

Management Action Plan – VO1

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Dealership: Haley Toyota of Richmond

Class & Student Number: 339A #17

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

We have an issue with aging inventory. We are in a great situation where dealerships in our group share used cars but we are keeping vehicles for way too long and then losing money. It is always an argument amongst the dealerships as to which cars should be kept on the lots longer because of value. There was nothing consistent among the 12 dealerships and no policy for used cars.

Overall objective (goal) and specific desired results:

The purpose of the change is to retail more units at a faster pace, a reduction of wholesale loss, and an effort to keep more trade-ins versus selling them to our direct competition. We want to create a policy so that every dealership is on the same page and held responsible.

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

Haley Automotive Group will have a 75 day turn policy effective 7-1-2018. No units in inventory older than 75 days at month end. Each store will have 45 days to market vehicles at their discretion in regards to a pricing strategy. On day 46, all units will be priced at the corporate level, and on day 76 all units will be disposed of at the discretion of the Corporate Buyers.

- a. 30 days or less sold at cost less packs plus \$550 for trades, or plus \$300 for purchase units. NOTE: Bruising inventory is only permissible on Purchase units that were acquired under market value. Consult the Corporate Buyers.
- b. 31 -60 days at net cost.
- c. 61 days will be sold at the value determined by the Corporate Buyer.
- d. In addition, regardless of age, any car priced on the internet at or near cost, will be sold to sister stores for \$750.00 under cost. If the unit is priced on the internet under cost, the unit will be sold to sister stores for the listed internet price less \$750.00. This rule is to be used only if the selling price is higher using rules "a" or "b".

In the rare event where a used vehicle should require a re-date, i.e. units that have been in loaner service for a long period of time or have been in corporate demo fleet (D stock numbers) as well as the occasional extreme transportation delay. Please contact the Corporate Controller or the Corporate Buyer for assistance. Other than days off, managers at the store level should have their demos available and ready for sale daily. These vehicles will not be eligible to be re-dated and are subject to the 75-day turn policy.

I. Placement of Aged and Excess Inventory;

a. Aged:

- 1) Swaps:** Vehicles slated to be swapped between stores will be done so on day 75 for the dollar amount given by the corporate buyer. Corporate buyers will not swap a vehicle prior to the 75th day.

There will be an exception for Volvo of Richmond, Volvo of Midlothian, and the Certified Center. Swap vehicles at these 3 stores that are under 75 days at month end will be given an extension to day 90. Vehicles will still be under the purchase pricing policy between stores if another store has a retail deal prior to the 90th day.

Regardless of the location, a vehicle that is 75 days or older on the last day of the month will be swapped at that time. Vehicles will only be swapped one time within the Group.

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

This policy was put into place July of 2018. In order to track the performance of the new policy we keep a running doc keeping track of KPI's. For example,

Total Used Gross Profit
Total Used Units
Total Used GP per Vehicle
Wholesale Gross Profit
Wholesale Units
GP Per Wholesale Unit
TOTAL USED GROSS PROFIT
w/ WS
TOTAL USED UNITS w/ WS
TOTAL USED GP PER VEHICLE

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. All general managers have to feed into the program 100% They also have to make this a mandatory policy within their stores. Used car sales managers and sales managers need to be held 100% responsible for policy working
 - b. Buying team is responsible for pricing vehicles after a certain age and put it in the flooring and then changing the price as needed with the market
 - i. They are also the ones who are responsible for auction buys and swapping vehicles.
 - c. Service managers have to realize this new policy means cars need to get through internal as quickly as possible.
2. What:
 - a. We track ages of units and when they hit the floor to be able to sell. We track what vehicles bought at auction are still not sold and track each of the buyers and their performance pricing and swapping vehicles.
3. By When:
 - a. It took a couple of months to get all of the dealerships cleaned up in inventory but now everything is on a very regulated schedule
4. How:

- a. Moving cars that are too old, analyzing inventory seeing if they would sell better at a different location at a different manufacturer, making sure prices are properly handled and changed based on the market.

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:
