

# Departmental Action Plan

Student Name: Brad Wolfe

Class & Student Number: N323 Student #38

Academy Week: Variable Operations 1 - Preowned

## Current situation or challenge you want to address:

Our biggest problem we face currently is recon time to get our of service combined with aged inventory. This is our greatest challenge and has a ripple effect on fixed operations productivity and used inventory turnover time and profitability. While at nada I found out that we are paced to turn our inventory over 8 times this year! We need to be at 12 for benchmark. We were doing a number of things wrong. Pricing too high in the market initially out of the gate. This created low vdp conversion rate. We were slow to get pics of cars up on the website, slow in recon and just starting the process. A car would sit for 4 days before a tech or detail member even touched it. Sales people would hold on to keys for 3 days. It was counterproductive.

In addition, another issue was our vision from management was increase your used volume, period. Idea being that you will increase your recon gross, pack, admin, and the used car front end are all things that cannot be charged back. Our f and I team is very strong and that is gravy on the top, but the main point was that management is adamant of increasing our volume of used cars sold. The top management's philosophy is used cars are of the utmost importance and it went hand in hand with increasing our volume aka, fuels the beast, and new car gross doesn't seem to be going up anytime soon.

We are reaching capacity for our facility at our store as we are the number one volume store in the city for a few decades, and now, due to our large customer base, we have trouble meeting the demand for amount of work vs the tech time available coped alongside an increasing used car volume push by upper management, lack of used car techs for recon, and the balance of all other moving parts. We had 17 bays and stalls and 3 were dedicated to used car recon.

We also used to buy cars at auction, which is expensive, usually over black book, and on top of that you pay auction, transport fee, and by the time the cars arrive you are a few days in and can then start the recon process. (Not to mention

the hurricane in Texas which made dealers scrambling for inventory in the south because 500,000 cars were destroyed.

So now we are overpaying at these auctions we relied on to increase volume. Now you're a week in, don't have any pictures on the website, it's not marketed, not detailed or cleaned so you may not be able to take any pictures, and no work has been started. Add on sublet repair because most of these cars aren't perfect and need paint, dent, interior, all kinds of sublet work, which is always expensive, and takes away from the bottom line. That starts to add up quick.

### **Overall Objective and Specific Desired Results:**

Objective is to reduce turnaround time in our shop for recon to 3 days from 5-6 days.

Secondary objective is to create smaller level process changes to help aid in reducing aged inventory. Create a faster turn to turn inventory 12 times a year.

### **Describe your action plan in detail (be specific and include before and after measurements)**

We put a number of processes in place to help get recon time down to 3 days.

First we increased our techs from 3-4 and hired a master technician. He is a really excellent tech, and fast. He gets work done much faster than the other 3 technicians, and is helping progress their skills as well.

Secondly, we stopped buying cars at auctions and implemented a hard 60 day turn policy. If a car isn't sold in 60 days it can be bought for mmr by the other 4 stores in the group, and if not it goes to auction that next day. This incentivizes the used car manager and inventory manager to stay on top of the recon process to ensure cars are out and photos go up as quickly as possible to get the car ready to sell. Also, this creates a new sense of urgency by service because rapid recon tracks if they don't dish the work out and it sits on a writer's desk.

These had the biggest impact on reducing recon time. It did a number of other positives. We didn't have to wait for cars being transported across country. Since the hurricane, cars were going for way to high at auction, due to Texas dealers buying up any used inventory they could. People needed cars down south, and overpaying at the auction was not a viable option for us in Kansas when we already typically have problems with these cars. We also

didn't have to pay transportation fees and auction fees. We reduced recon time because we went waiting on cars for a week to get here that we hadn't even seen yet.

What we did instead was started paying more for our own trade in cars. We would rather pay to keep our customers cars in house. We started a daily report of missed appraisals day prior, and management will go through that log daily and relook at trades, put more into it to make the deal if we need to. We also now make the salespeople take picture of a trade during the appraisal, which are immediately uploaded to vauto so a manager can see. This way when we relooked at missed trades from the day prior, we can see if there was food on seats, the bumper was destroyed, and so on. Helps us be more accurate.

We also got and implemented a new software called rapid recon. This is a time stamped software system which shows exactly where the car is in the process of recon. It has to be manually pushed from one step into another. So a used car manager or inventory manger can get on and look up a stock number to see exactly where the car is in the process. So now he can tell if it is waiting on parts, detail, or if it's been stuck in one area for 2 days and something's wrong, he can now see that and go address the issue.

We looked back on how we historically did on foreign high end cars like old BMW, and old Mercedes, and our results were we lost money on most of them. They cost way too much in the shop to recon and they are hard to sell. We immediately wholesale these types of cars now. We have no market for them at a Honda dealership in the Kansas.

Also, Sales people are required to get trade keys over to inventory manager the day of the trade in and he is required to stock the car in and write a description within 24 hours. Wholesale cars leave to go to auction the min we have title, and inventory and used car managers will go through the new trades each morning after to decide what's a wholesale piece. We use detailed notes and pictures in vauto so this helps with that. Ex the car has 200,000 miles and there was a click in the engine. That is easily determined wholesale and we dump it that day to auction if we have a title.

All cars go through the car wash and we get at least one clean picture of the outside which the inventory manager now uploads to the website in 48 hours. We detail these cars first whenever possible to get a complete set of pictures. If we have no detailers available, we run it through he car wash and get at least get two pictures up on the website. We wash all cars immediately now with a 48-hour turnaround and the same on pictures.

**Timeline:** Describe specific short term and long term checkpoints to monitor progress

**Long term goal: Turn inventory 12 times a year, once each month. We can track monthly through v auto.**

**Short term: Shorten recon time to 3 days and pictures to 24-48 hours. We can monitor progress monthly by using tools like vauto and rapid recon. .**

Also, Interestingly, recon labor gross increased on fewer units CYTD. Honda also has the highest recon per copy now by nearly \$400.00 over the next closest store in our group. Our v uato recon time is down to 3-4 days from 5-6. From almost two months prior.

Also in august we started this process, and had to weed out aged inventory so we ended dup selling 91 used units with gross front profit being 68 thousand. September was our first full month of having all processes in place and we sold 68 units and made 64k in front gross alone. This is because we marketed the cars right by getting pictures up in a accurate timeframe, taking into account market days supply when bidding on cars, increasing our accuracy of appraisals and stepping up to buy cars on our lot rather than at an auction we cant physically see them at. We reduced our costs entirely associated with auction fees, lowering our cost of cars, and we sell them quicker by pricing them right instead of sitting on them. This is also due to the hard turn policy because the used manager knows he will lose money if he lets it get to 60 days so he prices to sell out of the gate for the majority of our cars.

### **Meeting with Stakeholders (dealership personnel)**

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences. Include timelines / Accountability / Monitoring process

- a. Who: Managers who appraise cars put detailed notes and will not do the appraisal unless salesperson has walked the trade and uploaded pictures into vauto with the customer.
- b. Manager are responsible for training salespeople how to use vauto app, really easy. Also, this helps salesperson build value during the walk around process when customer is relaxed around their own car helping us buy the trade right. Salespeople are also responsibly to getting the trade keys to inventory manager within 24 hours.
- c. Daily, managers will get a missed appraisal report and go through those as well as their own desk log for previous days' sales. Used manager and Gm will relook into all Honda trades first and put more money into them if manager deems a deal can be made. Everything has to make sense financially.
- d. Inventory manager and used car manager are responsibly for adding cars to inventory within 24 hours with descriptions and pricing. Inventory manager is also responsible for the making sure the cars are cleaned

the next day and at least two pictures are taken to go onto the website with in 48 hours with a good well thought description.

- e. Used manager and Inventory managers also go through low vdp, off target, no price change reports every week, and change prices or figure out why a car hasn't sold, ex smoker car, and adjust price accordingly.
- f. What: We successfully reduced our recon back to 3 days from almost six. We just need to keep it there. Adding another tech helped a lot as well as rapid recon software and simple process changes.
- g. By When: Immediately
- h. How: GM got with service and New and Used managers and explained what our goal was, how we were going to a hard turn policy and people needed to be on board if they expected to continue working here. He explained that by working together and more effectively utilizing these processes will positively affect all areas.
- i. GM wrote these changes in job descriptions for each manager and had them sign off on them.
- j. We also changed out used car managers pay plan and recon managers pay plan to involve a percentage of recon gross so now both are adamant about getting cars into and out of service and marketed as fast as possible because their monthly checks depend on it.

### **Dealer agreement:**

If you need your sponsors support or approval to implement your plan, have it signed off before you start. If you can proceed on your own, present this action plan to your sponsor before next class. Describe the meeting:

---

When I arrived home I immediately went to work gathering all the data to show to our GM what we had learned in class. Explained to him about our vdps and how we were packing well below benchmark for inventory turnover, 8 instead of 12. We talked about marketing used cars and the pictures we take, not having cars in background, and most importantly our lack of pictures until 7-10 days in and time it took for the overall process. We discussed how this had a direct effect on our holding costs, gross profit, etc.

He took a few days to go over the numbers and do research himself, but was very susceptible to changes. He added descriptions to every used car in inventory himself. He understood we could do better. We got together and started to discuss making some changes to help used car inventory recon time and our processes in general as described above.