

# Departmental Action Plan

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Academy Week: Variable Ops 1

The first step in developing our Action Plan was to conduct a departmental assessment. All members of management were asked to complete a SWOT Analysis. After completion, we gathered the data and compiled the SWOT attached below which highlights areas that appeared on multiple, individual, SWOT assessments.

<u>Strength</u>	<u>Weakness</u>
Vehicle Acquisitions	Aged Inventory
Knowledge of Buyer	Used Car Fund
Great Market	Tenure of Used Car Manager
Strength of F&I	Previous Lack of Inventory Tools
Team Belief in Process	Time to Get Through Shop
Advertising Budget	Time Till Digital Frontline Ready
<u>Opportunity</u>	<u>Threat</u>
Better Usage of Inventory Tools	Changing Market Conditions
Deeper Buying of Off-Lease Vehicles	Frozen Capital / Less Acquisitions
GROI of Fast Moving Vehicles	Other Dealers Gaining Inventory
Retailing More Off-Brand Vehicles	Lack of Process
Better Vehicle Shipping Relationships	Used Car Manager Ability to Adapt

## **Current situation or challenge you want to address:**

Based on the results of our assessment we concluded that the former owner's philosophy regarding the Used Car Department would not work with the new owner group's mentality. We concluded that we must pay attention, and address, aged inventory, turns and market day's supply. The new ownership group is all about the bottom line and we need to adjust our process to match their objective.

## **Overall Objective and Specific Desired Results:**

The overall objective is to improve the used car department's net profit by managing the department more efficiently. The desired results would include:

1. Dramatic reduction in aged inventory
2. Market based pricing
3. Improved inventory turns

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

### **We Will:**

1. Conduct meetings with the Sales Management team to familiarize them with our new philosophy. Complete buy in is a must.
2. Use V-Auto to re-price our existing vehicles based on Market Days Supply and Price to Market. Loses are expected in some cases but are acceptable.
3. Review our trade-in and appraisal process. Again, using V-Auto we will assure that our trade-ins are being accurately evaluated. We will conduct training with the sales staff to ensure that we are getting quality information in our initial trade-in walkaround.
4. Conduct a weekly meeting with the General Sales Manager and the Used Car Manager to discuss our "problem" inventory. During the meeting we will decide upon a course of action designed to move those units immediately.
5. Decide upon a "hard-out" date. Any vehicle that reaches that date will be sent to auction.
6. Work with the Service Department to develop a policy to ensure that our re-con time is within 72 hours.
7. Work with vehicle prep and marketing to develop processes to ensure that all retail units are frontline ready within 5 days.
8. Constantly monitor our inventory's SRPs and VDPs and make necessary price adjustments.
9. Conduct Save a Deal meetings and get second opinions when necessary.
10. Use all the tools at our disposal to more efficiently manage the Used Car department.

<u>April 2018</u>		<u>May 2018</u>
183	Used Inventory @ Month End	164
45	Used Units over 30 Days	34
11	Used Units 61-90 Days	1
2	Used Units 90+ Days	0
\$287,909	Dollar Value of Inventory Over 60 Days	\$17,405
95	Used Units Delivered	131
9.13%	Gross as % of Sales	12.49%
\$22,128	Avg. Cost of Sold Units	\$21,274
\$1,195	Avg. Front End Gross	\$1,543
\$10,992	Used Car Department Operating Profit*	\$102,942

Upon returning from class we immediately began working on our Action Plan. The Sales Management team is in complete agreement that the new process is the direction we need to take going forward. Above is a comparison of the months of April and May. We have already seen tremendous upside and only the later half of May utilized the new process.

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

**Short Term Checkpoints** will include daily monitoring of V-Auto and the Daily DOC. We will use V-Auto to monitor aging inventory, Price to Market and Market Days Supply. Adjustments will be made to ensure that the inventory is priced correctly. We will also use V-Auto to identify inventory that will become our aged inventory if we do not plan ahead. Strategies for the sale of these vehicles will be determined by management. The Daily DOC will be used to monitor Gross Profit and the sale of used inventory.

**Long Term Checkpoints** will include monthly analysis of the dealership Financial Statement. Sales, Gross Profit and Operating Profit will all be analyzed to track the success of the elements implemented in this action plan. We can further track units sold, inventory value, wholesale profit/loss, average gross profit and the overall health of the department. The Financial Statement will also be compared to prior month, same month prior year and year to

date numbers to identify trends in our market. An additional, long term, tool would be the use of the NADA 20 Group Composite. We can measure our business with Best of Class Subaru Dealers and pinpoint areas that require additional attention.

### 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

#### 1<sup>st</sup> meeting:

- a. Who: Sales Management
- b. What: Meeting to address changing used car process
- c. By When: Immediate
- d. How: Discuss the changing strategy for used cars. Explain the importance of inventory turns, market day's supply, price to market. Use V-Auto to show the economic impact of young inventory vs aged inventory. Show what a change in the department could mean financially for the management. Decide upon a hard-out date.

#### 2<sup>nd</sup> meeting:

- a. Who: General Manager, General Sales Manager & Used Car Manager
- b. What: Inventory review meeting
- c. When: Wednesday May 16<sup>th</sup>
- d. How: Review used inventory on V-Auto. Make price adjustments where necessary. Determine which vehicles are at or beyond the hard-out date and send to auction. Vehicles that are nearing the hard-out date will be priced to sell.

#### 3<sup>rd</sup> Meeting

- a. Who: General Sales Manager, Used Car Manager, Sales Consultants
- b. What: Review of Trade appraisal process
- c. By when: Step 1 immediately. Step 2 by June 4<sup>th</sup>.
- d. How: Step 1: Retrain sales consultants on proper initial trade-in walkaround. What are we looking for? How to spot problems? Word tracks. Step 2: Have KBB ICO team return to conduct on-site training to ensure maximum utilization of our used car tools.

#### 4<sup>th</sup> meeting:

- a. Who: General Manager, Sales Management, Service Manager, Vehicle Logistics Manager and V-Auto Performance Manager
- b. What: Review of our used vehicle's Lifecycle Summary
- c. By When: June 15<sup>th</sup>.

- d. **How: We will enlist the aid of Chris Adams, our V-Auto Performance Manager, to help develop a process to ensure that our cars are grounded, given to service, given to detail and have a full photo array and vehicle description within 5 days**

**5<sup>th</sup> Meeting:**

- a. **Who: General Manager, General Sales Manager and Used Car Manager**
- b. **What: Weekly used inventory review**
- c. **When: Each Monday starting in June 2018**
- d. **How: We will review used inventory focusing on Price to Market, SRP's and VDP's. Adjustments will be made where necessary. We will also review the "worst" used vehicle investments and determine if a car should be sent to auction immediately. We will also review off brand trade-ins and determine if there are any retail opportunities among them.**

**We will also hold daily Save-a-Deal meetings to review potential missed opportunities. If a potential deal involved a trade-in, management will review and use V-Auto to determine if we can give more for a trade-in. In such cases Market Day's Supply, Price Rank and V Rank will be reviewed before a decision is made.**

**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:

**My sponsors are the former owners of my dealership. Although they no longer own the dealership, they are still involved during this transitional period. I did not need their approval but out of respect I did discuss the proposed changes as detailed above. Mrs. Kolb said, "I've been trying to tell Bill to do it this way for years." Bill Kolb was not as enthusiastic in his response. His response was "Listen, I'm not going to tell you no. I'm just going to stand back and watch. I've done it my way for a long time."**

**While only a short time has passed, initial results look promising. Mrs. Kolb continues her unwavering support and Mr. Kolb seems to be more receptive to the changes.**