

# FIXED OPS 1 CASE STUDY N393

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# Obsolescence

Activity	Value \$	%	Notes & Guides			
0-3 Months	238,281	41%	ACTIVE INVENTORY at 75%			
4-6 Months	71,863	12%	ACTIVE INVENTORY at 23%	OBISO POSITION		
7-12 Months	22,693	4%	75% will likely become Obso 2% is guide	.75 TIMES \$		17019.75
Over 12 Months	175,383	30%	Technical Obsolescence 2% is guide	PLUS		175,383
New parts no sales	76,401	13%	Minimal Amount	PLUS		76,401
<b>Total Inventory</b>	<b>584,621</b>	<b>100%</b>		<b>EQUALS</b>	<b>46%</b>	<b>268803.8</b>

Out With the Old:

1. Call all customers with parts 7+ months.
2. Begin the return process for eligible items.
3. Sell remaining items on ebay, d2d, used cars.

New Process:

1. All special order parts must be paid for in full up-front prior to ordering.
2. Part is checked in and noted as a Special-Order part and placed in the SOP bin locations based on the customer's last name. The date of arrival, last name and R/O is noted on the part.
3. The parts team member/service advisor contacts the customer and schedules a time for pick up or confirms the time for their scheduled appointment.
4. Customer returns to pick up the part or for their appointment to have the part installed.
5. The SOP report is run daily and distributed to the parts team for customer follow up (shop foreman, service manager, etc.).
6. The SOP bin locations are reviewed weekly for aging parts.
7. The Parts Manager is responsible for aging parts over 2-weeks old. The Parts Manager will instruct the team member to make final contact with customer to pick up the part or installed. If it is a warranty part, we will send the part back to the manufacturer. If the customer prepaid, we will offer them a few different shipping options.



# WHY DON'T WE MAKE THE GREEN?

CUSTOMER SATISFACTION: KEEPING A LONG TERM CUSTOMER OR MAKING A CUSTOMER HAPPY

EXTENDED WARRANTY PROGRAMS: THEY WILL SOMETIMES ONLY PAY CERTAIN AMOUNT THAT CAN BE AT COST

OBSOLETE PARTS

INSURANCE COMPANY REPAIRS: THEY HAVE THEIR OWN PARTS PRICING STRUCTURE THAT WE HAVE TO FOLLOW FOR THEIR CLAIM

GOVERNMENT ENTITIES: FEDERAL DEPARTMENTS, COUNTY AND LAW ENFORCEMENT

QUOTE WRONG PRICE OR WRONG PART

INTERNAL VEHICLES THAT ARE COMEBACKS OR COMEBACKS IN GENERAL

# Parts Gross Sales

	Repair Order Mechanical	Body Shop	Counter Retail	Internal (new/used)	Wholesale	Warranty	TOTAL
YTD Sales	\$ 345,555	\$ 289,252	\$ 105,808	\$ 346,007	\$ 356,715	\$ 222,777	\$1,666,114.00
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	\$256,714.00	\$171,116.00	\$1,289,107.00
NEW Mark-Up Factor	1.69	1.33	1.69	1.69	1.33	1.39	1.52
Desired Gross %	41.00	25.00	41.00	41.00	25.00	28.00	33.50
NEW YTD Sales	\$398,386.44	\$340,601.33	\$128,418.64	\$500,018.64	\$342,285.33	\$237,661.11	\$1,947,371.51
OLD YTD Sales	\$345,555.00	\$289,252.00	\$105,808.00	\$346,007.00	\$356,715.00	\$222,777.00	\$1,666,114.00
Additional Gross Profit	\$52,831.44	\$51,349.33	\$22,610.64	\$154,011.64	\$0.00	\$14,884.11	\$295,687.17



## Steps to Improve Parts Sales and Gross.

1. Internal: Increase internal rate to retail rate for all parts sales. This one change would increase the gross profit by \$154,011!
2. Service Drive: Increase the customer rate to retail rate for parts sales. Train the service advisors on new matrix, word tracks and service price guides to add an additional \$52,831 in parts gross. No discounts unless a manager authorizes it.
3. Body Shop: Work with the body shop manager on increasing the parts rate to retail rate. Determine what obstacles are present and train to overcome these areas. Review insurance agreements, reprice based on market composites and new parts pricing matrix. Increased gross profit would be \$51,349.

## Monthly Reconciliation

- ❖ NADA Guide - 1% or less.
- ❖ Current difference - 6.15%
- ❖ How to reduce the difference between Parts Department and the General Ledger.
  - Review transactions with accounting.
  - Compare purchases on GL to Parts inventory.
  - Compare sales in GL to Parts sales.
  - Review GL account for unusual adjustments.
  - Review adjustments made on the Parts side.

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.)		-\$7,178
	Total Inventory		\$666,524
	Inventory Per Financial Statement		\$627,903
	Difference		\$38,621
			6.15%

# SWOT

## Strengths

6 Employees

Having a body shop to sell part to

Selling wholesale parts

## Opportunities

Increase customer and internal rate to retail rate for all parts

Collecting unpaid tickets

New SOP process

Advanced training opportunities

Reduce personal expense going from 9 - 6 employees

## Weaknesses

No SOP processes

Dirty Cores (no hand)

## Threats

Reconciliation Current difference - 6.15%

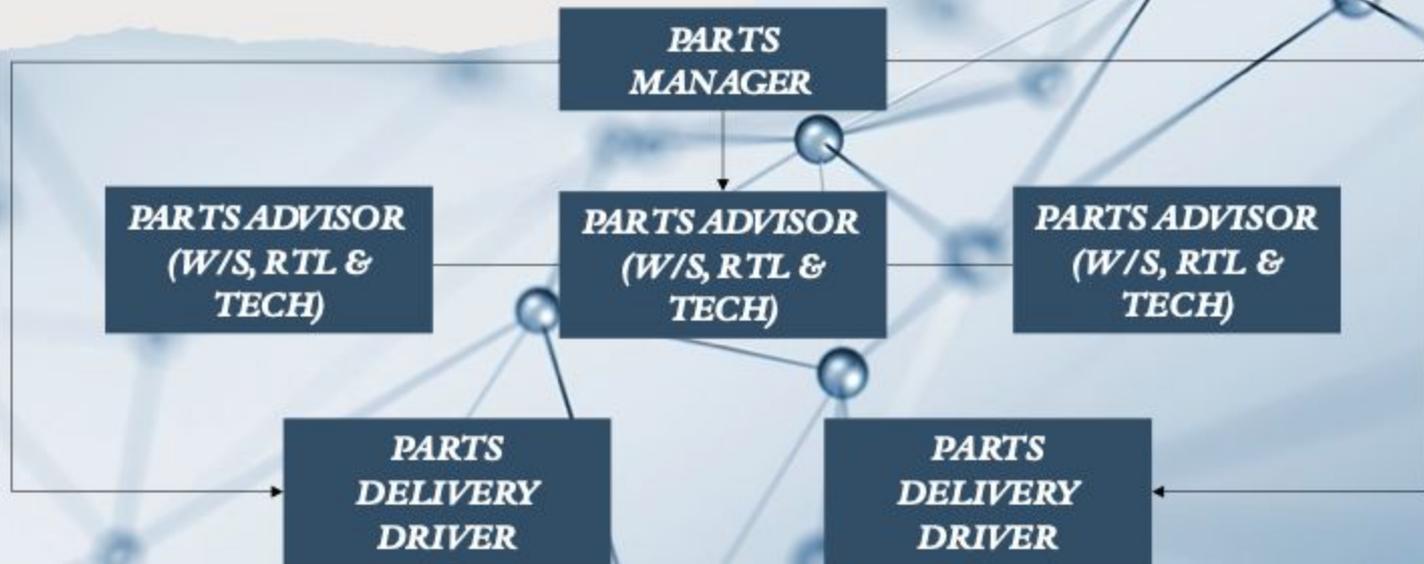
Not being able to return parts

Core parts retired with no credit

Negative on hand

# ORGANIZATIONAL CHART

ABC MOTORS – PARTS DEPARTMENT



# PARTS EMPLOYEE PRODUCTIVITY

- **CURRENT**

9 Employees  
MTD Sales: \$208,264  
MTD GP: \$47,135  
MTD Personnel Exp: \$14,883

- **NEW-PROJECTED**

6 Employees  
MTD Sales: \$208,264  
MTD GP: \$47,135  
MTD Personnel Exp: \$11,162

## Decreasing staff size to 6 employees

Personnel Expense Decrease:

Estimated 25%

\$3,720.75/mo

\$44,649/yr

Potential Net Profit increase

## ADDITIONAL RECOMMENDATION:

- Revised training structure appropriate for new staff size
  - Set a Sales growth rate goal of 10%
  - Set an overall avg GP retention goal of 35%

Basic goal & objective setting can increase overall efficiency and productivity

# Recommendation

- With the suggestions made earlier in the presentation, along with their prior knowledge and expertise. We believe this dealership would be a great business opportunity for Mark and Brian.
- Impactful yet simple fixes.
  - Training
  - Eliminating idle employees
  - Bin counts / inventory
  - Correcting Phase-in standard
- **THANK YOU FOR A GREAT PARTS WEEK!!!!!!**