

THE BLUE LINE



Ford Parts Managers Association

The F.P.M.A. Is The Only National Organization Exclusively For Ford & Lincoln/Mercury Parts Managers

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The 30 Day Parts Return Program

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THE FORD MANAGERS ASSOCIATION

MISSION STATEMENT...

TO BE THE ADVOCATE / WATCH-DOG
OF THE FORD PARTS & SERVICE
BUSINESS. EDUCATING, INFORMING
AND EXPLAINING THE POSITIVE AND
NEGATIVE AFFECTS OF FORD
MOTOR COMPANY AND FORD
BUSINESS PARTNERS POLICIES AND
PROCEDURES, AS WELL AS
CONSUMER, ECONOMIC, INDUSTRY
AND COMPETITIVE TRENDS THAT
AFFECT MEMBERS.

Although many dealers feel that it is a step in the right direction, the recently launched 30 day parts return program is being considered a disappointment by dealers who were looking for a less expensive, less restrictive program.

The long awaited, and much needed, return program was expected to be a simple and inexpensive way for dealers to return parts that were ordered in error or parts that, for a variety of reasons, end up not being used to repair a customer's vehicle.

But, according to the feedback we have received from members, the 30 day parts return program is so full of restrictions, charges and lost discounts that it seems much less of help than what was expected.

Let's start by addressing some of the reasons why dealers end up with so many parts that need to be sent back.

First, there are the normal everyday mistakes that are made by counter people. A busy, noisy counter with 3 or 4 phones ringing every few minutes can easily mean that even the best counter person can hear right instead of left, front instead of back, before instead of after or upper instead of lower.

Second, these same identification complexities and variations must also be accurately conveyed to the parts department by others in the order chain such as technicians, salesmen, Service Advisors, wholesale customers and retail buyers.

For example, how many times in your career have you been told by a customer that they needed a right front molding when they actually needed a left, simply because they assumed that the "right" side of the vehicle

was determined from a standing in "front" of the vehicle rather than sitting "in" the vehicle.

Secondly, let's talk about the parts catalog for a minute. Yes, it has gotten better, but no it's not perfect. The catalog is still full of ambiguities and uncertainties that almost guarantee mistakes will be made.

Light, dark and medium shadow blue are different than midnight blue. Many parts are still identified by color coded markings, identification tags or stamping numbers that are often difficult or impossible to read.

How does even the best parts person or technician know for certain if a gas tank has an 18 or 20 gallon capacity? Ever made a mistake or been given incorrect information about the number of teeth of a gear? It's awful easy to count 61 teeth instead of 63.

FCSD can talk all they want about catalog accuracy and the improvements they've made but they still have a long way to go if they are going to get rid of the far too numerous occasions when parts people and/or technicians must attempt to "interpret" catalog information. The parts catalog needs to provide the definitive answer every time it is used. It cannot take you on an interpretive journey to different and multiple conclusions which all seem correct, but are not.

Third, many times it is virtually impossible to identify the correct part number until a vehicle or a vehicle component has been removed or disassembled. This unfortunate fact places some interesting challenges on the Service Department.

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Do we tear the vehicle apart only find out that the part is not in stock (or even worse on back order) and will be tied up for a week? If we take the part out to identify it, put it back together so the customer can drive it while we are waiting for the part to come in, and then remove it and install the new one when it arrives, who pays for what amounts to "double" the labor?

How many times has this scenario meant that "everyone" in the chain guessed at the correct part number and application in order to save time, money and, hopefully, customer satisfaction?

We could go on and on but I think you get the point. We don't have Parts and Service Departments full of unqualified, apathetic people who don't care if they get the right parts or not. We have a system that tries to defeat us everyday. And, it all adds up to a lot of wrong parts.

FCSD, PSMAC and Dealer Council recognize these problems and have attempted to control them with a 30 day return policy that is geared to the circumstances I have mentioned. But will it work?

First of all, is 30 days enough time? In many cases no. Think about the whole process for a minute. By the time you receive the part, notify the customer, have the customer rearrange his or her schedule to determine when they might be able to make an appointment, have the customer set, and keep, the actual appointment, determine that the part is incorrect, take the part back, and do the paperwork it is conceivable that you are very near, or over, the 30 day time limit.

What if you can't get in touch with the customer right away? What if they are on vacation or have a job that causes them to travel? What if a rental or loaner car is needed but not available? What if it is an item that doesn't urgently need replacing like an expensive interior trim part that doesn't impact the ability to use the car? What if the shop is so busy that the customer must wait a week to get in?

It seems to us that 30 days is an absolute minimum that lowers the effectiveness of the program and was probably born out of some central accounting or systems function inherent to FCSD operations.

If FCSD truly wants us to have a return program that effectively addresses the "real world" challenges of our operations, the time limit should be changed to 60 days.

The next serious flaw in the program, which we are happy to report is already under scrutiny by FCSD, is the \$20 minimum value to qualify for return under the program.

We have had many dealers show us that 50% to 60% of their inventory has a line item value of under \$20 dollars. A program that excludes half of the items you order by virtue of their cost is less effective than it could be.

We are all aware that vendor shipped items have increased tremendously in the past 5 years or so. It seems like every other special order item we now receive is vendor direct shipped. For some reason, vendor shipped items also seem to have a greater chance of being incorrect and take longer to receive. Currently, vendor shipped items do not qualify for return under the program. If FCSD wants to use more and more vendor shipped parts so that they can cut their warehousing and distributions costs, vendor shipped parts need to be returnable.

And, what about crash parts? Crash parts are also excluded from the program, but no clear cut definition of a crash part has been adequately explained. Many members interpreted crash parts to mean sheet metal but, that's not the case and there can be a big difference.

Is a tail lamp a lighting part or a crash part? Is a molding a trim part or a crash part? The fact of the matter is that many, many parts can in some cases be a crash part and in others be classified as something other than a crash part.

And, why the restriction of crash parts in the first place? Anyone who knows anything about the parts business knows that the biggest parts returners are collision shops. In fact, one could reasonably argue that if the 30 day parts return program "only" allowed the return of crash parts and sheet metal, it would be all that most dealers would need and that PIPP could take care of the rest.

So, what we have been given is a return program that can't be used on anything under \$20, that doesn't allow the return of vendor shipped items and fails to address the serious problems caused by expensive crash parts returns.

When you add all these together, as much as 75% to 85% of everything you order currently does not qualify to be returned under the program.

This isn't to say that the program is all bad. We have had many dealers tell us that the program has worked for them. In some cases it was an easy way to get rid of an obvious mistake.

We've heard stories of the \$300, ordered in error gas tank, that was sent back on the program. The \$175 axle that qualified to be sent back and that the program saved them on the keyless entry module that was misdiagnosed. We have to admit, that in some cases the program does work.

One thing we haven't addressed is the cost of the program. We are now paying an additional 3% for emergency orders. We pay a handling charge to use the program and we must absorb the freight when we send anything back on the program. We also lose stock order discount on any return even though, in most cases, parts that qualify for the program were probably not ordered on a stock order.

While we have heard that the program works in some cases, it can be tremendously

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30 Day From Page 2

expensive to use. If you consider the charges, lost discount and freight, a \$25 part that weighs 10 pounds could cost as much as \$15 or 60% of its value to send back.

What happens to the return cost when you have a \$100 part that is too big to be sent back on UPS and must be shipped on a common carrier who has a minimum \$70 freight charge. Costs like these can only mean that there will be a reluctance to use the program and to eventually use the less expensive PIPP program to return the part.

John Bleakley, who is on the Dealer Council Parts And Service committee had this to say, about the program, on the Ford Dealer internet site, "...something is better than nothing which is what we had. We will monitor the results and see how it is used and hopefully we can make some improvements over time."

For now, I think Mr. Bleakley's comment should be taken seriously. Even though it isn't the best program, seems far more expensive and restrictive that it needs to be and doesn't fully address many of our needs, it "is" better than nothing.

Mike Lombardi has committed to PSMAC that he will review the program and try to simplify the policy and claiming procedures. There is already talk of lowering the \$20 minimum to \$10 which would be a step in the right direction. And PSMAC has already told Ford that other OEM's like BMW have a better program that should be emulated by Ford.

One last comment, in the pilots that were done in Atlanta and Chicago, use of the program was below what was expected. If we are going to be able to keep and/or change the program so that it is more effective, we urge you to use the program as often as it makes sense. Don't give FCSD a reason to cancel the program due to poor participation.

Selected Member Feed Back On The 30 Day Parts Return Program

If you really look at this program you will find that you will only be able to return about 25% of the parts that you purchase due to the severe restrictions placed on this 30 day parts return program !!

For instance, over 50% of our parts cost less than \$20.00!! Check the inventory at other dealerships. I have checked 5 different stores and they range from 50% to 60%.

Also look at sheet metal, SDS (vendor ship items), glass and hazardous parts. Ford is shipping more and more parts direct thru vendors for example carpets, trim panels, and all other trim items.

You will realize that the 50% to 60% of the parts that cost less than \$20.00 make up a smaller part of the dollar inventory, but the remaining dollar inventory is well invested in sheet metal and vendor items that are not returnable!

*Does anyone think that we received a bargain for the additional 3% increase in freight?
Not me!*

*Thanks
Gerry Braud*

*LAMARQUE FORD
504 463 1330*

30 Day Return Program Seems To Work Well

We are located in central Washington and have been on the program for several months. It seems to work well.

To my surprise, our contract carrier driver informs me that practically nobody else is utilizing the 30 day return.

We tend to go through the special orders once a week and look for things to return. I feel 30 days is enough time.

It will force you to stay on your toes if you are really serious about controlling the inventory.

*Brian Zietlow
Moses Lake Ford*

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Thinks 30 Day Return Program Has Too Many Restrictions

I do believe the program will help however, there are too many stipulations.

Sheet metal is non returnable. Bodyshops are one of the largest sources for returns. Also, I think the 3% cap of previous month purchases will turn out to be too low of a figure and cause many problems because return privileges may be revoked.

30 days isn't really enough time for the Service Department to install many special order parts. Some of these customers are hard to get back on a timely basis.

Emergency charges are too high at 13% and they aren't even guaranteed next day anymore.

As far as SDS parts go, why bother ordering emergency? They seem to take anywhere from 1 week to 1 month to get anyway.

Also with PDC's moving back cut off times, supply won't be there anyway.

If Ford is really confident about their packaging processes, they should allow sheet metal in the program.

*Jeff Nieboer
Versendaal Linc-Merc*

Thinks 30 Day Return Program Is Fair

I haven't seen any idle inventory reduced in the last 3 (30 day parts) returns I've done, but it certainly hasn't increased. Any mistakes made have been atoned for as far as ordering (errors) are concerned.

The restrictions are absolutely fair. The smaller stuff can be sent back on PIPP. The 30 days is more than adequate for doing a return. Just pick one day every month to do it.

The increase in freight and surcharges (with 30 day return program) are also fair. It is our responsibility to recover freight charges from customers. If they want something bad enough it won't make any difference.

This program has already had an impact because (my) PIPP pieces have not increased while PIPP credit value has grown by 8% instead of 5%. I will keep the 8% until idle inventory is down under 10%. The program will allow me to keep a clean parts room. Thanks Ford!

*Mark Malome
Millinocket Ford*

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A Little Bit About FCSD's Mike Lombardi

Editors Note... We've all been seeing Mike Lombardi's name come across our desks for some time now. Recently, the FPMA had a chance to talk to him and he was kind enough to allow us to share some information about him with the membership. Thanks Mike!

May 3, 1999

Michael (Mike) Lombardi, Manager, FCSD North American Business Development

The Ford Motor Company is turning to the outside to find people to fill key positions. This is being done to bring a different "consumer" oriented perspective to our traditional business and accelerate the drive to be the #1 automotive company.

One of these new executives in the Ford Customer Service Division is Mike Lombardi, the Manager of North American Business Development. Mike has been on board since June 1998 and his wide range of experience and fresh perspective is being felt in the parts and service programs being launched by his activity.

Mike spends a considerable amount of his time "on the road" talking to Dealership personnel about the future and his belief in the direction the Company is headed. This includes all the dealership staff, from the Principal to the Technicians. He is a "nuts and bolts guy" who is very comfortable in the bays. He broke away from his busy schedule to spend some time talking about his background and his vision for our changing business.

Background

- Mike is married and the father of three teenagers, a daughter and two sons.
- He is a graduate of West Point and the Wharton School of Business (MBA).
- He spent a total of 5 years with the Army after graduation, including time as a Motor Vehicle Officer with responsibilities for vehicle maintenance and parts supply.
- After the service he worked for British Petroleum for eighteen years. His last position before coming to Ford was General Manager, BP/ProCare Service Centers.
- This last position allowed him the experience of running a complete "business unit" that included Marketing & Sales, Purchasing and Distribution (warehousing and traffic). Customers included both independent Dealers and company owned and operated business groups.

Vision

- Mike believes that we simply can not continue to do "business as usual". He wants to make a significant change in the way we do business in the service area.
- He states that our industry has traditionally been aimed at warranty work and we must be much more than that. The dealership service area must be viewed as a business competing with other retailers in a much wider arena. Successful dealers will grow their repair business; our job is to support them.
- It is the role of North American Business Development to give dealerships the tools to compete and capture this new business, to be successful in this new arena.

Innovative Programs

There are a number of innovative programs offered by NABD that Mike feels are right on target:

ATW - Around The Wheel

QCM - Quality Care Maintenance

Quick Lane & Autocare

Parts UpGrade

React

FCA 3.0

But what he wants to see is a faster transaction in the dealerships, more impact, more quickly for a wider number of dealers. The change is not happening fast enough so that the public can easily experience the difference.

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Internet Junkyard Doesn't Have To Be Bad For Dealers

In case you haven't heard about it, Ford is currently working on a major vehicle dismantling and recycling program that is designed to strip vehicles of their usable parts, stock pile these parts and then offer them for sale to the collision business, insurance industry and even retail buyers.

Dubbed the "Internet Junkyard" by Ford, this program will enable someone to log onto an internet web site, view an inventory of used parts, select an item, pay with a credit card or open account and have the used part shipped to them. By the end of 1999, businesses such as bodyshops and insurance companies will have on-line access to the used parts inventory. It is expected that retail buyers will have access to the used parts inventory in following year.

While details of the new venture are still somewhat sketchy, Ford is claiming that entering the used parts business is part of their corporate responsibility to clean up our environment. They claim that this system will reduce the number of auto parts that end up in America's landfills. They also point out that in Europe, used vehicle recycling is mandated by law and that European countries must recycle as much as 95% of their used automobiles.

But there is also an obvious profit motive for this new venture. According to Ford \$6 billion dollars worth of used parts are sold every year in the US, mostly by small independently owned operators. Ford also estimates that they can eventually capture as much as \$1 billion of this business. Ford's goal is to have this program cover a significant amount of the United States and Canada.

Ford also claims that the "Internet Junkyard" will not affect franchised dealer parts business because dealers traditionally do not service or sell parts to owners of

older vehicles. In Ford's view, because dealership customers own newer vehicles, they are not normally interested in used parts.

Ford the record, the FPMA is opposed to any effort by Ford that would steer customers away from the dealership. And, while Ford could easily argue that a used parts business is already in place and thriving in the USA, we are extremely concerned that Ford's entering into the used parts business will not be good for the dealers unless the dealers are allowed to participate and distribute these used parts.

First of all, Ford's claim that dealer customers do not seek or want used parts, and

market and, until now, has allowed the dealers to actively participate in it by offering lower priced FAR, FQR and reducing the prices on new Motorcraft parts. In fact they are spending about \$40 million this year to attract older vehicles into the dealership by offering lower prices parts and services.

We believe that all it takes is common sense to see that offering used parts, through a sophisticated and convenient selling system such as that proposed by Ford will take business away from franchised dealers.

Let's say you, as a dealer, sell parts to Paul's Plumbing Service. Paul's Plumbing is a small, but growing, business with 5 Econoline vans that "must" be on the road 10 to 12 hours a day. Let's also say that one of Paul's plumbers hits a curb and bends a rim on one of the Econolines. A new one is \$100 and will take 2 days to get from the dealer. A used one is \$50, can be purchased with a credit card, via the internet, and will be FedExed to him the next day.

While Paul's Plumbing might be too busy to get out the Yellow Pages and spend an hour or two calling the 6 or 7 salvage yards in his city, he very well might consider it quite easy and convenient to check Ford's "Internet Junkyard" before buying from his local dealer.

And what happens after the "Internet Junkyard" sends Paul the wheel? Will he take the van to an independent garage or install it himself? If Ford isn't careful, will the "Internet Junkyard" create a flow of service customers walking into the dealership with the parts they want installed un-

"If Ford isn't careful, will the "Internet Junkyard" create a flow of service customers walking into the dealership with the parts they want installed under their arms or in their trunks?"

therefor will not be affected by Ford's entering the salvage business, is only partially correct. It seems to assume that all dealership parts business is to their Service Departments.

While some would agree that the owners of vehicles that are relatively new will probably want a new part or still be covered by the vehicle warranty, making the issue a moot point, a large percentage of many dealer's parts business is to collision shops, independent repair shops, independent used car dealers and competitive OEM dealers who often want or need a lower priced alternative to a new part. In short, dealers sell a lot of parts to businesses that "do" work on older cars and who are in what we call "price sensitive" markets.

Ford is well aware of this price sensitive

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JunkYard From Page 6

der their arms or in their trunks?

Another big advantage Ford's "Internet Junkyard" will have is the Ford name itself. Many people are still of the mindset that the typical local junkyard is a disorganized, greasy mess where sometimes, even if you get the right part, it often has little or no warranty and is as apt to last 3 days as well as 3 years. Buyers must beware and often feel that they are taking too much of a chance buying a used part. The credibility of the Ford name and perhaps logo, along with a statement such as "Ford Certified Used Part", will take many of the negative perceptions away from buying used parts and make used parts more attractive to the consumer. This could further distance many customers from the dealership Parts Department.

How many new parts, many of which are in-stock ready to become idle inventory, will now not be sold when a collision shop or insurance company has the ability to go on-line, find a "Ford Certified" front clip for a 1998 F150 or a "Ford Certified" used engine for a Lincoln Town car. We can envision the dealers being the last place that is called if Ford's "Internet Junkyard" is successful

While we cannot yet confirm it, we have heard that franchised dealers may also be able to buy used parts through Ford's "Internet Junkyard." If so, who will get the better price, Allstate Insurance Company or the dealer? Will the system be set up so that dealers will be able to purchase at a level low enough that will allow them to resell the used part at a profit?

We'd like to once again restate that all of

the details about this program are not yet available and that one can hardly blame Ford for trying to capitalize on an opportunity to increase profits. In fact, having another level of parts available to the consumer could actually be supported if they were distributed "through" the dealers rather than "independent" of them.

An alternative that should be considered by Ford would be to salvage the vehicle parts, catalog and inventory them, publish the data on the net, allow any and all interested parties

"In fact, having another level of parts available to the consumer could actually be supported if they were distributed "through" the dealers rather than "independent" of them."

to locate their used parts but direct the insurance company, collision shop and/or retail buyer back to the dealer for the actual purchase. The dealer could then initiate a "bill to/ship to" transaction and profit from the sale.

To further simplify the system, the used parts could carry the

same replacement part number as the new part would with the addition of a "U" in either the prefix or suffix of the number. The on-line database could then be accessed by way of a function key on your in-house system to always show if there is a used alternative available for a new part.

Allowing the dealers to be the sole distributors of Ford's used parts could be win-win for everyone. The collision and insurance industries would benefit by having a reliable source for salvage parts, FCSD gets a turn-key distribution system of 5,000 dealers and the dealers themselves have another product to offer.

Same Day Picking Pilot Having Problems

On March 19th. through the 22nd., the Los Angeles and San Francisco Parts Distribution Centers began a what they called a "Same Day Picking" pilot designed to further cut FCSD distributions costs.

The changes included rolling back specific order cut-off times. Stock orders would be rolled back to an 11AM cut-off time from the normal 2PM cut-off. Emergency orders would now have to be submitted before 3PM instead of 4PM. Interim orders, normally allowed until 5PM now also must be submitted by 3PM.

If the pilot was successful, plans to roll out the program on a national basis could result in a \$2 million to \$5 million savings to FCSD. During the pilot, a group of 18 Parts Managers are providing feedback to FCSD.

So far, we have been told by members who face these depots that the pilot is not going very well and that there have been many problems. Dealers are unsure of when they will receive their orders and that the cut-off times are too restrictive.

Many of the dealers we've spoken with do not feel that the anticipated savings by FCSD are worth the damage to customer satisfaction that these changes seem to have caused.

Depot Managers and other FCSD people have been holding meetings and conference calls with Parts Managers in an effort to try to solve the many unexpected problems with this pilot.

Dealers want 5PM cut-off times and even Saturday hours at the depots to help support Saturday parts and service operations.

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Ford's Purchase Of Europe's Kwik-Fit Leaves U.S. Dealers Wondering What's Next

Ford Motor Company's recent announcement that it has purchased Kwik-Fit, the largest independent vehicle maintenance and light-repair chain in Europe, for about 1 billion pounds, or \$1.6 billion, in cash, has many wondering if Ford will do the same thing in the United States.

The world's second-largest auto maker said the purchase will expand its ability to reach new customers by servicing older and non-Ford vehicles. Kwik-Fit has more than 1,900 service locations in the U.K., Ireland, and continental Europe.

In the U.S. likely candidates for a Ford take over would be the Penske/K-Mart organizations and perhaps even NAPA. Since Ford in the U.S. is struggling with the same problems getting customers to return to the dealer for retail and after warranty repairs as the European's are, it would be reasonable to assume that if the Ford/ Kwik-Fit relationship is successful, Ford may try the same strategy in the States.

While the statistics vary, some 80% to 85% of Ford vehicle owners do not come back to the dealership for Parts and/or Service after the warranty expires. In spite of the recent FCSD maintenance and light repair initiatives, most also shun Ford dealerships when it comes to routine maintenance.

Because Ford, and its dealers, have not been able to convince a large enough number of older vehicles to return to the dealership for parts and repairs, Ford seems to be looking at slow growth potential from the dealership segment of its parts business.

This also comes at a time when FCSD has been tasked with very lofty parts sales goals. We have been told that FCSD is looking to increase its annual parts sales from \$4 billion to \$12 billion and apparently doesn't feel that they can "triple" their sales through the dealer channel alone.

Our office has received many calls, e-mails and faxes about the rumors of Ford buying into the U.S. aftermarket and the potential negative affects of the dealership parts and service business. All we can tell you at this point is that Ford is looking at every way possible to achieve its goal of tripling parts sales. Whether or not Ford enters into an arrangement with someone like Penske/K-Mart will depend on a number of variables and probably won't happen for 2-3 years. While Ford would not come out and say they were pursuing this in the U.S., they didn't deny it either.

While most of the comments from members have been an ominous mix of fear and panic, we tend think that, at least for now, these concerns are more emotional than logical. We know it's hard to swallow thinking that Ford might give "our" parts to the very people they have always told us we should compete with. We know it's difficult to watch Ford abandon the dealership attempt to attract older vehicles in favor of doing it themselves.

For many, it's also hard to deal with what looks like a new corporate philosophy at Ford. In the past, increased sales and profits meant promotions and advancement for Ford employees. Now it seems that increased sales and profits mean they get to keep their jobs.

If we take a "hypothetical" look at what might, and might not, happen if Ford were to buy an outfit like Penske we'll see that buying them won't have as much affect on the dealers as they think. But, how they are treated after the purchase might make all the difference in the world.

To look at this logically, let's put you and your dealership in a "make-believe" business situation similar to the one that Ford is actually in.

Let's assume that your dealership, ABC Ford, has had a few good years and has \$100 million in cash sitting at the local bank. At the weekly managers meeting, your dealer principal says, "Hey Jack, I want you to triple your parts sales anyway you can and to prove how serious I am I'll let you have \$50 million to do it. I don't care how or where you get the increase, just get it."

With a big smile on your face you start to investigate all of the possible ways to triple your sales from \$4 million a year to \$12 million a year. First you determine that if you double the value of your inventory, you'll only see a 50% increase in sales. Far short of the 300% you were tasked with.

OK, how about spending some of the money to build a new state of the art parts department? After several sleepless nights of calculating and re-calculating you find that this approach will only return about a 60% increase.

You look at putting 10 more delivery trucks on the road, hiring 10 more of the best parts counter people you can, updating the computer system, massive advertising budgets and still arrive at the same conclusion, no matter what you do, to or at this facility, you can't triple your business.

Somewhat depressed, you find comfort in remembering that you still have that \$50 million your boss gave you sitting in your bottom desk drawer and think out to yourself, "There's gotta be a way to do this."

The next day you're having lunch with your old friend Vince Teon, (grin) and start to tell him about your problem. For over 20 years, Vince has owned and operated 6 auto parts stores in your local market. Vince has never really been much of a competitor because he sells parts mostly to do-it-

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yourselfers, older vehicle owners, other make car lines. In fact, you have been able to co-exist with Vince quite nicely over the years with both of your businesses showing modest growth. neither at the expense of the other.

When Vince tells you that each of his 6 stores does about \$2 million a year or \$12 million annually the light bulb goes off. All you need to do is buy Vince Teon Auto Parts and you have more than tripled your annual sales.

You tell Vince you'll give him \$30 million for 51% his business and that you still want him to operate it because he has been so successful. He agrees, you go back to your boss with a combined \$16 million in sales and \$20 million in change. Everyone is happy and even though Vince's business is similar to yours, both should continue to grow because they actually serve slightly different market segments. Not bad for a weeks work, you get to keep your job.

So, at least initially, Ford buying and controlling someone like Penske would seem to have little or no affect on the dealers. Both the dealers and Penske already co-exist in the same markets and sell products and/or services to slightly different market segments. Does it really make any difference if it is Ford or Penske himself that owns the company? It all depends on how Ford decides to manage the new business in the years to come.

Let's go back to the ABC Ford/Vince Teon merger for a minute. Everything goes very smooth for the first year or two. Both the dealership business and the Vince Teon business are growing at about 8% a year. Both are doing very well in their respective market segments.

One day Vince comes to you and says, "You know, I get a lot of customers asking for OEM sheet metal, but we don't have any. When I tell customers that they can get all the sheet metal they want at ABC Ford, they complain it's too expensive. I think we're

losing a lot of sales. If I had some of your OEM fenders and doors, and could sell them for less than ABC does, I could do a bang up job."

Hey, nobody wants to lose sales! So, you decide to stock up Vince Teon with sheet metal at a price that would be attractive to Vince's customers, say 15 percent lower than ABC Ford sells it for. Bad move. Within a week, the wholesale counter is empty, the wholesale phones stop ringing and you start to see a decline in sheet metal sales at ABC. Whatever Vince gained by having sheet metal available, was lost by ABC.

In our view, if Ford decides to buy parts and service outlets in the U.S. for the sole purpose of increasing their market share, and allows them to operate in the same manner as they do now, it should have little or no affect on dealerships.

If, as many expect, Ford decides to offer this new entity the same products and/or services that are currently available from franchised dealers, or give them pricing advantages we could be in for a lot of trouble.

Ex-Ford CEO Trotman Took Home Big Bucks

Ford Motor Co. said that Alex Trotman, in his final year in 1998 as chairman and chief executive officer, took home \$69.07 million in cash, stock and exercised stock options.

In Ford's largest paycheck ever, Trotman earned \$39.01 million last year in cash compensation and stock, according to the proxy statement released by the No. 2 U.S. automaker. His base salary was \$2.5 million, Ford said.

Trotman, who retired at the end of 1998, also exercised more than 1.4 million stock options last year worth \$30.06 million.

Trotman was paid \$20.5 million in cash compensation and restricted stock awards in 1997, Ford said. He did not exercise any stock options in 1997.

Trotman got a big boost last year from \$24.14 million in stock from a long-term incentive plan payout based on the company's performance in the financial, product, employee relations and other areas from 1993 to 1997. In 1997, he was paid \$9.8 million in stock under the long-term plan.

Ford discloses the long-term incentive plan payout the year after they are set. The 1998 awards will not be determined until the middle of this year and will be disclosed in next year's proxy statement.

Trotman's 1998 pay included base salary of \$2.5 million, up from \$2.0 million in 1997, and his bonus rose to \$10 million from \$7 million. He was paid \$2.37 million in other compensation compared to \$1.69 million in 1997, which also included restricted stock awards. He did not receive any restricted stock awards in 1998.

Jacques Nasser, who succeeded Trotman as chief executive officer at the beginning of this year, was paid \$12.94 million in cash and long-term stock incentive payouts in 1998 in his former role as automotive operations president. His pay rose from \$4.12 million in cash compensation in 1997.

Nasser did not exercise any stock options in 1998, Ford said.

Nasser's payment included a base salary \$1.05 million, up from \$717,000 in 1997, and a bonus of \$5 million, up from \$3 million. He was also paid \$826,000 in other cash compensation in 1998, up from \$406,000 in 1997.

Under the long-term incentive plan stock award, Nasser received \$6.05 million in stock, up from \$1.04 million in stock in 1997.

BLUE LINE

Ford Parts Managers Association



How To Recover Price Difference On Outside/Non-Ford Parts Used In Emergency Warranty Repairs

EMERGENCY REPAIRS (NON-VISITING AND VISITING OWNER)

To keep our customers happy and coming back to our shops for future repairs sometimes it is necessary to pick up parts from another dealer. As you know this costs us money to do so. There are certain circumstances where these additional costs can be recovered. In order to recover these additional costs it will require discipline on the service writers part and on the parts counter man also to make this happen.

New Ford or FQR parts are normally required when making warranty repairs. In some instances the required Ford part(s) may not be available from Ford, or locally from other Ford or L/M dealers. Ford will allow the use of a Ford Authorized Remanufactured (FAR) part, or a new non-Ford part (after the new vehicle delivery date) to complete warranty repairs in the following situations:

OWNER IS NOT TRAVELING

If the owner is "NOT" traveling and the vehicle is inoperative, and DOES II displays one of the following messages:

- ◆ Ford part is out-of-stock nationally (D-99 status)
- ◆ OBS. Review (Part Obsolete/Not Replaced) - From the EMR Backorder Status Screen
- ◆ No Promise (Date to be shipped unknown) - From the EMR Backorder Status Screen

OWNER IS TRAVELING (VISITING OWNER)

If the owner IS traveling (visiting owner), cannot return home overnight, and the parts are not in dealership stock or available locally from another Ford or L/M dealership.

SUPPORTING DOCUMENTS

A printout of the applicable DOES II screen must be retained in the customer service file for one year following Company notification of payment.

An explanation of the reason for using FAR of non-Ford part must be entered in DWE/ACES II.

The outside parts purchase invoice must be retained with the claim for one year following Company notification of payment.

REIMBURSEMENT

When the "Actual Cost" of the outside part (OSP) or locally purchased Ford part is GREATER than the equivalent Ford part "Dealer Price", the part price difference (PRDIFF) is reimbursable if the repair qualifies as an emergency repair based on the guidelines noted above.

Marking Up Carlite Glass Used In Warranty Repairs

There is a lot of mis-information on how to charge out a piece of glass on a warranty claim. To set the record straight follow these easy steps:

Basic Vehicle Coverage/Bumper to Bumper Coverage

Glass is reimbursable at dealer's cost plus applicable parts allowance. Actual cost plus applicable parts allowance may not exceed dealer price plus applicable parts allowance.

All glass replacements under warranty must be made with Carlite glass. Reimbursement is as follows:

Carlite glass purchased through and installed by an outside source. Part reimbursement is based on the actual cost plus the applicable parts allowance, not to exceed

the dealer part price plus the applicable parts allowance.

NOTE: Claiming the Ford Service Part Number for a glass repair is only allowable when the part is purchased directly from the Ford PDC.

You "cannot" buy glass from an outside company, charge out the Ford part number and mark it up, but you can mark up the outside glass purchase using OSP if the glass and labor have been billed separately.

If the glass and labor have not been billed to you separately, (ie. one bill that only shows a total that includes glass and labor) it must be charged out as a sublet repair with no parts mark-up.

Glass ordered from the PDC - Reimburse-

ment is based on the Dealer Price shown in the Ford Parts and Accessories Price List (FPS-3642) plus the applicable parts allowance.

When you sublet the glass installation enter OSP for the part number for the glass. Mark it up not to exceed Ford cost on the glass plus markup.

LABOR REIMBURSEMENT

When there is a comparable Ford service Labor Time Standards Manual operation, either the standard operation or the actual OSL amount may be claimed. If the actual OSL charge is claimed, the OSL amount CANNOT exceed the standard operation amount at the dealer's approved warranty labor rate. Actual time must be listed separately and payment is based on actual cost if the cost is reasonable.

BLUE LINE

Ford Parts Managers Association



FCSD Steps Up Internet Communications www.qcdealer.com

On May 17th, FCSD activated a paperless dealer communication system by using the internet as the vehicle to distribute certain types of information to the dealer body.

Called the FCSD COMMUNICATOR, the system is said to be easy to use, frequently updated and available to dealers at no cost.

The system will be accessible from anywhere the internet is available. You can access the FCSD Communicator from work, from home or while traveling by logging onto www.qcdealer.com.

Information about Retail 99, AtW, Quality Care Maintenance, technical newsletters, PSMAC info and communications from key FCSD personnel will be available at the site.

As the FCSD Communicator evolves, it will include information currently communicated to dealers via U.S. Mail, Fax, COMBAT and other Company systems.

Information will be distributed in both the new electronic internet format and the current paper format until the end of June.

If you are not currently "net-capable" you need to get on-line ASAP so that you can become familiar with how to access and use the new system.

We believe that there will eventually be many benefits to dealers from this type communication system and that this is an example of a WIN-WIN situation for both FCSD and the dealers.

We are all aware of how much "stuff" we are sent by FCSD and Ford every week. Having a single point of reference, with search and archive capabilities, will mean that important information that is currently misplaced, lost or never gets through to you due to internal dealership mail distribution problems will be always available at the site.

The only problem we see is that many dealers, and especially parts dept. personnel, are still behind the curve when it comes to internet capabilities. If you don't have a PC and software that can be used to access the internet in your Parts Department, show this to your Dealer Principal or General Manager. Now, you "need" to be on-line or you may miss important information that can save or make you money.

Also, don't forget another great site that allows you to see the inner workings of Dealer Council and enables you to participate in the process is available to you at www.fdealer.com.

Family Business From Pg 12

We want to be measured by our contribution to better ideas and a better standard of living. The automobile, truck and tractor have brought tremendous social, economic and technological advances around the world. More recently, some of those better ideas have been dedicated to making our vehicles and plants more environmentally friendly, from catalytic converters to factory scrubbers and in developing safer cars and trucks with air bags.

Since that day years ago when 10 employees were hired by Henry Ford and put to work at the Mack Avenue plant in Detroit, I am proud to say, his Ford Motor Company has been in the vanguard of a peaceful revolution. Henry Ford's founding principle was to provide basic transportation for the masses. The 100 year old auto company spawned by that idea, which now includes a family of 325,000 Ford employees worldwide, is committed to a modern legacy of developing future designs, technologies and materials for a world that changes eternally.

Service Part Warranty To Get Tighter?

Ford figures suggest that dealers on SPW Prior Approval submitted 32% less Service Part Warranty claims.

We can probably look forward to an increase in the number of dealers who are on the program as a nearly one third reduction in this area would seem to be substantial enough for Ford to expand the program.

Many dealers have told us they are "absorbing" the cost of SPW in an effort to satisfy customers and to stay off the Prior Approval Program.

We urge dealers to keep submitting legitimate claims for SPW and ask Dealer Council to look into this matter.



Don't Forget...

We're On The Net!

www.fmanet.com

E-Mail fmanet@eznet.net

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Ford Parts Managers Association



Ford Facts...William Clay Ford Sr. Talks About The Family Business

I was 10 years old when my grandfather taught me how to drive. Sitting on his lap, I used to maneuver the small steering wheel while he worked the pedals. The car had a hand throttle, and we'd go flying around the southeastern Michigan roads of Dearborn, Ann Arbor and Saline.

On one of our runs, we were stopped by the state police. Amazingly, I do not believe that my grandfather ever owned a driver's license. The officer, who recognized my grandfather's face, however, did something that was much worse than handing us a ticket. He telephoned my grandmother and told her what happened. When we got home, she gave my grandfather 10 times the grief the police could have given him. After that episode, my grandfather and I still managed to get away for a few rides. But, we never told my grandmother.

Learning to drive wasn't the only lesson I picked up from my grandfather. Henry Ford was also a great businessman, because he aspired to meet people's needs. That included, paying a decent wage, so employees enjoyed a standard of living that allowed them to purchase the products they made.

Right from the beginning, Fords changed our lives. They gave us mobility, bore our loads, brought us transcontinental friends and inspired new rituals of courtship. This social revolution began in earnest in 1913 with the miracle of mechanical mass production. No assembly plant innovation since then, automation, computer science or robotics has come close to furthering the progress of manufacturing.

And, while the passage of time transforms society, our company's historical commitment to our people, products and customers remains firmly rooted in supporting a high-quality standard of living. It is the same commitment that brought the world the moving assembly line, the \$5 workday and the first affordable V-8 engine. That devotion also

delivered milestone products such as the Ford Thunderbird, Mustang and Taurus and vintage vehicles like the Lincoln Zephyr, Ford pickup and the Model T, the premier model of the mechanical age.

One of my grandfather's favorite jokes was that a man asked to be buried in his Model T, because it had pulled him out of every other hole he'd been in. The birth of Ford Motor Company in 1903 and the manufacturing boom of the 20th Century brought prosperity to millions of Americans who otherwise would not have known it. The ideas of a Michigan inventor and engineer have evolved into a global enterprise that has provided products, work and a way of life for millions of people.

Certainly, it never occurred to me to work in any other field or any other enterprise. Our company did not go public until 1956, so we looked at Ford in the early years as a family business. Although today's company is owned by more than 600,000 stockholders,

I am happy that my son, Bill Ford Jr., and my nephews Edsel, Buhl and Benson are closely involved in the business.

The Ford oval is more than just a highly recognizable logo, it embodies our family pride, it is our family crest.

As the largest manufacturing industry in the United States, the automobile business has an enormous impact on the American economy perhaps more than any other industry with new car and truck purchases representing about 4 percent of our total Gross Domestic Product. It is also a major source of tax revenue, roughly \$4500 per vehicle annually.

But sheer size is not the essential importance of the industry to America, nor the yardstick by which we will be measured in the annals of history. For my family and the

company that bears its name, we hope to be measured by our accomplishments, by the exciting and functional products we brought to people; by the plants and offices and research facilities we built in communities across America; by the generations of Americans who spent their working lives in productive, high-value-added jobs, which last year alone yielded a payroll in excess of \$8 billion; and by the innovative enterprises and technological development supported by our efforts, resulting in purchases of automotive parts, raw materials and supplies which amounts to more than \$39 billion.

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In The Next Issue
Where Is The Dealership Parts Business Heading And What Can We Do About It?
And Much, Much, More...

THE "BLUE LINE" IS PUBLISHED EXCLUSIVELY FOR MEMBERS OF THE FORD PARTS MANAGERS ASSOCIATION. MEMBERS ARE ENCOURAGED TO SUBMIT ARTICLES, QUESTIONS, COMMENTS AND SUGGESTIONS TO...

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