



## Financial Management Objective Homework

**Student #**

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**Name:**

N331

**Academy Class**

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

Variable Operations 1  
(pre-owned) - April 23

	Department	Month	Page	Column
<b>Action plan for achieving objective</b>				
<p><b>What is the area of focus?</b></p> <p>I will be focusing on the used department gross profit return on sales. As of August 2017, our dealership was at <b>6.83%</b> gross profit return on sales. This is 5.17% below the 12% NADA guide. I will be focusing on this department in the hopes of increasing this department's gross profit return on sales. When looking at the used department's gross profit return on sales without the wholesale vehicles, this department is at 12.1%. By comparing this value to the previous value we can clearly see that the wholesale is significantly reducing our gross profit return on sales. <b>In order to increase the overall department's gross profit return on sales, the department should focus more on selling the used inventory to retail customers rather than wholesale.</b> By looking at page four of our financial statement we can see that the in the month of August there were 46 used vehicles sold to retail customers and 45 vehicles sold through wholesale. The year to date value shows that we have sold 363 used vehicles to retail customers and 355 vehicles through wholesale. By looking at this we can see that we are selling almost as much wholesale as we are retail for the used vehicle department. If we are able to increase our retail sales then we should be able to increase our gross profit return on sales since our profit from each retail sale is much higher than when a vehicle is sold through wholesale. According to our August financial statement, the used car department sells retail cars at \$924 per unit on average. The used car department sells wholesale vehicles at a loss of \$124 per unit on average. The used truck department sells retail trucks at \$1170 per unit on average. The used truck department sells wholesale trucks at \$200 per unit on average. Wholesale is important in order to turn inventory and get rid of aging inventory however if we are able to increase the number of used retail sales then there should be less inventory that needs to be sold through wholesale.</p>	USED VEHICLE	August	18	5B

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

In order to achieve this goal, we will be changing five things in the dealership.

1. Rotating the inventory location on the lot □ on our property, the used cars are located in the back lot. In order to maximize used car sales, we will be moving some of the used cars to a section of the front lot so customers can easily see these vehicles.
2. More signage for the used car lot □ since the used cars are stored in the back lot, they are not visible to customers. In order to attract customers to look at these cars, we will be adding signs to the property informing customers of our back lot and encouraging them to look there.
3. Reducing the price of aging inventory □ Instead of wholesaling vehicles that are not selling, it may be more beneficial for our gross profit to reduce the price on a vehicle and sell it to a retail customer. While in some cases the vehicle may sell for the same price as a wholesale, the dealership gets additional business for the F&I department.
4. Advertising the price changes in inventory □ In order to attract customers to look at the aging inventory, we will be advertising these price changes on our website and in our newspaper advertisements.
5. Improve salesmen product knowledge □ In order to sell more used vehicles; the salesmen need to become more familiar with the vehicles on the lot. This will require additional attention for the vehicles brought in on trade which is a different brand. The salesmen need to become familiar with the vehicles unique features in order to sell the vehicles. When a new vehicle comes in, the salesmen will be encouraged to go look at the vehicle and determine the selling points of that vehicle.

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

In order to track our progress, each month I will be thoroughly examining the composite and the financial statement for the used car department. I will mainly be tracking three values which are related to the department's gross profit return on sales.

1. I will be looking at the number of vehicles sold to customers versus the number of wholesale vehicles each month. I will be looking at both the month to date and year to date number of vehicles sold. When I compare this value to the value of previous months I will be able to see if we are reducing the number of wholesale vehicles and increasing the number of retail sales. I would like the ratio of wholesale to retail sale to change from 50:50 to 25:75.
2. I will also be calculating the month to date gross profit return on sales. By calculating this value I will be able to see how our changes are impacting the individual month's gross profit return on sales. By comparing this value to the previous months I can see exactly how our plan is working to increase this gross profit and whether I need to make and additional changes to make this plan successful. Unlike the year to date gross profit return on sales, this value will not be distorted by the months prior to implementing the plan.
3. Lastly, I will be calculating the year to date gross profit return on sales. I will be comparing this value to the year to date value of previous months to see how the overall value changes. Over time I would like to see the year to date gross profit return on sales increase since this is the value I would like to see reach the NADA guide of 12%.

By tracking these three values I will be able to see how the overall plan is working and whether there are any additional changes we need to make in order to make the plan to make it more successful.

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

1. The salesmen will be involved in this change. They will need to familiarize themselves with the used inventory on the lot so they can give their customers more information on the used vehicles. If the salesmen are more familiar with the inventory on the lot then it may be easier to sell those vehicles to customers interested in purchasing a used vehicle.
2. At our dealership, our advertising manager is in charge of advertising and vehicle pricing on the lot. In order to maximize the number of used retail sales, he needs to be aware of the aging inventory and decrease the retail price of a vehicle as it ages. When this price decreases he will be responsible for updating our website and our advertisements to display this price decrease.
3. The lot caretakers will also be involved in this change. The majority of our used inventory is in our back lot so it may be beneficial to have some of the used inventory brought up to the front lot and have that inventory rotated. The advertising manager will assign vehicles for them to move to the front of the lot. They will also be responsible for hanging and maintaining the signs stating there is additional inventory in the back lot.

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

A potential cost of implementation may be that the number of the used vehicle turns may temporarily decrease since we are not wholesaling as many vehicles. The number of the vehicle turns should increase once the number of used retail sales increases.

**Projected date of completion?**

This will be an ongoing process; however, after 12 months I would expect that the used department's year to date gross profit return on sales should be close to or at the 12% NADA guide. When looking at the month to date gross profit return on sales, I would expect that we would reach the 12% guide quicker than the year to date. By the 12 month mark, I would like to see the number of retail sales at 75% of the used department's vehicle sales and the number of wholesale sales at 25% of the department's vehicle sales. It is difficult to predict how many vehicles will be sold each month, however, the 75:25 ratio should set a goal in the right direction for the used department.

		<b>Aug. 2017</b>	<b>Sept. 2017</b>	<b>Oct. 2017</b>	<b>Nov. 2017 Implementing plan</b>	<b>Dec. 2017</b>
<i>YTD gross profit return on sales</i>		6.83% (Actual)	6.87% (Actual)	6.96% (Actual)	7% (Projected)	7.5% (Projected)
<i>MTD gross profit return on sales</i>		8.01% (Actual)	7.23% (Actual)	7.71 % (Actual)	7.75% (Projected)	8% (Projected)
	<b>Jan. 2018</b>	<b>Feb. 2018</b>	<b>March 2018</b>	<b>April 2018</b>	<b>May 2018</b>	<b>June 2018</b>
<i>YTD gross profit return on sales</i>	8% (Projected)	8.5% (Projected)	9% (Projected)	9.5% (Projected)	10% (Projected)	10.5% (Projected)
<i>MTD</i>	9%	10%	11%	12%	>12%	>12%

<i>gross profit return on sales</i>	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
	<b>July 2018</b>	<b>Aug. 2018</b>	<b>Sept. 2018</b>	<b>Oct. 2018</b>	<b>Nov. 2018</b>	
<i>YTD gross profit return on sales</i>	11% (Projected)	11.5% (Projected)	12% (Projected)	12% (Projected)	12% GOAL	
<i>MTD gross profit return on sales</i>	>12% (Projected)	>12% (Projected)	>12% (Projected)	>12% (Projected)	>12% GOAL	