



## **Top 5 Global Automotive Company**

### **Driving Growth with Innovative Service Parts Inventory Management**

#### **The Client**

Our client is one of the largest automakers in the world and one of the fifty largest companies by revenue globally. The USA operation has a footprint in all 50 states with a network of over 1,200 independent dealer stores.

#### **Our Client's Situation & Challenges**

Our client faced tremendous Dealer resistance to change a 20+ year old Returns Policy which was the most liberal in the industry, yet wasn't providing complete obsolescence protection.

***The Company's main concerns were improving both Dealership Repair Order fill rates and Dealer inventory productivity, thereby improving the Customer's service experience.***

*The underlying concern: Parts Managers were too focused on managing return levels vs. being incentivized to grow their Parts business by taking share back from Aftermarket competitors.*

*Complicating matters, the existing policy was driving the wrong Dealer ordering behavior, leading to "Boomerang" orders as well as unclear Demand signals for Special Order Parts.*

#### **How We Helped**

We were asked to develop an improved Service Parts Return Policy which would incentivize Dealers to follow Smart Stocking guidelines, while providing complete obsolescence protection. Our extensive qualitative and quantitative research & analysis contributed greatly to the development and rapid acceptance of a new customer-focused Return policy and Growth Rebate program by all stakeholders. **See "The Result" on page 2**

***The difference: our 3-person team provided a unique blend of Marketing, Fixed Operations, and Supply Chain expertise, along with the dedicated focus, objectivity and Data Analytics necessary to access disparate data and provide ground-breaking insights regarding Dealer ordering and return behaviors and their impact on counter fill rates.***

***"You really pulled off a major accomplishment – changing these 20+ year old policies requires a unique set of skills, and what you did to turn a simple Parts Return policy that wasn't working into a platform for profitable growth is nothing short of amazing."***

*Vice President – Parts, Service & Accessories Marketing*

## The Result

*When fully implemented, the client expects the new Open Returns program to drive a significant increase in dealer counter fill rates and a ~20% decrease in returned parts volume - reducing the administrative burden on Dealers and Parts Distribution Centers... annual cost savings will result in a project payback of less than 1 year.*

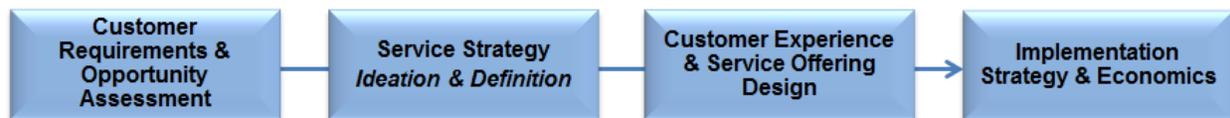
*The new Growth Rebate program is forecasted to drive \$10's of millions of incremental growth annually in Parts & Accessories, while maintaining needed support for Dealer Wholesale parts businesses. This program is being completely funded by repurposing money spent on an ineffective Unused Returns Allowance (i.e., zero incremental cost).*

Our work included not only guiding the client through a successful design and launch (including the development of all Dealer/Field Operations communications), but also provided the client with ***the ability to model dealer-specific behavior*** pre- and post-implementation:

- “Boomerang Parts Orders” resulting in a reorder and a customer 1-day delay in Service
- Customer Special Order Parts which were held in stock much longer than needed, and still ultimately returned, unnecessarily tying up the Dealer’s capital
- Inventory value of Stock parts held too long, risking Dealer or OEM obsolescence
- Impact of the new policy on each PDC’s returns processing and put-away teams

## The StratOps Group Approach

Our approach, demonstrated successful in multiple client settings, provides a structured process for analyzing and leveraging your existing corporate and Store data to find new ways to improve Marketing Effectiveness and increase customer acquisition and retention.



*Combine a Value Chain perspective with diplomacy to navigate complex organizational and market dynamics*

The two biggest keys to this project’s success were the use of Data Analytics, and a project organization which minimized client and Dealer time commitments while maximizing their ability to contribute to and develop a sense of ownership of the new Smart Stocking program.

**Data Analytics** - The team incorporated several million lines of data from multiple disparate sources, implemented rigorous data clean-up algorithms/approaches to improve data integrity, and built a database to support the initial model for Data Analytics.

**Project Organization** – Five separate but linked working groups were established:

- *Joint Marketing/Supply Chain Working Group*
- *Field Task Force* – consisting of the Working Group & Regional CSOM representatives
- *Part Managers Advisory Council* – representing all regions and 2 different brands
- *Dealer Council* – providing a representative sampling of Dealer Principals
- *Steering Committee* – Corporate Marketing and Supply Chain senior executives