

HAPPY RETURNS

Keys To Managing Your Parts Inventory Returns And Reserves

By Rob Gehring

One of the largest capital investments for car dealerships can be found in the parts department inventory account. Managing this investment is becoming a challenge because changing return programs make it difficult to return items for credit. Many dealers are giving instructions to managers to reduce inventory dollar amounts with no direction on how to achieve this result. Outside vendors want your account and speak of discounts to save you money; they even send you on a no-cost trip to the races. How do we make sense of all this and best manage the parts department to keep everyone happy? Let's look at these dilemmas logically and develop some best practices for managing parts inventory.

The highest volume customer for most parts departments is found in the service department. It's wise for parts managers to understand this and set a goal to reach a minimum fill rate of 90 percent. That means that 90 percent of the time a service technician asks for a part, you want it in inventory. Parts managers who have a strong fill rate develop the largest reserves and also sell the most to other dealerships. To develop the best fill rate, lost sales must be tracked with a passion. If you don't track what the technicians are asking for, you can't possibly meet a 90 percent fill rate.

Aggressive phase-in settings for your dealership will assist in improving return reserve and fill rate. With a solid lost sales program, aggressive phase-in should be three hits within six months. To best manage inventory you must also

have an aggressive phase-out setting at six months with no sale.

PROGRAM IN PLACE

Special ordered parts can become a return reserve drain if a solid program is not in place. It's imperative to get the customers back in for installation. The best practice is to have the service advisor make the appointment for the installation at the time the customer picks up the vehicle, allowing five days to get the part into stock. Advisors should check the day before the appointment to assure the item was received. This helps prepare for the visit. A quick phone message to the customer to remind them of their commitment is a best practice that will reduce returns of special ordered parts.

Parts managers must understand the relationship between technician hours and sales. The best way to improve sales in the parts department is to understand that when technicians are delayed in receiving parts it reduces technician hours sold. At least 15 minutes of technician time is lost when a part is not in inventory. This affects parts department sales dramatically because every dollar of labor will generate about a dollar of parts sales. Improved sales also add to our return reserves pool we can use to reduce aged inventory.

Aged inventory is defined as any part that has not sold in the last six months. This information is found on your month-end summary report. What percentage of your inventory investment is actually selling? We want to look at these items with caution because 80 percent of these parts will end up in the 12-

month and older column. The best practice is to perform returns monthly using all available reserves. Most software management systems allow you to generate returns giving criteria. Return the oldest, largest dollar value items first, working your way to lower valued items. What percentage of your inventory investment is actually selling? It may be a shock to find half of the dealership's inventory investment is not selling. If the new or used car departments had 50 percent of the inventory not moving in the last 12 months it would be a major concern.

Continued on p. 30



When they see it in **color,**



BG Maintenance Awareness Program®

is more than just another "pretty plate."

Although BG's idea of demonstrating fluid samples is no longer unique to the industry, making it work in today's busy service lane is.

The BG Maintenance Awareness Program® (BG MAP®) takes service profitability to the next level and sustains it month after month, year after year. Getting the customer's attention, educating them and following up after each service requires more than a new process or system. It requires a customer retention expert. In black and white you can see the results of just one aspect of BG MAP®

you'll see it in black and white.

Service	Actual Dealership		Actual Dealership		Growth
	Before Sampling	After Sampling	Before Sampling	After Sampling	
	Hours	Revenue	Hours	Revenue	
Power Steering	30	\$3,000	604	\$60,400	\$57,400
Transmission	656	\$85,280	1,964	\$255,320	\$170,040
Coolant	842	\$84,200	1,811	\$181,100	\$96,900
Totals	1,528	\$172,480	4,379	\$496,820	\$324,340

See a detailed report of shops that use the BG MAP® for sustained profitability at www.bgprod.com/BlackandWhite



For information, circle 15 on RS card.



The Next Generation of Shop Management

CompleteShop²⁰⁰⁶

18 years of dedicated service to the collision repair industry



HOW TO RUN THE VERY BEST BODYSHOP

Automated, Real-Time Shop Management —
from the smallest to the largest, product, service, pricing

“Today, you are no longer a bodyshop, you are a factory”

— Scott Rome, President
Rome Technologies



AUTOMATED REAL-TIME FEATURES

- ✓ Lets you see your entire business LIVE in every department!
- ✓ Tells you what cars to fix and who can fix them!
- ✓ Lets you know who to call and why!
- ✓ Eliminates payroll!
- ✓ Shows you which cars are behind schedule and where they stalled!
- ✓ Shows active load on all departments for scheduling and load balancing! **And so much more!**

FOR LITERATURE AND DEMONSTRATION

call 800.373.ROME or visit
www.rometech.com



DEALERSHIP • UCS - R&R - ADP

INDEPENDENT

For information, circle 6 on RS card.

The truth is most dealers only look at the parts inventory as a dollar amount on the statement. When you find items in your inventory that are not returnable, take action. Why leave this as an inventory item to pay property taxes on? Keep your inventory investments clean by using your parts policy account on a regular basis.

Communication between technicians and parts department staff must be excellent and open. Technicians must never order parts “just in case” they might need them; this includes body shops and wholesale accounts. Many parts departments eat up their return reserves dealing with these issues. Managers need to be actively involved looking for patterns that need correction. Do you have a body shop ordering panels they decide not to repair? Is a counterperson ordering a lot

of wrong parts for your customers? Are you training your staff to reduce returns and improve available reserves? Managers must include staff in best practices in order to develop a strong team result.

Related sales should be used by all counter staff to increase reserves. If a technician asks for lower ball joints, suggest the uppers also. You will find when your parts staff is well-trained on related selling, your technicians will buy into it and generate additional revenue for the dealership.

Purchase all you can from your factory source and limit outside vendors. This will free up needed time and grow reserves, making returns much easier.

Developing these best practices in your parts department will maximize sales and

gross profit for your dealership. It will also protect the dealer's inventory investment and improve fixed operations overall. With sales of new and used cars facing challenging times, dealerships must get returns from every area of fixed operations. Use every tool available because they all work together for the good of your team in these challenging times. Team up with service and body shops and share common goals to improve fill rates, reserves and technician efficiencies, and watch your fixed operations prosper.



Rob Gehring is president and founder of Fixed Performance Inc., and provides dealerships with in-house training, coaching, and consulting. He can be reached at 888-205-8718 or email at rgehring@fixedperformance.com. Visit the website at www.fixedperformance.com. ■

FLOORING & FURNITURE Solutions Guide

SHOP FLOOR CONCERNS In The Fixed Ops Department

- THE SAFETY AND COMFORT OF PERSONNEL:**
 Are the floors slip-resistant? Do they offer cushioning and comfort underfoot?
- THE NOISE LEVEL:**
 Do they buffer the noise of rolling toolboxes, cart casters, dropped tools and power tools?
- DURABILITY AND EASE OF MAINTENANCE:**
 Can the floors be easily restored to like new condition with minimal care?
- APPEARANCE AND CUSTOMIZATION:**
 Does the floor telegraph the correct level of professionalism about the facility? Can they be customized with logos or safety signage easily? Do they look clean, shiny and inviting after much use?
- PROJECT MANAGEMENT:**
 How complicated and time consuming is the flooring to install? Do I need to source local installers and manage the installation?
- EASE OF REPAIR:**
 How long will the floor last before replacement or repair is needed? How complicated or difficult is the repair?

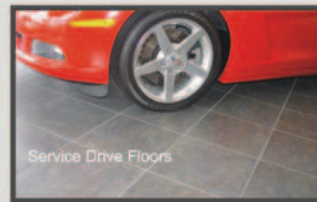
AutoStone Once
AutoStone Forever
the one-time, life-time flooring system.

800.772.1473 Toll Free
Call for AutoStone!



Shop Floors

Automotive floors and surfaces.
Never re-surface your floors again!
Minimal downtime during installation!
Avoid repairs!



Service Drive Floors

AutoStone

Distributed and installed by:

**AUTOMOTIVE
FACILITIES**

Discover how you can save more at:
www.automotivefacilities.com

For information, circle 19 on RS card.

When you stand
for quality, stand
on quality.

rubber floors
for automotive
environments



Contact:
866.365.7432
info@autofloors.com
www.autofloors.com

AutoFloors™

For information, circle 20 on RS card.



**DIAMONDSTONE™
HAS YOUR FLOORS COVERED!**

- RESISTANT TO ALL AUTOMOTIVE CHEMICALS
- UV-RESISTANT & IMPACT-RESISTANT
- LOW-MAINTENANCE, DURABLE & ATTRACTIVE

A complete line of flooring and containment coatings, manufactured to exacting specifications from the finest chemical components available. DIAMONDSTONE™ delivers unmatched Quality, Performance and Value.

DIAMONDSTONE™ 1-888-81-STONE
Engineered Polymers for Exceptional Performance (888-817-8663)

To find out more visit our website at www.DiamondStoneProducts.com

For information, circle 21 on RS card.

QUICK FIX

How You Can Use A PDR Partner To Build Customer Retention And Profits

By Steve Rynar

Many savvy auto dealers have incorporated a paintless dent removal (PDR) program into their dealership fixed operations departments as a way to drive new service opportunities. Dealers are continuously looking for ways to build incremental profit, increase value and customer retention, as well as improve CSI with manufacturers. Working with a partner and a proven PDR strategy is a way to create opportunity in the service drive.

PDR has become a popular repair technique that has dramatically evolved the auto repair industry over the last 20 years. The PDR process reforms metal back to its original condition without sanding, filling, painting or using traditional auto body repair techniques. This process evolved out of factory production lines in Europe that used skilled craftsman known as 'dingers' or 'tiners' to 'rub' out minor dings and dents from the metal panel prior to painting. With the advancements of more flexible paint finishes, PDR is now commercial-

ly used to repair dents and dings on vehicles without damage to the integrity of the paint finish. Working from behind the panel, trained technicians use specially designed tools to massage the metal back to its original shape.

The growth of the PDR industry has helped further advancements over the last few years in technique, training and tooling. It enables more complex, difficult repairs such as creases, body lines, hail and larger repairs to be performed with the PDR process. Many manufacturers, insurance companies and remarketing professionals see PDR as a highly accepted repair method.

Quality and service are the key ingredients to the introduction of a successful PDR program in the dealership. Offering quality PDR to your customers requires a highly skilled PDR technician. You need someone who is capable of providing repairs without impacting the integrity of the paint finish or manufacturer warranty. Over the last few years, much advancement has been made in developing specific vehicle tool-

ing and schematics to enable repairs to be performed perfectly. Several manufacturers have also issued approved repair guidelines for PDR to work with a provider that meets the manufacturer approval process.

In today's challenging market, dealerships are constantly looking for innovative services they can offer their customers. Dealership PDR service drives have quickly become the norm in many of the nation's dealerships and dealer groups. A successfully run PDR service drive offers the customer an opportunity to repair minor dings and dents on their vehicle while it is in for service.

Generating Profits In The Service Department

One of the biggest concerns for dealers today is customer retention. Dealers only retain around 18 percent of paid repairs after the vehicle leaves the dealership following the purchase of the vehicle.

"Dealer service departments are continually looking for ways to provide full service facilities. People have less time these days. Adding services that increase customer value increases customer satisfaction and retention by providing the 'one-stop-shop' service experience. PDR is a great way to expand that menu," says Hugh Whiles, vice president of fixed operations for Sonic Automotive Group.

PDR service drive programs provide the dealership an opportunity to upsell ding and dent repair on the customers' vehicles while they are in for service.



Most PDR repairs take less than an hour to perform. Utilizing a highly skilled certified PDR technician can be a tremendous asset to a dealer's service drive. Dealers who consistently perform exterior inspections of their service customers' vehicles can expect a noticeable reduction to their internal monthly policy account of customers claiming the dealership damaged their vehicle while it was in for service.

Many of the country's top performing, high-line, high-volume dealerships are experiencing the value of having a fulltime certified PDR provider totally dedicated to their dealership. Many of these dealers are earning in excess of \$100,000 a year in additional revenue, and have reduced their monthly policy costs by half, if not more.

For years PDR providers have lived by the saying, "dings happen." With a PDR serv-

ice drive program in place, dealerships now have the capability of repairing emergencies, spot deliveries and new and used vehicles every day.

Selecting a PDR provider can be a challenging decision for any dealer. Dealerships seeking a PDR service drive program should ask the potential provider the following questions prior to investing in their company:

- Does the provider have liability insurance?
- What happens if a customer's vehicle is damaged?
- Is there a warranty on the repair work? If yes, what is the warranty?
- How much experience do they have repairing that particular manufacturer's vehicles?
- Are they anti-drill?
- What is their policy on customer satisfaction?

- What is their dress policy (uniforms, cut off shorts, "T" tank tops, etc.)?
- Will this provider be around tomorrow?

Dealers should conduct due diligence prior to investing with any PDR provider.

A PDR service drive program can benefit the dealership in sales, service and finance. But to get the job done right, you'll need a skilled provider with lots of experience and resources. Selecting the right partner can greatly benefit your dealership, drive new opportunity through the door and, more importantly, keep it coming back.



Steve Rynar is director of elite service drive operations for Dent Wizard International. He can be reached at 732-682-4830 or Steve.Rynar@dentwizard.com. Visit the company at www.dentwizard.com. ■

MobileIQ™

Intelligent Vehicle Protection

Fast Track into the Vehicle Tracking Business

MobileIQ™ is an innovative service for vehicle safety and theft recovery, with convenience and savings benefits for your customers.

- Generate Revenue
- Enhance your Product Line
- Differentiate your Business
- MobileIQ and MobileIQ Silver Available

For More Information
Toll: 1.877.684.2040 Ext. 117
 Email: airiqindirectsales@aircept.com Visit: www.mobileiq.us

MobileIQ and AirIQ are trademarks owned by AirIQ Inc. © 2005 AirIQ Inc. - All rights reserved.



Dealers Get Onboard!

by AirIQ®

For information, circle 18 on RS card.