

Management Action Plan – VO1

Student Name: Charlie Garrett

Dealership: Garrett Motors

Class & Student Number: N344-05

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

Our challenge is we need to turn our inventory quicker and do a better job of buying/stocking vehicles. We are currently at 57 units a month, stocking 110 vehicles which has our turn at 6.3. Also, right now our auction vehicles that have been sold are at 54% and we want to get that number down.

Overall objective (goal) and specific desired results:

Our objective is to do a better job at buying vehicles off the street so we can cut down the auction purchases since we don't have as high of a GROI on auction vehicles. Also, we plan on stocking less vehicles and keeping somewhere between 70 to 85 units. And finally, we are going to price more aggressively to start off so we can get rid of units quicker, and price these vehicles according to market day supply. Right now we are currently at 108% of Market for vehicles 0-15 days and 104% for vehicles 16-30 days. We hope to have these changes implemented ASAP, but as far as stocking the right number of vehicles we want to have that process in line by June 15th.

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

We are going to start spiffing our sales people \$100 on every street purchase made and \$25 on all trade ins. We want them to look at buying the car as money so they will get out of the habit of thinking if they don't sell a car they aren't going to get paid. The thinking behind this is our GROI for street purchases was 444%, used car trade in was 203%, new car trade in was 145% and auction was 50%. Currently 54% of our sales came from auction vehicles and we want to decrease that number so we can simply make more money. While purchasing/trading vehicles instead of using the word "appraise" we are going to give them a "buy figure", and be more transparent with why we are giving them that number. We will tell them about reconditioning costs, market days supply and book value. For pricing vehicles, when I talk with upper management we are going to designate one person (probably me or

my brother) to price 25 vehicles a day. When we are pricing we are going to use vAuto and look at market days supply of the vehicle and price aggressively to the market so we can increase our turn and not wait until 30 days to price to the market. I used the turn analysis excel sheet to figure numbers as far as how many vehicles we would like to stock and set attainable goals for what we can get our turn at. We are currently at 110 vehicles stocked with 606 avg gross profit with a turn of 6.3. Our currently monthly gross profit is at \$34,744 which yearly would equal \$416,928. If we were to decrease our inventory to 75 units and price aggressively so we could hit 9 turns a year at 56 units a month while keeping the same 606 front end gross profit, it would increase our monthly gross profit \$13,342 to \$48,086. Yearly that would add an additional \$160,104 of gross profit totaling \$577,032. My thought process by keeping gross profit PUVR the same is based on the fact that yes we would lose some of our higher grossing sales early, but we will also cut out our major losers that sit on our lot a long time. Also, by doing a better job of buying street vehicles and trade ins my hopes are that will go up, but for the purpose of this exercise I used the same number. Eventually we would like to decrease our inventory number and increase our turn but for now I feel this is the most attainable goal.

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

Implementation date is going to be July 1st. I am going to take over the pricing of all used vehicles once I get caught up after the new car week. I will use the excel document every month to check our turn and if we are making more each month

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: Myself and my brother
2. What: Need to start pricing 25 used cars a day and make sure they are priced to the market
3. By When: July 1st
4. How: By using vauto to compare to the market and not worrying about cost.

We need proper training from our vauto rep on how to price to the market. Our used car manager was doing it but he wasn't pricing to the market he was just worried about holding gross.

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: The meeting went very well and the dealer thinks it's a great idea. I showed him the excel template on how we could make more money and how we need to price more aggressively. We are planning on starting July 1st with the new aggressive pricing strategy and taking this task out of the used car managers hands since he wants to hold gross. Also he loved the idea of spiffing the salespeople for buying cars off the street because he knows we need to buy more street vehicles.
