# Financial Management Action Plan Homework

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

**Student Name:** _____Ryan Ofner_____ **Academy Class #: _____NADA 348_____**

**Composite Data Reference: Depart: _Inventory Analyst___Page: _6__ Column: ___8____ Line: ____2____**

**GOAL WRITING**

**Example: I decrease my 5K run time from 30 minutes to 21 minutes by June 15, 2019.**

**What is your Goal?**

**My goal for 2019 is to increase my pre-owned departments inventory turns from 7 turns to 10 turns per year. I would like to do this by the end of the calendar year December 31, 2019.**

**How do you plan to achieve your goal:**

**To achieve this goal the first thing that needs to happen is to decrease our average days to front line from 13 days down to five days to front line. We are using other shops from within our group to help get them through our service department faster. We will make sure we get quality pictures and a good used car description up. I also have ran some calculations and found that our average cost of pre-owned cars sold is $11,303 but yet our average inventory cost is currently at $15,483.89. Having the right inventory to match what our customers want is important. We also plan to do daily trade walks and lot walks to keep the sales staff in front of used cars and knowing their inventory. At the age of 45 days a used car will be assigned to a salesperson. That salesperson will be responsible for making sure that the car is properly gassed, has not smells, and no mechanical or body issues. If the car sells before the 60 day the salesperson will get a $50 spiff.**

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

**We will use have to calculate monthly the pre-owned vehicle average ytd cost of sales, pre-owned vehicle inventory day's supply, pre-owned vehicle calendar-year inventory turns, and will also be using pre-owned vehicle average cost vs average cost per unit retailed. We also have a route sheet to track average days to front line and where the hang maybe coming from.(used car manager, service, or detail) We will base all of our measurements off our 2018 numbers through November.**

**The benefits of achieving this goal will be:**

**The benefits of achieving this goal will be we will reduce any aging issues we may have. It also will allow us to free up cash not having to floor plan many pre-owned vehicles. We can take the money from selling them and buy new ones to replace the ones we have turned. We will add more gross to the bottom line front and back end by turning more units.**

**Take Action!**

| Potential Obstacles | Potential Solutions |
|---|---|
| Getting vehicles through service | meet with service manager daily and outsource |
| Getting vehicles through detail | meet with detail daily and outsource if needed |
| Getting staff on board to do daily walk | never make an excuse not to do a daily walk |
| Finding the right pre-owned inventory | use aax properly to stock the right mix of inventory |
| Controlling aging | having an exit strategy by 40 days in stock |

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

**General Manager, General Sales Manager, Pre-owned Manager, Service Manager, and Detail Manager**

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

| What? | Expected Completion Completed |
|---|---|
| Implement Daily Frontline and Trade Walk | February 1st Daily |

| | | |
|---|---|---|
| **Meet with buyers for inventory** | **February 11th** | **Weekly** |
| **Move current inventory cost down to $12,000** | **March 31st** | **monthly** |
| **Will have a hard 60 day rule** | **March 31st** | **weekly** |
| **Set up Pricing Rules based off scarcity** | **February 28th** | **weekly** |
| **Meet with Service Manager daily** | **February 1st** | **daily** |
| **Meet with Detail Department daily** | **February 1st** | **daily** |

**Numbers based off following equations:**

**Pre-owned Vehicle Average YTD Cost of Sales**

**$9,118,231(ytd retail sales dollars) - $393,572(retail gp dollars) = $8,724,659(ytd retail cost of sales) / 11(month)= $793,151 (average ytd pre-owned vehicle cost of sales)**

**Pre-Owned Vehicle Inventory Day's Supply**

**$1,408,785(inventory $) / $793,151 (avg ytd cost of sales)= 1.78 (month's supply of vehicle inventory) x 30(days in month) = 53 (day's supply)**

**Pre-owned Vehicle Calendar-Year Inventory Turns**

**12 (number of months) / 1.78 (month's supply) = 7 turns**

**Pre-Owned Vehicle Average Inventory Cost vs Average Cost Per Unit Retailed**

**$1,408,785 (inventory dollars) / 93 (number of vehicles in stock) = $15,148 (average cost of inventory)**

**$828,930 (pre-owned vehicle retail sales dollars) - $65,003 (retail gross profit dollars ytd) - $29,224 (average reconditioning) = $734,703 (retail cost of sales)/ 65 (average sold ytd) = $11,303 (average cost of pre-owned sold)**