ACTION PLAN 1

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What is your goal? What do you want to achieve? From what metric? To what metric? By what date?

I will decrease my over 12 months or older inventory from 23% to 15 % by 12/31/24 so I can reduce my current obsolete portion of the inventory.

BOTTOM LINE: Benefits of Achieving Your Goal

It will free up a substantial amount of idle capital. It will also open up physical space in the parts warehouse. This will free up capital and space to invest in quick moving parts and drastically improve our boutique operation. And last, but not least, reducing obsolete parts will control inventory variances and theft.

Consequences of Not Achieving Your Goal

Idle capital will continue to grow. Wasted use of physical space for obsolete parts. Inventory tax (we have one in Puerto Rico) will keep hitting the bottom line. And inventory variances will continue expand.

When will you start?

May 1, 2024.

How will you gauge your progress? When? Using which metrics?

The parts monthly summary report will be the prime document to gauge the progress. Specifically, the "Inventory Movement - Sales - Over 12 Months" metric. The percent and parts cost for this metric has to consistently trend downwards. This must be reviewed weekly.

What specific actions will you take to achieve your goal? Who can help you?

Increase parts ordering controls and closely monitor special orders. The Manager must review a daily report of these orders. Make sure that customers or techs that requested the special orders are actually contacted and appointments are set up to install or sell them.

Develop a strict process whereby local special orders from competitor stores are promptly returned if not filled or sold. No more than three working days.

In Puerto Rico we cannot return parts to Ford, so we have to be very zealous and careful when ordering special orders from them.

Finish the conversations with Hino USA to sell back to them, at whatever discount, the obsolete parts they are open to buying back.

Contact a 3rd party parts whole seller and see what offer we get on the obsolete parts inventory.

Tie up the payment plan for Parts Manager to obsolescence. Similar to a used car manager payment plan tied to aging.

Evaluate tax and financial consequences of writing off part of the obsolete inventory.

Finally, from the General Manager all the way down to the clerks, they all need training. NADA, CDK and OEM resources can help.

Potential Challenges?	Potential Solutions?
Internal employee resistance. They have been doing things erroneously for a number of years and will not be receptive to change.	Create a sense of urgency in the parts department, accounting office and the principal's suite with the bloated % of obsolete parts we have.
Convincing the dealer principals and Controller to take a substantial write off for the obsolete parts.	Making sure the entire parts department understands the consequence of having a bloated share of obsolete inventory.
Changing the culture that ignores that the "first loss is your best loss". This culture change applies to parts and used cars.	Bi-weekly meetings about obsolescence with principals, controller, general manager and all parts and service managers.