



Maximizing Parts Profits

Your Profit Centers

Retail Pricing

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

Wholesale Pricing

- Mechanical Shop Sales
- Body Shop / Collision Sales

Think about grocery stores. They inundate us with ads like: SALE today ONLY 50% off

Now think about your dealership.

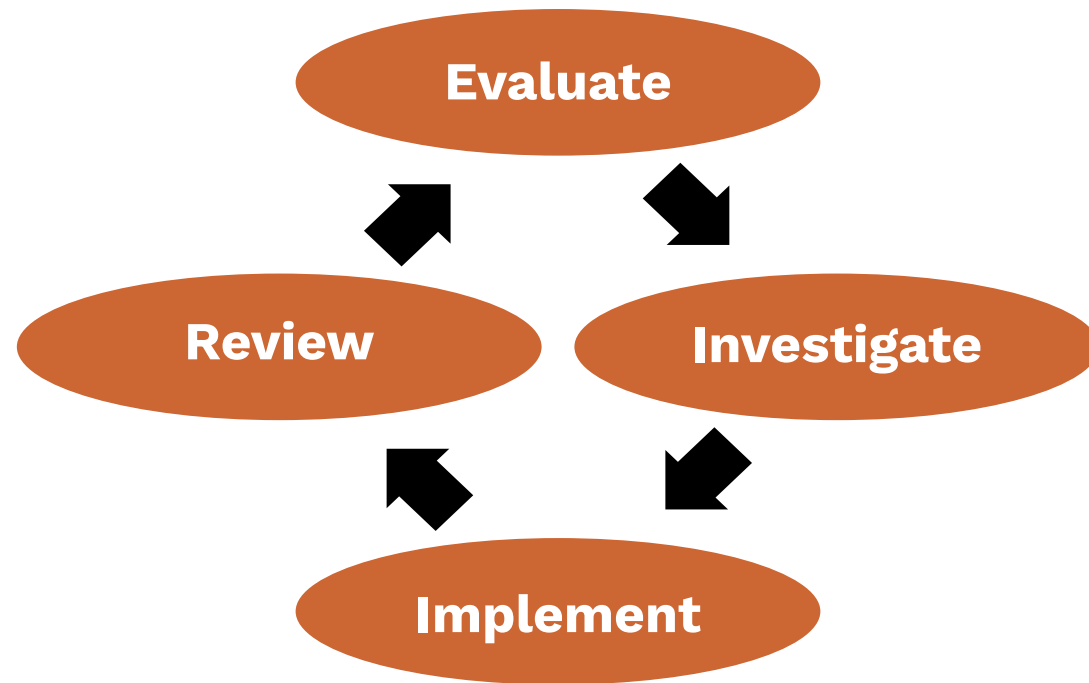
When was the last time you changed your pricing strategy?

The truth is dealership parts pricing strategies are rarely changed or even reviewed.



Four Steps To Building An Effective 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!



The 40% Profit Margin Rule

Cost Plus 67% = 40% Gross Profit

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

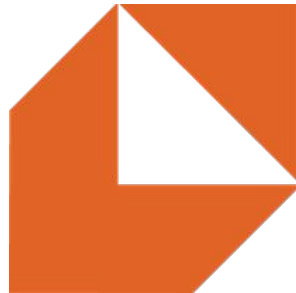
Markup From Cost						
COST	MARKUP%	PERCENT	<u>LIST AT 40%</u>	ESCALATED LIST	GROSS\$	GROSS%
10.00	2.00	Cost + 200%	16.67	30.00	20.00	66.67
10.00	1.90	Cost + 190%	16.67	29.00	19.00	65.52
10.00	1.80	Cost + 180%	16.67	28.00	18.00	64.29
10.00	1.75	Cost + 175%	16.67	27.50	17.50	63.64
10.00	1.70	Cost + 170%	16.67	27.00	17.00	62.96
10.00	1.65	Cost + 165%	16.67	26.50	16.50	62.26
10.00	1.60	Cost + 160%	16.67	26.00	16.00	61.54
10.00	1.55	Cost + 155%	16.67	25.50	15.50	60.78
10.00	1.50	Cost + 150%	16.67	25.00	15.00	60.00
10.00	1.45	Cost + 145%	16.67	24.50	14.50	59.18
10.00	1.40	Cost + 140%	16.67	24.00	14.00	58.33
10.00	1.35	Cost + 135%	16.67	23.50	13.50	57.45
10.00	1.30	Cost + 130%	16.67	23.00	13.00	56.52
10.00	1.25	Cost + 125%	16.67	22.50	12.50	55.56
10.00	1.20	Cost + 120%	16.67	22.00	12.00	54.55
10.00	1.15	Cost + 115%	16.67	21.50	11.50	53.49
10.00	1.10	Cost + 110%	16.67	21.00	11.00	52.38
10.00	1.05	Cost + 105%	16.67	20.50	10.50	51.22
10.00	1.00	Cost + 100%	16.67	20.00	10.00	50.00
10.00	0.95	Cost + 95%	16.67	19.50	9.50	48.72
10.00	0.90	Cost + 90%	16.67	19.00	9.00	47.37
10.00	0.85	Cost + 85%	16.67	18.50	8.50	45.95
10.00	0.80	Cost + 80%	16.67	18.00	8.00	44.44
10.00	0.75	Cost + 75%	16.67	17.50	7.50	42.86
10.00	0.70	Cost + 70%	16.67	17.00	7.00	41.18
10.00	0.67	Cost + 67%	16.67	16.70	6.70	40.12
10.00	0.65	Cost + 65%	16.67	16.50	6.50	39.39
10.00	0.60	Cost + 60%	16.67	16.00	6.00	37.50

Mark Up From List Charts

COST	MARKUP%	PERCENT	<u>40% LIST</u>	ESCALATED LIST	GROSS\$	GROSS%
10.00	1.00	List + 100%	16.67	33.34	23.34	70.01
10.00	0.95	List + 95%	16.67	32.51	22.51	69.24
10.00	0.90	List + 90%	16.67	31.67	21.67	68.42
10.00	0.85	List + 85%	16.67	30.84	20.84	67.57
10.00	0.80	List + 80%	16.67	30.01	20.01	66.68
10.00	0.75	List + 75%	16.67	29.17	19.17	65.72
10.00	0.70	List + 70%	16.67	28.34	18.34	64.71
10.00	0.65	List + 65%	16.67	27.51	17.51	63.65
10.00	0.60	List + 60%	16.67	26.67	16.67	62.50
10.00	0.55	List + 55%	16.67	25.84	15.84	61.30
10.00	0.50	List + 50%	16.67	25.01	15.01	60.02
10.00	0.45	List + 45%	16.67	24.17	14.17	58.63
10.00	0.40	List + 40%	16.67	23.34	13.34	57.16
10.00	0.35	List + 35%	16.67	22.50	12.50	55.56
10.00	0.30	List + 30%	16.67	21.67	11.67	53.85
10.00	0.25	List + 25%	16.67	20.84	10.84	52.02
10.00	0.20	List + 20%	16.67	20.00	10.00	50.00
10.00	0.15	List + 15%	16.67	19.17	9.17	47.84
10.00	0.10	List + 10%	16.67	18.34	8.34	45.47
10.00	0.05	List + 5%	16.67	17.50	7.50	42.86
10.00	0.03	List + 3%	16.67	17.17	7.17	41.76

Try this:

- 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%



Looking At The 40% Profit Margin In Domestic Franchises

Ford Motor Company Pricing

DESCRIPTION	#PARTS	PNP%
TOTAL OVER 40%	2677	67.16%
TOTAL AT 40%	498	12.49%
TOTAL BELOW 40%	811	20.35%

- **67.16%** of the part number population has over a 40% profit margin.
- **12.49%** of the parts for sale are at the traditional 40% margin.
- There is still **20.35%** of the parts under the 40% margin.

Looking At The 40% Profit Margin In Domestic Franchises

Subaru Company Pricing

DESCRIPTION	#PARTS	PNP%
OVER 40%	203	0.61%
TOTAL AT 40%	2093	73.18%
TOTAL BELOW 40%	430	26.22%

- Less than **1%** of the part number population offers more than a 40% profit margin.
- **73.18%** is at the traditional 40% profit margin.
- **26.22%** is below the 40% margin, which happens to be primarily maintenance items.

Looking At The 40% Profit Margin In Domestic Franchises

BMW Company Pricing

DESCRIPTION	#PARTS	PNP%
TOTAL ABOVE 40%	1609	24.75
TOTAL AT 40%	720	11.08%
TOTAL BELOW 40%	4171	64.17%

- **24.75%** of the part number population is above a 40% gross profit margin.
- **11.08%** at traditional gross profit margin.
- **64.17%** below the 40% gross profit margin.

Most importantly
**how much money
is being
left behind?**

The Matrix Table

Retail Escalators

Example of a typical Escalator Matrix Table

If Cost is...

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%

An Escalator Category

Certain categories have different Escalation Percentages or Mark Up

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%

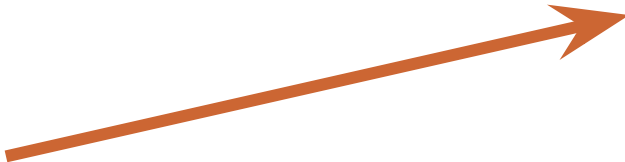


Each Low to High Dollar Value is an Escalator Category or Group

The Escalator Yield

In a Perfect World Scenario

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%



Reasonable percentages to expect from
each escalator category.

Determining The Escalator Table Yield

How to determine the profit percentage for each escalator category.

For example, Cost + 100 should yield a 50% profit margin.

- Multiply your Cost or List field times your escalated percentage
- Subtract the Escalated Retail Price from Cost
- Divide the difference into the Escalated Retail Price for percentage

Evaluating Each Escalator Category

Focus on the **actual** versus **what if** sales figures

			Reality				What if			
CATEGORY	DESCRIPTION	QTY	TTL COST	TTL SALE	TTL GROSS	GP%	MATRIX	MAT GROSS	MATRIX GP%	PIECE%
\$.01-10.00	COST + 100% TOTAL	1919	\$501	\$814	\$314	38.5%	\$1,002	\$501	50.0%	49.1%
\$10.01-25.00	COST + 80% TOTAL	911	\$12,521	\$19,565	\$7,043	36.0%	\$22,538	\$10,017	44.4%	23.3%
\$25.01-100.00	COST + 75% TOTAL	647	\$36,613	\$55,984	\$19,370	34.6%	\$64,073	\$27,460	42.9%	16.6%
\$100.01-250.00	COST + 70% TOTAL	310	\$22,595	\$34,761	\$12,166	35.0%	\$38,411	\$15,816	41.2%	7.9%
\$100.01+	COST + 67% TOTAL	122	\$22,726	\$36,514	\$13,789	37.8%	\$37,952	\$15,226	40.1%	3.1%
GRAND TOTAL		3909	\$94,956	\$147,638	\$52,682	35.7%	\$163,976	\$69,020	42.1%	100.0%



The difference

DESCRIPTION	TTL GROSS	GP%	MAT GROSS	MATRIX GP%	DIFFERENCE
GRAND TOTAL	\$52682	35.7%	\$69020	42.1%	\$16,338

**You now know exactly how much money
was left behind.**

Bumping An Escalator Category

Estimating a Bump in the 10.01 to 25.00 Escalator by 10%

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%

An **increase** in gross of **\$1,251**.

An **increase** of **3%** in this Escalator Category.

Summary Of Escalated Sales

Supporting the Theory that only 25% of Retail Sales are Escalated

GROUP	DESCRIPTION	QTY	COST	SALE	GROSS	GPCT	PIECE PCT
TOTAL CP SALES	AT OR ABOVE MATRIX	1175	\$7,665	\$16,754	\$9,089	54%	24%
	BELOW MATRIX, AND/OR RETAIL	2789	\$29,900	\$51,050	\$21,150	41%	57%
	BELOW RETAIL	920	\$10,446	\$13,892	\$3,446	25%	19%

This is very typical of most dealership customer pay sales using escalated matrix tables.

Application

Understanding The Details Of Your Retail Pricing Matrix

Identify parts in each Escalator Category that are dragging down the gross and review these areas of your operation for pricing issues.

- Check your price codes and levels
- Are price codes labor type driven?
- Are there source accounting issues?
- Are these parts menus or grid priced parts?
- Is someone overriding the sale price?

(Review your override report daily)

Conclusion

Evaluate, Investigate, Implement, And Review

Consider Some Alternative Ways to Increase the Profit Margin:

- Increase the sale price on menu priced items.
- Isolate low gross parts in a given source to track profit.
- Create a sub sale account if you are locked into these low priced parts.
- Eliminate the Overrides as much as possible.
- Adjust the Escalator Table as necessary.

Increase Gross Profits in areas where the gross is weak!

Ready to simplify things?



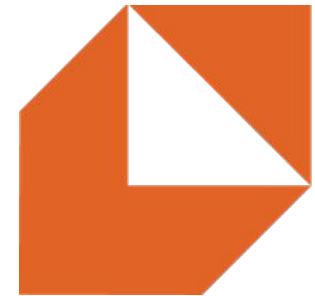
The **powertool**

for your Parts Department

What we do

We have the tools and systems to get your DMS to do what you want it to do.

- Getting your DMS to work efficiently takes more time than any one manager has
- Reporting that takes the guesswork out of managing the DMS
- Saves Parts Managers 4-6 hours a week
- Takes your inventory from reactive to proactive



How?

With remote access, we implement proven DMS and manufacturer specific setups to give you exceptional control over your parts inventory and pricing.

Our system analyzes every single part daily with any source and pricing changes carried out automatically.

Timely and accurate reports validate results and drive the process.

The Results

20% less total inventory

50% higher ROI

20% increase in parts sales

15% less idle inventory

PartsEdge is the perfect mix of human and robot. They will automatically optimize inventory based on the data AND they also take personal input from the everyday operations to create a hybrid of human and computer.

Jeff Denis, Parts Manager Marcotte Ford

In one year we have reduced total inventory by 35% while our productive inventory increased and obsolescence reduced by 58% and our technical obsolescence by 72%.

Greg Dimond, Parts Manager

With the tools offered by PartsEdge, I doubled my monthly gross profit dollar total within 16 months.

**Jason Boyd
Parts Manager at Tate Branch Auto Group**

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