Departmental Action Plan

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Class & Student Number: N323 – Student 19

Academy Week: Pre-owned, Variable 1

Current situation or challenge you want to address:

I am probably not as far along in my career as many of my classmates. I am going into my second year in the business and currently working in an Office Manager role for one of the stores within our group. I wanted to address this action plan in a manner that allowed me to help influence a positive change in our process and operations given my current role. I think one of my key responsibilities in the store is to ensure we are utilizing our capital in an effective and efficient manner.

One of the key takeaways for me from the pre-owned week was how important inventory turns can be to the success of the department. Without taking a second to sit back and think carefully, it is easy to fall into the trap of believing it is better to hold onto a car for 3 months if you can gross $1,500 than it is to move in the first month for $500. It is important to keep in mind the holding costs of vehicles as well as other key qualitative characteristics such as keeping your inventory fresh and consistently updating the website.

I was reading through the book the *Intelligent Investor* by Benjamin Graham on vacation shortly before the pre-owned variable class. One key takeaway I gained from that book was that investing is a disciplined science that allows you to take readily available market data and use it to strategically come up with a long-term approach to earn a return on your capital. I found that many of the theories taught in this week of the academy mirrored those of the author in the referenced book.

My action plan will help our store manage our capital and investment in used cars by providing a means to identify units approaching the "old" and "dead" zone. The Office Manager's role is to provide support to operations by recording timely and accurate data and to identify trends in schedules and results that are working and not working. Our store does a weekly Friday meeting with the General Manager and all department managers including myself. I utilize this meeting to identify key receivables to collect during the week and to identify any support needed from my department during the week. My action plan is to start providing a list of the 5 oldest inventory units each week. I will utilize the format of the Price Check exercise we performed in class. I will provide the statistics to back why it is absolutely

time to move these vehicles. Before the following week's meeting, I will revisit the units on the list and make sure we moved them either at the auction or via a retail sale. After the class, I now have the understanding that accounting should pay equal attention to the turning of pre-owned inventory as turning receivables.

Overall Objective and Specific Desired Results:

My objective is to drive a change in behavior. I am hopeful that this exercise will help improve our used car inventory turns because it will bring to light that we are all paying attention. We have a soft turn policy at our dealership and true accountability has not been implemented for the aging of inventory. The way our stores are structured, the management company pushes down a working capital interest charge on used inventory over 60 days. This exercise will help support the general manager whose pay is directly affected by these charges.

At the end of September, this exercise had me bring my top 5 aged cars onto a list and each were over 70 days old (with a couple more over 70 too). My goal is for this to change behavior and when I bring this list to up in my Friday meeting two month's down the road, our oldest cars are approaching 60 days. Six months down the road we will hopefully see our oldest cars in inventory that get brought up during the meeting are approaching 45-50 days in age. This will help us achieve an average turn of 45-50 days and improve GROI dramatically. I think it will lead to a decrease in new car dependency at our store and also reduce expenses.

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

Here is an idea of what my action plan would look like each Friday:

Stock #	Vehicle	Age Days	Cost Investment	Retail Price	vAuto Rank
V124937C	15 CADI ATS	93	26,514.99	27,845	10/11
V560012C	15 CADI SRX	93	32,946.40	34,850	4/6
V174590C	14 CADI CTS	80	28,853.95	30,445	6/8
V534191C	16 CADI SRX	80	33,957.74	35,988	9/9
V631995C	15 CADI SRX	75	27,249.60	29,600	11/15

Quantitative Example: Hold onto V124937C for another 27 days and sell for $28,750 to generated $2,167 Gross Profit (Close to NADA 7.6% Guide) verse selling for $1,000 gross in first month

GROI at 120 days with more gross - 7.6% * 3 turns = 22.8 GROI
GROI at 30 days with less gross – 3.6 % * 12 turns = 43.20 GROI

Key to Remember (Updated Last Closing Month of September):

UV Dept. Expense YTD - $1,668,581
Avg. Dept Expense per Month - $ 185,398
Avg. Retail Sold per Month – 61
YTD PUVR - $1,538.00

Daily UV Holding Cost – $101.30

Days in Stock to Break-Even – 15.18

As you can see above, this is a much needed exercise in our store. The used car manager seems to be taking some pride in his more expensive inventory and certified cars. Ultimately, this isn't helping us make any more money. It is helping us lose money. It is my job to make sure we continue to invest and not get caught gambling/speculating.

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

As mentioned above, this process will be performed weekly. Follow up will be done weekly. I will support the General Manager and provide him with all necessary data to help hold the Used Car Manager and sales associated accountable for turning one of our very key assets: pre-owned inventory

To measure the effectiveness of this approach, I will keep in a Master Excel file each week that shows the cars that were discussed during the meeting.

I would like to see the average age of this car decrease to 55 days by March of 2017. We should be trending towards improvement within months and the average day's age of the cars on the list should decrease by December 2017.

I think this is an easy approach to driving behavior and should result in immediate results. However, I still plan to track progress as outlined above in order to identify if the strategy is ineffective and another approach should be taken.

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: General Manager, Used Car Manager, Desk Manager, General Sales Manager, Service Manager, Body Shop Manager, Parts Manager

   b. What: List of our oldest five units, along with quantitative statistics to back why we need to move in the week,

   c. By When: Every Friday during store meeting list will be presented – During next week's meeting, any of these units that were not moved will revisited and included in that week's list allowing the GM to be aware of any units the UC manager is having trouble moving

   d. How: Excel list, handout for store management – tools used: Excel, vAuto, DMS (CDK), NADA GROI template, and other statistics I learned to calculate in class

   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:

Provided to sponsor. Sponsor is firm believer in Accounting's role to provide support to operations by helping identifying trends that need addressed. This procedure should help drive behavior without adding a lot of effort or time to the general manager's plate. The office manager should be a business partner to the general manager.

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