

Hometown Motors

Service & Sales



We Service Everything...
and Sell New & Used Cars

The New Realities of Parts Management

Don Tipton





Don Tipton formed **DTC Retail Consulting** in 1997 to assist **D**ealerships in **T**raining and **C**onsulting of their fixed operation Managers & staff. The goal is to provide a simple, direct, no-nonsense approach to identifying and improving the opportunities that exist in many Dealerships. Don's approach moves the Dealership's fixed operations into the Retail business to provide the level of service customers today demand.

DTC Retail Consulting has enjoyed long-term relationships with many clients located all over the country. The client list includes both small single point operations as well as large multi-store groups.

Don has conducted training for several state associations on specific Service or Parts Operation topics as well as Service Advisor training in major cities across the country. Don is frequently invited to address dealer 20-groups on current topics of interest or importance.

Real World Challenges

1. Competition THEY'RE EVERYWHERE!!!
2. Sell More Parts TO MAKE THE SAME MONEY!!
3. Wholesale Business? CAN YOU REALLY MAKE MONEY?
4. Marketing WHAT'S THAT?
5. The Investment \$ WHAT ARE YOU DOING WITH THE CASH?
6. Data Integrity WHAT YOU THINK YOU HAVE?
7. Staffing/Training/Compensation REALLY A PLAN?
8. The System THE HIGHEST PAID EMPLOYEE!!
9. The Owner (Dealer) REASONABLE? UNREASONABLE?
10. The Factory REASONABLE? UNREASONABLE?
11. Measuring Success DEPENDS ON WHO'S COUNTING!!
12. Traditional thinking & Communication
TOO MUCH OF ONE. TOO LITTLE OF THE OTHER!!

Real World Challenges

13. ***“Build a RETAIL business in our Service, Parts & Body Shop that is NOT dependent on new vehicle sales to sustain/grow”***

Where We Are Today

- Shop is empty or not full all day
- Tech's not busy all day
- Wrong type of work coming in
- Quality up...Warranty down
- PDI/UVI down
- Less recommended maintenance
- Menu's full of "fluff"
- Vehicle needs not identified

Where We Are Today

- Customer RO count flat or down
- Expenses up
- Too much support staff..not enough production
- *Either “swinging for the bleacher’s” or “just taking orders”*

Competition

The business keeps getting tougher. We must continually work smarter not just harder. The competition meets us armed and ready with; market surveys, customer demographics, traffic flow and perception of being **low priced** and **convenient**.

We too **MUST** do our homework. Identify the items & services that you have to compete on. Do your own market research and know where your prices stand with the competition.

Here's the short list: tires, batteries, oil, filters, bulbs, wiper blades, coolant.

Remember the goal: **customer retention!**

The non-competitive items may give you more flexibility in pricing. Manufacturer's suggested list price may be enough for some items. Keep in mind, most of your retail sales are in the Service Department.

Competition

Does your company have a written pricing policy?

Are parts prices and availability easy to come by for Service personnel?

Do you utilize **family pricing**?

How do you quote operations to your Service Department customers?

Do you give your customer choices?

Good...Better...Best

OEM & **Aftermarket**?

In Retail Pricing you always begin with the end...

The Customer!!

Competition

Don's Tips:

- Mystery shop the competition
- Clip ads
- View their web-sites
- Visit the competition
- What are their hours/days of operation
- Add to your follow-up calls: “what can we do to better serve or be more convenient”
- Create an image: “home of the \$99 brakes, Quick Service, free air check”
- Don't hide all of your inventory – display
- Offer alternatives- aftermarket, good, better, best
- Market your advantages: warranties, trained techs, shuttle, rental, etc.

Sell More Parts

So how do you increase parts sales when:

- The quality of the automobile continues to improve
- The **maintenance** cycles are longer and include less of the *gravy type work* and fewer parts
- Ever increasing **competition** in the market attempting to take the *gravy work*
- Selling later model used cars
- Service Department's reluctance to work on **older** model vehicles

Sell More Parts

The Service Department **MUST** do a better of using the tools/resources they have available. Such as:

- Utilizing vehicle **service history**...proactively!!
- Properly developed **maintenance menu**
- **Appointments**-shop load managed
- Follow up on **special order parts**
- Multi-point **vehicle inspections**
- Lifetime tire rotations, lifetime repair guarantees, etc.

Wholesale?

Because of the lack of attention to the areas I've just mentioned and because the Parts Manager has direct control the **Wholesale Parts Business** becomes the focus.

But, is it worth it?

You should always consider the **resources** you have available, the resources that being competitive will require and the **impact** the use of these resources will have on your Internal Departments.

The thing to keep in mind is focus on being **smart** not **big**.

It's about making money, remember?

Considerations:

- Know your **market**
- Know the **potential**
- Who are your potential **customers**?
- What additional resources are required?
- Do you know your **breakeven** point?
- What's the **return** on **investment**?

Wholesale?

Don's Tips:

- A business within a business
 - Must profit center
 - Extra \$\$\$ investment?
- Position yourself with Service not with Price
- Have strict credit policies
- Have strict return policies
- Know who your best customer are...rank them
- Not all business is good business
- Focus on mechanical-be careful of collision

Marketing

OK, so you want to do some marketing to increase your retail business. How do you go about it?

Do not proceed without a **plan** and do not just throw money at it!

Considerations:

- Together with the **Service Manager**
- Build a marketing plan, 1-year
- Must have a **budget**
- Create the impression that you are competitively priced and convenient to do business with
- Hit the buttons. Watch the competition. **What** they advertise, **where** they advertise and **when** they advertise.
- Track and **measure** the results of all promotions. Know what worked and what didn't.
- Think **Retail**

Marketing

Don's Tips:

- Build op-codes to track
- Charge discounts to sales/gross, not to advertising
- Market your strengths
- Market their weaknesses

The Investment \$\$\$

Too much *stuff*

Too little *stuff*

Wrong type of *stuff*

Don't know what *stuff*
you have

The Investment \$\$\$

Let's now turn our attention to managing the asset you are responsible for...the Inventory.

Several challenges here:

- Pressure from the factory to **stock more**.
- Pressure from the Service Department to stock more
- Pressure from the Dealer to free up **capital**. May be reluctant to scrap.
- Stocking level benchmarks, 20-groups, etc.
- Changing factory purchasing/return programs
- More new model vehicles on the road requiring **additional** part number coverage.
- Stocking dual line inventory. OEM & Aftermarket.
- Accessory business. OEM and/or Aftermarket.
- The "**SYSTEM**". Is it tuned into your manufacturer programs? Do you have to manipulate the setups to work effectively?

The Investment \$\$\$

Excess Stock = Idle Capital Inventory that exceed the BSL

- Too much of a good thing
 - Bulk purchases chasing additional discounts
 - Not using the system suggested order
- Too much of a bad thing
 - Sales declined at a faster rate than the stocking levels could adjust

The Investment \$\$\$

Don's Tips:

- Sacrifice discounts to earn additional return reserve
- Locator programs
- Accrue \$ each month-build a reserve account
- Have a garage sale or auction
- E-Bay

Data Integrity

Discussion of Inventory Management would not be complete without talking about Data Integrity.

First question. How often do you perform a **physical inventory**? Why? Why do one at all?

So, is your inventory only **accurate** once a year? Is your biggest stock order the one immediately following the inventory?

Must have Daily, Weekly and Monthly procedures in place to ensure the integrity of the data.

At a minimum you must inspect:

- No bins
- No cost
- Negative On Hand
- Out of stock
- PNC

Data Integrity

Lost Sales vs. Emergency

- Lost Sale...means the sale **WAS NOT** made!!!
- Emergency Purchase...means the sale **WAS** made!!!
- Record all demand
- Do not duplicate history

Data Integrity

Don's Tips:

- Everybody must care
- Put it where it fits and where you can find it
- Keep bin locations simple & standard

The Staff

Too few/many people

Right people...wrong
place

The Staff

How about the **Challenge** of the other major asset?

Your **people**.

The question is: How Many? How Much? What to do with Them?

Many staffing guidelines out there. I use **\$23,000** cost of sale per man, woman & child as a starting point.

Consider a few variables; **wholesale contribution**, **franchise**, **facility layout** and do you have a **Body Shop**.

Be careful of letting the **Staff** determine the **Staff!!!**

Focus on efficiency and getting everyone involved. Such as housekeeping, shelving stock, pulling returns, etc.

Want to see a difference of attitude in efficiency, create a pooled pay plan based on shares, (# of employees)

The Staff

OK, so you have the staff, now what do you with them?

The **Challenge** of how to pay them?

First, keep it **Simple**, make it relative to **performance** (department & individual) and it must be **measurable** by both parties.

Have a **forecast**. Tie the plan to the forecast. Know the **market**. Structure a plan that will pay **above** the market. Have monthly **performance** reviews.

Be sure to give them the tools to be successful.

- **EPC** training
- **System** training
- System **logic**, (how it thinks)
- **Phone** system & manners
- **Service** Department training

The Staff

Don's Tips:

- Train them on Parts, EPC, Manufacturer policy and your Service Department
- Develop performance levels
 - To progress in status & pay
 - Have reviews
- Upgrade your team-must have “A” players
- Pay them on shop hours & CSI

Measuring Success

A brief look at performance measurements, benchmarks & guidelines. It is important to measure, it is important to compare, but be *CAREFUL*. There could be influencing factors when analyzing these indicators. Such as:

- Facility layout
- Days/hours open for business
- Large or small wholesale volume
- Electronic dispatch & pricing guides
- Manufacturer & # lines carried
- Stock replenishment cycle & PDC fill rate
- Customer effective labor rate

Do not overlook tracking measurable improvement, compare yourself to yourself.

Measuring Success

A few Performance Indicators worth watching:

- **Cost of sales** per employee (all employees)
- **Gross Profit** margin by sale type-comparable franchise
- **# transactions** per Counter Person
- **“Off-the-Shelf”** Fill Rate
- True emergency purchases-**Service Dept.** only
- # Parts emergency purchased by **stocking** status
- Special order “fill-rate”, by Service/Parts person
- \$ Parts sold per **CP-RO**, not parts to labor ratio
- Cost of parts sold per **CP-flat rate hour**
- Inventory investment-days of supply of **MONEY**
- Gross profit contribution by sale type
- Total **personnel expense** as a percent of gross profit
- Monthly **inventory** comparison margin of error

Measuring Success

Don's Tips:

- Every sale is important, even the ones that pull down your numbers
- Customer Retention
 - Service & Body Shop
 - Retail Counter
 - Wholesale Customer
- Listen to what the Tech's say
- No physical inventory required

Traditional Thinking

The last topic I want to discuss is the **Challenge** of breaking **Traditional Thinking**.

Department Manager + Profit Center + Pay Plan on Profit Center = **Kingdom**

Keep in mind it's not Parts Department Inc.

It's less important who pays for the freight, the rental car or the comeback. It's most important to take care of the customer.

The Service and Parts Manager **MUST** be on the same page, in Harmony and **Focused!**

So, how do make sure that you are on the same page...

Communicate...Communicate... Communicate

Parts problems/opportunities are Service opportunities

Get Smart...Get Together...Get going

What Is Traditional Thinking?

- Accepting Functional instead of Memorable
- Doing the Same – Expecting Different results
- Examples of Traditional Thinking:
 - “Saturdays are a waste of time”
 - “Parts doesn’t stock it..so we don’t sell it”
 - “Service doesn’t sell it..so we don’t stock it”
 - “who’s paying the freight?”
 - “there’s no profit in selling tires”
 - “they rarely complain about shop supplies”

What is Traditional Thinking?

- “I must have 45% gross profit on parts”
- “I must have 75% gross profit on labor”
- “we schedule LOF’s & rotates, we have to”
- “when would you like to bring it in?”
- “when would you like it back?”
- “it will be \$90.00 and will take about an hour”
- “just see the Cashier when you return”
- “I can order it”
- “ballpark price...”
- “we can’t compete on price..our quality is better”

What Is Traditional Thinking?

- “they never leave Midas for \$89.95”
- “yeah we can do it if; there’s not too many waiters ahead of you and we have a stall open and a lube guy is available”

– ***Can you add any?***

- _____
- _____
- _____
- _____



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