



Financial Management Objective Homework

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Class #

I plan to accomplish the following objective our next class on: Restructure Collision Center Management **by**

Provide the relevant composite data

Department	Month	Page	Column
Body Shop	June	46	9

Action plan for achieving objective
What is the area of focus?
<p>Collision Center: Restructuring of management, front and back office personnel. I began as General Manager of Courtesy Toyota in July of 2015, my first dealership with a Collision Center.</p> <p>Each month around the 15th-17th, our corporate office sends to our Accounting Manager the template in which any account receivables over 90 days are reserved as doubtful. I started out managing the Collision Center accounts receivable just like everything else in the dealership by pulling the schedule and managing from the oldest forward. Unlike contracts in transit which are reserved at 30 days or new car incentives, factory warranties, and extended warranties which are reserved at 60 days, the collision has 90 days before outstanding account receivables are reserved as doubtful. I set out to conquer the schedules with weekly meetings in every department and began converting the CDK schedule for each department into a living document in excel. It didn't take very long before communication was in place, expectations had been set and met, and all doubtful accounting reserves were eliminated.</p> <p>This worked for 16 months until April 14th when corporate sent out the reserve templates early, prior to a weekend. On the following Monday the Accounting Manager noticed that several large receivable (visible on Friday) had been backed out. When researched further it was revealed that they were vehicles that had been closed, supplemental were written, and then they had been turned into total</p>

losses. Further investigation revealed there were numerous vehicles on the lot without repairs having been started and the tickets had been closed. This resulted in improper revenue recognition. During the subsequent investigation it was determined that the office manager, body shop manager, parts counterperson and internal estimator were all culpable and were immediately relieved of their duties. In the month of May we began rebuilding the team and installing safeguards that we could monitor closer than the A/R schedule.

Using gross and expense averages from prior year below is my best estimate of how much the Collision Center effected Toyota's net profit in June.

Gross (compared to 2016 average month) = \$220k less (including 1/2 of Parts gross from Body Shop)

3rd party rental = \$32k more

Policy & Bad debt = \$220k more

Parts portion of Parts gross from Body Shop = \$33k less

Total effect to store net profit approximately \$505k.

In the months of May and June we load-levelled the shop and moved 17 cars to our other Collision Center in the same market. Cycle time ballooned with all insurance companies and several suspended doing business with us temporarily.

What is the proposed plan? How will you achieve it?

I promoted an internal candidate to collision manager. She and I have hired a parts manager, office manager and internal estimator. I've met with several insurance carriers and restored our relationship with them. On all the vehicles with closed tickets where technicians had been paid, I paid them again to do the same work and get the cars delivered. On the total loss cars I took the charge backs to policy and gross. We hired 2 new body technicians and pushed work through the shop quickly, correctly, and ahead of schedule. We restructured work flows, began to provide ongoing training and started conducting daily production meetings.

How will you track your progress? What measurements, KPI's? How often will you track?

The morning production meeting which includes the collision manager, production manager, shop foreman, body technicians, paint technicians and parts personnel is held Monday through Friday mornings at 8:00. This step is allowing us to stay consistent in communicating how and who will reach customer deliveries daily. On Friday we review our cycle time for the week in profit net. Daily tracking along with 4-5 reviews each month is making the difference.

At the present moment we are a direct repair facility for Geico. Once a month the Geico staffed adjuster at our store along with the regional manager for Geico audit repairs with me. The collision manager and shop foreman along with our estimators all bid on work needing estimates independently and then review and discuss the results. In doing this, it generally creates additional flexibility with time allotment on Geico's part for the needed repair.

My goal for the collision center is to earn USAA as a DRP partner. We've received

communication that this will be a possibility beginning Q4 of 2017.

Who are the employees that will be involved, or impacted? Will they require training or assistance?

There are a total of 4 employees that are strategizing with me on a daily basis. They consist of the parts director, service director, collision director and the national collision manager for Asbury. In providing parts training we discovered a capacity issue with one of the counter men who is overwhelmed and making elementary mistakes. We need to make a change in the collisions parts team and are currently recruiting for a replacement.

Is there a cost, or estimated cost for implementation?

Separate from accounting for lost revenue, which I've estimated at \$800k for 2017, we have purchased 30 parts carts costing \$15k. Talent acquisition costs are at \$30k for sign on bonuses and income guarantees as I get production back on track.

Projected date of completion?

I will use the data (net profit) from Q4 to see how effective our new people, processes and relationships are progressing. This period of time also marks the completion of the collision center facility upgrade. The Collision Center will move .4 miles across the street and off main campus from Toyota.



Jan.	Feb.	March	April	May	June
July	Aug.	Sept.	Oct.	Nov.	Dec.

