

Wholesale Customer Case Study

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Classifying Wholesale Accounts:

GP%

YTD & Prior Year Sales History

Payment Status

Return %

Top 3 Customers:

1. VANAMAX: Most \$ Spent YTD, Pay on Delivery, High Prior Year Sale, High GP%
2. M&B Collision: 2nd Most \$ Spent YTD & Prior Year, Pay on Delivery, High GP%, OK Return %
3. H&T Ford: Current Payment, Lower GP% but Low Return %

Bottom 3 Customers:

1. J&D Auto Leader: only \$1,155 YTD, Overdue Balance
2. M&D Used Cars: Low GP%, Overdue Balance
3. Accidents Happen: Low GP%, Low Sales (Dropped \$45k from last year)

Program Mission: *Create a Tier-Based Incentive Program to classify and reward Wholesale Accounts.*

Program Outcomes:

- Increase Parts Gross Profit %
- Reduce Return Dollars
- Incentivize More Purchase Dollars
- Incentivize Timely Payments

Internal Changes

- *Standardize Parts Mark-Ups
 - *Designated Parts Delivery Driver for Wholesale
 - *3 Dedicated Wholesale Parts Personnel (Additional Hires)
 - *One Wholesale Parts Employee to Act as 'Outside Sales Rep'
 - *Incentivize Wholesale Parts Personnel
 - *All Discretion (Account Status, Tier Level) to Parts Manager
 - *Create Tier System to Classify and Incentivize Wholesale Accounts
- (See Next Page for Incentive Program

Wholesale Incentive Program

Tier Level 1

\$150,000 + in Net Annual Purchases

Option of NET30 Billing

20% Parts Markup

Account Must Remain Current

2% Back Year End if Return is Below 6%

1.5% Back Year End if Return is Below 8%

1.0% Back Year End if Return is Below 10%

Tier Level 2

\$75,000 - \$149,999 in Net Annual Purchases

Option of NET15 Billing

25% Parts Markup

Account Must Remain Current

2% Back Year End if Return is Below 6%

1.5% Back Year End if Return is Below 8%

1.0% Back Year End if Return is Below 10%

Tier Level 3

Up to \$75,000 In Net Annual Purchases

COD Billing on All Accounts

30% Parts Markup

5% Restock Fee

2% Back Year End if Return is Below 6%

1.5% Back Year End if Return is Below 8%

1.0% Back Year End if Return is Below 10%

**Ability for smaller accounts to move up to Tier Level 2 after 1 year of current (COD), All Discretion to Parts Manager*

(Note: Examples do not factor change in Parts Markup)

EXAMPLE 1:

VANMAX

\$255,103 YTD Sales

10% Return YTD; \$25,510.03 Total Parts Back

Currently Eligible for \$2,551 Cash Back

If VANMAX can reduce Return to 8%

8% = \$20,408 Total Parts Back

Would be Eligible for \$3,826.55 Cash Back

*Pay out \$1,277.55 more but take back \$5,102 less in Parts Returns

EXAMPLE 2:

MFD CAR DOCTOR

\$87,321 YTD Sales

14% Return YTD; \$12,225.78 Total Parts Back

Currently NOT Eligible for Cash Back

IF MFD CAR DOCTOR Can Reduce Return to 10%

10% = \$8,732.10 Total Parts Back

Would be Eligible for \$873.21 Cash Back

*Pay out \$873.21 more but take back \$3,493.68 less in Parts Returns

EXAMPLE 3:

M&D USED CARS

\$94,439 YTD SALES

7.4% RETURN YTD; Not Eligible for Cash Back Due to Past Due Balance

Tier 3 = 5% Chargeback on Returns (\$349.42)

IF M&D becomes Current: Eligible for 1.5% Back = \$1,416.59

Dealer gets Paid, so does M&D

