistant manager will handle all internal parts & body shop orders.
 - Needs to correct the discounting issue & increase gross profit in the department
- No longer a need for additional part-time drivers - with increased full-time personnel, the need for emergency ordering will be reduced.



	YTD Sales	YTD GP	% Gross
Mechanical	\$345,555	\$110,507	32.0%
Body Shop	\$289,252	\$33,801	11.7%
Retail Counter	\$105,808	\$30,041	28.4%
Internal	\$346,007	\$50,996	14.7%
Wholesale	\$356,715	\$100,001	28.0%
Warranty	\$222,777	\$51,661	23.2%
Total	\$1,666,114	\$377,007	22.6%

	30% Gross	Current GP	Proposed GP	+ Profit
Body Shop		\$33,801	\$86,775	\$52,974
Internal		\$50,996	\$103,802	\$52,806
Total		\$81,797	\$190,577	\$105,780



Thank You