

CAR DEALER

The Auto Dealer's Management Briefing

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Used vehicle success requires new way of thinking – and new tools to help

By Jerilyn Klein Bier

Paragon Honda of Queens, New York, spent several years as the No. 2 Honda Certified used car dealer in the country. To clinch the top spot, dealer Brian Benstock knew he had to figure out how to get better organized in terms of pricing and purchasing. Most importantly, he knew he had to find a way to make his vehicles land a higher spot when consumers performed Internet searches, rather than being buried down on page 13 or 14.

Now ranked No. 1, Brian found a way to give his inventory that needed bump to get more vehicles placed on customers' short shopping lists. He credits a new software solution from vAuto, Inc., an Oakbrook Terrace, Ill.-based technology company that understood his request for someone to build a better mousetrap.

Brian tells Car Dealer Insider that several years ago he signed up for a vehicle appraisal product from vAuto. Although it was helpful, his managers weren't fully using it so he discontinued it. When vAuto president Dale Pollak – who founded the company 3 ½ years ago – asked him why, Brian told him that the buying side was OK but the selling side was missing.

About a year later, Mr. Pollak called him up and told him he had the other half, says Brian.

The solution, also called vAuto, helps dealers manage their days supply in inventory as never before.

“It crawls the Internet and pulls down every car from every place available – dealers and private owners,” Mr. Pollak tells CDI. It also uses licensed data from lead providers. Any Internet-listed vehicle shows up instantaneously, with VIN numbers – letting dealers see where each and every used vehicle is ranked in their market.

Dealers can see their comparative rank in terms of both value (price) and effective value (price and mileage). vAuto, which Mr. Pollak says took him 2 ½ years to develop, lets dealers see how different pricing changes can affect their ranking. The program also indicates how much you can raise your price and still maintain a designated vRank and Effective vRank, he says. Dealers can modify the market radius, as measured in miles.

A new game

“The used car business has undergone a sea change. No longer does the customer see every used vehicle on the lot as a one-of-a-kind item. The Internet has created a high degree of transparency and efficiency for the consumer,” says Mr. Pollak, an attorney who founded and ran Digital Motorworks (DMi), a data extraction and normalization service sold to ADP's Dealer Service Group in 2002. He was also a Cadillac GMC dealer for 14 years in Chicago.

Customers, not the dealer, are now in command of used vehicle transactions, says Mr. Pollak, who notes that about 80 percent of used vehicle shoppers now go to

the Internet prior to car shopping. They see a lot of choices, have a greater understanding of values, and see which dealerships have the vehicle they're looking for, he says.

Research, says Mr. Pollak, shows that three things can help make a vehicle get on a customer's short list: photos; a description of features; and the one he is focused on, value (price and mileage). "Consumers will look at the most competitively priced vehicles and put them on their list. You have to be competitive to make the cut," he tells CDI.

However, Mr. Pollak notes that there's a big disconnect between the way in which people shop versus the way dealers price vehicles. He thinks that about 75 percent of used cars on dealers' lots are not priced in line with the Internet," says Mr. Pollak. Roughly 85% of dealers, he says, tack on a large, arbitrary \$3,000 to \$5,000 markup above cost – which he refers to as the "\$4,000 fantasy."

After they own the cars 30 to 45 days, then someone thinks it needs to be marked down to sell it, he says. "But what are we doing the first 30 to 45 days? Hoping to get lucky! People won't just come in and buy it – that's old school thinking," he says.

Brian Benstock, a pilot dealer for vAuto, admits he was caught in this mode. His store was marking up cars over book value and then adding on another \$1,500 for repairs and certification. Other things got added on too, like the dealer pack. "By the time we were done, cars were marked up \$3,000 to \$4,000 at Day 1...but we weren't on the customers' radar at all," he says.

vAuto helped him realize how off base Paragon Auto. "One car we thought we had priced right was (ranked) 78th out of 78. That would've put us on page 15," says Brian. "Dale reeducated me to what I already knew – customers are not just strolling onto the lot; they're researching on the Internet."

Mr. Pollak notes that many dealers don't realize this disconnect exists. Even if they do realize it, it's hard to know how each of your cars is priced related to the competition. In the past, it has taken spreadsheets and a lot of time.

Brian, who used to look at the schedules, also points out that they are only one dimensional. "They don't tell

you what's happening in the rest of the world. That's the magic," he says.

Mr. Pollak walked CDI through a demo of vAuto. Although we don't endorse products, we have to say we were impressed. It's very easy to change the parameters and color-coded charts make it easy to detect when vehicles are priced too high or too low. Then Mr. Pollak invited us to put in the name of any dealership we knew and we saw the system search the Internet for comparable vehicles offered by that dealership's market competition.

Walking through vAuto with Mr. Pollak also gave us a good sense of how the tool breaks information down by days supply. Brian of Paragon Honda has been impressed with this structure.

"We used to have the tip of the iceberg priced correctly. We kept replacing the top portion and ignored the bottom part. But there's never enough money generated by the tip to take care of the bottom," says Brian. His store has since pared its former 154 days supply down to the low 50s.

Paragon's used car managers are not pricing cars offered on the Internet. Instead, someone tech savvy who runs the vAuto program now does this. Used car managers do, however, continue to have pricing authority for vehicles listed through newspapers. Although Brian admits there had been some repercussions from managers, no one can find fault with the 50 percent jump in Paragon's used vehicle sales volume and dramatic increase in profits – despite a sharp reduction in newspaper advertising.

The bottom line from Mr. Pollak of vAuto: "It's a new game for dealers. If they figure out the rules and know how to play, they can still win."

Mr. Pollak invites readers to visit the vAuto website (www.vauto.com) or to contact him at 630-926-9016.

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