

Game Changers Driving Wholesale Efficiency & Inventory Velocity



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Goals for Today

1

REVIEW MACRO TRENDS

we are seeing
and how they
will impact
dealers

2

SHOW HOW THE NEAR FUTURE WILL LOOK

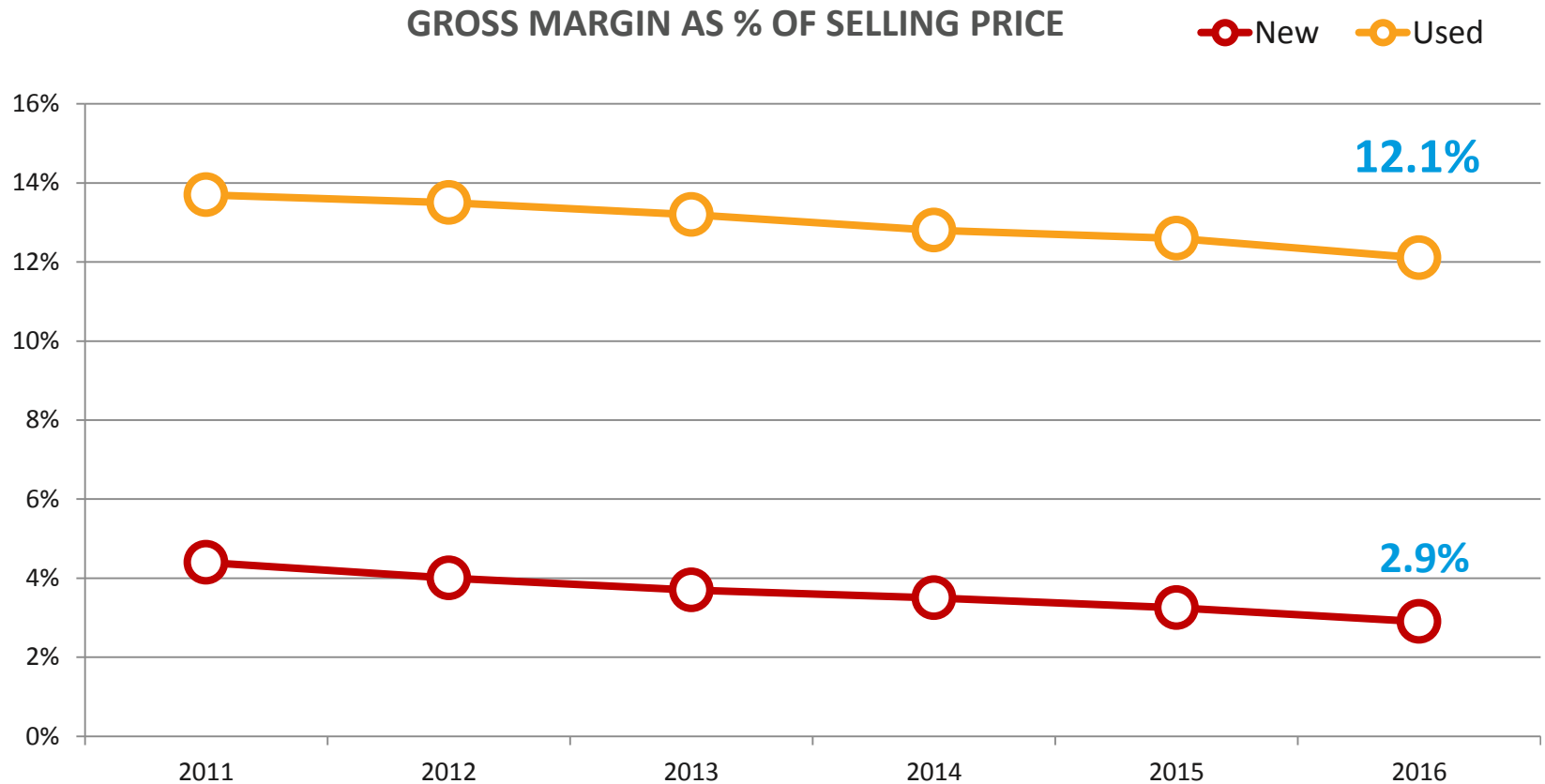
for efficient used
car inventory
management
leveraging data

3

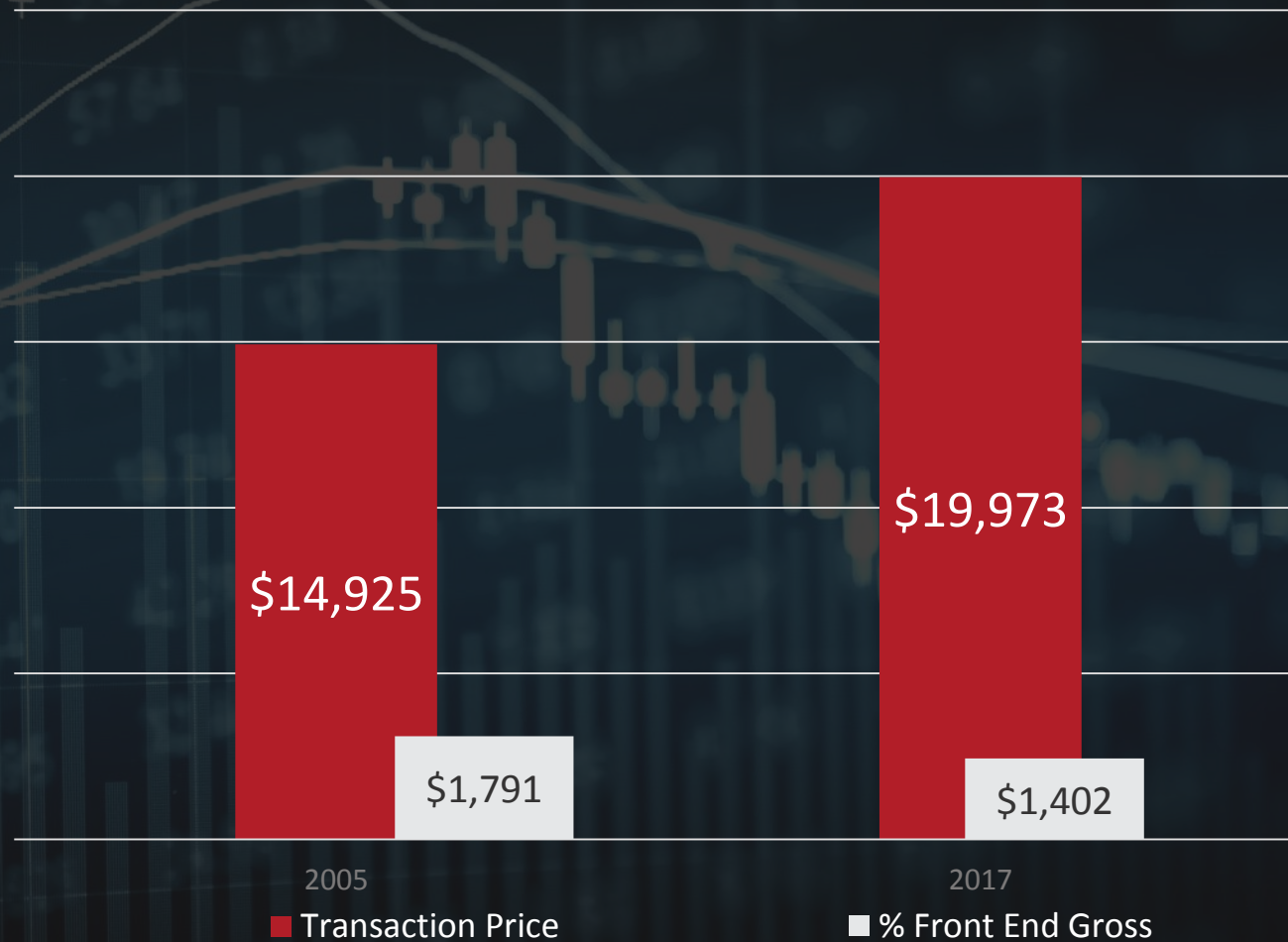
SHARE WHAT GAME CHANGING DEALERS ARE DOING TODAY

to propel used
vehicle
efficiencies and
speed to market
to drive profits

Gross Margins: Continue to Decline

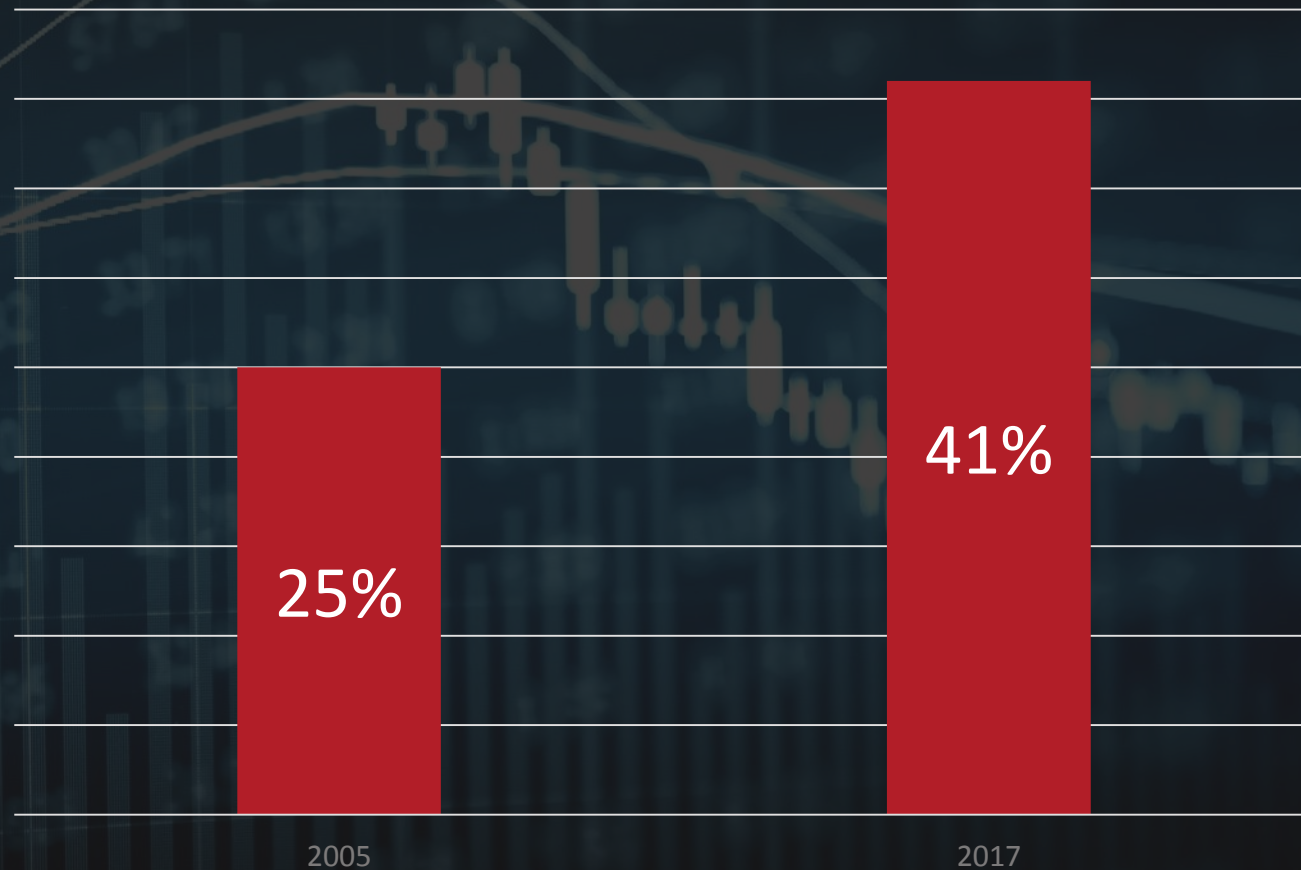


Front End Gross: Used Down 42% From 2005



F&I: Making Up For Declining Retail Profits

F&I revenue accounted of gross profit



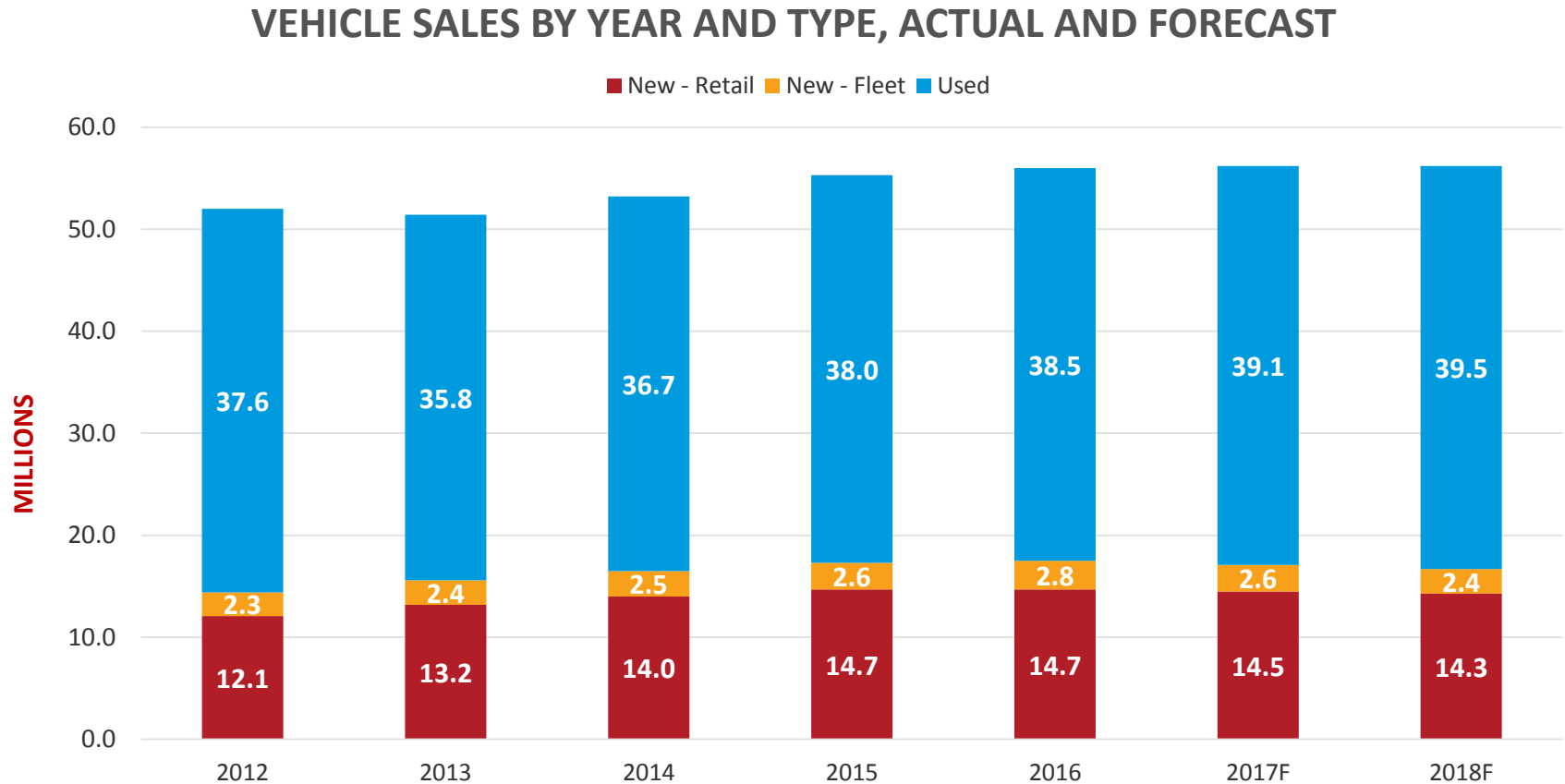
F&I: Regulation Is Growing

The Continuing Saga of the Consumer Financial Protection Bureau and Dealer Interest Rate Markup on Car Loans, Part Two

Dealers commend new Senate legislation to protect dealer loan discounting

**CFPB promises clarity on discrimination;
NADA skeptical**

Volume Limits: Growth in Used, Not New



Competition: Less Stores, Big Getting Bigger

NUMBER OF GROUPS



2,803
Less Groups
since 2008

NUMBER OF DEALERSHIPS

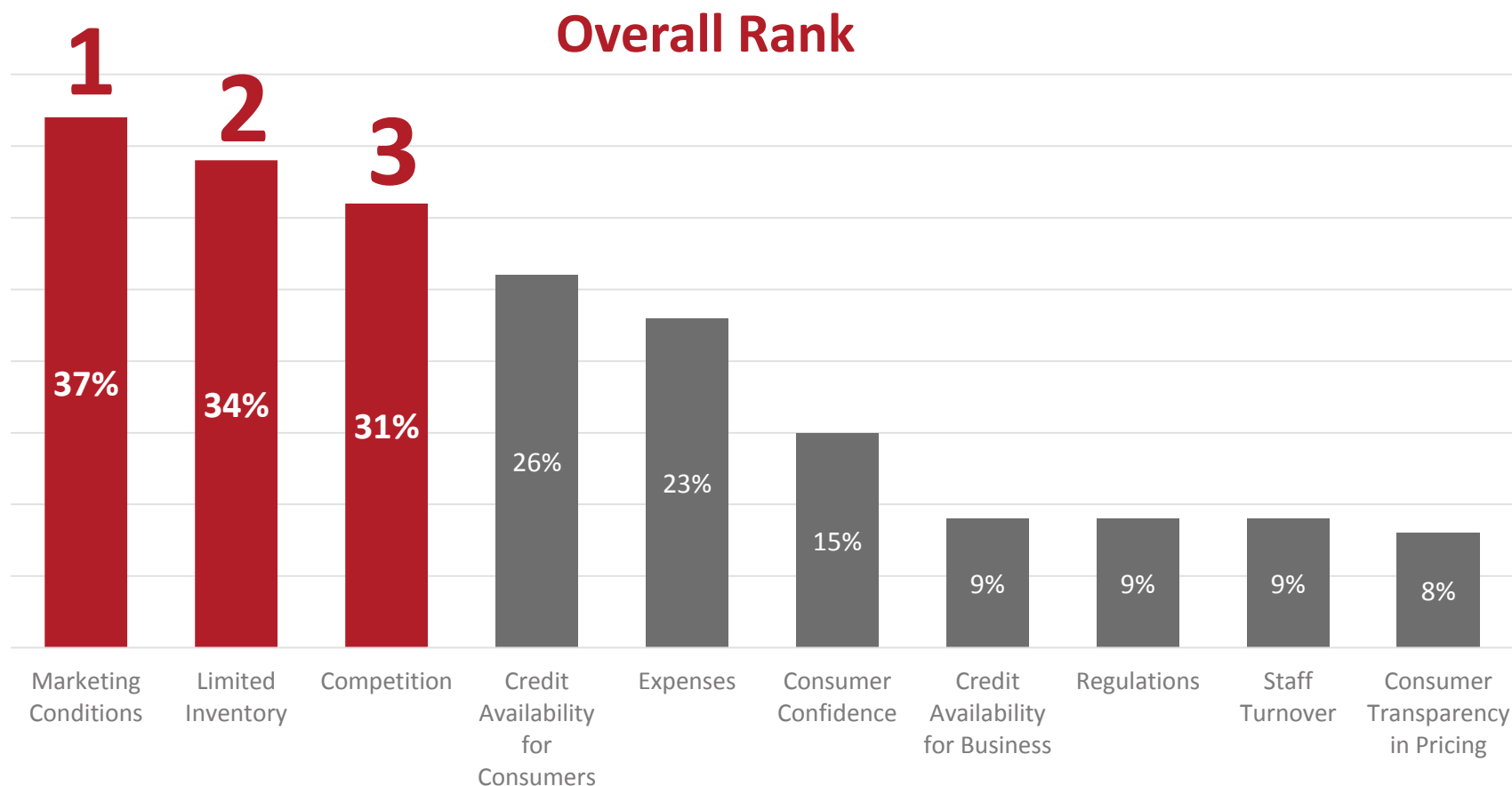


1,957
Less Stores
since 2008

Competition: New Online Entrants & Superstores



Dealer Tell Us Limited Market Conditions, Inventory & Competition Are Holding Them Back





INVENTORY



**DIGITAL
MARKETING**



**CRM &
MARKETING
SERVICES**

OPERATIONAL EFFICIENCY

leveraging technology and most
importantly data and predictive
analytics will drive dealership
success in the future



**FIXED
OPERATIONS**



**SALES
AND F&I**



**REGISTRATION
AND TITLING**

The Key to Dealership Success:

Buying the **RIGHT CAR** at the **RIGHT PRICE**

COLOR: Black

PRICE: \$35,999

DAYS SUPPLY: 70

**LIKE MINE
DAYS SUPPLY:** **15**



COLOR: Steel

PRICE: \$35,999

DAYS SUPPLY: 70

**LIKE MINE
DAYS SUPPLY:** **120**

The Key to Dealership Success:

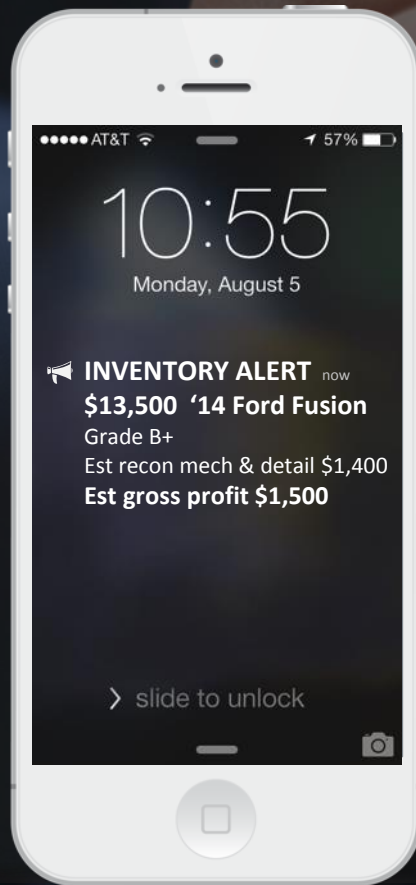
Speed to Market Correlates to **INVENTORY TURN = PROFITABILITY**

	Avg. # days to website w/photos	Avg. # days Third Party w/photos	Avg. # days in inventory
DEALER A	1	1	22
DEALER B	11	9	35

The not so near future will look different

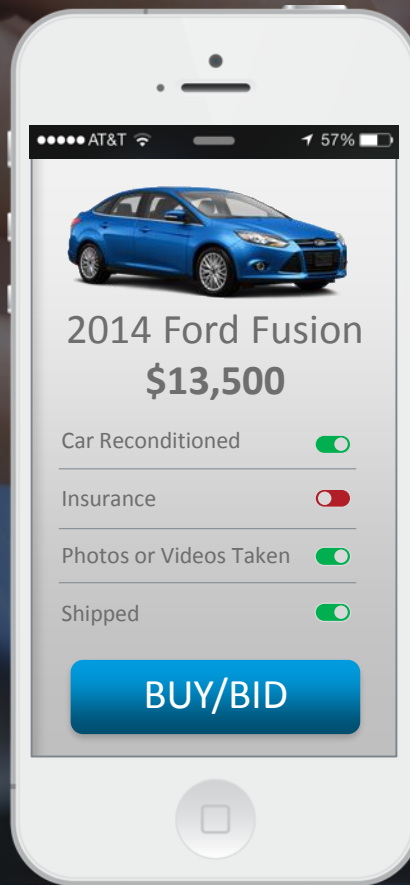
1

Alert Dealer



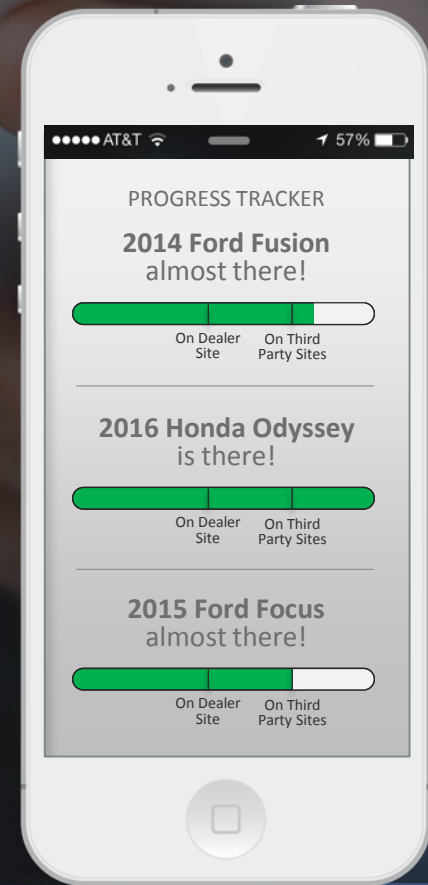
2

Click to Buy/Bid



3

Upload to Site



But in the meantime, lets talk about
what game changing dealers are doing TODAY
**to propel used vehicle efficiencies
and speed to market to drive profits**

Game Changers: Used Inventory

1. Set volume & ROI goals

- Improve Turn: **From 8 to 12**
- Used to New Ratio: **From 1:1 to 1.25:1**
- Gross Return on Inventory: **From 100 to 120**
- Cycle Time (Recon & Transportation) : **12 days to 7**
- Aged Inventory (under 30 days): **From 70% to 55%**

2. Have a strategy with goals for each of the following..

- Acquisition
- Pricing
- Reconditioning
- Merchandising

Game Changers: Vehicle Acquisition

Traditional Acquisition Strategy

- Experience/Instinct Driven
- Preference For In-Lane Purchases
- More effort/time with less reward
- More risk of paying too much, aged units



Data-Enabled Technology Driven Acquisition Strategy

- Data driven, disciplined
- Up-front emphasis on profit
- Less time researching, more time buying & serving customers
- Online emphasis for efficiency

Only 52% of Dealers are satisfied with the wholesale process

Game Changers: Vehicle Acquisition

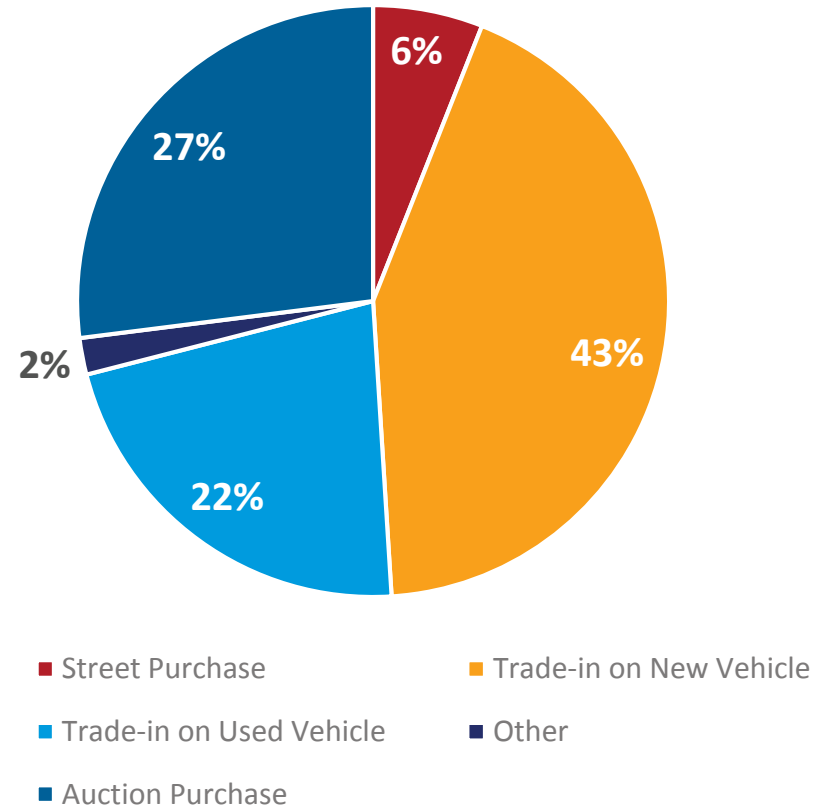
What is your acquisition strategy?
There is no room for mistake

Buy each car with an exit strategy –
retail/wholesale/subprime

Stock the cars your customers are
looking for – Real time based on
consumer demand

Know exactly what price to appraise and buy
cars at

Leverage ALL sources – Auctions,
Online/Mobile Auctions, Trades, Dealer to
Dealer & Equity Mining



Game Changers: Pricing

Traditional Retail Pricing Strategy

Retail price is calculated based on:

- The dealers' acquisition price
- Retail price plus mark-up to cost
- Sales staff generates the same gross profit regardless of cost



Dynamic Market-Based Pricing Strategy

Retail price reflects each vehicles real time market conditions:

- Vehicle's age
- Current market demand
- Your own desired front-end profit

98% Top 60 Dealers
Price to Market

Game Changers: Reconditioning

Traditional Recon & Transportation Strategy

- Priority of shop on wholesale reconditioning
- Mechanical, Body/Paint and detailing in separate locations
- Employees dedicated to recon and moving vehicles
- Decentralized Transportation /In-House Transportation



Efficient Recon & Logistics Strategy

- Priority of shop on paying customers / outsourcing recon & detailing
- Close proximity for inspection, mechanical, body/paint, detailing and videos/photos
- Reallocation of employees to be focused on customers
- Centralized Transportation / optimize loads for best costs
- Consolidating number of vendors

Average Dealers complete recon work in **7-10 days**

VS

Top 20% of Dealers to complete recon work in **less than 4 days**

Game Changers: Reconditioning

Reconditioning vehicles and getting them to the sales line **three days faster**, over \$290K is realized in annual sales gross.

Every **2.5 days** shaved off average recon cycle time equals one additional inventory turn.



Game Changers: Merchandising

Traditional Merchandising

- Upload to individual properties
- Photos taken at dealership several days after arriving
- Invest majority of time and budget on TV, Newspaper & Radio
- Pricing discrepancies
- Focus on leads/getting the consumer in the store



Dynamic Merchandising

- Distribution to website and third-party sites in real-time
- Photos taken at the time and place of detailing
- Majority invested in digital assets
- Transparent pricing
- Seamlessly personalized purchase experience from online to in-store

Average Dealers get their inventory merchandised and online in **12.5 days**

VS

Top 20% of Dealers get their inventory merchandised and online in **4 days**

Game Changers: Merchandising

Our research shows that you're more likely to keep shoppers engaged and looking at your vehicles if you've got 40+ images of that vehicle.

	Used & CPO increase in VDPs Per Listing
Multiple Custom Photos vs. No Photos	+224%
Single Custom Photo vs. Stock Photo	+121%
Multiple Custom Photos vs. Stock Photo	+262%
Multiple Custom Photos vs. Single Custom Photo	+64%
Multiple Custom Photos + Price vs. Multiple Custom Photos + No Price	+87%

Game Changers:

Speed to Market - the faster, more efficiently, you can get used vehicles to your front lines, the more profitable you will be

10+ DAYS

to market

INVENTORY TURN

6-8x

per year



AREAS OF FOCUS:

Inventory Acquisition

Pricing

Reconditioning

Merchandising

3 DAYS

to market

INVENTORY TURN

12-16x

per year



How?

1. Set Volume & ROI goals

- Improve Turn: **From 8 to 12**
- Used to New Ratio: **From 1:1 to 1.25:1**
- Gross Return on Inventory: **From 100 to 120**
- Cycle Time (Recon & Transportation) : **12 days to 7**
- Aged Inventory (under 30 days): **From 70% to 55%**

2. Have a strategy with goals for each of the following..

- **Acquisition:** Leverage data-enabled technology to tell you what to buy, what to pay for and where to find it, so you don't have to spend time searching
- **Pricing:** Retail price needs to reflect each vehicles real time market conditions
- **Reconditioning:** Centralize transportation and/or reconditioning to save time and money.
- **Merchandising:** Photos/Videos distribution to website and third-party sites in real-time at the detailing

Questions

