



HOMEWORK ACTION PLAN

S SPECIFIC
 M MEASURABLE
 A ACHIEVABLE
 R RELEVANT
 T TIME-BOUND

Name Souhyal Errama Class # NADA-418

Dealership FRONTIER TOYOTA Date 8/13/2023

Current Situation or Challenge to be Addressed:	PRE-OWNED VEHICLE HARD TURN		
Current Performance Level (include specific measure):	Currently we are sitting on \$1.3 Million of aged inventory, vehicles that are 60+ Days in stock		
Goal (what do you want to achieve?)	Implement a hard turn policy where any used vehicle in our inventory that has not sold within 60 days will be aggressively re-priced, sent to auction, or wholesaled out, with the aim to reduce aging inventory and improve overall lot freshness and profitability.		
Goal Performance Level (include specific measure)	By the end of a three-month trial period, 90% of our used car inventory should be 60 days or younger, with a monthly review of all vehicles approaching the 60-day mark to determine the best course of action (re-pricing, auction, or wholesaling). Additionally, aim to reduce the average age of inventory by 25% and increase monthly turnover by 15%.		
Goal Start Date:	8/1/2023	Goal End Date:	11/30/2023
First Check-in Date:	8/1/2023	Performance Objective:	Meeting with all managers to make sure they understand our direction
Second Check-in Date:	8/15/2023	Performance Objective:	Pricing Adjustment - Vauto
Third Check-in Date:	8/31/2023	Performance Objective:	Inventory \$ Amount and Turns
Fourth Check-in Date:	11/30/2023	Performance Objective:	Goal Achievement
How does your goal align with the dealers' vision?	My goal aligns with your dealership's vision of having a younger used vehicle inventory that is less than 60 days old in 90 days. The policy essentially operationalizes the vision by providing a systematic approach to ensure that our pre-owned inventory remains fresh and aligns with the 60-day target set in our vision.		
What are the potential benefits of achieving your goal?	1- Reduced Holding Costs: Aging inventory has associated carrying costs. By turning inventory more quickly, we save on these expenses. 2- Increased Cash Flow: Faster inventory turnover means more frequent cash inflows from sales. 3- More Attractive Inventory: A younger inventory can be more appealing to customers, potentially leading to increased sales.		

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	<p>4- Reduced Depreciation Costs: Cars lose value over time. By selling them quicker, we minimize the depreciation hit.</p> <p>5- Opportunity for New Stock: Turning over inventory allows for newer models to be introduced more frequently, keeping up with market trends and demands.</p> <p>6- Enhanced Dealership Reputation: A fresh and dynamic inventory can boost the reputation of our dealership, indicating to customers that we offer the latest and best options.</p> <p>7- Increased Profitability: With reduced costs and potentially higher sales, the overall profitability of our dealership can improve.</p>
What are the potential consequences if you don't achieve your goal?	<p>1- Increased Holding Costs: Keeping inventory for longer periods results in higher carrying costs such as insurance, flooring rate, depreciation, and space utilization.</p> <p>2- Cash Flow Strain: Slower inventory turnover can lead to reduced cash inflows, impacting our dealership's liquidity "Frozen Capital".</p> <p>3- Inventory Depreciation: The longer a vehicle stays on our lot, the more its value might decrease, affecting the potential selling price and profit margins.</p> <p>4- Perceived Staleness: A lot filled with older models might be perceived as stale or out-of-date, potentially deterring customers.</p> <p>5- Higher Marketing Costs: Aging inventory may require more aggressive and costly marketing strategies to try and move them off the lot.</p>
Why is the goal important to you?	<p>1- Financial Health: Implementing this goal directly impacts the bottom line by reducing holding costs, depreciation, and potential interest payments on unsold cars, thereby improving the dealership's profitability.</p> <p>2- Operational Efficiency: A consistent and streamlined inventory management approach allows for better alignment of supply with customer demand, leading to more efficient purchasing and selling strategies.</p> <p>3- Employee Morale and Productivity: A clear policy can help the sales team focus on actionable targets and reduce the stress of trying to sell aging inventory. This will improve their morale and productivity.</p>
Potential Obstacles	<p>1- Sales Team Resistance: The sales team might be resistant to change, especially if they believe they can sell older vehicles with more time. They might initially push back against the new policy.</p> <p>2- Market Fluctuations: Economic downturns or unexpected market shifts can affect sales pace, making it more challenging to consistently meet the 60-day threshold.</p> <p>3- Inventory Acquisition Challenges: There could be delays or difficulties in acquiring new stock to replace the older inventory, especially if there are disruptions in the supply chain.</p> <p>4- Financial Constraints: Liquidating older stock, potentially at a discount or via auctions, could have a temporary impact on cash flow or profits.</p> <p>5- Logistical Challenges: Coordinating the movement of unsold vehicles, be it through re-pricing, auctions, or wholesaling, requires additional logistical efforts and can pose challenges in execution.</p>

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Potential Solutions	<p>1- Sales Team Resistance:</p> <p style="padding-left: 20px;">1-1 Solution: Conduct training sessions and workshops to educate the sales team on the benefits of the new policy.</p> <p style="padding-left: 20px;">1-2 Implement an incentive structure that rewards rapid sales and adherence to the policy.</p> <p>2- Market Fluctuations:</p> <p style="padding-left: 20px;">2-1 Solution: Diversify the vehicle inventory to cater to various market segments, ensuring there's a buffer against unpredictable market trends.</p> <p style="padding-left: 20px;">2-2 Stay updated on market trends and adjust pricing or promotional strategies accordingly.</p> <p>3- Inventory Acquisition Challenges:</p> <p style="padding-left: 20px;">3-1 Solution: Establish partnerships or agreements with multiple suppliers to ensure a consistent flow of inventory.</p> <p style="padding-left: 20px;">3-2 Consider pre-booking or reserving popular models in advance to ensure availability.</p> <p>4- Financial Constraints:</p> <p style="padding-left: 20px;">4-1 Solution: Build a financial reserve or have flexible financing options in place to handle temporary cash flow challenges.</p> <p style="padding-left: 20px;">4-2 Consider collaborative events or partnerships with financial institutions to offer promotional deals that can mitigate the financial impact of moving older stock.</p>
<p>BOTTOM LINE! Financial Impact of Achieving Your Goal (expressed in dollars)</p>	<p>Implementing a hard turn policy, given a \$1.3 million value in pre-owned vehicles over 60 days, can lead to significant financial savings:</p> <p>Avoided Depreciation: Save up to \$26,000 monthly or \$312,000 annually, based on a conservative 2% depreciation.</p> <p>Reduced Holding Costs: Save an estimated \$13,000 monthly or \$156,000 annually, considering costs like financing, insurance, and maintenance.</p> <p>Better Cash Flow: Faster sales free up liquidity and reinvest faster.</p> <p>Preserved Profit Margins: Selling vehicles quickly can maintain desired price points.</p> <p>Avoid Auction Losses: Reduce the need for auctions, which often lead to losses compared to retail sales.</p>

What specific actions or steps will you take to accomplish your goal? What will you do differently or improve? For each, be sure to include necessary resources, who is accountable, the measurable result, and dates.

SPECIFIC ACTION/STEP	NECESSARY RESOURCE(S)	ACCOUNTABLE PERSON(S)	EXPECTED RESULT	START, END, & CHECKPOINT DATES
Staff Training: Educate the sales team on the importance of the hard turn policy and introduce incentives	Training manual	General Sales Manager, Sales Managers, Used Car Manager	08/30/2023	08/01/2023 - 08/31/2023

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for moving older inventory faster.				
Pricing Strategy: Adjust prices based on vehicle age, market demand, and competitive benchmarks. Consider limited-time promotions or discounts for older inventory.	V-auto CarGurus Carfax	GSM/Used Car Manager & Sales Managers	November 30th,2023	08/01/2023 08/31/2023 09/15/2023 09/30/2023 10/15/2023 10/31/2023 11/15/2023 11/31/2023
Marketing Boost: Amplify promotion of vehicles nearing the 60-day mark through online platforms, email campaigns, and special sale events.0-day threshold.	Facebook, Google adwords, SEO	Marketing Manager	11/30/2023	08/01/2023 08/30/2023 09/30/2023 10/31/2023 11/30/2032
Real-time insights and use data analytics to anticipate sales trends.	Google Analytics	Marketing Manager, GSM, GM, Internet Director	08/01/2023	Weekly
Engage Wholesale & Auction Channels: Strengthen ties with wholesale buyers and auction houses to quickly move vehicles reaching the 60-day threshold.	Relationship	Used Car Manager	08/01/2023	Weekly

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As you work toward your goal, it's important to have interim check points with specific, measurable objectives so your team can hold themselves accountable. If everyone knows the goal and objectives, you don't have to spend your valuable time micromanaging.

Once you've accomplished your goal, added or adjusted policies, procedures, and behaviors, now what? How will you ensure you and your staff do not fall back into the previous habits that produced poor results? Be specific.

In order to ensure that we, as a team, maintain our focus and don't revert to our old habits that didn't serve us well in the past, I've put a few key measures in place. First, I'll be setting up regular check-ins and performance reviews to ensure we're all aligned with our new direction and the dealership vision. We'll monitor all KPIs, especially around inventory age and sales velocity, so any deviations will be instantly visible to all of us. I believe in rewarding hard work and consistency, so I'm introducing incentive programs to reward those who excel in meeting our new targets. Additionally, we'll have recurring training sessions to keep us sharp and on track. And I want this to be a two-way street; I'll be setting up a system for all to share our concerns and insights, ensuring we address challenges as they come. That way we can maintain this momentum and achieve the results we aim for."

Describe any planning or implementation meetings conducted as part of development of your plan.

I convened with both our used car manager and the general manager to ensure our hard turn policy aligns seamlessly with our overarching vision and direction.

Sponsor Signature: *Aman Abraham*