

Management Action Plan – VO1

Specific – Measurable – Achievable – Relevant – Timely

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Class & Student Number: NADA 351 #24

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

My current challenge is to address our pre-owned inventory turns.

Overall objective (goal) and specific desired results:

My goal is to take our pre-owned inventory turn rate from 4 turns to 11 turns. This will allow the dealership to increase inventory choices for our customers, *F&I potential, units in operation, and more supply for fixed operations.*

October 7, 2019

I meet with our General Sales Manager, Used/New Car Director, Internet Manager, and Fixed Operations Director to discuss the opportunities in our used car department. I let them know that we need to do a better job at pricing used vehicles for our market. We also need to offer appraisals for service customer cars while they wait for oil changes and shop repairs. Last thing I explained to each manager is to track market day supply and cost to market on our used cars.

I reviewed with each of them the Pre-Owned Stock Analysis excel sheet we looked at in class. I assigned each department head ten dead cars each to re-appraise and to come back to me on October 21, 2019 with great ideas of how to get these cars off of our lot. I gave

them a few examples to go by like should we wholesale the unit now, move the car to a different spot on our lot, price it under what we own it for, or even decide to fix things that we didn't fix when it first ran through our shop. I explained how doing this with our oldest units first and continuing to newer units next should help us turn inventory quicker through the year. I wanted every manager to understand that buyers and sellers today have the same information available to us. So be aware of how much money we are investing in a used car at time of acquisition. I also asked them compare identically equipped vehicles in the market to help with their decisions. I made sure to let them know that I wanted them to become investment-minded managers versus put whatever it takes in a trade to make a new car deal going forward. This old way of taking in used cars is not working.

October 21, 2019

I had a department head meeting again to review every idea we all came up with. What I found out from my used car director is the majority of our old units are service loaners. All of us decided to add a green colored pre-owned special link on our home page with these older units advertised. Below the picture we described to our customers that these units are specially priced for the customers gain and our loss. Hopefully we can turn these units quickly and start working on pricing for the next oldest units. My Fixed Operations Director agreed to attach V Auto appraisal checks to RO's to hopefully spark customers to think about trading in their vehicles. We hope to pick up some traded units as well as purchase units that will help correct our inventory.

After explaining The Velocity Method of Management to my General Sales Manager. We agreed to go through our used inventory daily and aggressively price units based off of identically equipped vehicles in the market. I showed them how to search through V Auto to get the information needed to price targeted units. I will track these changes daily over the next sixty days to see if I need to make adjustments.

Now my final challenge to my Used Car Manager is to really focus on not completely throwing out the book value when appraising used cars. But to really think about a plan A and B when acquiring used cars. Either wholesale it. Or multiple managers will appraise each unit to put the correct money on it. I figure two or three decision makers are better than one.

Implementation date and short term goal:

The appraisal process in sales before I had my department head meeting on October 21 was just to allow the salesman to go out and gather the vin and equipment off of the customers trade and bring it to the used car director to appraise. Starting now it is mandatory to have the salesman not only get information off of the vehicle, but to also drive their customers trade in around with them to get a story of what may be going on with this trade in. If our salesman notices dents, scratches, worn down tires, squeaking brakes, or even equipment not working. It allows the customer to explain what happen and why these things are not

fixed. It also allows our salesman to explain more to the Used car Director to help put the correct value in trades. I have also made it mandatory to my Used Car Director and Service Director to have a technician give an approximate shop bill for the type of trade we are appraising. If the service department is closed when we do late night deals. We will have our used car technician look at trades the following day so we can adjust values accordingly. Next my Used Car Director will run a Carfax/Auto check to determine previous history. Last part I really put emphasis on was to look at the Manheim Market Report (MMR) to determine how much this car is selling for in our market. I also added that we will have a different manager re-appraise the same unit the following day to see if we come up with different value. This new appraisal process in place will correct our used car values. This will also help us determine if we should wholesale trades right away or decide if a unit will be ready for the front line very quickly.

Attaching V Auto checks to RO's in service also started the next day after my department head meeting. To get immediate traction on appraising trades out of service. I told every service writer that each customer we sell out of service off of this new process. I will pay them a \$200 bird dog for every customer we convert to a new or used car sale.

I also have been monitoring our web site analytics to see if customers have been clicking on our new green button for service loaners. Since adding this new feature to our site analytics says that customers have been staying longer on our website. We. Have also sold six out of the seventeen old age service loaners. This was a great add to our website to get our old age units corrected.

Long term goal is to get more used cars at the correct value. If we have competitively priced used cars for either wholesale or front line ready. This will increase the number of units we sell every month for a profit and not a loss.

I could be wrong. But I *don't think* holding appraisers accountable for putting too much money in trades is the right thing to do. Now what I will monitor and hold Sales Managers accountable to is when they do not follow the new process. Like I stated before we will drive trades with the customer in the vehicle. We will have technicians look at every trade before determining trade and purchase unit values. If Sales Managers short cut this process. Sales Managers will pay the difference in what the true value should be.

