

NADA - Case Study

Goals

1. Overall Operating profit and GP% are below guide across all units (Cesar)
 - a. **New/Used:** Increase doc fee from \$249 to market average at \$799, it will bring in an additional 295K in a CY
 - i. Enhance process to get used vehicles ready to sell faster
 - ii. Current break even is 29 -> selling 31
 - b. **New:**
 - i. F&I PNVR is currently \$573 -> goal to increase to minimum of \$1,200. It will generate an additional 340K in for the year before any additional unit is sold above current average. Revisit F&I menus, word tracks and menus to maximize profit. This will make the New car department profitable.
 - ii. Current break even is 66 -> selling 45
 - c. **Service & Parts (Mindy)**
 - i. Review techs comp, staffing ratio for the volume of service business we have. \$33 cost of labor vs. effective labor rate \$85. Increasing posted labor rate and reduce discounting
 - ii. Part pricing - GP in part is below guide as well. Putting a better strategy behind pricing will generate additional gross to assist with the increasing of service absorption
 - iii. Wholesale GP is 9% -> goal to increase to guide at 25%
 - iv. Focus on GP ROS

2. Business Practices (Erin)
 - a. **Hours of Operations:** Increase hours to better accommodate internal & customers and increase sales/GP.
 - i. Sales 8AM to 7PM Monday through Saturday.
 - ii. Service 7AM to 6PM Monday through Saturday
 - b. **Cash Management:** Establish a process to identify slow paying vendors, offers various payment methods and/or offer early payment discounts
 - c. **Standard Procedures:** Establish written processes across all units to assist with holding/increasing gross (4 corner stone)
 - d. **Monitor:** Ensure managers are monitoring process on a daily basis

3. Aging inventory & Frozen Capital (Maria)
 - a. **New:**
 - i. *Current turn -> 2.3 vs. guide @ 8 | DS -> 158 days vs. guide @ 45 days.*
 - ii. Currently leaving money on the table from Chevy since we are only achieving objective 50% of the time

- iii. Training to focus on building value on the vehicle to generate front end GP.
- iv. Additional spiffs to sell aged inventory
- b. Used:**
 - i. *Frozen capital* -> \$1.4Ml. 50% of used car inventory is over 60 days.
 - ii. *Current turn* -> 3 vs. guide @ 12 | *DS* -> 120 days vs. guide @ 30 days.
 - iii. Increasing hours of operations will assist with getting vehicle ready faster
 - iv. Assign someone to rearrange lot regularly – especially the front line. Find the “hot spots” on the lot.
 - v. Evaluate current inventory and wholesale aged units that need to go to free up cash.
 - vi. Write down the used vehicles and reprice them as needed
 - vii. Have a sales event! Drum up excitement and move some metal!
 - viii. Current average sold \$15K vs. average inventory \$20K -> Reevaluate buying strategy

4. Working Capital -> Store is out of trust (Victor)

- a.** Increase Working Capital and avoid problems with General Motors and the bank:
 - i. Sell some of the company vehicles. (17 seems like a lot for a store this size)
 - ii. Put a few overaged new vehicles into a courtesy transportation program so that we immediately get CTP money and upgrade our customers’ experience, bill monthly write-downs to Service and Parts, and hopefully we’ll have some Service customers fall in love or clamor for the bargain vehicles.
 - iii. Ask the Dealer about reducing the amount of Other Assets. We currently have 3.7 million tied up in the family orchard. (She’ll probably abruptly say “That’s off the table,” but we might get lucky.)
 - iv. Find out why we have 820k in P&A Equipment. What costs that much in a small Parts Department? Can we sell some of it?
 - v. Inquire about “Other deductions” of 70K

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 - d. Find out why we have 820k in P&A Equipment. What costs that much in a small Parts Department? Can we sell some of it?
2. Have Dept. Managers map the processes in their departments, share them with their staff, and review them in weekly meetings: hold gross, remove inefficiencies.
3. Find out what our **SFE objectives** are, share with Dept. Managers, monitor daily, and start meeting them more than 50% of the time
4. Get the office staff working the phones and getting signed pay plan agreements with customers. For example, we will clear finance or reduce the amount they owe if they make monthly payments of \$xxx.
5. Make it easy for customers to sign up for a Synchrony card in the service drive (just like at a furniture store)
6. Increase doc fee to market average. At \$799, it will bring in an additional 295K in a CY below the line, almost doubling net profit.

Business Plan - New Car Sales

1. F&I PNVR is currently \$573 -> goal to increase to minimum of \$1,200. It will generate an additional 340K in for the year before any additional unit is sold above current average. This will make the New car department profitable.
2.
 - a. Train sales staff. Practice selling skills, knowledge, and daily actions
 - b. Make sure Sales Consultants have completed all factory training
 - c. Evaluate sales commissions and increase if lower than used vehicles
 - d. How are we evaluating trade values?

- e. Are we losing customers because we're too short staffed? At current gross PVR we need about 95 sales per month to break even, so we should have 7-8 Sales Consultants
- f. Are we avoiding leases? Train sales staff to present this exciting option and make sure that F&I staff know how to type up docs and are motivated.

Business Plan - Used Car Sales - Get rid of overaged vehicles so that we reduce pre-owned frozen capital, reduce excess inventory, and have money to get buy fresh inventory that better matches what our customers want.

- a. Have a sales event! Drum up excitement and move some metal!
- b. Find out why the Sales Manager is attached to the overaged used vehicles and broadcast these special qualities on the windshield "low miles," "one-owner," "loaded"
- c. Write down the used vehicles and reprice them as needed
- d. Fire up staff to move the old units:
 - i. Pay large flat commission to Sales Reps on sales of overaged units
 - ii. Bonus Sales Manager if no over 90
- e. Assign someone to rearrange lot regularly – especially the front line. Find the "hot spots" on the lot.
- f. Arrange bundled swaps with another dealer – focusing on getting some less expensive vehicles.

Business Plan - Service

- a. Flat rate tech production should be over 100%
- b. What's our mix of work? Are we upselling Quick Services? Can we?
- c. What level are our techs? Are we too heavy on Lube Techs?
- d. Do we need to hire a couple of more techs? We have 6 techs and 10 bays
- e. Can we run a second shift to focus on getting pre-owned to the front line in 3 days? Do any of the current techs want more hours?

- f. Are we running into roadblocks in our appointment process? How do customers make appointments? Are our Advisors keeping the schedule light on purpose? Do we have enough Advisors to handle the Service Dept. front line of phone calls and walk ins?
- g. Evaluate Advisor and Service Manager pay plans. Are we including the essential elements (total hours sold, # of repair orders, hours per repair order, and effective labor rate) or are we using lazy, oversimplified formulas?
- h. Train Advisors to add value. Someone, or everyone, is discounting. Review discounts daily and reward advisors who achieve higher effective labor rates.
- i. Increase the door rate to \$120

Business Plan - Parts

1. Are we understaffed? We need 2 people to handle our current volume and gross. If we're trying to make it work with 1, then both sales and gross are suffering and if we have 2 then we need to grow a bit to adequately cover payroll expenses.
2. Fixed absorption is a little low.
 - a. Wholesale markup needs to change immediately.
 - b. Increase sales volume to increase turns
 - c. Have a garage sale event to sell odd accessories and overaged parts
 - d. Get set up as a seller on Ebay and Amazon asap
 - e. Write off obsolete parts in December

Business Plan - Expense Control

1. LED lighting
2. Automatic electricity timers
 - a. A/C Controls (lock boxes)
3. Reduce office supplies (toner, paper, folders, etc.)
 - a. Go digital where possible
 - b. Buy in bulk
4. Evaluate all active subscriptions services
 - a. Examples include magazines, online news / industry publications
 - b. Avoid auto-renewals
 - c. Cancel any that are not being used or adding value

5. Evaluate all active contracts with vendors/suppliers/consultants
 - a. Examples include health insurance, trash services, cleaning / uniform services
 - b. Reduce supplier base where possible
 - i. Evaluate the most cost effective way to pay suppliers
 - c. Negotiate new rates (send November letters asking for any possible discounts)
 - i. Obtain quotes from competitors and see if what you are paying is "market"
6. Employ E-contracting with banks
 - a. Save on Fed-Ex / UPS
7. Check what National Dealership Contracts exist with Chevy
 - a. I.e. do we get better rates using Fed-Ex vs. UPS?
8. Evaluate CC processing fees (should we pass through any % to the customer?)
9. Review pay plans / commission structures to ensure they are appropriate
10. Monitor overtime expense
11. Obtain EPL insurance to cover potential unexpected claims