

Management Action Plan – VO1

Specific – Measurable – Achievable – Relevant – Timely

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Dealership: Wilson Niblett Motors Limited

Class & Student Number: NADA 350

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

The situation I wish to address pertains to Dale Pollak's presentation on the new science of used vehicle management and becoming great investment managers. I would like the sales managers to define and manage the profit opportunity available to us on each inventory piece before we bring it into stock.

Overall objective (goal) and specific desired results:

Ultimately the goal is to ensure the dealership's capital is being used effectively. I want to encourage the sales managers to make an educated decision on what to do with a vehicle at the time of acquisition to assist in stocking the optimal inventory and understanding that "today's equity is tomorrow's gross profit."

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

1 – Understand the underlying conditions needed for profitability on each inventory piece at the time of acquisition. Appraisal sheet is to now include the market days supply and the proposed retail asking price of the vehicle, referencing both the price to market and the cost to market.

2 - Measure the appropriate metrics that contribute to margin compression. Trade appraisal win rate, our average reconditioning cost, and the level of discounting by sales person/desking manager.

3 – Consider each and every acquisition relative to the following spreadsheet example.

DAYS	COST TO MARKET	ACV	AVG RECON	AVG RECON	PROFIT	PRICE TO MRKT	PRICE	PROFIT	GROSS % OF SALE	TURN	GROI
0-15	88%	\$10,000.00	\$ 2,800.00	\$	1,680.00	98%	\$ 14,545.45	\$3,425.45	24%	24	576
15-30	89%	\$10,000.00	\$ 2,800.00	\$	1,680.00	97%	\$ 14,382.02	\$3,262.02	23%	12	276
31-45	90%	\$10,000.00	\$ 2,800.00	\$	1,680.00	96%	\$ 14,222.22	\$3,102.22	22%	8	176
46-60	93%	\$10,000.00	\$ 2,800.00	\$	1,680.00	96%	\$ 13,763.44	\$2,643.44	19%	6	114
60+	95%	\$10,000.00	\$ 2,800.00	\$	1,680.00	95%	\$ 13,473.68	\$2,353.68	17%	4	68

- Plug in the ACV of the acquired unit.
- Identify our initial cost to market percentage, plug it in and then increase the cost to market according to the aging schedule.
- If recon is known plug it in, if not assume our YTD average of \$2800 and \$1680 profit.
- Identify the market days supply and determine our initial price to market percentage. Plug in the initial price to market percentage and reduce according to the aging schedule.
- Plug in the actual asking prices using the price to market percentages in vAuto.
- Determine the potential profit opportunity and identify how many days we would have to retail the vehicle while still hitting our gross return on investment objective (done by formula).
- Photograph the vehicle for online auction on either Traderev or eBlock and determine the GROI of an immediate wholesale with no recon for comparison to the retail expectation spreadsheet.
- MAKE THE RIGHT DECISION based on the GROI potential of each aging scenario to achieve a GROI of 144% or higher and an exit within 30 days.

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

November 1/2019

- Distribute spreadsheet with built in formulas to all sales managers to save on their desktops for ease of plugging in the variables.
- All appraisal sheets to now include current market days supply, and intended initial cost/price to market. Print accurately filled out expected GROI spreadsheet and attach to appraisal sheet before closing the deal off to accounting.
- Trade appraisal win rate by sales consultant and manager to be measured and reported on daily to identify and prioritize missed acquisitions that achieve our objectives.
- Discount by sales consultant and manager to be measured and reported on weekly to ensure “platinum” vehicles are maximized.
- Recon costs by vehicle to measured and reported on monthly for better decision making.

December 1/2019

- Run an analysis of actual GROI for each retailed used vehicle in the prior month. Generate this report monthly.
- Compare the actual GROI obtained on each vehicle versus the expectation on the spreadsheet used to determine the expected GROI, which was the rationale in the decision to acquire and retail the vehicle vs wholesale.
- Maintain a database of how each vehicle performed.

April 1/2020

- Run a quarterly analysis on GROI to monitor improvement.

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: Rui (General Sales Manager) Ali, John, and Shajee (Sales Managers).
2. What: Understand the market days supply and profit potential of every acquisition. Heavily weight decisions based on this knowledge. Target appropriate vehicles.
3. By When: November 1/2019
4. How: Training with vAuto on market days supply, cost/price to market. Training with me on calculating turns, gross potential, GROI, and how to use the spreadsheet I created for them.

Dealer agreement:

Describe the meeting:

This action plan was very well received by both our management team and the senior leadership of our dealer group. The sales managers were not considering market days supply nor making retail/wholesale decisions based on GROI. Typically we have appraised all used vehicles approximately \$5k to \$6k back of retail without considering if it was a "special car" or "just a car." The sales managers are eager to see how our vehicles will perform versus our expectations for them when they are acquired. This is encouraging to me as I believe their curiosity will aid in their diligence towards developing this new habit.