

Departmental Action Plan Template

Student Name: Che Samples

Class & Student Number: 342 -14

Academy Week (Var II): Variable Ops 2

Current situation:

Reduce variable and Simi-fixed expenses by 10% for overall Dealership

Overall Objective:

In the industry we need to always be prepared to understand where variable and semi-fixed expense are. In the event of an economy downturn or other events that could affect us we need to understand where we can save money and what we can do to always stay ahead in the financial department. Currently our expenses are 114% over last year. We need to reduce our expenses overall by at least 10%. We did open a new used cost lot in March so this expense will offset itself next year; However, being 114% up from last year is not where we want to be.

Action Plan:

- 1) Review variable expenses - We are currently spending \$45,000 a month overall on our DMS. This falls under our data processing services This is currently more than our rent factor. We need to reduce this expense by at least 40 to 50 percent. We are currently in negotiations with a few new DMS providers that will save us overall \$20,000 a month. If we can save \$240,000 next year without losing technology and leads this will be huge. Unfortunately, we will not see these saving until February 2020 but it is a first step towards the goal of reducing expenses.

Operating Expenses			Operating Expenses		
Salaries & Wages - Admin/Gen	216,690	43,338	174,689	34,938	Salaries & Wages - Admin/Gen
Employee Benefits	104,291	20,858	101,158	20,232	Employee Benefits
Payroll Taxes	179,420	35,884	152,308	30,462	Payroll Taxes
Advertising G&I	35,000	7,000	35,000	7,000	Advertising G&I
Stationary & Office Supplies	44,323	8,865	49,247	9,849	Stationary & Office Supplies
Legal & Auditing	188,206	37,641	160,608	32,122	Legal & Auditing
Company Car Expense	3,113	623	4,701	940	Company Car Expense
Dues, Subscriptions, & Contributions	13,636	2,727	13,844	2,769	Dues, Subscriptions, & Contributions
Data Processing Services	238,870	47,774	175,201	35,040	Data Processing Services
Travel & Entertainment	446	89	1,338	268	Travel & Entertainment
Bad Debts	-2,434	-487	49	10	Bad Debts
Miscellaneous	0	0	-2,316	-463	Miscellaneous
Rent & Equivalent	297,018	59,404	274,108	54,822	Rent & Equivalent
Maint/Repairs - Real Estate	16,632	3,326	22,920	4,584	Maint/Repairs - Real Estate
Interest (Other than Floor Plan/Mort)	9,961	1,992	1,919	384	Interest (Other than Floor Plan/Mort)
Ins Taxes & Lic (Other than Payroll/Re	122,150	24,430	75,066	15,013	Ins Taxes & Lic (Other than Payroll/Real Estate)
Dep, Maint, & Rental -Furn, Sign, Equip	67,487	13,497	72,421	14,484	Dep, Maint, & Rental -Furn, Sign, Equip
Heat, Light, Power & Water	23,893	4,779	26,454	5,291	Heat, Light, Power & Water
Telephone	16,490	3,298	19,353	3,871	Telephone
Total Operating Expenses	1,575,192	315,038	1,358,068	271,614	Total Operating Expenses

- 2) Review Semi-Fixed expenses – Currently advertising cost are 9% of the selling cost. We can reduce this by moving our TV and print to areas that are less expensive. We have done this and can see the results from last year.
- 3) We currently have too much inventory, this is due to eom and season, however being up in expenses are from last year is hurting us.

Selling Expenses			Selling Expenses		
Salespersons' Commissions	981,305	196,261	918,723	183,745	Salespersons' Commissions
Supervision Compensation	313,676	62,735	306,387	61,277	Supervision Compensation
F&I Compensation	139,256	27,851	105,527	21,105	F&I Compensation
Vehicle Inventory Maintenance	17,337	3,467	14,923	2,985	Vehicle Inventory Maintenance
Policy Expense	7,368	1,474	9,436	1,887	Policy Expense
Dep, Maint, Repair and Rental Equip	52,941	10,588	44,728	8,946	Dep, Maint, Repair and Rental Equip
Total Variable Sales Expenses	1,511,883	302,377	1,399,724	279,945	Total Variable Sales Expenses
Other Salaries	38,728	7,746	25,617	5,123	Other Salaries
Advertising Print TV Other	189,218	37,844	211,575	42,315	Advertising Print TV Other
Advertising Internet Only	93,263	18,653	74,404	14,881	Advertising Internet Only
Advertising Credits	-95,530	-19,106	-109,700	-21,940	Advertising Credits
Supplies, Tools & Laundry	17,886	3,577	-7,994	-1,599	Supplies, Tools & Laundry
Freight	4,235	847	3,711	742	Freight
Sales Personnel Training	80,000	16,000	63,000	12,600	Sales Personnel Training
Demonstration Expense	0	0	0	0	Demonstration Expense
Floorplan Interest	283,317	56,663	196,507	39,301	Floorplan Interest
Floorplan Interest Credits	-198,396	-39,679	-167,938	-33,588	Floorplan Interest Credits
Total Semi-Fixed Selling Expenses	412,721	82,544	289,182	57,836	Total Semi-Fixed Selling Expenses

4. Review Pay plans – Currently all managers and sales people get paid on gross, we are looking to be creative in our payplans to save money. This is the hardest area to be creative in our market because of the competition and the way other dealers pay in our market.

5. F&I Compensation is up due to pay plan changes and per car is up.

6. Hail Expense, need to renegotiate at end of this year. Because of hail from previous years we could not get but two insurance agencies to give us a bid.

Before: Our expenses are in line everywhere except for the above. We will be reducing those by end of the year.

After: After we implement a new DMS and renegotiate Insurance and continue to review inventory we will have reduced expenses by 10%

Timeline:

Short Term – We need to be reducing expenses every month by 1.5% in order to get to goal. All departments are responsible for this goal.

Long term – Every month this is going to be monitored with reporting and goal achievement. We have challenged all leadership to reduce expenses each month by 1.5%. This will be tied to end of year bonuses with achieving end of year overall dealership goals.

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: GM, and all Leadership
- b. What: A once a month expense report meeting and ideas every month on where they saved money.
- c. By When: This is already in place
- d. How: 7:am morning expense meeting once a month

2019 WHOLESTORE	YTD	AVERAGE	YTD MAY 2018	YTD MAY AVG 2018	2018 WHOLESTORE
New	420	84	436	87	New
Used	275	55	209	42	Used
Wholesale Cars	42	8	45	9	Wholesale Cars
Wholesale Trucks	115	23	97	19	Wholesale Trucks
Total Retail	695	139	645	129	Total Retail
Total Gross Profit	4,149,430	829,886	3,914,984	782,997	Total Gross Profit
Gross Profit PRU New	16,424	3,285	17,064	3,413	Gross Profit PRU New
Gross Profit PRU Used	19,187	3,837	21,329	4,266	Gross Profit PRU Used
Selling Expenses					Selling Expenses
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Highlighted are all areas of concern and we are working on as a dealership

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Salaries-Owners & Officers	79,165	15,833	79,165	15,833	Salaries-Owners & Officers
Total Expenses	3,578,961	715,792	3,126,139	625,228	Total Expenses
Operating Profit	570,469	114,094	788,845	157,769	Operating Profit
Other Adds and Deducts	142,378	28,476	111,008	22,202	Other Adds and Deducts
Net Income	712,847	142,569	899,853	179,971	Net Income

2019 WHOLE STORE

2019 NEW

2019 USED

2019 SERVICE

2019 PARTS

