

POWERFUL SOLUTIONS

For maximum F&I profitability

The Complicated Nature of "Right to Repair" Issues, and Parts to Labor Ratios

First, the back story. Advocates of "right to repair" contend that consumers should have access to aftermarket parts made by companies other than the OEM (Original Equipment Manufacturer), to repair their vehicles. The argument is that the resulting competition will bring costs down. While this may sound simple enough, it is important to remember that the OEMs incur a tremendous amount of expense initially acquiring these parts, as they must pay for the research and development required to build these parts to specifications. The software, if present, must be written *correctly*, the fitment must be exact, and the materials used must be of proper quality. All these specs are written by the OEM Manufacturer (again, at great expense), and must be met. Ultimately, the goal is to offer quality components with assured compatibility that won't void warranties and/or cause conflicts to onboard, adjacent components and systems. Aftermarket Manufacturers would often have to be given access to design schematics, technical data, and intellectual property for which they haven't paid.

When researching the material for this article, it became apparent *very* quickly that the associated rabbit hole concerning aftermarket parts runs *far and wide*! Tons of commentary from both sides substantiates why this is a complicated matter. "Car repairs are slowly going to be entirely reliant on the dealership." "... in the last two years every part I've gotten *not* from a dealer has either malfunctioned, barely worked, or didn't even fit." "High-tech cars are killing the auto repair shop."

Because of these considerations, many of us are familiar with the reality that a *large* portion of the high-tech components which make up the composition of modern vehicles are only available through the Part's Department window. These windows only exist within the confines of the respective Manufacturer's franchised Dealerships. The Principals of these Dealerships typically pay huge sums of money to acquire these stores... for the privilege to sell these OEM (Original Equipment Manufacturer) branded parts. The purchase of the store is literally the tip of the iceberg. Additional costs include the *massively* expensive, expansive inventory of parts necessary to efficiently complete repairs to a wide variety of makes and models, and the personnel to run this department. Then there is the facility, insurance, interest, tax, etcetera ad nauseum of additional financial considerations to be factored.



Page 1 of 2



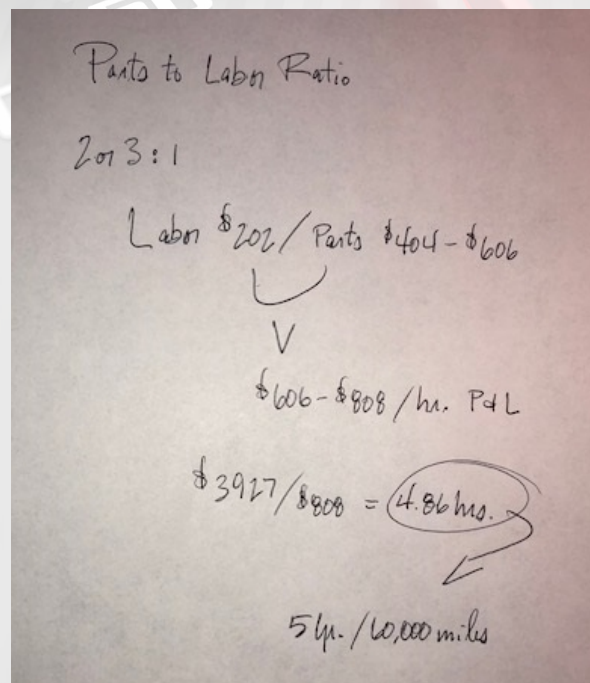
POWERFUL SOLUTIONS

For maximum F&I profitability

The Complicated Nature of "Right to Repair" Issues, and Parts to Labor Ratios (continued)

With these considerations in mind, is it a stretch to think that our Guest's Parts to Labor ratio could easily run 2 or 3 to 1? In other words, when our Guest greets the conclusion of our menu presentation and recommendation with an objection, perhaps this additional perspective will help. We might turn our menu over and proceed to explain that if our current labor rate is \$202/hr., they may find themselves spending \$404-\$606/hr. in parts. This would result in an adjusted P&L rate, per hour, of \$606-\$808! In fact, over the course of the next 5 years and 60,000 miles (provided we are offering a VSC with those parameters), is it hard to foresee their vehicle in the shop for only 4.86 hours? That's \$3927 (the price of the VSC) divided by \$808.

The back of the menu will look something like this...



The inspiration for this month's "Training Tip" was provided by Lisa R. Thanks, Lisa!

Think about it.

Good luck and good selling!



Page 2 of 2

in

CONLEY
INSURANCE GROUP, INC.

Partnership + Performance = Profit