

Maximizing Post-Sale Profits

Using Technology to Grow Parts Revenue

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Agenda

- Personal Bio
- Customer Lifetime Value Introduction
- Strategies for Maximizing Lifetime Value via Technology
- Spotlight on Slow Moving Inventory
- Strategies for Liquidating Slow Moving Inventory via Technology
- Takeaways



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Personal Bio

- Vice President of Product Management @ ARI Network Services
- BA in Web & Digital Media Development from University of Wisconsin
- MBA with emphasis in Marketing from University of Wisconsin
- Web design & development
- Life-long motorcycle enthusiast

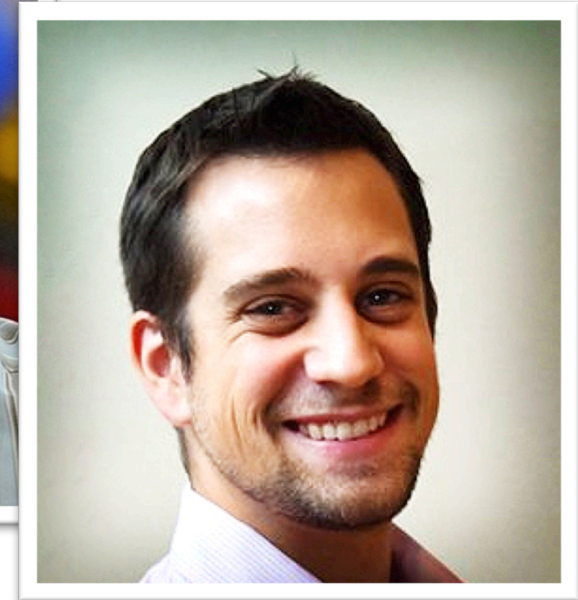


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Personal Bio

I am the foremost Aaron Rogers lookalike in Wisconsin...and fan.



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Customer Lifetime Value Intro (CLTV)

Definition:

A predictive measure that forecasts the future revenues and value of customers, viewing customers as an assets that will bring future value to your business.

Simply Put:

Total Revenue Generated Per Customer Over Lifetime – Cost to Acquire Customer

Basic Equation:

*(Average Value per Visit/Purchase * Average Number of Visits/Purchases per Year) * (Average Customer Lifetime in Years)*



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Customer Lifetime Value Intro (CLTV)

Sources of Revenue Over Customer Lifetime

- ☒ Unit Sale
- ☒ Financing
- ☒ Extended Warranty
- ☒ Service
- ☒ Replacement Parts
- ☒ Aftermarket Parts, Garments, and Accessories
- ☒ Referrals

Customer Lifetime Value Intro (CLTV)

Illustrative Example - My Lifetime Value Deconstructed

Initial Unit Purchase: H-D Nightster

+ 1st Gear Purchase: Helmet, Jacket

+ Recurring Annual Spring Service

+ 1st Accessories Purchase: Aftermarket Air

Intake, Aftermarket Exhaust, Fuel Management Module

+ 2nd Gear Purchase: Boots, Gloves

+ 2nd Accessories Purchase: Drag bar, Forward Controls

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Customer Lifetime Value Intro (CLTV)

What is the benefit of measuring CLTV?

- Provides guidance for influencing customer behavior to increase their lifetime value – via increased average order value AND order frequency
- Provides insights for optimizing customer acquisition costs and budgeting



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Customer Lifetime Value Intro (CLTV)

CLTV Principal #1

It costs more to acquire a new customer than to increase revenue from an existing customer

***Bonus Accelerator: Happy customers generate zero cost referral customers*



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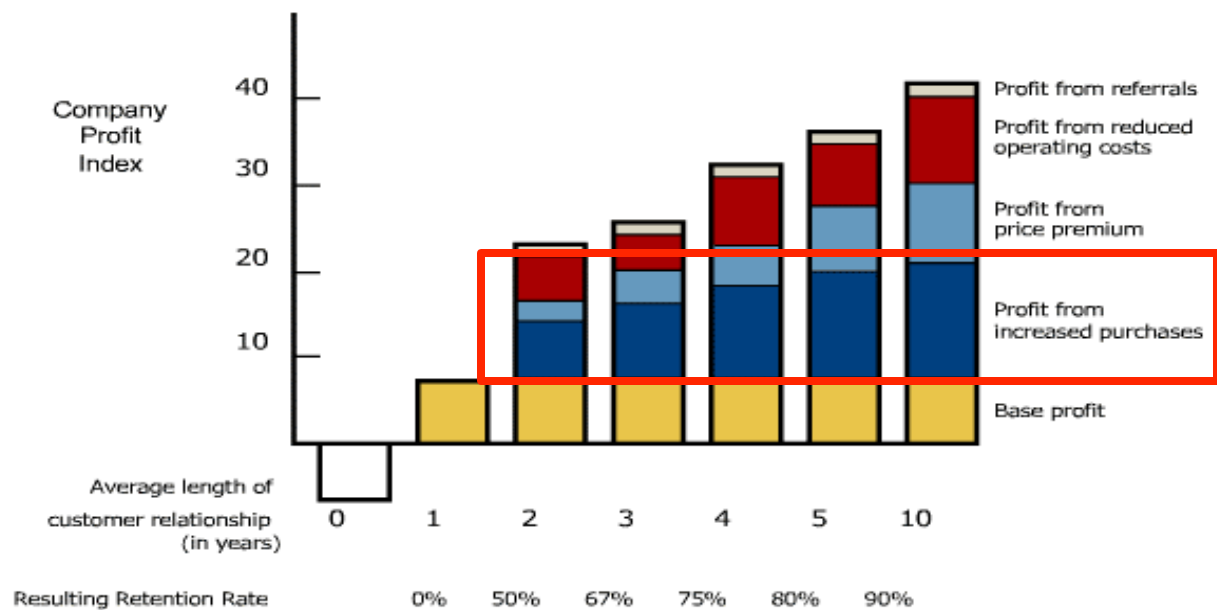
Customer Lifetime Value Intro (CLTV)

CLTV Principal #2

The longer a customer
generate, becoming

Figure A:

The Impact of Customer Retention on Profits





Source: Adapted and reprinted by permission of Harvard Business Review. From "Zero Defections: Quality Comes to Services" by Frederick F. Reichheld and W. Earl Sasser, September-October 1990. Copyright © 1990 by the Harvard Business School Publishing Corporation; all rights reserved.

Customer Lifetime Value Intro (CLTV)

The Goal

Maximize CLTV by increasing average ticket value AND purchase frequency over lifetime.

-  Parts & Accessories are key repeat purchase and service drivers over life of the customer
-  Upgrade parts yield higher profit margin and increase the overall customer's satisfaction and experience with the unit



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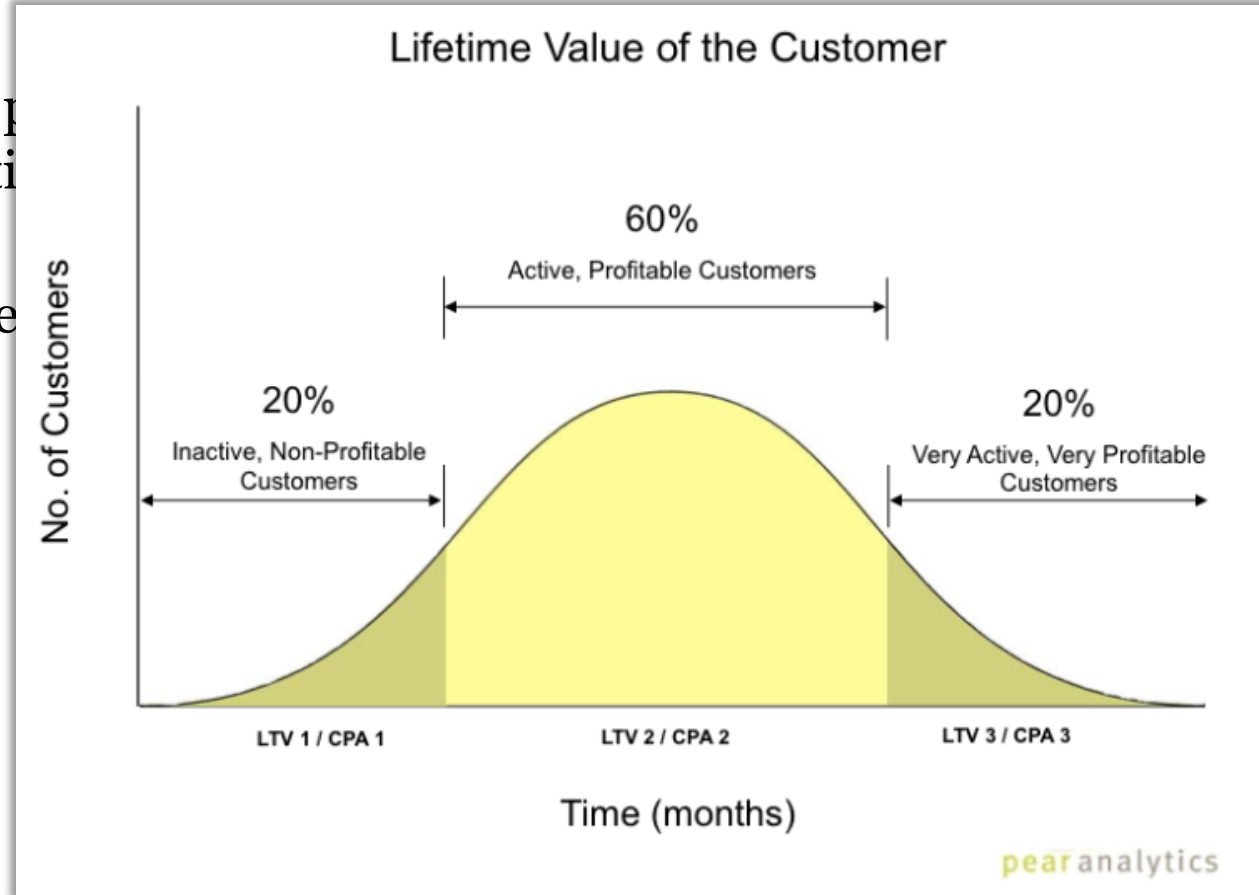
Customer Lifetime Value Intro (CLTV)

Metrics to Measure

 What is your average revenue per customer per year?


 How many unique customers complete a purchase?

 What is the average customer lifetime?




Customer Lifetime Value Intro (CLTV)

Extended Information & Tool



Customer Lifetime Value Calculator



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Intro
Conceptual Overview
Sample Problem
Tool
GLOSSARY | PRINT

Inputs Reset Inputs ▾

Average Spend per Purchase: \$	250.00	Average Gross Margin:	40	%
Average Number of Purchases per Year:	4	Average Customer Retention Rate:	65	%
Direct Marketing Costs per Customer per Year: \$	9.60	Annual Discount Rate:	10	%

Average Contribution before Mailing Costs per Customer per Year \$ 100.00

One-time Acquisition Cost per Customer \$ 480.00

Average Contribution per Purchase \$ 100.00

Grid
 Chart

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenue per Customer		\$400	\$400	\$400	\$400	\$400	\$400
One-time Acquisition Cost	-\$480						
Mailing Cost		-\$9.60	-\$9.60	-\$9.60	-\$9.60	-\$9.60	-\$9.60
Profit per Customer in Year	-\$480	\$390	\$390	\$390	\$390	\$390	\$390
Expected Present Value in Year	-\$480	\$355	\$210	\$124	\$73	\$43	\$26
Cumulative Net Present Value	-\$480	-\$125	\$85	\$209	\$282	\$325	\$351
Cumulative Retention Rate	100.0%	100.0%	65.0%	42.3%	27.5%	17.9%	11.6%
Cumulative Discount Rate	100.0%	90.9%	82.6%	75.1%	68.3%	62.1%	56.4%

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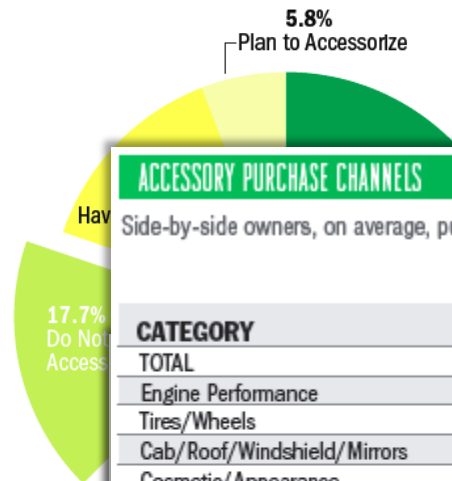


<http://hbsp.harvard.edu/multimedia/flashtools/cltv/index.html>

Strategies for Maximizing Lifetime Value Using Technology

Increase Average Order Value via cross-sells

Accessorization Plans



ACCESSORY PURCHASE CHANNELS

Side-by-side owners, on average, purchase \$1,703 in accessories for their vehicles.

CATEGORY	AVERAGE SPEND	% PURCHASED	ESTIMATED TOTAL SPEND
TOTAL	\$1,703	93%	\$871 million
Engine Performance	\$526	32%	\$92 million
Tires/Wheels	\$495	51%	\$139 million
Cab/Roof/Windshield/Mirrors	\$434	80%	\$190 million
Cosmetic/Appearance	\$364	31%	\$62 million
Suspension/Handling Performance	\$347	36%	\$69 million
Vehicle Protection	\$345	52%	\$98 million
Towing/Winch/Tools	\$324	73%	\$129 million
Safety/Security/Comfort	\$309	59%	\$101 million
Lighting/Electronics	\$209	58%	\$66 million
Storage/Cargo	\$203	55%	\$62 million






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Strategies for Maximizing Lifetime Value Using Technology

Increase Average Order Value via cross-sells

-  During new unit sales process
-  During service
-  During replacement part sales



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Strategies for Maximizing Lifetime Value Using Technology

Provide shoppers and staff with convenient accessory browsing tools

Offer This:

The screenshot displays the ACCESSORYSMART by ARI website interface. The top navigation bar includes the logo and user information: "Welcome Brad Smith | Logout | Settings | Help | Support: 866-880-1615". The breadcrumb trail reads: "Street > Brake > Brake Pads/Shoes > Double-H Sintered Brake Pads". Below the breadcrumb is a search bar with the text "Search for Brands, Products, etc." and a "Search" button. The main product area features a large image of the brake pads, a "Zoom In" button, and a "Print Brochure" button. The product title is "EBC Double-H Sintered Brake Pads - Rear" with an MSRP of "\$38.95" and MFG # "FA63HH". A "Select Part by Fitment" dropdown menu is set to "2001 SUZUKI SV650". Below this, a "Select Option" dropdown is set to "Double-H Sintered Brake Pads - Rear - FA63HH". There are buttons for "Store", "TR", "PU", "WPS", and "SMS", and a "Select Quantity" field set to "1". An "Add to Picklist" button is also present. The page includes tabs for "Product Description", "Catalog Info", "Fitment Notes", "Notes", and "Availability". A section titled "This Part (FA63HH) Fits the Following Units" lists compatible units, including "Suzuki".



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Strategies for Maximizing Lifetime Value Using Technology

Provide shoppers and staff with convenient accessory browsing tools

Not This:

EBC BRAKES						
BRAKE PADS AND SHOES (CONT)						
BRAKE PAD CROSS-REFERENCE CHART (CONT)						
	EBC PAD #	"X" SPORT CARBON PAD #	"X" SINTERED METAL PAD #	"MXS" RACE SINTERED PAD #	HH+ SPORT SINTERED METAL PAD	"EP" RACE SINTERED PAD #
EXHAUST						
LOGS & ACCESSORIES	135	FA135X	FA135R	MXS135	-	-
	142	FA142 ¹	-	-	FA142HH	-
	147	1721-0204	-	-	-	-
HANDLEBARS & CONTROLS	152	FA152X	FA152R	MXS152	-	-
	152/2	FA152/2X	FA152/2R	MXS152/2	-	-
	157	1721-0205	-	-	-	-
	158	FA158 ¹	-	-	FA158HH	1721-0843
	172	1721-0207	1721-0208	-	-	-
FOOT CONTROLS	174	FA174 ¹	-	-	FA174HH	-
	181	FA181X	FA181R	MXS181	1721-0939	1721-0844
	185	FA185X	FA185R	MXS185	-	1721-0845
	208	FA208X	FA208R	MXS208	-	1721-0848
	215	-	-	-	1721-0651	-
BODY	215	FA215 ¹	-	-	FA215HH	-
	215/2	FA215/2 ¹	-	-	FA215/2HH	-
	229	FA229 ¹	-	-	FA229HH	1721-0849
GRAPHICS & SEATS	230	FA230X	FA230R	-	-	-
	231	FA231 ¹	-	-	FA231HH	-
	244	FA244 ¹	-	-	FA244HH	1721-0851 or 1721-1334 ¹
	258	FA258X	FA258R	-	-	-
	269	1720-0259	-	-	-	-
SPROCKETS	275	FA275 ¹	-	-	FA275HH	-
	282	-	1721-0212	-	-	-
	291	1720-0015 ¹	-	-	-	-
	302	1721-0188	1721-0595	-	-	-
	303	1722-0647	-	-	-	-
CHAINS	305	-	1721-0596	-	-	-
	325	1722-0601	FA325R	-	-	-
	337	FA337X	FA337R	-	-	-
	346	FA346X	FA346R	MXS346	-	1721-0859
	351	1722-0141	-	-	-	-
BRAKES	352	FA352	-	-	-	-
	355	1720-0016 ¹	-	-	-	-
	357	FA357X	FA357R	-	-	-
	367	FA367X	FA367R	MXS367	-	1721-0861
	368	1721-0190	1721-0599	1721-0191	-	1721-0862
WHEELS & ACCESSORIES	401	1721-0468	1721-0469	-	-	-
	405	-	-	1721-1221	1721-1211	-
	419	1722-0296 ¹	-	-	-	-
	433/4	-	-	-	1721-0794 or 1721-1226	-
	447	-	-	-	1721-1010	-
SUSPENSION	450	1722-0161	1721-0799	1721-0800	-	1721-0877
	602	1720-0254	1721-1509	-	-	-
	612	1720-0255	1721-1512	-	-	-
	629	-	1721-1747	-	1721-1748	-




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¹ Organic brake pad compound. ² GPFA race pad compound.

Strategies for Maximizing Lifetime Value Using Technology

Increase customer order frequency

-  Via targeted direct marketing
 - Track and document customer unit ownership in CRM
 - Develop seasonal targeted marketing programs with unit-specific service and product promotions

-  Via 24/7 online and mobile product research and purchase tools
 - Provide DIY customers with on-demand fitment-based parts lookup
 - Connect and display product inventory availability in store and at suppliers
 - Deliver mobile and tablet research tools where and when customers need them



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Spotlight on slow-moving inventory

Slow-moving inventory drives cost in many ways

- ü Capital costs
- ü Inventory management costs
- ü Storage costs
- ü Damage/loss cost
- ü Opportunity costs



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Spotlight on slow-moving inventory

- How often do you end up stuck with a part that was purchased and attempted to be installed, only to ultimately be returned to you with opened packaging and potentially even some visual wear?
- What do you do with those parts?



Strategies for Liquidating Slow-Moving Inventory via Technology

⚙️ This Part (FA63HH) Fits the Following Units

Expand All

- Suzuki**
- 2008
 - GS500F
- 2007
 - GS500F
 - GSX1300R Hayabusa
- 2006
 - GS500F
 - GSX1300R Hayabusa
 - GSX1300R Hayabusa Limited Edition
 - GSX750F Katana
- 2005
 - GS500F
 - GSF1200S Bandit
 - GSX1300R Hayabusa
 - GSX750F Katana
- 2004
 - GS500F
 - GSF1200S Bandit
 - GSX1300R Hayabusa
 - GSX750F Katana
- 2003
 - GSF1200S Bandit
 - GSF600S Bandit
 - GSX-R600
 - GSX-R750
 - GSX1300R Hayabusa
 - GSX750F Katana
 - TL1000R
- 2002
 - GS500
 - GSF1200S Bandit
 - GSF600S Bandit
 - GSX-R600

“Reverse lookup
g OEM and
sed insights”

Part Search Criteria

Begins with
 Contains

Part Number:
 and/or
 Description:
 within
 Model Name (optional):

Search Results -- OEM: Yamaha

Criteria: Part Number Contains '1D9-W0046-00-00';

Part 1D9-W0046-00-00 (BRAKE PAD KIT 2)

1 result found

Part Number *	Description	Options
1D9-W0046-00-00	BRAKE PAD KIT 2	

Where Used:

- GRIZZLY 400 - YFM4FGW - 2007-->REAR BRAKE CALIPER
- GRIZZLY 400 HUNTER - YFM4FGHW - 2007-->REAR BRAKE CALIPER
- GRIZZLY 450 - YFM45FGW - 2007-->REAR BRAKE CALIPER
- GRIZZLY 450 HUNTER - YFM45FGHW - 2007-->REAR BRAKE CALIPER
- GRIZZLY 450 OUTDOORSMAN EDITION - YFM45FGOHV - 2007-->REAR BRAKE CALIPER
- GRIZZLY 450 SPECIAL SILVER EDITION - YFM45FGW-C - 2007-->REAR BRAKE CALIPER
- GRIZZLY 450 SPECIAL SILVER EDITION - YFM45FGSEW - 2007-->REAR BRAKE CALIPER
- KODIAK 400 4WD - YFM4FAT - 2005-->REAR BRAKE CALIPER
- KODIAK 400 4WD HUNTER - YFM4FAHT - 2005-->REAR BRAKE CALIPER
- KODIAK 400 4WD HUNTER - YFM4FAHV - 2006-->REAR BRAKE CALIPER
- KODIAK 400 4WD HUNTER - YFM4FAV - 2006-->REAR BRAKE CALIPER
- KODIAK 450 4WD - YFM45FAT - 2005-->REAR BRAKE CALIPER
- KODIAK 450 4WD - YFM45FAV - 2006-->REAR BRAKE CALIPER
- KODIAK 450 4WD BLACK-CARBON - YFM45FASET - 2005-->REAR BRAKE CALIPER
- KODIAK 450 4WD HUNTER - YFM45FAHT - 2005-->REAR BRAKE CALIPER
- KODIAK 450 4WD HUNTER OUTDOORSMAN - YFM45FABGG - 2006-->REAR BRAKE CALIPER
- KODIAK 450 4WD HUNTER OUTDOORSMAN - YFM45FABGH - 2006-->REAR BRAKE CALIPER
- KODIAK 450 4WD HUNTER_OUTDOORSMAN - YFM45FAHV - 2006-->REAR BRAKE CALIPER
- KODIAK 450 4WD SPECIAL EDITION - YFM45FASEV - 2006-->REAR BRAKE CALIPER

Strategies for Liquidating Slow-Moving Inventory via Technology

- Utilize

CL milwaukee > for sale / wanted

motorcycle exhaust

titles only save alert

for sale / wanted

- motorcycles/scooters 58
- motorcycle parts 16
- cars + trucks 8
- auto parts 5
- atvs / utvs / snowmobiles 4

+ show 36 more 6

^ deselect all

all owner only dealer only

has image

posted today

min price max price

make / model

min year max year

min odome max odome

- + paint color
- + size
- + type
- + drive
- + fuel
- + transmission
- + title status
- + cylinders

\$120

\$100

\$8000

\$40

Oct 10 Ducati exhaust motorcycle \$120 (Milwaukee) - by owner

Sep 22 exhaust for motorcycle (milwaukee) motorcycle

UP TO 80% OFF!

CLOSEOUT

GEAR & APPAREL

NO COUPONS NEEDED, DISCOUNTS ALREADY REFLECTED IN ADVERTISED PRICES



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Takeaways

Focus on and track customer lifetime value

- ☒ Average Order Frequency per Customer
- ☒ Average Order Value
- ☒ Utilize eCatalog fitment insights to target customers to maximize both

Don't let slow-moving inventory eat into your profits

- ☒ Utilize where-used fitment insights to drive inventory liquidation tactics



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