



Financial Management Action Plan Homework

Homework is due the Monday of the week before you return for Parts Class

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Composite Data Reference: Depart: Used Cars **Page:** 18 **Column:** 2 & 3 **Line:** 18

***Please note: the November financial statement submitted via composite is incorrect. I am working off of the correct Financial Statement, and calculations done in class, Week 1.**

GOAL WRITING

What is your Goal? Reduce cost per unit retailed of a pre-owned vehicle from 17,161.57 to ~\$15,000 by June 1, 2019.

How do you plan to achieve your goal:

In order to reduce the cost per unit retailed for pre-owned vehicle, we will change the Buyers' pay plans from front end gross to paying a salary plus a unit flat rate. Currently, we have over 30 vehicles that have been in our inventory for 66+ days and the average price is ~\$27,000. Our current pay structure pays the Buyers off front-end gross on a scale: \$100 gross Buyer makes \$150, \$300-500 gross Buyer makes \$250, and over \$500 Buyer makes \$300 a copy. Because of this, the team is stocking more expensive vehicles that aren't moving on the lot.

We need to focus on purchasing less expensive vehicles to move inventory faster (to 30 days or less instead of 43.7 average). The new pay plan - a salary (\$60K) plus guarantee unit flat rate at \$150 per unit. This will incentivize buying the RIGHT type of vehicle, to move inventory, rather than the type of vehicle that will make the individual the most money on the front-end.

How will you track your progress? What measurements, KPI's? (think about current vs past measures)

Our Used Car sales model was built, and successful, because of volume. We are a destination for the majority of our customers, and we need to be prepared to provide a high volume of options for them to choose from once they get here. However, having a high number of the wrong price point vehicles does nothing for our customers. We need to focus on the less expensive options

for our price point – less of the “desirables” or “commodities” and more of the “necessities” for our Used Car demographic. Of course, the main goal is to write gross for the Used Car Factory – so that’s KPI number one. KPI number 2 – number of inventory turns over 6 month period. KPI number 3 – evaluate variance at 3-month mark. We will measure all three of these KPIs versus 2017 & 2016 (our best year on recent books).

The benefits of achieving this goal will be:

We need to be making smarter buying decisions up front to provide the best opportunity to our salespeople to make a sale. Right now, the Buying practice is based on personal benefit instead of seeing the bigger picture and promoting a smart buy for a smart sale. The better vehicles that are purchased up front will turn faster, providing more opportunity to buy MORE vehicles. The overall benefit of this change will be a more profitable Used Car Factory, which is the anchor of our organization (especially as new vehicle sales decrease).

Take Action!

Potential Obstacles

Potential Solutions

**Pushback from Buying team
the benefits**

- Be prepared to show them

**Lack of inventory to meet our needs
online opportunities**

- Go bigger! Focus on

**Or parts of the country we haven’t
focused on before**

Who on you staff will need to be involved to accomplish this goal:

Human Resources Director, Inventory Director, Payroll Manager, Buyers

Specific Action Steps: *What steps need to be taken to get you to your goal?*

What?

Expected Completion

Completed

Develop pay plan with Inventory Director & HR Director

2/1/19

Have conversation with team about changes (why!)

2/8/19

Implement/turn in pay plan to Payroll

2/8/19

Track Progress

Ongoing