

Management Action Plan – VO1

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Dealership: VIP HONDA

Class & Student Number: 339B

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

The challenge that the preowned manager and I have decided to address is the level of aged inventory we are presently carrying and the lost income potential that number represents. In November 2018 we had \$785,000 in aged inventory. Our vision for the preowned department is to reduce stale inventory to less than \$200,000 within the next two months and make it our mission to develop a strategy that can be easily implemented by the entire management team.

Overall objective (goal) and specific desired results:

The desired outcome is a reduction in the aged inventory by almost \$500,000 as well as improving our GROI by increasing the turn rate from 6 times a year to 10-12 times per year. The increased turn rate based on our YTD total average per unit of \$2769.00 x 92 units per month should generate \$2,547,480.000 an increase of over \$1,000,000 additional departmental income as well as an increase in internal service ROs by an estimated \$200,000 per year

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

While the aged inventory needs to be addressed it looks worse than it actually is. There are two relatively simple processes that we need to implement so we can get an accurate picture of the stale vehicles.

1. Vehicles moving from loaner/courtesy car status into preowned inventory need to have a fresh inventory date, presently they show the date they first entered the new car inventory.
2. The nine classic cars that the owner invests in need to be moved from the used car inventory and handled separately.

Once we have eliminated the two issues mentioned we can dive into the real problem and intend to do so by taking the following actions.

- Rational pricing strategies need to be established. We have decided to begin with a priced to market percentage based on the age of the unit. 0-15 days = 98% market value. 16-30 days = 96% and 30+ = 92% market value. Of course certain cars will be considered exceptions to this policy.
- We have scheduled a manager's meeting twice a week to review the preowned inventory and consider price adjustments.
- Organize the lots, displaying the oldest inventory first or in prime spots.
- Spiffs on units starting at 27 days which is our breakeven point.
- Reevaluate the way we determine which vehicles should be wholesaled. We have, at the owner's request entered into a wholesale to the public business and while it appears lucrative in the short term (avg \$1400 front per unit) the damage to our reputation and the continued charge backs have made this endeavor less than desirable. Last month the preowned dept had \$27,000 in chargebacks, \$9600 were from the 14 wholesale to the public units sold.
- We are implementing a strategy to attempt to stock high demand, low supply vehicles and turn down high supply, low demand trades unless the deal is profitable.
- Bad trades will be addressed immediately, they will be wholesaled or priced aggressively.
- Manager trades will be tracked and they will be held accountable if a unfavorable trend becomes apparent.

Timeline: What is your implementation date? Describe specific short-term and long-term checkpoints to monitor progress.

- We started working towards several of our goals on February 1st, 2019. We are using funds we have put aside to write down our Aged Inventory.
- Our Reynolds representative will be here in March to aid us in implementing a new system to convert the loaner/courtesy cars into preowned inventory with a more accurate date.
- The goal is to have; reduced our aged inventory by 75% before April 30th We did not want to miss out on tax return season and wholesale many vehicles that have a better chance at selling now than at any other time of the year.
- The lots have been reorganized, this will be a daily endeavor.
- Spiffs have been added to certain aged units, these will continue to be evaluated at the biweekly meeting.
- We have assigned our assistant used car manager to check the pricing strategies daily to determine if we are falling within the dates and percentages we have implemented. These percentages and dates will be reviewed at the end of each month to determine if adjustments are necessary.
- Manager trade values will be addressed at the end of the month meeting where we will reevaluate spiffs, lot positioning, market day supply, wholesaled units and of course pricing. At the end of each month we are going to ask all managers to grade the department based on the abovementioned criteria and see where improvements need to be made.

Meeting with Stakeholders (dealership personnel):

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences, including timelines / accountability / process monitoring activity.

Mr. Vince, owner of VIP Honda is giving the Used Car Manager and myself free reign to make the necessary changes with the exception of the wholesale units. He has given us until

May first to determine if the change in policy regarding wholesale to the public will be as profitable as the way we are currently doing business.

Mr. Vince would like to be included in our end of the month meeting and express his thoughts regarding the direction of the department. He explained that he's giving us enough rope to hang ourselves! Wish us luck!

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:
