

CASE STUDY -VO1

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CURRENT SITUATION

Presently turn is at 8.

Excess inventory over 90 days.

Traditional marketing and pricing strategy being used.

Current Data

| | | | |
|---|---|---|-------------------|
| - | - | Pre-Owned <i>Retail</i> Deliveries YTD (units) | 856 |
| - | - | Month of Year | 12 |
| - | - | Average # Retail Units Delivered Per Month | 71 |
| - | - | Total # Units Currently in Inventory | 107 |
| - | - | Months' Supply "In Units" | 1.5 |
| - | - | CURRENT Inventory Turn Rate | 8.0 |
| - | - | CURRENT Average <i>Front End</i> Gross Profit PUVR | \$ 874 |
| | | CURRENT Monthly Gross Profit | \$ 62,345 |
| | | CURRENT Yearly Front End Gross Profit Total | \$ 748,144 |

ACTION PLAN

Implement a marketing and pricing strategy, using v-auto based on price to market and day supply.

Hold onto the pre-auction vehicle's and stage them in an area designated as the LAST CHANGE ROW WHOLESALE TO THE PUBLIC, before taking the wholesale hit. This will help generate additional income and help reduce wholesale loss.

Also implementing a "We Buy Your Car" concept; looking to increase additional profits and help keep the 60 day turn policy.

PRICING STRATEGY

| Market Day Supply | Price to Market | Cost to Market |
|--------------------------|------------------------|-----------------------|
| 1-45 | 105% | 88% |
| 46-60 | 100% | 84% |
| 61-90 | 97% | 82% |
| 91-120 | 95% | 80% |
| 121+ | 93% | 76% |

All appraisers and managers will be required to use the above-mentioned matrix when pricing vehicles. Pricing will be based on cost to market and market day supply.

This clear structure will help us achieve our goal.

Projections

| | | |
|-----------------------|--|--|
| 10 | PROJECTED Inventory Turn Rate | |
| \$ 875 | PROJECTED Average <i>Front End</i> Gross Profit PVR | |
| 89 | PROJECTED Monthly Units Delivered | |
| \$ 78,021 | PROJECTED Monthly Gross Profit | |
| \$ 15,676 | PROJECTED Monthly Gross Profit <i>Variance</i> | |
| \$ 936,250 | PROJECTED Yearly Front End Gross Profit Total | |
| \$ 188,106 | PROJECTED Annualized Front-End Gross Profit <i>Variance</i> | |

By increasing the turn to 10 and maintaining the same PVR per unit, it is projected that we would sell 18 more units a month.

Implementing the action plan and sticking to the matrix price to market strategy it is projected that the gross would be \$78,021 monthly a variance of \$15,676.00 additional gross a month.

Timeline

We will commence with the new action plan and pricing structure April 1, 2019. For the first 30 days pricing will be monitored every day. After the 30 days we will review the pricing and adjust according to the matrix three times a week, Monday, Wednesday and Friday.

MEETING WITH STAKEHOLDERS

We are presently in the process of hiring a permanent marketing manager to manage the v-auto pricing matrix. As mentioned previously, pricing will be monitored daily for the first 30 days to create the culture. After the 30 days we will revert to monitoring 3 times a week Monday, Wednesday, and Friday.

The pre-own managers and the marketing manager will be responsible for maintaining the culture supervised by the GSM.

Target date set for April the 1st 2019. Kickoff will involve the full management team and the new strategy will be announced to all sales staff on the 1st Friday meeting of the month. This will help motivate the staff showing a new direction in marketing.

DEALER AGREEMENT
