



Achieving Pricing and Operational Efficiency with Market Data

by : Dale Pollak

Many of you, like me, may have spent the better part of October attending industry conferences and events. After speaking with dealers that stopped by the vAuto booth, and reflecting on several of the workshops and panel discussions, I couldn't help thinking about my topic in last month's issue of *Digital Dealer*. Despite the changes in the used car industry brought about by the advent of the Internet, it is clear that a significant number of dealers are still pricing using a standard mark-up over the actual cash value (ACV). How can dealers continue to make decisions without consideration of what the market will actually bear?

Let's think about it for a moment. How many of the daily decisions you make in your used vehicle operations would benefit from knowing exactly how vehicles are being bought and sold by both consumers and competitors in your area? In fact, isn't having a view of the market the necessary basis not only for pricing efficiently, but for efficiently managing other inventory operations as well? Let me explain:

- **Pricing efficiency:** This is simply knowing the price point at which a vehicle is both appealing to would-be buyers while delivering the return on investment you want to achieve. To price efficiently, you must also know the precise point at which you'd better sell to minimize additional risk and potential losses. There's another term for this two-way principle, "pricing to market."
- **Operational efficiency:** Almost every inventory decision a dealer makes could be improved with the benefit of market data. Knowing the potential risk, price points and past ROI performance of a vehicle eliminates guessing and assumptions. By consistently assessing and quantifying risk for an investment, determining the prospective return, and calculating how long it may take to achieve your desired return, you'll make fewer costly mistakes, and make more money as a result.

Imagine what improvements your used vehicle department could make if you got in the habit of using pricing and operational efficiencies as the foundation for your used vehicle department. The outcome is pretty clear: You'd make money faster on the units you know you can sell and you'd lose less (if any) money on the ones that you know you can't.

The key to success is to establish clear, consistent processes for evaluating your potential risk and return. To do this, you must have access to accurate pricing and sales history data that allows you view the current market. This view, in turn, will allow you to benchmark your strategy against market supply and demand dynamics.

Whether you formulate a manual process or invest in software to price your vehicles, evaluating the competition and the current market will allow you to offer the most competitive carrot to would-be buyers while delivering the gross profit returns you want. Standard pricing methods may still be around, but in today's market they absolutely are not the most efficient, or successful.

Drawing from 13 years experience as a dealer principal and eight years as a successful high technology executive serving the automotive retail industry, **Dale Pollak** is an authority on maximizing dealership profits from pre-owned vehicle operations. Pollak is the founder and chairman of the board of vAuto, Inc. a pre-owned inventory management solutions company.