

# Departmental Action Plan

Student Name: Shawn Ludwig

Class & Student Number: N323

Academy Week: Variable Operations I (Pre-Owned)

**Current situation or challenge you want to address:** Front End gross is dropping month over month and acquiring vehicles to sell is challenging.

**Overall Background/Challenge(s), Objectives and Specific Desired Results:** Front end gross is getting shrunk more and more due to the margin compression that is going on in the marketplace for used cars, we need to reconsider our goals for units and gross to get us more profitable.

From 2013 – 2015 we were store that didn't not handle the budget cars from our other locations and sold on average 40 units per month @ \$1,100 per on the f/e, in 2016 and the first part of 2017 we were the last resort for cars before they went to the auction and we would recon/sell these cars on avg 60 units a month @ \$900 per on the f/e

In May, of this year, we stopped receiving the cars from our other locations, our used car manager went to Oregon and met with other top performers (whose UC managers come from high volume new car stores that retail 70% of their trades) - they tried to ingrain in him that front profit should be in the \$200-\$300 range and that F&I should run \$1,100 + to carry this philosophy -- our F&I did not do the numbers needed to support this train of thought and the end result was two months of poor variable performance from the used car department.

Compounding the issue, we are a low volume store that keeps 32% of our trade-ins and because of this small number, we relied on high MDS units that we paid for at the various auctions and these cars accounted for 68% of our inventory. Our Used Car Manager marketed to move these cars, but in most cases our grosses on the auction cars was (-\$378) per unit.

In early August, I spoke with our vAuto rep to look at our processes to ensure we were good from his aspect of the business, we made some minor tweaks, but for the most part are buttoned up.

Our objective is to grow the department under a different vision and get better at paying attention to MDS when we appraise/purchase cars.

**Describe your action plan in detail (be specific and include before and after measurements)**

Our action plan is going to entail stocking more of the correct MDS vehicles and put the right money on these cars upfront vs trying for homeruns on every car, buying less auction vehicles.

Before, we were using days to measure when a price change should occur, instead our targets are now set up to mirror MDS and we will adjust the inventory off of this model.

**Timeline:** Describe specific short term and long term checkpoints to monitor progress

We will check this at the end of September as it takes up to 45-days for a change in process to take hold, by mid-October we should have a good idea of this is the best way to proceed for our dept.

**Meeting with Stakeholders (dealership personnel)**

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences. Include timelines / Accountability / Monitoring process

- a. Who: Ryan Casselberry
  
- b. What: Control Assets, make UC dept profitable to be more in line with Lithia SPE
  
- c. By When: October 31, 2017
  
- d. How: Methodically increase the inventory (with the right MDS mix)

Appraise the cars we get on trade the correct way with MDS and exit strategy in mind

Increase front-end gross by using the tools available to appraise/purchase cars the correct way.

**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:

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