

# Management Action Plan – VO1

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Dealership: SmailAuto Ford, Lincoln, Mazda

Class & Student Number: N348-03

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

After my week spent in pre-owned vehicles, there were many things I took away to improve my dealership. The most prominent issue I saw that was drastically different from my classmates was our average reconditioning expense. According to my financial statement, we had an average cost of \$1,761 per vehicle. When I got back from class, we investigated this high cost and surprisingly found an accounting error, one that wasn't counting all the units we sold. After fixing the error, the cost is still fairly high at \$1,450 which still needs to be reduced. This will be a difficult issue since the recon process involves almost every aspect of a dealership, particularly us with our own detail center across the street. Although this will be a large challenge, it is imperative to the success of not just used car sales but to other departments within the dealership. Lowering this cost will drastically increase our gross profit which in turn should increase our net profit.

## **Overall objective (goal) and specific desired results:**

Our overall goal for this action plan is to decrease our reconditioning costs. It would be nice to say we could cut it in half in a couple months, but that would be unrealistic. I plan to cut the reconditioning expense to \$1,100 per vehicle by the end of the year, December 31<sup>st</sup>, 2019. It is difficult to mention the reconditioning expense without mentioning the time of reconditioning. Therefore, along with a \$1,100 per vehicle expense I want to decrease the days to market from our current 9.5 days to 7 days.

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

The most important measurements to look at, of course, will be the average cost of reconditioning per vehicle as well as the number of days it takes the vehicle to go through the entire recon process. The speed of this process will play a significant role in this action plan, accounting for daily holding costs (about \$45 for our Ford store) and things of that nature. Another vital component of this action plan is holding our people accountable. I feel that our entire reconditioning process has been a “finger-pointing” battle between the different departments for years. My hardest challenge will be identifying the lapses in time and price and correct them for the future. When a vehicle needs a part that takes 4 days to ship to the dealership and only costs \$50 to overnight, we need to be overnighting that part every time. In the long run we will save money and time, and ultimately reach our objective of lowering our recon expense. In order to ensure this increased accountability, the timeline for this action plan will start with a meeting with the stakeholders mentioned below to stress the importance of the entire reconditioning process. During this meeting, we will have to look at specific cases where we spent too much money on a certain vehicle or spent too many days at a certain department during the process. From now till the end of the year, we will hold a monthly meeting to go over more examples and continue to learn and decrease this expense. This monthly meeting will be key to remind all the stakeholders the significance of this process and will hopefully get us to where we want to be by the end of the year.

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

Initial Meeting: August 5<sup>th</sup>, 2019 □ Stress importance of accountability

First Follow-Up: September 2<sup>nd</sup>, 2019 □ Go through **specific** examples for improvements

Second Follow-Up: October 7<sup>th</sup>, 2019 □ Review old examples and continue to improve

Third Follow-Up: November 18<sup>th</sup>, 2019 □ Have a solid, established process where cost/vehicle is around \$1,200 and days to market is between 7 and 8 days

Fourth (And final) Follow-Up: December 30<sup>th</sup>, 2019 □ Review our performance and be at our desired goals of \$1,100 per unit and 7 days to market

### **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: General manager, used car manager, service manager, parts manager, detail supervisor, photo specialist, owners (possibly)
2. What: Reconditioning expense and days to market
3. By When: December 31<sup>st</sup>, 2019
4. How: Monthly stakeholder meetings and detailed insight on reconditioning decisions

### **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:

*Mark A. Smail – Owner and Sponsor*

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