

Tommy Gibbs - Class N335
Tom Gibbs Chevrolet Used Car Objective

Time period for objective attainment: six months between March 1, 2018 - September 1, 2018

Goal: Increase used car absorption level to 40% NADA guide (current level after first week of class is 35.5%)

How will I get there:

Current State of Dealership March 1

- A. Average used units retailed per month = 52
- B. Average gross per unit sold = \$2500 (\$1860 front, \$640 back)
- C. Total used car gross per year = 52 units * \$2500 gross * 12 months = \$1.56 million
- D. Total annual dealership expense = \$4.39 million
 - a. E-advertising expense = \$485,000 per year (about 11% of total expense)
- E. Inventory is turning about 8.6 times per year

Proposed State of Dealership September 1

- A. Average used units retailed per month = 62
- B. Average gross per unit sold \$2350, comprised of \$1575 front (about 85% of current level) and \$750 back (in line with my new car department F&I productivity)
- C. Total gross = 62 units * \$2325 gross * 12 months = \$1.73 million
- D. Total dealership expense reduction to \$4.33 million (primarily through reduction of under performing e-advertising ventures). Equates to \$5000 per month reduction in total expense.
- E. \$1.73 million used car gross / \$4.33 dealership expense = 40% absorption

Key Steps to Take

-- Used Car Volume Increase

- A. Lower my average selling price.

We need to be more aggressive out of the gate and price units to (or slightly below) market average before they start to age. We consistently make the most gross on units sub 25 days old. I need to focus on selling vehicles quickly before they hit this age milestone.

Pricing vehicles competitively out of the gate will help me achieve this.

B. More frequent price adjustments.

I have developed a routine of repricing every used vehicle once every 5 days. This will yield a more gradual price reduction as the vehicle ages, as opposed to one large price cut when a vehicle gets overaged. This will also allow me to attract more shoppers as they see these price cuts hit their "sweet spot" of their willingness to pay.

C. Adhere to strict 72 hour turnaround in recon.

The quicker I get these vehicles on the lot and advertised online the faster we can turn them on the retail side. Time is money and spending excess time in shop/detail is costing us gross dollars. The faster we can get on lot and turn, the faster we can replace and repeat the process.

D. Retail more, wholesale less.

In 2017 we averaged 31 wholesale sales per month (group average in my 20 group is 22). At least a handful of these units are retailable if we more stringently analyze shop bills and work with the service department on discounting (on occasion) labor and parts to the used car department. I know this is contrary to some of the ideas discussed in class but I see it differently: incremental vehicle and service sales, even at a slightly lower gross profit percentage, are better than no incremental sales at all. This should be a win-win for both departments, and will not affect all used retail sales, just those vehicles on the margin of being wholesaled due to higher than average shop bills.

-- Used F&I Income Improvement

A. Training

- a. Most of our woes in the used vehicle F&I department likely come down to simple training
- b. Cash conversion - Right now about 40% of our dealership used car sales are cash or customers who bring it bank drafts. Group average in my 20 Group is 35%. If I can increase my volume to the projected 62

units/month and similarly increase my finance contract penetration another 5% this gives my team another 9+ very strong opportunities to build products into customers' monthly payments

- c. Warranty penetration - Right now my used car warranty penetration is around 25%, a good deal below my 20 Group average of 45%. This is a huge area of opportunity for my dealership to increase F&I income per used car delivery.

-- Total Dealership Expense Control

A. Analyze dealership spending habits and make any necessary cuts

- We will do this primarily in our e-advertising budget. Right now we are spending about \$400 per used car delivery in advertising, which is about 25% more than the average dealer in our 20 Group.

- Find redundancies - Are we spending money on multiple products/services that overlap? Can we consolidate and save?

- Renegotiate contracts - As of March 20th I have already renegotiated my Autotrader.com contract and have generated a \$2000/month advertising savings without (in my opinion) losing a major presence on their website. I will continue to negotiate with lenders to make sure we are getting the best deals possible. Likewise, I will continue to reach out to other members of my 20 Group to ensure I'm not paying more than group average for identical products/services.

B. Supplement used car online advertising with lesser expensive activates

- We currently have many under-used venues to advertise our used inventory, including email/physical mail blasts to ownerbase, free social media advertising, etc. I need to ensure that we are maximizing our usage and opportunities in these areas to allow lower-cost sales to hit my bottom line.