



Parts Pricing Playbook for Higher Gross Profit

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Beyond the 40% Rule: A
Smarter Approach to
Parts Pricing

Four Steps to Building an Effective Parts Pricing Strategy

A strong pricing strategy starts with a detailed analysis of your parts sales and pricing performance.

- 1 Evaluate**
Review your current pricing structure, sales data, and gross profit results.
- 2 Investigate**
Identify parts, price levels, and categories that may be limiting profitability.
- 3 Implement**
Adjust pricing matrices, price codes, and strategies to improve margins.
- 4 Review**
Monitor results regularly to ensure pricing changes are delivering the expected gains.



Your Profit Centers



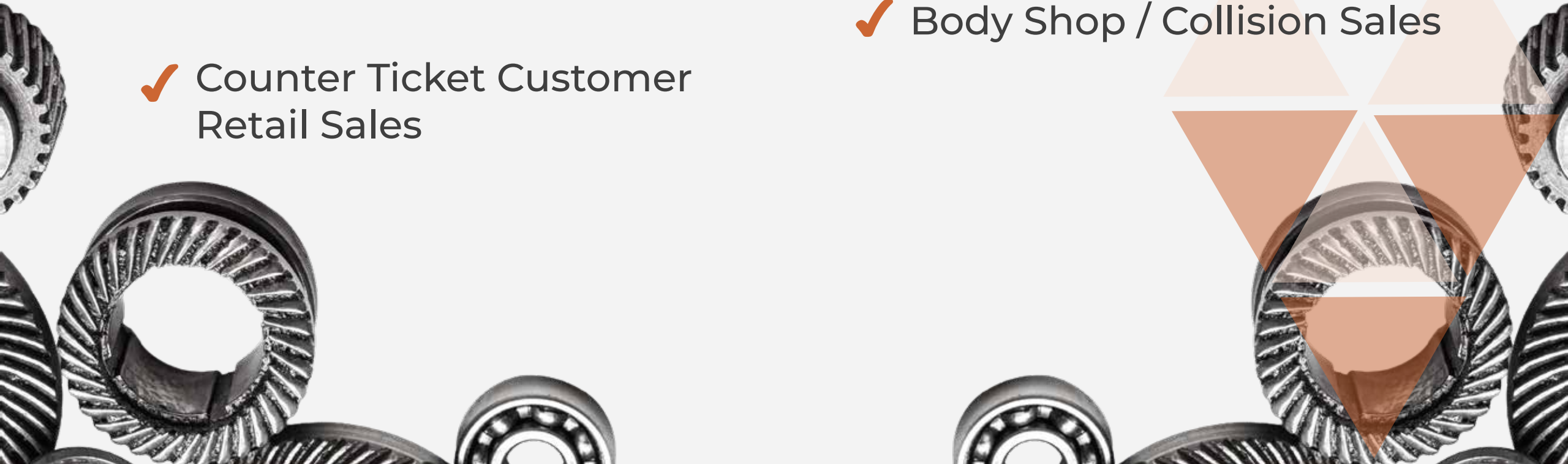
Retail Pricing

- ✓ Customer Pay Repair Order Sales
- ✓ Counter Ticket Customer Retail Sales



Wholesale Pricing

- ✓ Mechanical Shop Sales
- ✓ Body Shop / Collision Sales



Four Steps To Building An Effective Pricing Strategy

They inundate us with ads like: **SALE today ONLY 50% off.** The truth is dealership parts pricing strategies are rarely changed or even reviewed. Now think about your dealership. **When was the last time you changed your pricing strategy?**

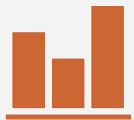
It's important to start with an in-depth analysis of your past sales, create a plan based on that information, and stick to it.



Evaluate



Investigate



Implement



Review



The 40% Profit Margin Rule

***Cost Plus 67% = 40%
Gross Profit Margin.***

Depending on a flat base price to accurately forecast gross ***isn't working anymore***. It's important to know your margins before creating a pricing strategy.



Markup From Cost **Chart**

Markup from cost examples illustrating how varying markups from Cost + 200% down to Cost + 60% affect list price, gross dollars, and gross profit percentage.



Mark Up From List Charts

List-based markup examples ranging from **List + 100% down to List + 3%**, demonstrating the impact on escalated list pricing, gross dollars, and gross profit percentages.

77960TLAA42	SRS UNIT	1	280.71	431.86	35
77960TLAC42	SRS UNIT	0	296.57	456.26	35
77960TLAL25	SRS UNIT	0	358.38	551.35	35
77960TR0A21	SRS UNIT	0	577.36	888.24	35
77960TR0L01	SRS UNIT	0	1251.41	1925.24	35
77960TS8305	UNIT ASSY.,SRS	0	517.55	796.23	35
77960TVAL42	SRS UNIT	0	270.36	415.93	35
77960TWAL42	SRS UNIT	0	253.96	390.70	35
77960TXMA23	SRS UNIT	0	407.47	626.87	35
80000S3YA02	AIR CONDITIONER	0	795.60	1223.06	35
8971598807	AIRBAG UNIT	0	529.80	815.07	35
06772S0X306	KIT, SRS UNIT	1	249.41	383.71	36
06772SM4A80	SRS UNIT KIT	0	618.60	951.70	36
06772SR2305	SRS UNIT SET	0	797.04	1226.22	36
06772SV4308	SRS UNIT KIT	0	255.77	393.50	36
06772SV5A30	KIT,SRS UNIT	0	572.16	880.25	36

Manufacturers aren't quite at **40%** margins anymore!

The 40% Rule Needs Testing

- Pull a parts report from your inventory and collect just the parts numbers, costs, and list prices.
- Put this into a spreadsheet and create two columns.
 - In one, subtract cost from list price.
 - In the other, divide the difference between cost and list into the list price to get a gross profit percentage.
- Sort the report by gross profit and break it into three groups:
 - Parts with a gross profit under 40%
 - Parts with a gross profit right at 40%
 - Parts with a gross profit above 40%



The 40% Margin Rule Isn't Consistent Across Manufacturers

A review of manufacturer pricing structures shows major differences in how parts margins are distributed.

Ford

- 67.16% of parts are **above** a 40% margin
- 12.49% are **at** the traditional 40% margin
- 20.35% fall **below** the 40% margin

BMW

- 24.75% of parts are **above** a 40% margin
- 11.08% are **at** the traditional margin
- 64.17% fall **below** the 40% margin

Subaru

- Less than 1% of parts are **above** a 40% margin
- 73.18% are **at** the traditional 40% margin
- 26.22% fall **below** the 40% margin (mostly maintenance items)



Key Question:

How much gross profit is your dealership leaving behind?

The Matrix Table – Retail Escalators

Example of a typical escalator matrix table showing cost ranges from \$0.01 to \$9,999.99 with escalation percentages from Cost + 100% down to Cost + 67%.

Low Cost		High Cost	Escalate	Sign	%
\$0.01	TO	\$10.00	COST	+	100.00%
\$10.01	TO	\$25.00	COST	+	80.00%
\$25.01	TO	\$100.00	COST	+	75.00%
\$100.01	TO	\$250.00	COST	+	70.00%
\$250.01	TO	\$9999.99	COST	+	67.00%

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An Escalator Category

Certain categories have different escalation percentages or markups. Each low-to-high dollar value is an escalator category or group.

Low Cost		High Cost	Escalate	Sign	%
\$0.01	TO	\$10.00	COST	+	100.00%
\$10.01	TO	\$25.00	COST	+	80.00%
\$25.01	TO	\$100.00	COST	+	75.00%
\$100.01	TO	\$250.00	COST	+	70.00%
\$250.01	TO	\$9999.99	COST	+	67.00%

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The Escalator Yield

In a perfect world scenario, reasonable profit percentages to expect from each escalator category range from 50% down to 40%.

Low Cost		High Cost	Escalate	Sign	%	Yield
\$0.01	TO	\$10.00	COST	+	100.00%	50%
\$10.01	TO	\$25.00	COST	+	80.00%	44%
\$25.01	TO	\$100.00	COST	+	75.00%	42%
\$100.01	TO	\$250.00	COST	+	70.00%	41%
\$250.01	TO	\$9999.99	COST	+	67.00%	40%

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Determining The Escalator Table Yield

How to determine the profit percentage for each escalator category: multiply your cost or list field by your escalated percentage, subtract the escalated retail price from cost, and divide the difference into the escalated retail price for the percentage.

Cost + 80.00%					Cost + 90.00%				
Current	Cost	Sale	Gross	Pct%	Future	Cost	Sale	Gross	Pct%
911	\$12,521	\$22,538	\$10,017	44%	911	\$12,521	\$23,789	\$11,268	47%

Increasing the pricing escalator for parts costing **\$10.01–\$25.00 from 80% to 90%** raises the gross margin in this category from **44% to 47%**. Even a small adjustment like this can generate an **additional \$1,251 in gross profit** from the same sales volume.

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Run a Report on Customer Pay Parts Sales

Pull a report for Customer Pay parts sales over a defined period. A 60–90 day timeframe typically provides a good mix of sales activity and pricing data. This report will help identify how your parts are actually being priced and sold.

12735811	SL-N-FILTER (01836-BOPCKT)	1	\$5.61	\$5.61	\$9.20	\$3.59	39.02	102	11/08/2024
12735811	SL-N-FILTER (01836-BOPCKT)	1	\$5.61	\$5.61	\$9.20	\$3.59	39.02	102	11/08/2024
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12735811	SL-N-FILTER (01836-BOPCKT)	1	\$5.61	\$5.61	\$9.20	\$3.59	39.02	102	11/14/2024
12735811	SL-N-FILTER (01836-BOPCKT)	1	\$5.61	\$5.61	\$9.20	\$3.59	39.02	102	11/15/2024

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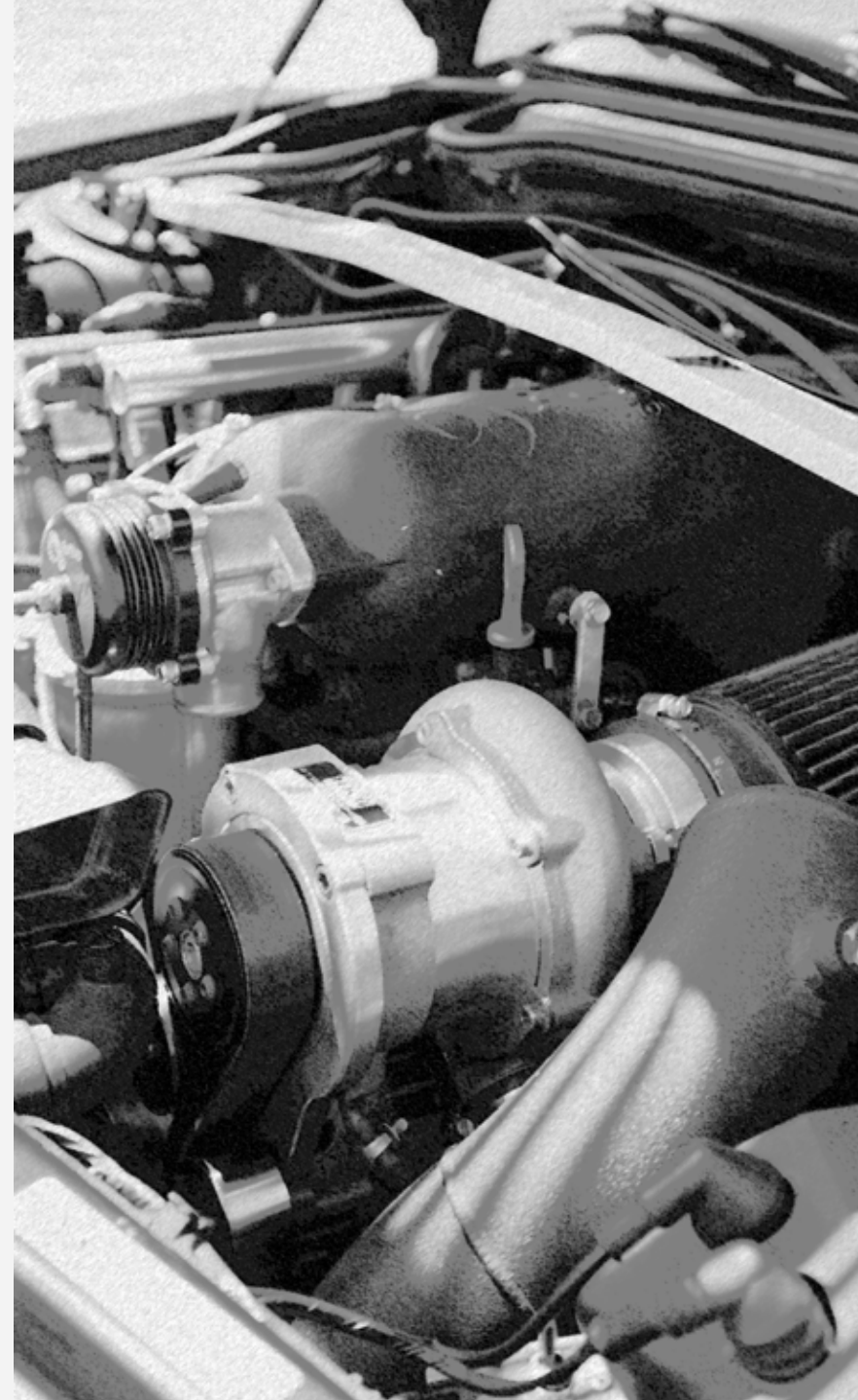
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Analyze the Sales Data

From the report:

- Create a gross profit percentage field
- Divide gross profit by the sale price
- Sort the report by highest to lowest gross profit percentage

This allows you to clearly identify how pricing is performing across your parts sales.



Identify Low Gross Parts

Review the report carefully and look for parts that are generating lower-than-expected gross profit.

These parts may indicate:

- Pricing that is too low
- Incorrect price codes
- Discounts that are being applied too frequently

68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	9-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	120	25-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	120	11-Oct-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	3-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	3-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	8-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	5-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	25-Oct-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	6-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	4-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	4-Sep-24
68191349AC	\$7.65	1	\$7.65	\$8.98	\$1.33	14.81	122	8-Sep-24

Even a small number of these sales can significantly impact overall gross profit.

How Much of Your Parts Sales Are Matrix Priced?

One key question every dealership should ask: How much of your total parts sales are actually being sold using the matrix? If a large percentage of parts are being sold below matrix pricing, overall margins will suffer.

Description	Pieces	Extended Cost	Extended Net Price	Parts Gross Profit	GP%	Pieces
AL CP RO SALES	3436	\$45,584.63	\$69,906.57	\$24,321.94	34.79	9
AL MATRIX	41	\$4,600.35	\$9,546.80	\$4,946.45	51.81	
AL SALES	3477	\$50,184.98	\$79,453.37	\$29,268.39	36.84	

Understanding this number is critical to improving pricing performance.



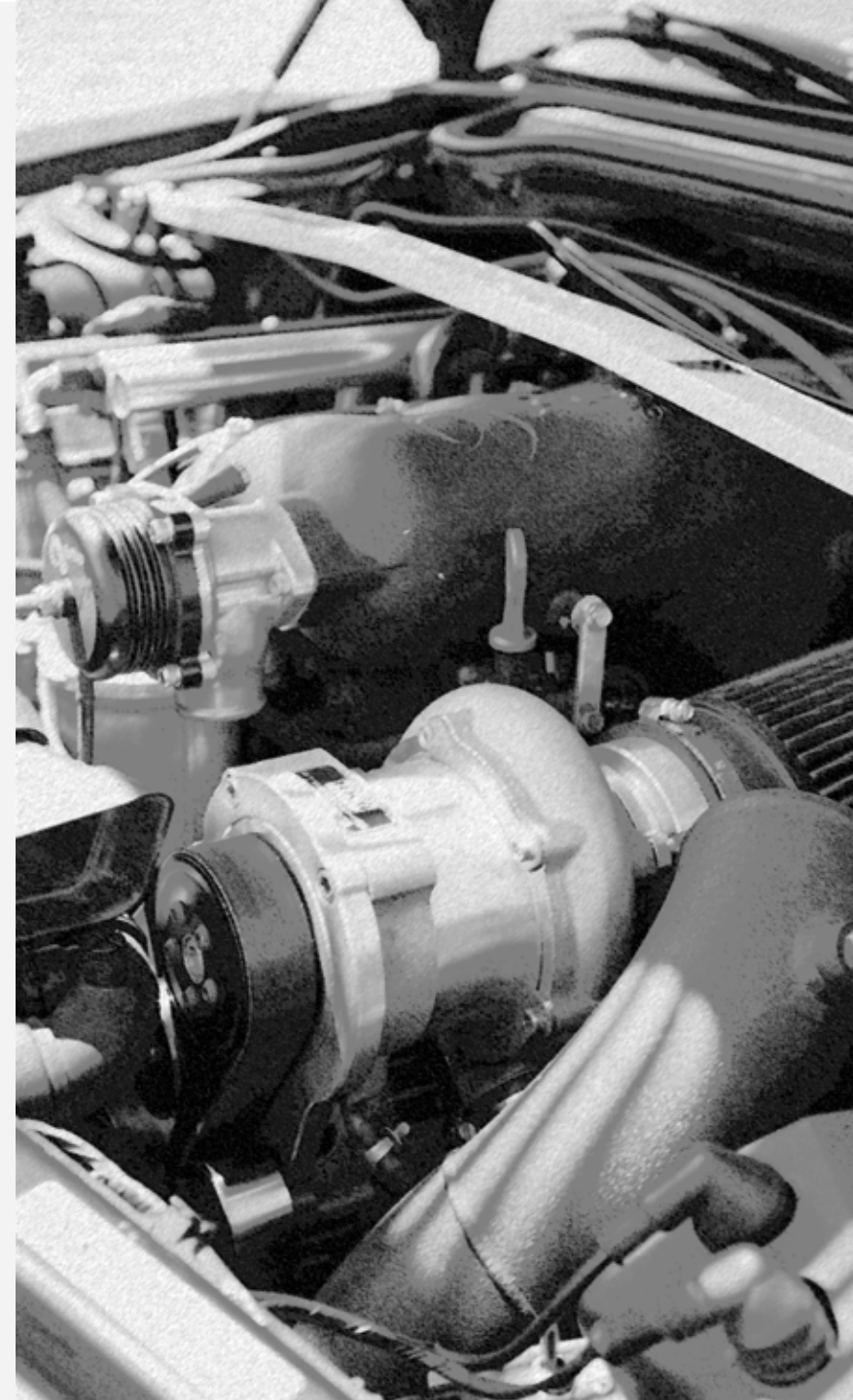
Pricing Should Never Be “Set and Forget”

Your pricing matrix, price codes, and discounts should be reviewed and adjusted regularly.

Pricing strategies should evolve as:

- Manufacturer costs change
- Market conditions shift
- Sales data reveals new opportunities

Continuous review ensures you are capturing the maximum profit potential.



Finding Your Pricing Threshold

Sometimes the best way to identify pricing opportunities is simple: If no one ever questions your pricing, it may be too low.

Small adjustments to the matrix can often improve margins without impacting sales volume.

Testing and refining pricing helps identify the point where profit is optimized without losing business.

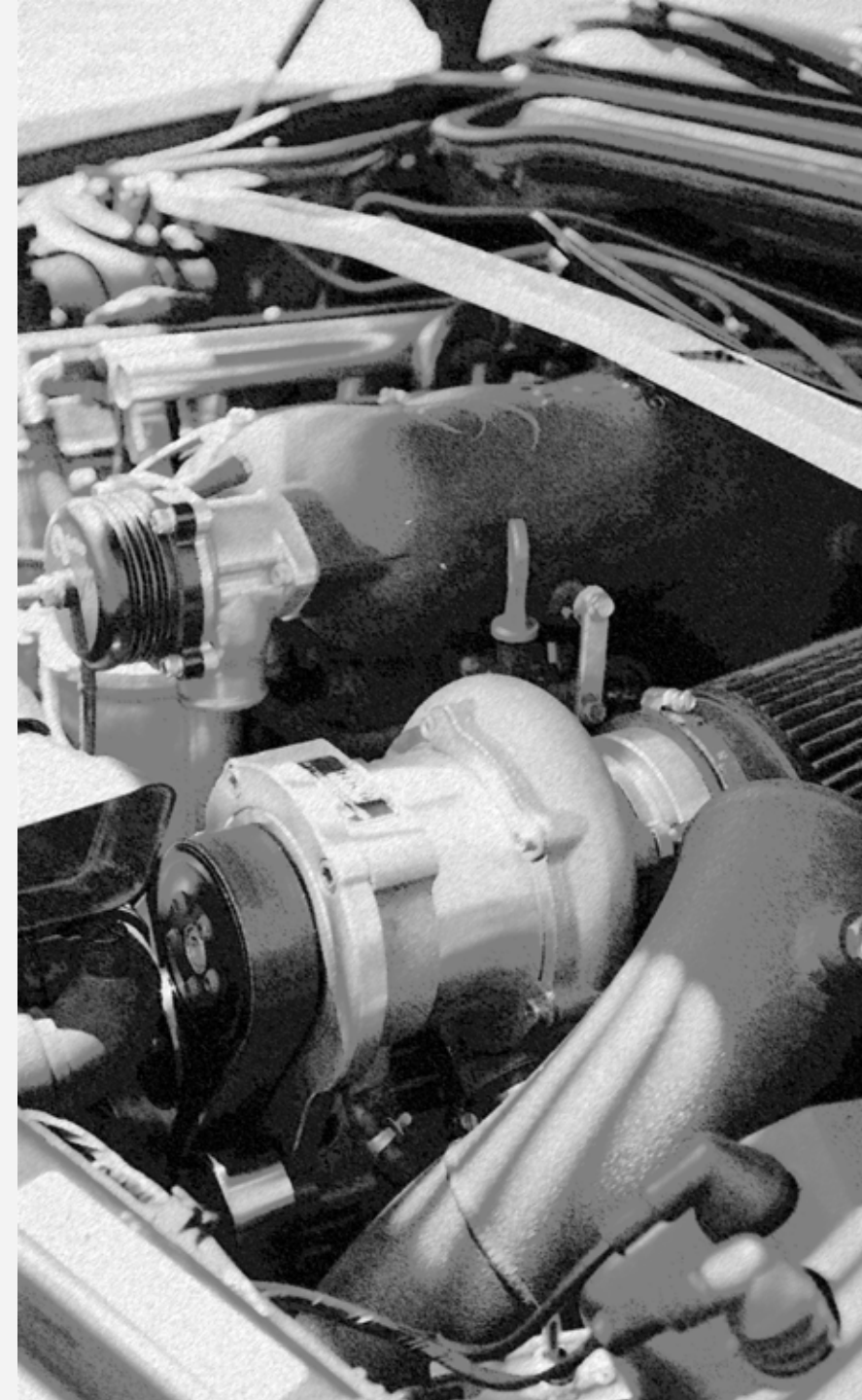


Benchmarks for Matrix Sales

As a general guideline: If 10% or more of Customer Pay parts sales are matrix priced, your pricing strategy is performing well.

To improve results:

- Identify low-gross menu items
- Ensure pricing reflects current manufacturer costs
- Work with the service department to expand menu pricing
- Review sales override reports to identify pricing exceptions



Regular Pricing Reviews Are Essential

An extensive review of Customer Pay parts gross profit should be part of your regular operational process. This analysis should be performed consistently, not occasionally.

Ongoing review ensures your pricing strategy continues to support strong and sustainable parts profitability.

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.

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