



Are
Reconditioning
Delays Costing
You Big?

Introduction

Ever heard the phrase “known unknowns”? It describes things we’re aware of but don’t understand. For example, a dealer might know he’s losing money in a certain aspect of his business but not understand why. In fact, that’s a common problem. Identifying the why behind a departmental or process failure is a lot trickier than simply being aware of money going out the door.

Nowhere is this more true than in your vehicle reconditioning process. Used car reconditioning is one of the only functions of a dealership that touches almost everyone. Sales, parts, service, the body shop, marketing, vendors, accounting – they all have a part to play in reconditioning a vehicle.

One consequence of having so many departments involved is bottlenecks can occur in several places. That’s a problem, because the longer a vehicle is in the reconditioning process, the more value it loses every day in the form of holding and depreciation costs – not to mention the reduced time it’s allowed to sit on the lot before it’s wholesaled.



- ✔ What's your turnaround time in reconditioning?
- ✔ How much quicker could it be?
- ✔ Most importantly, how much is that time costing you?

Getting those answers means reassessing your existing processes and finding a way to hold everyone involved accountable.

In short, you can't fix what you don't monitor. So, let's take a closer look at the typical reconditioning process, pinpoint where issues commonly arise then see what changes can have the biggest positive impact.

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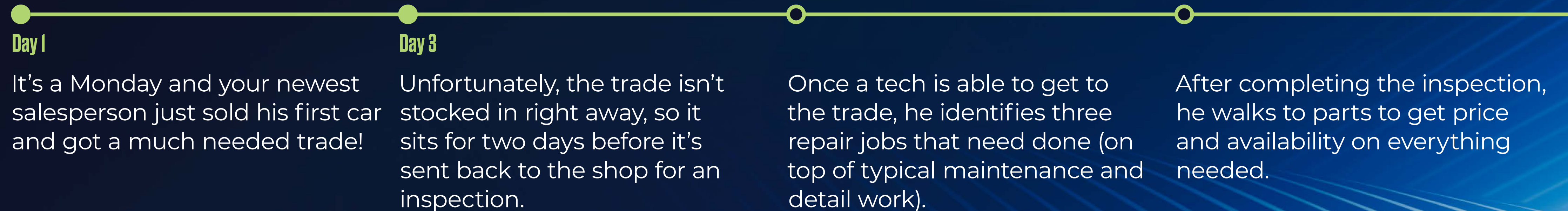
Vehicle Reconditioning: What Are Your Known Unknowns?

Let's return to the idea of known unknowns for a moment and apply the concept to your vehicle reconditioning process. Essentially the question is: do you really know what's slowing down your turnaround times and costing you money?

There are three main stages in a typical recon process – the estimate, the approval, and the work. Let's take a look at the common delays slowing your process down.

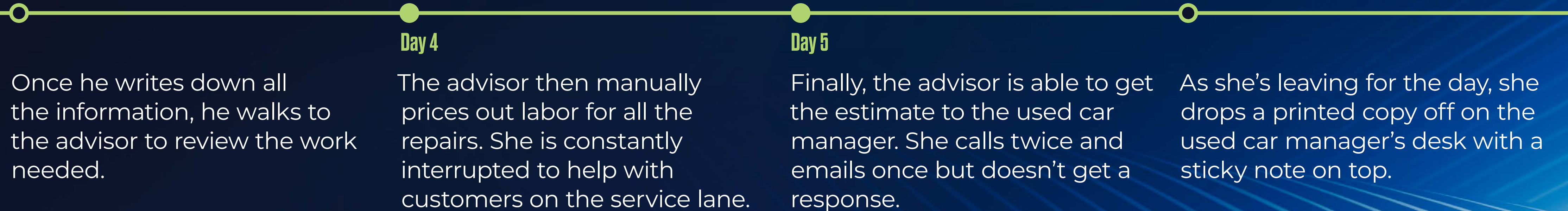
Stage 1: Getting an Estimate

Timeline





Timeline



You've owned the vehicle for five days and the reconditioning estimate is just now getting sent to the used car manager for approval. What would it mean to your bottom line if you could automate and digitize this process, eliminating the delays?

Stage 2: Getting Work Approved

Timeline



Day 6

It's now Saturday, and your used car manager is busy selling cars, so the approval sits until Monday.



Day 8

Of course, he has questions about getting cheaper aftermarket parts, so he calls the advisor.



Day 9

The advisor makes some phone calls of her own, updates the estimate, and sends it back to the used car manager.

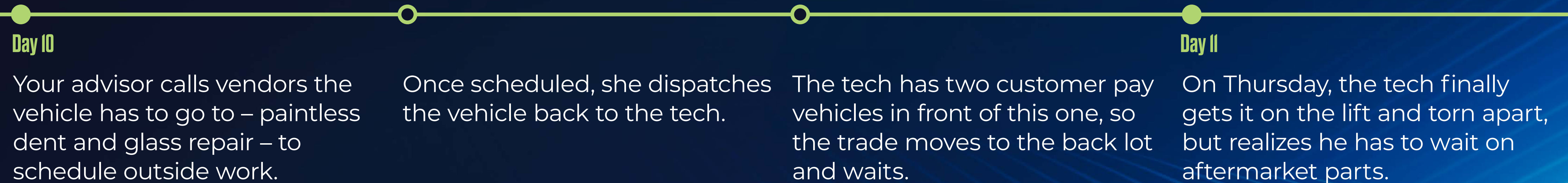
Finally, on Tuesday, after his questions are answered, the used car manager approves two of the three jobs.

After eight days in the process, the work is finally approved. Again, everything is manual and there is no tracking or accountability. At this point, the used car manager needs that vehicle on the website by Thursday (two days away), and starts to get irritated it's taking so long.

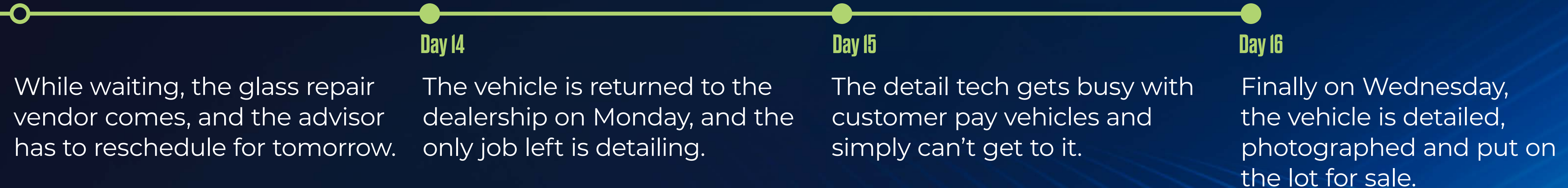
Stage 3: Getting Work Done

Now the estimate is approved and work on the vehicle can begin.

Timeline



Timeline



This step in the process has the most room for error. When everything is done manually, how do you know what comes first? How do you know when the vehicle is ready for the next step? Often, it's dependent on face-to-face communication and passing a paper RO around. This causes the vehicle to sit and wait for days and sometimes get "lost" or forgotten about all together. Add in outside vendors and the problems multiply.

The Consequences for Your Dealership

So, where do these challenges leave us? The reconditioning process is prone to not only specific delays that can be difficult to identify, but also systemic issues related to a lack of transparency and accountability. Add it all up and you have a flawed process that's inherently resistant to change – costing you money every day.

That cost is real and significant. We mentioned the costs of holding and depreciation, as well as the reduced window for actually retailing the vehicle once it does make it on the lot.

To maximize profitability, most dealers aim to sell vehicles within 30 days of acquiring them. However, the national average for the reconditioning process is 12.2 days. That leaves very little wiggle room for delays before you start losing profit. Most dealerships also have a hard turn time in the range of 45-60 days from the time a vehicle is acquired, meaning every day spent in reconditioning is a day closer to giving up a vehicle to wholesale – minimizing the opportunity to retail it. What would it mean to your operations if you could cut your cycle time in half?

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So what's the true cost of a manual, inefficient, time consuming reconditioning process?

It's estimated that every day added to the reconditioning process is another \$50 lost per vehicle, per day. If your dealership is average, running a 12.2 day recon cycle time, that's \$610 total per vehicle.

Let's assume you move 100 used vehicles through the recon process every month... That's \$61,000 spent monthly on the recon process (\$732,000 annually).

Or maybe your dealership hits a couple of roadblocks during the process – a rescheduled vendor pick up, delayed parts delivery, busy employees – and your cycle time gets pushed back another 3 days... that's another \$150 per vehicle, \$15,000 per month, \$180,000 annually.

You can start to see how these delays really add up!

The pitfalls built into the reconditioning process – manual, disjointed, prone to error and delay – may seem insurmountable. Fortunately, focusing on your processes and diligently tracking them makes it possible to implement impactful change.

$$\begin{aligned} & \$50 \text{ /vehicle/day} \\ & \times 12.2 \text{ days} \end{aligned}$$

$$\begin{aligned} & \$610 \text{ /vehicle/day} \\ & \times 100 \text{ used vehicles/month} \end{aligned}$$

$$\text{\$61,000 /month } \text{\$732,000 /year}$$

$$\begin{aligned} & \$50 \text{ /vehicle/day} \\ & + 3 \text{ additional days} \end{aligned}$$

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$$+ \text{\$15,000 /month } \text{\$180,000 /year}$$

Automating Workflows for Cycle Time Savings

The biggest issue with a manual reconditioning process is that it's spread over so many independent departments and outside vendors, creating numerous opportunities for disconnects, delays, and bottlenecks.

Automating the reconditioning process makes it seem as if it's not a cross-departmental effort. What do we mean by that? The whole process is governed electronically from a single application, and the hand-offs from department to department are digitally and automatically tracked.

By digitizing and automating the process, you eliminate the dividing lines between departments, streamline communication with vendors, and allow your dealership to function cohesively as one whole. That makes perfect sense for the reconditioning process, because turning acquired vehicles around in time to sell them at a profit takes a whole dealership effort.

Enter ReconTRAC

Imagine a single, intuitive application governing the entire process from beginning to end. It's completely customizable to your dealership's unique workflows. It tracks every vehicle, electronically dispatching jobs and automatically assigning vehicles to the next department as jobs are completed, providing a digital platform for managers and vendors alike. Perhaps most importantly, it reports live cycle times so you can spot the bottlenecks in your process in real-time.

Simply put, you can convert your manual reconditioning process (which, in reality, is actually a series of disjointed processes, segmented by department, which may or may not sync up well) into an automated reconditioning process featuring one-foot-in-front-of-the-other simplicity.

It may seem unbelievable that simply cutting out some unnecessary time and resource waste can have this kind of impact on your bottom line, but that's the nature of process efficiency: eliminate costs previously considered "part of the business."



Automating your reconditioning process ultimately turns a profit liability into a streamlined, low-cost way to get vehicles on the lot.

So, perhaps it's time for you to revisit your dealership's vehicle reconditioning process.

- ✔ Does it flow smoothly or are there hiccups?
- ✔ Are the hiccups easily identified?
- ✔ Are you turning vehicles around as quickly as you possibly can or are you flushing money down the drain with vehicles taking nearly two weeks to make it on the lot?
- ✔ Is your process working for you?

If not, consider the power of automating your reconditioning workflows with ReconTRAC. The decision to permanently boost your bottom line lies in your hands – you just have to decide when you're ready to put that power to work for you.

But, don't just take our word for it: ReconTRAC is already delivering for real dealers in the real world – right now.



ReconTRAC in Action: A Case Study

Before we signed up for ReconTRAC, we didn't have an efficient reconditioning process in place. Timestamps for detail work were tracked on paper, and our cycle times averaged nine to eleven days. Occasionally, a vehicle might even slip through the cracks and get forgotten about altogether.

There was no doubt we needed a tool that would help us move cars faster so we could start generating a profit on them. Allowing vehicles to sit on the lot for as long as they were was costing us money on a daily basis.

Between the four stores in our group, we sell an average of 400 used cars a month. There's no way we'd be able to keep track of reconditioning that many vehicles without ReconTRAC. We can follow any vehicle from the day it comes onto the lot until the day it goes back out for retail. ReconTRAC allows us to track where the car is; whether it's in the body shop or in service, if it's waiting for recall, or if it's off-site at another dealership for the recall to be performed. Every step of the process is visible to us so employee accountability has significantly increased.

Not only that, but we were able to cut our cycle time in half. Instead of losing money on vehicles just sitting there and depreciating, we're getting them through the reconditioning process and back out on the lot in four days.

This system truly works. It's moldable to our processes and built to work with the flow of our dealership. **ReconTRAC is a no brainer.**



For more information on how we can help automate
your reconditioning process:

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