

The background of the image is a close-up, high-contrast photograph of industrial machinery, specifically a set of interlocking metal gears. The lighting is dramatic, with bright highlights on the metallic surfaces and deep shadows in the recesses of the teeth. Overlaid on this image are several geometric shapes: a large white line forming a partial frame on the left, a cluster of orange and white outlined triangles on the right, and a solid orange triangle in the bottom right corner.

The Parts Manager's Guide to Profitable Wholesale

The logo for PartsEdge, featuring a stylized white square with a black diagonal line.

PARTSEGE

Consider This Scenerio

The wholesale cost of a gallon of gas increases by 10 cents. What does the gas station owner do?

a Absorb the increase and hope customers don't notice

c Raise the retail price to protect profitability

b Split the difference and take a smaller margin

d Wait to see what competitors do

Now ask yourself:

When your supplier reduces incentives or cuts discounts... ***Do you protect your margin or protect the relationship?***

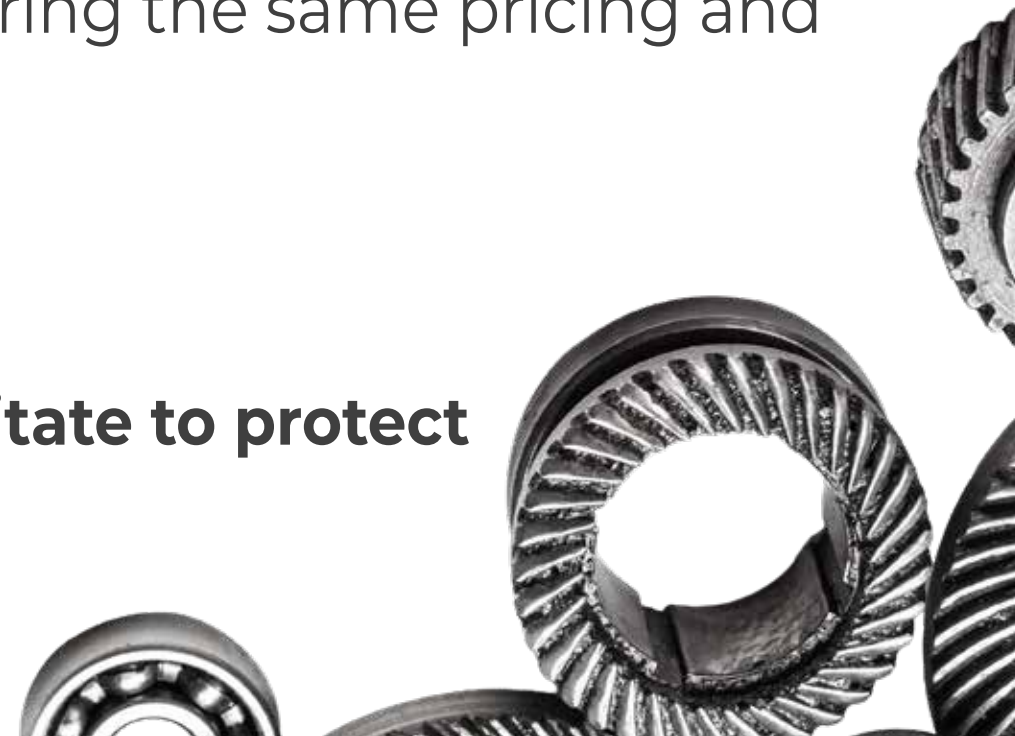
Sustainable Pricing Starts with Margin Protection

A gas station doesn't apologize for protecting its margin. It adjusts pricing to stay healthy and profitable.

Now think like a dealership owner. If your manufacturer reduced incentives or supplier discounts, would you continue offering the same pricing and absorb the loss?

Of course not.

So why do so many wholesale operations hesitate to protect margin when pricing wholesale accounts?



The Wholesale Syndrome

When retail costs increase, we adjust pricing quickly to protect margin.

But in wholesale, we often find ourselves negotiating - or discounting further - instead of protecting profitability.

Wholesale realities:

- 1 It takes significantly more energy and resources to generate profit in wholesale than in retail.
- 2 Wholesale should complement your retail operation, not compete with or weaken it.
- 3 Not all wholesale customers contribute equally to your operation.

Yet many dealerships price them as if they do.

The Domino Effect

Wholesale returns - especially from body shops - don't just reduce gross.

They create forced stock. Parts with no true demand begin to accumulate. Those parts sit. They age.

And within 12 months or more, they often become obsolete inventory. What started as a “good wholesale sale” can quietly turn into a **long-term loss.**

A decorative graphic consisting of several white-outlined triangles of various sizes and orientations, scattered across the bottom right portion of the orange background.

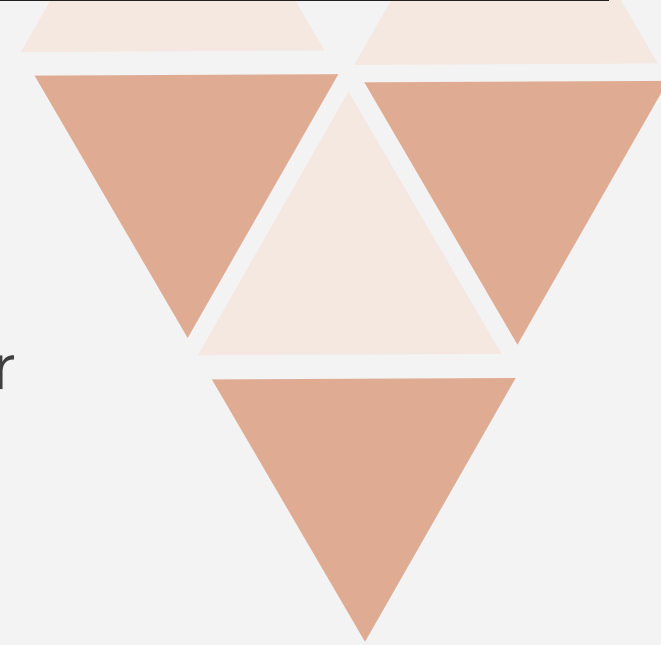
The Cost of Static DMS Settings

Two collision repair facilities are given a 25% discount from retail.

Customer	12 MO Sales	12 MO Gross	Gross PCT%	12 MO Returns	Return PCT%
1 - Accurate Collision (Charge Account)	\$95,000	\$23,750	25%	\$11,400	12%
2 - Cascade Auto Body (Pays cash on delivery)	\$60,000	\$15,000	25%	\$2,400	4%

Which customer would you rather have? Do both deserve the same discount? Does how they pay impact their value?

Note: Customer 1 has **\$2,850 in gross profit** returns. Customer #2 has **only \$600**.



Think of your wholesale customers in **three categories** — like **traffic lights**.

Not all wholesale customers should receive the same discount structure.

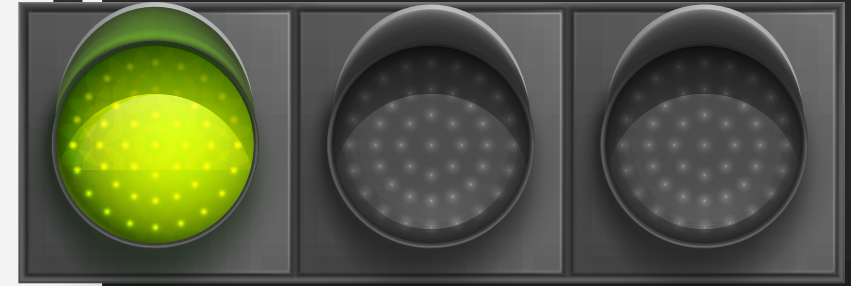
Treating every account equally may feel fair, but it is not financially strategic.

Green Light Customers

Give these customers the best discount you can while still maintaining profitability.

- 1 Pay their bills on time or pay cash upfront on all transactions
- 2 Purchase consistently - daily or weekly - with solid volume
- 3 Have a very low return rate

These customers create stability, predictability, and **healthy margin** contribution.

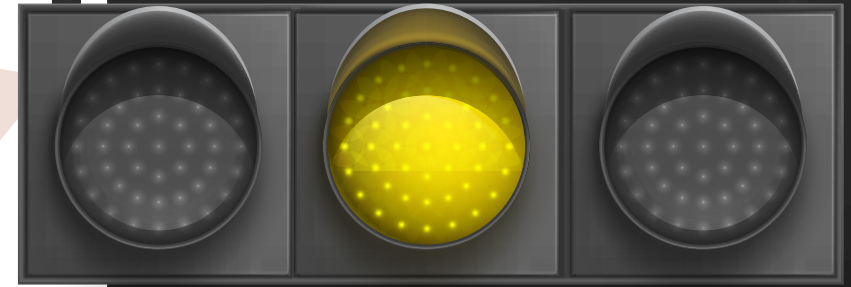


Yellow Light Customers

These customers require caution and close monitoring.

1. Purchase inconsistently
2. Use you as a secondary supplier
3. Buy erratically
4. Have a higher return rate
5. Do not purchase in meaningful volume
6. Are slow to pay their bills

Provide smaller, more *controlled discounts* and monitor closely for red-light behavior.

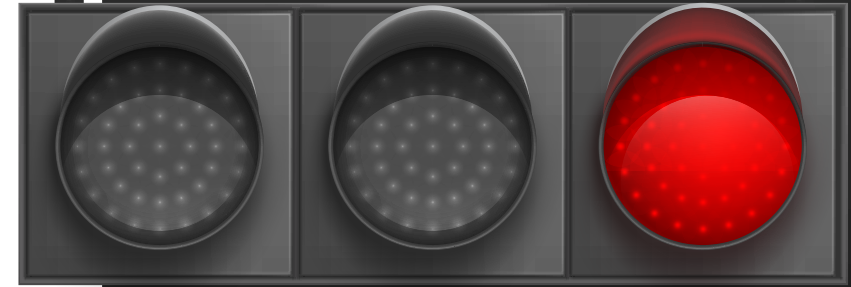


Red Light Customers

These accounts consistently erode margin and require firm boundaries.

- 1 Are highly inconsistent and erratic with purchases
- 2 Maintain a very high return rate
- 3 Frequently complain while claiming to be a “great” customer
- 4 Are consistently slow to pay their bills

These customers should ***not receive discounts.***



The 25/10 and 30/5 Rule

When factoring in operating expenses and inventory holding costs in the parts department, discount and return rates must work together.

If you offer a 25% discount and the customer's return rate exceeds 10%, that account is costing you money.

If you offer a 30% discount and the return rate exceeds 5%, that account is costing you money.

At that point, you are ***losing money on that customer.***

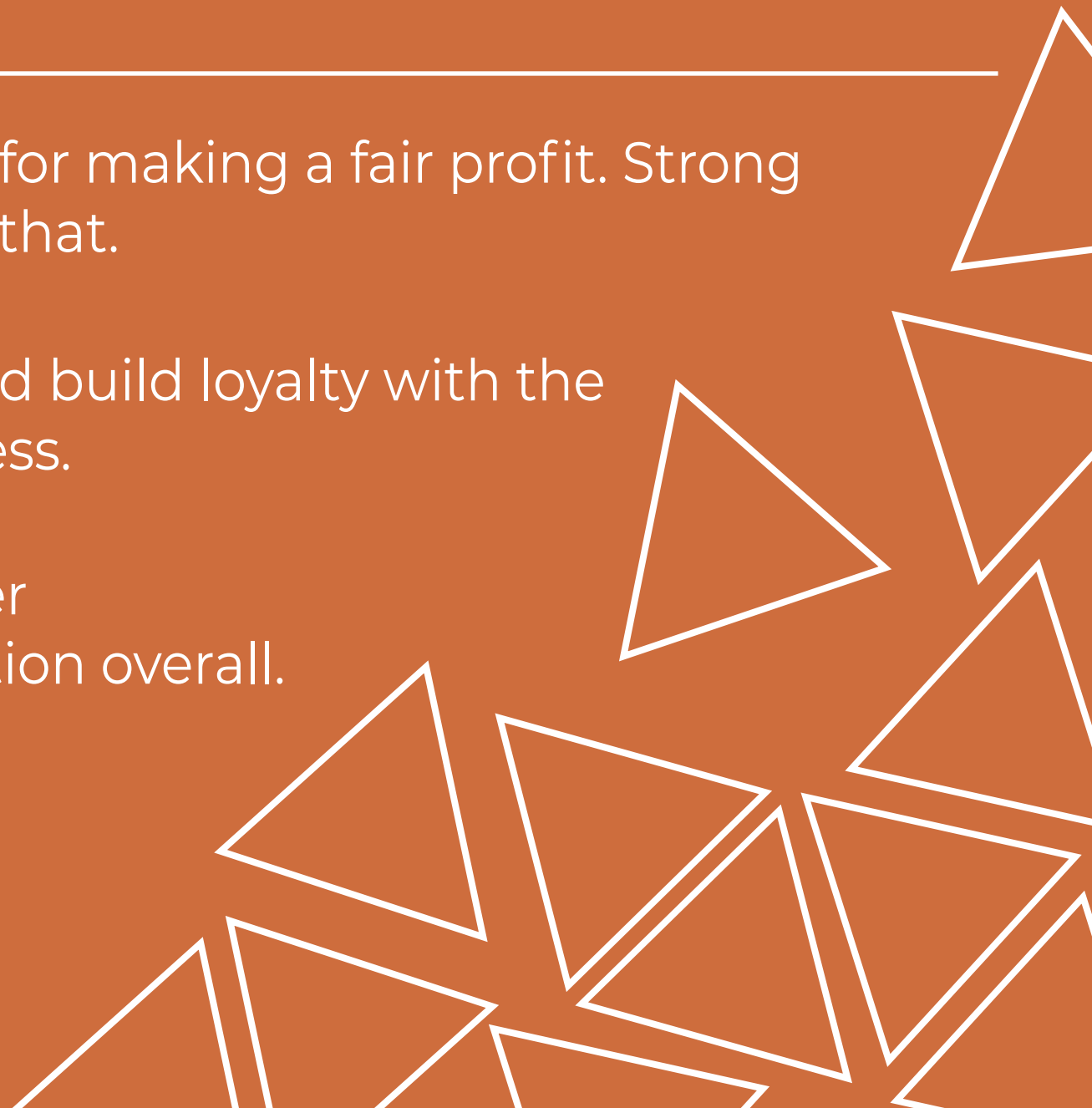


To Sum Up

You should never have to apologize for making a fair profit. Strong customers understand and respect that.

Focus on your true profit centers and build loyalty with the customers who support your business.

The result is stronger margins, better relationships, and a healthier operation overall.

A series of white-outlined triangles of various sizes and orientations are scattered across the bottom right portion of the slide, creating a geometric pattern against the solid orange background.

What If Your Parts Department Could Drive Even More Profit?

The key to unlocking more profit isn't working harder - it's how your inventory is set up, maintained, and optimized inside your DMS.



PartsEdge: The Missing Link Between Data and Decisions

Partsedge uses real performance data, advanced algorithms, and dedicated parts experts to optimize inventory directly within your DMS. The result: tighter stock levels, less excess and obsolescence, without added work or operational disruption.

Ready to take control of your inventory?



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