

New Vehicle Action Plan

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Current situation:

Don Johnson's Cumberland Motors is a dual franchise store representing FCA and Ford lines. The challenge is to maintain 100% MSR with both manufacturers. We are currently over 100% with FCA (Jeep, Ram, Dodge, Chrysler), but only at 25% with the Ford line. Historically, the previous dealer was strong with FCA and didn't worry about Ford as there are 2 other dealers within 20 minutes of our location in a county of 40,000 residents.

Overall Objective and **Specific** Desired Results:

Our goal will be to increase Ford sales an additional 12 units per month from the current average of 4. This will also increase our turn from 2.0 currently to 3.5 turns per year.

Action Plan

1. We will decrease our margins on Ford cars and trucks from the current level of 3% over inventory balance to 0% over inventory balance (\$0 front . FCA products will maintain the current pricing strategy of 3% over cost). Back end profits will be maintained or increased across both FCA and Ford lines.

2. This pricing will be displayed online, on all point of sale items, on radio, and communicated specifically with each sales guest as price is presented during the sales process. We will emphasize the fact that we are lowering the price even further in order to gain market share.

3. The sales team will be trained and instructed on the proper methods to efficiently obtain trades(devalue). This will include the silent walk around prior to formal appraisal, the completion of a trade in worksheet, and introduction to the sales director prior to presenting numbers. It will be our goal to take each trade \$250-500 back in order bring front end gross back.

4. Any incremental negotiating will be done in smaller increments than has traditionally been the case. In other words, we will give up \$117 rather than \$500, and maintain the smaller amounts while still letting the guest win a bit.

Timeline:

May 1,2019:

Meet with management team to describe the current situation and consequences for not implementing change, including declining manufacturer relations, reduced allocation, lost service revenue, etc. Propose the action plan described and seek questions and comments, above all, obtain buy in. Present the attached turn analysis as a closing point in order to cement the opportunity present by increasing volume despite cutting gross.

May 6,2019:

Roll out the new strategy to the sales team during the morning meeting. Emphasize their role in the success of the plan. Taking trades efficiently will be key as well as properly presenting the fact that these new prices represent a substantial savings to the guest. Role play a few scenarios.

May 7,2019:

Reprice all Ford units with new formula, having sales team pull and replace hang tags in order to see the savings firsthand. Get a buzz going in the store to generate a sales event atmosphere.

May 8, 2019:

Meet with store directors to provide update and clarification on the new strategy. Request brand manager to implement a schedule of Ford ads highlighting this new opportunity.

May 15, 2019:

Reach out to Ford regional sales manager to inform about our new strategy and commitment to growing the Ford line. Ask for any additional product as needed, and request that they pass our new strategy up the line to executive management.

May 20, 2019 and weekly ongoing

Role play training with sales staff silent walk around and overcoming trade objections. Discuss good and bad transactions that have occurred since implementation. Resell the opportunity.

May 22, 2019 and weekly ongoing:

Review deal worksheets with sales management to ensure the trades are being taken in under value and that any additional movement is done in small \$100-\$200 increments vs \$500

June 1, 2019 and monthly ongoing: Track unit sales and gross to compare against turn analysis projections. Provide results in directors meeting as requested

Current Data

New Retail Deliveries YTD (units)	68
Month of Year	4
Average #Retail Units Delivered Per Month	17
Total #Units Currently in Inventory	100
Months Supply 'In Units'	5.9
CURRENT Inventory Turn Rate	2.0
CURRENT Average <i>Front End</i> Gross Profit P/MR	\$ 1,329
CURRENT Monthly Gross Profit	\$ 22,593
CURRENT Yearly Front End Gross Profit Total	\$ 271,116

Projections

3.5	PROJECTED Inventory Turn Rate
\$ 779.0	PROJECTED Average <i>Front End</i> Gross Profit P/MR
29	PROJECTED Monthly Units Delivered
\$ 22,721	PROJECTED Monthly Gross Profit
\$ 128	PROJECTED Monthly Gross Profit <i>Variance</i>
\$ 272,650	PROJECTED Yearly Front End Gross Profit Total
\$ 1,534	PROJECTED Annualized Front End Gross Profit <i>Variance</i>

Additional Income

Current New Vehicle F&I Average PVR		964
PDI & Accessory Sales PVR	480	X 50% Gross \$ 240
Trade %	43%	#of Trades 5.6
UV Immediate Wholesale %	30%	#of Trades Immediate Wholesaled 1.7
Average Recon on U/C	250	X 50% Gross \$ 125
Average PUMR Wholesale		\$ (278)
Average PUMR (Front and Back) on Trades		\$ 2,370
Hard Pack Per Unit UV		\$ 700
Hard Pack Per Unit NV		\$ -
Doc Fee/ Admin Fee Per Unit		\$ 199
OEM Incentives Per Unit		\$ 400
Floorplan Assistance Per Unit		\$ 403
Advertising Credits Per Unit		\$ 153

Monthly	PROJ ECTED	Yearly
13	Additional NV Units	156
\$ 12,532	NV F&I Increase	\$ 150,384
\$ 3,120	PDI & Accessory Increase	\$ 37,440
\$ (466)	UV Wholesale Increase	\$ (5,594)
\$ 489	UV Recon Increase	\$ 5,870
\$ 9,274	UV Retail PUMR Increase	\$ 111,286
\$ 2,739	Hard Pack Increase UV	\$ 32,869
\$ -	Hard Pack Increase NV	\$ -
\$ 3,366	Doc Fee/ Admin Fee/ Service Charge Increase	\$ 40,388
\$ 5,200	OEM Incentives Increase	\$ 62,400
\$ 5,239	Floorplan Assistance Increase	\$ 62,868
\$ 1,989	Advertising Credit Increase	\$ 23,868
\$ 127.83	Front End Variance (from above)	\$ 1,534
\$ 43,482	Total Additional Income	\$ 521,778
\$ 43,609	Total Variance	\$ 523,312
\$ 66,202	Total Projected Gross (Variance + Current)	\$ 794,428

Note: This does not include future Gross Opportunities

Results: May 2019 was our best Ford sales month this year at 10 units delivered (plus 12 FCA deals). Front gross profit was low as predicted, but we were able to average \$1701 on each back end, and 5 of the 10 sales included trades that went through our shop, which exceeded our goals! Our staff did a nice job of selling the value in the extra discount as well as carefully working the trade in process for incremental gross profit.
