



AUTOMOTIVE TRAINING INTERNATIONAL

Managing Special Order Parts in 2010

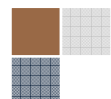
By: Rich Gilardi

Special Order Parts, in some way, eventually become the rating system for all Parts Managers. When all is well and sales are growing, Service is busy, and your store is selling some new and used cars, Special Order Parts are given some lip service, but generally not taken seriously until the Service Manager complains you have to order everything for the cars and trucks in the shop, and you don't have the occasional accessory sold by the New Car Dept. If you take your eye off the Special Order ball, this can be the beginning of a large problem. Special Order Parts ordered today, and never used, or picked up, don't become a mathematical problem for about four months. They become a real problem in twelve months, and the automotive business has now proven to even the young Parts Manager that time is not on your side.

When things slow down for the Dealerships, expenses must be cut, and inventories lowered, as cash becomes king. Since most Dealers floor plan new and used cars now, the parts inventory is going to be the first thing to cut to bring in instant cash to your store. If you have significant money tied up in Special Order Parts, your problems are beginning to grow. Depending on the Manufacturer, you can't instantly return SOP immediately, if at all. The hidden bad guy here is the accumulation of small amounts of dollars. If you have a \$300,000 dollar inventory, and you special order \$10,000 a month, what harm can a thousand or two do? HA... A whole lot!!! \$2000.00 a month x 12 months and so on.

FACT: Obsolescence that is over 12 months no sale is caused by Special Order parts.

There are two results of not managing special order parts well. The first is the obvious obsolescence issue all Parts Managers talk about and deal with all the time. Any parts over 6 months old could have been cash, and cash can be used for a lot of things. The second result is the damage these parts can do to your days supply and turn rate.

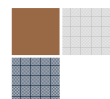


Most Dealer groups have corporate policies for maximum days supply a Parts Manager is allowed to keep in the Parts Department. If you aren't parts of a Dealer group, it's a good financial idea to stay within guidelines anyway. Special order parts not picked up can ruin your days supply. If you have a clean inventory of \$250,000, you need to sell 3 million dollars a year to maintain a 30 day supply. Add \$25,000 of obsolescence to your inventory and you have to sell an additional \$300,000 a year to keep your days supply under 30. The only other option you have to maintain a 30 day supply is to reduce your selling inventory by the \$25,000, so your 3 million dollars of sales will be enough to keep you within the guidelines. Don't let this happen to you. Manage your Special orders.

Who is making the decision to order a non stocking part for a customer? The options are...Service Manager, Advisor, Technician, Parts Counterman, Parts Manager, Sales Department, Owner, Sales Manager, Retail Customer, or Wholesale Customer. Who is actually making the decision? I have some experience visiting all kinds of Dealers, so don't lie to me or yourself. The person most likely to order a non stocking part is a Service Technician. Maybe you will say that in your store the Advisor has to approve all Special Orders. So? Do you think they will challenge the Tech? I know they must make an appointment before you order the part. Really? Don't forget, no lying to yourself. The Technician is the Person who can determine what is needed to repair a vehicle, but Techs aren't involved in financial Management, so they have a different outlook about your Parts stock. Don't let them decide. Involve Service Management in the decision for positive reasons. Is the Customer in a loaner or a rental, or can they drive the car safely.

As far as retail customers go, I enthusiastically recommend prepayment for everything. There is nothing wrong with asking for prepayment for a special order. Wholesale Customers need to be trained. That can be hard, but a Customer that returns parts regularly is not helping you to make a profit. Train them or cut them off... Train them or cut them off.

Do you have a good follow up system for your special Orders? All the Dealer Management Systems have some kind of tracking methods. More than likely, you keep the parts in a designated area too, so you can find them easily. As you watch them age, remember that you didn't order them, so involve the person who decided that your Customer needed this part. Send reminders to the Advisors as if they are Customers, because they are your Customers. Service Managers will remind you that they are your best Customer, so hold them to it and stay on them about the parts. The last thing you want to do is to reduce stocking parts, because it will increase your days supply and put you over the Company imposed limit.



Here are some tips to help you manage these parts.

- ✓ Get prepayment from Retail Customers, every time.
- ✓ Train your Wholesale customers, or stop selling to them, you aren't making much of a profit on them.
- ✓ Check your DMS and verify Appointments have been made before the Service Customer leaves.
- ✓ Remind the Advisors with notices of the parts for their customers Daily.
- ✓ If ordering for a used car, prebill the parts. This doesn't always fix the problem, but it will help in developing good habits.
- ✓ Encourage your Parts Personnel to require all the necessary information for accuracy in ordering.
- ✓ Finally, and maybe as important as the rest, involve the whole Dealership with Special orders. Talk about them in Management meetings. Explain to Management what the downside is to having too many unused Special Orders. Make sure the Service Manager knows that most of these parts are his/hers.

When you take control of your Special Order Parts, you create great processes, free up much needed cash, and most of all, improve your bottom line.



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Rich is an ATi Associate, specializing in Parts Marketing & Management. ATi provides Fixed Operations Training & Solutions throughout North America.

