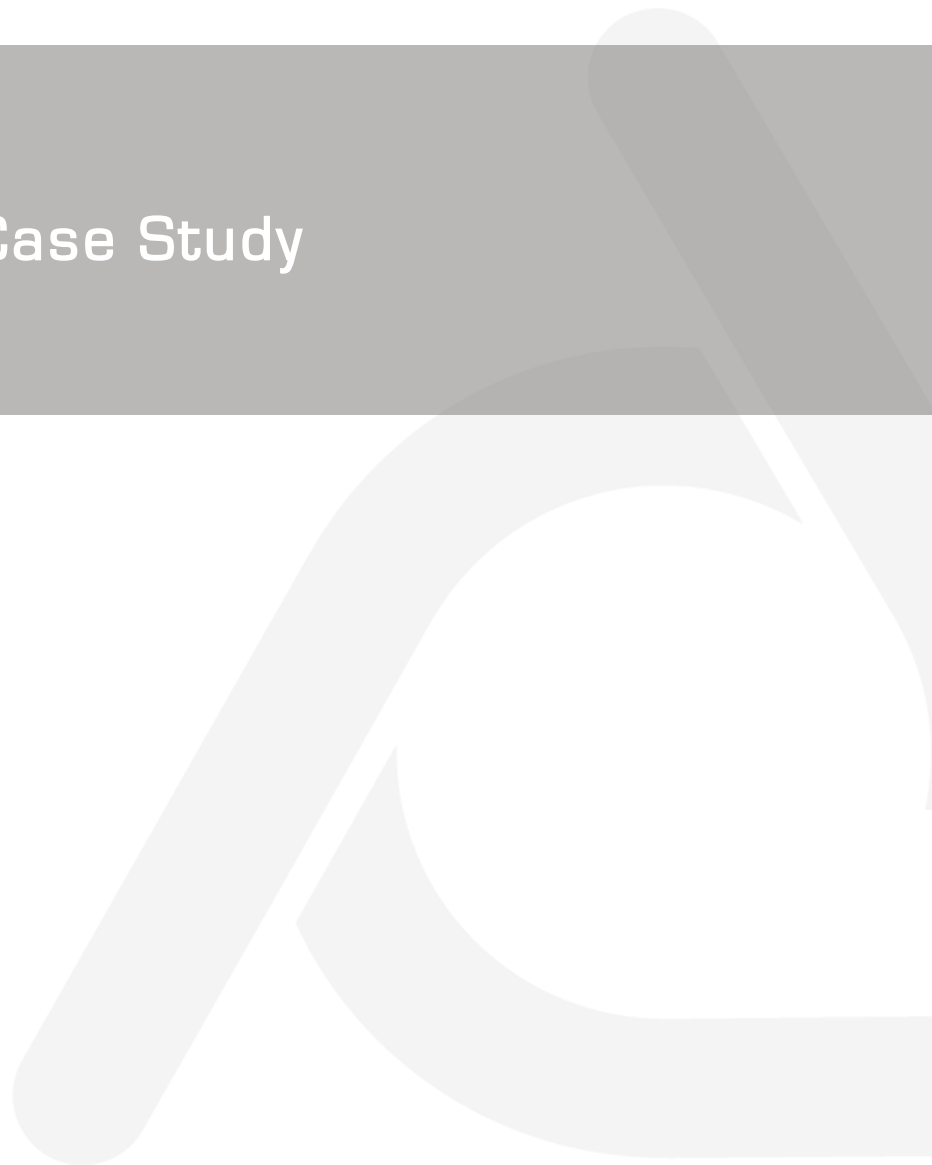




**PEP AUTOMOTIVE**

Case Study





## Introduction

Guided by the PEP Automotive consultant, the Dealership has acted to improve performance, some of which were challenging on both personal or financial levels.

The business had experienced difficulties in achieving consistent profits from their used car operations for some time and PEP Automotive was asked to help. From the outset, there was full co-operation from the owners and everyone at the dealership.

The intervention started with monthly one day visits after a full assessment of performance, staff and operating policies.

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## Resources

### Premises

The premises are superb; beautifully presented to 5\* hotel reception standards with remarkable indoor space for used car display. There was also outside display spaces which, inexplicably, were not fully utilised.

### Funds

Initially there was concern about the limits on used car stocking funds, and how this would make it difficult for the dealer to achieve volume targets. A report was provided to demonstrate how such a policy would damage recovery. However, it became clear that any constraints were driven by Group policies on providing funds to match stock turn. A very appropriate approach, but this did mean that it would take some time to clear slow moving stock and consequently impact on margins.

Currently, there are no issues with providing funds for used car stock.

### People

Staff levels were adequate but some members of the team caused concern with their abilities and attitudes.

## Starting Performance

The following KPIs provide a snapshot of performance at the start of the intervention.

### Dealer Performance 4 months' average

Used Sales	Gross Margin %	Stock Turn	ROSI*	Units +60 Days
16	8.2	6.6	58%	10

\*ROSI = Return on Stock Investment calculated as:  
 Stock Turn x Gross Profit

## Action Taken

Guided by the PEP Automotive consultant, the dealership took remedial actions to improve performance, some of which were challenging on personal and financial levels.

- The Dealership Manager was replaced by a new manager who radically improved the effectiveness of the sales team by creating a vibrant, positive and energetic attitude as well as bringing a 'street smart' emphasis to everyday business.
- The functions and pay package for the Sales Manager were clarified and adjusted. He is now able to spend more of his time coaching his team and managing the sales process. There had been doubts about his performance and long-term commitment but he is now an enthusiastic and effective member of the team.
- An ineffective sales executive has been replaced by an F&I specialist with some serious improvement in income from this area.
- There has been an improvement in sourcing both franchise and non-franchise used car stock. This has now been followed by the appointment of a full time Used Car Buyer. This is a major step towards having a fully functioning used car operation.
- The Approved Used Car programme is fully supported.



## Current Performance

The numbers shown below relate to the following 4 months, a period of the year which can often be a challenge. They reflect great credit on the team at the dealership.

Dealer Performance Average	Used Units Sales	Gross Margin %	Stock Turn	ROSI*	Units +60 Days
Initial 4 months	16	8.2	6.6	58%	10
Following 4 months	21	9.7	12	116%	nil

\*ROSI = Return on Stock Investment calculated as: Stock Turn x Gross Profit

As a result of this consistently improved performance, PEP Automotive scaled back involvement to a quarterly visit, with online and telephone support available as required.

## Outstanding Issues

- The used car display still lacks consistency and is somewhat anodyne. Displayed stock needs to be more consistently in place with no empty spaces.
- For a short period, some cars were displayed outside the showroom entrance. PEP Automotive still believes that a small selection of cars there would show good results.
- As the content of trade - sourced cars increases PEP Automotive would like to see some work on the non-franchise used car brand to give it a stronger presence both on-line and at the dealership.