

Carmen Marquart - N338-32

Current Situation

Due to significant losses in Toyota Certified Used Vehicle Sales (TCUV) in 2017 we made a conscious decision to greatly pull back in the TCUV category in 2018.

Through 11-months in 2017 Toyota of Tri-Cities sold 299 TCUV units; averaging \$805 front gross per unit. Through 12-months in 2018 our store sold 71 TCUV units; averaging \$1684 front gross per year.

Overall, our Used Vehicle Department in 2017 lost \$213,394 in operating profit. In 2018 it made \$161,606. That's a \$375K swing year over year with the biggest difference coming from our TCUV strategy.

Overall Objective and Desired Results

While our situation was by design, it's time to start rebuilding our TCUV inventory and sales with a hyper-focused approach. We will do this by focusing on two main things - inventory and pricing.

Inventory: Early in the year we will be looking to certify only 2015 and 2016 model year product. We will add in 2017 product later in the year (August) and the occasional 2018 model trade-in if it makes financial sense.

To stock the TCUV department we will rely heavily on our Service Upgrade program and our upcoming WBCAuto.com (we buy cars auto) website. This site will allow a consumer to evaluate their current vehicle and receive an estimate on what we would pay to purchase it from them; whether they buy a vehicle from us or not. This site should be up and running within the next 30-days. We will not be purchasing inventory for this department from the auction - the inventory is too expensive.

Pricing: The past few years we have used a "bucket" system to price all our used vehicle inventory. For the most part the system has worked but to grow and realize the budget goals we have set we understand that we need to evolve and be even more aggressive. In May of 2018 we converted our store to No Hagggle Pricing (one price) and we started playing with market-based pricing. This year we plan to fully embrace the market-based pricing strategy and be aggressively priced from day one.

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We are looking for a 63% increase in sales from 2018 (71 units) to 2019 (112 units). With an average \$1800 gross front-end gross and \$1500 average gross back-end profit.

Measuring and Monitoring

This strategy will be measured, monitored, and revised on a daily and monthly basis. To do this we will utilize our daily doc report to track throughout the month. At the end of each month we will evaluate compared to our annual budget and revise the goals for the next month in order to stay on track.

For example: In January we budgeted to sell six TCUV units. We met that goal exactly. In February we are budgeted to sell seven. If by chance we fall short of that goal, we will adjust the budget goal in March to make up the deficit. This will revise the daily doc report and help our staff stay focused on the desired result.

PROFIT & LOSS STATEMENT - 2019 BUDGET													
Account	Total/ AVE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
NUMBER OF EMPLOYEES	#DIV/0!												
SALES UNITS - NEW VEHICLE (Toyota)	0												
SALES UNITS - NEW PCAR	416	21	25	33	28	35	32	39	45	44	39	38	37
SALES UNITS - NEW TRUCK	1,349	72	89	115	101	122	113	136	134	131	115	112	109
TTL SALES UNITS - NEW VEHICLE	1,765	93	114	148	129	157	145	175	179	175	154	150	146
SALES UNITS - USED VEHICLE (CPO)	112	6	7	8	7	8	12	12	12	10	10	10	10
SALES UNITS - USED VEHICLE (Non-CPO)	585	44	45	55	45	49	51	53	46	49	50	50	48
SALES UNITS - USED VEHICLE (Others)	538	35	43	52	41	40	52	50	42	46	50	45	42
TTL SALES UNITS - USED VEHICLE (RETAIL)	1,235	85	95	115	93	97	115	115	100	105	110	105	100
SALES UNITS - USED VEHICLE (WS)	360	30	30	30	30	30	30	30	30	30	30	30	30
SALES UNITS - TOTAL (NEW/USED(R))	3,000	178	209	263	222	254	260	290	279	280	264	255	246

To achieve our desired result monthly and ultimately for the year it will take the focus of our entire sales staff. Our team is fully engaged with the strategy put in place by our Dealer, GSM and Used Vehicle Manager and they understand their role in its success or failure.