

Management Action Plan – VO1

Student Name: Lauren Hadfield

Dealership: ELCO Chevrolet & Cadillac, Inc.

Class & Student Number: N347-05

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

Increase Turn and overall profitability.

Overall objective (goal) and specific desired results:

The overall objective of the department is to start selling 200 units/month. Following this plan, we are striving to: increase our turn and decrease average days to sell/holding costs.

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

The first part of the plan focuses on current inventory pricing – each vehicle that comes we stock in will be priced according to its **Market Days Supply**, not the desired amount of front end gross (as it was priced before). The unit will be priced between 96%-102% (using vAuto's pricing tool), whereas before, almost all units were priced at 98%. The pricing schedule for an average vehicle is as follows:

Day 0-15: 98%

Day 16-30: 96%

Day 30-45: 93%

Day 45-60: 90 %

Day 60+: 87% or MMR**

** Vehicles will be sent to auction the Tuesday after turning 60 days and unsuccessfully selling at a **“wholesale” price** (pricing a retail unit at its wholesale/MMR value)

The second part of the plan focuses on reducing our **reconditioning** time, which has crept up to 3.28 days, back down to under 72 hours. The dealership recently invested in a

photo booth for high quality and more consistent photos to help both our employees and customers during the selling process. This, coupled with a need for an additional detailer/porter, is eating up \$84/vehicle/day in **boarding costs**. Once the photography process is better ironed out and an additional detailer is hired, we have a more realistic chance of increasing our **turn** to 12 (an increase of 3.6 times) and decreasing our boarding cost to \$59/day.

The final part of the action plan is accountability across the department. Weekly meetings with the department's management team (UCMs, buyer, recon) to discuss inventory levels, needs, and exit strategies are crucial on top of meetings twice a week with the just the pre-owned sales team to discuss where we are, where we need to be, and how we can get there as a team.

Implemented correctly, over the course of Q3 of this year, we should easily: increase our turn from 8.4 to 12, average an additional 72 units per month on top of the 170 already sold, decrease our reconditioning costs from \$1105 to around \$1000 (less time/vehicle, not having to outsource details), and see an overall increase of \$217,431 per month in gross, translating to \$559,424 per month, or \$6,713,088 per year in gross.

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

The implementation date is July 1, 2019. As described in the final part of the action plan above, weekly meetings will take place to ensure everything from stocking, pricing, and other vital metrics are looked at as a team. Long-term, monthly staff (all manager) meetings will now include the owner/GM asking for a more in-depth analysis of these focus points and how we are trending YTD.

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: Pre-Owned Management Team and GM
2. What: Increasing turn to 12 times
3. By When: The end of Q3
4. How: More attention to detail, hiring necessary personnel to increase production (recon department), a team commitment to hold each other accountable, but help out when needed

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:

The meeting was with our GM/Owner Chris Weaver (UCM), Eric DeBruin (AUCM), Dave Hicks (Buyer), Jim Moritz (Recon Manager), and myself (assistant manager). The action plan was a more detailed version of an action plan the department presented at the end of 2018, forecasting 2244 units delivered in 2019 and how we would accomplish that. Sitting down mid-year and refocusing on that goal, with the help of an amended action plan including specific metrics like turn, holding costs, and recon time, seems to have helped re-energize the department over the last month. Again, the largest take away from this is accountability and re-centering our focus on moving each investment (unit) that comes onto our lot.

We are still looking for a good detailer and possibly an assistant for our photographer.
