

Financial Management Objective Homework - First Quarter

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Focus - New Vehicle Calendar Year Inventory Turns

- At the end on November 2017 our “Months’ Supply of New Vehicle Inventory” was at 6.09 and our “New vehicle Inventory Calendar Turns” was at 1.97 annually. This is far below the 8 turn guide.

After attending the 1st quarter Financial Management training and completing several activities and calculating many formulas the area that stood out to me the most that needed attention was “New vehicle Inventory Calendar Turns”. At the end of November we were on a 1.97 annual turn and 6.09 months’ supply of new vehicle inventory. So, for me only being with the Hendrick Automotive Group for a few months and more so working with Domestics for only three months, I had to do come up with a plan to get this going in the right direction. Also, HAG has a 120 ADS goal for domestics and were over a 180 day supply. So attention was needed ASAP. Below are steps we are and have put into place to get our ADS down and our Inventory Turn up.

1. Evaluate extensively the current inventory on hand and in the order pipeline.

- A. Review the arrangement of the inventory on the lot and showroom to ensure all models were grouped together.
- B. Ensure all inventory is clean and front line or showroom ready.
- C. Group our aged inventory and retired service loaners in one area.
 1. Introduce spiff/bonus programs to salespeople to encourage the sale of aged inventory.
 2. Re-detail all aged inventory.
 3. Re-take photos of aged inventory with current season in the background.

2. Conduct sales trainings to ensure all sales people and sales managers understand the importance turning our inventory more efficiently and quickly. This includes a knowledge of floor

plan expense and benefits of service revenue of new inventory as well as EBE revenue.

- A. Must have EMI (Early management Intervention) with all prospects on new cars to ensure we maximize all opportunities, especially with newer sales people.
- B. Have fast start and finish strong bonuses on new vehicle sales to ensure a constant focus on selling new vehicles.

3. Merchandise inventory effectively.

- A. When new manufacture incentives are launched we must price new inventory according on our website. Also, communicate with HAG marketing to get website slides created with enticing specials and creative ads.
- B. Have a bulk email schedule ready to send out to our data base as soon as incentives are published.
- C. Have a social media campaign to coincide with website and any other advertising campaigns.

4. Work closely with the order process of new inventory.

- A. We have a 3rd party who orders our inventory, so it is imperative to work closely with her to ensure the right inventory is ordered to ensure a quicker turn.
- B. Additionally the GM consensus must be studied and past sales data must be reviewed to ensure proper allocation on specific models are ordered.

There will not have to be any additional cost to the advertising budget to get this plan enacted. It will just take a laser focus by all sales people and sales managers to have the commitment to get our inventory sold quickly, with a concentration on selling the oldest first. Our service department to get our new inventory through PDI and detail quickly, and our photographer to get pictures online as soon as possible.

We will track this each month to see how our variance is with contrast to the 8 turn guide.

- In November we were at 6.09 months of new vehicle inventory, with a calendar turn of 1.97.
- In March we were at 4.71 months of new vehicle inventory, with a calendar turn of 2.55.

So, we are making progress but still have a lot of improvement to make. We will continue to monitor our progress and have a goal to hit a 3 month supply and a 4 calendar turn by the end of the 2nd quarter.