

Management Action Plan – VO1

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Class & Student Number: N347-08/09

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

The auto group I work for has 3 different locations (rooftops). Our current process for dealing with aging vehicles is to move them from store to store. After a vehicle spends 60 to 90 days at one of our stores it is then moved on to the next one. Once a vehicle makes its way back to the store it originated from it is supposed to be aggressively marked down and sold. If this doesn't happen it is then supposed to go to the auction. Usually though, it just moves on to the next store for round 2.

After attending week 4 (Variable 1) I was introduced to pre-owned vehicle boarding costs. After realizing what each of the pre-owned vehicles on my lot was costing us each day, I have decided to meet with my ownership group. I will use the inventory at my location to show these owners what each of these pre-owned vehicles are really costing them. Here are the numbers for June 2019 YTD that I pulled from our financial statement, which was the end of our fiscal year.

UV Dept. Expenses YTD = \$1,242,968 ÷ 12 (statement month) = \$103,581 (Avg. UV Dept. Expenses)

÷ 50 (Avg. UV Units Sold per Month) = \$2,072 (Monthly UV Boarding Cost) ÷ 30 days = \$69 (Daily UV Boarding Cost)

Looking at the industry standard of \$55, our daily boarding cost of \$69 is too high.

Using the pre-owned sales log, I received in class, for the last 2 months I have been able to track the performance of each pre-owned sale. The Age Scoreboard for June and July shows that the GROI is at its highest when the vehicles are sold during the first 30 days.

June 2019 = 249%

July 2019 = 307%

I have attached the aging scoreboard data for both months.

Overall objective (goal) and specific desired results:

My objectives are to not move cars between the stores and create a new process for aging vehicles.

Before I can present my action plan to my ownership group, they will have to agree that moving cars between the stores needs to stop. They must be willing to adopt a new process for turning our pre-owned inventory faster and having the vehicles out of the group's inventory at 60 days. The action plan needs to outline a process from the very first day the vehicle comes into inventory to when it leaves. A sense of urgency is a major component to the plan.

The desired result I am looking for is to ultimately get our pre-owned inventory turning at least 12 times a year. Doing this will help eliminate the need to take vehicles to the auction, drop prices, or go back to moving cars between stores. Of course, there are other residual benefits to following this plan such as an increase service and parts opportunities.

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

- Price the vehicle right based on market days' supply. This must be done on the first day the vehicle is in our inventory.
- Merchandising the vehicle on day 1 to get immediate attention online. A minimum of 4 photos until the vehicle is cleaned with a banner stating, "more photos on the way". A maximum of 25 photos and a video is the goal. Writing a description that covers the high points of what vehicle comes with along with what sets it apart from the competition. In the description there should also be "Why Buys" about our dealership.
- Move the vehicle through the service department and reconditioning in 3 to 4 days max. The only holdup should be for backordered parts or time needed in the body shop.
- Track the online performance of each vehicle weekly. Work with your advertising vendors, AutoTrader, CarGurus, etc., to monitor the SRPs and VDPs. The percentage of VDP views should be at a minimum of 2% to 4%. View our vehicles on third party sites to make sure they are not shown as "High Priced" or "Fair Deal".
- If after reviewing the merchandising and online performance, the vehicle still isn't selling then it is time to revisit the pricing. Check the market days' supply and the competitive set in our inventory management system (VAuto). Change the price to remain competitive. This should be done weekly as well.
- At 45 days in inventory it is time to look and see what the vehicle should bring at an auction. The reason for this is simple. Knowing how much the vehicle should bring at an auction will give us some idea on how much more we can lower the price to move the vehicle. By being aggressive with the price after 45 days will probably get a consumer to make a purchase. The benefit of this will be a sale for a salesperson, capturing backend profit, and the possibility of a trade in.
- If all these actions do not work to move the vehicle in less than 60 days, then it is time to get the vehicle to the auction.

Timeline:

September 1st, 2019 is the date I would like to implement the rule of not moving vehicles between our 3 locations. Even though I have already moved forward with making significant changes within the pre-owned department at my location, the other 2 locations have not. I will need until at least September 1st, 2019 to prove my action plan works.

The short-term checkpoints are simple. These are happening every day. With the addition of an investment specialist to my team I now have someone who is now responsible for the most important aspects of merchandising our pre-owned inventory. I meet with her every morning to discuss what vehicles came in the day before, what pre-owned vehicles are in the service department, and any other issues she has come across. She communicates with the reconditioning manager and photographer daily.

Since I am the only one pricing the pre-owned vehicles, I can see the progress she and the rest of the team are making. Everything they are doing helps me make better decisions about how I price the vehicles.

The long-term checkpoints are going to come from my pre-owned sales log that I maintain each month. When I finalize the sale log at the end of each month, I can see exactly why it is important to try and get every vehicle reconditioned, merchandised, priced, and sold in less than 30 days. That is when my store sees its highest GROI. I will also be measuring how the increased turn impacts our service and parts department.

Meeting with Stakeholders (dealership personnel):

The only group left to meet with will be the ownership group. The 2 owners that I work directly with each day understand the importance of what I am doing. They see the forward progress we are making with the increased volume and month end gross.

Now onto the other 2 locations. They view the pre-owned department through traditional eyes. I have made a few attempts to try and share some of the material I brought back from NADA. The usual response is that is not how we are used to doing things. Their old ways, in their minds, have always worked. This is another reason I picked September 1st to meet with them. I will need to present a lot of evidence to prove that my plan will work for them all. Once I show them how everything I am proposing will improve their bottom line I am confident they will finally get it.
