Inc Magazine Hi Tech Salvage Yard – Ron Sturgeon – Feb. 1995

PREMIERE ISSUE

Inc. TECHNOLOGY

PLUS

Case Study
A CEO's journey to computer hell and back: 46

Opportunities
Surfing the Internet for profit: 87

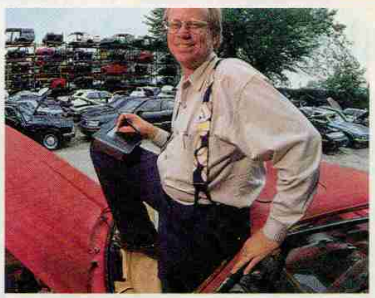
FaxPoll
How are computers changing your job? 36

E-mail With
MIT's Nicholas Negroponte on business's very wired future: 74

VIRTUAL SELLI

Master sales automation—and fast. Doin

Vol. 16, No. 13
Inc. TECHNOLOGY



page 102

Inc. Specials $3.00
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42 >
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INC. TECHNOLOGY VOL. 16, NO. 13

INVENTORY CONTROL

High-Tech Salvage Yard

Sales were doubling at Ron Sturgeon's AAA Small Car World, but with parts still being inventoried by hand and receipts jammed into a filing cabinet, it was poised for a nightmare

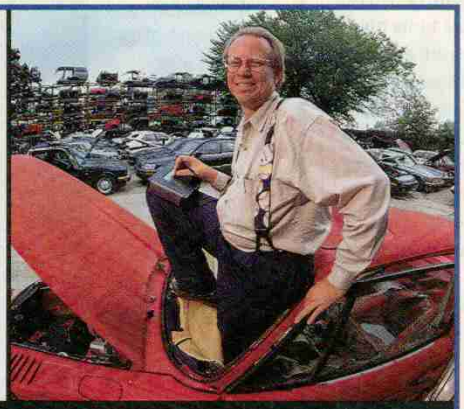
By applying high-tech inventory tracking to a low-tech industry, Ron Sturgeon has grown his Fort Worth–based auto-salvage business into an $8-million company and one of the industry leaders. After hiring a consultant to write some customized inventory-tracking software (which never worked), Sturgeon bought a pricey industry-specific hardware-and-software package. It was worth the $70,000 that he spent on it in 1987, he says, because it was well designed to anticipate his company's growth, tracking things now he'd never have thought of eight years ago.

In 1983, Sturgeon says, growth was getting out of hand. AAA Small Car World had "an awful lot of parts in stock, with sales almost doubling every year." Wrecked cars arrived at the store to be evaluated by inventory personnel, who listed the usable parts by hand on tracking sheets. Each part was labeled by hand, and a section of the label was torn off to be filed in the tiny drawers of a pharmaceutical filing cabinet. To find an alternator for a Honda, a salesperson would have to rummage through the files. "We had no automated way of tracking the fact that an alternator for a Honda might also fit an Acura," Sturgeon says. "We needed to track parts more efficiently."

As of 1983, Sturgeon was already using three Apple IIe's to keep the office books. After his unsuccessful attempt to write his own inventory-tracking package (at a cost of about $20,000), Sturgeon gave up on the idea for a few years. "It's not as simple as writing down some ideas and handing them to the consultant," he says. "We kept redesigning the ideas, and pretty soon the project was unfathomably big. And by the time I figured out what I wanted, it was too late to add some things." The project quickly outgrew his Apple computer's memory.

But when he upgraded to IBM 286's, in 1986, Sturgeon started exploring inventory software again, this time in earnest. Stung by the failure of his homegrown approach, he started paying more attention to the two software vendors at the industry trade shows he attended.

PROBLEM:
Tracking inventory quickly and accurately
SOLUTION:
An industry-specific hardware-and-software inventory-tracking package
PAYOFF:
A faster, easier inventory process. Salespeople can locate parts instantly



Ron Sturgeon, AAA Small Car World

After hearing the sales pitches, Sturgeon realized the developers were way ahead of him. "I didn't even know what the real possibilities were for tracking customers and financial information," he says. "They knew more about the management implications than I did." Comparing the proprietary software with off-the-shelf packages convinced Sturgeon that mass-market software wasn't well enough designed to anticipate the future needs of his growing business. So in 1987, with his company's sales at $2 million, he bit the bullet and invested $70,000 in the Checkmate inventory system (from AutoInfo, 800-347-2246; systems begin at $5,000).

Along with AutoInfo's software, Sturgeon received 20 networked PCs; assorted printers, modems, and multiplexers (which compress and uncompress information to be sent via modem); tech help; and two weeks of training for all his employees. He financed the expense over four years at $1,900 a month, believing that "you have to amortize the equipment over the time you get the benefits." Now the same package costs about $10,000.

AAA Small Car World turns over about 100 cars a week. Today, when a junked car arrives at the company, the assessor tells the database that, for example, a 1991 Nissan Maxima has arrived. The database creates a report listing specific variables (like taillights with chrome bezels) and prints a sheet with a number next to each item. The assessor walks around the car with the printout, circling the parts that are usable, and then enters those parts into the car's file. The computer then prints out the labels for the parts. A process that used to take two hours now takes 15 minutes, so the parts are available to the salespeople immediately. The system also tracks prices and interchangeable parts, and can tell a salesperson instantly that, say, a Honda alternator is available for a customer with an Acura. The 19 salespeople at AAA's six locations use the system simultaneously, selling and invoicing in one step. A printed invoice goes to the shipping department, and an electronic accounts-receivable form goes to accounting. As salespeople look up parts, the database tracks the number of times each part is requested by a customer, compared with the number of times that part is actually sold. If the part is requested frequently but doesn't sell, Sturgeon knows to lower the price.

Sturgeon runs formulas mercilessly, measuring everything his stores do. "Without this system we couldn't have tripled sales," he says. "We'd still be pulling pieces of paper out of file cabinets to see if we had a BMW part. That kind of limits your growth." —*P.H.*

JOHN BLACKMER