

Departmental Action Plan

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Class & Student Number: N333-36

Academy Week: 4

Current situation or challenge you want to address:

Our entire Used Car Department needs to be overhauled, but I have decided to tackle some of the bigger, more obvious opportunities which are low sales volume and gross, and aging inventory. Our current situation looks like this-

Average Sales Volume- 26 Units

Average Sales Gross- \$52364 vs \$85425 Dept Expense

% of Inventory Over 60 Days- 30%

Wholesale/Retail- 48%

Overall Objective and Specific Desired Results:

Increase Sales Volume to 40+ Units

Increase Sales Gross to \$86000+ (Department Breakeven)

Eliminate Aged Inventory over 90 Days

Reduce Wholesale/Retail to 30%

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

The first step to revamping the Used Car Department is making the decision to keep more of the units that we traditionally elected to wholesale. Based on the information from class, we are disposing of inventory 18% higher than NADA guide. Being able to identify these units will have a substantial impact on the department. First, it will account for an additional 8 retail units per month, and more importantly, add an additional \$16112 in gross profit.

The next step is to address our aging problem. Our store has never had a hard turn, and we have always operated under the “hope we can bust out” or “maybe we’ll get lucky” mentality on problem and aged units. August 1, I introduced new sales manager pay plans that tied all bonus opportunities to aged inventory. In essence, if used cars are over the age of 90 days at month-end, then the sales manager were ineligible for any bonuses. This was a little strong, but reinforced the importance of keeping fresh inventory and disposing of problem inventory quickly.

The last step is to increase volume and gross in the department. Given the pick-up from keeping previously wholesaled units, the additional bump in volume and gross to reach breakeven is very attainable. Adopting a “first loss is the best loss” philosophy paired with the hard turn, should reduce big losses on aged inventory and greatly improve grosses. Prior to class, we paid little, to no attention to SRP/VDP counts or descriptions for our inventory. Now, every Monday, our Used Car Manager is required to bring this information to the sales meeting for review and discussion. Also prior to class, our Service Advisors were paid on used car internal reconditioning, allowing for the possibility of over reconditioning our cars, and therefore, increasing our cost to market. Now they are paid a flat dollar to assist with all internal and sublet RO’s. Lastly, we are now hyper focused on “market days supply” and adjust our appraisals accordingly. Cars with high days supply are bid and priced much more conservatively and those with a low days supply are bid and priced to reflect greater demand.

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

Success will be-

- Identifying and keeping previous wholesale units- DAILY
- Pay Plan driven attention to aged inventory- MONTHLY
- Recognizing and addressing a “first loss/best loss” situation early. WEEKLY
- Creating and sticking to the process of managing SRP/VDP’s, vehicle descriptions, and pricing.- WEEKLY
- Learning to identify market days supply and the impact on gross and aging.- DAILY

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: Used Car Manager under supervision of the GM
- b. What: Daily Appraisal and Disposition- Recognizing retail opportunities, market days supply, cost to market, and “first loss” issues.

Marketing- Weekly review and discussion of each unit’s merchandising performance relating to pictures, descriptions, VDP/SRP’s and pricing.

- c. By When: Appraisal and Disposition begins immediately with weekly performance reviews during the manager’s meetings. Marketing performance will be reviewed at a minimum of weekly during the manager’s meetings, and daily if need be.
- d. How: Daily and Weekly accountability via hands-on assistance and guidance from the GM. Daily discussions, reporting, and tracking performance and results.

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:

My dealer has long recognized the opportunity we have in our Used Car Department and supports any efforts I make to return the department to profitability. He shared my surprise in regards to the wholesale to retail ratio and the potential pickup from units we were already sourcing as trades.
