

CASE STUDY: Combining Parts Departments



The Challenge

Tallman Truck Centre of Kemptville, Ontario had been in business for more than 40 years when they purchased a competing dealership. "We had thousands of customers, parts and records and so did they. And there were a lot of crossover customers and parts," said Richard Shortt, Vice President of Operations for Tallman.

"Both firms were using the same ADP system, but with different pricing, matrix numbers and codes. There were multiple locations for both businesses. We needed to scrap both sets of pricing and create something new, yet retain some of the history and customer information. It seemed like an impossible task," Shortt recalled.

The Solution

Mr. Shortt called Keith Ely, Managing Partner of KEA Advisors, and described the situation. Tallman Truck Centre had worked with KEA Advisors before. Mr. Ely proposed that Tallman visit the KEA office for a week-long consultation. Tallman personnel included their Director of Parts, Ron McCabe, Controller, Debbie Munro, and Mr. Shortt. Keith Ely was the professional advisor from KEA working with the Tallman team.

The group collaborated in an intensive review, identifying similar customer types, parts applications, geographic considerations and critical customers to develop a pricing strategy. "At the end of the week we had a pricing strategy and ADP set-ups identified and built, a monthly reconciliation process, inventory and pricing management activities identified for the Tallman parts management team along with specific issues for Tallman personnel to address regarding the integration of both ADP systems," Ely recalled.

The team identified the process steps to improve demand tracking, stocking criteria and the monthly physical value to general ledger reconciliation. Parts sources, pricing methodology by source type, customer price codes, escalators, price breaks, other pricing strategies and inventory set-ups were reviewed.

"The minimum solution is to get two buckets of information into a single unified system," Ely said. "Since you're building a new system anyway, why not go the extra mile and create a best practices system to improve multiple processes? That's what Tallman did."



"Still," said Shortt, "all of that strategy and coding information had to be entered into a common program loaded onto our computers. Ron and Debbie spend countless hours preparing the data, continuously consulting with Keith."

After the one-week deep dive with KEA, a date was selected and one weekend all computers in all locations were shut down and the ADP system rebooted with new pricing and coding. When they opened Monday morning, Tallman's unified operations were consistent between locations and within customer categories. "You know there will be glitches; you expect them," Short said. "There were almost none."

The Results

During the consultation, the group set Parts Department goals to increase the percentage of gross profit while also increasing parts market share, improving the parts fill rate, day supply, monthly parts reconciliation process and virtually eliminating the need for parts pricing over rides.

The results included high levels of customer satisfaction, maintaining system integrity and improving gross profit. Based on the annual gross profit dollar improvement, the return on investment was approximately 45 days. "At the start, when Keith told me what it was going to cost, I practically needed a defibrillator, but that week was worth it. Realistically, we got an A and project payback was achieved!" Shortt summarized.

