



Profitable Ideas for Automobile Dealers

Used Inventory Management - You Can't Control What You Can't Track



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The first question, do you have control of your used vehicle inventory or is it controlling you? This is an age old problem for dealerships whether large or small. Let's take a step back to the basics of inventory management with a few questions to see if you are in control of your used vehicle inventory.

4. Are all retail units being reconditioned at the time the unit is stocked in and are the reconditioning costs being managed?
5. Is used inventory being purchased based on what sells in your market and are the days supply of inventory being monitored on an ongoing basis?

Always remember, "you can't control what you can't track".

1. Is the age and valuation of your used inventory reviewed at least monthly to determine potential problems?
2. Are your wholesale losses manageable month after month?
3. Are wholesale units being identified at the time of appraisal and handled promptly?

Managing your used vehicle inventory effectively creates positive cash flow and is crucial to the success of the dealership. If your answer to any of the five questions was no, this will create negative cash flow which effects the dealership as a whole especially if cash is being "held hostage" by aged units that do not qualify for floor plan due to age or value.

Take a step back and review your policies and procedures in place for your used vehicle inventory to ensure you are not being controlled but are in control.

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Four Ways New Technologies and Data Benefit Your Dealership

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It's easy to complain about all the change and disruption that new technology has brought to automotive retail.

You could argue that today's shoppers know too much and that access to vehicle pricing information is too easy. You could also say that technology has made customers less loyal—they're more likely to use the good offer you make against you.

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But I would submit that it's more productive—and profitable—for dealers to view the advent of new technology in automotive retail from a different perspective. Rather than complain, I would suggest that dealers seize the opportunities that new technologies offer them to become better retailers and, in some ways, regain the upper hand when it comes to selling and servicing new/used vehicles.

There are four broad areas where new technologies, and the data they provide, give dealers unprecedented insights to improve the performance and profitability of their dealerships:

1. Inventory Selection

Just a few years ago, it wasn't uncommon for dealers to rely on the instincts and judgment of their managers to know what new/used vehicles they should stock. The problem, of course, is that these individuals are human; and they are likely to make mistakes that result in stocking the wrong cars, which attract fewer potential buyers, or paying too much, even if they ordered or purchased the right new/used vehicle for their market.

But new technologies have reduced, if not eliminated, the risk of such mistakes. Dealers can now know in an instant how well a new or used vehicle will perform in a market. They can easily access real-time market days' supply and demand data to tell how fast a car should sell, and the kind of margin they can expect. In this environment, a dealer's success resides in how efficiently and smartly they use the available data to make the correct inventory acquisition decisions. I might even go further and suggest that there's really no such thing as a "bad car" if you know the specific opportunities and risks inherent in any unit.

2. Vehicle Merchandising/Pricing

Data-savvy dealers know that there's no mystery about what it takes to properly merchandise and price a new/used vehicle to attract today's buyers. In fact, new technologies make the proper merchandising of a vehicle (e.g., posting the correct #/type of photos or videos, highlighting the most sought-after equipment/features in a description and using the correct online advertising strategy) easier than it has ever been.

The same goes for pricing new/used vehicles. Dealers can now tell, in an instant, where a vehicle's pricing "sweet spot" should be in a market, based on competing units and specific color, condition, equipment, features, mileage, etc. of the car. As dealers become more adept at their market-based pricing strategies, they use their precision approach as an advantage—meaning, they make fewer, if any, discounts because their pricing already fits within the parameters their buyers expect.

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3. Customer Engagement

It's fair to say that dealers who don't have a customer relationship management (CRM) system are operating in the dark ages. They are at a keen disadvantage compared to dealers who make the CRM a central engine for every dealership department. As a dealer friend of mine put, "we don't call any customer a 'fresh' up. Our CRM connects to our cars online and to every corner of the dealership. Once we begin a dialogue with customers, whether it's in person or online, we capture their information and interests. Our customers love it. They feel like we know them, because we do."

Perhaps the biggest challenge for dealers is creating a culture where the CRM data truly becomes the business development and profitability engine in every dealership department. In my conversations, most dealers admit that while they may have a CRM, they could do a better job using it to capture and convey all available customer insights.

4. Servicing Vehicles

In the coming years, dealers will find that the performance of their fixed operations will determine their success as retailers. This is not to suggest that new/used vehicle departments will be any less important. Rather, I'm suggesting that dealers who take their fixed operations to the next level—where customer pay work drives an ever-larger share of revenue, and process efficiencies produce even more dealer-favorable margins.

This reality is a key driver behind a host of new technologies that bring in-vehicle and in-dealership data together. The end result will be increased customer retention and satisfaction and improved fixed operation performance and profitability.

Out of all this, I believe that dealers can and should expect technology providers to become better partners—to connect the disparate consumer, dealership and market data in a way that facilitates a greater number of faster, more-profitable retail transactions in every dealership department.

We invited Keith Baker, Divisional Director of Sales for vAuto, to submit this article. Keith addressed our group, the National Alliance of Auto Dealer Advisors (NAADA) at a recent meeting. If you have any questions regarding this article and would like to speak with Keith, please let us introduce you to him.





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