

Departmental Action Plan

Dealership **Austin Infiniti**

Student Name **Mark W. Bailey**

Academy Week **Week 2 - Fixed Operations - Parts**

Class & Student Number **N327-37**

Current Situation

Gross Profit Margin On Internal Parts (Account 4650) is below BOC benchmark. Current YTD through 8/17 is 31.7%, BOC Nissan is 34.3%.

Overall Objective:

Increase Markup On Internal Parts to Achieve A Month Over Month Gross Profit Margin Of 38% In Account 4650.

Proposed Timeline

Proposed timeline:
margin. Due: 9/18/17 **Step 1:** Review plan with Parts Manager to establish pricing code to achieve desired GP structure with Recon Manager and obtain buy-in. Due date: 9/20/17 **Step 2:** Review new parts pricing **Step 3:** Implement new parts pricing code in DMS.

Action Plan

Describe necessary action to reach desired result:
Current Internal Parts markup is at List, yielding a normal average GP margin of around 35%. By changing Internal parts markup to List plus 20%, we will be able to achieve and maintain a pure Internal Parts GP margin of around 42%, equivalent to CP R/O Parts. Since we adjust parts pricing downward on several Recon repair orders throughout the course of each month as necessary to achieve agreed upon Recon costs for certain units, the overage will allow us to maintain an average overall Internal Parts GP margin of 38%.

Requirements

1. Meeting with Executive Manager:
Action Proposed: Proposed the above action plan to Executive Manager.

2. Meeting with stakeholder(s) (dealership personnel):
Once approval has been obtained by the Executive Manager and the Recon Manager is on board, changing the Internal Parts pricing code is basically "flipping the switch" in the DMS by the Parts Director and will require no additional training of personnel or modification of current procedures.

3. Accountability: Monitoring progress:
Who: Fixed Operations Director
What: Monitor DMS and G/L Detail Daily and Weekly for anticipated GP margin increases in Account 4650. Discuss any discrepancies/underperformance issues with Parts Director in order to enact any corrective measures necessary.
By When: Plan will be implemented by 9/22/17.
How: Parts Director will change Parts Pricing code in DMS to "Code 8" which will bill parts to Internal repair orders at List + 20%.

4. Describe checkpoints that have been established to measure progress:
Daily / Weekly / Monthly /
Daily: Monitor DMS Daily Sales and Gross Profit Report
Weekly: Review Account 4650 numbers in DMS Detail G/L Report
Monthly: Verify Account 4650 GP% on Monthly Financial Statement

5. Estimated cost for implementation: There will be zero costs associated with implementation of Plan.

Projected Date of Completion:

September 22, 2017

Sponsor Signature: _____

Evaluation of Results: Include measured results.

Impact Areas:

Sales / Gross / Expenses

Sales: We anticipate an increase in Parts Sales of approximately \$10,236 per month.

Gross: We anticipate an increase in Internal Parts Gross Profit Margin of 6 to 7%. The full effects will not be seen until the October 2017 Financial Statement, which should

be evidenced by an Account 4650 Gross Profit percentage of 38%. Based on YTD Sales numbers, the monthly anticipated Gross Profit \$ increase will be \$8217.
Expenses: There will be no increase or decrease in Parts Department expenses. Increase in Reconditioning Expense per unit will be nominal.