



Financial Management Objective Homework

**Student
Class #**

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Name:

012

Academy

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

May 8th

by

Improve used vehicle gross profit return on sales to at or above NADA guide by tightening up key areas in our overall used car operation.

Objective:

Used car department

Department:

Action plan for achieving objective

What is the area of focus?

Our focus is overall efficiency. Making sure to maximize every opportunity from BOTH a process and product stand point and by also getting more granular with costs and cycle time as well as continuing to monitor and make our stocking plan flawless.

What is the proposed plan? How will you achieve it?

Our plan is fairly simple. In regards to stocking plan we will continue to utilize V-Auto to make sure that we are actively pursuing and stocking vehicles in our inventory at the correct dollar amounts. This means we must be very attentive to market conditions, day supply of each individual vehicle, physical condition and perceived recon costs at the curb prior to trading for the vehicle and leverage the internal tracking systems we have to take note of what vehicles are fast movers for us. This will help us to decide whether our best money for that individual vehicle will be at wholesale or at retail. We will also have to monitor our recon costs and the amount of time these vehicles take to make it through the recon process. We will be aggressively using the velocity pricing strategy and price our vehicles a bit under market right out of the gate. In regards to cycle time we have been actively pursuing a few more internal techs. This will help us get our cars through service quicker. Our overall number of cars and the consistent pace we are turning vehicles warrants the extra help. The overall plan is to stock the right number of cars and turn them at a very fast pace (18-20 times per year). Our pricing model will compress front end gross profit margins a bit however we will turn our inventory fast enough to where in theory we will never have agers. This will RAISE our dollar per copy because we will not be taking big losses at retail or wholesale to unload agers. Our proposed plan will mainly be a process and product fix. Take vehicles in right, get them fixed right, get them to the line quick, price them right, sell them for what we ask, and do that about 225 times per month.

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

We will monitor progress in a number of different ways. We will be monitoring the overall used vehicle gross profit return on sales. We must get this north of 12% (would really like to get to 15%). We will monitor this at the end of each month to make sure our progress is heading in the right direction. We will monitor our used car day supply and make sure it stays as far below 30 days as possible without it costing us business. This will be watched daily to ensure as we sell and acquire inventory that our overall plan is still being executed. We will also be watching things like pricing, wholesale sales, front end dollar per copy on a per manager basis, Finance dollar per copy by F&I manager, cost of sale (after the fact money hitting the account not originally setup in the deal), overall inventory by age and identify why they are aging EARLY in the life of the vehicle (30-45 days should begin the worthy of a highlight phase), merchandising, lot staging, and online presence DAILY.

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

2 used car managers 2 new car managers 14 salespeople 5 finance managers

The management staff is already trained in overall trade and vehicle acquisition but we have to start dialing in the details. So, we will be training on the "why" and the overall effect of the tighter processes. The salespeople are all very well trained and have been with us for quite a while (we have had less than 5% turnover in sales in 4 years) however this will also be more of a tuning up stage.

The management staff as a whole must all be on the same page across all departments in order to ensure all the sales staff is on board with our pricing

Jan.	Feb.	March	April	May 8th XXXXXXX XXXX	June
July	Aug.	Sept.	Oct.	Nov.	Dec.