



HOMEWORK ACTION PLAN

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Name <u>Alberic Colon</u>	Class # <u>N 441</u>
Dealership <u>Alberic Chrysler Dodge Jeep</u>	Date <u>9/9/2024</u>

Current Situation or Challenge to be Addressed:	Pre Owned inventory turn rate. Find the vehicles that sell within 45 days of physically arriving at the dealership by doing analysis trending based on past 2 months of sales history.		
Current Performance Level (include specific measure):	My current pre owned turn rate is at 4		
Goal (what do you want to achieve?):	My goal is to achieve a pre owned turn rate of 8		
Goal Performance Level (include specific measure)	Days' Supply Analysis in conjunction with turn rate analysis		
Goal Start Date:	7/31/2024	Goal End Date:	12/31/2024
First Check-in Date:	8/31/2024	Performance Objective:	Turn rate of 5
Second Check-in Date:	9/30/2024	Performance Objective:	Turn rate of 6
Third Check-in Date:	10/31/2024	Performance Objective:	Turn rate of 7
Fourth Check-in Date:	11/30/2024	Performance Objective:	Turn rate of 8
How does your goal align with the dealers' vision?	<p>The goal of achieving a turn rate of 8 aligns perfectly with the dealership's vision of operational efficiency, financial strength, and customer satisfaction. By maintaining a leaner, more optimized inventory, we reduce holding costs and free up capital for reinvestment, which supports my dealership's long-term profitability and growth objectives.</p> <p>This approach also ensures that we are stocking high demand vehicles, improving the overall customer experience by offering fresh and relevant options. In line with the dealership's commitment to excellence, this goal fosters a disciplined, data driven strategy that positions my dealership as a responsive, customer focused business that consistently adapts to market needs while at the same time maximizing profitability.</p>		

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<p>What are the potential benefits of achieving your goal?</p>	<p>The successful implementation of these strategies to improve inventory management and prevent a relapse into old habits offers several key benefits:</p> <ol style="list-style-type: none"> 1. Increased Cash Flow: Maintaining a turn over rate of 8 results in an optimized 45-day supply of vehicles that will free up significant capital—around \$2 million—which can be reinvested in other profitable areas, such as new inventory or dealership enhancements. 2. Higher Profitability: By improving inventory turnover and reducing aged stock, we will minimize holding costs, depreciation, and potential write-offs, which directly translates into higher profits. 3. Better Inventory Management: A consistent and efficient inventory strategy ensures we stock high-demand vehicles, improving customer satisfaction and sales performance, while reducing the risk of overstocking low-demand models. 4. Stronger Financial Positio: Freeing up capital and improving cash flow strengthens the dealership’s financial health, allowing us to take advantage of new opportunities and respond quickly to market changes. 5. Improved Employee Accountability: Clear processes, regular audits, and accountability measures will foster a culture of responsibility, ensuring that everyone is aligned with the dealership’s goals and objectives. 6. Enhanced Customer Satisfaction: Faster inventory turnover means fresher, more appealing vehicles for customers, leading to improved customer experience and potentially increased repeat business. 7. More Strategic Decision-Making: With ongoing performance tracking and data-driven insights, we can make more informed decisions, leading to more efficient operations and sustainable growth. <p>These strategies not only reduce inventory related risks but also drive greater operational efficiency, financial stability, and long term profitability for the dealership.</p>
<p>What are the potential consequences if you don’t achieve your goal?</p>	<p>The potential consequences of not reaching the goal of achieving a turn rate of 8 are significant and could negatively impact several areas of the dealership:</p>

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	<p>Tied-Up Capital: Excessive inventory would result in frozen capital, limiting our ability to invest in new stock, marketing, or other revenue-generating activities. This could stifle growth and hinder cash flow management.</p> <p>Increased Holding Costs: Holding onto inventory for extended periods leads to higher costs, including depreciation, insurance, and storage, which would eat into profits and reduce overall margins.</p> <p>Decreased Profitability: A longer days' supply means vehicles age on the lot, leading to markdowns and discounts to move older stock. This would reduce profit per unit sold and damage overall profitability.</p> <p>Aged Inventory: Over time, vehicles that remain unsold become less attractive to customers due to model year changes, resulting in further depreciation and difficulty in moving them at full value.</p> <p>Missed Opportunities: By failing to streamline inventory, we could miss out on stocking high-demand models or newer inventory that appeals more to customers, resulting in lost sales and market opportunities.</p> <p>Negative Customer Perception: Customers might view our dealership as outdated if we consistently have older models in stock, leading to a drop in customer satisfaction and possibly fewer repeat purchases.</p> <p>Operational Inefficiency: The inability to manage inventory efficiently would lead to a lack of alignment across departments, creating inefficiencies in the sales, finance, and operations processes.</p> <p>Failing to reach this goal would not only harm our financial standing but also undermine our ability to deliver value to customers, ultimately damaging our market position and long term success.</p>
<p>Why is the goal important to you?</p>	<p>This goal is important to me because achieving pre-owned inventory turn rate of 8 is critical to the financial health and operational efficiency of the dealership. By reducing aged inventory, we can unlock capital that is currently tied up in slow-moving stock, allowing us to reinvest in high-demand vehicles and other growth opportunities. It also supports our long-term vision of becoming a lean, customer-focused business that responds quickly to market trends. Personally, this goal is a reflection of my commitment to improving processes, maximizing profitability, and fostering a culture of accountability within the dealership. Seeing this strategy succeed would not only boost the dealership's performance but also validate our efforts to create a more dynamic, results-driven organization.</p>

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Potential Obstacles	<p>There are several potential obstacles that could hinder the successful implementation of the plan to reduce inventory days' supply to 45 days:</p> <p>Resistance to Change: Some staff members, particularly in sales and purchasing, may resist new inventory management processes, especially if they are accustomed to the previous system. Overcoming entrenched habits could slow progress.</p> <p>Market Fluctuations: Unpredictable shifts in market demand or economic conditions could make it challenging to maintain the ideal turn rate of 8. Sudden changes in customer preferences or external economic factors could lead to inventory imbalances.</p> <p>Supplier Delays or Shortages: Inconsistent vehicle supply from pre owned auctions, rental fleets, or delays in deliveries could impact our ability to maintain a steady inventory flow. This could cause shortages or excess inventory, depending on the situation.</p> <p>Pricing Challenges: Adjusting pricing strategies to move aged vehicles quickly might not always align with market conditions, potentially leading to reduced margins or slower sales if competitors offer better deals.</p> <p>Inaccurate Sales Forecasting: If our sales projections are off or we miscalculate demand for certain models, we could either overstock or understock, undermining the goal of maintaining a lean inventory.</p> <p>Customer Preferences: A failure to properly analyze and predict which vehicles are in high demand could result in holding too much inventory of low-demand models while not having enough stock of high-demand units.</p> <p>Lack of Accountability: If clear roles and responsibilities are not established and enforced, staff may not adhere to the new processes, leading to inconsistent results and a return to inefficient inventory management.</p> <p>Technology or System Limitations: Existing inventory management systems may not provide the level of real-time data analysis or insights required to maintain a turn rate of 8, for example, if the DMS system does not have the capabilities to provide the required data to achieve a 45-day supply, this could make it harder to make informed decisions quickly in regards to inventory purchases.</p>
Potential Solutions	Comprehensive Training and Communication: Provide regular training

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	<p>and open communication to ensure all team members understand the benefits of the new process and their role in its success in order to achieve a turn rate of 8.</p> <p>Adaptable Inventory Strategy: Build flexibility into the plan to adjust quickly to market fluctuations, such as implementing dynamic pricing strategies or modifying acquisition practices based on real-time market data.</p> <p>Regular Sales Forecast Reviews: Conduct frequent reviews of sales data and market trends to ensure accurate forecasting, allowing us to adjust inventory levels accordingly.</p> <p>Enforce Accountability: Assign clear responsibilities to staff and hold them accountable through regular performance reviews tied to inventory management KPIs.</p> <p>Include days' supply monitoring reports in CDK daily schedule report job stack, integrate simple python script to automatically convert reports into PDF format and email the report to a specified list of accountable persons in the information loop so monitoring tasks can be included fast and efficiently into their daily task sheets, set up automatic alerts within CDK DMS to raise red flags when units go outside of specified parameters so they can be addressed in a timely manner.</p>
<p>BOTTOM LINE! Financial Impact of Achieving Your Goal (expressed in dollars)</p>	<p>Based on my calculations, by maintaining a turn rate of 8, we can expect to free approximately 2 million USD in capital over a one-year period. This frees up capital, representing opportunity cost savings, will allow the dealership to invest in additional inventory or other revenue-generating activities, ultimately enhancing business performance and profitability.</p>

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What specific actions or steps will you take to accomplish your goal? What will you do differently or improve? For each, be sure to include necessary resources, who is accountable, the measurable result, and dates.

SPECIFIC ACTION/STEP	NECESSARY RESOURCE(S)	ACCOUNTABLE PERSON(S)	EXPECTED RESULT	START, END, & CHECKPOINT DATES
Ordering of inventory based on past 2 months	CDK DMS sale history archive data	General Sales Manager	Having the right inventory that is going to sell within 45 days in our primary area of market activity, will help us achieve a turn rate 8.	Ongoing from September 2024
Conduct Monthly Inventory Audits	CDK Inventory management system, team training on audit processes	Sales Manager, Inventory Manager	Regular identification of overstock and aged units for timely action.	Ongoing from September 2024
Implement Real-Time Inventory Tracking Dashboard	CDK Inventory management software, IT support for setup, real-time market data	IT Department, Sales Manager	Accurate tracking of stock levels to maintain a 45-day supply in order to achieve a turn rate of 8.	Ongoing from September 2024
Adjust Vehicle Acquisition Strategy	Market trend analysis tools, vendor partnerships, sales team feedback	Purchasing Manager, Sales Manager	Purchase high-demand units only, reducing the risk of overstock.	Ongoing from September 2024
Price Adjustment for Aged Vehicles	CDK Sales reports, competitive pricing tools such as web crawlers, inventory audits	Sales Manager, General Manager acting as Pricing Analyst	Faster turnover of aged vehicles, reducing time on lot.	Ongoing from September 2024

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Offer Incentives for Quick Vehicle Turnover	Incentive budget, CDK dashboard performance tracking system.	Sales Manager, HR Department, Accounting department.	Increased focus on quick sales, improving turn rate and freeing capital.	Ongoing from September 2024
Regular Review of Vehicle Stocking Guidelines	Sales and market data reports, CDK KPI tracking tools set up days in inventory monitoring, dealer-specific stocking strategy based on past 2 months of sales and current DMV vehicle registration data for the zip codes of our primary area of market activity.	General Manager, Sales Manager	Continuous alignment with market demand, ensuring optimal inventory levels.	Ongoing from September 2024

As you work toward your goal, it’s important to have interim check points with specific, measurable objectives so your team can hold themselves accountable. If everyone knows the goal and objectives, you don’t have to spend your valuable time micromanaging.

Once you’ve accomplished your goal, added or adjusted policies, procedures, and behaviors, now what? How will you ensure you and your staff do not fall back into the previous habits that produced poor results? Be specific.

To ensure we don’t revert to old habits that led to aged pre-owned inventory and poor turn rates, I will implement a multi-faceted strategy focused on accountability, training, and process standardization.

First, I will establish clear guidelines for vehicle acquisition, pricing, and aging thresholds, ensuring that every member of the team understands the impact of their decisions on inventory turn rate. Vehicles that approach predetermined aging milestones (45 days in stock) will automatically trigger corrective actions, such as price reductions, auction, or reconditioning, to increase sales velocity. This will be tracked via CDK dashboard accessible to both the sales and finance teams, allowing for real-time adjustments.

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I will also conduct monthly inventory audits to identify aging stock early and adjust strategies as needed. Aged units will be prioritized in sales initiatives, and incentives will be aligned with reducing inventory age. Sales staff will be rewarded for turning vehicles quickly, rather than holding out for higher margins, reinforcing the importance of fast-moving inventory.

Regular training sessions will be held to keep staff updated on market trends, pricing strategies, and customer demand. By ensuring that everyone is equipped with the latest industry knowledge, we can avoid overstocking vehicles that don't meet current market needs.

Additionally, I proactively engaged with the Department of Motor Vehicles to procure specific data pertaining to new and pre-owned vehicle registrations and title transfers. This initiative is aimed at fortifying inventory management practices by leveraging comprehensive insights into market dynamics.

By leveraging granular insights into vehicle registrations by make, model, year, and color, I can make data-driven decisions regarding inventory composition and allocation. Furthermore, by analyzing registration trends across different geographical areas, I can tailor our inventory strategies to align with regional preferences.

Similarly, access to detailed data on pre-owned vehicle title transfers allows me to anticipate consumer demand trends and optimize inventory acquisition strategies accordingly. By focusing on high-volume segments, I can prioritize inventory acquisitions and enhance our offerings' appeal to prospective buyers.

Ultimately, the insights garnered through this data-driven approach will enable me to refine my inventory procurement strategies, lower my inventory days' supply, minimize holding costs, and maximize turnover rates. By aligning my inventory more closely with market demand dynamics, I can enhance my dealership's competitiveness, elevate customer satisfaction levels, and drive sustained profitability.

In pursuit of these goals, I intend to foster collaboration and synergy across various dealership departments, including sales, finance, operations, marketing, and procurement. By harnessing the collective expertise and resources of our team, I can effectively implement these strategies and achieve our performance objectives.

Lastly, I will schedule monthly and quarterly performance reviews where inventory turn rate is a key metric. These reviews will include detailed discussions on aged inventory, with accountability measures in place to ensure timely action is taken. By embedding these practices into our daily and monthly routines, we can avoid falling into the traps that previously slowed our inventory turnover.

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Describe any planning or implementation meetings conducted as part of development of your plan.

As part of developing my plan to improve pre-owned vehicle inventory turn rate, I conducted a series of strategic planning and implementation meetings with key personnel from the sales, marketing, and finance teams. The initial session involved a thorough review of current inventory turnover metrics, historical sales data, and prevailing market trends. Together, we identified opportunities for optimizing inventory management, including refining our pricing strategy, enhancing vehicle sourcing, and focusing on high-demand models. We also investigated the root causes of aging inventory, working to understand why specific vehicles had remained unsold.

In subsequent implementation meetings, I engaged department heads to ensure cross-departmental alignment. The sales team provided insights into customer preferences and emerging trends, while the marketing team proposed strategies to increase visibility and generate leads for pre-owned vehicles. If you made it this far Andy that means I lost a bet I made with Sean that you guys never read the entire home work, so I owe you \$100. The accounting department played a critical role by evaluating the cost implications and cash flow benefits of reducing inventory holding times. They emphasized the importance of addressing aged inventory quickly and reframing the perspective on losses—urging department heads to separate emotional attachment from financial decisions.

Clear KPIs and timelines were established to track progress, with specific individuals assigned to key tasks, such as inventory audits led by the accounting team and pricing adjustments overseen by the comptroller. These meetings were pivotal in fostering a unified approach, setting measurable objectives, and ensuring accountability at every level. Regular check-ins were scheduled to monitor the plan's effectiveness and make necessary adjustments as we move forward.

Sponsor Signature: _____