



Dale Pollak

VOLATILITY AND WHAT IT MEANS TO YOU

“I can’t get my lender to finance this vehicle for what I paid for it.”

“Gas prices are killing me on used SUVs and trucks.”

“My trade-ins have dried up and I can’t find the vehicles I need to fill my inventory gaps.”

I’ve heard comments like these time and time again over the past several months at dealerships across the country. Inevitably, the used vehicle managers and dealers who share these struggles cite them as reasons for the double curse of declining sales volumes and lower-than-expected gross profits.

My explanation for these struggles goes something like this: These challenges underscore a broader, more complex undercurrent in today’s used vehicle marketplace. Like it or not, our business has become more volatile than ever before and

we would all be wise to accept this volatility as the new order of the day. This is our wake-up call to get smarter about how we source, stock and sell used vehicles.

So what makes a volatile market? In the stock market, volatility is measured by how much a given stock price changes or deviates from an average daily price. If a stock’s price moves up or down rapidly over a short period of time, it has high volatility. Conversely, if its price is stable, it has low volatility. Other definitions describe volatility as “fickle” or “inconstant.”

When I share this concept of volatility and its inherent risks with dealers and used vehicle managers, most nod knowingly. The proof is often sitting squarely in front of them on their used vehicle financial statements — aged inventory, fewer sales, higher wholesale losses and profits that fall short of expectations — or in the push-back they get from lenders and the scarcity of buyers on their lots. Many also accept my

assertion that all of us can expect more, not less, volatility in used vehicles in the weeks, months and even years ahead.

The more difficult part of the conversation comes when we discuss how to change used vehicle operations to effectively manage through this new volatility.

Take for example the way many used vehicle managers and dealers price their used units for retail. Most still base their retail prices on what they paid at auction or on the value they set for a vehicle at trade-in. As I’ve noted in previous articles, this approach has little, if any, bearing on what a prospective buyer might actually pay to own the vehicle. What’s more, this approach is even more prone to profit disaster if these stores purchased their vehicles amid a buying frenzy at auction and their competitors didn’t.

In my view, this approach to pricing and assessing the wholesale value of a vehicle seems more like a speculative bet rather than the careful use of sound retailing practices that account for and mitigate the risks that underlie today’s volatile used vehicle marketplace.

The good news for all of us is that while volatility is here to stay, so are the tools and techniques that used vehicle managers and dealers can use to more proactively manage the opportunities and risks that any volatile marketplace creates.

In the investment world, savvy investors closely track the “volatility index” of the stocks they choose to purchase and sell. In effect, they are basing their buy/sell decisions on data that reduces their risk of loss and minimizes the more speculative elements of their business.

The same principles do and should apply to used vehicle managers and dealers as they decide what to stock, how much to pay and how much to ask at retail. The data and metrics needed to make these decisions in today’s volatile marketplace are available. The next question is this: Are you ready to use them effectively?

Dale Pollak is an author and the founder of vAuto. He can be contacted at 866.867.9620, or by e-mail at dpollak@autosuccessonline.com.

Author featured on AutoSuccessPodcast.com 

**YOU HAVE CUSTOMERS
AND PROSPECTS.**

**WE HELP YOU GET
A LOT MORE MILEAGE
OUT OF THEM.**

Let’s roll.

 **LOYALTY DRIVER™**

866-964-6397 imnLoyaltyDriver.com