

Management Action Plan – VO1

Student Name: Katie Lichtfuss

Dealership: Ricart Automotive

Class & Student Number: N347-10

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

We currently work with a couple of Buyers, one in particular who we have a written agreement with that agrees to have vehicles front-line ready in one day. Because our Reconditioning department is currently short-staffed and struggling with turnaround under 6 days, we historically found great value in this avenue. Furthermore, any vehicle he purchased for us that did not sell within 60 days, he would buy back for \$500 cheaper.

Our Reconditioning department is set up on a Bucket System (0-20k miles gets \$500 reconditioning, 20-40k gets \$750, etc.). We were including the bucket in the purchasing price (i.e. \$30k vehicle with 19k miles would be \$30,500). HOWEVER, if the vehicle did not sell within 60 days, we weren't recouping the Bucket money from the Buyer. So, in total, we were losing the Bucket money + Reconditioning money.

Overall objective (goal) and specific desired results:

Our goal is a 70% gross expectation on service and more gross held in the Used Car Factory. On average, we are internally reconditioning close to 1,500 vehicles a month so will be keeping those buckets in house and seeing the return.

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

August 1: Re-write agreement with Buyers to perform all reconditioning in-house and eliminate the 'bucket' from purchase price. The particular Buyer this agreement will address is currently selling us 30-45 vehicles a month. If the average Reconditioning bucket is \$750/vehicle, we are automatically saving ~ \$22,500 - \$33,750 PER MONTH.

All Buyers who work with Ricart Used Car Factory will be under the understanding we have the ability to now purchase more vehicles from them, but at a lower price, as we are focused on the internal revenue and holding gross. We understand this means we are sacrificing some of the 'velocity' in order to have reconditioning done in-house, but believe the long-term goal of cutting those additional fees will pay off in dividends.

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

Implementation: August 1, 2019

Short-term: We will see the reconditioning turn time slow slightly as the additional 30-45 vehicles per month will add to an already short-staffed department. We will initially lose gross by sacrificing velocity.

Long-term: The ~30k we save every month by bringing reconditioning in-house will allow us the opportunity to do multiple things:

- 1) Increase the number of Reconditioning technicians to improve turn time
- 2) Improve the ability to aggressively appraise trade-ins to avoid the need for auctions/Buyers relationships
- 3) Speed velocity to an ideal 30-day hard turn (hope to see this within 9 months)

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:** Mike Foster (General Manager of Used Car Factory), Jeremie Beckner (Inventory Manager), Buying team
2. **What:** Explain, in detail, the plan and expectations with this change.
3. **By When:** ASAP.
4. **How:** Team meeting – provide numbers through transparency and explain, in depth, the “why” for the change.

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:
