

Departmental Action Plan Template

Student Name: Marcus Smail

Class & Student Number: N348-03

Academy Week (Var II): Week 5 Variable Operations II

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

I think the biggest challenge our new car department is facing right now is the large number of units we currently have stocked in inventory. Currently, we have an average day's supply in units of 80, which is well above NADA benchmark of 45 days. Being from Pennsylvania and winter quickly approaching, it will be vital to the profitability of the department to have a lean inventory going into the slower months of the year for us.

Overall Objective and **Specific** Desired Results:

The overall objective of this action plan is to reduce our day's supply of new vehicles from 79 days to 60 days. Although this new goal is not to NADA guide, it is a step in the right direction and will ultimately lead us to achieving the bigger goal of a 45 days' supply. In order to lower our days supply, we can either sell more units or decrease the number of units we stock in inventory. As mentioned before, going into the colder seasons we expect to see lower sales numbers. Therefore, we will have to focus on moving the inventory we have and stocking effectively over the next few weeks in order to achieve our goal. At a daily holding cost of \$90 per car as well as floor plan expense, having a lean and efficient

inventory will be critical in the profitability of the new sales department.

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

The most important aspect of this action plan is really to just hold our sales managers accountable for what they are selling and ordering. We will have to look at this process every week to ensure that we are getting rid of over aged vehicles. We currently have 132 units in stock and sell roughly 50 units a month. In order to achieve a day's supply of 60, assuming we continue to sell 50 cars a month, we need to have around 100 cars in inventory. Cutting 32 cars out may sound easy but making sure we still stock what our customers want to buy will still be a challenge. Like I mentioned before, keeping people accountable in this process will play a significant role in the success of this action plan. I need the entire team to buy-in to this idea and goal. Ultimately, it will result in a more profitable department as well as to manager's paychecks. Having weekly meetings and constantly stressing the importance of lower inventory levels will lead to the completion of this objective in just one short month. Hopefully after seeing positive results, we will eventually reach NADA's 45 day benchmark and have a much healthier inventory.

Timeline:

Describe specific short term and long term checkpoints to monitor progress

10/28: Introductory Meeting - Explain goal and what we need to do in order to get there

11/4: Second Meeting - Review inventory and discuss older aged units/problems

11/11: Third Meeting - Recap second meeting and discuss what helped achieve our goal and what did not

11/18: Fourth Meeting - Recap third meeting and discuss what helped achieve our goal and what did not. Track to see if we are on pace to achieve our goal.

11/25: Final Meeting - Review our progress and determine if goal was met. If not, continue plan until objective complete. If successful, stress that we must maintain this level of inventory over the next few months.

Meeting with Stakeholders (dealership personnel)

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences (PINO, Gain, Pain).

Include timelines / Accountability / Monitoring process

- a. Who: New Car Managers, Controller/CFO, GM**
- b. What: Reducing days supply of new units**
- c. By When: 11/30/19**
- d. How: Actively looking at our inventory every week**

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 Smail
