



Financial Management Objective Homework

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I plan to accomplish the following objective by our next class

Improve New and
Pre-Owned Vehicle Inventory
Days' Supply

on:

Provide the relevant composite

Department	Month	Page	Column

data

Action plan for achieving objective
<p>What is the area of focus?</p> <p>I have chosen two areas of focus; (1) Our new vehicle inventory days' supply is significantly higher than the 45 day guide set out by NADA, and (2) Our pre-owned vehicle inventory days' supply is slightly higher than the 30 day guide set out by NADA.</p>
<p>What is the proposed plan? How will you achieve it?</p> <p>(1) Our September months' supply of new vehicle inventory is currently at 4.87, which can be extrapolated to mean that our new vehicle inventory days' supply is 146.1. This is 101.1 additional days that we have had to finance through our floorplan, or 3.3 times what our inventory days' supply should be.</p> <p>(2) Our September months' supply of pre-owned vehicle inventory is currently at 1.53, which can be further extrapolated to a days' supply of 45.9 for our pre-owned vehicle inventory- 15.9 days higher than the NADA guide.</p>
<p>Our days' supply for both new and pre-owned vehicles does not align with the guidelines set out by NADA; with new vehicle inventory significantly higher than the guide. What appears to be the most influential factor, with regards to our new and pre-owned vehicle days' supply is the inability to properly target the vehicles that are desired by the market. For instance, the market in Peterborough tends to gravitate towards the Dodge Gr.Caravan, Chrysler Pacifica, and the Ram. The problem with</p>

simply purchasing those three vehicles is that we also have a portion of the market that does not desire any of those vehicles, but would rather have vehicles such as the Dodge Journey, Jeep Gr. Cherokee, or the Chrysler 200. It is imperative to the success of the dealership that we analyze the market data, instead of guessing or making assumptions about what the market desires. According to Dale Pollack, new vehicle sales are not rising at the same rate as they once were. Even minute details such as the colours of the vehicle that are purchased, can determined whether or not the vehicle is going to be sought after, as well as the market days' supply.

The individual who is making the purchases of these vehicles must also not fear changes in the market. It is vital for said individual to keep up with the fluctuations in the market so that the vehicles that we have in-stock, cater directly to our current market supply and demand insights.

Now, it is one thing to say that we are going to make changes, but quite another to actually use these changes to benefit the dealership as a whole. The information about the current market is available on several Canadian Government websites. This information is generally updated once a year, so it will not be an accurate representation of the current market demands from one month to the next. Before purchasing a vehicle, the individual must do some research on the vehicle. Vauto is an incredibly effective tool for such research. By simply searching for a type of vehicle, you will be able to see how many of those vehicles are within in your area, as well as the market day supply. Instantly, this will tell you if the vehicle is selling in your area- or if this is a vehicle that you should not purchase.

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

Kawartha Chrysler has one individual who makes all of the vehicle purchases. The market days' supply calculations will need to be computed once a month. It would be ineffective and unreliable to complete the calculation more often than once a month, because it would not be an accurate representation. The most accurate way of measuring whether or not these changes are having a positive outcome on our market days' supply is to calculate the market days' supply on a monthly basis. It is also important to note that by purchasing vehicles that are of high market demand, our sales should rise and our inventory should turn at a much higher rate. By increasing sales, our months' supply will become depleted as our inventory is constantly changing, rather than simply adding more vehicles on top of vehicles that we cannot move. Hence, another way to measure our progress is to see an increase in sales and inventory turns. Of course, this calculation will need to be done monthly-however, an increase in vehicle sales will be evident at any point over the course of the month.

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

The only employee that will be affected by these changes is the one making all of the vehicle purchases. These changes will require said individual to do research on the vehicles that he would like the purchase, prior to entering any auctions or placing factory orders from Chrysler. Training will not be necessary for this individual as he is well versed in all of the tools that he must use.

One thing to note is that the dealer does not always have control over the inventory days' supply as sometimes, they have placed an order with the manufacturer and all of the sudden dozens of vehicles come in at the same time- even though these orders were placed at different times.

Is there a cost, or estimated cost for implementation?

There will be no cost for implementation as the programs and research material is on the internet, or in

cases like Vauto- already available to the purchaser.

Projected date of completion?

Reducing our new vehicle inventory days' supply from 146.1 days to 45 days; and our pre-owned vehicle inventory days' supply from 45.9 days to 30 days, is not a change that can be made in a matter of months. Providing that all of the changes are implemented immediately, I would imagine that our pre-owned vehicle inventory days' supply should be in line with the NADA guide by January 1st, 2018 at the latest. As for the new vehicle inventory days' supply, I believe that we should be aligned with the NADA guide by May 1st, 2018- which is exactly 6 months from December of this year.

<p>Jan. 2018 Pre-owned vehicle inventory days' supply will be at 30 days.</p> <p>New vehicle inventory days' supply will be at 101.63.</p>	<p>Feb. 2018 New vehicle inventory days' supply should be at 73.05, which is 50% of the changes that need to be made by May.</p> <p>New vehicle inventory days' supply will be at 84.76</p>	<p>March. 2018 New vehicle inventory days' supply will be at 60.91.</p>	<p>April. 2018 New vehicle inventory days' supply will be at 49.81.</p>	<p>May. 2018 New vehicle inventory days' supply will be at 45.</p>	<p>June. 2018</p>
<p>July. 2018</p>	<p>Aug. 2018</p>	<p>Sept. 2017</p>	<p>Oct. 2017</p>	<p>Nov. 2017 Introduce the idea to making changes to the way in which we purchase vehicles. Ensure that the individual making the purchases is aware of the information and websites that are available to him.</p>	<p>Dec. 2017 Pre-owned vehicle inventory days' supply will be at 37.9, which is 50% of the change that we need to make so that our days' supply will be at 30 days by the following month.</p> <p>New vehicle inventory days' supply will be at 121.85.</p>

