

Departmental Action Plan

Student Name: Stephen O'Dell

Class & Student Number: 331 - 1

Academy Week: Variable Ops 1 – Pre-Owned

Current situation or challenge you want to address:

Our current Inventory turn is 6.7. We need to improve this to a minimum of 10 and more desirable of 12. We need to focus our getting our used cars retailed within 45 – 60 days. Our oldest vehicles are costing us money and tying up inventory \$\$'s. Our oldest inventory is on average our highest costing units.

Overall Objective and Specific Desired Results:

Our objective is to increase our inventory turn to 12 times a year thereby reducing our investment in inventory. We need to reduce our current 90 day hold on used vehicles to a 60 day hold. We also need to consider the cost of our individual units because our sales history tells us that our more expensive inventory is more likely to reach past 60 days.

Describe your action plan in detail (be specific and include before and after measurements)

We are currently using V-Auto for our inventory management. We have been utilizing its tools for cost to market and days supply when appraising or acquiring inventory. We are currently taking in over 95% of our UC inventory through trade-ins. We need to do a better job of "cutting our losses" on vehicles that are not in our market for retail. Our YTD history shows that our average sales cost is \$16,738 against our average inventory cost of \$15,892. This looks like we have a good inventory holding cost, but when analyzed against the age of the units, our units over 46 days old have an average cost of \$21,550. This represents a 29% increase over our average selling cost. We need apply tighter controls on appraisals of the higher cost units or price them early on in their inventory life to better turn them over. These higher cost units account for 15 of the 20 vehicles that are older than 60 days. A further analysis of these vehicle indicates that over 60 day old are comprised of over 50% Toyota. This is a direct result of our push to sell new cars. Customers that are coming in for these units are typically flipped to new cars. This can have a negative effect on our traffic if we don't inventory some of these units, but we have to be diligent in making that decision on when, how much and how many. We'd like to see the number of these units go down, but still have the effect of bringing customers through the door. These strategies are measurable as to the outcome, but there is no definitive criteria as to application. We still have to sell a required number of new cars, but by increasing our turn and having a sharper focus on pricing, we will be able to increase our ROI on used cars.

Timeline: Describe specific short term and long term checkpoints to monitor progress

We realize that we can't change our inventory hold restrictions overnight. We believe that this can be achieved within 60 days. We want this policy in effect by August 1st. We also need to monitor our wholesale profit/loss to make sure that we are trading UC profit for W/S loss. By taking a more detailed look at the trade-in appraisals we should be able to make these changes and have a positive effect on our UC Dept. The long term analysis needs to take place 90-120 days after implementation. We need to evaluate the effect it is having on our turn and our PVR. The largest threat will be an increase in wholesale loss. We believe that in the short term that wholesale loss will go up, but we should be able to stabilize the losses with a tighter policy on bringing cars in.

Meeting with Stakeholders (dealership personnel)

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences. Include timelines / Accountability / Monitoring process

- a. Who: Used Car Manager & Desk Managers
- b. What: The UC Mngr will manage the days in inventory and wholesale – The Desk Mngrs will have a sharper focus on Trade Ins
- c. By When: July 1st to begin implementation and 90-120 days later to evaluate the results. Wholesale will be monitored continuously.
- d. How: Mandate a 60 day turn – Utilize the info from V-Auto to better evaluate trades. These will be monitored by our GM and Lead Desk Manager.

Dealer agreement:

If you need your sponsors support or approval to implement your plan, have it signed off before you start. If you can proceed on your own, present this action plan to your sponsor before next class. Describe the meeting:

The dealer has always had a 90 day turn and it has served him well at his Buick GMC store. That store doesn't get the same type of pressure from the manufacturer to sell new cars as our Toyota store. He is open to trying the program as long as we are monitoring the results daily. His main concern is to not trade profit on retail for a loss in wholesale. He sees a big benefit to increasing our turn from 6.7 to over 10. This can free up capital for other areas of the business.
