

Mike Tallman

Variable Class 1 Homework

Hare Chevrolet Used Car Action Plan:

Objective:

Our current YTD inventory turn is 11 turns per year. We would like to increase this to 13 turns per year. This would add a projected 37 additional car deals per month and could mean as much as an additional \$139,586 in monthly gross to the store.

I believe the areas of improvement that will deliver the greatest impact in increasing our turns are as follows:

Sourcing:

Our current WS to Retail ratio is 45%

- *Our goal is to keep more of these cars and lower that number. The target is 32%. This would mean an additional 21 cars per month without sourcing.

- *Focus our acquisition efforts on our "bread and butter" used cars. We sell Chevrolet and other GM products at a far greater pace than off brand vehicles. We had tried going after more unique cars and had some success with this but after a closer look our money is much better spent on GM preowned vehicles.

- *We will appraise and attempt to buy every possible lease turn in.

- *We are now advertising that we will purchase your car whether you buy from us or not.

- *Review appraisal statistics daily, weekly and monthly. Find possible lost sales.

Recon process:

- *Our current days in shop is at 5. This is another area of opportunity to help increase our turn.

- *We have added 5 different people to be able to approve recon work. Waiting on decisions is where we were falling down most often. This should help improve this instantly. We have also instituted a "trust threshold" of \$1000. If a ticket is less than \$1,000 they have the green light to go ahead and proceed with the needed repairs.

Pricing:

Currently pricing cars to market on average around day 20. The reason for this is we do a lot of subprime loans in our store and we have certain inventory that we do no price down until day 30 so we can maximize profits and account for any lender fees on these vehicles with our subprime customers. We have decided to price

these to market from the first 10 days with hopes of increasing our turns. These cars are typically your more basic rental type vehicles where the market days supply is high.

CPO

We know there is a great opportunity in our store for an increase of CPO units. Before we recently made a change, we were stocking on average 6 CPO units. We never fully bought into the CPO program. We have changed our philosophy and attempt to certify anything that we can. This will give us an advantage when customer are shopping us against non CPO units and independent lots. This change has been made and we are currently stocking around 55 cpo units. This change alone has dramatically increased the number of CPO sales and I also believe that we are gaining customers that we would not have had otherwise due to them specifically searching for CPO units.

Inventory mix:

Our current inventory mix is a current average cost of \$18,928. We feel that if we got this down closer to \$17,000 this would also help increase our turn. These lower dollar vehicles move faster than the higher priced inventory.

Accountability:

Used car manager, Inventory manager, GSM, and Service manager.

Used car manager is responsible for making sure we are priced properly, online presence is in good order, and decisions are made on recon in a timely fashion. He also needs to make sure that our inventory control manager is walking the lot daily, correcting any issues immediately. Look at our oldest 25 cars daily and make sure they are showing well both physically on the lot and online. (ie: does it smell? Is there any damage to the car? Do our pictures show damage that was corrected during recon and never updated online? Are our cars stocked in immediately?)

Service manager needs to make sure that he is doing everything that he can to keep the car and get it re-conditioned quickly. This means using all available resources for parts. We want the parts to come from us but if there is a delay then we need to make sure our parts manager is taking advantage of all sources. Also needs to make sure that our used cars remain a priority in service.

GSM needs to be responsible for making sure that all parties involved are doing their part. This would include reviewing our pricing on a daily, weekly and monthly basis. Conducting lot and trade walks regularly. Staying in constant communication with our service manager to identify and correct any issues that arise during the recon process.

- Update: We have instituted several of these processes in the last month. We have changed our acquisition strategy to focus on preowned Chevrolets. We have also certified 55 vehicles in our inventory. My used car director is coming around to the idea of pricing to market from day one and we have seen an increase in our used car sales. I believe that the further implementation of these processes will continue to drive volume and increase our inventory turn.

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