

# Questions CFOs Should Be Asking -from DHG

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There are interesting times, there are challenging times, and then there are completely unprecedented times. Luckily, in times like these, there are questions should be asking ourselves – we find these questions don't have easy or well-defined answers. However, asking these questions can help us begin to focus on a plan of attack and keep us from feeling completely overwhelmed. Below are some top questions that dealership CFOs should be asking themselves during these challenging times.

## **1. Where do we stand on cash?**

- Calculate frozen capital: aged or obsolete parts, past due receivables, over-aged vehicles
- Perform a three-to-four-month cash projection
- Shore up deal flow
- Collection of receivables and delaying expenses is paramount. In particular, have discussions with vendors. Place a halt on special projects and large capital expenditures.
- Consider where your advertising dollars are being spent and if your campaign is still relevant.
- [For more information look at Finding Cash in You Dealership](#)

## **2. Do we have any outstanding debt for which we could take advantage of rate reduction? Should we consider expanding a line of credit as a safety net in the event of a prolonged uncertain economic environment?**

## **3. Have we had discussions with our lenders related to potential delays on debt payments, waivers on debt covenants, or potential delays on audit or review deadlines.**

## **4. Have we revisited our monthly and annual budget?**

- Depending on the future economic environment, progressing through multiple phases of expense reduction can enable your organization to avoid overreacting while being ready to take appropriate action.

## **5. Do we have any non-essential vendors, suppliers, expenses for which we can immediately stop payment?**

## **6. Are there leases that can be temporarily renegotiated or payments delayed?**

## **7. Do we understand the relief provisions in current or pending legislation?**

- As developments occur, visit DHG's COVID 19 page for the most recent information on the CARES Act and PPP program.

## **8. Have we analyzed our headcount and payroll costs?**

- Have we considered how to retain our top talent for when the market and circumstances turn around?
- Have we considered who in our organization are key employees? Keeping those key employees healthy and taking steps to reduce their exposure becomes extremely important. Where do we stand on cross training for those key employees?
- Have we analyzed a potential pay cut for certain employees?

- Have we analyzed what it could look like to keep just the service department open if a ban on non-essential businesses was enacted in our area and who would be an essential employee if this were to occur?

**9. Do we have the means to reduce new and used inventory levels in the short term?**

- Have we gathered the sales department managers together to discuss potential mark downs?

**10. Have we developed a strategy of mobility in order to work efficiently and effectively remotely in all of our departments?**

- Can our sales department work from home? If so, will they have access to CRM?
- Are we prepared to have vehicles delivered to homes and deals signed?
- If we have many employees working remotely, will they have proper VPN access? Can our network and VPN access handle the additional remote log ins? Do we have enough VPN licenses?
- What other risks does this remote environment create?
- How will this affect the interaction of lenders with our customers?
- For more information, [read our article regarding service in the COVID-19 Pandemic](#).

**11. Have we evaluated our investment options when it comes to retail automotive? For instance, if we have excess capital, have we discussed with an investment advisor our options and expected returns in the market?**

- Have we considered how to handle any pending acquisitions and the right approach with either revisiting the blue-sky number or delaying the closing?

**12. Have we revisited the need for distributions?**

- calculations and timing of our annual and quarterly estimated tax payments?
- Should we revisit owners' compensation and distributions? Many times, continuing to pull out distributions will stress the operators and make them focus on managing cash versus increasing or maintaining profitability.

It is easy to feel overwhelmed in this environment and hard to pinpoint where to focus our attention. Even though these feel like unparalleled times, most of us have been through disruption, recessions, or change. Pondering these questions will help us to define the next steps or leading to becoming an even stronger organization.

Reach out to us at [dealerships@dhg.com](mailto:dealerships@dhg.com) for more information or to answer any questions.