



## Financial Management Objective Homework

Student Name:

JP Kinman

Academy Class #

AA0120
--------

*I plan to accomplish the following objective by our next class on:*

8/21/2017
-----------

Provide the relevant composite data

Department	Month	Page	Column
Used	July	18	11B

Action plan for achieving objective
<p><b>What is the area of focus? Wanting to increase Net profit for used department.</b></p>
<p><b>What is the proposed plan? How will you achieve it? First off going thru expenses, check recon per vehicle, pricing and marketing and then turn rate per vehicle.</b></p>
<p><b>How will you track your progress? What measurements, KPI's? How often will you track? Check per copy per front and back every Friday to compare improvement.</b></p>
<p><b>Who are the employees that will be involved, or impacted? Will they require training or assistance?</b></p> <p style="text-align: center;">Used car sales consultants, managers, GSM. Yes training required.</p>
<p><b>Is there a cost, or estimated cost for implementation? No cost</b></p>
<p><b>Projected date of completion? EOM July</b></p>

**Action plan:** Look at used car June to July and improve on the Net to Gross for department. Using training instore to focus on how we price vehicles, sell rate (turn) and how we expense spiffs to sell aged inventory. Reduce internal wholesale to help increase bottom line.

First things I looked at was big differences in year over year increases or decreases to see where there was problems areas or areas to improve on. A couple of things I notice was salesperson comp, our PVR per used, cert and other and turn rate. I also wanted to see our average cost per unit and what we were selling to make sure our inventory was in line.

1. Units: Try to look at your day supply to see if we are selling some units for less/more than our average per unit throughout the year. I noticed that we are selling certified vehicles at about \$500 per unit less than average. I looked at recon cost and didn't see much of a difference. The biggest issue I noticed was aging vehicles and vehicles purchased at auction. We were very heavy on certain models that our average turn was low. We have some issues with pricing to market and just small things like descriptions. We spotlighted vehicles and priced to market quicker in July which helped reduce the loss per day on each unit. Average PVR on Certified units went from \$404 June to \$929 July. We did sell 38 less units but was to maintain an average that helps net to gross by increasing the PVR. Non certified units did increase +8 units in July and PVR went from \$1,826 to \$2,029 and increase of \$203 PVR. Other makes was a slight decrease of one unit but did increase PVR \$218 from \$769 to \$987 PVR. Across the board we decreases in units from 225 in June to 194 in July but did increase \$527 PVR to gross \$78,018 more money for the department which help NTG.
2. Wholesale: This was another issue that I noticed. We had wholesaled quite a few units in June and I wanted to decrease this. We went from 85 in June to 56 in July. Decrease of 29 while improving our PVR on the wholesale units \$85 PVR. A 63% increase in that area. This allowed us a small profit from a NTG standpoint but allowed us to sell a few more other and non-certified units which helped parts and service as well to give them some more internal gross for the store. Our Internal wholesale number did go up 2 from 6 to 8. This was due to just flux in selling different vehicles that was at another store so not much accounted

towards Net to gross in this area. We are trying to maintain this number to 5 or less unless needed for certain vehicles not in stock.

3. Expenses: This was the biggest area of opportunity that I noticed. We had a very high sales comp in previous months. When June hit and the gross was down and units were up we had some very high unit bonuses that were paid out to sales people. Along with aged bonuses we were paying out to move aging inventory we dug a big hole for the month in terms of net to gross. I looked at salespeople to start to see if we were in line with the number we had to the number of units we are selling. We are not too far out of line on average units of 12 per person. This is something I am looking into on our current pay plan. Our unit bonuses start at 12. Maybe a small adjustment to 14 to start will increase units per department and also may decrease the comp. So we ran an extremely high 63.1% variable comp percentage in June. We took our eye off the ball and really was running at a high pace for volume. With a few salespeople selling well over 20+ units the bonuses were very high. I also noticed we had some aging issues and were paying out old age bonuses on these units in which we were making no gross and paying salespeople huge commissions. This in turn really hurt when you are looking at a per deal basis on net to gross.
4. Other expenses we looked into were outside services in which we decreased \$1,930 and Outside services-facilities \$809. We did go up in semi-fixed expenses from June to July due to loaner expense, and advertising going up so overall expenses (personnel and semi-fixed) was a great improvement from June (\$385,501) to July (\$330,253). This was a 14% decrease in total expenses!!!
5. Overall looking at the month of July we had a decent month overall with net to gross with these changes, training, differences we looked at. Even though the units we down we ended up bringing over \$66,000 more to the bottom line with some small adjustments to our focus and mentality. If we can keep up training and making sure we keep these numbers in line it could increase our overall net to the store I am thinking \$300,000 for the year just from the used car department. I really learned from the composite this month on how to look at these numbers and see how and where we can improve to be the number 1 store for Asbury. Small improvements like this from each department will help.

MonthName

Jun 2017

Jul 2017

**USED VEHICLE****USED VEHICLE RETAIL**

Units Used Certified	147	109
Sales Used Certified	\$2,978,216	\$2,126,280
Gross Used Certified	\$59,373	\$101,261
Memo: Used Recon Certified	\$249,038	\$193,312
PVR Gross Used Certified	\$404	\$929
Units Used Non Certified	25	33
Sales Used Non Certified	\$270,744	\$479,519
Gross Used Non Certified	\$45,646	\$66,951
Memo: Used Recon Non Certified	\$24,511	\$31,762
PVR Gross Used Non Certified	\$1,826	\$2,029
Units Used Other Makes	53	52
Sales Used Other Makes	\$785,270	\$759,462
Gross Used Other Makes	\$40,738	\$51,308
Memo: Used Recon Other Makes	\$53,947	\$51,110
PVR Gross Used Other Makes	\$769	\$987
Gross Used Retail	\$145,758	\$219,519
PVR Gross Used Retail	\$648	\$1,132
Gross Used Fees/OVI	\$41,625	\$35,875
PVR Gross Used Fees/OVI	\$185	\$185
Used Reserves	(\$11,837)	(\$1,832)
PVR Used Reserves	(\$53)	(\$9)
<b>Total Units Used Retail</b>	<b>225</b>	<b>194</b>
<b>Total Sales Used Retail</b>	<b>\$4,034,230</b>	<b>\$3,365,260</b>
<b>PVR Sales Used Retail</b>	<b>\$17,930</b>	<b>\$17,347</b>
<b>Total Gross Used Retail (Incl Fees/OVI)</b>	<b>\$175,545</b>	<b>\$253,563</b>
<b>PVR Gross Used (Incl Fees/OVI)</b>	<b>\$780</b>	<b>\$1,307</b>
<b>Used Margin % (Incl Fees/OVI)</b>	<b>4.35%</b>	<b>7.53%</b>

**USED VEHICLE WHOLESALE-IC**

Units Used Whisl	85	56
Total Sales Used Whisl	\$606,939	\$326,475
Total Gross Used Whisl	\$11,407	\$12,264
PV Gross Used Whisl	\$134	\$219
Units Used IC	6	8
Total Sales Used IC	\$105,118	\$167,394
Total Gross Used IC	(\$5,103)	(\$1,120)

PV Gross Used IC (\$851) (\$140)

<b>USED F&amp;I</b>		
<b>Total Income F&amp;I Used</b>	<b>\$423,155</b>	<b>\$331,565</b>
<b>PVR Total Income F&amp;I Used</b>	<b>\$1,881</b>	<b>\$1,709</b>
C/B F&I Used - Finance	(\$6,923)	(\$6,537)
C/B F&I Used - Product	(\$45,947)	(\$26,519)
<b>Total C/B F&amp;I Used</b>	<b>(\$52,870)</b>	<b>(\$33,056)</b>
<b>Total C/B F&amp;I Used % Income</b>	<b>12.49%</b>	<b>9.97%</b>
<b>Total F&amp;I Used</b>	<b>\$370,285</b>	<b>\$298,509</b>
<b>PVR Total F&amp;I Used</b>	<b>\$1,646</b>	<b>\$1,539</b>
<b>Total Units Retail</b>		
	<b>225</b>	<b>194</b>
<b>Total Sales</b>		
	<b>\$5,116,572</b>	<b>\$4,157,638</b>
<b>Total Vehicle Retail Gross &amp; OVI</b>		
	<b>\$175,545</b>	<b>\$253,563</b>
<b>Total Wholesale Gross</b>		
	<b>\$6,303</b>	<b>\$11,144</b>
<b>Total F&amp;I Gross</b>		
	<b>\$370,285</b>	<b>\$298,509</b>
<b>Total Front End Yield</b>		
	<b>\$552,134</b>	<b>\$563,216</b>
<b>Total Front End Yield PVR</b>		
	<b>\$2,454</b>	<b>\$2,903</b>
<b>Total Gross Profit</b>		
	<b>\$552,134</b>	<b>\$563,216</b>
<b>EXPENSES</b>		

Sales Comp	\$110,768	\$61,163
% Variable Retail Gross	63.10%	24.12%
F&I Comp	\$38,873	\$32,895
% FI Gross	10.50%	11.02%
Delivery Exp	(\$4,371)	(\$3,602)
Policy & Lot Damage Exp N/U	\$101	\$1,704
<b>Total Variable Exps</b>	<b>\$145,371</b>	<b>\$92,160</b>

Supervisor Comp	\$68,932	\$66,211
Supervisor Comp % Gross	12.48%	11.76%
Clerical Comp	\$6,094	\$6,094
Other Personnel Comp	\$7,142	\$7,409
Training Wages	\$581	\$60
Absentee Comp	\$2,928	\$6,821
Payroll Taxes	\$22,256	\$15,619
Employee Benefits	\$8,120	\$7,490
<b>Total Personnel Exp</b>	<b>\$116,054</b>	<b>\$109,705</b>

Loaner	\$5,844	\$7,607
Loaner Valuation Adj	\$0	\$0
Office Supplies	\$476	\$1,296
Other Supplies	\$2,892	\$3,269
Advertising Exp	\$29,566	\$32,839
Advertising, Net	\$29,566	\$32,839
Advertising PVR	\$131	\$169
Bad Debt Exp	\$0	\$0
Data Processing Exp	\$4,214	\$3,916
Telephone	\$0	\$0

Credit Card, Bank & Bureau Fees	\$6,240	\$6,301
Outside Services- Facilities	\$2,420	\$1,611
Outside Svcs Exp	\$6,368	\$4,438
Training Exp	\$1,731	\$1,469
Travel & Ent Exp	\$1,151	\$1,092
Contributions/Dues/Publications	(\$122)	\$132
Freight	\$894	\$471
Floor Plan Interest Exp	\$9,268	\$9,372
Floor Plan Interest Net	\$9,268	\$9,372
<b>Total Semi-Fixed Exps</b>	<b>\$70,943</b>	<b>\$73,813</b>

<b>Total Exps</b>	<b>\$385,501</b>	<b>\$330,253</b>
-------------------	------------------	------------------

<b>Net Income</b>	<b>\$166,633</b>	<b>\$232,963</b>
<b>Net Income % Grs</b>	<b>30.18%</b>	<b>41.36%</b>