

# Management Action Plan – VO1

Student Name: Jonathan Pushka  
Dealership: Mercedes-Benz Downtown [Toronto]  
Class & Student Number: 339A – 19

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

I have an inverse situation in my pre-owned department. We spent the fall cleaning out aged inventory and taking losses with the goal being starting 2019 with a clean inventory pool. 2019 has started and I'm still just breaking even on the retail transactions as we're pushing for the volume but discounting the inventory too much to get it. Specifically the 0-60 day inventory is being sold at a discount but not generating enough profit to offset the counter the 61-120 day inventory still being disposed of. Additionally we have to buy 40% of our grounded lease returns which is keeping my inventory too high. By the time we recondition it or send to auction and have it disposed of the cycle is repeating.

## Overall objective (goal) and specific desired results:

- The inventory has to come down to 45 days' supply MAX
- The oldest vehicle in stock [even at auction] has to come down to 100 days in stock or the pre-owned manager has to have a consequence.
- All auction transactions have to even out. No big wins or losses over \$2500. At present the swing is massive suggesting we don't have a solid appraisal process versus a best guess.

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

- I've tasked my 3 sales managers to handle all retail transactions [both new and used cars]. My PO manager like selling and working with the pre-owned sales team more than managing the buying and reconditioning of the vehicles.
- Pre-Owned manager will reprice all the inventory to ensure we get good traffic off of our web leads. 0-60 day inventory will not be discounted. If the customer wants a deal it's our 61-90 day stock. If he wants to steal a car it the units going to auction.
- Manager Special vehicles in the showroom to move units getting close to 90 days.
- Not all old inventory can simply go to auction whatever the loss. We need a strategy and a way of selling through the problems.
- Reconditioning turn is a static 21 days right now as we're in large dealer group and horribly inefficient in our service departments. Sales gets a 15% discount on labour

and parts so we're the 2<sup>nd</sup> favorite customer and our shops are running a 14 day backlog for work.

- Long-term – I'm going to move my PO manager to being a NC sales manager as he's great on the floor and with customers. He is not analytical enough to manage an inventory of this size and complexity

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

- Started February 1<sup>st</sup>
- Weekly sales management meeting to review the progress and the inventory pool in size, avg cost, aging, and reconditioning.
- March 1 improvement check in.
- March 15 critical review
- March 31 clean and profitable.
- April 1 – looking for a PO manager that's analytical and will manage the business.

### **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: All staff informed of our pre-owned focus for Q1
2. What: Everyone needs to be a part of the turn-around. Service and parts staff included to speed up recon at a fair price.
3. By When: March 31 [Q1] deadline to be selling with clean inventory and turning a profit.
4. How: see above

### **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:

Already done at the monthly group GM meeting. All metrics reviewed against the group.  
Action plan presented to the VP.  
[I can't share the internal plan as it shows specific profitability by purchase and sale streams].

JP

---