

ACTION PLAN 1

S Specific **M** Measurable **A** Achievable **R** Relevant **T** Time bound

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

My goal is to make our Pre-owned vehicle department profitable within the next 6 months from a MTD perspective and profitable from a YTD perspective within the next 10 months.

I want to achieve a profit (i.e have a positive number show in the Financial Statement under Net Operating Profit) in our Pre-owned department.

Currently we have many consecutive months of losses on the bottom line of our Pre-owned department. I want to turn our MTD net operating profit into a positive number (for reference we lost \$10,580 in the month of August and have lost \$60,105 2024 Aug YTD) by March of 2025 and starting in July 2025 have the YTD net operating profit number in a plus position as well.

BOTTOM LINE: Benefits of Achieving Your Goal

- A more profitable operation in Pre-owned sales
- Additional profit for our Service Operation
- Additional income for our Pre-owned staff
- Happier, more motivated Pre-owned staff
- A healthier net profit overall for the dealership
- Assure ownership that we know the inefficiencies we face at the dealership and we also have a plan and know to to correct these inefficiencies

Consequences of Not Achieving Your Goal

- A less profitable operation in Pre-owned sales
- Less income for our Service Operation
- Inability of our Pre-owned staff to earn more
- Demotivated Pre-owned staff who aren't seeing their department grow
- Pressures from Dealership owner who has a General Manager who can't turn the Pre-owned operation into a profit center and therefore can seemingly become expendable

When will you start?

- September of 2024

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

- I'll gauge my progress daily, weekly and monthly by referring to the Daily Operating Control document and statistics contained within our financial statement. I will also meet regularly with any Management involved in our Pre-owned operation, including our controller
- I will also look at our ability to decrease the Pre-owned departments expenses, which will play a big part in helping the department to turn a profit

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

- Reduce overall expenses related to the Pre-owned department. The average total monthly expenses in Pre-owned this year has been \$149,000. Need to reduce this to a monthly average of \$140,000
- Reduce the number of aged units (60 days plus) in stock to zero and strictly follow our internal goal of not ever keeping units that have been available for sale more than 60 days
- Look at our ability to source more quality Pre-owned vehicles from sources other than trade in vehicles (auction, private sale listings, other dealer sale listings, etc) that ultimately are the right vehicles to turn a profit. Goal is 25% of all Pre-owned vehicles coming from somewhere other than trade in's.
- Change pay plans for Pre-owned staff to concentrate on the acquisition of additional Pre-owned vehicles by offering \$100 for every Pre-owned unit brought into stock.
- Change pay plans for F&I Managers that encourages them to increase their sales on high profit items like paint and interior protection, guaranteed asset protection insurance, etc on eligible Pre-owned vehicles for a target of 30% penetration for paint and interior protection and guaranteed asset protection on eligible Pre-owned vehicles
- Keep all vehicles that come in on trade for a chance at retail sale (60 days) prior to looking at the wholesale route. Keep a separate area of our website for as is vehicles and look at additional sources for marketing as is vehicles as opposed to what we use for certified Pre-owned
- Our Controller, General Sales Manager and Pre-owned Manager will all be heavily involved in expense control and in any pay plan changes.
- Reducing the aged units, sourcing more quality vehicles through various sources and increasing quantity of as is vehicles will involve the General Sales Manager and Pre-owned Manager

Potential Challenges?

- Reducing expenses in a time where expense structures are rising
- Sourcing profitable used vehicles through routes such as auction and private listings
- Not giving myself enough time to get the pre-owned department turned around and profitable
- Speed of pre-owned vehicle readiness to make ready for sale

Potential Solutions?

- Work very closely with controller to study any and all areas that can be modified and improved for expense savings,
- Work with Dealerships 20 group to identify best practices others are using for Pre-owned expense control and implement changes based on learned best practices from others
- Scour all potential auction sites available to us and loop in a buyer to work on our behalf. Look daily at private listings to identify new listings and reach out to buyers ASAP
- Start this exercise immediately, make it my focus by setting aside time every day to deal strictly with Pre-owned and have a daily meeting with GSM and Pre-owned manager to discuss tactics, ideas and progress
- Have a weekly meeting with controller to review progress and talk about strategies we could deploy
- Working on a 60 day limit prior to vehicles being wholesaled has been a challenge during the very busy times (winter tire fall and spring changeover season specifically), but through adding a different shift that ends later, adding an additional detailer and looking at additional sources of detailing is proving to have some success, we will have to stick to alternative means to achieve our goal of a 72 hour turn-around time for Pre-owned vehicle preparation.
- Look at using additional body shops for any body work that we need done for Pre-owned vehicles so they can be sale ready quicker and have time to be promoted for retail sale prior to our 60 day limit prior to wholesale

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