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vAuto's Provision ProfitTime Takes On Used Vehicle Margin Compression

New investment value methodology, metric helps dealers increase used vehicle performance and profits

Oakbrook Terrace, IL. – Nov. 26, 2018 – vAuto announces plans to release its Provision ProfitTime upgrade at the upcoming National Automobile Dealers Association (NADA) convention in January in San Francisco.

The ProfitTime upgrade offers dealers the opportunity to use each vehicle's investment value—Platinum, Gold, Silver or Bronze—as a foundation for every used vehicle appraising, pricing and merchandising decision. With ProfitTime, dealers can more effectively mitigate margin compression by shifting their focus from the number of days they hold a used vehicle to the profit potential each vehicle holds.

“Our journey to ProfitTime began as we asked ourselves a critical question— ‘what can we do differently to help dealers minimize, if not stop, the advance of margin compression in used vehicles?’” says Dale Pollak, vAuto founder and executive vice president for Cox Automotive.

“Our efforts to answer this question led us to a way to measure and predict each vehicle's investment potential and an even bigger understanding that, in today's market, success in used vehicles isn't only about inventory turns anymore,” Pollak adds.

A Key Discovery On The Road to ProfitTime

vAuto's development team created a predictive algorithm that blends each vehicle's Cost to Market and Market Days Supply ratios and other market factors to quantify each vehicle's investment potential. The team developed a 1-12 point system to score each vehicle's investment value and classify it in a precious metal category (Platinum, 10-12 score; Gold, 7-9; Silver, 4-6; Bronze, 1-3).

After a battery of validation testing, the development team applied the investment score algorithm to nearly 1 million vehicles in inventories at more than 11,700 dealerships in the United States.

“We ran the analysis twice because we couldn't believe what we found,” says Chris Stutsman, senior director of product innovation for vAuto. “We saw a nearly uniform investment inversion across almost every dealer's inventory. Dealers were managing their best investments, or Platinum cars, like they were their worst investments. Conversely, they were managing their worst investments, or Bronze cars, like they were their best investments.”

Key findings from the national inventory analysis included:

Dealers priced Platinum vehicles, which made up about 9 percent of all inventories, at a Price to Market ratio of 95.3 percent and maintained an average age for the segment of 40 days.

Dealers priced Gold vehicles, which made up about 22 percent of inventories, at 96.3 percent, and maintained an average age of 44 days.

Dealers priced Silver vehicles, which made up about 23 percent of inventories, at 97.9 percent, and maintained an average age of 48 days.

Dealers priced Bronze vehicles, which made up about 46 percent of inventories, at 100.9 percent, and maintained an average age of 66 days.

“This was our ‘wow’ moment,” Pollak says. “The ProfitTime analysis revealed that dealers have three significant opportunities. First, they can improve the investment returns on Platinum vehicles by pricing them to the market value and opportunity they represent. Second, dealers can reduce the drag on performance and profitability that comes from holding onto lower-grade investments with the hope of gaining a return that isn’t really warranted. Finally, dealers will have opportunities to increase volume as they manage their lower-grade investments, or Bronze vehicles, with greater diligence and efficiency.”

Pollak adds that these insights also led to a realization about the largely uniform application of age-based management principles as dealers acquire and price used vehicles.

“The calendar doesn’t recognize if a car is a bad investment from Day 1,” he says. “From the calendar’s perspective, it’s a fresh car, and full of gross. Similarly, the calendar can’t recognize that time compresses margins on vehicles at different rates, given their individual investment values and standing in the market.”

ProfitTime Provides Profit Growth For Dealers

Since late summer, vAuto has beta-tested ProfitTime with dealers including the Germain Motor Company and Mike Shaw Automotive Group.

“ProfitTime gives us a better way to know which vehicles deserve more time in our inventories and those that don’t based on their investment value,” said Scott James, president and chief executive officer of Mike Shaw Automotive. “When you have this insight for every used vehicle on Day 1, it leads to more profit-focused appraising and pricing decisions, and retail sales.”

Pollak says the early results from dealers support the margin-improvement design of ProfitTime, which vAuto will formally launch at the NADA convention.

“I believe we’ve found an answer to margin compression that will fundamentally change how dealers think about and manage their used vehicle investments,” Pollak says. “ProfitTime represents a path beyond Velocity.”

For more information on ProfitTime, visit <http://www.WhatIsProfitTime.com>.

About vAuto

vAuto® provides innovative technology, tools and business intelligence to thousands of dealerships across the United States and Canada, helping them compete more effectively and increase new/used vehicle sales volumes and profits. Founded in 2005, vAuto revolutionized dealers’ used vehicle operations with the groundbreaking Provision® suite of tools. Leveraging The Velocity Method of Management®, pioneered by vAuto’s visionary founder, Dale Pollak, the Provision suite guides used vehicle acquisition, appraisals, pricing, merchandising and more based on real-time, local market supply-and-demand data.

In 2016, vAuto launched Stockwave to serve as the foundation for a suite of wholesale inventory acquisition solutions. Headquartered near Chicago, Illinois, vAuto is a Cox Automotive™ brand.

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