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"Luck is a tag given by the mediocre to account for the accomplishments of genius. -- Robert Heinlein in "The Puppet Masters"

Larry's Ramblings

Stop Being a People Pleaser

The single largest problem that I and my Consultants have to deal with when consulting with dealerships that are losing money are Managers and Dealers whose only goal in life is to " *Please Everyone*".

They cannot implement the changes that must be made if they want their business to be successful because they are afraid they might hurt someone's feelings. Here are some examples;

1. Advisors refusing to do walk arounds with every vehicle write up? When we look the manager in the eye and ask "why are you not enforcing yours and the dealers rule that every vehicle written up will receive a thorough walk around with the customer present". The answer is always the same; "*my writers just won't do it!*" The manager is afraid to enforce the rule because being hard on an employee for failing to follow the company's rules might hurt their feelings. Really? I have actually witnessed managers who were fired because they were unable to enforce company policies. Now whose feeling are getting hurt?
2. Estimators not contacting customers daily with a status update on the Collision Repair status of their wrecked vehicle. The manager's excuse is always the same; I told them to do it. But, they just won't follow the rules. So, instead of enforcing the rules the manager decided to ignore the rules?

Stop internalizing and personalizing your employee's problems. There is a word for this it is called neuroses. Every employee has problems and every employee is responsible for solving their own problems. Believing that somehow you have to take on their burdens is ridiculous. Let them have the responsibility. By all means support them. But stop thinking that their problems are your problems.



Management's number one priority is to take care of customer's wants and needs while exceeding the customer expectations. It is not management responsibility to "please" their employees. Sure management has a responsibility to provide employees with the tools they need in order to do their job. But it is the employee's responsibility to actually use the tools management makes available to them.

Trying to please every employee is like "biting your hand", it won't stop hurting until you stop doing it. Do not compromise your standards and do not give up your integrity. I remind students who attend my Manager College Course that no one can take your integrity away from you. When you fail to enforce your department's policies and procedures for fear of hurting someone's feeling you are giving away your integrity.

Managers cannot allow themselves to be controlled by employees and circumstances. Do not allow yourself to be controlled by your employees. Don't worry about your employee's unsolicited feedback when they tell you about what a "hard boss" you are. Do not allow yourself to be controlled by others unless you respect their opinion and unless you specifically solicited it.

Successful managers are involved, they gladly accept responsibility. People who take on accountabilities are much better off than people who avoid responsibility out of fear of hurting someone else's feelings. Getting fired can be a powerful life improving moment for many people. I know it certainly was for me. It helped me to focus on what I really wanted out of life and the job I got fired from was not what I really wanted to do.

Managers who want to be successful cannot achieve success by avoiding involvement and avoiding responsibility. Successful managers step up to the tasks at hand and accept responsibility. Instead of avoiding problem employees they deal with them. Know who you are, you have to believe you are a good person and if you do the world will look a lot better because you are a good person.

Finally base your worth on the success your department achieves. Success is the true measure of an individual's net worth.

Average Parts Cost Matrix Pricing

As I am writing this I just finished teaching a Parts Manager College Course. In nearly every class I teach, I find that the Parts Managers have a straight line pricing matrix that makes 400% profit on parts that cost less than \$2.00. The problem with a



straight line matrix is you are attempting to maximize parts profit on 1% of parts sales.

Average Parts Cost Matrix allows Parts to maximize gross profits on the Parts they sell the most of. Matrix pricing is a method where you apply different levels of mark up over cost to different cost items. For example \$0.00 to \$1.99 would have a gross mark up of 300% \$2.00 to \$3.99 would have a markup over cost of 275%.

Most "Matrix" pricing set up's that I have encountered usually peak somewhere around \$2.00 to \$5.00 and then goes back down to cost plus 67% at around \$7.00. Keep in mind that most factories suggested list pricing renders a gross profit of 40% (67% mark up). What the parts Manager is attempting to accomplish with a Pricing Matrix is to make up low gross profit on the items they have to sell at lower than suggested list, competitive items for example, in order to hold an overall gross of 40%. A straight line Matrix that Peaks below your average transaction cost will not accomplish this.

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.

I did this in a Client Dealership Parts Department last year. 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. They 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 like I described above and the first month their gross went from 37% to 42.5%.

Losers have Excuses... Winners have Plans...

Larry Edwards



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