

Departmental Action Plan Template Truck

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Academy Week (Var II): New Sales

Current situation or challenge you want to address in the following categories, please select one:

1. Sales Meeting Best Practices
2. Employee Retention
3. F&I
4. New Truck Inventory
5. Gross Profit Retention
6. New Truck Sales Process

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

While the new vehicle sales department does some very good things for all the employee owners of Midway Ford Truck Center, Inc., the management team also has endured their fair share of challenges. While many situations with manufactures are most often out of the control of the new vehicle sales department management team, they are still stuck with ensuring inventory can be converted to sales for a profit within a timely manner. While the National Highway Traffic Safety Administration has pushed manufacturers to enact recall notices at the first confirmation of safety issues. The dealers have suffered due to manufacturers implementing a stop to all pending sales and a hold on all dealer inventory effected by the recall. We had to endure several of recalls on our new Ford inventory. The delay in vehicle delivery has led to several cancelations of fleet orders and excessive aged inventory.

Midway's new sales department was high hardest by this matter in October 2015 when Ford announced a safety recall on their medium duty product. At the time, we had over 300 units

at body builders pending completion for final delivery. The delays in delivery lead to several orders canceled by customers, resulting in 342 units aging over 360 days.

Ideally, the sales department would not have to shoulder the costs associated with the delays due to recalls but we all know that the manufacturers are not going to pick up the costs of floorplan interest and lost sales.

At this point, we must protect ourselves from any manufacturers recall announcement on customer ordered vehicles. By doing so, we can reduce the number of aged units and increase our gross profit retention as inventory will be converted to sales at a higher profit margin than those of the highly aged units.

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

When starting to analyze the data behind our inventory aging issues, it was appalling how much of our inventory was aged past 360 days. This inventory is dangerously close to being sold for a loss.

New Truck Inventory Aging

Month	Total Stk Units	1-60 Days	1-60 %	61-120 Day	61-120 %	121-180 Days	121-180 %	180-360 Days	180-360 %	360 + Day	360+ %
Aug-16	664	118	17.77 %	122	18.37 %	148	22.29 %	90	13.55 %	166	25.00 %
Sep-16	960	435	45.31 %	135	14.06 %	130	13.54 %	107	11.15 %	153	15.94 %
Oct-16	596	139	23.32 %	126	21.14 %	82	13.76 %	129	21.64 %	120	20.13 %
Nov-16	522	103	19.73 %	121	23.18 %	69	13.22 %	126	24.14 %	103	19.73 %
Dec-16	725	272	37.52 %	181	24.97 %	73	10.07 %	100	13.79 %	99	13.66 %
Jan-17	406	68	16.75 %	79	19.46 %	67	16.50 %	106	26.11 %	86	21.18 %
Feb-17	474	142	29.96 %	104	21.94 %	56	11.81 %	103	21.73 %	69	14.56 %

Mar-17	400	89	22.25 %	114	28.50 %	35	8.75 %	102	25.50 %	60	15.00 %
Apr-17	734	420	57.22 %	119	16.21 %	72	9.81 %	68	9.26 %	55	7.49 %
May-17	282	113	40.07 %	14	4.96 %	42	14.89 %	60	21.28 %	53	18.79 %
Jun-17	505	275	54.46 %	83	16.44 %	48	9.50 %	60	11.88 %	39	7.72 %
Jul-17	896	293	32.70 %	449	50.11 %	59	6.58 %	54	6.03 %	41	4.58 %
Aug-17	1243	555	44.65 %	483	38.86 %	105	8.45 %	65	5.23 %	35	2.82 %
Sep-17	1390	522	37.55 %	632	45.47 %	152	10.94 %	64	4.60 %	20	1.44 %

At the end of August, 2016, we had 166 units aged over 360 days, 25% of our vehicle inventory at the time. In the past 13 months, the number of aged units over 360 days has been reduced to 20 (1.44% of September 2017 vehicle inventory), but that is still too great of a percentage.

Vehicle aging schedule should be for less than 0.5% of the vehicle inventory to age past 360 days. This will be accomplished in the following steps:

- Major fleet units are only ordered with a signed sales contact and customer purchase order
- All multiple vehicle orders require the signature of sales person, sales manager, and general sales manager or dealer principal.

Signed Sales Contacts/Purchase Orders

Prior fleet units were ordered by the sales person with little to no oversight of what was ordered. This loose control on vehicle ordering allowed sales personnel to order vehicles without signed sales contracts or customer purchase orders. The fallout from this process was heavily noticed when several hundred vehicles would be held at a body company and floorplan interest started to accumulate.

Now any fleet deal must have a signed sales contact and signed copy of the purchase order prior to any vehicles being ordered for the customer.

Multiple Vehicle Manufacture Orders

Prior to truck inventory personnel ordering vehicles, they must have a signed copy of the order spec that has been reviewed with the customer and sales person. The order spec is

then confirmed by the sales manager. Lastly, for any order of more than twenty-five units, the sales order, order spec must be signed off by the general sales manager or dealer principal.

This level of truck ordering involvement by high level managers ensures the product being ordered will be sold at a profit in a very quick manner from the time the units are built.

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

Truck inventory is closely looked after during multiple times throughout the month.

Daily, the sales management team receives an e-mail of all sold units pending delivery. For example, we currently have a large number of units that are sold to customers, but due to recall concerns, the final delivery has been delayed, thus aging the unit. Additionally, the sales management team received an e-mail daily of the units that are purely stock, no signed sales contact on file.

After the close of each month, since we do a less than adequate job of closing truck deal folder, accounting keeps the truck sales fold open until the last day of the month to capture any invoices from vendors that might not be received at the time of the sale (This doesn't make sense to me, but I don't work in sales or accounting), the sales management team tracks the total number of units aged past 120 days, this aging can be due to body builder delays, manufacturer recalls, or the unit just has not sold. The discussion at the 120 day mark involves why the unit is delayed and how it can be sold for a profit quickly.

To enact the action plan of less than 0.5% of all vehicle inventory aging past 360 days, we will continue to review the 120+ day listing each month.

After two full years of keeping closer tabs on this matter, we will review the program and review to further improve our aged units past 360 days to less than 0.25%.

- **Meeting with Stakeholders (dealership personnel)**
 - o Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences (PINO, Gain, Pain). Include timelines / Accountability / Monitoring process
 - Who: New Sales Managers, Sales Personnel, Dealer Principal
 - What: Meeting to discuss fleet vehicle ordering process
 - By When: May 30th, 2018
 - How: Utilizing the action plan listed above.
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