

Dale Pollak



# ARE YOU GOING BACKWARDS?

Do you agree that the Internet makes it less likely each and every day that used car investment dollars will generate lucky profits? If you do, then you already know that you have a dilemma on your hands. The problem is that you have to figure out how to make up for those lost gross dollars in today's changed used car marketplace. If you can tack on a few extra days to the month or another month to the year, you've got the problem cinched. You're also in good shape if you can afford to put more dollars into the pot. However, short of these two unlikely solutions, you've got to find a way to make up the dollars that you used to make from "getting lucky" on the used car lot — unless you want to go backwards. When it comes right down to it, it's a math problem, and the only solution that I know is to make the same dollars invested in used vehicles turn faster and more often. This means that it's no longer acceptable to take 60+ days to sell a vehicle, but rather, it must be done within a far shorter window, a maximum of 30 to 40 days.

It has always been true that you could sell any car wholesale on any day if you are willing to take what the wholesale market will offer. The good news is that today, because of the Internet, this is largely true for retail as well. There's bound to be a retail buyer for any vehicle on any day if you're prepared to price the vehicle to attract that buyer. The Internet provides visibility into


your showroom that makes sure your cars can be found. So, in other words, if you can't sell retail out of a vehicle within 30 to 40 days, there has to be a reason. I believe it can only be one of two reasons. But let me first confirm that what I consider to be the obvious is already in place: You are properly merchandising your used vehicles online to capture today's Internet-enabled shoppers. This includes compelling descriptions, clear photos and a price. The Internet is the primary gateway that determines whether or not a shopper will choose to contact your store or show up to inquire about a used vehicle, right? Now, with that agreed, let's address the two reasons that a vehicle might begin to age.

The first reason that a car might age in today's Internet market is that the car isn't priced to affect an immediate retail transaction. If this is the case, and your intention is to move the vehicle, you might need a technology system that clearly shows you the price point at which similar vehicles are being sold in your market. To be clear, I am not saying that every car needs to be the lowest price. What I am saying is that cars need to be priced right to drive traffic. Pricing right is different for a car with a high market-days supply than for a car that is "hot." Again, there is available technology that provides the market days supply metric for each used vehicle to help make appropriate pricing decisions.

The second reason that a car would age in today's transparent marketplace is that, while you are well aware of the price needed to generate immediate interest, you are unwilling to price the vehicle to sell because it would generate a significant loss. If this is the problem, then we need to back up a few steps and examine how you got yourself upside down in the first place. There is no longer any margin for error in the used car business — you can no longer afford to own vehicles wrong and then "mark up from cost." Fortunately, just as there is technology to help you price your vehicles appropriately to the market, there is also technology that shows you how to acquire vehicles at a cost to market that allows for gross profit.

The bottom line is that there is simply no good excuse for not selling every vehicle in 30 to 40 days. And, the fact of the matter is that you no longer have the luxury of doing business any other way. If it is taking you longer than 60 days on average to sell a vehicle, and you don't own the only vehicles left on this planet that still generate the "lucky" big grosses of the past, then it's a mathematical certainty that you're going to go backwards.

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