

Customer Retention in the Parts Department



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#jpcars
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Retention Plan...In Parts?

All improvement plans originate from one of three places:

Lower Expenses!

Improve the Gross!

Sell to More Customers!

But...In Most Parts Departments

Expense control is not the answer!

Improved margins are not the answer!

Increasing Dealer Profits

1. Lower Expenses!

2. Improve the Gross!

3. Sell to More Customers!

How?

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graph TD; A[How?] --> B[Sell to more to new customers]; A --> C[Sell more to existing customers];
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Sell to more to new customers

Sell more to existing customers

Since Retaining Customers is Less Expensive than Getting New Ones...

How do we increase retention in the parts department?



5 Key Elements for a Retention Strategy

- 1. Stock Correctly**
- 2. Support Your Service Department**
- 3. Accessories, Tires, Wholesale**
- 4. “Tie-Breakers”**
- 5. Staff Motivators**



5 Key Elements for a Retention Strategy

1. Stock Correctly

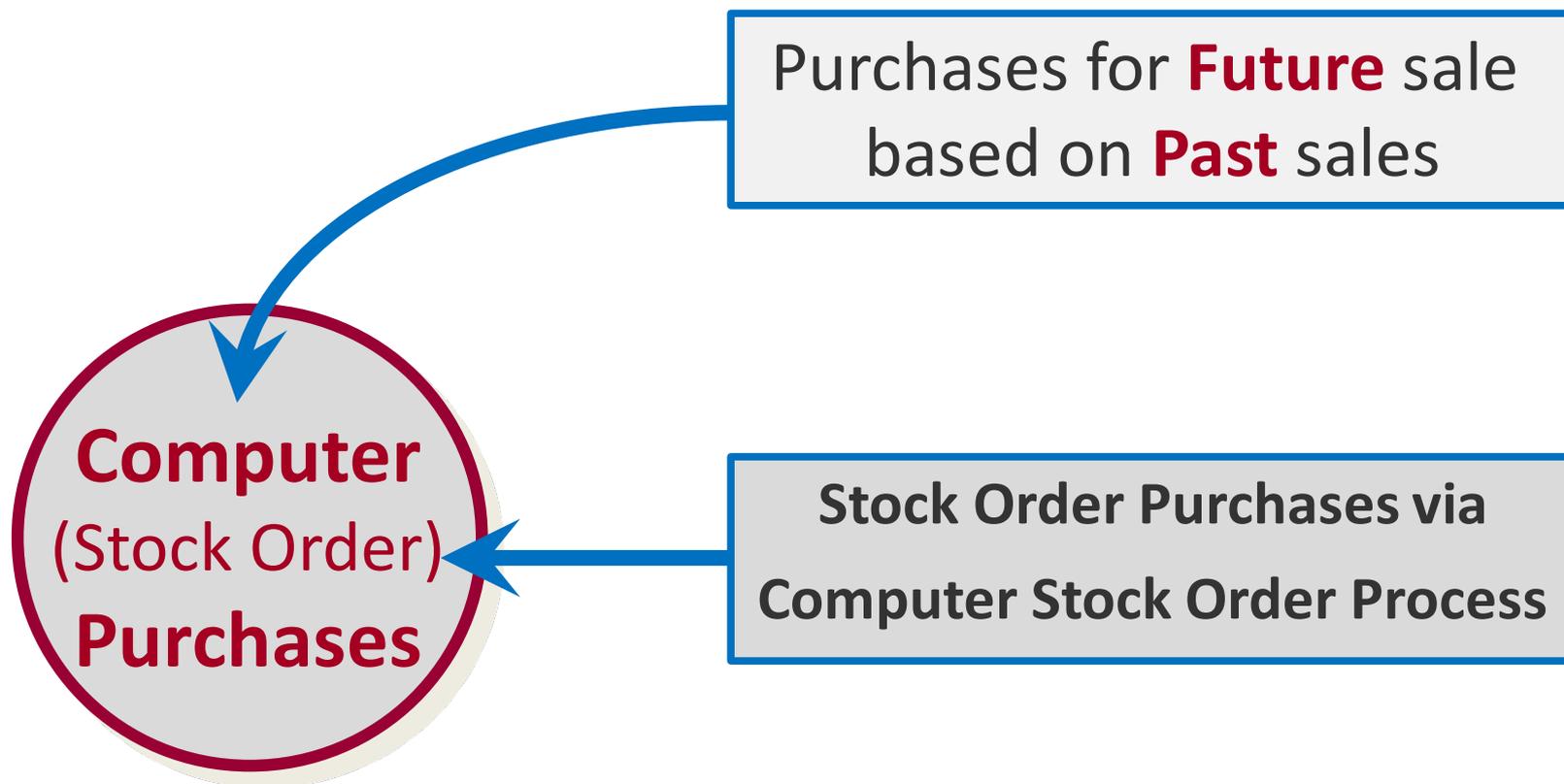
2. Support Your Service Department
3. Accessories, Tires, Wholesale
4. “Tie-Breakers
5. Staff Motivators



In terms of **Buying** parts
There are only **TWO** categories of parts:

Stock Status
and
Non-Stock Status

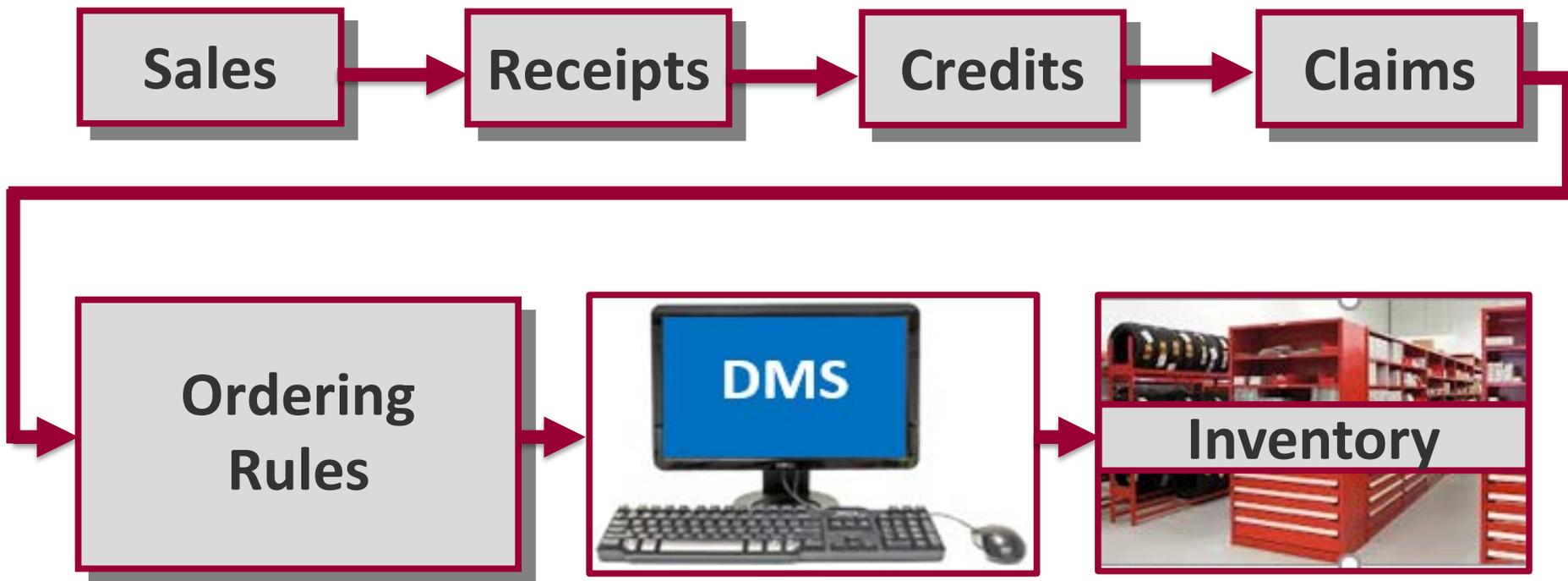
Stock Status Parts



Stock Status Parts

Parts suggested for order by the computer

The parts manager manages the computer



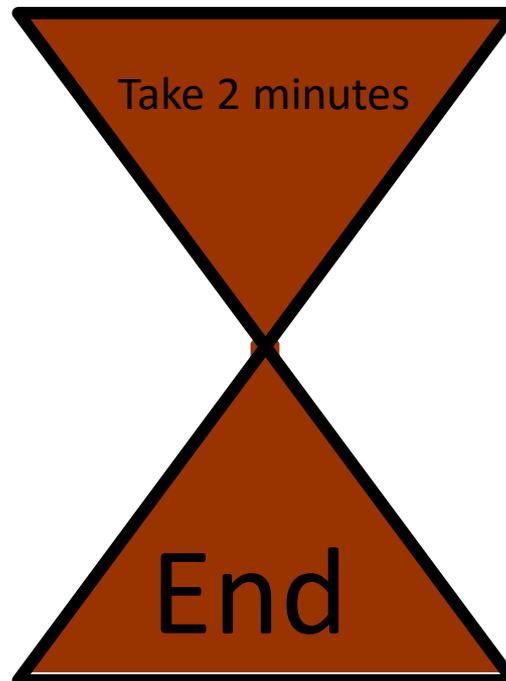
We Need Some Parts Manager Help Here!

**Many Parts Managers think it is OK to
get the part by tomorrow!**



Retention Opportunity: Stock Status Parts

What things can we change or improve with our ordering and stocking process that will promote retention by stocking the correct part?



Retention Opportunity: Stock Status Parts

- Add all parts to your computer system
- Track Lost Sales every day to insure accuracy
- Monitor Manufacturer controlled inventories for proper stocking and check the system breadth/depth parameters
- Get rid of obsolete parts and Utilize Manufacturer Return Programs
- Consider advanced stocking techniques

Non-Stock Status Parts

Purchases for **Immediate** sale
NOT to be placed into inventory

“People”
(Special Order)
Purchases

Special-Order Parts ordered by
“People”

Non-Stock Status Parts

Parts Purchased via the Special-Order Process

- Part number and quantity **generated by people** (special order requests)
- Part does **not** meet stock status ordering criteria (minimum phase-in not achieved, best stocking level does not apply)
- Purchased for immediate sale
- Based on current demand

Retention Opportunity: Non-Stock Status Parts

- Many Opportunities for Failure!
- Retention Opportunity with proper Special Order Processes
- Order the correct part with contingencies for failure
- Deposits / Pre-pay for special order parts?
- Manufacturers aiding retention with return programs for special order parts

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Retention Opportunity by Supporting Service

What things can we change or improve in the parts department that will help better support the service department? Then better customer retention!

End



Retention Opportunity by Supporting Service

Stock the right parts and enough of them

Did you Know?

- There is a significant increase in closing additional work during the inspection process if the vehicle is actually on the lift.
- If the vehicle is in the air, you will see an average of **56%** closing rate compared to the typical **37%**
- That is lost if we don't have the part!



Source: J.D. Power and Associates proprietary mystery shopping programs

Retention Opportunity by Supporting Service

- Stock the right parts and enough of them
- Contribute to Competitive Service Menus
- Aggressive pricing for Batteries, Brakes, and Filters

Competitive Maintenance Pricing

Summary*--non Dealer

Competitor	Lube, Oil & Filter	Rotate Front/Rear Tires	Balance Front/Rear Tires	Align Front End	Complete Wheel Alignment	Service A/C	Replace Front Disc Pads
Totals							
Avg. Price							
My Dealership							

*Includes parts and labor

Retention Opportunity by Supporting Service

- Stock the right parts and enough of them
- Contribute to Competitive Service Menus
- Aggressive pricing for Batteries, Brakes, and Filters
- Pre-print pick tickets and deliver parts if possible
- Proper staffing at the counter with trained employees
- Commit to same hours as service

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SERVICE HOURS**
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Retention Opportunity: Accessories

- **Pricing** – Match the price from your manufacturer!
- **Accessorize** In-Stock Vehicles
- Consider creating accessory **packages**
- Have an accessories **advocate**
- Accessory / **apparel boutique** to showcase products





INFORMATION
CENTER



Retention Opportunity: Tires

- Carry **enough** stock!
- Good, better, best **options**
- Be able to quote quickly and **accurately**
- Aggressive **pricing**
- Make sure tires are offered **every time**

Retention Opportunity: Wholesale

- **Price** isn't everything
- Begin your sales strategy with the **closest** businesses to your location
- Every sale is important. Today's freeze plug is tomorrow's engine
- Offer something of "**value**" that competitors will have difficulty **matching**

EXAMPLES

Retention Opportunity: Added Value-Wholesale

- Answer the phone like a **professional**
- Manage the phones and Take orders efficiently
- Return calls ASAP but always in less than 2 hours
- Create a system for taking orders that allows you to **track** them and keeps you **organized**
- When creating an invoice, input all the data a shop can use. Example: Ordering person, vin#, RO#, PO#, make, model, etc.

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Tie Breaker

What is needed in this situation?



Retention Strategy: Tie Breakers

Tie Breakers are the **Leading Activities** and **Competitive Advantages** you can create to **identify** and **differentiate** your dealership in your parts-marketplace.

Tie Breaker

Retention Opportunity: Tie-Breakers

- Parts “buy-in” example – Winter Tires
- Service “buy-in” example – Free oil changes
- Keep in contact with your customers / Promotions
- Online parts catalogue with pricing / availability
- No pressure approach
- Great phone skills/ return calls

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Retention Opportunity: Staff Motivators

- Parts pay plans are the most unchanged over the years and are generally NOT motivating
- Some Dealers tie parts pay to hours sold in the shop
- Consider specific motivators and spiffs
- Formal training on phone skills and internal process
- Non-pay plan compensation

**Don't count on the tide to
keep floating your boat!**



**Steer your boat with leading activities to arrive
at your desired destination**

Questions ?

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