



Financial Management Objective Homework

**Student
Class #**

Jue Page

Name:

N332

Academy

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

Jan.31, 2018

by

**Provide the relevant
composite data**

Department	Month	Page	Column
New Vehicle Inventory	Sept	6	B

Action plan for achieving objective
What is the area of focus?
New Vehicle Inventory
What is the proposed plan? How will you achieve it?
<p>The plan is to reduce new car inventory month's supply from 2.94 in Sept. 2017 to 1.8 with a better mix of inventory at the end of Jan. 2018. Our NADA 20 group average month's supply is 1.9 in Sept 2017. We have quite some inventory that are 180 days and older and they should be gotten rid of as soon as possible. We also have some 2017 loaded models, which are difficult to sell in our market. If we don't remove them from our inventory quickly, once the 2017 incentives end in early 2018, we could lose a lot of money. Plus, Jan and Feb are historically slow months for sales, lowering the inventory will reduce the floor plan interest payment and place us in a better financial position at the beginning of 2018.</p>
<ol style="list-style-type: none"> 1. Increase advertisement and sales campaigns in Sept, Oct, Nov. and Dec. to bring in more sales

2. Trade slow moving units out to different regions
3. Turn down slow moving unit inventory from factory allocation
4. Try to get more fast sale units from factory (in our area, the best-selling cars are Rav4, Camry and Corolla base models AWD)
5. Set up a bonus plan for Sales manager as the following; a spiff of \$1000 for a 1.5 month supply and the followings;
 - 1.5 = \$1000, 1.6 = \$900, 1.7 = \$800, 1.8 = \$700, 1.9 = \$600, 2.0 = \$500

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

Run the inventory report every week and calculate the month's supply, and check with N.V. sales manager for the progress.

NADA N.V. inventory month's supply guide is 1.5, but we will try to make the number closer to our NADA group average 1.9 as it is more realistic to achieve.

I will track weekly.

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

New Car Sales Manager and General Sales Manager
 I don't believe they need training, but definitely need some assistance in terms of weekly inventory check-up and regular communication for our inventory position.

Is there a cost, or estimated cost for implementation?

No numerical cost, but it will require a lot of communication among sales managers to make sure that the plan is understood, implemented and executed with discipline and organization. The actual cost would be time and effort in communication. Our store has been operated in such a loose way that managers run their departments autonomously; there is not much discipline in implementing plans and following through them. Once the sales manager is informed that he needs to lower the inventory, his first reaction is that he is criticized for his inventory management. Secondly, Toyota Factory gives a big incentive to sales managers for extra car sales, the result is that sales managers will have to take more cars to win the big money. This clouds sales managers' thinking

obviously. Our sales manager believes our inventory month's supply should be 2.5 vs NADA guide 1.5. And he likes to keep some car models we barely sell any throughout the year for some reasons. Most of the time, the sales manager is under the factory rep's pressure to take more cars than we need. The key is to make him understand the importance to manage inventory more efficiently to match our sales rate based on each model number. Also, following through is critical for the success of the plan. I feel it is important to have weekly inventory check-up and communication with the sales manager to make sure he stays on the right track. This should become a routine.

Projected date of completion?

Jan. 31, 2018	Feb.	March	April	May	June
July	Aug.	Sept.	Oct.	Nov.	Dec.