

# Departmental Action Plan Template

Student Name: Brian Long

Class & Student Number: N349-03

Academy Week (Var II):

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

**The challenge I want to address is the amount of overage new vehicles that we have in stock and the extra floor plan expense it creates. At the start of November we had 161 units in stock with a six month average sales rate of 49.5 units per month. Using our YTD gross PNVR / Daily NV holding cost, we have a 44 day break even point for our new vehicles. We have 24 units over 200 days with a total MSRP of \$1,372,450. We have 28 units over 150 days with a a total MSRP of \$1,711,155.**

Overall Objective and **Specific** Desired Results:

**Our overall objective is to eliminate old age inventory and develop a cohesive strategy to do so. We want to eliminate all vehicles over 120 days by the end of March 2020. By doing this we will save 32% on our current floorplan expense. This will increase our net profit by \$22,746 per month and \$273K per year. We have massive space constraints due to the layout of our dealership. Reducing the amount of time vehicles spend on our lot will also reduce the amount of lot rot charged to cost of sales.**

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

1. Identify the amount of units and \$ tied up in old age inventory.

**COMPLETED**

2. Define the target dates and volume numbers to be monitored and reduced.

200+ day inventory end of December, 180 days by the end of January, 150 days by the end of February, and 120 days by the end of March. **COMPLETED**

3. Meet with Sales Managers to explain the importance of inventory control and get their buy in. Reviewed floor plan expense and analyzed Avg month day supply in dollars and units. Currently days supply in units is higher than dollars, meaning we are selling more expensive vehicles than we are stocking. **COMPLETED**

During meeting we discussed days in inventory targets and ways to monitor and promote the sales of older vehicles first. This is now a point of focus in every weekly management meeting we hold. Vehicles over 200 days are touched weekly by our inventory control team and report to the Sales Managers any issues they see, such as if its dirty, any odors, any lot damage, missing keys, etc. These vehicles will be featured on a special page on our website starting December 1st, parked up front and grouped together, and advertised with a special sticker for easy identification. Sales Managers have created a word document with the oldest vehicles and it is updated and distributed to the sales team weekly. We have created a bonus for the sales team where each old age unit sold qualifies as a “double count” for them towards their month end volume bonus.

4. Mid month inventory assesment every month on the 15<sup>th</sup> to allow us to track current progress for month end and analyze how many will be moving into the next age bucket for the following month. This will allow us to set objectives for the following month in regards to inventory and assess our ad strategy for them and any sales contest associated with them. **SCHEDULED AND ONGOING**

**5. Formulate dealer trade policy requiring Conquest data to support the vehicle we are bringing in to stock. Sales management team to complete Conquest training and demonstrate proficiency by December 15<sup>th</sup> inventory meeting. **IN PROCESS****

## **Timeline:**

Describe specific short term and long term checkpoints to monitor progress

**We want to eliminate all vehicles over 200 days by the end of December (currently 35 by month end), 180 days by the end of January (currently 48 by month end), 150 days by the end of February (currently 63 by month end), and 120 days by the end of March (currently 95 by month end).**

**December 2<sup>nd</sup>**—Inventory snapshot and sales team meeting where we introduce 2x unit count for any units of 200 days.

**December 15<sup>th</sup>** --Inventory meeting. Review the vehicles that will move into 180 day status by end of December (currently 19). Sales Managers to demonstrate proficiency with the Conquest tool in analyzing dealer trades.

**General Manager (me) to have completed Conquest training for analysis of ordering units.**

**January 3<sup>rd</sup>** - Account for all vehicles over 180 days and review marketing plan for them. Analyze days supply in units vs. days supply in dollars.

**January 15, Feb 15<sup>th</sup>, March 15<sup>th</sup>, & ongoing mid month inventory assesment meeting. Continue to review days**

## supply in units and dollars to verify consistency in ordering and dealer trades.

### 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: General Manager, General Sales Manager, Sales Manager, Inventory Manager
- b. What: A meeting to review how old age inventory hurts our gross profit, increases floor plan expense, and hurts net profit.  
**COMPLETED**

Sales Managers to create printout for sales people to see all of the old age vehicles and for it to be updated weekly. **WEEKLY**

Sales Managers to demonstrate proficiency in Conquest tool for Dealer Trades by December 15<sup>th</sup>. Failure to do so will result in .5% reduction in monthly pay plan until they can show proficiency. Failure to do so by January 15<sup>th</sup> will result in 1% reduction on pay plan. Failure to do so by Feb 15<sup>th</sup> will result in termination or demotion.

Inventory manager to utilize list to confirm all old age vehicles are located in a specific area out front of dealership and that they are merchandised properly with identifying sticker and ready for retail delivery. We will create a \$200 monthly performance bonus for the Inventory Manager and will deduct \$5 for every vehicle over the monthly benchmark through March. After March, all vehicles over 120

days will have a \$5 reduction in the bonus.

Ecommerce director to create specific page on our website by December 1<sup>st</sup>

- c. **How:** To be reviewed in weekly management meetings and mid month inventory meetings on the 15<sup>th</sup> of every month.

### 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:

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