

Management Action Plan – VO1

For: Steve Landers Toyota

By: Chris Chase (N343-22) – Used Car Week #4

Current Situation:

Used Car Pre-Work completed in March revealed multiple opportunities within the department.

- Average days in stock of the 200 deals analyzed was 54.3 days.
- Average price to market was at 96% and average cost to market was at 95%
- Front end gross was \$197 (before pack and doc fee), the result of a narrow gap between cost to market and price to market
- GROI very low at 59%, however CPO GROI was 71%
- 42% of vehicles acquired for used car inventory were sourced from auction or wholesaler and averaged front end gross profit of \$(659).
- Only 7% of vehicles acquired for used car inventory were sourced from our “WE BUY” program, yet these are our most profitable pieces of inventory, averaging \$2,045 / copy in front end gross

Overall Objective:

Mindful of the topics discussed during week 4 (used cars), we identified the following opportunities for improvement:

1. Increase turn from 8 to 10 times per year
2. Increase GROI
3. Lower average cost to market
4. Increase price to market (watch trends, be disciplined and trust the process)
5. Become less reliant on auctions and wholesalers

Proposed Timeline:

These strategies and the following tactics were implemented in April, 2019 and are currently being measured, monitored and tweaked.

Action Plan:

1. Reduce the number of 60+ day old units with an emphasis in the over 120 day bucket
2. Increase Price to market on fresh inventory in an effort to address the gross profit issue
3. Acquire vehicles for inventory with a focus on cost to market at or below 90%
4. Increase efforts around our “WE BUY” program as these are our most profitable vehicles
5. Only buy from auction or wholesaler when filling in holes in the inventory

Requirements and Measurements:

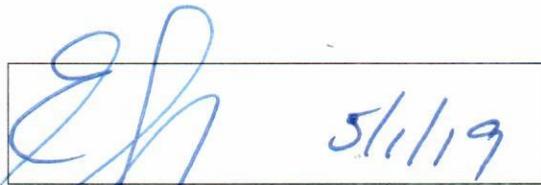
Who?	Does What?	By When & Measurements?
UCM, GM, GSM	Target market price between 90-95% on all 60+ day old inventory	April 1, 2019 vAuto Data
UCM	Monitor SRPs/VDPs on all inventory in an effort to gauge interest in inventory and accuracy of inventory pricing strategies	April 1, 2019 vAuto Data
UCM, GM, GSM	Implement a hard 75 day turn on used car inventory (to create better habits around inventory mgmt.)	June 1, 2019 vAuto Data
UCM, GM, GSM	On all fresh, low market day supply inventory, we will initially price at 103-107% to market in an effort to improve front end gross	April 1, 2019 vAuto Data
UCM, GM, GSM	Every 10 days, vehicles with low SRPs/VDPs will get a 1% price reduction until they reach their "sweet spot" or 95% price to market	April 1, 2019 vAuto Data
UCM, GM, GSM	Vehicles will also be priced as they move from one bucket to the next in the aging process, remaining mindful of high vs low market day supply vehicles and SRPs/VDPs	April 1, 2019 vAuto Data
UCM, GM, GSM	We will become more disciplined in our buying activities, only paying over market for vehicles with low market day's supply	April 1, 2019 vAuto Data
UCM, GM, GSM	Increase frequency of our "WE BUY" message on radio	April 1, 2019 Clear Channel Provided
UCM, GM, GSM	Create a compensation plan for salesmen who help us "buy" inventory from private sellers	May 1, 2019 Ongoing

Outcomes, Takeaways and Next Steps:

30 Days from initial implementation, we have seen considerable results, most notably in our front end gross profit and in the reduction of aged inventory. Some of the results:

- April used front end gross profit average was \$1,305.70 (not including pack or doc fee), which was an increase of 600% vs. the 200 used car deals analyzed in March (\$197 per copy)
- Over 90 day inventory remained the same (78 vehicles)
- 60 – 90 day bucket reduced to 52 vehicles (fewer vehicles aging)
- Average cost to market is down from 95% to 92% in one month!
- Average price to market is at 100%
- Current day's supply of used inventory is at 42 days, getting us closer to a 10X/year turn

As for next steps, we will continue to monitor and measure our results, constantly making adjustments as we improve our processes and our pricing.

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Sponsor Signature / Date