



## Financial Management Objective Homework

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***I plan to accomplish the following objective our next class on:*** Age of Pre-Owned Inventory **by**

**Provide the relevant composite data**

Department	Mont h	Page	Colum n
Pre-Owned	July	6	8-b

<b>Action plan for achieving objective</b>
<p><b>What is the area of focus?</b></p> <p>The area of focus is turning our pre-owned inventory quicker at an acceptable rate.</p>
<p><b>What is the proposed plan? How will you achieve it?</b></p> <p>The Proposed Plan is to turn the pre-owned inventory quicker. The Plan is to have 12 calendar year inventory turns or greater.</p> <p>The first part of the plan is to stock the correct inventory. If we do not stock what is in demand we will inevitably have to sell with less profit or a loss of profit to move the inventory. A tool we will implement and use to buy what is in demand is "V-Auto". This tool will give us days supply in the market, average price in the market, how many searches in the market.</p> <p>The second part of the plan is to price competitively. In order to price competitively we must buy the car at the right price regardless if it is a trade-in or at the auction. V-Auto will also help us buy the vehicle at the right price, by informing us of what we can sell it for based on the current market conditions. V-Auto has a tool that lets us input a reconditioning dollar amount, a profit dollar amount and gives a guide as to what we should buy the vehicle for. We understand this is just a guide, and not the Bible, but at the current time we are just using our "experience" to give us all these numbers and it is not working.</p>

The third part of the plan is to recondition properly. With wanting to also make money in our fixed ops departments we need to be careful of how much to spend on each pre-owned car. We will discuss the importance on first and foremost ensuring the pre-owned unit is safe to drive and road worthy. A step we will put in place when appraising a trade-in is taking it into the service departments, putting it up on a rack and having a tech inspect it before we buy it. This will help us in expensive unexpected charges during the recon process. We will also discuss the importance or the lack of in making the car look perfect cosmetically during the recon process. In this step we will also negotiate with our vendors the costs of cosmetic reconditioning.

The fourth step is what we will do if a pre-owned unit does get old. What steps we will take in selling a unit before it gets "OLD" etc.. Discounting, wholesaling, changing location on the lot.

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

I will require the Pre-owned sales manager to have a report ready for me every Friday morning. This report will have every pre-owned unit that has hit a 60, 90 & 120 day age.

At the 60 day mark the price must be changed if it hasn't already. We will review what the pricing is out in the market on that particular unit and where our price is within that market. At this time I will require the vehicle be placed in a different section of the pre-owned lot if it hasn't been done already. After the meeting the pre-owned car manager and I will physically do a walk-around of each of these 60 day old units and get better insight as to why this vehicle is not being sold. We will make sure the condition is acceptable, it is clean, it starts, and is visually appealing to the best of its capabilities.

At the 90 day mark, the price will be cut drastically to dead even cost or close to it. At this point, the book value has changed many times and this vehicle is at risk of hitting the 120 day mark. These 90 day vehicles will be noted on a list and salespeople will know a bonus will be paid if they sell. We will use our Spotlight ads that we purchase from auto-trader and give these 90 day vehicles as much exposure in the market as possible.

At the 120 day mark the pre-owned vehicle will either be sold to a wholesaler or sold at the auction. The loss in profit will directly affect the sales managers pay. Knowing the unit will be wholesales at the 120 day mark should give these managers every reason to retail the vehicle for whatever dollar amount they feel they can make over the projected wholesaled amount.

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

Our 2 sales manger's, (1 of which is the pre-owned manager) will be directly involved and impacted. They will be both be trained on the V-Auto tool and process. The Service and parts manager will also be informed on the changes to

the level of re-conditioning that will take place. Managers will be trained on what reports to run within our DMS to monitor the age of the pre-owned vehicle inventory.

**Is there a cost, or estimated cost for implementation?**

The cost of implementation will be the Fee that V-Auto charges. This is a nominal fee and easily added based on the current tools we are using within auto trader.

**Projected date of completion?**

This process will be implemented on October 1<sup>st</sup> as I will not get introduced as the General Manager of the dealer until mid September. With the introduction being October 1<sup>st</sup>, January first will be the time when these managers will be held responsible for the 120day point where the aged units will be wholesaled. From now until then we will take the proper steps to be able to implement this plan.

<b>Jan.</b>	<b>Feb.</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
<b>July</b>	<b>Aug.</b>	<b>Sept.</b>	<b>Oct.</b>	<b>Nov.</b>	<b>Dec.</b>