

# Central Group Wholesale Case Study

Classification System:

1. Return % YTD
2. Gross Profit % YTD
3. YTD Sales
4. Account Status

As a team, we reviewed the data from the case study and considered what metrics we considered important to us. We decided on the three metrics, as listed, to be the main classification system but not the only metrics to consider.

We selected:

1. Return % YTD – This metric allows us to measure our wholesale account on the accuracy of their repairs by the parts they are ordering and utilizing for their repairs, rather than ordering more than they need for “just-in-case” scenarios. Using YTD over MTD also helps minimize business flukes and/or fluctuations due to market conditions.
2. Gross Profit % YTD – As we are all aware, many Parts departments are not very profitable in the wholesale business. Therefore, we try to maximize the GP possible in most transactions by utilizing programs, such as CCC for OE rebates on the backend to make up for the GP difference.
3. YTD Sales – Parts Wholesale accounts are not necessarily there to have the highest gross profits. Instead, Wholesale accounts are there to be utilized and focused more on sales \$\$\$ while maintaining a fair gross profit margin.
4. Account Status – We used this last metric to see which accounts are making payments when due. As accounts are making on-time payments, we may use this to even encourage accounts to make more purchases and/or on-time payments by increasing their account discount by a point or two. This also shows the business’ professional relationship with us, organizational skills, and other great business practices.

Top 3 Wholesale Customers:

1. VanaMax (Return: 10% Terms: COD GP%: 25%)

- a. Per our main classifications, VanaMax meets all metrics. On top of the main classifications, they are also our highest sales \$ across the board. Even as a COD account, they are making most of their payments, otherwise, they would not be receiving their parts.
2. BP Customs (Return: 5.9% Terms: COD GP%: 18.9%)
  - a. Although this account does not have a high sale \$, it does align with our marketing strategy of word-of-mouth. Following this strategy, it would make sense to have a higher number of accounts with good relationships to have these businesses spread the word of our parts department and entire dealership to their customers and other businesses. Above that, they do meet our main classifications as well.
3. Import Specialists (Return: 5% Terms: Net30 Current GP% 20.3%)
  - a. Like BP Customs...

#### Bottom 3 Customers:

1. M&D Used Cars (Return: 7.4% Terms: Overdue GP%: 7.6%)
  - a. This account is returning more than they are making us. At this point, we are losing labor \$ and time. Though their YTD sales are high, we are not even breaking even with the GP to returns %. Once we factor the personnel expense and labor costs, we are most likely losing money dealing with this account. Above all, they are overdue on their account status although they are Net30, which shows they may have a lower standard for their business practices.
2. Accidents Happen (Return: 8.2% Terms: NET30 on-time GP%: %11.8)
  - a. Low sales \$ YTD with a GP and Return ratio of barely breaking even. Although they do make payments on time, we are losing time invested into dealing with the account. High discount, low sales.
3. H&T Ford (Return: 9.1% Terms: NET30 on-time GP%: 11.4%)
  - a. High ytd sales, low GP to return %, high discount account. We are losing; expenses similar to M&D Used Cars.

#### Opportunities:

1. Account discounts are too great, especially for those with a low return to gp ratio. Must reassess discounts given per account and adjust accordingly. Review “why” the discounts are so great for accounts with such low sales figures and high percentages.
2. Offer a few points for charge accounts with consistent on-time payments to build loyalty and possibly even increase sales.
3. Implement a return policy and restocking fee. Possibly even a return % limit policy based on sales figures. Implementing a restocking fee would allow body shops to reassess their ordering processes and improve their inspection processes.
4. Reassess ratios and discuss with business managers/owners of opportunities, maintaining relationships, and find out how one can help each other.