

# Grand Theft Chevrolet

*Where Every Car Is A Steal!* 

**N399 FM CASE STUDY**

Danielle Vansky, Luis Torres, Jarrett Brosseau  
Jim Poole, Zach Wright & Joseph Mesa

# Initial Concerns

Dealership Review

- Working Capital is inadequate
- Increase Cash
- Frozen Capital - Aged Receivables
- Dealership is out of trust by \$422,189
- Operational processes need reviewed
- Dealership Hours are poor for location
- Personnel training needs work

# Update Hours of Operation

## Sales

**Monday - Friday** 8:30a - 7:00p

**Saturday** 8:30a - 6:00p

**Sunday** CLOSED

## Service & Parts

**Monday - Friday** 7:00a - 6:00p

**Saturday** 7:00a - 4:00p

**Sunday** CLOSED

# Investments & Misc Assets

Not meeting working capital by over \$1 million

- A building was purchased in hopes to run a body shop
- Building sat for 5 years
- Found buyer willing to purchase for \$2.7mil if we agree to sell within 30 days
- Loss of about \$500k, but still enough to start positively impacting dealership

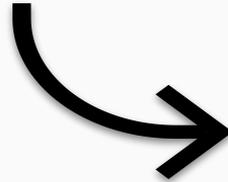
# More Oxygen

**Quick Money:** Floor used cars

## Implement an Accounts Receivables process

\$130,522 in Parts & Service AR Frozen Capital

32% of that is over 60 days



### **1. Determine to whom to extend credit**

Provide letter of credit or bank guarantees, ask for reference from banks & suppliers, & periodically check health of all customers

### **2. Establish a payment period**

Standard 10 Net 30, but will offer 2/10 Net 30 to customers that is clearly stated on all statements

### **3. Monitor collections**

Review AR schedules beginning and mid month

### **4. Evaluate the receivables balance**

Potentially set charge limits on accounts and pursue problem accounts immediately  
Implement associate bonus structure for aged receivables

### **5. Accelerate cash receipts from receivables when necessary**

# New Cars

- Analyze our pricing- As most buyers initiate their buying experience online we will see where our dealership ranks and make adjustments to as needed.
- Maximize our SEO- This will get our Name, and Vehicles, and who we are in front of our future, and existing customers.
- Social media presence- Make sure that as new stock arrives we are getting pictures taken and uploaded onto our social media outlets with any programs that may be available.
- We will implement a pack of \$300 and a recon fee of \$1,500 on every new vehicle. This will help drive revenue that hits the bottom line on every sale.
- 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.

# Used Cars

Our current pre-owned frozen capital is \$1,374,627

We begin with:

- Decreasing aged units (start looking at 45 days, incentivise sales team)
- Set used car pac to \$1,950 (\$1,000 for service \$650 dealer pac \$300 for cert)
- Ensure we are adjusting used car pricing every 7 days
- Get trade in to recon by close of business
- Used car sales events every weekend
- Have proper sales process, ensure trade walk around, lot maintenance.

With new processes and sales events in place, we plan to sell an additional 14 units per month by EOY

# F&I Goals for Improvement

- Increase NEW F&I income from \$573 to \$1500
- Increase USED F&I income from \$624 to \$1500
- Combine Goal for New and used \$3,000 per copy

## Core Values:

- 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)
- Quarterly Training on Process and Products for every finance manager.
- Meetings weekly with finance to measure performance & CIT (improving Engagement and awareness will improve cash flow.
- Produce aggressive Incentives for products sold Paying per product and Paying aggressive plan for Gross on product 15% and 10% for reserve, Tying in there total penetration to qualify for payout on product.
- Pre packing units with Paint and fabric protection \$1499 and spiffing the sales person to build value for fiance to close. (help improve penetration and gross)
- Having the sales Teams Train on Sales to Finance hand off. (With Sales Manager & Finance)

Working with Sales Manager to present Product up front on first initial presentation!

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

# Service

The service department shop is underutilized, tech efficiency is a problem and so is bay usage. Immediate items to take action on are:

- Bring shop bay hoist usage to 80%
- Hire two additional technicians - one dedicated to used cars (bring recon down to 3 days)
- Door rate increase - \$165 with an elr of \$155
- Implement manager approval on all discounts
- Match internal to door rate and apply for a warranty increase
- Implement a proficiency bonus, bring rates up to \$38/hr from \$32/hr
- Attract better technicians with new pay plan
- Increase sales from \$67319 to \$218240
- Grow gross from \$40681 to \$165862
- WIP extremely high for sales volume - need weekly oldest RO audit with SM
- What is in sublet - \$50k in one month? Assuming detail? Make 2 detail bays
- Detail bays would add another \$26400 in sales and \$19400 gross / month

# Parts

- Looking at the parts department, first thing I noticed is that our percentages are too low.
- Reviewed parts absorption, immediately need to implement a new parts matrix to be more aggressive but competitive.
- This new parts grid/matrix type pricing will generate us a substantial gross amount in the back counter, will take us from 36% to 41%, using the same sales – will produce a nice boost in gross.
- I also found that we are discounting heavily at the front counter, I do realize that some selling of accessories and or price matching exists however, 90% of the time, parts need to be sold at retail, using the same price grid that we have in place.
- We will also apply for Retail Parts type pricing with the factory to increase our parts warranty markup {LAW section 320.696}, found average dealer in the area is cost plus 88% instead of cost plus 40%. We can apply for this twice per year.
- Regarding our parts wholesale - we are currently delivering to body shops at a deep discount. We are changing our mentality where we are offering 20% off {25% to our top shops}. Coach and train our parts team to up their game and deliver a much better customer experience on the phone.
- Will review parts obsolescence and take advantage of any available parts accruals and or 45-day returns. Frozen capital is too high (\$111,175)
- Daily 5-minute meeting between the parts mgr. and service mgr. will be the new process to discuss any issues, particularly as it relates to WIP, keep this number under control.
- Parts mgr. to have a 5-minute daily discussion with the parts team to cover the topics below:
  - · Service Wip
  - · Back orders / are we doing everything possible to locate the part
  - · Pre-pull parts for technicians
  - · Deliver parts to technicians when all possible, avoid any downtime for tech efficiency
- We will set a bonus for the parts person that generates the highest GP to keep them engaged as they maintain their percentage in line. The parts mgr will email a parts tracking report daily to all and Cc the GM.

# EOY 2020 & Expectations for 2021

- Working capital will be above guide
- Accounts Receivable will be current (can expect \$13,181 to be uncollectible by EOY 2020)
- Aged inventory will go down, reducing floorplan interest expense
- Sold floorplan vehicles will be paid off and we will no longer be “out of trust”
- All new and current associates will be trained & new processes will be implemented

# EOY 2020 & Expectations for 2021 Cont.

- Projected increase in F&I income at \$3,000 [combined new and used] by using menus and new products with a Target Goal of 55% penetration on warranty & product.
- Doc Fees increase to \$650 from \$249
  - if we hit projected sales of 55 N and 45 U per month, we can increase bottom line \$30k
- Projected increase of vehicle sales for an additional \$99k monthly for new and \$80k for used.
- All new labor rates will be effective
- Service gross projected to increase \$145k per month
- Parts gross projected to increase \$7K per month with process changes; huge potential to increase parts gross benefiting from the service growth.



One last thing: 15 million