

Floorplan Inventory and Reduce Floorplan Cost

I am currently facing a high floorplan cost. After attending class in July, I realized that the amount I was selling and the day supply was too high. I have since made some changes. In July I had 179 in stock and I now have 152. I have reduced the amount Ford has offered me on wholesale; only taking 40-50 cars because that is what we typically sell every month. By doing this, it will bring our day supply down. My day supply was 97 and it now is at 82. Our current floorplan is 6.5 million and we use to range around 8.5 million as well. I believe this was entirely too high. At this point, we track 96 days and I think we do a great job. Although, last year we were around 59. My goal is to get back to 59; we are currently up 57 units this year.

Our floorplan cost every month is around \$60k and we are going through Ford Credit. We are paying 6.5%, which is feel is too high. We are thinking about switching to BB&T and cutting down our floor plan cost. Our other location is through BB&T and paying live bore plus 1.45; which currently sits at 3.4% with maxing out the floorplan offset. If we would switch our Ford store to BB&T, we could save around 24k a month. By saving this amount of money, we could almost pay the store's rent. We have been with Ford Credit for 31 years, and the reason we have stayed so long is because they say their rates are higher because they take the money and invest in new products. A lot of their new products are autonomous and electric cars.

My Objective

Two months ago, I had almost a four-month supply. I would like to get around a two-month supply. Right now, I am at three months. I have gotten more aggressive with making changes and moving my inventory. I split the holdback with a lot of dealers on dealer trades, and not taken anything back. I put sales spiffs on certain vehicle lines that I felt we were heavy in, and I have put some of my aged in Ford's FCTP loaner program. I roughly keep them in two month and two thousand miles. We then do an extensive reconditioning and update the state inspection sticker and feature them on our lot. When all of that is done, we then price them \$500 below invoice and take all of the rebates off along with Ford's FCTP loaner money.

We are also beginning an aggressive cable campaign within our DMA. This campaign will be a riffled marketing approach in the direct zip codes that we are responsible for. Campaigning along with broadcasting and digital will allow us to limit pump ins and to effectively market our direct DMA.