

## Homework Class N353 - Management Action Plan – VO1

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**Date:** Q4 2019

**Dealership:** Winner Ford of Cherry Hill

**Class & Student Number:** N353

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

#### *Winner Ford's Pre-Owned Challenges Overview*

- **Leadership/Goals/Accountability:** Lack of consistent goals for turns, inventory, pricing, target profits and monitoring/accountability from dealership leadership related to our pre-owned inventory.
- **Inventory:** At the time of our class (Nov. 2019), there was a significant ageing inventory over 60-90+ days.
- **Pricing:** Given our inventory continued to age, we have had to reduce ageing price, costs are being written down and those vehicles that are not moving are going to wholesale inventory.
- **Turns:** We are averaging a 90-day supply.
- **Results & Profit Targets:** The result in the past few months has been a substantial gross profit loss on ageing units.
- **Strategy:** The current approach is not a long-term strategy the dealership can sustain.
- Below you will find our updated strategy, approach, goals and action plan going forward for 2020.

### 2) Overall objective (goal) and specific desired results:

We have built objectives for the key areas we see that are critical for a comprehensive plan for success to improve our pre-owned strategy for 2020. See areas of focus and high level goals below.

- **Leadership:**
  - o Dealer Principle (M.Hatzis) working with Variable leadership (D.Rucci) & Pre-owned manager (J.Morin) to set KPIs annually and review monthly (eg., GROI, NADA Pre-owned stock analysis worksheet, inventory worksheet, top 10 list, Vauto measures, etc.) and design updates to bonus and/or pay plans to build accountability beginning q1 2020.
- **Staffing & Accountability:**
  - o New staff accountability - A.Baron (staff) to be working with J.Morin/D. Rucci on daily review inventory, pricing, etc.
- **Inventory:**
  - o Variable leadership (D.Rucci) & Pre-owned manager (J.Morin) to:
    - Update current inventory by 2/28/20 to get to a 30-45 day hard turn

- Maintain an inventory of approximately 65-75 stocking for 30 -45 days and report monthly to dealer principle (m.hatzis) using key documents
  - CPO for all Ford Cars that meet the criteria with no less then 7-15 units available at all times
- **Reconditioning:**
  - Variable leadership (D.Rucci) & Pre-owned manager (J.Morin) and Fixed Ops Director (N. Edwards) Goal
    - Recondition to take no longer then 3 days in the shop
    - Review and monitor recondition cost with a goal of no more then 700-800 per car daily D.Rucci and J.Morin
- **Pricing:**
  - Variable leadership (D.Rucci) & Pre-owned manager (J.Morin) to:
    - Update current inventory by 2/28/20 and address pricing issues noted above
    - Maintain an inventory of approximately 75 for 30-45 days, daily tracking, monitoring and report monthly to dealer principle (m.hatzis) using KPIs and reports noted above
    - Goal to have 1-2 cars at the 10K and to design return policy to keep customer satisfaction rates if there are any concerns. We take the car back.
- **Hard Turn:**
  - Variable leadership (D.Rucci) & Pre-owned manager (J.Morin) move towards a 30 day fast turn that we expect a profitable returns by end of Q2 2020
    - Short Term Goal: move towards 30 day turn by end of Q2
    - Long Term Goal: 30 day turn by Q3 and maintain 30-45 day turn going forward; with annual turns from 5.3 to 9 turns by 2021
- **Profit targets:**
  - Goals/Projections that will have a projected profit targets
    - Inventory turn rate = 9
    - Average Front End gross profit PVR = at least 1K
    - Monthly units delivered = 70 (no less then 50)
    - Monthly gross profits = 69,750.00
    - Projected Yrly front end gross profit total = 837,000.00

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

We have built objectives based on data from 2019 and the key action steps and measurements are outlined below.

*Past data Q3 2019 on key areas of focus: Inventory, months supply, Turns, gross profit, etc that we will use as our KPIs going forward.*

Pre-Owned Retail Deliveries YTD (units)	372
Month of Year	9
Average # Retail Units Delivered Per Month	41
Total # Units Currently in Inventory	93
Months Supply "In Units"	2.25
CURRENT Inventory Turn Rate	5.3
CURRENT Average Front End Gross Profit PUVR	2002
CURRENT Monthly Gross Profit	82749
CURRENT Yearly Front End Gross Profit Total	992992
Current Used Vehicle F&I Average PVR	936
Reconditioning PVR	1392
X 60% Profit	835.2
Current Hard Pack	185
Other (DOC Fee, Service Charge, etc)	389

**Additional data that supports WHY we are focusing on these areas:**

**Inventory**

- Currently at 93 units, the first goal is to get to 70 units per month. This should be a 75 unit stocking level.
- Don't buy any more units until appropriate stocking level is achieved
- Maintaining a 75 unit stock and selling 70 units average per month will result in slightly over 30 day supply and just over 11 turns per year.
- Achieving and continuing this practice will result in less

**Hard Turns**

- To implement the next step of a hard inventory turn, the inventory must be cleaned first.

Pre-Owned Stock Analysis					
Days In Stock					
0-30	31-45	46-60	61-90	90-120	121+
37	6	5	22	3	13
\$629,894	\$160,477	\$113,083	\$453,199	\$70,216	\$286,114
37	11	Units		25	13
\$629,894	\$273,560	Dollars		\$523,415	\$286,114

- Implement a 60 hard turn which is calculated on the 1<sup>st</sup> of every month. Penalties to occur at 60 days and 90 days money will come from variable gross

## Price

- Currently running \$2004 pvr front end, at an average of 41 units per month.
- Pricing more aggressively should allow for more units at a slightly lower front pvr. More units equals more opportunity in finance, more recon in service and more chances for referrals. PROFIT, PROFIT, PROFIT!!!
- Pricing will need to be looked at daily to stay relevant in the market.
- At some point (45 day) the car needs to go regardless of how good or bad the investment is. Price it #1 and move the unit.

		<u>Current</u>	<u>New Guide</u>
<b>0-15</b>	<b>price to market</b>	<b>101%</b>	<b>99%</b>
<b>days</b>	<b>vrank goal</b>	<b>n/a</b>	<b>5</b>
<b>16-30</b>	<b>price to market</b>	<b>96%</b>	<b>97%</b>
<b>days</b>	<b>vrank goal</b>	<b>n/a</b>	<b>3</b>
<b>31-45</b>	<b>price to market</b>	<b>99%</b>	<b>94%</b>
<b>days</b>	<b>vrank goal</b>	<b>n/a</b>	<b>2</b>
<b>46+</b>	<b>price to market</b>	<b>95%</b>	<b>91%</b>
<b>days</b>	<b>vrank goal</b>	<b>n/a</b>	<b>1</b>

## Key Action steps that have started as of 12-1-2019

1. Run the inventory ageing report Dec 1<sup>st</sup>
2. Evaluate each vehicle over 30 days
3. Run reports for vehicle cost including all shop bills, detail, soft packs, hard packs and etc.
4. Verify the vehicles are priced correctly in the market daily
5. Any units over 60 days need to be marketed and prices reduced for a fast sale. If these units don't sell in 30 days they need to be moved to wholesale inventory and take the loss (trimming the fat)
6. Winner ford will use multiple wholesale vendors to reduce the loss.
7. Current non-aged inventory will be priced to market average or just below
8. The main approach going forward will be for a faster moving inventory.
9. We will perform market research to verify what vehicles are in the highest demand
10. We will have banners inside and outside of the dealership stating we buy any cars.
11. We will purchase in demand vehicles from lease returns, rental agencies, and private sellers
12. Effective Dec 1<sup>st</sup> service will have 3 days to have used vehicles front line ready
13. If cost of reconditioning brings the sale price of the vehicle over the market average the vehicle will be immediately wholesaled

**14.** All wholesale vehicles will need to be Approved by Variable Pre-own leadership, Dino Rucci

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

**Effective date: December 1<sup>st</sup> .**

#### **Short term**

1. Daily inspection of price to market by pre-owned manager
2. Daily inspection of vehicles currently in reconditioning by pre-owned manager & service manager
3. Daily any and all Wholesale units will be inspected by Dino Rucci work with pre-owned manager to problem solve WHY we did not buy at the right price and how to do better going forward
4. Weekly inspection of vehicle ageing reports
5. Weekly meeting with managers to discuss GROI

#### **Long Term**

1. Middle of month meeting with the used car department to discuss ageing vehicles.
2. End of month meetings for detailed action plan from used car department of how 60+ inventory is going to be liquidated.
3. Dino Rucci will review all losses, aging and aged inventory monthly. Inspect and Determine why we didn't sell in 60 days and reporting weekly/monthly with dealer principle

#### **5) 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.

- A) Who: Michelle Hatzis, Dealer Principle
  - What: Overall responsible for holding teams accountable
- B) Who: Dino Rucci V.P and leader of Variable of Winner Ford
  - What: Oversee Used Car manager and assistant
  - When: Currently
  - How: Will Hold Used Car manager and assistant Accountable with consequences by evaluating why vehicles are ageing over 60 days and why vehicles are being sold with minimal or no gross.
- C) Who: Joe Morin(Used car Manager )
  - What: Will be responsible for pricing vehicles to market average ,reporting current vehicle ageing to v.p, informing v.p of any vehicles being deemed wholesale, prospecting curb buys, buying from auction at lowest cost possible, prospecting rental company sales, and signing off on all vehicle trade appraisals

- When: Starting Dec 1<sup>st</sup>
  - How: Inspecting and repricing vehicle daily to market average using v auto. Run reports daily from dms and forwarding them to V.P for vehicle ageing and wholesale report. Perform street/curb/auction/rental purchases with budget set by v.p. All managers will held accountable with consequences if appraisal is not signed off by used car manager
- D) Who: Alex Barone (Used Car Assistant)
- What: Responsible for reconditioning and notifying manager if over 3 days. Approving reconditioning. Notifying manager if cost brings vehicle over market average. Assisting in used car trade in appraisals, verifies vehicle are set up for auction.
  - When: Starting Dec 1<sup>st</sup>
  - How: Will perform these duties daily

## **6) 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:

**This overview and action plan has been reviewed and approved by Michelle Hatzis, Winner Ford President.**