

OVERALL DEALERSHIP:

“Grand Theft Chevrolet: Where every deal is a steal!”

ISSUE

- Non-appealing company name and slogan

ACTION

1. REBRAND
 - a. “Driving Dreams, Delivering Excellence. Every Mile. **Grand Chevrolet**”

RESULT

- Fresh branding and vibe for the dealership
- Gives internal customers (employees) the feeling of a revitalizing company culture and initiate being taken within upper management.
- Give external customer (patrons) feelings of intrigue and excitement for a “new” dealership

ISSUE

- Current hours of operation are insufficient availability for the Austin demographic, and less than market competitors.

ACTION

1. Increase operating hours to
 - a. Sales M-F 9- 6 pm, Sat 8-5 pm.
 - b. Service/Parts M-F 7-6 pm, Sat 8-5pm
 - i. Hire 2-3 more technicians

RESULT

- Improved convenience and availability for customers
- Increased productive hours = Increased sales

ISSUE

- Lower cash flow

ACTION

1. Review outstanding receivables
2. Review frozen capital in each department

RESULT

- Increase cash on hand
- Put the dealership in a cash strong position

ISSUE

- Outstanding Sublet repairs - \$50,500 YTD

ACTION

1. Contact vendors for payment within 30 days.
2. Establish and monitor payments more than 30 days of invoice to induce late payment schedule to vendors.

RESULT

- Reduce \$50,500 YTD receivables
- Addition to available cash

ISSUE

- Warranty Receivables - \$6,000 YTD

ACTION

1. Review submission documents for accuracy
2. Contact OEM Rep for available payments

RESULT

- Addition to available cash

ISSUE

- Policy = \$54,043

ACTION

1. Policy- Monitor and put in place approval procedure
 - a. Consider policy chargebacks for managers

RESULT

- Policy- Reduce policy work and keep managers accountable to address any issues in their departments that are warranting charging work to policy
- Addition to available cash and/or NOT utilizing available cash

SERVICE DEPARTMENT: Grand Chevrolet

ISSUE

Int
ern
al

- ELR = \$85/hr.
- Door Rate - \$100/hr.
- Internal Rate - \$75/hr.
- Warranty Rate - \$75/hr.

ACTION

1. A review of domestic dealerships in Austin, TX revealed the Door Rate average is \$120/hr. Using that as the base for a rates adjustment:
 - ELR = \$100/hr.
 - Door Rate - \$120/hr.
 - Internal Rate - \$120/hr.
 - Warranty Rate - \$100/hr.
2. ELR is generally about 20% less than Door Rate due to discounting of fees. Raising the Door Rate to \$120 potentially increases the ELR to \$100/hr. Internal Rate should mirror the Door Rate, and I would petition the OEM for a Warranty increase from \$75 -> \$100 (remains below the CP rate yet not a huge increase. Repeat next year).

RESULT

- Current \$38,000 gross CP sales per month X 20% increase = \$7,600 potential sales increase/month.
- Current \$28,000 gross Internal sales per month X 62% increase = \$17,360 potential sales increase/month.

ISSUE

- Work in Process = \$8300

ACTION

2. WIP - Complete work, close RO. Monitor going forward.

RESULT

- WIP - Convert paid Tech hours from assets to sales. Reduce open ROs.

PARTS DEPARTMENT: Grand Chevrolet

ISSUE

- Parts Inventory over 180 days = \$93,000.
- Frozen Capital computation of \$41,000.

ACTION

1. Conduct an internal parts inventory to account for all parts and accuracy
2. Review parts inventory w/OEM Parts rep for recommended inventory levels, and possible unique requirements.
3. Return parts to OEM where possible.
4. Use online auction to reduce inventory levels
5. 90-days to reduce obsolescence to 180 days. Expense 181+ day inventory to Parts department. Target to reduce to 120-day obsolescence, after another 90 days.

RESULT

- Release \$41,000 frozen cash for investments, capital expenditures, etc.
- Reduces obsolescence and provides training and knowledge to our parts department on inventory, what to stock and when to move it.

ISSUE

- Low Wholesale business (117/11)

ACTION

1. Create a process to generate wholesale business

RESULT

- Increase gross for the department

SALES DEPARTMENT: Grand Chevrolet

ISSUE

- Aged Inventory
 - o NEW - Cost of vehicles over 90 days = \$244,228

- o USED- 20 units

ACTION

1. Used-
 - a. wholesale if necessary
 - b. utilize intercompany trading
2. New-
 - a. dealer trade
 - b. first in first out rule
3. Implement aged cut off at 60 days

RESULT

- Reduce frozen capitol
- Turn inventory

ISSUE

- Gross profit for New and Used is low

ACTION

1. Ensure that a sales process is implemented and followed by entire sales department
 - a. Build a new "road to sale" to build value in the vehicle, dealership, and staff
2. Use a desking tool that allows an A/B pencil to give the customer payment option.
3. 100% manager T.O, make sure F&I manager is involved early and often
4. Ensure finance is using menu too for product presentations and the sales staff is setting up the finance products

RESULT

- Increase in gross profit per vehicle and for the department as a whole

ISSUE

- Time to Line is 12 days

ACTION

2. Reevaluate recon process to discover where the time is being consumed
 - a. Are there certain stages that we can take in house or need to outsource to increase efficiency
 - b. Implement a Recon tool so the stage tracking it's easier (i.e. Velocity)
 - c. Put UCM in charge of knowing where their vehicles are at at all times

RESULT

- Reduce reconditioning to 2-3 day and sell the vehicles faster!
- Lower aged inventory

EXRTAS

ISSUE

Grand Theft Chevrolet

- | | | |
|-------------------------|-------------|------------------|
| • Fixed Absorption Rate | ↓40% | NADA Guide = 60% |
| • YTD CP Gross Profit | ↓63% | NADA Guide = 76% |

- YTD Internal Gross Profit **↓8%** NADA Guide = 76%
- YTD Warranty Gross Profit **↓9%** NADA Guide = 76%

ACTION

2. Review operations for increased sales and efficiencies

RESULT

- Increase available sales and cash from existing operations

ISSUE

- \$8500 new tire inventory (Parts)

ACTION

1. Review and cross reference with size and monthly units sold.
2. Monitor OEM mandatory inventory levels
3. Contract tire vendors for same day tire delivery and un-sold returns

RESULT

- Reduce tire in-stock inventory costs to < \$4,000
- Return \$4,000 inventory investment to available cash.