

Our goal is to raise our Gross Profit % of Sales for Parts Warranty from 35.9% (YTD) to a minimum of 41%. By increasing the current Customer Parts RO Gross Profit %.

We can achieve this goal by increasing our Gross Profit % of Sales for Customer Parts RO's from 36.8% (YTD) to a minimum of 42%.

We will be able to apply for the Warranty Parts increase from Chrysler once we can show the increase from customer pay from a 100 consecutive customer RO's. Application for increase is scheduled for January 15<sup>th</sup>.

We started our adjusted pricing for customer parts pay on November 15<sup>th</sup>. The pricing matrix has been implemented into our system. The adjusted increase to current markup is as follows:

Any part with a cost greater than \$500 will be adjusted up by 5% from the current markup.

A sliding scale based on the least expensive part has an increase up to 20% decreasing in additional markup as the part cost approaches \$500. The minimum increase will not fall below a 5% increase.

We will gauge our progress starting with the next completed Financial Statement reported on page 5, line 22 for both monthly and YTD.

YTD Customer RO's for parts sales total \$607,692 through September average (607,692 divided by 9 months = \$67,521)

Current average GP per Month is  $\$67,521 \times 36.8\% = \$24,848$

Current average GP per Month is  $\$67,521 \times 42\%$  (forecasted increase) = \$28,359

An estimated increase in Gross Profit: Monthly = \$3,511

An estimated increase in Gross Profit: Yearly = \$42,132

YTD Warranty RO's for parts sales total \$339,988 through September average (\$339,988 divided by 9 months = \$37,776) (page 5, line 25 on the Financial Statement)

Current average GP per Month is  $\$37,776 \times 35.9\% = \$13,562$

Current average GP per Month is  $\$37,776 \times 41\%$  (forecasted increase) = \$15,488

An estimated increase in Gross Profit: Monthly = \$1,926

An estimated increase in Gross Profit: Yearly = \$23,112

Estimated monthly increase for customer pay and warranty pay,  $\$3,511 + \$1,926 = \$5,437$

Estimated annual increase for customer pay and warranty pay,  $\$5,437 \times 12 = \$65,244$

I have support from our Parts Manager who has taken the lead on implementation our Service Manager and our GM. Potential challenges or hindrances may come in the form of parts coupons and or occasional goodwill needed for disgruntled customers.