

We Are The Champions Automotive

Current OBSO Issues-

- The dealership's OBSO value is \$268,803 or 40% of the inventory.
- The OBSO position is due to the incorrect product mix. What's being purchased isn't selling efficiently and needs to be assessed immediately.
- Lost sales are not even being tracked.
- Emergency purchases are eroding GP and reinforcing the inventory is not being thoroughly managed.

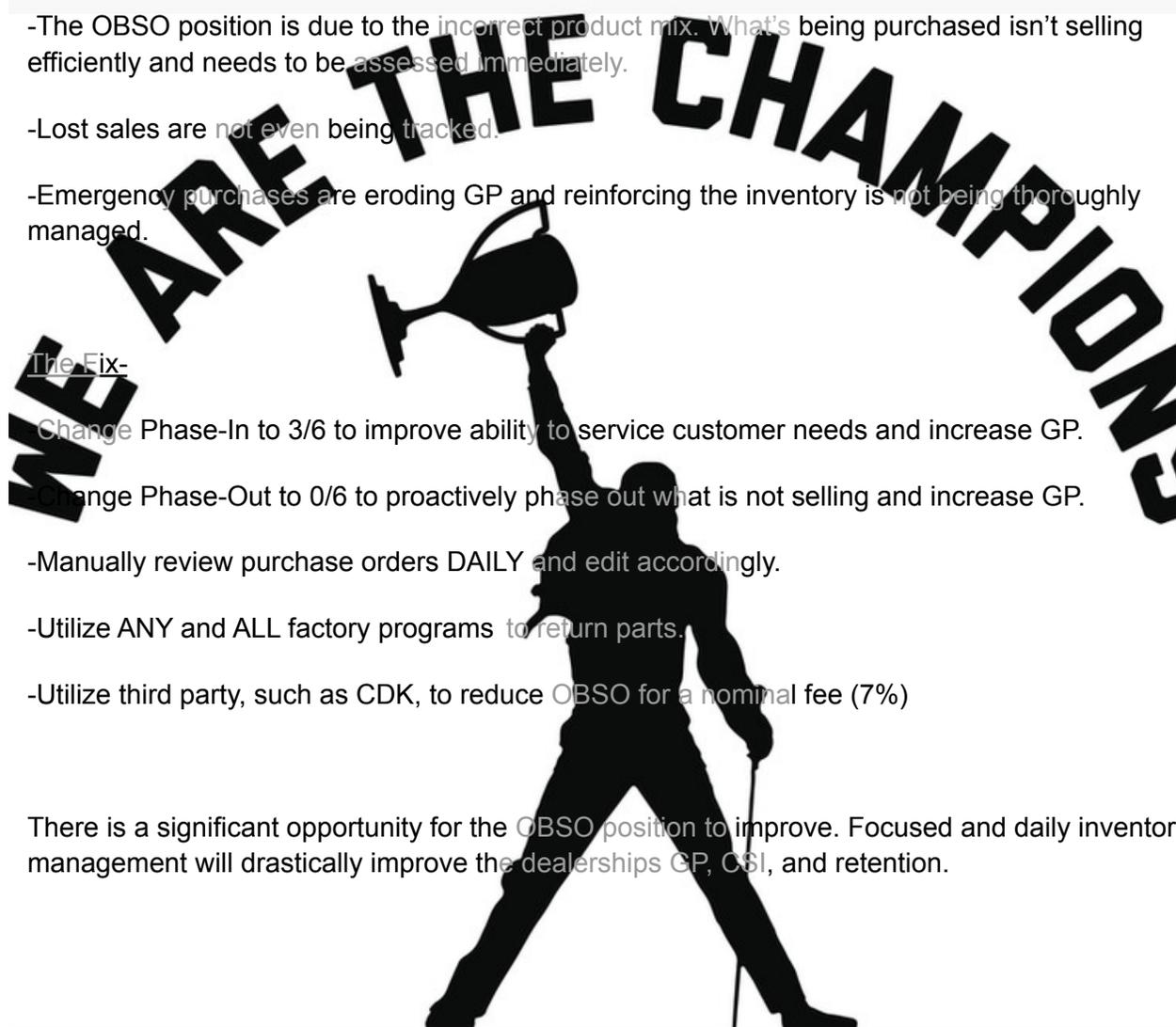
The Fix-

Change Phase-In to 3/6 to improve ability to service customer needs and increase GP.

Change Phase-Out to 0/6 to proactively phase out what is not selling and increase GP.

- Manually review purchase orders DAILY and edit accordingly.
- Utilize ANY and ALL factory programs to return parts.
- Utilize third party, such as CDK, to reduce OBSO for a nominal fee (7%)

There is a significant opportunity for the OBSO position to improve. Focused and daily inventory management will drastically improve the dealerships GP, CSI, and retention.



Parts Gross Sales-

The gross percentage of sales for the parts department at this dealership is horrendous sitting currently at only 22.6%. There are a few action items we can do in order to bring this up. The first and easiest thing to do is to increase internal gross, this can be accomplished with the flick of a switch and then spot check to ensure it happens on every RO. The next one to look at is Warranty gross percentage. You need to conduct an audit to find the best group of repair shop ROs to present to your OEM in order to get a match for your warranty work. Lastly the body shop needs to increase prices because by the looks of it they are just giving away parts.

Reasons Why We Would Sell at Cost:

This store appears to have a major inventory issue which can be corrected with a little time. It seems there is very little focus on the inventory which is most likely causing both parts and service advisors to sell at cost.

Current Issues-

Emergency Purchases – This is accounting for 43% of their total purchases over 8 months.

Internally Discounting – New & Used are at 14.7% / Body shop is at 11.7%

Counter Retail Discounting – This is leaving a 28.4% GP.

Inventory – 3.8 months' supply | 3.3 Gross turns | 1.1 True turns | 29% over 12+ months | Phase-In currently 2/3

Lost Sales – 0. This is not even being tracked.

Discounts – Lowering the sales price instead of using the discount.

Level of Service = 50.03%

Pricing – Price update from OEM probably not being updated.

The Fix-

Emergency Purchases – This will take getting the inventory mix correct to get it below 11%

Internally Discounting – Move New & Used to 41% GP, this will create \$154,011 in additional GP. Move Body Shop to 25%; this will create \$51,349 in additional gross.

Counter Retail Discounting – Move counter to 41%, this will create \$22,610 in additional gross.

Inventory – Move Phase-In to 3/12. Over time this will decrease the emergency purchases and increase the gross and level of service.

Lost Sales – Start tracking lost sales.

Discounts – All discounts must be approved by the manager.

Level of Service - This will work itself out once the right inventory mix is there.

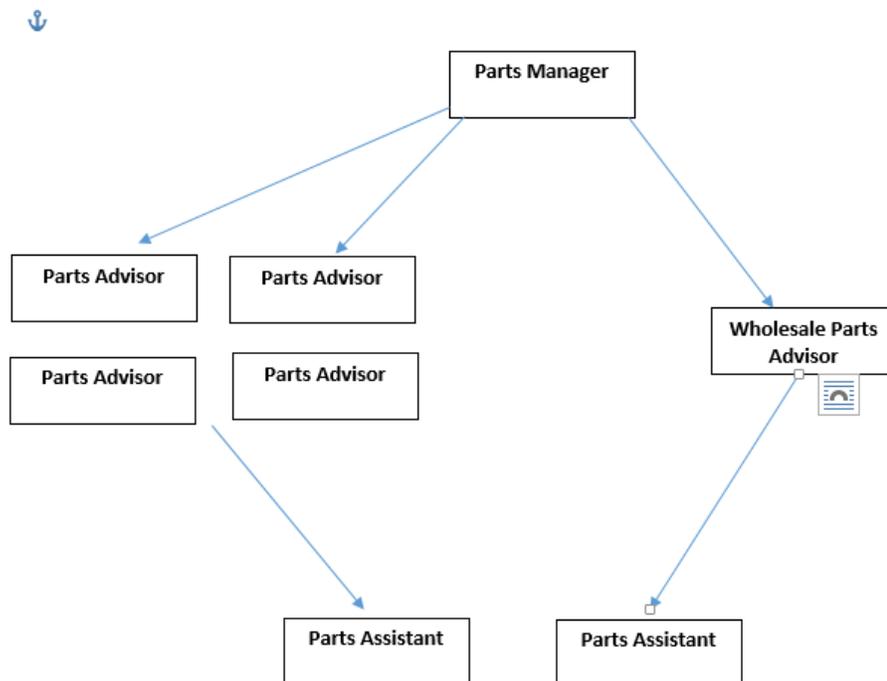
Pricing – Check monthly for price updates.

There is a ton of opportunity here if the inventory gets managed daily by all parts associates and the discounting is dramatically reduced. Just managing the inventory correctly will lead to hundreds of thousands in additional GP.



Parts Department Employees:

Parts Department Employees: This dealership's 8 month payroll for 9 parts employees is really low, I am not sure if they are adding others into this if they help pay for part of reception or other areas. But if not, they are paying each person an average of 1653 a month. Each is doing 23,000 per month in sales, but if we reduced staff size and let one part time person go, each employee could make more money and the store could make more money. We believe they could do as much, if not more, with less employees considering their total percent of sales is 22.6%. Deeply discounting their internal is not helping the issue either. Since our plan will include fixing the issues that this parts department face, we believe the department will be making huge improvements quickly, and will need their staff. This parts department does not appear large in size. They also currently do not pay their employees well, and would get more out of each person if they offered a chance to make better wages with better processes in place.



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
	Total Inventory	\$ 681,834
	Inventory Per Financial Statement	\$ 627,903
	Difference	\$ 53,931

SWOT Analysis

Subject: _____

Strengths (+)	Weaknesses (-)
<ol style="list-style-type: none"> 1: Still in Business 2: Net profit YTD 3: Have the Tools / Real-estate needed to run the department. 4: Strategic location 5: Relationship selling (We get to know our customers) 6: History (we've been in our town forever. We have the loyalty of customers and vendors) 7: Global Presence 	<ol style="list-style-type: none"> 1: Over paying for parts (Emergency purchases) 2: Too Quick to discount to save deals 3: Number of employees in the Part Department 4: Limited number of Parts in Stock 5: Sale : Limited knowledge of product 6: Discounting Parts (Internal - Service) 7: Not trained employees 8: Very Low employee Compensation 9: Need more investment in new technologies 10: Financial planning is not done properly and efficiently. 11: The profitability ratio and Net Contribution % of the Parts Department are below NADA average
<ol style="list-style-type: none"> 1: Pay yourself first 2: Understanding our competition 3: Lower the number of employees 4: Full Retail price for New / Used Cars and Service 5: Track lost Sales Weekly 6: Run Exception, Override, Deviation Reports Weekly 7: Recruiting quality Employees 8: Training and Improving employees skills. 9: Institutionalizing processes to create consistency. 10: Improve market strategy. 11: Recognizing the employee's talents and efforts and compensate accordingly. 12: Invest into the Online Platform/ Advertising. 	<ol style="list-style-type: none"> 1: Intense competition 2: Loosing Talented Employees 3: Bad Economy. 4: New environment regulations 5: Shortage of skilled workforce in certain global market 6: No regular supply of innovative products 7: New technologies developed by the competitor or market disruptor 8: Being Unprepared for opening numbers, initial poor service or product quality could discourage customers from returning.
Opportunities (+)	Threats (-)

Write your goal statement:

Our goal is to increase profit margin, increase efficiency by offering our customers the best combination of price and quality with the highest possible service level. Provide our customers with excellent product knowledge that fulfill their wants and needs. Professional trained staff to help inspire, educate and solve our customers problems. Make our Parts Department a one stop shop for all their needs.

Recommendation:

Now that we have done a full assessment of We Are The Champions fixed operations department it is now time to go over the recommendation. Everyone on our team all unanimously agreed that we would BUY BUY BUY. We believe that with some simple process changes we could have this parts department running leaner and more profitable in no time.

