

New Car Var II Action Plan

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Academy Week (Var II):

Current Situation and Challenging Inventory:

1. We are a small store with limited space in a place where real state is extremely expensive. Due to this it is very important to have the correct inventory.
2. Santa Cruz is a bedroom community for the Silicon Valley, and we are surrounded by big stores in the Bay Area that are extremely aggressive in pricing.
3. We are coming out of having 200 cars on the ground with average new car sales of 32 per month (6.25-month supply). We are finally getting to a place where we can manage and turn the inventory 133 cars in the ground (4.15-month supply).

Our Objective:

Lower our New Month Supply form 6.25 MDS in 2019 and 4.15 now to 3 MDS by Sept 2020.

Results:

Increase our Monthly average new car sales from 32 to 42 on average by Sept 2020, this will lead to more trades, lower floorplan expense, higher total gross, we will move from looking at a car deal to looking at GROI, lower holding cost, we will have less aged inventory that will lead to less spiffs to sell those cars.

Action plan:

1. We are starting by looking at every car deal as a total gross, including trade, trade reconditioning, DOC fee, and pricing all new with an investment mind market/Market day supply as we do on the used car side.

2.As soon as the cars come from the factory, we decide what to price them at. Instead of just leaving them at MSRP and hope that they will sell or waiting to lower the price when they are already aged. Pricing needs to happen on a weekly basis, looking at MDS on Conquest, and looking at the VDPs from all third parties and adjusting accordingly, also looking at the best movers and making sure we capitalize on those and not leave money on the table.

3.We are making sure the cars go through PDI in a timely manner and our picture person is made aware that the car is here and ready to go.

4.We are Creating a price policy for the store, creating a culture of value to the customer when they come to North Bay Ford. Example all left over 2019 at invoice less hold back, all 2020 at 300 over invoice regardless of the age except Specialties (Raptor/ Chassis/ AWD Transits, and GT 350/500)

5.Having control of the wholesale from the factory and not letting them decide our inventory and keeping an eye on all the retail orders to make sure they are real.

6.Chase the Ford Stair Step program, becoming a volume dealer vs holding out for the gross

7.Making sure not to lose on a Dealer Trade, either we better our inventory or we do outright sale

8.Wholesaling the oldest units in stock and or putting selling spiffs.

9. We are looking into digital retail tool again such as AutoFi to make sure we are utilizing technology to sell more cars.

Since the class we started paying more attention to the new car department and our average new car age in the last 30 day has come down from 113 days to 96 days (slight increase) our new car turn has increased from 3.24 turns to 3.8 (slight increase)

Timeline:

My implantation day was as soon as I came back from class January 20th

We will monitor our Month Supply, turn rate, average new car age, on a weekly basis and following the rolling 30 looking for improvement on Conquest and the DMS.

Meeting with Owners Mike and Mark Elward

We will have monthly meetings and talk about our strategy to sell the new car inventory in a similar manner as the used with an Investment mentality making sure we price accordingly.

1. Meeting With: Mike Elward (Owner), Mark Elward (Owner) and Alejandro Restrepo
2. Topic: Flooring expense, Inventory supply, Market supply, rolling 30, Monthly Specials and strategy to sell more cars.
3. By First week of every Month starting Now

Change our New car culture, Price right from day one, Market from day one with a special price such as 300 over invoice pricing on all the units except specialties.

Start Focusing on the total gross (trade/recon on the trade, finance, service on the new car, etc.) not just the front gross on the new car deal.

Dealer agreement:

I presented the plant to Mike Elward and he completely agrees that this change is beneficial and necessary.
