



Financial Management Objective Homework

**Student
Class #**

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Name:

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4

Academy

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

October 9, 2017

by

**Provide the relevant
composite data**

Department	Month	Page	Column
New Car	July	15	3
Used Car	July	23	3
Service	July	35	3
Parts	July	43	3

Action plan for achieving objective
<p>What is the area of focus?</p> <p>Reducing expenses, specifically in the area of Supervisor Compensation. Across the board, our current managers are making significantly more as a % of Gross than compared to GM BOC. We are currently 14.84% of Gross higher YTD as of July than BOC. For our store in particular, this translates to \$79,972 YTD or \$11,425 per month. Annualized, this comes to \$137,094 in savings per year.</p>
<p>What is the proposed plan? How will you achieve it?</p>

Now it is unrealistic to slash manager pay down to BOC, as this could cause panic and force personnel turnover, which usually incurs higher costs. However, by adjusting the pay plans, and forcing the managers to hit higher numbers to justify the higher % of Gross we can cut the compensation % by half. See below for math:

Supervisor Compensation Analysis as %

Gross

YTD July 2017

	New	Used	Service	Parts	Total
BOC GM	11.59%	7.75%	11.74%	9.53%	40.61 %
Adam's Store	14.28%	14.61%	13.27%	13.29%	55.45 %
Difference	2.69%	6.86%	1.53%	3.76%	14.84 %
Total	14.84%				

Gross July YTD 1,077,784

Reduce Supervisor Compensation % of Gross by half of current overage compared to BOC GM

	New	Used	Service	Parts	Total
	2.69%	6.86%	1.53%	3.76%	14.84 %
Reduce % by half	1.35%	3.43%	0.77%	1.88%	7.42%
\$ Reduced	\$14,496	\$36,968	\$8,245	\$20,262	\$79,972
Per Month	\$2,071	\$5,281	\$1,178	\$2,895	\$11,425
# of Managers	3	4	3	2	5
Reduction/MGR/Mo	690	1,320	393	1,447	
Reduction % Total	7.42%				
\$ Reduction Total	79,972				
Per Month Total Savings	11,425				
Per Year	137,094				

Therefore the easiest way to hit these numbers is to reduce the % of gross portion of each managers pay. Ex: Service managers make % of sales tiering up at certain

sales objectives. Increase sales objectives to reach certain %. Currently have switched New Car Managers sales objectives higher, causing monthly pay to decrease in the first month by roughly \$3,000 total. This is a bigger decrease than projected, but was mainly due to the fact that the top line objective was not achieved. Will continue to monitor to ensure the decrease stays in line with above.

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

Monitor monthly 20 Group pages, to ensure Manager compensation as a % of Gross is decreasing. Also check monthly on Financials as compensation as % of sales to ensure it is decreasing. Will track monthly.

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

All Management. New, used, service, parts for a total of 12 employee

Is there a cost, or estimated cost for implementation?

No upfront Cost. Potential Costs: Management Turnover.

Projected date of completion? October. Have already decreased new car managers pay.

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