



# Fall Newsletter

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## 2008 Conference and Trade Show is Almost Here!

### Building Bridges

One of the most valuable tools that all business owners need is having good communication skills. Whether you are trying to sell a repair job, purchase a part or some new equipment, or advertise your business, you need to be an effective communicator.



“**Building Bridges**” focuses on helping a business owner improve his/her communications skills when dealing with customers, vendors, or employees. The conference is also going to be a great place to Build Bridges with other BMTA members. You’ll be able to talk to the big suppliers, the manufacturers, several magazines and shop owners from

around the country. Building these bridges and connections will certainly help you in the future.

This year’s conference and trade show will be held in beautiful Tampa, Florida January 18-20, 2008 and will be hosted by Glenn’s MG Repair. Highlights of this year’s conference include:

- A visit to the Tampa Bay Auto Museum, featuring their unique collection of vintage cars
- Public seminars on Saturday featuring a British car show in the hotel parking lot.
- Trade show—show off your business and products to other shops and to the public
- BMTA-only seminars including a keynote speech from George Witt of the Automotive Management Institute
- Sun, fun, shopping and entertainment for members and their families in nearby Tampa

The full conference schedule, registration forms and other information can be viewed on our website at [www.britcar.org](http://www.britcar.org). Make your plans now to wave goodbye to the cold and snow and meet us in Tampa for a chance to network with your fellow British car enthusiasts on the beach!

## Put the BMTA Logo in Your Ad!

More and more members are including the BMTA logos in their ads. This is good for everyone and we encourage you all to do this. Putting the BMTA logo in your ad compliments the BMTA group and compliments your business as a quality business.

If you have questions about getting the logos in your ads, call or e-mail Alan at Eclectic Motorworks or have your advertising rep go to the BMTA website at: <http://www.britcar.org/logos.html>



## From the Chair by Michael Engard

I know you're all glad to see the Newsletter back and a lot more activity in the BMTA. For the past few years, Carl Heideman and Kip Lankenau worked hard to keep the BMTA growing and I'd really like to thank them for their work. For the sake of continuity, they're staying on the board for now, but we're working hard to bring on fresh talent with the enthusiasm to grow the BMTA to it's full potential.

Speaking of the board, our current board members include:

- Mike Engard, Ragtops & Roadsters (Chair)
- Kip Lankenau, Kip Motor Company (Treasurer)
- Gail Lenhard, Glenn's MG Repair (Secretary)
- Kelvin Dodd, Moss Motors
- Carl Heideman, Eclectic Motorworks/Classic Motorsports

I think you'll agree we've got all the corners of the British Trade Triangle (Shops, Suppliers, Media) covered with this board and it's been a pleasure working with them. We're constantly e-mailing each other and host a monthly conference call to discuss BMTA matters.

Besides making sure the upcoming conference

is going to be the best yet, we're gearing up to make the BMTA bigger and better in many ways. You're going to see an improved website, more networking opportunities, a BMTA awards program and more.

To make all this happen, we need two things:

1. We want all of you to participate actively in the BMTA. Update your ads to include the BMTA logo. Check the discussion board regularly and contribute your thoughts. Make an effort to attend the conference in Florida this winter. Most importantly, talk often with other members!
2. We need more members. We'd like to grow to 300 members in the next year. We think it's very possible, and this size would give us more financial strength, more skills from members, and the ability to build more benefits into membership. We'll soon be announcing the membership drive and want your help. If every current member can bring in just one new member, that will get us to 200 very fast. Is there anyone you know that should join the BMTA? Forward their contact information to [mikee@ragtops.com](mailto:mikee@ragtops.com) and we'll follow up with them.

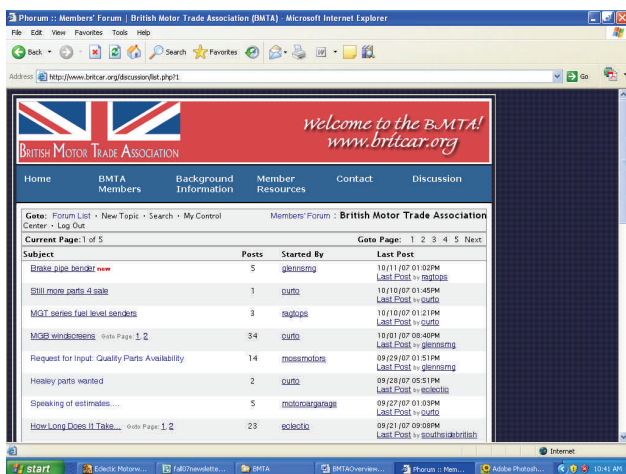
I look forward to seeing all of you in Florida this January!



**Is there anyone you know that should join the BMTA?**

## Are You Using the BMTA Discussion Board?

Does this picture look familiar to you? If not, then you haven't been to the discussion board on our website.



Recent topics of discussion include:

- MGB windscreens and other parts quality issues
- How long should restorations take? How long does it take you?
- Shop heating and cooling and their effects on productivity
- Modern motor oil in your classic motor

... and more! Visit <http://www.britcar.org/discussion> and join in the discussion. If you cannot remember your password or do not currently have access to this area of the website, please contact Alan at Eclectic Motorworks at 616.355.2850 or email at [eclecticalan@yahoo.com](mailto:eclecticalan@yahoo.com) for more information.

## Matrix Parts Pricing by Glenn Lenhard

What started as an innocent discussion in the BMTA web forum has apparently raised some intriguing issues about the different methods of charging for parts. First let me say that what works for one shop and situation may not work for everyone. Some shop owners feel that they must always match the prices found in the parts catalogs or the customers will just go somewhere else, or will take offence of some type. In most cases, this is a perception that can be dealt with by effective communication.

Repair shops sell two things: labor and parts. When it comes to labor, most shop owners just look at local competition and price somewhere near them. This is also technically incorrect, but is a widespread method. That discussion will have to wait for another day.

Parts profit (you will see that ugly word again and again in this article) is a critical component of the repair business. It determines if you will stay in business three years, or thirty. The industry standard for parts profit is 50 percent AVERAGE gross profit. That means if you buy a part for a dollar, it is sold for two dollars. It does NOT mean you multiply the part by 50%. Lets get a basic mathematical roadblock out of the way first. The terms we will be encountering are mark-up, and gross profit (also known as *margin*). Mark-up is just that. You MARK UP a part by 100 percent. That will give you a GROSS PROFIT on that part of 50 percent. (Half of the sale is profit). The relationship is not linear. A mark up of 122.2 percent leaves a 55 percent profit. A mark-up of 150 percent provides a gross profit of 60 percent. A good little desktop program to use to make this calculation for you is called Gross Profit Margin Calculator from Micro Task. It is freeware and can be found on the Internet with a simple search.

Why do two identical parts have different prices from different suppliers? The answer is that these businesses have huge purchasing departments with experienced pricing strategies. They base the selling price on their own costs, and expenses. They do not know what the competitor is paying, or what that competitor's electric bill and payroll is. These are the type of things that truly determine what a business should be charging for the things they sell. They do, of course, know what the competitors are charging, and that is part of the pricing decision.

For those of you with Excel and a price list such as Moss on disc, you can design a formula to calculate the margins on an assortment of parts. You will instantly see that very few parts have the same suggested margin. The numbers are scattered in a seemingly random manner. This is due to MATRIX PRICING.

Matrix pricing is an accepted manner of pricing the parts. Nearly all computerized shop management systems come with a matrix pricing strategy built in. The main purpose is to make a higher margin on lower priced items to offset the smaller profit realized on more expensive items. Higher priced items (fenders, transmissions) have fewer direct costs involved in handling them than a carton of 100 small one-dollar items. If you sell 100 one-dollar spark plugs for five-dollars each, you made 400 dollars profit. That's 400 percent *markup* and a gross profit margin of 80 percent. It took lots of time and energy to sell those 100 items.

Now try selling the 500-dollar fender for 400 percent markup. Is anyone going to pay \$2500.00 for a fender? No! But will they pay 715.00 dollars? In most cases, yes, but your margin was only 30 percent, for a profit of 214.29. But now lets look at total sales:

Cost of parts: 500 spark plugs and 1 fender: \$600.00  
 Sales of parts: \$1,215.00  
 Profit Margin: 50.62%

This is how it's done! And did your customers complain about the five-dollar spark plugs? Did they say "Hey...I could have bought them at AutoZone for \$1.99?" Yes, maybe. But then you have added value to these plugs. YOU bought them. YOU paid for them, put them in the inventory management system, put them on the shelf, retrieved them when needed, and wrote up an invoice to collect the money. These things cost YOU money. It is very easy to explain these ideas to the average customer we get in this business. They are all business people or professionals and understand this as being an intelligent and wise business practice. And the best part is you didn't have to charge more for that fender than the mail order catalog places! You still made that critical 50 % on your money!

Make up your own PRICING Matrix and practice with it. Make minor changes if you need to until you are getting as close to 45 or 50 percent margin when averaged over all sales for a period. You will be amazed at how much easier it will be to pay your bills!

And if anyone asks why you don't charge the same as the catalogs, just get in the habit like I do, of calling those "Mail Order Prices". In most cases, there is no further explanation required.

In the end, you have to decide if you are going to try to match mail order prices, discount under those prices, or let your own business expenses decide what you have to charge in order to stay in business. By all means if you can keep going by selling at 30% margin and you have very few expenses, then that is your decision. If you have a 5000 square foot building with 9 employees, pay for health insurance, workers comp, payroll taxes, etc. then I can guarantee you will be paying attention to these important matters.

Sample parts pricing matrix:

Parts Breakdown	% Of purchases	Mark Up Multiplier	Gross Profit %
\$0 - \$1	10%	4	75
\$1 - \$10	20%	2.5	60
\$11 - \$25	25%	2.00	50
\$26 - \$100	20%	1.7	41.2
\$101 - \$250	12%	1.5	33.3
\$251 - \$500	8%	1.4	28.6
\$501 - and up	5%	1.33	24.8
<b>TOTAL</b>	<b>100%</b>	<b>1.91</b>	<b>47.8</b>

## What is the BMTA?

**W**hile some have predicted the demise of the classic British car industry in America, there are clear indicators that the industry is not only doing fine, but has many opportunities to thrive and even expand. The industry has grown from small importers in the post-war period to large distribution networks in the 1960s and 1970s. With the demise of many British brands in the late 1970s and early 1980s, the industry shrank and began a shift from factory-supported parts and repair businesses to independent businesses. This first step in the evolution from factories to independents has matured to a point where the next step naturally follows: An organized, interdependent effort by independent businesses in the British car trade to ensure the long-term viability of the industry. This effort led to the formation of the *British Motor Trade Association* in March, 2003.

How big is the British Motor Trade in America? Because many British-based motor trade businesses are small, this market is widely misunderstood and greatly underestimated. It is often mistakenly considered insignificant. However, research in the late 1980s indicated there were still 130,000 MGBs registered in the US. Add in other models of MGs, Triumphs, Austin Healey's, Jaguars, and other marques and there are easily more than 200,000 British cars still on the road or under restoration. It is reasonable to expect an expenditure of \$500-1000 per car per year, making the British Motor Trade a \$100-200 Million industry.

Many of the businesses involved in the British Motor Trade are small, employing less than ten people. Because of these small sizes, these businesses have trouble finding the time or other resources to devote to the research, training and marketing that would help them expand or improve their business. Many have perfected several aspects of their business to provide top-quality products or services, only to find they have little time or no good venue to show potential customers their capabilities. For many years, these businesses have struggled in spite of their successes because they have not had a good network of resources to draw upon.

The *British Motor Trade Association* is that network. It was formed to draw the three aspects of the business—the "Trade Triangle"—together to cooperatively promote and improve the British car ownership experience and therefore improve business.

The British Trade Triangle is composed of:

**Suppliers:** Parts manufacturers and rebuilders. Parts wholesalers and retailers. These form the foundation of products that businesses need to support their work. In addition to their retail customers, they need shops to purchase products from them and help them develop new products or improve existing products. They need magazines and events to advertise and promote their products.

**Shops:** Repair shops. Restoration shops. Dealers. These repair and restoration shops keep the cars running and in desirable condition. Dealers bring new people into the hobby. They need good parts manufacturers and rebuilders and they also need magazines and events to advertise and promote their products and services.

**Media:** Magazines (club and professional) and Event Organizers (club and professional). Probably the most underutilized area of the triangle, these businesses and clubs provide venues to bring excitement, education, and innovation to this hobby. With support from suppliers in the way of technical information, new product announcements, advertising, sponsorships and other cross-promotions, the media can help springboard good ideas into successful products and services.

### British Motor Trade Association Mission

*To Promote the British car as a safe, reliable, and delightful vehicle worthy of enjoyment and investment.*

*To Develop business-to-business collaboration that promotes quality, knowledge, business expansion, and explores emerging markets.*



### BMTA Membership Benefits Include:

- > Preferred pricing with various vendors
- > Improved access to other British-based businesses
- > BMTA Newsletters
- > Group advertising in magazines and events

A growing website featuring

- > Members-only message board for advice and discussion
- > Downloadable BMTA marketing materials
- > Comprehensive listing of member information
- > A network of helpful business owners