

Departmental Action Plan Steve Landers Toyota

Chris Chase – N343-22

Week 5 (Variable II – New Cars)

Current Situation:

New Vehicle Personnel Expense as a percentage of gross in our dealership is high at 24.84% (May, 2019 Composite) vs. the Best of Class (BOC) for Toyota dealerships at 20.75%.

Overall Objective:

The overall objective of this action plan will be to lower our personnel expense as a percentage of gross in the new car department. Our goal will be to get new car personnel expense to **20%** of gross. We will accomplish this two ways:

1. Modify pay plans for both Sales Managers and Sales Consultants
2. Agree on and adhere to a specific strategy regarding the penciling of new car deals at the desk

We understand that pay plans can be modified to incentivize team members to increase gross in an effort to maximize their compensation while reducing the overall net payout. This will be accomplished by focusing on the tactics below.

Action Plans:

Sales Manager Pay Plans

1. Traditionally, Sales Managers have been paid a weekly draw against month end commissions. The month end commission was paid as a “wash out” on the second pay period of the following month. When a Sales Manager didn’t cover their draw, the company would forgive him/her of this debt, thus increasing compensation as a percentage of gross. As of June, 2019 Sales Manager draws have been reduced from an average of \$13,000 to a standard \$10,000 and Sales Managers that don’t cover their draw will be required to pay it back.
2. Sales Manager’s percentage of retained gross has also been lowered by an average of .75%, but now includes them being paid on both new and used car pack. This strategy will encourage them to take more deals to increase their pay line, while lowering our total payout.

Sales Consultant Pay Plans

1. We have 7 Sales Consultants on guaranteed pay plans that are set above their current performance levels. In most cases, these Sales Consultants are paid 30% of front end gross and 10% of finance gross on their deals. Without a minimum performance level to qualify, these individuals are being paid based on historical performance instead of current performance.
2. We will implement a new Sales Consultant Pay plan with a few new qualifiers:
 - a. Levels will be based on a rolling 90 day average

- b. 30% payout on front end gross only applicable on deals with gross greater than \$1,000
- c. Elimination of guaranteed pay plans for tenured Sales Consultants
- d. Rolling 90 day finance qualifiers as follows:
 - i. 18 cars per month will be eligible for 5% finance payout on their deals
 - ii. 20 cars per month will be eligible for 7% finance payout on their deals
 - iii. 22 cars per month will be eligible for 10% finance payout on their deals
- e. OEM Certification and SSI at 97% or greater for all bonus eligibility (in the past, we have paid sales bonuses regardless of Certification and SSI)
- f. Sales Consultants will participate (at their commission level) on charges to policy

Desking Process

We have 5 Sales Managers selling in excess of 500 cars per month. At a modest closing rate, each Sales Manager works an average of 22 cars per day. Each manager has had their own way of working a deal using the same CRM tool. Given our volume, we identified the need to get everyone on the same page. Moving forward, all new car sales quotes will be penciled in a similar fashion. Our new cars are priced online at MSRP minus all applicable rebates. We will pencil new car deals the same way, from MSRP. When a trade is present, we will hold a minimum of \$500 on the trade at first pencil. Finally, the first time resistance is met by the customer, the desking manager will take a turn. Our expectations are that the consistency will improve front end gross profit.

Timeline:

Action Item	Who Implements	By When	Measurements
Sales Manager Pay Plan Modification	GM / GSM	June, 2019	NADA Composite
Sales Consultant Pay Plan Modification	GM / GSM	July, 2019	NADA Composite
Desking Process	GM / GSM	June, 2019	CRM & SSI Reports

Stakeholder Meetings:

New pay plans were rolled out to the Sales Managers on 6/18/2019. Initially, these plans were met with resistance due to the perception that it was a pay cut. After discussing it with each Sales Manager and comparing the "old" pay plan to the "new" pay plan, the managers agreed that they could make it work. As of this writing, Sales Managers are more engaged, more aggressive in the manner by which they work deals and we find ourselves pacing 110% of our new car sales objective for June. Sales Consultant plans will be rolled out in July, 2019.

Dealer Agreement:

This action plan was created, discussed with and approved by the GM and the Dealer Principal of the dealership. We are all going to closely monitor the results in an effort to improve profitability without compromising employee satisfaction.



 Eric Scaife – General Manager