

Taylor Ferguson

N352-12

Academy Week (Variable 2)

Increase the finance reserve PRU in 2020.

For 2019 we ran an average reserve of \$402.54 on 1360 financing deals. My goal is to increase the reserve PRU in 2020 to \$600. If we don't retail anymore units (which we will) this increase equates to \$269,000 in additional gross.

A good thing we had in 2019 is we had a finance penetration of 71%. Our previous management team was very complacent towards the end on their stay with us. I have learned that sales people were quoting our incentivized rate programs to customers too often and customers were often not getting TO'd whether they bought a vehicle or not. We first must do a better job of training our salespeople to handle rate questions and get involved in their deals much earlier in the process. This is easily achieved by having 2 weekly training classes on rate objections and how to handle them. We have a very powerful weapon with Subaru Motors Finance in the sense that they will buy very aggressively with credit challenged customers and we must do a better job of taking advantage of this. Our average credit score is a 735 TU score so naturally a large portion of our customers are expecting best possible rates but we do a poor job on sub-670 credit customers of ensuring that we are capturing 2 points on their loans when we can get them 5-10 points better than through other lenders.

Next we need to increase our volume of on the Impreza car line. This vehicle is our most appealing vehicle to credit challenged customers and with our buying power at Subaru Motors finance this will be the easiest way to increase our reserve. We sold 89 impreza's in 2019 and a 20% increase in this model will help greatly to accomplish our \$600 reserve PRU goal.

A potential challenge that we face is we often run 0% specials on our Outback model (highest volume model @ 714 units) where we are buying the rate down. This equates to a \$200 flat and makes the goal of raising our reserve PRU more difficult. The offer is so compelling that it is hard to work around, however I believe the best way to counteract some of these deals is by increasing our lease penetration. Our lease penetration was below 10% in 2019 and getting better in this area will help a turn a \$200 flat to \$500 reserve on avg. This will require once weekly lease training meeting with the staff and get them excited to be talking about the advantages of leasing.

These areas will be monitored on a monthly basis to see our tracking. Potential adjustments could include lease specials, impreza advertising budget, process improvements.

A long term checkpoint is at the end of 6 months. This point will be critical because if we are not on track at this point it will be near impossible to achieve our goal.

The most weight of this desired goal will be carried by our 2 desk managers in the Subaru store. They touch the majority of the deals and their behavior will have to change if we have a chance. They have been too laid back and often wait too long to intervene in a car deal. The immediate changes they are to make includes introducing themselves to customers within 5 minutes of them stepping in the building. By doing so they will become obligated to increased engagement in their deals.

The behavior of the salespeople doesn't really need to change that much in my opinion. I want them to be aggressive and being customer centric. I'm not very hip on coaching salespeople to hide information from a customer. However, want them to be better trained and equipped to stay in a "value-based" approach with their customers instead of "running scared."

My behavior will need to shift to be more focused on the details. I will monitor the TO process daily to ensure the desk managers are being engaged. Write ups and/or potential termination will be a possible outcome if behavior doesn't change.