

A PUBLICATION OF c-SYSTEMS SOFTWARE, INC.

A Dealer's Guide to
COST ANALYSIS



How to Analyze Costs and Increase Revenue

Table of Contents

1

Introduction

2

Pricing Controls

3

Inventory Control

4

Wholegoods Management

5

Billing & Labor Efficiency

6

Time Management

7

Totals

9

Conclusion

INTRODUCTION



Effective inventory management and profitable pricing controls are marks of a successful business.

As outlined in the topics below, we are going to provide distinct ways to help you analyze your business so you can increase margins and add to your company's revenue.

- Pricing Controls
- Inventory Control
- Wholegoods Management
- Billing & Labor Efficiency
- Time Management

Completion of this guide will help you target and address each of the outlined issues in order to provide increased efficiency, eliminate mistakes and maximize revenue. During this exercise, we will also discuss ways a business management system will help you address problem areas and automate processes that will improve your businesses profitability.

PRICING CONTROLS



Pricing errors or pricing that results in low profit margins occur for various reasons. This could include failure to update the store's pricebooks or price databases when manufacturers or vendors revise their prices. Do your existing price structures allow for an adequate margin to make a profit? Do you need to better manage or even curtail the practice of employees discounting from your established store prices?

Maintaining a profitable store pricing structure is a very complex issue for many dealers. It can be difficult to strike a balance that provides acceptable margins so the business stays profitable, yet still allows the business to be competitive while still satisfying its customers.

Nationally, dealers on the average, add between 20% - 25% to the manufacturers parts price lists to maintain acceptable profit margins.

For the purposes of this guide, we will be conservative and add only 10% to your manufacturers stated list prices.

YEARLY PARTS SALES (Counter and Shop) \$ _____

1) Yearly 10% Margin Increase \$ _____

INVENTORY CONTROL



If you are similar to most dealers, your parts inventory is a huge investment and ties up a considerable amount of your working capital.

A competent inventory control and purchasing system will help determine proper stocking levels and have methods of reporting that determine when to order stock.

Not only is it important to quickly identify your overstock and dead inventory, but once identified those items should be returned to the vendor, if allowed, or sold at a discount so you can invest in more profitable items.

On average, 30% of the inventory stocked by dealers is dead, duplicate, or excess stock. For this analysis we will use an inventory reduction of just 15%.

TOTAL INVENTORY INVESTMENT \$ _____

2) 15% Reduction \$ _____

WHOLEGOODS MANAGEMENT



Maintaining tight control on your wholegoods inventory will increase your margins by identifying those items that are eligible for early pay discounts. This will reduce your inventory carrying costs and minimize floor plan interest, ultimately reducing costs and saving you money.

Identify what products or groups of products are being sold. What manufacturer's lines or individual models provide the highest gross margin? Purchasing the correct products at the best possible price will increase your total margin.



For this analysis we will use a very conservative increase of only 1/2 of 1%.

YEARLY WHOLEGOODS SALES \$ _____

3) Yearly .5% increase in margin \$ _____

SHOP BILLING & LABOR



During audits, management consultants have stated that 20% of the time that is spent working on equipment is never billed to the customer.

Based upon these statistics, if your mechanic works 40 hours a week, you are losing 8 hours of revenue per mechanic, per week.

For this analysis, we will assume your mechanic works on 5 jobs per day. If we can increase his billing efficiency by a simple 5 minutes per job, this adds more than 2 hours of billable revenue to your bottom line per week, per mechanic.

NUMBER OF MECHANICS	_____
HOURLY LABOR RATE	\$ _____
WEEKLY TOTAL LABOR	\$ _____
WEEKLY INCREASE X2 HOURS	\$ _____
 4a) Yearly Total x 50 weeks	 \$ _____
 YEARLY NUMBER OF WORK ORDERS	 _____
BILLABLE SHOP SUPPLIES PER W/O	\$ _____
4b) Yearly Revenue Increase	\$ _____

TIME MANAGEMENT



TIME=MONEY!

Let's take a look at how your dealership is managing its time.

How many hours do you and your staff spend on the following tasks:

TASK	DAILY	WEEKLY	MONTHLY	ANNUALLY
Looking up Prices:	_____	_____	_____	_____
Tracking Customer Backorders:	_____	_____	_____	_____
Monthly Billings (statements):	_____	_____	_____	_____
Ordering Stocking Items:	_____	_____	_____	_____
Spring/Booking Orders:	_____	_____	_____	_____
Tracking Down Work Orders:	_____	_____	_____	_____
Filling out Warranty Claims:	_____	_____	_____	_____
Looking for Parts:	_____	_____	_____	_____
Searching for Customer: Serial Numbers/Make/Model	_____	_____	_____	_____
Tracking Serial Numbers for: Floor Plan/Finance Companies	_____	_____	_____	_____

YEARLY TIME SAVINGS _____ HOURS

SHOP RATE / EMPLOYEE COST \$ _____ PER HOUR

5) Yearly Revenue Increase / Decrease Cost \$ _____

TOTALS



Take a look at your totals from the previous pages and see how improving these areas can increase your revenues.

TOTAL LINE 1: Increased Revenue: Parts Sales \$ _____

TOTAL LINE 2: Decreased Costs: Inventory \$ _____

TOTAL LINE 3: Decreased Costs: Wholegoods \$ _____

TOTAL LINE 4a: Increased Revenue: Efficiency \$ _____

TOTAL LINE 4b: Increased Revenue: Billed Supplies \$ _____

TOTAL LINE 5: Increased Revenue: Time Savings \$ _____

YEARLY INCREASE \$ _____

Now that we've calculated how much money you could be saving every year, let's look at how c-Systems Software's Business Management Systems will help you achieve these savings.

BENEFITS OF A BUSINESS MANAGEMENT SYSTEM



In recent surveys, nearly 50% of dealers do not have a business management system or are using a non-industry specific accounting package.

With c-Systems' Infinity Business Management System, some of the benefits you will see include:

- **Increased Productivity** - Streamlined business processes allow your employees to accomplish more in less time.
- **Labor Costs** - Automating applications improves efficiency reducing the amount of man hours required for basic office functions
- **Financial Performance** - Accurate financial reporting can improve payments on your receivables and give a more accurate picture of your company's financial health.
- **Inventory Management** - Optimizing your company's inventory levels can reduce carrying costs, increase inventory turns, decrease the number of slow-moving products, and help remove obsolete/dead products.
- **Pricing** - Up to date manufacturer price databases help improve and maintain margins on your products or services.
- **Technology maintenance and support** - With constant updates and support you never have to worry about losing your data.
- **Automation** - Reduces the cost of doing business by automating tasks that previously had to be accomplished manually.



By c-Systems®



Infinity, by c-Systems Software, is the total solution for outdoor power equipment, agricultural, and power sports dealers. From small shops to multi-store corporations, we offer a scalable, comprehensive, user-friendly experience. Infinity is the preferred choice of more dealers than any other business system.

The Infinity Business Management System provides features to handle every aspect of your operation. Let us show you why Infinity is the ideal solution for you.

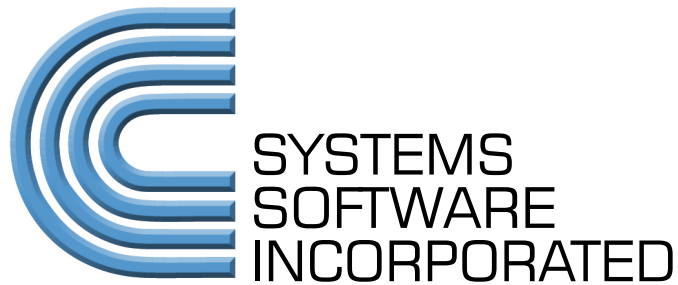
Here are just some of the features included with Infinity:

- Inventory Control
- Integrated Labor Flat Rates
- Warranty Claims Transmission & Tracking
- Product Registration Transmission for a Continually Growing List of Vendors & Distributors
- Electronic Purchase Order Transmission for Most Vendors
- Integration with Electronic Parts Catalogs
- Simple & Intuitive System Navigation
- View & Track Sales & Repair Order Status
- Extensive, On-Screen Sales & Management Reports
- Point of Sale & Shop Management
- Customer Relationship Management with Email & Text Messaging Options
- Floor Plan Management
- Credit & Debit Card Integration
- Website & Shopping Cart Integration
- Integrated Accounting with QuickBooks Interface
- Finance & Insurance
- Integrated Google™ Maps Feature for Delivery Services
- Global Spell-Checker
- Mobile Applications
- Equipment Rental

SCHEDULE A DEMO



If you are ready to take advantage of the benefits a modern business management system from c-Systems Software has to offer, click the sign up button below for a demonstration!



2201 Arlington Downs Road
Arlington, TX 76011