



## Financial Management Objective Homework

**Student  
Class #**

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**Name:**

N331

**Academy**

***I plan to accomplish the following objective by our next class on:***

I plan to increase Total F&I income per retail unit from \$1,285 to \$1,450 by December 31, 2017.

**Provide the relevant  
compositedata**

Department	Month	Page	Column
Finance	Aug	27	12B

<b>Action plan for achieving objective</b>
<p><b>What is the area of focus?</b></p> <p>The area of focus is on increasing the profitability of the Finance Department's overall F&amp;I income per contract. I am currently the Finance Manager in the store, so I am choosing an area that I can directly impact. In addition, after doing Week 1 Analysis at NADA, I can see how pivotal it is for our finance department to be profitable in helping both new and used cars breakeven.</p>
<p><b>What is the proposed plan? How will you achieve it?</b></p> <p>The proposed plan is to increase the Finance Department's PRU from \$1,285 to \$1,450 by December 31, 2017.</p> <p>In order to do so, the department is going to have to increase its profitability on new and used retail contracts.</p> <p>In order to achieve increased profitability, I will begin putting an increased emphasis on Finance Reserve. We are currently averaging \$460 in financial reserve per retail unit, which is well below the groups \$665 average. Typically, we try to use Toyota Motor Credit Corporation on as many deals as we can. While they currently get about 80% of our finance contracts, they definitely do not offer the most competitive rates or participation which means we are leaving money to the department and store on the table. I plan to explore different banks on a contract-by-contract basis to move the finance reserve needle at the expense of TMCC market share.</p> <p>Additionally, I look to improve profitability by placing an emphasis on GAP</p>

insurance. We are currently averaging \$263 in GAP gross per retail unit, which is well below the groups \$409 average. Increasing the GAP PRU will be a challenge as we are seeing increased pressures from insurance companies offering the same coverage at lower prices. In order to tackle these challenges, I plan to combat the insurance companies by focusing on the disclaimers insurance companies provide limiting their coverage. I also plan to enhance our GAP sales technique by focusing on the value it offers and providing customers statistical support of the benefits GAP offered to those affected by Hurricane Harvey.

Lastly, we have a contractor who has been struggling to meet departmental standards in penetrations and profitability. The employee was trained thoroughly in the beginning but has unfortunately regressed over the past few months. Taking the NADA principles from Week 1, I am going to focus on Step 2 of the TRR model and try to retrain this employee. The employee is energetic and loyal so I think taking a step back and retraining the employee back to his basics will help right the ship. I will work with him to identify his strengths and weaknesses. Then, I will help to build on his strengths while trying to minimize the identified strengths. I believe this process will help improve departmental profitability in the near term and especially for the outlook of 2018.

**How will you track your progress? What measurements, KPI's? How often will you track?**

I will track my progress using a variety of tools. The NADA composite tool will be used to track my progress each month to see how close I am getting to my \$1,450 goal by the end of December. I can also use the composite to view my finance reserve and GAP insurance gross on a monthly basis. I will also be using the composite to track my progress in New and Used cars. In order to hit my goal, it is essential to understand what is driving the numbers, which departments we are excelling in and which departments we are having pitfalls in order to address these needs. Therefore, using the composite to focus in on New and Used cars will help me move towards my goal.

Additionally, I will use our F&I tracking software called Stone Eagle. The software is linked directly to our DMS and provides a daily snapshot of where we are each month. The report will allow me to focus in on my overall profitability per retail vehicle. Therefore, I will be able to track daily if I am moving in the right direction as a whole for the department. The report will show me where my finance reserve and GAP gross is for the month on a daily basis. It is going to be imperative to finish each of the next three months above my benchmarks in order to move my aggregate numbers. Having these resources available will help me insure I am following my action plan in order to reach my goal.

Lastly, I will track the employee who is struggling through Stone Eagle as well. I have a good understanding where his numbers have been for the past year. As I enter into the retraining phase, it will be important for me to monitor a number of metrics. I will most importantly be focusing on his PRU, but I believe penetrations are a larger driver of PRU. Therefore, I'll be monitoring his Service Contract, Gap Insurance, and Maintenance penetrations very closely to make sure they continue to increase month over month. As the penetrations increase, I will then begin to focus on making sure he is asking for the correct money on them by product

profitability.

**Who are the employees that will be involved, or impacted? Will they require training or assistance?**

The employees involved will be the Finance Department. We have four finance managers (Paul Alli, Brock Willett, Mitch Ericson, and myself) and one finance director (Scott Kleist). In order to meet our goal, we will need to improve our training on GAP insurance and acquire additional resources and references to dispute the insurance competition. Having the correct resources to overcome customer objections is essential. Additionally, our Director will need to be more involved in each deal in determining which banks will help maximize our reserve and still give us enough money on the back-end to continue to sell our product and meet penetration objectives. The Director will also need to be proactive in monitoring our market share with TMCC in order to not be penalized or have them refuse to pick up certain paper. Lastly, the employee who has been struggling will again be entering the retrain phase of the TRR process in order to increase his performance before determining if he must be replaced.

**Is there a cost, or estimated cost for implementation?**

The cost associated with the implementation of the plan to meet our goal will be time. The plan is going to require the entire department to put in the necessary time to train on GAP and feel more comfortable selling higher rates of interest and overcoming objections. Each contractor will need to get more comfortable with submitting and rehashing deals with our buyers in order to drive down buy rates and maximize participation. In order to meet our goal, we do not have a lot of time to change the department's overall PRU in 3 months time. It is going to take everyone's focus and dedication to implement this plan successfully to meet our goal.

The Finance Managers pay plan already requires employees to meet certain product penetrations and PRU standards. I do not see the need to increase compensation to the manager or director in order to move the needle. Therefore, I do not see any additional expenses needed to drive increased profitability.

**Projected date of completion?** December 31, 2017. I feel like having identified our areas of weakness in comparison to my peers in the NADA Academy, I can meet my goal if I stick to my action plan I have set forth.

<b>Jan.</b>	<b>Feb.</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
<b>July</b>	<b>Aug.</b>	<b>Sept.</b>	<b>Oct.</b>	<b>Nov.</b>	<b>Dec.</b>

