

# AS SEEN IN

# CANADIAN AUTOWORLD

## REMARKETING NEWS

# Stick to the plan, that's the secret



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Now that the busy season is here, everyone is gearing up and making plans for the coming months. Plans for private sales, tent sales, construction sales, all different kinds of sales are in the works. Although these work very well when timed and promoted properly, are they what you really need to have a successful used-car department?

When it comes to having a profitable used-car department every month, one question comes to mind: What is your plan to make your department successful all the time?

The answer I most often come across is: "I buy the cars right and my guys will sell them."

That sounds to me like a goal, not a plan. A goal is a destination; the plan is a map of how to get there. While you need both for a successful trip, you can't have one without the other or you will get lost.

Being profitable means selling cars at a price that makes you money. Being successful means selling more cars, quicker and at a higher profit.

Most of the used car managers in the marketplace go with their "gut feeling," while some rely on proven electronic solutions. I believe a good used car manager uses a combination of both, relying more on the latter. Gut feel can lead to some individual wins, but it can also be best intentions leading you down the wrong path.

Before you know it, you've got cars that don't move tying up inventory dollars, increasing interest costs and overall losses. Electronic solutions work off transactional data, and the good ones have built-in processes that keep the changing landscape in mind. While you get great information, keeping a thumb on the pulse of the market ensures the department moves in the right direction.

Making a plan for your used-car department is actually quite simple. Sticking to it and using the right tools for your management team and your sales force are the more complicated parts.

A good plan takes every vehicle purchased and puts a process in place from time of purchase to time of sale (whether that is retail or wholesale).

Is the car you are purchasing a core vehicle or one that has seasonal value? What pricing structure would you use and when will you turn that car should it not sell? How will you get your sales staff to show this vehicle effectively?

Let's take a look at the most important components, sharing with you some of the best practices that have been shared with me:

### **MEASURING WHICH CARS ARE RIGHT FOR MY LOT:**

This relies on transactional data. A system, electronic or otherwise, is helpful in determining your core vehicles based on past performance. This is not a "cookie cutter" solution. Your dealership has its own personality and you need to rely on transactional data for accuracy. The error comes when dealerships rely on data sourced only from the marketplace – whether local or regional.

Frequency of sale, profit and turn time need to play a role in establishing your market. What's interesting is that once you review the information, it's

amazing to see what is happening versus what you think is happening.

### **ASSESSING AND ASSIGNING THE RIGHT PRICE. HERE YOU NEED TO ASSESS THE FOLLOWING:**

- 1) Reconditioning costs
- 2) Sales team's strength with the product
- 3) Need and competition in the immediate marketplace
- 4) What level of profit you want to start at

The Internet, newspaper and radio ads are all great tools to assess the information. Interpreting this data is very important and needs a hands-on approach.

**TURN RATE AND AGED INVENTORY:** This can get out of control very quickly without a plan in place; this is also where the majority of plans falter. Every day a vehicle sits on the lot, it costs interest dollars and ties up inventory dollars.

So the secret to making money is not volume of inventory on the lot but rather moving the inventory on and off the lot in a cost-efficient manner that maximizes profits and mitigates losses.

Using a 90-day turn rate as an example, dealers can and often include spiffs to the sales staff for selling older inventory. Try reducing the price and increasing advertising at set age stages for older units.

While both points can help to move this vehicle, the first point can be very counter-productive as it provides a basis from which poor sales habits will grow.

**GETTING THE MOST FROM MY SALES TEAM:** This comes down to processes and building excellent habits. Unfortunately, many dealerships do a poor job of reconditioning newly purchased vehicles prior to placing them on the used car showroom (otherwise known as the lot).

This leads to salespeople losing interest and not showing vehicles. Then it gets worse as dealers spiff salespeople to sell these older vehicles. Salespeople now become conditioned to making more money by selling older units while the gross profits dwindle.

Getting the sales staff involved with the reconditioning of vehicles ensures great quality and excellent showing potential.

In addition, spiffing on the sale of new additions to the lot (first 30 days) focuses the staff and pays them for moving units quickly and early, building the right habit for quicker turning times and higher gross profits.

### **GETTING THE MOST FROM MY WHOLESALE SIDE OF THE BUSINESS:**

There are many different ways to maximize profits on the wholesale side of the business. Using wholesale partners to dispose of unwanted and unfamiliar vehicles is a model many dealers employ.

The secret here is to track the results of each wholesale partner and maximize the usage of those that make you a profit. An alternative choice is disposing of vehicles to (public and private) auction houses. While it could expose you to losses, the net is usually a winning and more profitable scenario.

Another option is keeping a B-lot where vehicles are sold retail in as-is condition.

True inventory management ensures a successful and profitable used car department. The most important piece of the puzzle is ensuring that you set a plan for every vehicle at the time of purchase to ensure profitability... and that you stick to that plan.

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