Management Action Plan – VO1

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Dealership: Doxon Toyota

Class & Student Number: N342-01

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

The situation or challenge that I want to address is the days in stock to break even. We are currently at 32 days in stock to breakeven. We run a $3278 YTD total gross PUVR and a $101 daily used vehicle boarding cost. I want to dig into both sides of this to expand the days in stock to breakeven. I do not think our days in stock to break even is necessarily a problem, however I feel that the number encompasses a lot of processes that we can work on and clean up between our management team and our salespeople. Looking at this number will allow us to evaluate sales process and expenses for the department as a whole, to become more profitable.

Overall objective (goal) and specific desired results:

My overall goal is to bump up our days in stock to break even from 32 days to 38-40 days. To do this, I want to focus on the total gross PUVR and the daily boarding cost. The desired result is to improve our appraisal, valuation, reconditioning, and negotiation process on the sales side, and also improve our expense control and resource utilization on the management side.

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

To increase total gross PUVR I want to focus on how we take in vehicles. We need to be able to make gross and keep our turn high, so it is important that we are in our cars right and acquiring them effectively so that we are able to price to market or below to keep turn strong. We will start tracking the average cost to market per sales manager, cost as a % of retail book, reconditioning, and negotiation (UA/OA averages). I also would like our used car manager to go through every appraisal and critique sales managers on their valuation of the vehicle and reconditioning that was missed. We can also do expected recon allowed vs actual recon done for the month per manager. Perhaps a recon sheet for the sales manager

would do good as well. This will help our managers be more efficient in taking trades in right (and probably make more gross in the initial car deal as well via UAs).

Second, I want our used car manager to focus more on how he is acquiring vehicles. When we are buying wholesale or at the auction he has to be using all the resources he has like vAuto type programs, market days' supply, historical selling data, cross sell reports, pin power dealer, seasonality, and Polk reports to be making smart decisions on what vehicles we are buying, inventory mix, cost mix, and how we can price them. We see too often that vehicles we buy at the auction end up being some of our worst investments. While we are buying them at a heavier cost, we still need to make sure the days supply and cost to market makes sense as an individual investment, otherwise it is just costing the store.

When we allow more for reconditioning and are taking our vehicles in correctly, as well as buying vehicles wholesale and at the auction better, then we should be able to more efficiently price our vehicles competitively. We already price our cars somewhat competitively to increase turn, so being able to take cars in right is the only way to increase gross without raising the price and hurting our turn. Coupling lower vehicle costs and more efficient cost to market, we should be able to manage our inventory better by profit potential and pricing rationally and optimally. While we price competively, we see that our 0-15 day cars are priced at 101% of market and our 16-30 cars are priced at 105% of market. This could be a little bit more competitive.

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NADA 342

		Billy Wood Ford	Cariboo Chevrolet Buick GMC	Doxon Toyota	Gary Moe Mazda
0-15 Days	% of Market	95%	97%	101%	102%
	Market Day's Supply	63	39	65	107
16-30 Days	% of Market	98%	107%	105%	102%
	Market Day's Supply	88	42	73	69
31-45 Days	% of Market	101%	121%	97%	104%
	Market Day's Supply	69	68	57	131
46+ Days	% of Market	100%	116%	97%	102%
	Market Day's Supply	70	119	80	102

L & L Motor Co.	My Jeep Chrysler Dodge RAM	Northtown Subaru	Peace Country Toyota

I also want to dive into the daily used vehicle boarding cost. We need to re-evaluate all of our departmental expenses and see what has value and what does not. If we are not taking advantage of the abilities of some of our lead gens then why are we using them? Are we advertising our cars in effective ways? Are our pictures on website and lead gens best practice? Are our descriptions using key words that a buyer would like? Are our pay plans

motivating for the salespeople or are we giving away money for things that don't create initiative? We also need to look into how much recon we are doing on vehicles. Are we doing the same recon on a 2000 Camry as we are on a 2015 Mercedes?

Because we do not track these things I do not have before measurements yet. We will need to track it for a couple weeks and create a baseline and goals based off of this.

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

I would like to implement this process in the first week back. I need to come up with some spreadsheets where I can personally track every trade's cost to market % retail book, reconditioning, and negotiations with UA and OAs and share with managers involved. Over the time between classes we will find our benchmarks and figure out the benchmarks and store goals. Hopefully, by the end of the six weeks we will have some more efficient processes in each part of the process leading to better results. Short term goals would be to get the process going and have benchmarks and set goals, long term goals would be to make changes based off of our results that impact the way we are taking in cars to create more gross without drastically changing our pricing, as well as eliminating expenses that we don't need or reducing expenses that we do need but aren't utilizing efficiently.

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.

1. Who:
    a. General manager and Used manager
        i. Accountability for sales managers
        ii. Benchmarks
        iii. Goal setting
        iv. Focus on valuation of vehicles
        v. Focus on expense control and resource utilization
    b. Sales managers
        i. Focus on appraisal process and valuation of vehicles
        ii. Focus on appraisal and reconditioning variance
        iii. Focus on UA and OA
    c. Salespeople
        i. Focus on defending reconditioning
        ii. Focus on UA and OA

2. What:
    a. Cost to Market % retail
    b. Reconditioning vs actual
    c. UA vs OA
    d. Evaluation of expenses
    e. Resource utilization
3. By When:
    a. 2 weeks for tracking, benchmarks, goal setting
    b. At 2 weeks focus on week points and process improvement
4. How:
    a. Log with cost to market % retail
    b. Log with reconditioning vs actual
    c. Log with UA and OA
    d. Evaluation of expenses and resource utilization

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:

I will meet with general manager to make sure it is okay that I am tracking these things.

I will meet with general manager, used car manager, and sales managers to let them know of what I am tracking and what we need to focus on. This meeting will focus on tracking:
- Cost to market % retail
- Reconditioning vs actual
- UA and OA
- Expenses and resource utilization

Upon their knowledge of what we are tacking we will have benchmarks and then over time let them know what we need to work on.

I will also stress that they need to meet with salespeople to help them build value in UAs.