

The Lemco Letter

Inspect What You Expect

Use departmental metrics to drive value

I am often asked: “What is the biggest determinant of the value of a dealership?” Over the years, despite the changes in the economy and markets, the answer remains the same: the Dealer Principal. Dealer Principals who are actively involved with their teams and implement best practices and business systems drive the value of their dealerships.

Even with established and trained procedures, the Dealer Principal is sometimes surprised to find out that team members are not following protocols. Of course, it is easy to quip “Inspect what you expect!”, but what does that mean?

It will vary, of course, by situation, but the basic framework is similar. A dealer cannot perform every role in the dealership. We hire the right people in the right positions and then provide ongoing training, leadership and supervision. Ultimate responsibility, however, can never be delegated. The Dealer Principal needs a reporting system to understand what is happening *today* in order to be proactive.

We recommend requiring key reports or metrics from each department manager demonstrating the actions that the manager can control. If a manager is in control, the monthly financial reports will show the results. The departmental reports together comprise a scorecard or dashboard the Dealer Principal reviews daily. The outline on the next page is a sample for you to customize.

Action Items

What can we do today to build a better tomorrow?

1

ARTIFICIAL INTELLIGENCE
Learn it, use it, guard against its mis-use

2

PARTICIPATION
Our state and nat'l dealer associations protect us all

3

GRATITUDE
Thank our teams for specifics - go beyond "great job!"

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Inspect What You Expect - Scorecard Sample

Sales

- Traffic Log
- Write Ups
- Status Board
- Finance Logs
- New order planning

Finance & Insurance

- Compliance safeguards
- Per Vehicle Retailed averages
- Contract funding time
- Credit turn down ratio
- # customers that turned us down

Service

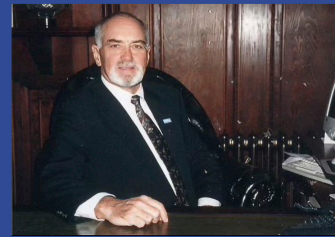
- Repair Order Summary
- Technician Productivity and Efficiency
- Update on used vehicles in service
- Service Advisor Performance
- Warranty Submitted vs. Paid

Parts

- Inventory Turnover
- Gross Margins
- Purchase Orders
- Open-to-Buy
- Inventory Aging

Office / Admin

- Daily Operating Control (financial snapshot)
- Verify bank deposits and bank reconciliation



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“Theft is a violation of policy - and a violation of policy is theft!”

If you have established best practices and include them in your training, there is still more required - active engagement and oversight. While Dealer Principals cannot be omnipresent, when department managers report key metrics, a Dealer Principal can preemptively identify potential issues and drive optimal outcomes.

Delegation combined with oversight ensure that the Dealer Principal maintains responsibility while the whole team works together to achieve the dealership's goals.

CAUTION

You do not want everyone spending all their time on reports. Choose the most important reports or metrics, from 3 to 6 per department, that you can consistently assess every day. You can always change it up for the next quarter.

Implementing a scorecard or dashboard from each department should save you time while increasing your effectiveness toward reaching goals.

