

Departmental Action Plan

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Class & Student Number: 326/37

Academy Week: Week 4 Variable

Current situation or challenge you want to address:

Our current strategy is a cost-plus pricing strategy that has been focused on holding profit regardless of inventory age. We also take a \$200 soft pack to "write down" the cost of an aged unit. This is an attempt to hide the loss and typically "retail" out of a mistake versus taking the opportunity to cut our losses on mistakes early. Also, we are only turning our inventory 7 times per year which is low for a dealer of our size.

Overall Objective and Specific Desired Results:

Our overall objective is to use inventory turn and overall gross profit as the gauge of success. It will ultimately be more profitable for both the store and the sales staff, therefore, changing the culture of the sales department and the store.

Our desired results are to increase our yearly turn on used vehicles from 7 times per year to 10-12 times per year. We are also looking to increase aftermarket sales, finance profit, service, and parts sales through a domino effect.- overall profitability is the ultimate goal.

Describe your action plan in detail (be specific and include before and after measurements)

The action plan for our store is to change the policy of our used car business from a cost plus pricing strategy to a market pricing strategy in order to increase our used car turn from 7 turns per year to 10-12 turns per year.

If we increase our inventory turn to 10 turns per year we will increase as a department and give our Finance, Aftermarket, and Service Departments more opportunity. Therefore, the store will increase overall profit significantly. We will track our average turn with vAuto to monitor results over the next 6 months. Once we have a steady increase in inventory turn we will also measure the increase in Aftermarket and Finance using the weekly docs and the monthly financial statement. We will also evaluate the overall effect on the stores' profitability.

We will begin with updating our descriptions on all of our pre-owned vehicles in order to increase VDP views. We will then drop our average days in inventory within the 1st 90-100 days by aligning the pricing on all of our pre-owned inventory with the market pricing. Once we get rid of the inventory that we currently have that is priced over the market (which will be painful for the staff and the store), we will begin measuring the time from trade-in (or purchase) to our lot. This way, we can begin to minimize the time it takes for us to advertise and sell a vehicle, and help decrease average inventory age. We will also be implementing vAuto for our Used Car Buyer in order to lower our cost to market and increase margin on purchased vehicles. Lastly, we will learn to utilize vAuto correctly for trade values and carefully appraise trades in order to accurately price a vehicle that is taken in on trade. This way, we can potentially hold gross on a vehicle and still put it online at a competitive price to move it quickly.

The gross will go down significantly for the period of time it takes us to get our entire inventory under 60 days old. Once this is done, if the vehicle is priced and marketed correctly from day 1 then our grosses should increase back to a number that resembles today's average gross.

We are going to make business decisions on every deal based on how it will affect our opportunity to make money. If we have to put "too much money" into a trade, in order to make a deal, we would have to market that vehicle with little profit in order to price it within market and sell it quickly. On the other hand, if we have a vehicle with a low day's supply and a high demand we can take our chances and decline deals without enough profit knowing that we have something special that people want and we will make a higher gross on another customer.

Using the Market Days supply and Adj % to Market as a tool to guide us on our pricing structure we should be able to achieve a "bunny hill" sloped pricing to market our inventory based on age bucket (using 10 day buckets and obtaining an average of 94% adjusted price to market).

Once this strategy is in place and our vehicles are viewed as investments that are sometimes won, and sometimes lost; instead of vehicles that we need to make money on regardless of the circumstances then we will obtain a turn strategy vs. a gross strategy. This will make more sense for all team members once we get to this level (typically around 90 days).

Compensation for team members and managers will be put in place to sell vehicles at the internet price (even when it's below cost). This process will be a shock to the system for many but essential in changing the culture and policy of the department. After we have completed these changes we (the store, managers, and salespeople) will make more money due to the significant increase in volume.

Timeline: We will look at the current strategy and its outcome using the current financial statement and vAuto reports within the next week and put together a plan to change over to the new Market Pricing strategy.

Over the next 3 weeks we will get all front end employees on board with helping us properly market the vehicles online with unique descriptions to include what makes our vehicle special and details that will push a visit to convert to a lead.

Within the next month our management team will input all the salespeople into vAuto and finalize every appraisal so we can analyze the performance of not only the manager but also the salespeople and look for exceptions. We will also set up a meeting with Dale Pollak and our management team to get a complete buy-in from everyone on how to implement the new changes.

We will set up a pay plan to compensate the salespeople and managers to move aged inventory in the next two weeks.

Meeting with Stakeholders (dealership personnel)

These meetings will take place over the next week. In our current situation I am going to reach out to Dale Pollack and invite him to dinner or to meet with my father and uncle to discuss how and why the new strategy makes sense and will ultimately make us more money.

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences. Include timelines / Accountability / Monitoring process

- a. Who: Dealer operators, Used car Manager, Sales Managers, BDC Managers, BDC coordinators, and Sales Coordinators
- b. What: Meet about the new strategy and action plan for our used car marketing. We will provide examples of how this new strategy will improve overall profitability for the entire store. Everything happens after you sell a car...i.e. increasing UIO for our Service Department and improve fixed absorption.
- c. By When: Within the next few weeks because everything is fresh and the expectation of our dealership team is that I plan on making immediate changes and communicate the plan of execution.
- d. How: Meetings, reports, and pushing through the tough conversations with family because everything we have been changing since the start of the NADA Academy has made improvements in our processes and increase profitability in the different departments I have focused on.

Dealer agreement:

If you need your sponsors support or approval to implement your plan, have it signed off before you start. If you can proceed on your own, present this action plan to your sponsor before next class. Describe the meeting:


