Parts Committee

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Points to Cover

- Repair Inefficiency
- Parts Replacement Inefficiency
- Components of an effective parts process
- Effects of Replacing Strategy
  - Repair VS Replace profitability
  - Replace Strategy Support Data
- Balanced severity/parts ratio

Repair Inefficiency

- Labor capacity is constrained:
  - Fewer technicians available
  - Lower skilled techs
- Job for job, replacing is faster on body labor—time equals money!
- Replacing is more efficient with materials (no/minimal priming)
- Parts focus leads to efficiency as measured through gross profit per hour worked

Parts Replacement Inefficiency

- Parts that create more labor (Used)
- When estimating processes are not properly organized
- Parts that don’t fit without modification
- Time needed to get parts
- Replacements that are invasive to the vehicle structure (potential for inadequate repairs)
- Replacements leading to additional labor operations/delays (R&I glass, additional refinish operations, etc.)
- Lack of effective/efficient parts procedures

Effective Parts Processes

- Estimating / Blueprinting Processes
- Written Parts Policies
- Parts Ordering Procedure
- Parts Status Verification
- Parts Receiving Process
- Invoicing / Costing Process
- Delivery of Parts to Vehicle/Technician Bay
- Parts Return Process
- Credit Memo Tracking
- Backorder Parts Follow-up
- Stock Parts / Alternative Parts Processes

Effects of Replacing Strategy

As parts sales increase ...

- Shops become more profitable
- Material profitability increases
- Labor GP $ increase
- Overhead expense per parts $ declines
- GP$ per hour worked increases

Repair VS Replace Profitability

- Conventional thought is that "repairing" yields a higher gross profit percentage.
- Job for job, repairing can retain more profit ($ and %)

Not true when considering time as a factor in the equation

TIME = PEOPLE!!!

Replacing Strategy =

Shop Profitability Improves

Time is the key factor to consider

REPAIR CASE

	40			Sale		Profit	GP %
Body Labor	5	Hrs	$	150.00	$	82.50	55%
Paint Labor	1.5	Hrs	$	45.00	$	27.00	60%
Parts	0		$	-	$	-	25%
Body Material			$	-	$	-	30%
Paint Material			$	22.50	$	6.75	30%
Totals			**$**	**217.50**	**$**	**116.25**	**53%**

GP % = 53%

GP $ = $ 116.25

GP$ / Hour = $ 17.88

REPLACE CASE

	Unit			Sale		Profit	GP %
Body Labor	2.5	Hrs	$	75.00	$	41.25	55%
Paint Labor	1.5	Hrs	$	45.00	$	27.00	60%
Parts	$ 225	$$	$	225.00	$	56.25	25%
Body Material			$	-	$	-	30%
Paint Material			$	22.50	$	6.75	30%
Totals			**$**	**367.50**	**$**	**131.25**	**36%**

GP % = 36%

GP $ = $ 131.25

GP$ / Hour = $ 32.81

Note:

Total Labor: (Indentical Task efficiency **not** considered in Paint shop)

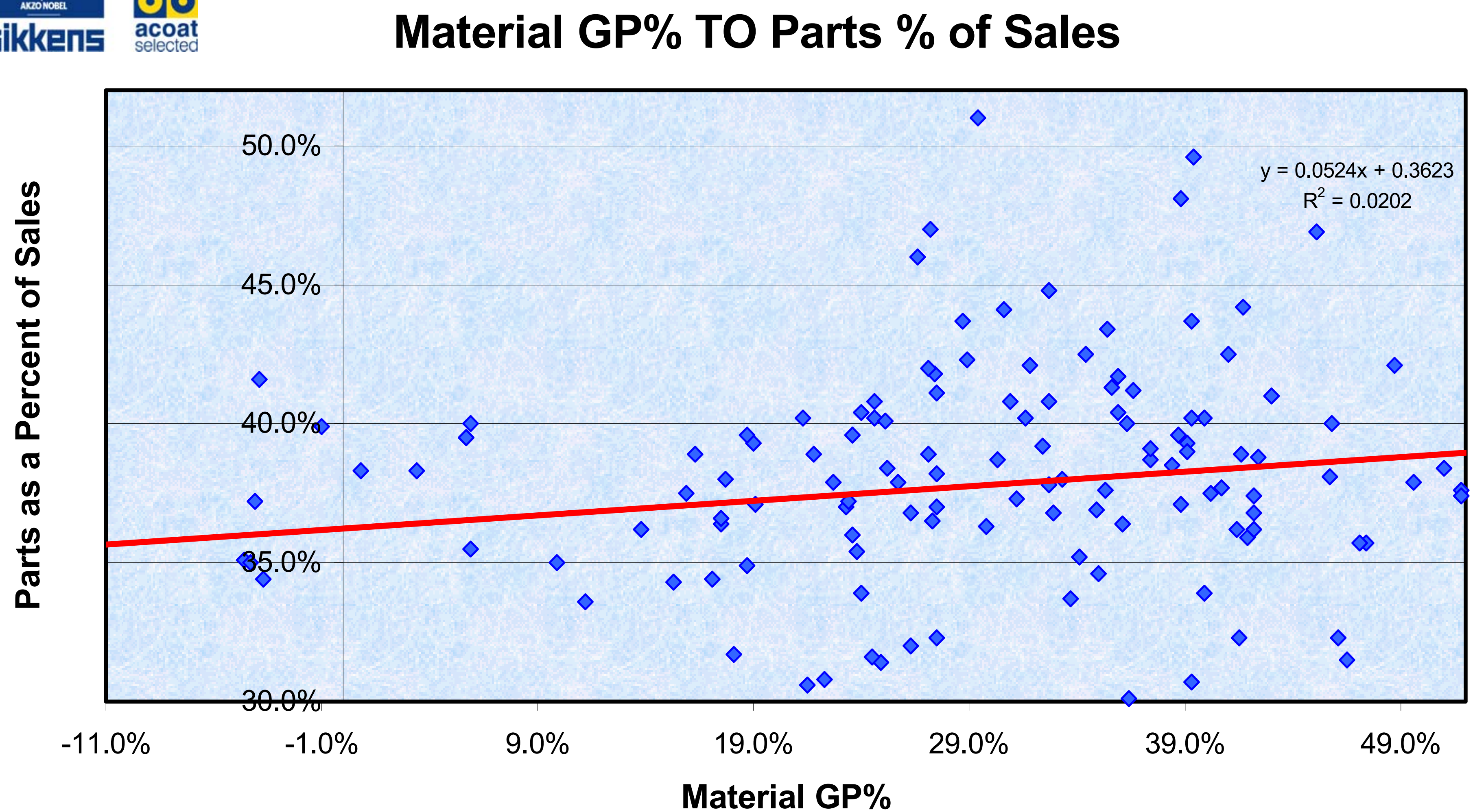
Only If we achieve an **Additional** labor efficiency of : **183%**

is it better from a GP$/ Hour in this case to repair verses replace.

Repair Case must be **283%** when replace case is **100%**

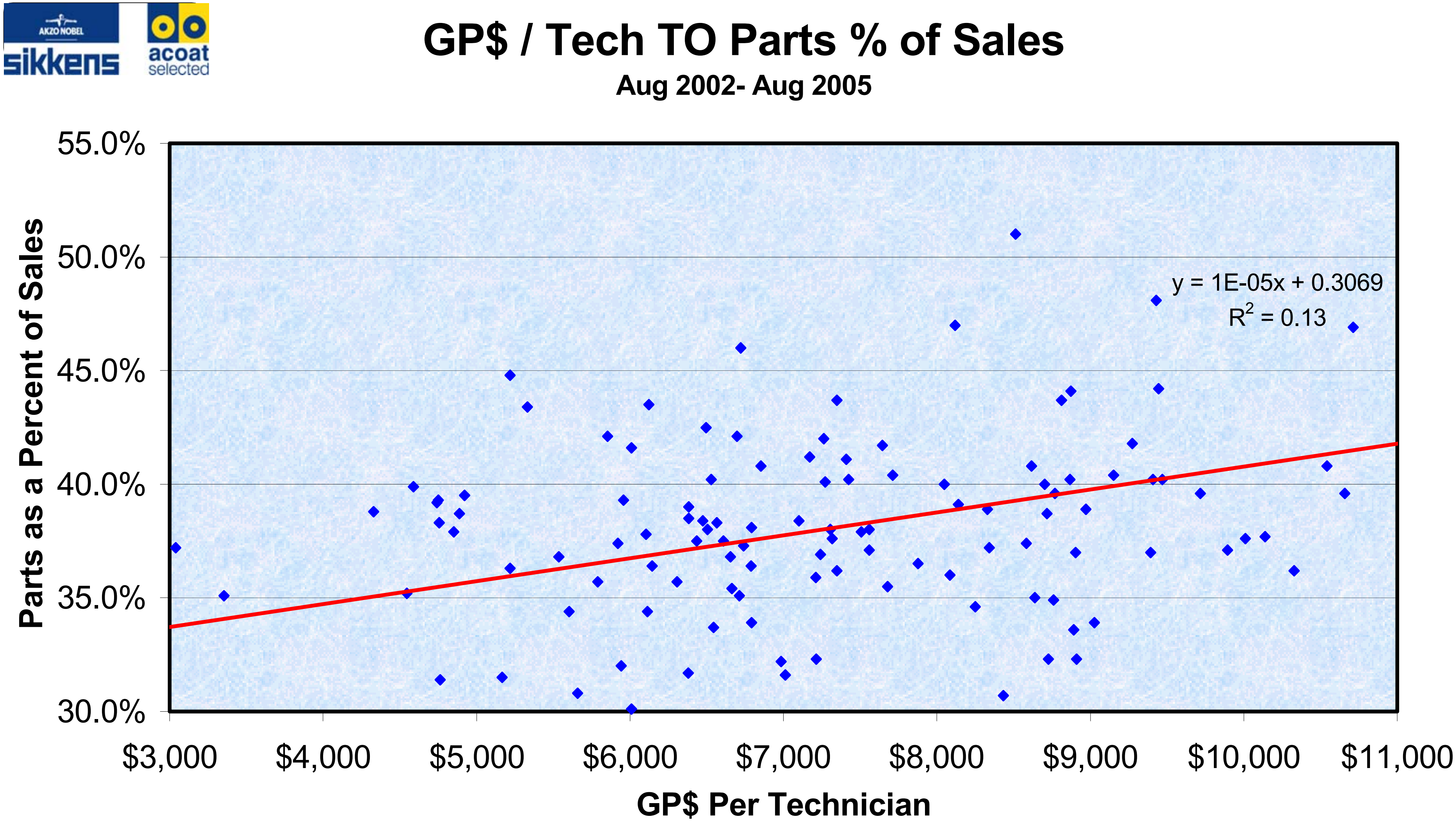
Replacing Strategy =

Material Profit Improves



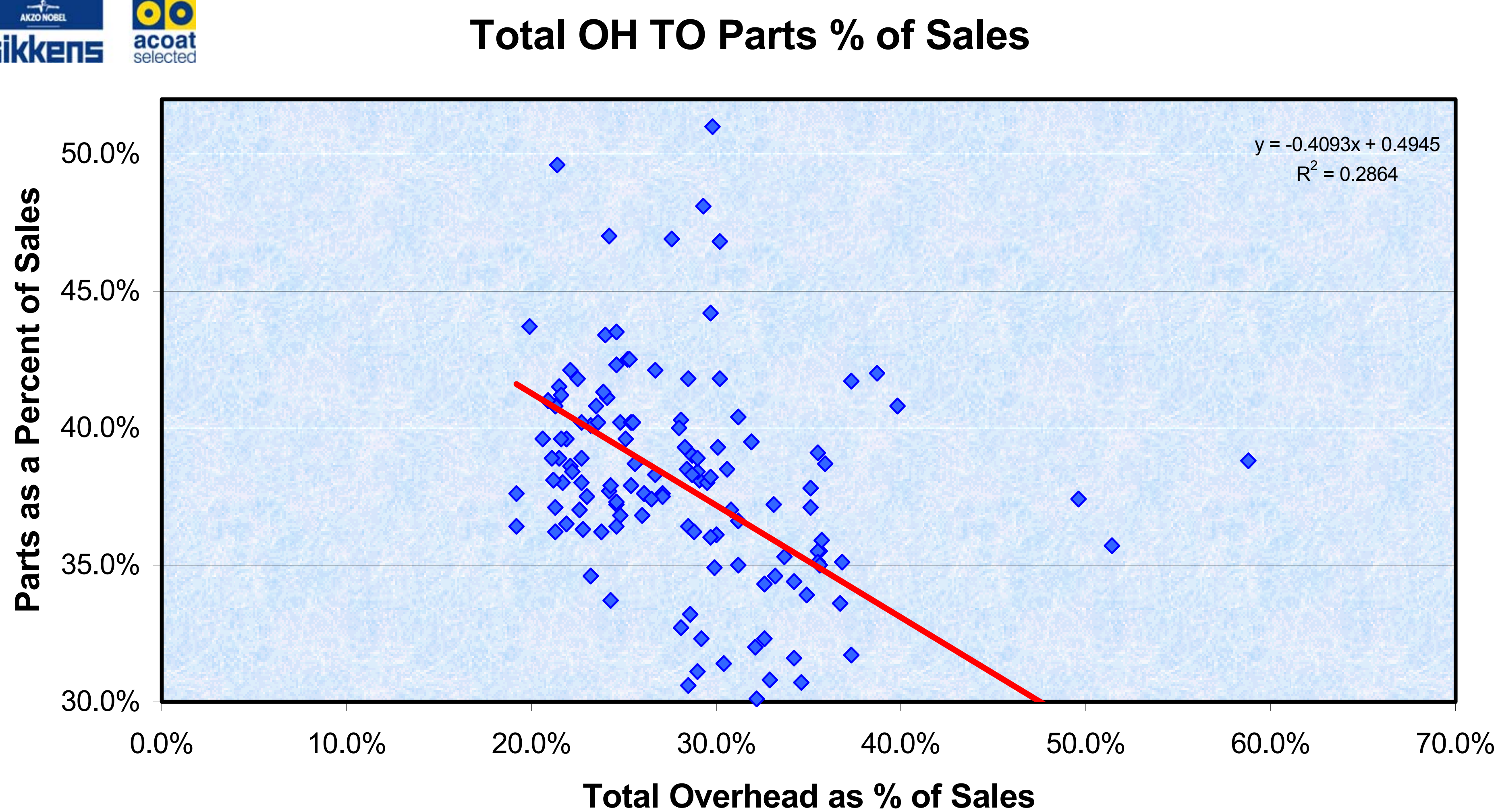
Replacing Strategy =

Labor Profit $ Improves



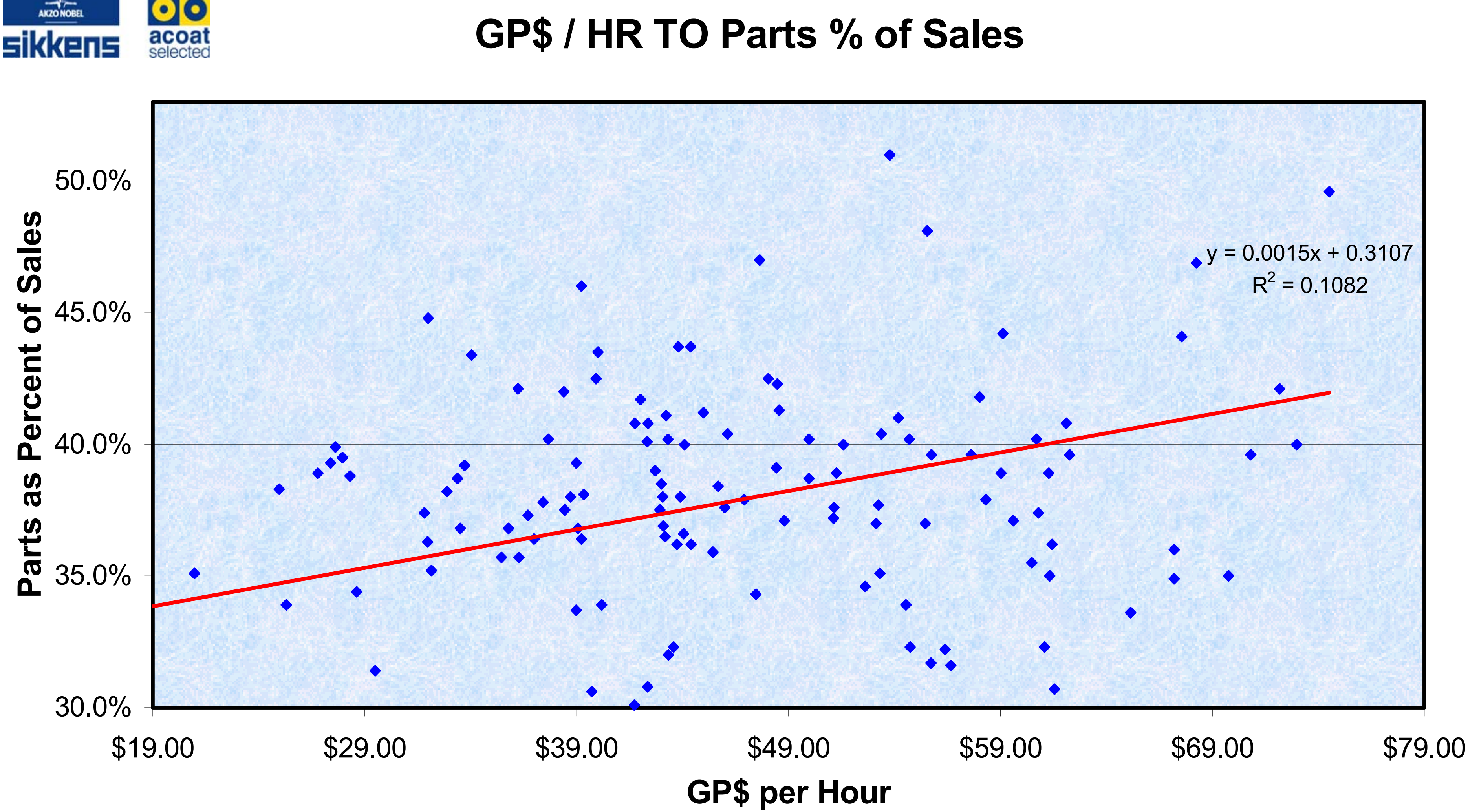
Replacing Strategy =

Overhead exp per parts $ declines



Replacing Strategy =

GP$ per hour **worked** improves



Balanced Severity

- As parts as a % of sales increases repairs may be faster, but severity also increases
- Must manage both sides of equation (repairing & replacing)
- Current ideal ratio is 1:1 ($1 parts:$1 labor)
- Must be coupled with solid parts procurement processes
- Keep in mind advancements in technology and a future impact on parts mix

Thank you for the opportunity to present!

Questions?