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Larry's Ramblings

An interesting thing happened in Dealership Service last year. Repair Order Counts increased 9.7% in 2015 over 2014. However, Parts and Labor Sales only increased 4.9%. Sales did not keep pace with Repair Order counts because warranty work increased 25%.

What Happened? Service Managers did not increase their staffing to handle the additional repair work that was available to them. As warranty work increased Maintenance and light repairs decreased. This did not have to happen! Maintenance and light repair work can and should be done by entry level Technicians. Senior Technicians should be doing warranty work. Shops that are not actively soliciting and hiring entry level Technicians to keep up with increased demand for service will be in trouble when the warranty work goes away. This is when they will discover that those customers who were unable to get into their shops in 2015 because they were "booked up" doing warranty work have already found an Aftermarket Shop who they are very pleased with!

**Dreaming is what you do when you sleep
Achieving is what you do when you are
working**

-David Coulthard F-1 driver

[See What Our Customers Have to Say](#)

Master Minds Experience is Back!

Larry Edwards Master Minds Experience is BACK!

As many of my longtime readers know I stopped doing my Fixed Operations Master Minds (20-Group) Program in 2010 when my wife Dee

was battling Cancer. In April Dee was pronounced Cancer Free. Now that I have time to travel I am starting my Fixed Operations Master Minds Groups back up again.

What is the difference between a 20 Group and a Master Minds Group?



20-Groups have strict meeting agendas and are led by a "moderator" whose job is to keep the group agenda moving forward.

Master Minds Groups do not follow a strict meeting agenda, each participant brings their problems and concerns to the meeting and the group collectively works to determine solutions to everyone's problems and concerns.

We engage in:

- Interactive discussions
- Case studies and simulations
- Extensive financial analysis

E&A Master Minds Groups are made up of already successful Managers and Dealers who want to continue improving their Sales, Profits, customer retention and most importantly, want to improve their own personal net worth.

I'm offering three, limited participation, 1.5 day Master Mind retreats in 2016 in outstanding properties around the country. This is an opportunity to explore growth and new ideas with colleagues in sessions facilitated and led by me. These are not workshops, they are interactive discussions with plenty of "air time" for everyone since I'm admitting only 15 people to each group.

1st Meeting June 16 & 17, 2016, Sanibel Island, Florida

2nd Meeting August 25 & 26, 2016 Las Vegas, Nevada

3rd Meeting October 27 & 28, 2016 Asheville, NC

To obtain more information about Larry Edwards Master Minds Group and

Improve Parts Gross with Average Cost Matrix

Average Parts Cost Matrix Pricing

Matrix Pricing is a method where you apply different levels of mark up over cost to different cost items. It allows parts to maximize Gross Profits on the parts they sell the most of for example \$0.00 to \$1.99 would have a Gross Mark-Up of 300%, \$2.00 to \$3.99 would have a mark-up over cost of 275%. Most "matrix" pricing set up's that I have encountered usually peak somewhere in the \$2.00 to \$5.00 cost range. It then goes back down to cost plus 67% around \$7.00. Keep in mind that most factories suggested list pricing renders a Gross Profit of 40% a 1.67% mark up). What the Parts Manager is attempting to accomplish with a matrix is make up for the items they have to sell at lower than suggested list, competitive items for example, in order to hold an overall Gross of 40%.

Traditional parts matrix start at less than one dollar and peak at around \$10.00. The problem with having your matrix peak below \$10.00 is that the average parts sold at cost is in the \$15.00 to \$20.00 range. And, you sell very few of the parts in the lower cost ranges therefore this type of matrix has little if any impact on your bottom line Gross Profit.

I recommend a matrix that is based on your average parts sold cost. You obtain this by taking the number of dollars your Parts Department has sold at cost and divide this by the number of pieces you have sold. This should be done for each parts source and a separate matrix applied to each source. Different sources sell different categories of parts and having a separate matrix price for each source ensures that you maximize your overall Gross Profit.

We also recommend that you put maintenance and competitive items in different sources. We let the market establish our mark up for competitive parts and we suggest that you set your maintenance items at Manufactures suggested list price (usually 40% gross). By pricing these high profile items at list you are not shining a spot light on a common part and the matrix is applying to the uncommon (not often shopped) parts that you sell.

Last year, I did this with a Parts Manager who attended my College Course. Before we changed from the straight line matrix to the average cost matrix this Parts Manager was obtaining 37% Gross Profit on customer paid repair order parts. His Dealership had a large Quick Lube business and when you factored in the competitively priced parts with the other maintenance parts it was pulling their grosses down. We adjusted the matrix's like I described above and the first month their gross went from 37% to 42.5% and I am happy to report that is has remained at the 42.5% level for nearly one full year.

Customer parts on repair orders is the largest single parts sales category in most Parts Departments. If you could improve gross by 5% or more in this one category you are looking at well over \$100,000.00 per year improvement in a Parts Department's Gross Income.

Edwards & Associates Institute for Fixed Operations
Management

College Courses

Upcoming Classes:

Pennsylvania Auto Dealers Association Service Advisor Training Webinar, May 10, 2016 Call (717) 255-8311 to enroll

Parts Manager College Course... May 24 - 26, 2016 Charlotte NC for more information *Seats are Still Available* [Click Here](#)

Advanced Service Consultant Selling Skills... June 28 & 29, 2016 Charlotte NC for more information [Click Here](#)

Service Manager College Course... July 26 - 28, 2016 Charlotte, NC for more information [Click Here](#)

Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or those who want to be

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