ACTION PLAN 1

S Specific   **M** Measurable   **A** Achievable   **R** Relevant   **T** Time bound

What is your goal? What do you want to achieve? From what metric? To what metric? By what date?

Increase pre-owned inventory turns from 3.4 turns per year to 6 turns per year by spring of next year. Reduce pre-owned inventory variance from $5,623 to $0 by the beginning of next year. By turning 6 times per year and reducing variance total days inventory will be reduced from 106 days to 60 days, reducing pre-owned Frozen Capital from $2,357,034 to $1,254,408.

BOTTOM LINE: Benefits of Achieving Your Goal

- Gross return on inventory will increase from 40%-70%
- Units sold will increase 25.6%, average monthly pre-owned sales will increase from 52 units to 70 per month
- If gross remains the same total front end gross will increase by 25.6% or $200,228
- Additional F&I income generated will be $102,360
- Additional doc fees generated will be $108,600
- Pre-owned holding cost will be reduced from $67/day to $56/day

Consequences of Not Achieving Your Goal

- Continuance of aged inventory, high holding cost and lost revenue
- Continuance of high variance in inventory cost, potential lost gross profit
- Lost sales due to lack of inventory oversight
- Stagnant operating profits
- Continued wholesale loss to move aged inventory

When will you start?

Now, if we can achieve by spring we can then move forward to 12 turns

How will you gauge your progress? When? Using which metrics?

Monthly analyzation of current pre-owned inventory. Ensure that we stay on top of current inventory and purchases to stay in line with current current market conditions. By using a combination of Days Supply of Inventory, Inventory Turns, Inventory Cost vs. Average Cost Per Unit Retailed and Breakeven Point; we should be able to stay on top of gaps in our inventory.

What specific actions will you take to achieve your goal? Who can help you?

We currently do not have any inventory management system in place. We have been getting quotes from outside companies such as V-Auto and looking at internal processes to have a clearly defined inventory buying process. As of right now we are currently purchasing based on book value. I think having a solid inventory management system will get us on the right track to getting our variance in line and making smart purchases for our current market.

Our current pre-owned reconditioning time is lacking. We have made changes to decrease the lag time in cars getting online but still have a lot of work to do. We are currently using two seperate companies, one for our photos and one for uploading and managing them on our website. We are looking into how this lag time can be decreased by having one company for both and having pictures taken more than once a week. We are also looking at our internal processes and service department to ensure vehicles are frontline ready as soon as possible. Current recon time can vary from 4 days to a few weeks.

To reduce average time in inventory moving to market based pricing sooner should reduce our holding time to under 60 days.

Our used car buyer, general manager and dealer principle have been analyzing the numbers and issues. They have brought in V-Auto reps for a quote and have been talking to vendors concerning our photo and website management system.

If we can correct the inventory variance, get on track to stocking the right cars and get them online faster it should put us in line to increase our leads and the chance that we will have the right cars at the right price in stock when a customer hits our lot.

Potential Challenges?

- Cost of outside systems. However if they can implement real change it should be negligible.
- Resistance to change and implementation of new systems. At this point thought that seems unlikely as everyone is on board with the ideas.
- Loss of sales due to undervaluing of trades is the main concern right now
- Bad information inputted into inventory management system potentially throwing off our inventory even more

Potential Solutions?

- If sales and turns are increased cost will be justified
- In depth training and onboarding to utilize all new systems to full potential and highlight benefits and time savings
- Have GM double trade values before presenting to a customer or letting a customer go
- Again, ensure training on all newly implemented systems to ensure that information is being processed correctly.