



# Fixed Operations Digest

## October, 2015

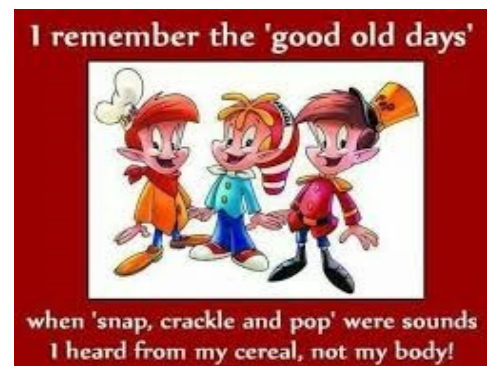
### In this Issue

- Larry's Ramblings
- Six to Twelve Year Old Vehicles = Increased Service & Parts Profits!
- Are you letting High Tech replace High Touch?
- Parts are not just Parts!
- Upcoming Edwards & Associates College Courses



### Larry's Ramblings:

Getting old may be rewarding, but it is certainly not fun. You would think that looking forward to a time in your life when you can sit around and not have to work would be something worth looking forward to. Unfortunately, no one ever told me that when you age, you will have to sit down more because the pain in your joints is so bad you can't get up and run like you want to. Oh, and there's all these drugs, you have to take when you get old, pills to control your cholesterol, blood pressure, back pain, etc. etc. I don't know which is worse, taking all the pills they give me or taking the chance (and potential consequence) of not taking them.



Of course, I do have an awful lot to reminisce about as I get older. My son has become a World Class Consultant and my two daughters are both doing very well in their chosen profession. My wife is just as beautiful as the day I married her. And, when I get to the office every day I am reminded of all of the Managers whom I have trained and mentored over the last twenty five years who today are Dealers, General Managers, and Fixed Operations Managers.

I have dedicated the *last twenty five years* of my life to helping other people become as successful as I was in my *first twenty years* in this business. All the people who have chosen me as their Mentor and Coach have rewarded me **beyond my dreams**.

So, when will I officially retire? **NEVER!** My plan is to live to that wonderful old age, where I can look at my son and say;  
*"Gary, I need you to change my diaper again!"*

**"RETIREMENT  
IS FOR  
QUITTERS"**

---

## **Six to Twelve Year Old Vehicles = Increased Service and Parts Profits!**

The typical Service Writer and the typical Dealership Technician cringe when they see a vehicle over six years old. The Writer thinks they cannot afford the repairs and the Technician thinks the vehicle will require extra time to loosen frozen fasteners, and clean up all the grease and grime. I think it is fair to say they have a "Mental Block" when it comes to working on older vehicles.

### **What is your plan to increase Service and Parts Sales to older vehicles?**

Consider this, there are 22 million fewer vehicles zero to five years old than there was in 2008. While this segment of the Service Market has decreased, the Market for older vehicle service has increased. This has happened because people are keeping their vehicles longer. The average age of a vehicle on the road in 2008 was around 7 years old. Today the average age of a vehicle on the road is over 11 years old. Dealership Service has traditionally been geared towards working on vehicles under five years old. As the population shifts successful Managers must shift their marketing efforts towards this expanding population of vehicles.

Please, do not try to grow your business in this area with discount coupons. Charging retail prices and offering customers discounts only reduces the Dealer's income. It does not help profits!

A better strategy would be to offer a well-developed Good - Better - Best pricing options to your customers. This can be accomplished by using the tools already available to your Dealership. Most Manufacturers already offer a secondary (lower

cost) line of Parts. All you need to do in order to offer a lower priced (good) option is to offer a line of Parts from one or more of the Aftermarket Parts Providers.

The key to making this strategy work is having Good Better Best Menus and Pricing Guides available for your Staff to show customers. Each item in the best category MUST have the Warranty clearly spelled out for example: "90 day Parts ONLY Warranty". When customers purchase the lowest level Parts, your Staff must explain the features or lack of features that comes with the purchase of these Parts. Many customers driving older vehicles can only afford to purchase the lowest cost Parts to repair their vehicle. Do you want to lose these customers because you are unwilling to help them out?

You might also want to hire some B & C level Technicians to work on these older vehicles. Hire them at a lower rate and then establish lower rates for these older vehicles. Consider this the Average Technician Wage in an Aftermarket Independent Shop in the United States is \$34,000, per year. Surely you can hire some of these Technicians away from the Independent Shops in your area.

If you want to capture your share of the expanding market for vehicles over six years old, you must do more than offering Discount Coupons. You must develop a Comprehensive Pricing and a Comprehensive Marketing and Merchandising Strategy if you want to succeed.



**Are you letting High Tech replace High Touch?** If you are, be prepared to pay the price. Our research division does mystery shopping of Dealer Service and Collision Departments all the time. It is becoming commonplace for them to be forced to call a Dealer as many as four times before they can speak with a human.

Automated Telephone Answering Software is a "System" in order for this System to function properly you must employ "Processes" that ensure your Staff is available to talk with customers. Investing in Systems and failing to implement a Process that ensures the System works properly is a big problem in Automobile Dealerships.

It is not unusual for us to encounter Dealers who have as many as three different Service Appointment Systems one the Manufacturer recommends, another the Service Manager likes, and another that came with the Dealership Management Software. This situation is made worse when no one can describe the Process that is required to make the Appointment System work.

We all want the latest High Tech for ourselves and our businesses, but, keep in mind, High Tech will never replace High Touch. Consumers are always willing to reward businesses who deliver customer focused service. High Tech Systems should be used to assist your Staff in delivering the level of service your customer's desire. It should not be used to replace the level of service your customer's desire.

---

**Parts are not just Parts!** In many Dealerships, Parts represents the single largest cash investment the Dealer has in their business. And yet, very few Dealers, General Managers, and Fixed Operations Managers spend much time, if any, looking at and evaluating this investment.

Here are just a few of the items I suggest you look at on a regular basis; I have also included the formulas for determining how well your Parts Department is doing. If you run into questions please feel free to send me an email I will be happy to assist you with obtaining this information.

**True Turns** measures how many times each year you are actually turning the Physical Parts you have in inventory. A True Turn is the most accurate measurement of the Parts Managers' ability to manage inventory.

**Formula:**

**True Inventory Turns**

$$\begin{array}{rcl} \text{Stock Order Purchases} & \$ & \underline{\hspace{2cm}} \\ \text{Factory Stock Inventory} & \div \$ & \underline{\hspace{2cm}} \\ \text{True Turns} & = & \underline{\hspace{2cm}} \end{array}$$

Guide = 8 times annually

**Stock Order Performance** measures how well you are doing at selling stock ordered on stocking orders versus stock ordered from other sources such as other Dealers and Emergency Purchases.

**Formula:**

### **Stock Order Performance**

Cost of Sales                                   \$ \_\_\_\_\_  
Stock Order Purchases                   ÷\$ \_\_\_\_\_  
Stock Order Performance                 = \_\_\_\_\_

Guide = 75%

**Non Stock Parts Value** calculates the amount of inventory that is in your System that was not brought into your inventory from the Inventory Management System. These are Parts that your Inventory Stocking System has not determined a need for, based on the set up criteria for that source. These Parts enter your System in a variety of ways; the most common is Special Orders and Emergency Purchases.

### **Formula:**

#### **Non Stock Parts Value**

Non Stock Parts Inventory               \$ \_\_\_\_\_  
Total Parts Inventory                   ÷\$ \_\_\_\_\_  
Non Stock Parts                         = \_\_\_\_\_%

Guide = 5%

**Obsolescence** is classified as Parts that were purchased for inventory that have not sold in a pre-defined period of time, usually six months or more.

#### **Obsolescence Over 6 Months**

Inventory Over 6 Months               \$ \_\_\_\_\_  
Total Parts Inventory                   ÷\$ \_\_\_\_\_  
Obsolescence Over 6 Months         = \_\_\_\_\_%

Guide = 25%

**Level of Service** calculates the percentage of time that a request for a Part is filled. Some Managers confuse Emergency Purchases with Lost Sales. An Emergency Purchase is not a Lost Sale.

#### **Level of Service**

Total Sales                               \$ \_\_\_\_\_  
Emergency Purchases   - \$ \_\_\_\_\_  
Lost Sales                               - \$ \_\_\_\_\_  
Sales from Stock                       = \$ \_\_\_\_\_  
Total Sales                               ÷ \$ \_\_\_\_\_  
Level of Service                         = \_\_\_\_\_%

Guide = 85%

Note: Over 90% indicates over stocked; ideal is between 80% & 90%.

***Caution:** If your Parts Personnel are not posting Lost Sales, it will appear that you have a very high level of service. Failing to post Lost Sales makes your DMS System ability to calculate demand, impossible.*

**My three day Parts Manager College Course addresses all these issues and much more. Our next class is scheduled for January 19-21, 2016 in Charlotte, North Carolina.**

---

## Enroll in an E&A Manager College Course Today...

### Upcoming Course Schedule:

- Service Manager College Course- November 10-12, 2015- Charlotte, NC Enroll [HERE](#) Today
- Collision Manager College Course- December 8-10, 2015- Charlotte, NC Enroll [HERE](#) Today
- Parts Manager College Course- January 19-21, 2016- Charlotte, NC Enroll [HERE](#) Today

**\*Please note these courses are not confirmed until we have 5 enrollments and then we will notify you that the course is confirmed.**

### Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or Those Who Want to Be

*A Publication of Edwards & Associates Consulting, Inc.*  
5615 Harrisburg Industrial Park Drive, Charlotte, NC 28075  
Telephone 1-800-708-7587  
Volume 155, October, 2015  
[www.edwardsconsult.com](http://www.edwardsconsult.com)

A free monthly newsletter about Automobile Dealership Fixed Operations. Based upon the Consulting, Training and Research work done by Edwards & Associates and its Chairman, Larry Edwards CMC.

©copyright 1999 - 2015 Edwards & Associates Consulting, Inc. & Larry Edwards CMC All rights reserved.

If you would like to get on our free Subscription list, send an e-mail to me ([larry@edwardsconsult.com](mailto:larry@edwardsconsult.com)) and ask me to put you on my Subscriber list. If you do not wish to receive this Free publication and you never want to hear from me again, send an e-mail to me ([larry@edwardsconsult.com](mailto:larry@edwardsconsult.com)) and ask me to UN-subscribe you from my list.

---