

Management Action Plan – VO1

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Dealership: Mauer Buick GMC

Class & Student Number: N349-05

Current situation or challenge you want to address (narrow your focus): Currently we turn our used car inventory 4.6 times per year. We have an aging problem in our inventory, 27 of our 49 in stock units are over 60 days old. We have hired our 3rd used car manager in 9 months. I see it as an opportunity to create some guidelines and policies we haven't had in place for our other Used car managers that we have had to move on.

Overall objective (goal) and specific desired results:

Overall goal is to improve our used turn from 4.6 to 8 by the end of 2019. After calculations, we need to sell an average of 33 used cars a month which is an additional 14 units from our average month.

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

We need to address our aged/aging inventory left over from past managers. Currently 55% of the inventory is over 60 days old. Again, this is our opportunity to create guidelines.

- Reprice all vehicles to Market value using First look.
- Hard turn after 90 days on the lot. Move vehicle to sister store across the street after 60 days.
- Used car and Sales manager each appraise new trades. Get another set of eyes on what we are buying.
- Create a "hot spot" to merchandise vehicles that are 50 days old. Spiff sales people additional \$50 on top of mini's for selling "hot" vehicles.
- Increase back end gross from \$517 to \$1,000 by the end of 2019. Retrain F&I managers and consider rehiring if needed.

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

- Reprice all vehicles to Market Value (August 2019)
- Hard turn after 90 days. Started the clock over on vehicles repriced 60 days and under at market value. Currently discussing plan with dealer to move off vehicles over 90 days thru auction and wholesale outlets. (November 2019)

- Used and Sales Managers appraising trades. Working well, I receive the appraisal sheets daily thru First Look. (August 2019)
- Create "Hot Spot" to merchandise vehicles. (September 2019) Moved 10 vehicles and angled them to the front of the lot facing frontage road. (See Picture below.)



- Increase backend gross from \$517 to \$1000. Have had outside training that began in early September (Ally). Currently tracking at \$757 per copy.

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:** Dealer, GM, GSM, Used Car Manager, myself.
2. **What:** Goal to increase turn from 4 to 8 by end of 2019.
3. **By When:** End of 2019
4. **How:** Reviewed Action plan with all parties along with dates. Some implemented immediately with positive trends so far in Sept. Seem to have buy in from Used Car manager. Myself and the UCM meet weekly on Fridays to discuss inventory, pricing on website and views, vehicles close to hard turn, and fresh trades. He seems to be taking more control of his department and gaining confidence. Tracking for 30 units in Sept, which would tie our highest total for the year.

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:

Had push back from the dealer on pricing our vehicles to market compared to cost selling. He is still in the mindset of selling off our cost and not to excited pricing his vehicles to what the market is. The main concern is losses from the aging inventory. I reviewed this template from calculations we did in class to show the potential of increasing our turn rate.

Current Data

Pre-Owned <i>Retail</i> Deliveries YTD (units)	112
Month of Year	6
Average # Retail Units Delivered Per Month	19
Total # Units Currently in Inventory	49
Months Supply "In Units"	2.6
CURRENT Inventory Turn Rate	4.6
CURRENT Average <i>Front End</i> Gross Profit PUVR	\$ 2,110
CURRENT Monthly Gross Profit	\$ 39,387
CURRENT Yearly Front End Gross Profit Total	\$ 472,640



Projections

8	PROJECTED Inventory Turn Rate
\$ 1,500	PROJECTED Average <i>Front End</i> Gross Profit PVR
33	PROJECTED Monthly Units Delivered
\$ 49,000	PROJECTED Monthly Gross Profit
\$ 9,613	PROJECTED Monthly Gross Profit Variance
\$ 588,000	PROJECTED Yearly Front End Gross Profit Total
\$ 115,360	PROJECTED Annualized Front End Gross Profit Variance

If we can increase our turn, we may have lower front end avg gross PVR but create almost \$10,000 more in monthly gross profit. Which in turn is about \$115,000 more gross profit for the year.

Additional Income

		Monthly	PROJECTED	Yearly
		14	Additional Units	168
Current Used Vehicle F&I Average PVR		\$ 7,238	F&I Increase	\$ 86,856
Reconditioning PVR	750 X 60% Profit	\$ 450	Reconditioning Increase	\$ 75,600
Current Hard Pack		\$ 1,250	Hard Pack Increase	\$ 210,000
Other (DOC Fee, Service Charge, etc)		\$ 100	Other	\$ 16,800
		\$ 32,438	Total Additional Income	\$ 389,256
		\$ 9,613	Front End Variance (from above)	\$ 115,360
		\$ 42,051	Total Variance	\$ 504,616
		\$ 81,438	Total Projected Gross (Variance + Current)	\$ 977,256

The additional income it would also create by increasing the turn because of more opportunities shown in the above slide. Even with our F&I department underperforming currently (but improving!), it would generate almost \$87,000 additional gross yearly. These calculations caught his eye, and he seems to be more engaged with his UC department because of the opportunity. He now asks questions weekly on how my weekly meetings with the UC Manager went and even has been a part of 2 of them.

Time will tell but I think we are on the right track!