



Financial Management Objective Homework

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Class #

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

I plan to increase net-to-sales percentage from 1.02% to 2.04% by 1/31/2018.

by

Provide the relevant composite data

Department	Month	Page	Column
New car, pre-owned car, and finance.	August	1	8b

Action plan for achieving objective

<p>What is the area of focus?</p> <p>The area of focus is new and used sales including the finance department. I currently spend most of my time in the F&I office, but also desk deals and sell vehicles. It was obvious after week 1 in Financial Management that our net to sales percentage is unusually low. The national average is 2.23% which is more than double our current position, and the NADA guide is 4%. In addition, all of my fellow GM Dealers in N331 have a net-to-sales percentage of at least 2.62%.</p>
<p>What is the proposed plan? How will you achieve it?</p> <p>The proposed plan is to double the store's current net-to-sales percentage from 1.02% to 2.04% by January 31, 2018.</p> <p>Because the objective is affected by three different areas, there will be different plans for each department. For the new car department, we need to focus on turning our inventory quicker. We currently turn our new car inventory 2.3 times a year compared to the NADA guide of 8. We can turn our inventory quicker by stocking vehicles and trim levels that are in demand and checking weekly to make sure our advertised pricing is less than or comparable to Dealers in our area. By turning more new inventory we will take in more trades and have a better selection of used inventory that will improve sales in that department. To increase new vehicle profit we need to do a better job of promoting and selling accessories and other aftermarket items that will pad the front end. We also have a ton of room for improvement in new vehicle F&I. We currently do roughly \$300 per copy</p>

on new. This is way below the industry standard and must be improved. We are missing at least \$600 per copy in new car Finance. For the pre-owned car department, we have similar issues that need to be resolved. We are turning our used vehicle inventory 7.31 times a year compared to the NADA guide of 12. We have a good pre-owned inventory selection, but I believe we are not changing our pricing frequently enough to keep up with the market. We need to monitor and change if necessary all pre-owned vehicle prices weekly. I also know we are suffering from our UCI process. We often sell vehicles before RO's have been closed and the actual true cost is reflected. To fix this we need to improve the flow of UCI's and have better communication. We also sell many pre-owned vehicles that are borderline wholesale condition and end up sinking money into unit's post sale to retain a good reputation. We need to do a better job of being definitive about what is a wholesale piece and what is worth doing recon to retail. We need to set up guidelines as to what the recon limits are on different models. To get our pre-owned inventory on a better turn, management also needs to directly incentivize older pre-owned units. For example, placing \$350 flats on all pre-owned units more than 60 days old. Management also needs to hold salesman accountable for promising repairs and accessories not listed on the we owe that eats profit. To fix this we will directly charge the salesman for items promised outside the deal. We also have room for improvement in pre-owned F&I. We currently do \$781 per copy. That is too far below the industry average of \$1200 per copy. The last department that affects net-to-sales percentage is Finance. I have listed some examples already, but what it comes down to is getting back to the basics. I believe the best way to improve total F&I gross is being consistent in the process. We need to do an interview and present a menu that is relevant based on that interview to every customer, every time. Our F&I team has good product knowledge and rapport building, but being consistent will boost our profit in both new and pre-owned sales. Doing these things will help the dealership to double our net-to-sales percentage.

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

I will use several metrics to track our progress. To view the overall progress of our net-to-sales percentage change, I will use the NADA composite. To view changes in new and used inventory I will also use the composite. To make sure we are stocking new units that are in demand, I will keep track of the age of new units and the models and trim levels that sell the fastest. I can use the back-end tools for third party providers like cars.com and car gurus to make sure I am pricing our inventory competitively every week. I will compare month over month data to see how the new pricing strategy affects sales. To track Finance profit, I will use our back-end tool Stone Eagle to see how products and profit per copy are affected by the interview and menu process. I will check this every morning. I will also check each recap and deal turned in to make sure there is a signed menu. By checking I will be able to evaluate what percentages are coming from products and reserve and what can be improved. To track the UCI process, I will look at the amount of time it is taking to get pre-owned trades and inventory through the shop to retail. This will help identify bottlenecks. I will also use the composite, finance statement, and DMS software to identify average cost we are spending on recon. To make sure salesman are aware of special incentives on old units we will hand

out and email weekly memos. To make sure salesman are not continuing to give away accessories and RO's are closed on time I will look at the washout statements compared to the recaps.

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

In my dealership, our management team wears many hats. Our GM Bart Butler, GSM Jason Harrell, Finance Manager Jay Thomason, and myself (Austin Hobson) all desk new and pre-owned car deals. Jay and I also do Finance. My Internet Manager Cole Brown will be the one making sure prices are updated and competitive. All salesman will be impacted by the new incentive and we owe program. To improve communication and UCI flow my Service Manger Joedy Tidwell will be involved. There is no major training required, just meetings to implement new plans and hold employees accountable.

Is there a cost, or estimated cost for implementation?

The cost is time, patience, and potential turnover. It will take time to fine tune these plans to see improved profitability in different areas. We will have to create time we seemingly do not have to have more frequent meetings to keep everyone on track. It will take patience to deal with salesman and finance managers who are not willing to comply with new regulations. If those managers and salesman are not willing to comply the cost will be turnover and taking time and resources to hire and train new employees.

Projected date of completion? January 31, 2018. Two months will provide enough time to see how we are improving profitability that will contribute to a higher net-to-sales percentage.

Jan.	Feb.	March	April	May	June
July	Aug.	Sept.	Oct.	Nov.	Dec.