

# CASE STUDY

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# PROUDLY INTRODUCING

# TEXAS PRIDE CHEVROLET



**TEXAS**  
**PRIDE**  
**CHEVROLET** *Feel the Difference!*



# TEXAS PRIDE CHEVROLET AT A GLANCE

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- Dealership is out of trust with bank
  - Inventory Floorplan gap is -\$422,189
  - Need to pay off units quicker and establish better process with Accounting
- Working Capital is below OEM guidelines -\$281,218
  - Need a cash infusion as short term solution
  - Need to adhere to long term solution as it is not a quick fix but overall increase in GP% for all departments and a reduction in expenses (see action plan)
- Frozen Capital is high with a total of \$1,870,680
  - High inventory levels
  - A/R levels are high
- Hours of operation are too limited

Action Plan – Implementation of Strategy by department



# SWOT ANALYSIS

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## STRENGTHS

- Cash day supply 115 days
- New team members with lots of potential
- Newest Corporate Image Store
- Affluent Growing Population

- Create Awareness of the dealership and the brand
- Create a culture for the store—something for the employees to believe in
- Implement consistent training program

## OPPORTUNITIES

## WEAKNESSES

- Working Capital is low
- Low fixed absorption @ 44.9%
- Low total absorption @ 71%
- Low Gross Profit in every department
- Frozen Capital is high
- Aged inventory and receivables

- Out of trust with financial institution
- Negative ratings in social media and negative CSI
- OEM strike and parts shortage
- Stop Sales in EV

## THREATS



# NEW CAR SALES

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- Inventory Management – Floorplan rate 6.25%, resulting in \$13,451/month expense for excess inventory
  - Increase inventory turnover by end of December
    - Analyze aging schedule and reduce 90+ day inventory
    - Reduce inventory levels by \$2.5M
- Sales Objectives – Implement six-month plan
  - Set new objectives to ensure we continue to leverage GM Sales Incentives SFE and EBE
  - Review Sales goals, performance, metrics
  - Adjust pay plans to align with dealership goals
- Increase per copy profitability – set 30, 60, 90 - day goals
  - Train personnel in next 30 days on upselling back-end products
- Optimize Sales Process – implement changes in 30 days
  - CRM Optimization, increase closing ratios
- Increase Demand/Foot traffic – Implement cross pollination campaign in 30 days
  - Leverage Service – QR codes on service tags, spiffs to advisors



# USED CAR DEPARTMENT

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- Increase reconditioning efficiency – time-to-line goal: 5 days by end of year
  - 2 dedicated techs for used cars, paid hourly, bonus for hitting reconditioning goals
  - Streamline the reconditioning process – adopt mgmt. tool
- Reduce used car frozen capital by 1.6M by end of year
  - Reduce inventory from 84-day to 30-day supply by end of year
  - Program for 60+day aged vehicles, transfer vehicles to our sister stores
  - Saving \$4,838 per month in excess floorplan cost
- Increase Gross Profit from 3.9% to 12% in 60 days
  - Improve desking practices, increase per copy gross, renegotiate Terms with wholesalers, adjust pricing strategies, improve valuation process
- Customer Satisfaction / Repeat Business – implement plan in 30 days
  - Referral Coupons – free oil change, free carwash
  - Transparent pricing policies
  - Vehicle service contracts



# SERVICE DEPARTMENT

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- Increase labor rates (customer and internal) by \$25 per month until we reach Austin's market average of \$175
- Begin process with to increase Warranty labor rate
  - Plan to submit request after 2-3 labor rate increases.
- Hire technicians to reach full capacity in shop in 30 days
- Implement technician internship program with local schools
- Improve efficiency – Implement plan over next 60 days to maximize technician productivity to 120%
  - Change Pay Plans to flat rate
  - Implement new schedule in 15 days to increase coverage
  - Begin training program over the next 30 days to improve tech skills
- Customer Retention – Implement in next 30 days
  - Shuttle service/ride-share/loaner vehicles
  - CRM system with possible AI program to track service history and follow up appointment setting
  - Introduction to Service Mgr./Advisor after sale of a vehicle to local customer



# PARTS DEPARTMENT

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- Reduce Frozen Capital tied in Parts/Serv A/R by \$130,522 in 90 days
  - Implementing stricter credit policies and actively follow up with customers to ensure timely payments
  - Review process with A/R clerk and Controller to improve collection process. Ensure A/R Statements are being sent out on a timely basis.
  - GM and Parts Manager to visit outstanding account
- Reduce parts day supply from 61 days to 30 days and frozen capital in excess parts inventory by \$111,175 by end of year.
  - Utilize data analytics to forecast demand accurately and adjust inventory levels and types of parts accordingly.
  - Implement action plan to dispose/sell/rotate/return obsolete inventory.
  - Develop promotions and loyalty programs to incentivize parts purchases, potentially increasing revenue from this department.
- Review Warranty Parts Mark Up over next 30 days and begin process to increase rate

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