

Worden-Martin Buick GMC UV Action Plan – VO1

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Dealership: Worden-Martin Buick GMC

Class & Student Number: 340-16

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

Our current challenge is that we must increase UV inventory turns. We are a Buick GMC dealer in a mid-sized market and are not exactly what you would call high volume store or brand... At least not in the same respect as a Ford, Chevrolet, or a dealer. This presents several challenges to our UV department. First, we rely on purchases to supplement our trade in's for UV stock. Next, the average cost of a new Buick/ GMC vehicle that we stock is over \$47,000. This results in more expensive trade in vehicles which in turn gives us assets that are more volatile to a change in the market, specifically with full size trucks and SUV's. Last but certainly not least we must hold our UV buyers accountable to the data, and purchase vehicles that sell in our market. We need to use our access to market data in our asset acquisitions and stop using phrases like; "spread to retail," and "that's what we have always done."

Overall objective (goal) and specific desired results:

The goal is to first get to 8 UV turns and work our way to guide of 12. Getting to 8 UV turns will have a huge financial impact on the store, getting to 12 is game changing. The fact is that at 6 turns we are missing gross profit that we have the potential to capture. The turn analysis template that we brought home from class provided the most eye-opening data. It is nice to be able to manipulate the information to what we feel will be realistic for our store to achieve and financially what it can bring to the dealership. We have control of our UV operations, and our UV operation touches all profit centers in the dealership. We have a great opportunity retain more of that increase in gross by increasing our inventory turns. Just getting to 8 turns for us will mean an additional \$500,000 annually in gross sprinkled around the dealership.

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

- Our first task was to communicate the vision of our UV department, and make sure that everyone from the detail, service, parts, and sales staff understands what we are trying to do and why. The staff must buy in to what we are doing and how it benefits them.
- Get our time to market in line. We really began to track our time to market closely in December of 2018. We were right at 12 days. Currently we are at 7 days and trying to figure out how to get to 5. Our dealer groups UV detail center has played a big part in reducing that number.
- Streamline our vehicle acquisitions. We have started to do simple things that make sense. We are using more of the data (SRP/VDP views, Polk data, historical sales info, etc.) that we have available to us in our purchasing decisions. We have adopted an asset acquisition mentality.
- We are looking at our acquisition cost to market rather than our spread to retail. Who cares what retail book is until we go to finance the vehicle?
- We adjusted our stock number system so we can see who purchased the car. This was done not so much as to monitor gross, but to see if what that specific buyer is purchasing is selling in a timely manner.
- Adjusted pricing strategy. Our purchase vehicles get priced to market right out of the gate. We have found that they tend to sell at about 96%-98% of the market. We are taking our “singles & doubles” rather than waiting for the “home runs” on everything. We are still asking for gross initially on trades that deserve it, but we also feel that we can keep them slightly longer than the purchase units, so we have a little more flexibility to do so.
- We have implemented the UV input sheet that we had to do for class into our deal recap process. The revealing data is how well we perform with new and used trade ins \$2275 PUVR, how poorly we perform with purchases \$835 PUVR, and the correlation of inventory aging with the two. We are still in the process of cleaning up a few aging issues, but I estimate that in about 60 days we see significant improvement in purchase unit gross.

Timeline:

We began to implement the changes to our process immediately when we returned from our last class. January 2019 was a tough month for us, but we rebounded well in February. We finished February at 50 used which is 7 units over our 2018 average. UV sales in March are tracking about 50 as well. The first measure will be how our financials look after we finish Q1. I anticipate that our turns will have increased from 6. The next step will be of course to get them to 7 then 8, and so on. Our sales management team is focused on UV turns right now so getting the inventory in line so we can turn faster hasn't been too great of a task. The challenge will be to maintain it. If I can just say one more time... we love the turn calculator. It will be the primary tool used in measuring our long-term success. We will be using it on a month end basis to measure our progress.

Meeting with Stakeholders (dealership personnel):

The UV inventory process was introduced in our weekly staff meeting upon return from our last class. The attendees of this meeting include sales, finance, service, parts, office, and detail managers. We communicated to everyone the importance and urgency of processing UV, along with everyone's duties within the process.

- Meeting with buyers on UV purchases, and the sales managers on appraisal process. *Completed by GM.*
- Enhanced our UV Google Doc (see our best idea) to assist in our UV processing. *Completed by sales managers.*
- Met with our UV wholesale outlet to dispose of bad assets and immediate wholesale. *Completed by GM.*
- Communicated new pricing strategy to sales staff and adjusted compensation accordingly. *Completed by sales managers & GM.*
- Change stock number system for UV acquisition accountability. *Completed by GM and office manager.*
- Use Firstlook pricing tool to manage market pricing strategy. *Completed by sales managers and GM.*
- Implement NADA UV input data excel sheet to track the UV department metrics. *Completed daily by GM*
- Guard the processes! *Done daily by the GM*

Dealer agreement:

I am not required to obtain approval to change any processes or procedures in the store. I do however communicate any major changes that we make when we meet weekly. Our meeting went very well. He was glad to see us thinking proactively and progressively. He asked that Dan, (my sales manager I brought with me to class) and I give a presentation at our monthly dealer group meeting (six stores, their GM's and sales managers). He wanted the two of us to share our changes in our UV process along with some best practices and take-aways from our last class. It went very well. Several of our other stores are adopting the same turn process. Everyone loved the UV input sheet and have began using it as well. Looking forward to the increase in gross profit!