

Management Action Plan – VO1

Student Name: Brian Burnette

Dealership: Rick Hendrick Chevrolet Naples

Class & Student Number:

Current situation or challenge you want to address (narrow your focus):

New vehicle controllable expense I want to focus on is floorplan interest expense

Overall objective (goal) and specific desired results:

Keeping floorplan interest rates down and working with the OEM on dealership/OEM relationship. We must manage our inventory to keep floorplan cost down.

Describe your action plan in detail (including before and after measurements):

We currently have 82 units that are > 120 days old with a total inventory value of \$3,540,376. We must work out of this inventory by contacting other dealers or companies looking to buy units. 70% of these units are 2018's and with the floorplan interest rates rising, this has become very costly and will continue to rise unless we decrease our inventory level. In January 2019 our floorplan interest expense was \$46,208 with our credits decreasing steadily each month.

We have 4.26 months' supply but our goal is to get down to 2 months' supply. Our average new vehicle = \$42,000 cost X 3.89% = \$1,633.80 / 12 mos. = \$136.13 average floorplan expense per month per vehicle. As of 1/31/19, we had 365 new vehicles in stock in which we took a big allocation of Corvette's & Silverado's, which have a higher cost.

We will improve our relationship with our OEM by monthly lunch meetings, etc. One thing I have learned this week is how important the OEM relationship is and how we need them and they need us. We cannot say "yes" each time they need to send out a new allocation and we must dedicate someone to order and manage our inventory. This person will also be responsible for managing dealer trades. They are focusing on the older inventory and one-way swaps. Instead of getting another unit back, we will focus on selling the unit directly.

Floorplan expense is a topic on all our executive calls and Mr. Hendrick has challenged us as a company to get our NV inventories down to help manage this costly expense. **MANAGE NV INVENTORY IS A MUST IN 2019!!!!**

