

Departmental Action Plan Template

Student Name: Charles Hart

Class & Student Number: 107

Academy Week (Var II): Variable 2 New 2/11 - 2/15

Current situation or challenge you want to address: (must be quantifiable)

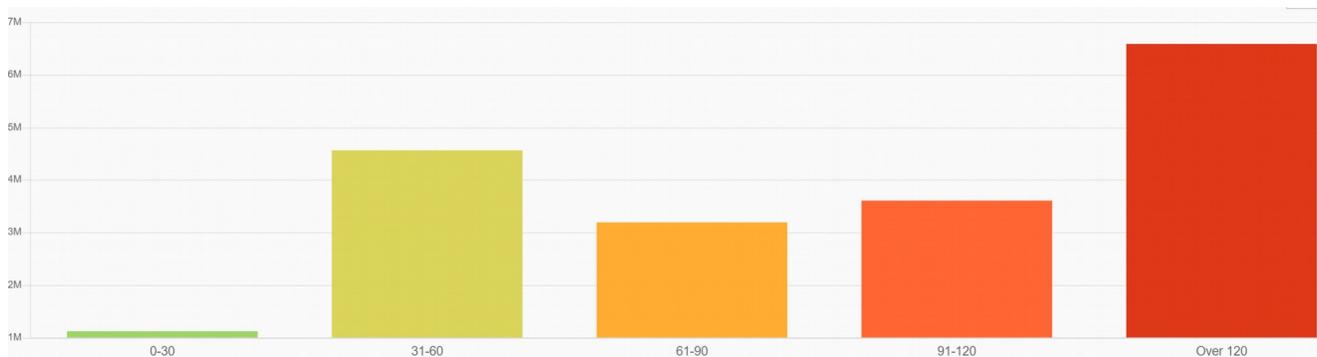
Aged inventory is a profit killer in new cars. Over the last two years, our dealership has focused intensely on reducing aged inventory. We have been successful in inventory management according to our company's standards. According to HAG, new vehicles over **365 days** are considered aged and are subject to hard 10% "write-downs" on a monthly basis.

Overall Objective and Specific Desired Results:

After spending time in this course, I realize that we need to shift our mindset as to the definition of aged, and start to consider our new cars aged when they reach 121+ days (regardless of company standards). By the time our cars reach 121 days, we have used our entire floorplan credit and are spending an average of \$189/month in floorplan interest based on our floorplan rate and average cost. This enhanced sense of urgency and focus on aged cars will help us sell all new inventory in a more timely fashion, improving our turn rate, increase internal profit, EBE earnings, advertising credits and increase net profit in floorplan.

Current Inventory Picture and Overall Health

| New Stock Analysis | | | | | | | |
|--------------------|-------------|-------------|----------------|-------------|-------------|-------------|--------------|
| Days In Stock | | | | | | | |
| | 0-30 | 31-45 | 46-60 | 61-90 | 90-120 | 121+ | Total |
| # Of Units | 43 | 54 | 34 | 89 | 89 | 134 | 443 |
| Dollars | \$1,716,923 | \$2,768,951 | \$1,564,526 | \$3,869,418 | \$3,416,843 | \$5,627,831 | \$18,964,492 |
| | Fresh | At Risk | | Old | | Dead | |
| | 43 | 88 | <i>Units</i> | | 178 | 134 | |
| | \$1,716,923 | \$4,333,477 | <i>Dollars</i> | | \$7,286,261 | \$5,627,831 | |



Currently, we have 16 vehicles over 200 days old in inventory. Two of them are over 300 days old, one of which is in danger of 10% write down at the end of March. We have a large percentage of vehicles between 120-200 days old that require immediate attention so that they do not reach the next age bucket.

Describe your action plan in detail (be specific and include before and after measurements)

Our ultimate goal is to retail the vast majority of our new vehicles in the first 120 days. A short-term goal is to eliminate all vehicles over 200 days, by implementing a few processes detailed below:

- 1) Meet with new car sales managers and share the information I have learned this week about the costs associated with aged vehicles. (floor plan, lost keys, detail costs, lot damage, lost allocation)
- 2) Locate all 200+ day old units and place in/around showroom for easy access. Make sure each unit is clean, gassed, and has two keys.
- 3) Develop motivating incentive for sales managers and sales staff geared toward moving 200+ day old units
 - a. "Double-Counters"- our sales pay plan is a stair-step volume pay plan. 200+ day units will count as double units, propelling them up the pay chart and providing momentum to enhance future productivity
 - b. Sales manager earns \$1 per day in inventory for closing deals on 200+ day old units
- 4) Announce spiff with sales staff during a Saturday am meeting. Make sure everyone has an inventory list that details the cars we are looking to move. Make sure everyone understands the spiff and provide weekly updates praising those who have capitalized on this additional opportunity.

Timeline:

Describe specific short term and long term checkpoints to monitor progress

Evaluate progress every 30 days for 1 year in meetings with sales management and general manager. Evaluate long-term progress during annual review with sales management staff.

Meeting with Stakeholders (dealership personnel)

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences (PINO, Gain, Pain). Include timelines / Accountability / Monitoring process

- a. Who: New car manager, general manager, sales staff
- b. What: Enhanced focus on moving vehicles aged 200+
- c. By When: Retail all 200+ aged vehicles by 3/31

- d. How: Effective, motivating spiffs for sales and management staff with weekly/monthly/annual progress updates

Dealer agreement:

If you need your sponsors support or approval to implement your plan, have it signed off before you start. If you can proceed on your own, present this action plan to your sponsor before next class. Describe the meeting:

