

Departmental Action Plan

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Class & Student Number: N332

Academy Week: Variable Operations 1 – Pre-Owned

Current situation or challenge you want to address:

Our current turn rate is down to 8.5 turns per year and our goal is to get back to the 12 turns per year that we averaged last year. Our GROI has also been plummeting in the last 6 months from a GROI of 11.8% down to around 6.5%. AutoCanada expects a GROI of 5% but we find that number to be way too low.

Overall Objective and Specific Desired Results:

SMP's objectives are to get our used inventory turn rate back to 12 per year and increase our GROI to back above 10%. I realize 11-12% may be a lofty goal but we've been there before and can definitely get back there.

Describe your action plan in detail (be specific and include before and after measurements)

In the past our pre-owned purchaser, who does a phenomenal job, has purchased whatever he could at the lowest prices possible. There was no formula or research done to find out what type of units we should be stocking, what models/brands, or in what price ranges. We were also always trying to pay the least amount possible for trade in units from the New Vehicle department. Sounds probably like most Pre-Owned departments. Also, we were wholesaling most older(2011 and older) units because we just could not afford to certify them in our shop and still maintain a competitive retail price. Here is our NEW GAMEPLAN:

- 1) We recently switched to vAuto(previously with DealerTrack) and were amazed by how intuitive the system was. We work very closely with our vAuto Performance Manager and he has taught us how to base our buying habits on Market Day's Supply. We use vAuto to research what we need to stock and then use vAuto to set our recommendations and our watch list. We set what prices we are comfortable with paying and follow it, not letting emotion get in the way during the auction.
- 2) When appraising vehicles, we now use the same formula we do when purchasing: Market Day's Supply. We are now stepping up on trade values for units that are in high demand because we know that we are going to be able to turn them quicker and re-invest the money from them in more units. This has led to a definite increase in the amount of trades we are winning.
- 3) Rental buybacks are a dime a dozen and we have a tremendously strong Finance Department so we decided to take absolutely any deal on buybacks, even if they are at an up to \$2,000 loss. Our F&I team averages around \$2,600 per unit on pre-owned so we know that we will still be making money and be able to re-invest that money in more desirable units.
- 4) We met with our Service Manager and Parts Managers and negotiated the following: For 2011 and older units we will pay wholesale price for parts and receive a reduced rate of \$100 per hour shop time. We have now been able to keep units that we would have otherwise wholesaled. We average a front end profit of \$2,700 on these older units. The parts department and service department are also still making their profit, as well.

Timeline: Describe specific short term and long term checkpoints to monitor progress

All progress is tracked right in vAuto and monitored bi-weekly within the reports section. Our specific checkpoints are to be at our goal of 12 turns and above 10% GROI before the end of 2018. We have already seen an increase in turn rate from 8.5 up to 9.05 in a month. Our GROI has also increased from 6.5% to 7.0% so we are definitely on the right track.

Meeting with Stakeholders (dealership personnel)

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences. Include timelines / Accountability / Monitoring process

- a. **Who:** Pre-Owned Managers
- b. **What:** Changing the way we think about the pre-owned department. Our pre-owned managers are on board with the new way we want things to happen and we are seeing the direct results from it already. Our pre-owned managers, as mentioned earlier, are working closely with vAuto to make sure they are experts in stocking the right units by

building the right shopping lists and then sourcing those units at the right prices. They also know the value of Market Day's Supply and making sure we are putting the proper value into trades.

- c. **By When:** All areas of our new game plan are already in place and being tracked. We will achieve our goals before the end of 2018
- d. **How:** Our team is committed to making our new way of running our pre-owned department work. It is definitely easier to get units when using vAuto and our managers are really happy about that. They have committed to not going back to the "old way" of the used car department.

Dealer agreement:

If you need your sponsors support or approval to implement your plan, have it signed off before you start. If you can proceed on your own, present this action plan to your sponsor before next class. Describe the meeting:

When I met with Gord, our GM at the time, we talked about the benefit of using Market Day's Supply to be a deciding factor in what we were stocking and paying more for in trade. Gord has been through the academy and this was one of the things that he just hadn't been able to implement already. He was 100% on board.