

Departmental Action Plan Template

Student Name: Michael Law

Class & Student Number:N341-17

Academy Week (Var II):Week 5 Variable II New Cars

Current situation or challenge you want to address:

Currently we have no stocking strategy for Toyota. Toyota is all based on turn and earn allocation. Because this store has underperformed for so long we have are not allocated enough of the fast moving low day supply vehicles. We also are constantly having to trade for vehicles. We have VAUTO/Conquest, but we have not utilized the tool properly to set our preferences in the OEM allocation tool. So we have been taking whatever they send us, and it is effecting our turn rate, and raising our floorplan expense, and hurting our cash flow by paying curtailments on slower moving vehicles. It is also effecting our front end PVR by having to discount heavily, especially when we are selling higher MSRP 2018 model year vehicles.

Describe your action plan in detail (be specific and include before and after **Measurements**)

-Increase turn rate from 3.95 turns a year to 5, then eventually to NADA guide of 8. We will do this by utilizing stocking strategy tool in Provision. Getting as specific as interior/exterior colors to stock what we have historically sold. This tool will also tell us how many of each we need to stock to efficiently turn our inventory.

-Stay away from stocking any Land Cruisers/Sequoia's. High MSRP vehicles that turn 2 times a year. STOCK WHAT YOU SELL!!

-Minimizing floor interest expense. Toyota gives interest credits as the vehicles are invoiced, the quicker we turn these vehicles the less in floor interest we pay. As rates increased from 2018-2019 we he felt the effect this expense had on our Net. As we increase our turn up to guide we will be able to offset our interest expense, and quite possibly

**generate income in interest credits. Current FP INT May 2019:\$20,226
Current FP credits May 2019:\$13884.00 Goal: absorb all interest
expense with credits, and eventually turn Floorplan into another profit
center. AFTER: \$2,000 FP interest.**

**-Last month our front end PVR was \$179.00. This was caused by still
having 2018 model year vehicles in stock, and taking losses on these
vehicles. This was also caused by stocking higher day supply new
vehicles, thus having to price below invoice to move these vehicles.
Front end PVR to \$500.00**

**-Currently we start paying curtailments on any new vehicle over 120
days in stock, although this is not an expense, it is a cash flow issue.
This number will go down considerably by stocking faster moving
vehicles. May Curtailments were over 13,000! This number needs to be
\$5,000.**

Timeline:

Describe specific short term and long term checkpoints to monitor progress

**Meeting 1(6/3/2019). Implement stocking strategy. Review
24month sales history. Set preferences in Toyota allocation tool.
Utilize Provision to identify LDS vehicles.**

**-ALL 2018 Model Toyotas cleaned up front with hang tags.
Because of MAAp pricing we cannot advertise below invoice online.
We have high traffic areas where we can clean these up and get
eyes on them. (must be gone by 8/1/2019) current count:15.
\$1,000 Flats on all remaining 2018's.**

**Monthly- Evaluate entire inventory. Review last month's
interest/credits. Review allocated vehicles, and turn down HDS
supply vehicles.**

**Meeting 2 9/1/2019- Review aged inventory. See why they
haven't sold (bad photos, description's, pricing etc.) Review**

previous 3 months interest/credits. Recalculate turn rate. Goal: 4 turns per year

Meeting 3- 12/1/2019- 6 months review. We now have the proper inventory level (3mos day supply=150 vehicles) Inventory is now turning faster and our FP credits has cut our interest expense down to \$3,000. We are stocking what is moving, and turning our inventory at 6 turns/yr.

Meeting with Stakeholders (dealership personnel)

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences (PINO, Gain, Pain). Include timelines / Accountability / Monitoring process

- a. Who: NC mgr/GSM/GM
- b. What: Inventory analysis/expense review. Doing the necessary steps listed above
- c. By When: 12/1/2019
- d. How: By having our performance manager from Vauto assist in stocking strategy. Also improving our relationship with our DSM from Toyota to earn the right inventory.
- e. Sm and GSM will struggle with taking losses on aged inventory, but after discussing the long term vision they will be bought in.

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:

My Owner is all in on this plan. To be able to get his 1st franchise back to where it belongs!
