

### **Specialty Imports**

Specialty Imports is an automobile dealership located on the "auto strip" in North-West Brampton (where several other dealerships are located as Brampton is currently moving many dealerships into this area). Specialty Imports is owned by Maurice Risner, who is also its general manager, and two brothers, Pete and Henry Preen. The Preen brothers together own 80% of the company and operate it as a subsidiary of a Ford dealership which is located in the center of Brampton.

Maurice Risner manages Specialty Imports autonomously at both the operational and tactical levels of the business. Maurice is very entrepreneurial and plans to use his sizable bonuses to buy out the Preen brothers' interest or to purchase another dealership independently. Maurice is very marketing oriented and believes that keeping track of customers (potential customers as well as purchasers) and keeping in contact with them are key elements in selling his line of vehicles.

### **SPECIALTY IMPORTS' PRODUCTS AND BUSINESS POSITION**

Specialty Imports sells Acuras, Mercedes Benzs, Jaguars and Land Rovers (primarily passenger cars, but also some sport utilities). The company is only 4 years old, so it does not yet have a well-established customer base. Buyers of these type of imported vehicles tend to be very particular and will search nationally for the car of their choice. For example, one of Specialty Imports' customers flew from Edmonton in her private airplane just to buy a White Mercedes Benz.

Last year, the company sold 350 new cars, of which 176 were Acuras. In comparison, the parent company sold 1650. The after tax profit margin was less than 3% on all business, with a 30% margin on service work. Specialty Imports has been experiencing a 15% growth, and Maurice Risner believes that only supply limits his sales.

### **HISTORY OF COMPUTING**

Computing services for Specialty Imports and the parent dealership are currently provided by a IBM minicomputer running AIX and using primarily packaged software purchased from a major software supplier. Parts, inventory and payroll are the major applications that have been implemented. The use of turnkey packaged software and hardware systems is common in the automobile dealership business, but these systems have focused almost exclusively on accounting and record keeping functions. The computer is located at the parent dealership and is managed by the treasurer of the parent company; there is one programmer on staff. Both Specialty Imports and the parent dealership have wanted to expand computing services but slumping sales of new cars at the parent dealership have made this impossible. Sales at Specialty Imports are, however, growing rapidly and Maurice Risner is pushing for authority to unilaterally develop new information services for the company. One such activity is an arrangement with a service bureau of mail auto service reminders to customers.

### **BASIC OPERATIONS**

Maurice Risner is a participatory manager. He frequently leaves the office, which overlooks the showroom, to greet customers, especially repeat customers. Maurice must approve each deal and he occasionally sells a car himself. Specialty Imports has a traditional dealership organizational structure (see Figure 1). The parts & service manager operates a business within a business and has not been closely supervised. The accounting manager is primarily responsible for accounts receivable and other aspects of cash flow. Most service work is charged on bank cards and this paper work must be processed rapidly. The assistant managers for New Vehicle Sales and Used Vehicle Sales are floor sales personnel with the added duties of supervising other sales staff and approving sales in Maurice Risner's absence. Maurice would like these sales managers to be more involved in marketing and attracting new business.

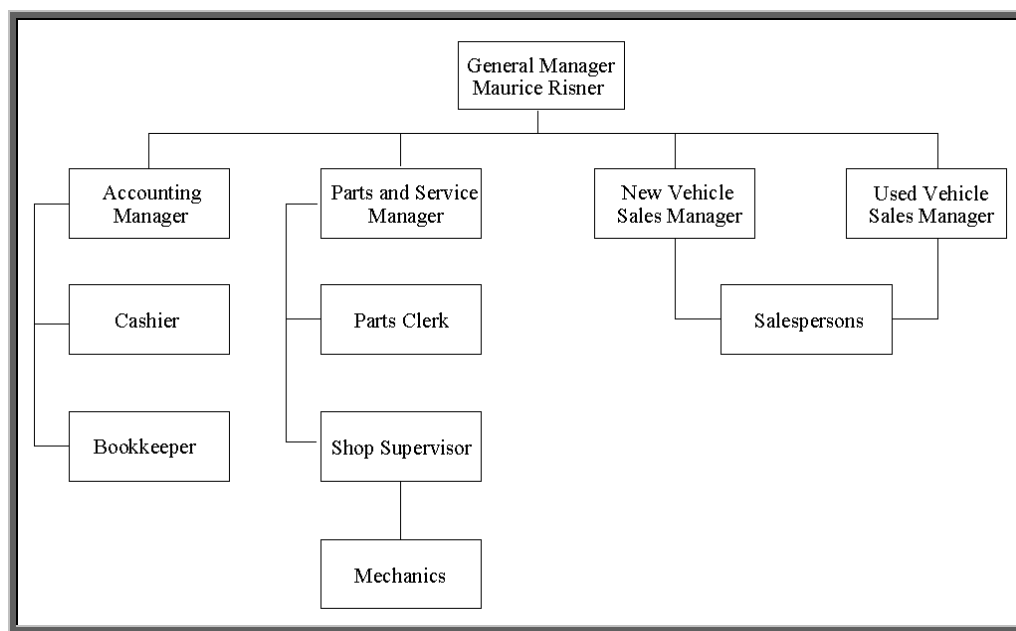


Figure 1 Specialty Imports Organizational Structure

## VEHICLE SALES

Basically there are three working documents now used for a vehicle sale. The first is the sales invoice (see Figure 2), where the specifics of base price, trade-in, salesperson, add-on options and the like are detailed. This document is first hand-written by a salesperson while they are talking to a prospective customer; it is frequently changed as preferences change and as "deals" are made. After the customer and salesperson shake hands on the sale, the invoice is typed and signed by both the buyer and salesperson. Note in Figure 2 that insurance, loans, undercoating and other items are also considered options for the purposes of preparing the sales agreement and calculating the salesperson's commission.

The second working document is the Vehicle Inventory Record (see Figure 3). This document is used to describe vehicles in stock at Specialty Imports and is prepared only after receipt of a vehicle (either from a manufacturer or from trade-in); vehicles on order or being considered as trade-ins in sales being negotiated are not recorded here.

The third basic working document is the Vehicle Sales Accounting Supplement (see Figure 4), which Maurice Risner uses to calculate profit margins on vehicles during sales negotiations.

SPECIALTY IMPORTS SALES INVOICE				
InvoiceNo. _____		Date: _____		
SOLD TO: Name: _____				
Address: _____				
City: _____				
State: _____		Postal code: _____		
Telephone: (____) _____ - _____				
Salesman: _____				
Serial Number	Make	Model	Year	Color
Insurance Coverage Includes				
Fire & Theft	[ ]	Liability	[ ]	
Collision	[ ]	Property Damage	[ ]	
OPTIONS				
Code	Description	Price		
TRADE-IN				
Serial No.	Make	Model	Year	Allowance
Total Price: _____				
Trade-in Allowance: _____				
Discount: _____				
Net: _____				
Taxes: _____				
Total Payable: _____				

Figure 2 Sales Invoice

Vehicle Inventory Record					
SerialNo.	Make	Model	Year	ExteriorColor	Trim
PurchasedFrom	Purch. Inv.No.	Purchase Date		PurchaseCost	ListBasePrice

Optional Equipment and Accessories - Factory		
Code	Description	ListPrice

Figure3 Vehicle Inventory Record

VEHICLE SALES ACCOUNTING SUPPLEMENT		
Sales Invoice No. _____	Customer: _____	Date: _____
Item	Cost	Sale
Serial# _____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Freight & Preparation	_____	_____
Tax	_____	_____
License Fees	_____	_____
Other	_____	_____
Commission	_____	_____
TOTAL	_____	_____

Figure4 Vehicle Sales Accounting Supplement

## ACQUISITION OF CARS

Each month Specialty Imports' auto manufacturers inform the company what is available for shipment. This information takes two forms. First, each manufacturer indicates how many cars it is willing to ship to Specialty Imports within the next month. Second, the manufacturers indicate the choices available on options for the vehicle to be delivered (color, type of upholstery, engine size and so on).

Usually, the monthly allocation is from 8 to 15 cars from each manufacturer, so careful selection is crucial. Maurice Risner would like to be able to match potential car sales with his ordering as much as possible. Because of very long delivery times on custom orders (over 9 months), customers tend to shop around at different dealerships (of various imports) for a car with the desired features. Specialty Imports does buy vehicles to stock but to date the features of these cars are not systematically chosen.

As with any dealership, many cars are purchased, in part, by trade-in. Used car sales are not very profitable, so rapid turnover is important. Maurice can make an attractive deal on a new car sale if he knows that there is a potential buyer for the trade-in.

Specialty Imports also transships vehicles with other dealerships. Records of such transshipments are not important (manual bookkeeping is sufficient), but the ability to record changes in vehicle inventory due to this type of activity is necessary in any computer system.

## SERVICE BUSINESS

Maurice is certain that periodic mailed reminders to drivers will not only generate service business but will also foster new sales as customers come into the dealership. One problem with tracking customers via sales only is that the buyer and the owner are often not the same person. Parents may buy cars for children and customers actively trade or sell cars elsewhere. Consequently, although tracking service customers to increase the service business (which is very active without much effort) could produce some marginal income, service visits are a more important source of information on current owners of vehicles. Figure 5 is an example of the Service Work Order now used at Specialty Imports, which services 15 to 20 vehicles a day. Service work is also experiencing a 15% annual growth.

<b><u>SPECIALTY IMPORTS</u></b> <b><u>SERVICE WORK ORDER</u></b>				
Service Invoice No: _____		Date: _____		
Service for: Name: _____				
Address: _____				
_____				
City: _____		Postal code: _____		
Telephone Work: _____		Home: _____		
Serial Number	Make	Model	Year	Color
Work to be Done: _____				
_____				
_____				
_____				
_____				
_____				
Costs:				
Parts: _____				
Labor: _____				
Tax: _____				
Total: _____				

Figure 5 Service Invoice

## CUSTOMER TRACKING AND MARKETING

Maurice Risner's primary concern is to keep track of existing and potential customers, the vehicles that they seek, the vehicles he has in stock and that they have purchased. Maurice believes significant sales are lost because of the following:

1. Potential customers' preferences for cars and car options are not remembered by the sales personnel.
2. Prior customers are not identified and not dealt with as "old friends".

In order to alleviate these problems, Maurice has identified several reports that would help to market his products better:

- a) A listing in zip code order of the names and addresses of people who have bought cars from a specified salesperson. This is a standard selected mailing list. Maurice believes that duplicate mailings from the same salesperson would be annoying to the customer, but that "personalized" mailing from different salespersons is tolerable.
- b) An on-line on-demand inquiry system that would yield the name, address and telephone number of prospective customers who have shown an interest in selected vehicles. The search criteria for finding such customers would include combinations of make, model, color, upholstery style and year of manufacture of their preferred vehicles. He has found that some customers will consider several possible cars, so multiple preferences must be handled.
- c) A listing of the number and average dollar cost of service visits for selected kinds of vehicles. Maurice Risner has discovered that the service records of cars are an important item of information that buyers consider when purchasing a vehicle. The manufacturers of the cars that Specialty Imports sells do not provide sufficient data, so Maurice wants to be able to generate them from his own service work. He sees this as a marketing tool that a

salesperson could use during the negotiation of a sale. The salesperson would respond to a service history inquiry by taking the customer to a computer terminal, entering the characteristics of the desired vehicle and immediately displaying the summary. Characteristics of make, model, year and engine type should be sufficient for qualifying most service inquiries.

SPECIALTY IMPORTS SALES INVOICE				
InvoiceNo. <u>S1239</u>	Date: <u>January 14, 1997</u>			
SOLD TO: Name: <u>Bugs Bunny</u>				
Address: <u>24 Carrot Lane</u>				
City: <u>Looneysville</u>				
State: <u>California</u>		Postal code: <u>55555</u>		
Telephone: <u>(890) 453 - 5421</u>				
Salesman: <u>Mark Smith</u>				
Serial Number	Make	Model	Year	Color
J97UX301	Jaguar	UX	1997	Black
Insurance Coverage Includes				
Fire & Theft	<input type="checkbox"/>	Liability	<input checked="" type="checkbox"/>	
Collision	<input type="checkbox"/>	Property Damage	<input type="checkbox"/>	
OPTIONS				
Code	Description	Price		
S24	Sun Roof	349.00		
TRADE-IN				
Serial No.	Make	Model	Year	Allowance
Total Price: <u>70,348.00</u>				
Trade-in Allowance: _____				
Discount: <u>3,200.00</u>				
Net: <u>67,148.00</u>				
Taxes: <u>10,072.20</u>				
Total Payable: <u>77,220.20</u>				

SPECIALTY IMPORTS SALES INVOICE				
InvoiceNo. <u>S1252</u>	Date: <u>January 28, 1997</u>			
SOLD TO: Name: <u>Elmer Befudd</u>				
Address: <u>319 Befuddled Street</u>				
City: <u>Looneysville</u>				
State: <u>California</u>		Postal code: <u>00000</u>		
Telephone: <u>(891) 454 - 6445</u>				
Salesman: <u>Jane Jansen</u>				
Serial Number	Make	Model	Year	Color
M97CL701	Mercedes Benz	JL	1997	Red
Insurance Coverage Includes				
Fire & Theft	<input type="checkbox"/>	Liability	<input type="checkbox"/>	
Collision	<input type="checkbox"/>	Property Damage	<input type="checkbox"/>	
OPTIONS				
Code	Description	Price		
R63	Stereo Radio	140.00		
TRADE-IN				
Serial No.	Make	Model	Year	Allowance
Total Price: <u>38,900.00</u>				
Trade-in Allowance: _____				
Discount: <u>1,400.00</u>				
Net: <u>37,500.00</u>				
Taxes: <u>5,625.00</u>				
Total Payable: <u>43,125.00</u>				

VEHICLE SALES ACCOUNTING SUPPLEMENT		
Sales Inv. No. <u>S1252</u>	Customer: <u>Elmer Befudd</u>	Date: <u>1997/01/28</u>
Item	Cost	Sale
Serial# <u>M97CL701</u>	<u>32,000.00</u>	<u>33,160.00</u>
<u>R63</u>	<u>120.00</u>	<u>140.00</u>
Freight & Preparation	<u>4,200.00</u>	<u>4,200.00</u>
Tax	<u>5,625.00</u>	<u>5,625.00</u>
License Fees		
Other		
Commission	<u>340.00</u>	
TOTAL	<u>42,285.00</u>	<u>43,125.00</u>

VEHICLE SALES ACCOUNTING SUPPLEMENT		
Sales Inv. No. <u>S1239</u>	Customer: <u>Bugs Bunny</u>	Date: <u>1997/01/14</u>
Item	Cost	Sale
Serial# <u>J97UX301</u>	<u>60,000.00</u>	<u>62,799.00</u>
<u>S24</u>	<u>320.00</u>	<u>349.00</u>
Freight & Preparation	<u>4,000.00</u>	<u>4,000.00</u>
Tax	<u>10,072.20</u>	<u>10,072.20</u>
License Fees		
Other		
Commission	<u>640.00</u>	
TOTAL	<u>75,032.20</u>	<u>77,220.20</u>

**SPECIALTYIMPORTS  
SERVICEWORK ORDER**

Service Invoice No: W22772 Date: 1997/05/11

Service for: Name: Bugs Bunny  
Address: 24 Carrot Lane

City: Looneysville State: California Postal code: 55555

Telephone Work: \_\_\_\_\_ Home: (890)453-5421

Serial Number	Make	Model	Year	Color
J34865	Jaguar	UX	1997	Black

Work to be Done: Oil change

**Costs:**

Parts: 18.00

Labor: 16.00

Tax: 5.10

Total: 34.10

**SPECIALTYIMPORTS  
SERVICEWORK ORDER**

Service Invoice No: W21642 Date: 1997/02/11

Service for: Name: Bugs Bunny  
Address: 24 Carrot Lane

City: Looneysville State: California Postal code: 55555

Telephone Work: \_\_\_\_\_ Home: (890)453-5421

Serial Number	Make	Model	Year	Color
J34865	Jaguar	UX	1997	Black

Work to be Done: Find squeak

Tighten seat

Replace lost screw

**Costs:**

Parts: 0.00

Labor: 0.00

Tax: 0.00

Total: 0.00

**Vehicle Inventory Record**

Serial No.	Make	Model	Year	Exterior Color	Trim
M97CL701	Mercedes Benz	JL	1997	Red	Black Leather
Purchased From	Purch. Inv. No.	Purchase Date		Purchase Cost	List Base Price
Mercedes Benz	M32145	Jan. 18, 1997		34,000.00	38,900.00

**Optional Equipment and Accessories - Factory**

Code	Description	List Price
W31	Aluminum wheels	440.00
L12	Lighting Group	390.00

**Vehicle Inventory Record**

Serial No.	Make	Model	Year	Exterior Color	Trim
J97UX301	Jaguar	UX	1997	Black	White
Purchased From	Purch. Inv. No.	Purchase Date		Purchase Cost	List Base Price
Jaguar	J43294	Jan. 5, 1997		59,000.00	69,999.00

**Optional Equipment and Accessories - Factory**

Code	Description	List Price
J23	Lighting Group	699.00
R87	Rustproofing	898.00
A23	Total Comfort Air	788.00

**SERVICELOG**

Inv. No.	Date	Serial No.	Total Cost
W21642	1997/02/11	J97UX301	0.00
W21645	1997/02/12	L96SR201	250.00
W21708	1997/02/15	A92AR404	4,329.00
W22772	1997/05/11	J97UX301	18.00
W22955	1997/05/24	M97CL701	234.00

**PROSPECTLIST**

Name	Want
Bugs Bunny	1997 Green Land Rover w/ Power Steering (P47)
Bugs Bunny	1992 White Jaguar UX Black Leather
Elmer Befudd	1993 Mercedes Benz
Sam Molare	1996 Red Acura w/ Aluminum Wheels (W32)