

Financial Management Objective Homework

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Student Name:

Academy Class # 327 -30

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

Department	Month	Page	Column
Used Car Department			

Provide the relevant composite data

I apologize I didn't submit the assignment earlier, I had completely forgotten with the other assignments I was responsible for parts. Also I was having a Microsoft Word compatability issue to I had to complete the assignment in WordPad. I apologize for any inconvenience.d

Action plan for achieving objective
<p>What is the area of focus?</p> <p>To reduce aged units/frozen capital within the used car department. In May, my Used Car inventory (60+ days old) was tying up 1.2 million dollars in Frozen Capital. After doing the frozen capital exercise in week 1, I realized the urgency in reducing this number.</p>
<p>What is the proposed plan? How will you achieve it?</p> <p>Implement a strict 60 day turn policy on all used vehicles. Simply, when a car reaches 60 days of age it is wholesaled either through a wholesale customer of ours, or wholesale auction. These units are spiffed as they age and salespeople are encouraged to switch customers to these units. Slow moving units are identified during appraisal and immediately given an exit strategy so that in 60 days if the vehicle isn't sold, loss is minimized when it is taken to auction or sold wholesale.</p>

How will you track your progress? What measurements, KPI's? How often will you track?

We use metrics within VAuto to track our current inventory levels. All vehicles are broken into different age buckets and I approach each bucket with a different exit or pricing strategy depending on how old the unit is. The inventory levels are monitored daily and recorded at month end.

Who are the employees that will be involved, or impacted? Will they require training or assistance?

In our store we have 3 people that contribute to the Used Car department. Myself, Ryan (Sales Manager/Used Car asst.) and Dave (Sales Manager/ Used Cars) Ryan and I have both heavily bought into the 60 day turn policy as we understand the necessity in freeing up our cash. We believe in creating volume for ourselves using this turn policy. Dave on the other hand is an old school car guy and we often find him stuck in his ways. We receive a lot of pushback on our implementation of these strategies from Dave and also our GM. As far as training goes, all parties mentioned are certainly capable of executing them, it's more of a matter of buying into the strategy. They understand the strategy we are trying to implement, but are hesitant to fully buy in because of the way they were brought up in the car business.

Is there a cost, or estimated cost for implementation?

The only cost we are seeing as a result of the implementation is that our slush fund is taking hits more often to offset wholesale loss. More often, not necessarily more however. (Need to track and confirm with 100% certainty.)

Projected date of completion?

There isn't necessarily a date of completion, this is a strategy we will continue to use until we reach the levels of volume we expect. Since implementation, we have been running with a much leaner inventory and much more cash. Since May, we have managed to reduce frozen capital to roughly ~\$300,000 which is still not great, but it is in a much better spot than it was previously.

Some takeaways I had from completing this assignment: I realized just how liquid a used car is, how essential it is to reduce frozen capital and free up cash, and your first loss is your best loss in most cases, **CASH IS THE LIFEBLOOD OF THE DEALERSHIP!**

Jan.	Feb.	March	April	May	June
July	Aug.	Sept.	Oct.	Nov.	Dec.