



# PARTS **UPGRADE**





## WHAT IS PARTS UPGRADE?

- Parts Upgrade is a new approach to parts inventory management that employs three key Mazda initiatives:
  1. New parts terms and conditions
  2. Remote Managed Inventory (RMI)
  3. Dealer To Dealer parts locator (D2D)
- Parts Upgrade focuses on key parts inventory management metrics:
  1. Stock order utilization
  2. Stock off-the-shelf fill rate
  3. 12 month idle capital
- Parts Upgrade will help dealers:
  1. Increase parts sales and gross profit.
  2. Increase customer satisfaction by ensuring that they have the right part at the right time.
  3. Lower parts inventory obsolescence and free up idle capital.



## PARTS TERMS AND CONDITIONS

### What Is Parts Terms and Conditions?

- Parts Terms and Conditions (T&C) refers to the way Mazda dealers earn their stock order accrual allowance.
- The accrual allowance is designed to keep dealer parts inventory obsolescence low.

### Why a new approach?

- A new set of Terms and Conditions have been developed to encourage proper inventory management practices.

#### Old T&Cs

- Automatic 6% accrual allowance on stock order purchases.
  - Allowance is not preventing obsolescence or encouraging good inventory management practices.
  - On average, Mazda dealers hold 24% of idle capital, or approximately \$15 million of obsolete inventory. 40% of dealers hold 30% or more idle capital. Another \$9 million is between 9-12 months no sale.

#### New Parts Upgrade – T&C

- 6% accrual on stock orders is earned through performance metrics.

Dealers with 3 Stock Orders per week Stock Order Utilization		Dealers with 5 Stock Orders per week Stock Order Utilization		Stock Off The Shelf Fill Rate		12 Month Idle Capital	
less than 65%	0.00%	less than 70%	0.00%	less than 80%	0.00%	greater than or equal to 25%	0.00%
equal to 65% or less than 70%	0.50%	equal to 70% or less than 75%	0.50%	equal to 80% or less than 85%	0.25%	equal to 22% or less than 25%	0.25%
equal to 70% or less than 75%	1.00%	equal to 75% or less than 80%	1.00%	equal to 85% or less than 90%	0.50%	equal to 18% or less than 22%	0.50%
equal to 75% or less than 80%	1.50%	equal to 80% or less than 85%	1.50%	equal to 90% or less than 95%	1.00%	equal to 12% or less than 18%	1.00%
greater than or equal to 80%	2.00%	greater than or equal to 85%	2.00%	greater than or equal to 95%	2.00%	less than 12%	2.00%

### Total Payout = 6% on Stock Orders

- Unused accrual reimbursed to dealer if “idle capital” in line.
- An additional 1% return allowance for A & B moving parts that have not sold in 12 months (up to 1% of stock order purchases, if dealer has earned the full 6%).

### Timeline:

- Measurement of performance metrics begins July – December 2006
- New accrual allowance percent calculated January 2007
- Current automatic 6% accrual allowance remains unchanged for 2006





## REMOTE MANAGED INVENTORY

### What is Remote Managed Inventory?

- Partnership between ADAMI, Mazda and the Dealer to increase parts sales through advanced inventory management practices.

### Why a new approach?

- Dealer training expense; Sustainability; Employee turnover; Training commitment

### The Opportunity

- Recognize the focus of the Parts Manager – As the generator of sales and profits
- Reduce the burden of inventory control
- To allow greater focus on sales & merchandising
- Parts Manager becomes a Sales Manager
- An ADAMI professional is on your team every day!

### Dealer Benefits and Objectives

- Increased parts sales
- Improved profits through expense control
- Improved profits through reduced losses due to purchase of non-selling parts
- Improve profits through earning more incentives and reduced outside purchases
- Improved inventory turn and profitability
- Increased cash flow
- Ease of managing parts inventory
- Consistency

### How Does RMI Work?

1. Professional Parts Asset Management. The Area Parts Manager (APM), a seasoned Parts Management veteran, in concert with the Dealer Principal and Parts Manager, will guide the financial success of the Parts Department per dealer investment criteria using a dealer business plan. The APM will assist your parts manager in making purchase decisions and implementing a sales strategy.
2. State of The Art Data Matching. We will provide a data matching program that will identify fast selling parts that you need to stock based on your proven sales. This match will also provide a list of parts that you are overstocked with and need to reduce. Accelerated Phase-In Data Matching will stock more of the correct parts and improve the management of your parts asset ROI using your sales history!
3. Increase Your Parts and Labor Sales. You can't fix the vehicle if you don't have the needed part. Every time you special order a part, you run the risk of not completing the parts and labor sales. Inventory alone will not increase

sales, the correct inventory will. This program changes your inventory into a responsive/proactive tool promoting confidence to grow parts sales.

4. Increase Your Gross Profits and Earn Maximum Terms and Conditions. Because you will be stocking more of the correct parts you will see a reduction in Emergency and other outside Dealer Purchases, which cost more than MNAO purchases. Other Dealer Purchases do not earn any accrual allowance (if you qualify). All of these changes will increase your profits and terms and conditions.
5. Time Management. This program will provide the Parts Manager more time to focus on other responsibilities (increasing part sales) and spend less time deciding on what parts to place on the shelf.
6. Plan the work, Work the plan. With hands-on asset management we will help you stock the correct parts and prevent you from stocking the wrong parts. With improved special order processes with proper follow-up and accountability, unsold special orders will be reduced to a minimum and will help you stop building more new idle capital. The APM will play a daily role in helping achieve these goals.
7. Employee Turn Over. If your management changes you will have immediate (24-48 hours) re-training available. The APM will provide quick and detailed training thru Web-X and phone contact to help get your new manager up to speed.
8. Cost is Equal to Delivery. When the business plan is implemented, the expense of this program will become transparent to your bottom line. Increased Parts efficiency, expense reduction, and the implementation of an idle capital reduction plan will all contribute to parts department profitability.

### Additional Benefits Of RMI

- A one time return of obsolete parts (\$.50 to the \$1 for 2 year signup, \$.75 to the \$1 for 3 year signup).
- Guaranteed 6% stock order accrual allowance.
- An additional 1% return allowance for A and B moving parts that have not sold in 12 months. (up to 1% of stock order purchases)
- Unused accrual reimbursed to dealer if "Idle Capital" in line.

### Timeline:

- Early signups begin end of April 2006
- RMI starts July 2006

### Cost:

- \$8,000 per year



## DEALER TO DEALER PARTS INVENTORY LOCATOR SYSTEM (D2D)

### What Is D2D Link and D2D Plus?

- D2D Link
  - An online parts locator to find needed OE parts at neighboring and nationwide dealers. Fast, easy and accurate with automatic inventory updates and online buying and selling. (12,000 dealership subscribers searching for parts 130,000 times a day.)
- D2D Plus
  - Idle & Reporting: An online product to help parts managers select, discount and offer idle inventory on the nationwide D2DLink parts locator. Also includes parts bundling and basic locate reports.

### What Are The Benefits?

- Identify and discount idle inventory and promote it to other Mazda dealers nationwide – in just a few keystrokes **and you set your own discount prices.**
- Reports show missed opportunities and most-frequently searched-for parts to better stock your inventory.
- Create and sell bundles of miscellaneous inventory to help unload idle stock or shop for needed parts at reduced prices.
- Buy and sell parts online, with email or text pager alerts, for when you step away from your computer.
- Create a customized text advertisement to appear each time your inventory appears on other dealers' search results.
- Frequently-shopped dealers can be set to always appear at the top of your part searches when they have the part.
- **And coming soon – D2D Express – an automated online process for dealers to easily fill Mazda backordered parts from their inventory. Orders appear on screen – you choose to accept or not. Ship the part. Billing reconciliation is handled by Mazda.**

### Timeline:

- D2D Link and D2D Plus launched January 2006
- D2D Express launches end of May 2006

### Cost:

- \$99 per month for D2D Link, D2D Plus and D2D Express





## PARTS UPGRADE FREQUENTLY ASKED QUESTIONS

### Stock Order Accruals

- 1Q. If dealers receive cash from their accrual one year, does that amount get subtracted from the next year?  
1A. *No, accruals are zeroed out each year and dealer cash payout does not affect their ability to earn next year.*
- 2Q. If a dealer is not on RMI, can they return A and B parts not sold in 12 months?  
2A. *Yes, if dealers are not on RMI and they have earned the full 6%, they receive an additional 1% accrual for A and B parts (up to 1% of stock order purchases).*

### Remote Managed Inventory

- 3Q. When will we know what Area Parts Manager has been assigned to my dealership?  
3A. *APMs will be assigned as we get nearer the start date for RMI (July 1, 2006). Demand for RMI will determine how many APMs are needed and that will drive the assignment of APMs.*
- 4Q. When can I sign up for Remote Managed Inventory?  
4A. *Dealers will be able to sign up for RMI starting in April.*
- 5Q. How much does RMI cost?  
5A. *RMI costs the dealer \$8,000 per year with a two or three year commitment.*

### Stock Orders – Dedicated Delivery and LTL

- 6Q. I received additional stock order days from Mazda. How will my incremental stock orders ship?  
6A. *Each order will be reviewed (Rated) based on its weight and size to determine the best carrier. Incremental Stock Orders will ship FedEx, UPS and/or Less-than-Truckload.*
- 7Q. My stock orders are delivered on Dedicated Delivery today. With the new incremental frequency, will I lose my Dedicated Delivery?  
7A. *No. There will be NO changes in Dedicated Delivery.*
- 8Q. When I order large parts (sheet metal, engines, glass, etc), and they ship via any other method than Dedicated Delivery, the parts are always damaged. What can I do?  
8A. *We recommend you order large or delicate parts on your Stock Order(s) delivered via Dedicated Delivery. This will significantly reduce the risk of damage.*
- 9Q. Can I change my stock order entry day(s)?  
9A. *No. The days assigned to you are fixed.*
- 10Q. What weight and dimensions are used to determine whether UPS/Fedex or another carrier is used?  
10A. **Small Parcel Express/Ground criteria:**
  - Less than 150 lbs**Oversized Express Freight criteria:**
  - Minimum 151 lbs
  - Maximum Length + Girth 300", height 70", length 48"**LTL criteria:**
  - Minimum 151 lbs**Dedicated Delivery criteria:**
  - None
  - Recommend delicate, sheet metal, glass, engines, transmissions are ordered on DDS order entry day



## CONTACT INFORMATION

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