

Departmental Action Plan

Student Name: Phil Porter/Subaru of Jacksonville

Class & Student Number: 348/02

Academy Week (Var II): Week 5 Variable Ops 2

Current situation or challenge you want to address: (must be quantifiable)

When completing the “New Stock Analysis” unit in class, I was surprised to find that I had almost 50% of my inventory in the “Old and Dead” categories. This is especially alarming considering we sell Subarus and their average days’ supply is currently one of the lowest in the industry. We currently have 155 new vehicles in stock and 75 of them over 90 days old. This equals out to \$1,482,270 invested in “Old and Dead” vehicles. We are fortunate enough to have a low floor plan rate and our aged inventory is still costing us approximately \$4,000 a month in extra floor plan expenses. In our Used Car Department, we have a hard 60 Day Turn. We obviously need to start thinking of our new vehicle inventory as an investment and train our team that selling the vehicle sooner will not only make us more gross, but will also help with expenses.

Overall Objective and Specific Desired Results:

I think by making some key changes we can reasonably reduce the amount of aged inventory from 50% to 30% within 3 months and a goal of 10% or less within 6 months. According to the New Stock Analysis, making these changes will help us gain an additional 3% in Total Dealership Net

Profit. Reaching this objective and sticking with the principles in this action plan will take time so we need to be flexible with our timeline in order to get our team on board.

Describe your action plan in detail (be specific and include before and after Measurements)

The “New Stock Analysis” tells me that the units in the “Old and Dead” categories equal out to about \$20,800 average cost per unit. This tells me most of our aged units are our most inexpensive vehicles. Taking a deeper dive, it is evident that this is the case. The most common culprit model is the Subaru Impreza. The Impreza, our small sedan, is traditionally a slower moving vehicle in our market. This is not the case at our sister store in Connecticut. We plan on shipping 32 Subaru Impreza models to them in exchange for models that move faster in our market and slower in theirs, such as the WRX Sports Car. We know we will incur some additional expenses for shipping but we are confident the vehicles we receive in return will generate enough gross to make up for it and then some.

We also have a plan for the other 43 aged vehicles. It starts with merchandising. We are going to have a special web page just for these vehicles. They will be all be advertised at heavily discounted prices on our inventory list sites. We will also move them to a special area of our lot near the busy intersection in front of our store. Finally, our showroom will only feature our oldest models for maximum visibility.

We need to give salespeople an incentive bonus for any vehicle over 90 days old. Meetings must be held in order to

stress the importance of selling these aged vehicles and educate our team on daily holding costs and how much each aged vehicle is costing us per day. Our sales managers will also be paid a bonus for decreasing the overall percentage of “Old and Dead” vehicles.

We also need to figure out how to avoid an aging problem in the future. Subaru makes it easy to identify older vehicles. We will print their report weekly and go over it in our meetings. Our bonuses and incentives will continue until it is no longer a consistent issue. Merchandising will continue to be a priority.

Subaru’s allocation program also allows us to make certain changes to what inventory we will receive. We need to be very judicious on the models we are choosing to accept and turn down models with a high days supply. Trim levels, colors, equipment, and MSRP need to be analyzed and used to come up with an ideal amount of units for each of our models.

Timeline & Meetings With Stakeholders

Week 1: Meeting with owner to go over issue and detail ways to alleviate the problem. Focus on what we can fix quickly and go from there.

Week 2: Gather information on inventory. Use Subaru’s reports to determine which vehicles are the problems. As stated above, all equipment needs to be considered and used to help us stock what we sell.

Week 3: Begin shipping process for Impreza vehicles to Connecticut and help determine exchange vehicles that are reasonably fair.

Week 4: Create bonus plans for both sales managers and sales people.

Week 5: Meet with sales managers and our marketing director to start the merchandising process. Both for our lot and the appropriate web sites. Meet with sales people to go over new bonuses and explain the importance of daily holding costs.

Weeks 6 and on: Shuffle show room cars as efficiently as possible. Continual weekly meetings regarding processes and training. Fix anything that needs to be tweaked. Allocation must go through GM and Owner. We need to stock what we sell. Merchandising continues. Bonuses and incentives continue until we are at 10% or less. Accountability is key! Write out a leaderboard of salespeople who have sold the most aged vehicles and hold people accountable. We have to make the investments into our new policy pay off, if things have not changed after two months, we will check our processes once more and also consider personnel changes if necessary.

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:

Owner 100% agrees with new policies and agrees things need to change. He is on board with holding management and relevant personnel accountable. This is now a priority for our dealership.
