



Financial Management Objective Homework

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Class #

My action plan is due by the Monday before my next class on: February 5, 2018

I plan to accomplish the following objective December 31, 2018 **by:**

Provide the relevant composite data

Department	Month	Page	Column
New Vehicle Sales	Dec	8	10,11
New Vehicle Sales	Dec	9	12
New Vehicle Sales	Dec	10	10,11
New Vehicle Sales	Dec	12	10,11
New Vehicle Sales	Dec	13	10

Action plan for achieving objective

What is the area of focus? My goal is to have our dealership's new vehicle sales department including F and I gross profit at breakeven net profit by the end of 2018. As the new Toyota manager, I can directly impact the new vehicle sales department's performance to achieve that goal.

What is the proposed plan? How will you achieve it? My plan is a combination of increasing unit sales, increasing gross profit, and holding expenses to its current level. Our current breakeven point in the new vehicle department is at 116 units per month at \$2012 per new vehicle sold averaging \$234689 in expenses. My focus will be on two of those metrics.

Our 2017 monthly new vehicle sales average is 100. My goal for 2018 is to increase that average to 104. We grew our new vehicle units by 10% in 2017, which gives me confidence that we can achieve a 4% increase in 2018. Our dealership uses the Conquest tool from vAuto. In 2017, that tool was underutilized specifically in making advantageous dealer trades. We have hired a new person for dealer trades that will use the tool consistently to acquire vehicles that turn at a greater speed and hold on to those vehicles that we are turning well. In addition, we are going to more proactively use Conquest to assist us in our preferences and vehicle changes with the new vehicle inventory. In addition, Jaguar is adding models to its lineup this year that better fit our current market

conditions and should expand sales.

In 2018, we will need to increase gross per new vehicle sold from \$2012 to \$2262, a \$250 increase. Although this is an aggressive goal, we have an incredible opportunity within our F and I department, and we will need to increase F and I gross profit by \$200 per new vehicle sold. Our current pay plan has some serious flaws. Foremost, the pay plan pays too large of a commission percentage for inadequate performance. Best of class Toyota dealers are performing at \$1389 per new vehicle sold, however we are at \$980 currently. In 2018, we will implement a pay plan that will offer the finance managers the same percentage of commission if they reach our new objective of \$1200 per vehicle sold instead of our inadequate previous objective of \$1000 per vehicle sold. Our previous pay plan resulted in overpaying the financial services managers as well. Best of class Toyota dealers are compensating at 14.42% whereas we are currently paying 24.24%. This adjustment to our commission scale should put us more in line with best in class. The current pay plan puts too much emphasis on products sold per retail sale. Unfortunately, this has resulted in F and I managers working their pay plan and selling our key replacement product for only \$79 gross profit per contract which has a cost of \$180. We sold 666 key replacement contracts in 2017. If we take away the incentive to virtually give away that product, I think we can gain \$50 in additional F and I gross profit per new vehicle from that alone. Also, we are going to hire one additional finance manager. This will allow all of the finance managers more time for quality turn-overs from sales, customer interviews, and menu presentations and reduce complacency.

The additional \$50 increase per new vehicle sold will be achieved by several small but important changes. Brad Cole, our general sales manager, and myself will need to train salespeople to hold the line against throwing in accessories and better defending our market based advertised pricing. In 2018, we will order every vehicle with all-weather mats. Although I can't say exactly how many dollars we cost of sale just for mats, I can say it is in the thousands of dollars annually. If we have mats in every vehicle in-stock, we should increase gross just by not giving them away after the sale has been closed. In addition, we will make it standard practice to start every first pencil with a trade-in \$700 below its ACV which is a \$200 increase. Our remaining opportunity is to be more aggressive with our trade-ins' ACVs when closing new vehicle sales. In 2017 we earned \$204374 in wholesale used vehicle gross profit. Although this is an opportunity for an entirely different WIG, it is an immediate way to put some of that gross profit back into our new vehicle sales and also to sell additional new vehicles that we may have missed in 2017.

Obviously expense control is a key component of this plan. We currently do a good job of keeping our expenses in check, but any reduction from \$234689 per month will make it easier to achieve this plan.

How will you track your progress? What measurements, KPI's? How often will you track? Our dealership uses software created by VisionMenu. This software will provide me and other employees with unit totals, average gross profit per new vehicle broken down by front-end and back-end gross. In addition, it identifies which finance managers may need coaching, training, or replacement.

Conquest provides me with information that is updated daily on our turn rate and days' supply. These two resources will allow me to track our progress with my unit goal, front end gross PNVR, finance gross PNVR, turn rate, and days' supply on a daily basis. In addition, I will track our new vehicle breakeven goal monthly using the composite data specified earlier along with the financial statement.

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

Salespeople, new vehicle sales managers, the finance director, the general manager, and finance managers will be involved and impact this plan. Sales managers may need additional training on how to best utilize the Conquest tool for more proactive inventory management. We will need to train salespeople to defend our advertised and first pencil pricing better and to be more proactive in the selling of accessories as opposed to reactively throwing them in at no cost after the close of the sale. Sales managers will track and monitor individual sales people's gross and unit sales and train, coach, and replace as needed. Finance managers may need additional sales training to achieve the gross profit per new vehicle sold goal. The finance director and general manager will need to follow up with each finance manager monthly on their progress and hold them accountable for gross profit expectations which may include 90-day performance improvement plans or termination if necessary.

Is there a cost, or estimated cost for implementation? We may enlist the help of an outside trainer specifically for the F and I department if we don't get our PNVS unit income increased by \$200 with the changes outlined. No other costs are anticipated.

Projected date of completion? December 31, 2018

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