

Management Action Plan – VO1

Specific – Measurable – Achievable – Relevant – Timely

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Dealership: Tyler CDJR

Class & Student Number: N359-06

*Based on May 2020 Financial Statements

Current situation or challenge you want to address (narrow your focus):

We are currently carrying a 3 months' supply in units and current inventory turn rate is at 4, which is well below NADA guide. We would like to focus on improving turn and thereby increase gross profit as outlined below.

Overall objective (goal) and specific desired results:

Our overall goal is to increase our turn rate from 4 to 8 by 12/31/2020. The desired results would be a projected monthly pickup to gross of \$68,889, as displayed in the following projections:

Current Data	
Pre-Owned <i>Retail</i> Deliveries YTD (units)	99
Month of Year	5
Average # Retail Units Delivered Per Month	20
Total # Units Currently in Inventory	59
Months Supply "In Units"	3.0
CURRENT Inventory Turn Rate	4.0
CURRENT Average <i>Front End</i> Gross Profit PUVR	\$ 1,239
CURRENT Monthly Gross Profit	\$ 24,532
CURRENT Yearly Front End Gross Profit Total	\$ 294,386



Projections	
8	PROJECTED Inventory Turn Rate
\$ 1,000	PROJECTED Average <i>Front End</i> Gross Profit PVR
39	PROJECTED Monthly Units Delivered
\$ 39,333	PROJECTED Monthly Gross Profit
\$ 14,801	PROJECTED Monthly Gross Profit Variance
\$ 472,000	PROJECTED Yearly Front End Gross Profit Total
\$ 177,614	PROJECTED Annualized Front End Gross Profit Variance

Additional Income				Monthly	PROJECTED	Yearly
				20	Additional Units	240
Current Used Vehicle F&I Average PVR				\$ 22,620	F&I Increase	\$ 271,440
Reconditioning PVR	578	X 60% Profit	\$ 347	\$ 6,936	Reconditioning Increase	\$ 83,232
Current Hard Pack				\$ -	Hard Pack Increase	\$ -
Other (DOC Fee, Service Charge, etc)				\$ -	Other	\$ -
				\$ 29,556	Total Additional Income	\$ 354,672
				\$ 14,801	Front End Variance (from above)	\$ 177,614
				\$ 44,357	Total Variance	\$ 532,286
				\$ 68,889	Total Projected Gross (Variance + Current)	\$ 826,672

Describe your action plan in detail (including before and after measurements):

Our team understands that there are several components to improving turn and that we could improve in many areas to improve this metric. However, in order to narrow our focus and address the most glaring issues, we have identified pricing and acquisition strategies as the immediate action that we want to focus on for implementation. If all else remains the same, we believe the following actions alone can allow us to achieve our objective listed above.

Currently, we do not have a defined pricing strategy. We looked at each car on its own and price using “gut” feeling with only a marginal consideration for market days supply. We also factor cost into our pricing decisions and do not have a regular schedule for price updates. Starting July 1, we will implement the following market-based strategy based on MDS:

MDS	Price to Market
1 to 30	105-110%
31-45	100-105%
46-60	97-100%
61-90	92-97%
91-120	89-94%
120+	82-94%

Additionally, pricing will be adjusted within vauto based on age. Every 15 days the vehicle will be priced down to the next bucket.

Based on this pricing strategy alone, we feel we can increase turn rate by +4 by the end of the year.

In addition to pricing, we feel it is important to implement an acquisition cost to market goal. Currently, we have no such objectives. Prior to the pandemic, we were transacting at 98% price to market with an average acquisition cost to market of 87%. Taking the current market conditions into consideration along with our new pricing strategy, we feel we will transact at approximately 95% and we need an average acquisition CTM of approximately 82-84% to meet profit objectives.

Ultimately, our main action with acquisition is to bring awareness in this area (it will be new for our team) and define goals on a monthly basis and revisit prior results.

Timeline: What is your implementation date? Describe specific short-term and long-term checkpoints to monitor progress.

Implementation for both Pricing and Acquisition strategies will be July 1, 2020.

Checkpoint for turn rate measurement will be monthly. We expect to be operating with a turn rate of 6 by 9/30/20 and 8 by 12/31/20.

The projection chart used in this action plan will be updated and reviewed monthly by the management team.

Meeting with Stakeholders (dealership personnel):

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences, including timelines / accountability / process monitoring activity.

We have a relatively small management team consisting of two sales managers, one Finance manager, and the GM/Owner. All four will need to buy into the strategy and understand the “why” behind the changes. This will be explained using the projections noted above.

Accountability will be monitored with bi-monthly meetings with GM and sales managers to demonstrate results.

Sales managers will need to communicate changes to sales staff immediately so they have a solid understanding of a market based pricing approach, which will need to be fully understood with word tracks to overcome price objections.

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:

All parties are on board. Concerns on potentially reduced PVR with the aggressive pricing, but with an emphasis on acquisition cost and improved turn, the improved gross profit potential is easy to understand.

Signed by: Approved verbally by sponsor, I have authority to implement.
