Managing Cash Flow: Making it Through the COVID-19 Pandemic

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“The Saturday”

Example

• We are a “One-Price Store”
• Sales price is $20,000.00
• Cost of product is $18,000.00
• Current program
  – $1,500.00 “Cash Back” to customer on all in-stock inventory
• We have ten (10) in stock
  – All on floor plan
Deal # 1

$20,000
− 1,500
$18,500

“The Saturday”

Cash Deal

$ 18,500 from customer
− 18,000 floor plan payoff
+ $ 500 cash

Cash
+ 500
Deal # 2

$20,000
– 1,500
$18,500

“The Saturday”

Finance Deal

Unable to Cash Contract ...  
Missing Signature!

$ 0 from customer
– 18,000 floor plan payoff
– $ 18,000 cash

Cash
+ 500
– 18,000
Hello!  
I am the  
Floor Plan Checker!
Deal # 3

$20,000
− $1,500
$18,500

“The Saturday”

Cash Deal

But...
Manager Took a “One Pay” ...
for Seven Days

$ 0 from customer
− $18,000 floor plan payoff
− $18,000 cash

Cash
+ 500
− 18,000
− 18,000
Deal # 4

$20,000
− 1,500
$18,500

“The Saturday”

Finance Deal

Contract is Good!
But...
Manager Took a Hold Check
for $3,000.00 for 10 Days

$ 18,500 sale price
− 3,000 hold check
$ 15,500 from customer
− 18,000 floor plan payoff
− $ 2,500 cash

Cash
+ 500
− 18,000
− 18,000
− 2,500
Deal # 5

$20,000
− 1,500
$18,500

“The Saturday”

Cash Deal

with a trade

$ 18,500 sale price
− 5,000 trade
$ 13,500 from customer
− 18,000 floor plan payoff
− $ 4,500 cash
Deal # 6

$20,000
− $1,500
$18,500

"The Saturday"

Cash Deal

with a trade

$ 18,500 sale price
− $ 9,000 trade
$ 9,500 from customer
− 5,000 payoff on trade
$ 14,500 from customer
− $ 18,000 floor plan payoff
− $ 3,500
− $ 5,000 payoff on trade
− $ 8,500 cash
Deal # 7

$20,000
−  1,500
$18,500

“The Saturday”

Finance Deal

with a trade

$ 18,500 sale price
−  9,000 trade
$  9,500 from customer
  5,000 payoff on trade
$ 14,500 from customer

Unable to Cash Contract ...

$  0 from customer
−  18,000 floor plan payoff
−  5,000 payoff on trade
− $ 23,000 cash

Cash
+  500
− 18,000
− 18,000
−  2,500
−  4,500
−  8,500
− 23,000
Deal # 8

$20,000
− 1,500
$18,500

**Finance Deal**

*with a trade*

$ 18,500 *sale price*

− 9,000 *trade*

$ 9,500 *from customer*

11,500 *payoff on trade*

$ 21,000 *from customer*

Unable to **Cash Contract** ...

$ 0 *from customer*

− 18,000 *floor plan payoff*

− 11,500 *payoff on trade*

− $ 29,500 *cash*
Deal # 9

$100 over cost

$18,100

− 1,500

$16,600

“The Saturday”

Cash Deal

$ 16,600 \textit{sale price}
− 18,000 \textit{floor plan payoff}
− $ 1,400 \textit{cash}

<table>
<thead>
<tr>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 500</td>
</tr>
<tr>
<td>− 18,000</td>
</tr>
<tr>
<td>− 18,000</td>
</tr>
<tr>
<td>− 2,500</td>
</tr>
<tr>
<td>− 4,500</td>
</tr>
<tr>
<td>− 8,500</td>
</tr>
<tr>
<td>− 23,000</td>
</tr>
<tr>
<td>− 29,500</td>
</tr>
<tr>
<td>− 1,400</td>
</tr>
</tbody>
</table>
“The Saturday”

Result

Profit on Saturday

$16,100 total

$ 1,798 per retail sold

-$104,900.00

Negative Cash on Monday

Cash

+ 500
– 18,000
– 18,000
– 2,500
– 4,500
– 8,500
– 23,000
– 29,500
– 1,400
– $104,900
Eight Critical Concerns

Four cash accounts

1. **Contracts-in-transit**
2. Accounts receivable vehicles
3. Customer parts, service, and body shop receivables
4. Factory receivables

Four inventories

1. Parts inventory
2. Technician’s time inventory
3. New vehicle inventory
4. Pre-owned vehicle inventory
Contracts in Transit

NADA Guide

• Maximum of 20% of month’s vehicle sales
• Funding in 3 days
Best Practices: Contracts in Transit

• Print the schedule and review **daily**
• Identify and resolve problems
• Focus on contracts over 3 days old
• Track cycle time: delivery to funding
• Sweep for Contracts in Dealership
  – Sales manager and F&I desk drawers
• Adjust pay plan to include penalties for late C.I.T.
• Release frozen capital and increase cash
Eight Critical Concerns

Four cash accounts:

1. Contracts-in-transit
2. Accounts receivable vehicles
3. Customer parts, service, and body shop receivables
4. Factory receivables

Four inventories:

1. Parts inventory
2. Technician’s time inventory
3. New vehicle inventory
4. Pre-owned vehicle inventory
Vehicle accounts receivable generally consist of:

- Fleet receivables
- Hold checks
- Promissory notes (one-pays)
- Dealer trades/swaps
- Vehicles wholesaled but waiting to be paid
## Vehicle Receivable Sample Schedule

### 20A Vehicle Receivables

**02/28/2007**

<table>
<thead>
<tr>
<th>LIVING</th>
<th>Doc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>36758</td>
<td>50 LIVINGSTON CAR DEAL</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>SNYDER</td>
</tr>
<tr>
<td>37353</td>
<td>2534</td>
</tr>
<tr>
<td>25904</td>
<td>10 SNYDER/Deposit</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>TIMM</td>
</tr>
<tr>
<td>36729</td>
<td>2590</td>
</tr>
<tr>
<td>25906</td>
<td>60 TIMM/CAR DEPOSIT</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>TROCHI</td>
</tr>
<tr>
<td>3752</td>
<td>2590</td>
</tr>
<tr>
<td>25913</td>
<td>80 TROCHI/CAR DEPOSIT</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>WALDEN</td>
</tr>
<tr>
<td>36738</td>
<td>50 ALEX WALDEN CAR DEAL</td>
</tr>
<tr>
<td>80911</td>
<td>20 WALDEN/Deposit</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>WRITOF</td>
</tr>
<tr>
<td>2203</td>
<td>80 BALANCE TO WRITE OFF</td>
</tr>
<tr>
<td>2203</td>
<td>80 BALANCE TO WRITE OFF</td>
</tr>
<tr>
<td>12/01/06</td>
<td>80 BALANCE TO WRITE OFF</td>
</tr>
<tr>
<td>02/15/07</td>
<td>80 BALANCE TO WRITE OFF</td>
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<td>12/01/06</td>
<td>80 BALANCE TO WRITE OFF</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YANGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>36723</td>
</tr>
<tr>
<td>22/02/07</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

### Summary

**Total Of Debits:** $13,823.27
**Total Of Credits:** $380.00
**Balance Of 6/1 Account 220A:** $12,943.27

**Current To 30 Days:** $0.03
**30 To 60 Days:** $0.00
**60 To 90 Days:** $0.00
**90 To 120 Days:** $0.00
**Over 120 Days:** $3,143.24
Best Practices: Vehicle Receivables

- Print the schedule and review **daily**
- **Don’t release vehicle titles without payment**
- **Adjust pay plans to include A/R**
- Identify and resolve problems
- Floored vs. not floored
- Focus on oldest items
- **Release frozen capital and increase cash**
Eight Critical Concerns

Four cash accounts
1. Contracts-in-transit
2. Accounts receivable vehicles
3. Customer parts, service, and body shop receivables
4. Factory receivables

Four inventories
1. Parts inventory
2. Technician’s time inventory
3. New vehicle inventory
4. Pre-owned vehicle inventory
Used vehicles

NADA Guide = **30-day supply (1.0 months)**

To calculate the number of times an inventory is turning per year:

- Twelve months: 12
- Months’ supply: \( \div 1.0 \)
- Number of inventory turns per year: 12
Best practices

• Calculate excess inventory
• Evaluate inventory for disposition plan
• Release frozen capital and increase cash
Which units to unload?

- Gross opportunity declines with age
- Value declines with age

<table>
<thead>
<tr>
<th>Days in Inventory</th>
<th>Number of Units</th>
<th>Total $ Value</th>
<th>% Units</th>
<th>% $</th>
<th>Dollar$ per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 30 Days</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 - 60 Days</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 - 90 Days</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>91 - 120 Days</td>
<td></td>
<td></td>
<td>0%</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>121 Days and over</td>
<td></td>
<td></td>
<td>0%</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>0%</td>
<td>0%</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Average Days Age per Unit**

**% of Units Over 30 Days**
Which units to unload?

<table>
<thead>
<tr>
<th>Days in Inventory</th>
<th>Number of Units</th>
<th>Total $ Value</th>
<th>% Units</th>
<th>% $</th>
<th>Dollar$ per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 30 Days</td>
<td>162</td>
<td>$3,320,210</td>
<td>41%</td>
<td>34%</td>
<td>$20,495</td>
</tr>
<tr>
<td>31 - 60 Days</td>
<td>91</td>
<td>$2,331,778</td>
<td>23%</td>
<td>24%</td>
<td>$25,624</td>
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<tr>
<td>61 - 90 Days</td>
<td>80</td>
<td>$2,254,984</td>
<td>20%</td>
<td>23%</td>
<td>$28,187</td>
</tr>
<tr>
<td>91 - 120 Days</td>
<td>31</td>
<td>$695,051</td>
<td>5%</td>
<td>8%</td>
<td>$23,168</td>
</tr>
<tr>
<td>121 Days and over</td>
<td>34</td>
<td>$1,023,549</td>
<td>11%</td>
<td>11%</td>
<td>$31,017</td>
</tr>
<tr>
<td>Total</td>
<td>398</td>
<td>$9,625,572</td>
<td>100%</td>
<td>100%</td>
<td>$24,185</td>
</tr>
</tbody>
</table>

Average Days Age per Unit | 51 | % of Units Over 30 Days | 59%

My 20 Oldest Units Are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Make</th>
<th>Model</th>
<th>Days in Stock</th>
<th>Inventory Value</th>
<th>Wholesale Value (SMMR)</th>
<th>Source</th>
<th>Today's Sale Price</th>
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<tbody>
<tr>
<td>2017</td>
<td>CADILLAC</td>
<td>ESCALADE</td>
<td>250</td>
<td>$63,043</td>
<td>$46,900</td>
<td>T</td>
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<tr>
<td>2013</td>
<td>JEEP</td>
<td>WRANGLER</td>
<td>193</td>
<td>$27,463</td>
<td>$21,800</td>
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<tr>
<td>2019</td>
<td>JEEP</td>
<td>GR CHER</td>
<td>190</td>
<td>$53,522</td>
<td>$44,700</td>
<td>T</td>
<td>46,999</td>
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<tr>
<td>2016</td>
<td>RAM</td>
<td>1500</td>
<td>188</td>
<td>$28,307</td>
<td>$23,400</td>
<td>L</td>
<td>24,999</td>
</tr>
<tr>
<td>2018</td>
<td>CHEVY</td>
<td>SILVERADE</td>
<td>182</td>
<td>$34,389</td>
<td>$26,600</td>
<td>T</td>
<td>27,999</td>
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<tr>
<td>2018</td>
<td>JEEP</td>
<td>WRANGLER</td>
<td>180</td>
<td>$56,123</td>
<td>$38,400</td>
<td>S</td>
<td>51,599</td>
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<tr>
<td>2017</td>
<td>JEEP</td>
<td>WRANGLER</td>
<td>165</td>
<td>$33,556</td>
<td>$21,800</td>
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<tr>
<td>2017</td>
<td>BUICK</td>
<td>ENVISION</td>
<td>165</td>
<td>$24,663</td>
<td>$19,300</td>
<td>A</td>
<td>20,899</td>
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<tr>
<td>2016</td>
<td>RAM</td>
<td>1500</td>
<td>154</td>
<td>$26,500</td>
<td>$23,500</td>
<td>I</td>
<td>22,999</td>
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<tr>
<td>2016</td>
<td>CHEVY</td>
<td>TRAX</td>
<td>153</td>
<td>$14,480</td>
<td>$9,300</td>
<td>I</td>
<td>10,399</td>
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<tr>
<td>2019</td>
<td>HYUNDAI</td>
<td>SANTA FE</td>
<td>153</td>
<td>$29,680</td>
<td>$23,000</td>
<td>T</td>
<td>24,499</td>
</tr>
<tr>
<td>2016</td>
<td>JEEP</td>
<td>COMPASS</td>
<td>152</td>
<td>$17,337</td>
<td>$10,000</td>
<td>I</td>
<td>11,599</td>
</tr>
</tbody>
</table>
Eight Critical Concerns

Four cash accounts:

1. Contracts in transit
2. Accounts receivable vehicles
3. Customer parts, service, and body shop receivables
4. **Factory receivables**

Four inventories:

1. Parts inventory
2. Technician’s time inventory
3. New vehicle inventory
4. Pre-owned vehicle inventory
Analyzing Factory Receivables

**Primary Categories**

- Warranty
- Delivery Allowances
- Sales Incentives
- Holdback
Analyzing Factory Receivables

Sales Incentives

• OEM incentives & rebates
  – High dollars values
  – Complicated rules
    • Claims may “bounce”

• Bounced claims = cash out & zero cash in
Best Practices: Factory Receivables

• Print the schedule(s) and review **daily**
• Identify and resolve problems
• Focus on oldest items
  – Aging?
  – Process?
  – Schedule?
  – Accountability?
  – Pay plan?
• Release frozen capital and increase cash
Warranty Claims Key Players

Service Advisors

Warranty Claims Administrator

Service Technicians

Service Manager
Analyzing Factory Receivables

**Warranty**

- NADA Guide
  - Paid within 7-days
  - 25% of Warranty sales
- Policy/process?
- Manpower?
- Schedule?
- Write off?
- Pay plan?
Eight Critical Concerns

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4. Pre-owned vehicle inventory
NADA Guidelines

- Customer service and parts receivables should be paid in 30 days
- Accounts Receivables should not exceed 50% of 1-month sales
Best Practices: Customer Receivables

• Print the schedule and review **daily**
• Identify and resolve problems
• Establish credit policies
  – C.O.D.?
  – Timing?
  – Collections?
• Focus on oldest items
• No credit decisions by department operating managers
• **Release frozen capital and increase cash**
How will you use this information?
What steps will you take to ensure success?
Questions?
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