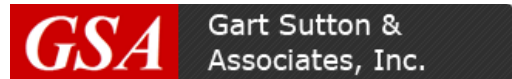# MAXIMIZING SALES & PROFITS IN PG&A

Focus: Proper staffing; accurate inventory; reduced obsolescence

Presented by: STEVE JONES

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GSA Gart Sutton & Associates, Inc.

The industry's #1 authority on dealer profitability!

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Dealers!

Welcome!

- Who is GSA?

- Who is Steve Jones?

- *Take notes!*

What will we discuss?

- *Key PG&A department measurements*

- *Hiring & training the Right People*

- *Getting a grip on inventory management*

- *Controlling obsolescence*

Measure to Manage

- Why?
    - *How do you know if your business is healthy?*
    - *Road signs: Where do you want to go?*
    - *Set goals & hold people accountable!*
        - *Management 101*

The Numbers

Through August 2014	Top Metric Dlrs	Metric National Norm	HD National Norm
Total PG&A Gross Profit PVS	$1,070	$853	$1,530
Parts Margin %	39.4%	36.2%	34.7%
Accessories Margin %	35.1%	32.1%	30.1%
Apparel Margin %	37.3%	34.9%	40.5%
Personnel Exp as a % of DGP$	26.2%	29.6%	28.4%
Parts Inventory Turn	6.5	4.2	2.7
Accessory Inventory Turn	3.0	2.6	1.8
Average Cust-Facing Staff YTD	6.5	6.2	10.4
Gross Profit $ per Employee	90,170	72,501	79,889
Lines / Ticket	2.2	1.98	2.14

Hire the Right People

- What positions do you have in the PG&A department?
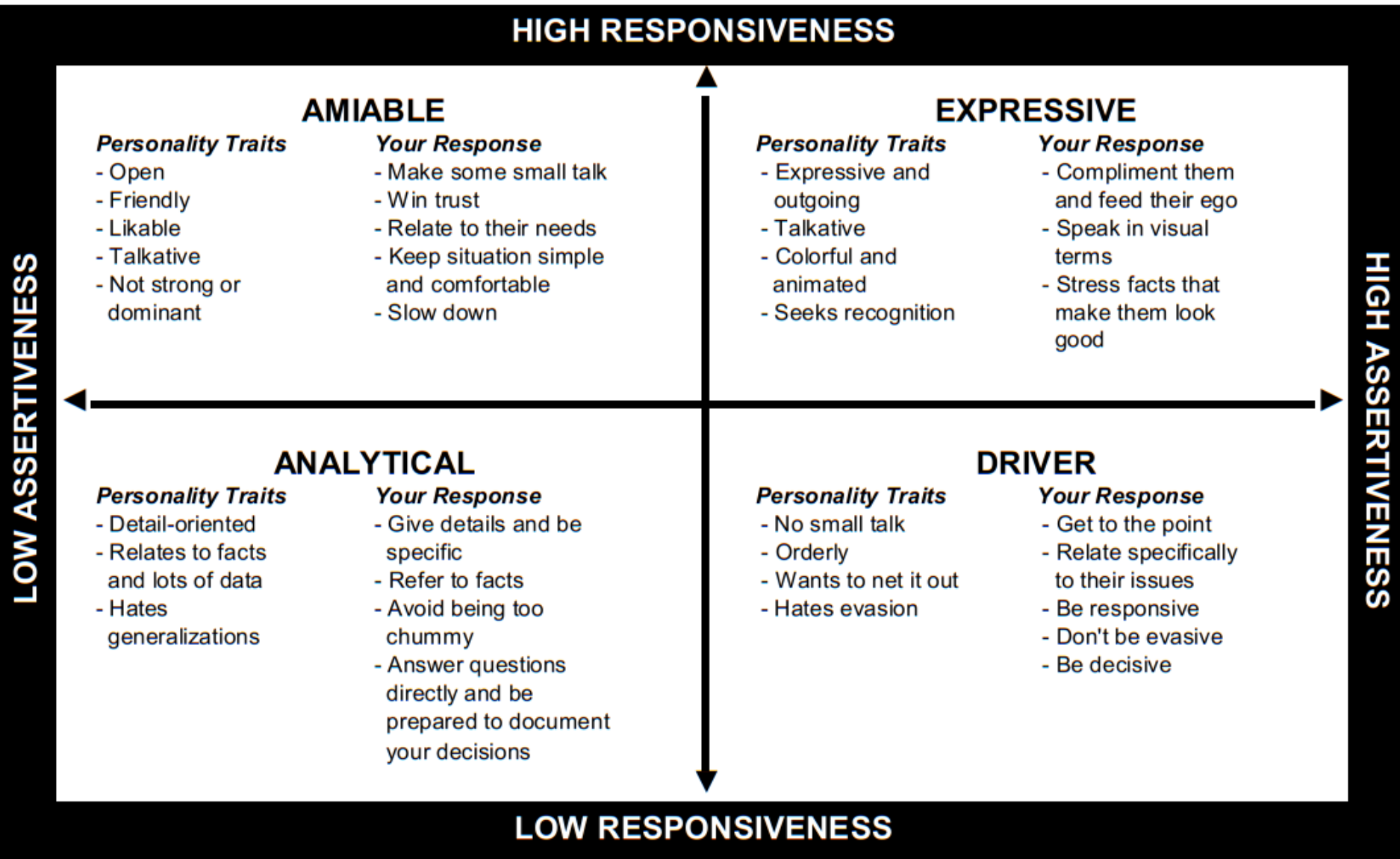
- When do you begin looking for candidates?

Hire the Right People

- What should you look for?
  - **A, A & T**

- Different positions tend to have different behavioral styles.

How to Identify & Respond to Different Behavioral Styles

HIGH RESPONSIVENESS

LOW ASSERTIVENESS

HIGH ASSERTIVENESS

AMIABLE

Personality Traits
- Open
- Friendly
- Likable
- Talkative
- Not strong or dominant

Your Response
- Make some small talk
- Win trust
- Relate to their needs
- Keep situation simple and comfortable
- Slow down

EXPRESSIVE

Personality Traits
- Expressive and outgoing
- Talkative
- Colorful and animated
- Seeks recognition

Your Response
- Compliment them and feed their ego
- Speak in visual terms
- Stress facts that make them look good

ANALYTICAL

Personality Traits
- Detail-oriented
- Relates to facts and lots of data
- Hates generalizations

Your Response
- Give details and be specific
- Refer to facts
- Avoid being too chummy
- Answer questions directly and be prepared to document your decisions

DRIVER

Personality Traits
- No small talk
- Orderly
- Wants to net it out
- Hates evasion

Your Response
- Get to the point
- Relate specifically to their issues
- Be responsive
- Don't be evasive
- Be decisive

LOW RESPONSIVENESS

Training the Right People

- What training should be provided for:

    ü All customer-facing staff
    - o *Product F&B*
    - o *Sales Process*
    - o *Customer service*

Training the Right People

- What training should be provided for:

  ü Manager(s)
  - o *Management*
  - o *Customer service*

Training the Right People

ü Clothing/accessories specialist
- o *Product F&B*
- o *Display & merchandising*
- o *Proper fitment*

Training the Right People

ü Shipping/receiving person
- o Inventory management
- o Service operations

Get a Grip
Take Control of Your Inventory

- Why?
  - *Highest potential for gross profit*
  - *Ties up huge amounts of capital*
  - *High potential for loss*
    - *Shrinkage & obsolescence*

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Cycle-Counting

- What is it?
  - *Counting a small portion of inventory every day*

Cycle-Counting

- Why do it?
    - *Reduced shrinkage*
    - *Improved inventory accuracy, which results in increased customer satisfaction*
    - *Eliminates year-end counting "scramble"*

Cycle-Counting

- How do you do it?
  - *Parts manager prints a "random" page of PG&A numbers every morning (no quantities)*
  - *Anyone with free time during the day can count*
  - *If they finish early, print another list*

  Start as soon as you get back!

Bin Locations

- What are they?

Bin Locations

- Why make the effort to set them up?
  - *Easier cycle-counting*
  - *No need to follow part number sequence*
  - *Free-up space: Tall parts on tall shelves; multi-drawer cabinets for all small parts & file cabinets for gaskets & cables*

Bin Locations

▫ *Improve efficiency: Move your fast-moving parts closer to the counter to reduce steps/time*

Monitor number of turns *(cost of inventory sold in a year ÷ average 12-month inventory at cost).*

OBS

- What is OBS?

- What's the issue with OBS?
  - *Ties up cash that could be making you money*
  - *Takes up valuable space*
  - *Doesn't increase in value*

Get Control of OBS

- What percentage of your total inventory dollars is tied up in OBS?
  - *Run the OBS report ASAP!*

Get Control of OBS

▫ *NOTE: The standard LightSpeed obsolescence report, "xx Months No Sale"* <u>*will ignore any item in inventory that has NEVER sold*</u> *(Last Date of Sale = 'blank').*

▫ *To pull the data correctly, set the parameters to show 'date last received' and 'date last sold' for one year ago.*

Minimize OBS

- How do you fix it?
  1. Run slow movers reports monthly
     - *6 months with no sale – account for seasonality*
  2. Run OBS reports monthly
  3. Get rid of OBS ASAP!
     - *Use the "3 Ds"*

The 3 Ds

1. **<u>Discount</u>** it to market value and sell it
   - What is "Market Value?"

   Turn it into cash and buy stuff that sells!

The 3 Ds

2. <u>**Donate**</u> it to charities and organizations

- *You all have lots of people who keep asking...*
- *Shelters, coats for kids, fund-raisers, etc.*
- *Hard parts to small engine classes*
- *Take the write-off*

The 3 Ds

3. <u>Dumpster</u> it

- *Recycle metal and aluminum.*
- *Get it out of inventory and take the write-down.*

Open-to-Buy

- What is OTB & why do I care?
  - *According to "Business Know-How," it's a financial budget for retail merchandise.*
  - *Open-to-Buy is what's left in the budget that can be spent in a specified category.*

Open-to-Buy – Simple Example

	TOTAL INV	OE PARTS	CLOTHING	ACCESS.
Max Inventory Level	**246,000.00**	**74,000.00**	**62,000.00**	**110,000.00**
Current Value	225,000.00	67,000.00	58,000.00	100,000.00
Add On–Order Value	15,500.00	4,500.00	5,000.00	6,000.00
Projected Value	240,500.00	71,500.00	63,000.00	106,000.00
Open to Buy	5,500.00	2,500.00	–1,000.00	4,000.00

Open-to-Buy (OTB)

- *OTB helps you determine what to stock & when, which increases turns & <u>profits</u>.*

OTB

- What is involved in developing and maintaining an Open-to-Buy system?
  - *Must have categorized your inventory!*
  - *Requires considerable planning*
  - *DP must be involved in the overall budget*

OTB

- *Take seasonality into account*
- *Always a work-in-progress*
- *Purchases can't be made in a given category if there is no budget left*
- *Something has to be sold to have Open-to-Buy*

DESCRIPTION	INVENTORY	BUDGET	OPEN TO BUY	MNS 6	MNS 12
OE Hard Parts	83623.00	77435.00	-6188.00	30431.79	20956.25
Dealer Accessories					
Accessories - UTV	6734.00	6340.00	-394.00	1399.00	1102.00
Accessories - ATV	12232.00	14000.00	1768.00	1873.00	1254.00
Accessories - M/C	11187.00	10878.00	-309.00	4980.00	1721.00
Lubricants & Maintenance Products	11342.00	12345.00	1003.00	2342.00	1342.00
Batteries	13983.00	12343.00	-1640.00	4304.00	1823.00
Tires	7745.00	8340.00	595.00	2091.00	630.00
Total Accessories	**63223.00**	**64246.00**	**1023.00**	**16989.00**	**7872.00**
Total Parts & Accessories	**146846.00**	**141681.00**	**-5165.00**	**47420.79**	**28828.25**
Apparel					
Helmets	12345.00	11340.00	-1005.00	3301.00	2600.00
Gloves & Eye Protection	5353.00	5870.00	517.00	1089.00	405.00
Riding Gear - Coats	10035.00	11042.00	1007.00	4890.00	2400.00
Riding Gear - Pants	8834.00	9010.00	176.00	2780.00	2008.00
Riding Gear - Boots	11020.00	6324.00	-4696.00	7890.00	5673.00
Other non-leather apparel	12900.00	13200.00	300.00	3101.00	1008.00
Leather apparel	10892.00	7546.00	-3346.00	7454.00	5022.00
Total Apparel	**71379.00**	**64332.00**	**-7047.00**	**30505.00**	**19116.00**
Total Parts & Acc & Apparel	**218225.00**	**206013.00**	**-12212.00**	**77925.79**	**47944.25**

Thank you!

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