

Some Balance Sheet Info:

Cash Days Supply is 125, Guide is 90

Floor used cars for quick money

Out of trust (**inventory floorplan gap**) by \$422,189

No issues with CITs and funding

Working Capital is off. Guide is \$2,250,000, actual is \$1,206,134

Fixed Absorption is 52.6% (guide 60%) **Total absorption** is 83.2% – How will we improve this

Pre-owned Absorption is 30.6% leaving 16.8% New Vehicle Dependency

Receivables need work: **Frozen Capital in Service & Parts AR** = \$130,522

32% of S&P Receivables is over 60 days - plan to recover funds

Updated AR Process ideas:

Determine to whom to extend credit

Establish a payment period

Monitor Collections

Evaluate AR balances

General rule of receivables: expect 1% of current receivables to be uncollectible, 4% 30-90 days and 50% over 90days - with our numbers we can expect

Thought: We aren't meeting working capital by over \$1mil we have \$3.2mil sitting in "Other Investments & Misc Assets"

Here's our story: We purchased a building 4 years ago in hopes of running a body shop or detail center, but the building sat for 4 years. We found a buyer willing to purchase for \$2.7mil if we agree to sell within 30 days. It's a loss of about \$500k, but still enough to start positively impacting the dealership

I googled 4 highly rated dealerships in Tallahassee, FL...we need to update hours of operation:

Sales: MON-FRI from 10a-6p to 8:30a-7p

SAT from 8a-4p to 8:30a-6p

SUN - Closed

Service/Parts: MON-FRI from 8a-5:30p to 7a-6p

SAT from 8a-12p to 7a-4p

SUN - closed

According to autolist.com, the average Doc fee in Florida is \$670. Grand Theft Chev is currently at \$249.
We should increase ours

What we need: "Don't regurgitate results of calculations. Present your plan of action on how to improve the operation of the store"

What is our success plan? What will we do to improve the bottom line in new, used, parts and service?

So, as of December 31, 2020 - what will we see, what will be fixed?

Expectations for 2021 - any projections? Decreases in frozen capital...increase in doc fees produces x amt below the line

Marketing/Advertising thoughts to drive traffic:

Let's assume we don't have a BDC and we lack marketing skills- we will hire a BDC manager to report to GM and have a direct line to the BDC - also dedicate staff to acquisitions to help move customer from service to sales

- Newsletter/email blast to current customers introducing new GM – purchase DMV list of GM owners and prospective conquest owners and send a letter with special offer to join the Grand Theft Family.
- Post photos on social media with happy customers after purchase
- Redesign website
- Host sales event around aged vehicles? This will help turn inventory, save on floorplan expenses, hopefully bring in new customers and retain them for future service needs...what does this sale look like?
 - Raffle? For every NC (or UC) sold, customer entered to win x years of free oil changes...a raffle may allow a customer to make same day decision instead of shopping around
 - Spiff salesmen x amount for any aged vehicle sold

Pre-Owned Frozen Capital: \$1,374,627

Assume we sell 20 of those UC > 90 days as projected by EOY

$$28 + 66 = 94$$

33 over 90 days

Assume we sell 28 of those

Avg cost per used car is \$19,779

Add that to sales & reduce from inventory

$$28 \times \$19,779 = \$553,812$$

Avg gross per uc is \$5,722

$$\$5,722 * 28 \text{ cars} = \$160,216 \text{ or } \$80,108 \text{ per month}$$

Current UC Frozen Cap = \$1,374,627

Frozen Cap at EOY estimated to be \$781,455

Difference of \$593,172

I think the increase on doc fee is perfect & revised to increase business opportunities and stay competitive is great.

Recommend Moving Service Hours to 7 am - 6 Pm competitive with other stores in the area.

Can you Also look at the service door rate? There's opportunity there

12 days for used vehicle to get front line is costing the dealership money, process on getting this to 3 days will improve cash flow and turn

Recon Process: used Cars

1. Trades purchased units to be written up by service no later than day after acquisition.
2. Start Recon asap before clears fiance
3. Service dispatch to techs who in turn expedite inspections and estimates of repair
4. Vehicles must be priced online w/ 3photos on the 1st day.
5. Once out of shop used car manager to sticker and place front line with attendant

VIN VERIFICATIONS, WEIGHT CERTIFICATES AND SMOGS need to be checked off BY USED car manager.

Review Expenses on used Cars Pack lube tech standard tech SHOP COST should not exceed \$500 pack should not exceed \$475 any additional items needed for vehicle must be signed.

THIS WILL HELP THE TURN ON USED CARS RECON PROCESS AND CASH FLOW!

PRICE RULE NEEDS TO SET FOR NEW AND USED BASED OFF TIME ON THE LOT

DAY1 \$MSRP

DAY30 \$500 OVER MSRP

DAY 60 \$500 BELOW INVOICE

DAY 90 \$1000 BELOW COST

ALL aged units need to be eyes on front line with action plans to sell spiff ads, ext

Luis: After reading the case study, here are some starting notes/suggestions:

1. Service effective labor rate is way too low at \$85.00 – need to review both the door rate and the hours paid out to the tech for the job and too much discounting by the advisor?([remove permission of discounts other than service manager](#))
2. Labor rates for all pay types are also extremely low – perform a market comparison and raise labor rates ([florida ranges from 153 - 168 - i chose 159??? Thoughts - i dont like being the highest or the lowest](#))
3. Deep dive with service manager, review recon process – 12 days in the shop need to be something that looks like 2-3 days
4. Set a process in place for sales staff training as it relates to F&I – per copy very low both New and Used, need to work on TO to finance
5. Review store hours as it relates to sales dept – are we missing opportunities closing the store at 6pm M-F and 4pm on Saturdays / closed on Sundays?? I'm used to us being open everyday but markets can vary.
6. 03/18 Called a dealership in Tallahassee, Fl. - Like California, law {section 320.696} exists where dealerships can submit for parts retail warranty increase. Average dealership receives cost plus 85% instead of currently being cost plus 40% markup. Brings up percentage from current 28% to 46%. Using the current figure, allows for 6,500 more per year or adds 4,300 to our current num.
7. Tweak current matrix in parts to boost gross from current 36% to guide of 41%. From current number, gives us an additional 15K for this 8 month period
8. The change to the pricing grid matrix also applies to the front counter plus reviewing what discounts are being presented there. Guide at 41% instead of currently at 19.5%, will generate us an additional \$3,500 for this 8 month period. Not a ton but every little bit counts.
9. Pertaining to wholesale parts, doesn't look like we do much there but still needs to be tweaked, discounting heavily there. That 9% GP brought up to guide of 20% will give us an additional \$14,000

Increase NEW F&I income from \$573 to \$1500

Increase USED F&I income from \$624 to \$1500

The Value is Built in the lot with You sales Team: TO SALES TO FINANCE

Training : F&I on meet and greet before the customer comes into finance

Learn your customer driving habits and needs.

Training on menu selling (100% Rule) Presenting Menu to every customer regardless of the cash or finance< work on converting cash buyers to finance)

Incentives for products sold per each product sold and incentive Percentage base pay off each product 15% for product and 10% for reserve.

Pre packing units with Paint and fabric protection \$1499 and spiffing the sales person to build value for finance to close.

Assume we are only selling GAP and service contracts - we will begin selling Tire & Wheel, Etch, Credit Life & Disability (PAINT PROTECT) DENT DING - UNDER COAT

New- Change sales hours to MON-FRI 8:30am-7pm Sat Sat 8:30am-6pm this change will give 14 additional hours of time to be in front of our customers.

Analyze our pricing-As most buyers initiate their buying experience online we will see where our dealership ranks and make adjustments as needed

We will implement a pack of \$300 and a recon fee of \$1,500 on every new vehicle.

Give the customer a reason to interact with our dealership- train sales staff to send 10 emails, 10 texts and make ten phone calls minimum each day.

Hold the sales team accountable- Set time aside to perform one on ones to review their work flow.

Social media presence- Make sure that as new stock arrives we are getting pictures taken and placed onto our social media outlets with any programs that may be available.

USED

- We need to decrease the age units. Start looking at what to do when a vehicle approaches 45 days old to ensure nothing ages over 60 day.

-Incentivise the sales team to sell aged units by putting a spiff of \$250 on anything older than 60 days and \$350 on the oldest unit.

-Train the sales team to do better walk around on trades, this will help notice more things like body damage.

-Set used car pac to 1950. (1000 for recon, 650 for dealer pac, 300 for cpo)

-Train Used car manager on Vauto pricing tool

-Ensure we are adjusting used car pricing every 7 days to ensure we are priced to market.

-Get trade in's to the Recon department by close of business to ensure a faster Recon turn.

-Plan weekend Used car sales events.

-Walk the lot every morning to make sure the lot is presentable and tidy. (fill any holes)

-Make sure all used cars get started at least once a week to ensure batteries are not dead and no lights have come on on the dashboard.

<p>Where we are:</p> <p>10 bays – 6 used</p> <p>6 techs – 6hrs day – 22 days month = 792hrs</p> <p>Labor rate :100</p> <p>100 customer = 62% gross</p> <p>75 internal = 57% gross</p> <p>75 warranty = 59% gross</p> <p>Tech wage 32</p> <p>Effective lab rate = 85</p> <p>Labor sales per month = 67319</p> <p>Lab gross per month = 40681</p> <p>YTD gross profit = 406812</p>	<p>Where we are going:</p> <p>10 bays – 8 used</p> <p>8 techs – 8hrs day – 22days month = 1408 hrs</p> <p>Lab rate: 165</p> <p>159 customer = 76% gross</p> <p>159 internal = 76% gross</p> <p>125 warranty = 70% gross</p> <p>Tech wage 38</p> <p>Higher tech wage and door rate= higher wnty</p> <p>Effective lab rate = 155</p> <p>Lab sales per month = 218240</p> <p>Lab gross per month = 165862</p> <p>YTD gross profit = 1658620 (use in new abs calc)</p>