

Ontario Motor Sales

COVID ISSUES and a response with inventory goal to reduce capital.

This goal is specifically designed for the first 6 months of 2021.

I do not know where we “really” are with fill rates and how much inventory reduction we can achieve. The last 2 years have been a challenge with GM plant 076 stocking issues, then COVID. GM has had a massively difficult stocking parts. 30% of my stock orders (rim or my own) are not shipped, backorders. Which means I have had to increase my depth to cover for supply issues.

We need to establish a benchmark number.

COVID has “screwed up” all my calculations, true turns gross turns, inventory levels etc. Remember for 4 months we went from 8 staff to 2 and did not top \$175,000 in sales when we were selling \$450,000 per month.

I am not concerned about fill rate on collision as they can wait. How do I filter that out??

How can we effect the numbers?

Work harder on processes, lost sales posting, analyze emergency purchases, we are at 91% RIM compliancy of all mechanical parts approved. We are stocking at RIM's calculation levels.

Our main problem is we are having spikes in sales we are running out of parts on the shelves, yet we have the product on order. Confirmed by emergency purchase analysis. GM in Canada almost forces dealers to use buying programs outside of RIM to generate discounts driving excess stock and capital tieup.

Toronto has just announced another COVID closures which I believe will expand into January/February / March business is now slowing down to a crawl.

Time to reduce the excess stock, cut back on excess capital. This will reduce the “stocking” inventory dollars. Not sure to what level. But I hope another 4-7.5% reduction in working inventory. We have already had a 30% reduction.

We must continue to aggressively

- Be aggressive in capturing all sales retail, wholesale repair orders tires
- Train employees to sell
- return non-selling aging inventory, my goal is to use all of my factory return allowance to within \$0.10
- SPO parts -new process???
- identify non factory parts return or sell,
- stop the purchase of stocking non factory items until the COVID restrictions have ended,
- return all winter tires except for displays to promote in the showroom

All these items will drive gross turns, true turns, reduce capital, reduce obsolescence, and improve fill rate. When this next wave is over we will be in a very secure inventory levels and as the business grows we can grow with it and be more profitable.

With my monthly analysis, Mike Nichols driven numbers and include a combination of this class's calculations, I will be able to measure the changes month by month. Our DMS inventory value as of November 2019 was \$750,035 and this November is \$527,229 which is a 30% reduction. Where can I end up? The best answer is "wherever I can be that is best for the business". I know its not a "valuable" but it the best answer I can give.

We will be improved at the end of quarter 1 and Next November will be the test as it takes a year to fully implement any changes made today. It may still take another 6 months to a year. RIM changes take 15 months to fully evolve.

Best part is that I have started to be even better today than I was yesterday.

Mike Rankin

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