**Featuring:**

The Strategy Behind Used Vehicles
An In-House Approach

Introduction

In the past year, there's been a shifting focus from new vehicle sales to used vehicle sales, primarily due to consumer demands. At an average price of nearly $37,000, new vehicles simply don't fit within consumer budgets as much as they used to. As this number continues to grow, consumers feel more comfortable with used vehicle financing options. Plus, used vehicles don't succumb to as much depreciation, also making it more appealing to consumers.

AVERAGE NEW VEHICLE PRICES

	2016	2017	2018	2019
$37,000				
$36,000				
$35,500				
$35,000				
$34,500				
$34,000				
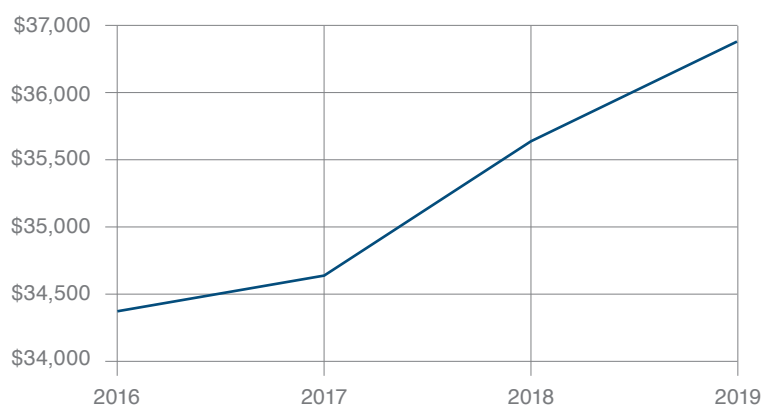
Dealerships are forced to meet these consumer demands with the right mix of used vehicle inventory. It sounds easy, because dealerships have been doing it the same way for years through auctions, online sites, and private sellers. However, this is only half the battle. Maintaining a steady stream of gross profit on quality used trades is also on the table in an industry with shrinking margins. With the amount of grooming that goes into used vehicles, they can be tricky to capitalize on.

Is doing business the way you've always done it still an effective strategy?

As retail evolves, is doing business the way you've always done it still an effective strategy?

The Used Vehicle Process

It's a constant balancing act of securing the used vehicles you need and moving them efficiently so they aren't eating precious profits.

First, finding needed used vehicles is becoming increasingly challenging. You have to pay attention to the market, consumer demands, and your own inventory mix and levels. Throw in the abundance of used vehicle sources available and the job becomes even tougher.

But you're only halfway done. Now you have to ensure used vehicle inventory doesn't sit for too long, which can affect vehicle value. The "older" the vehicle, the less appealing it is to the customer. The longer vehicles sit on the lot, the more gross profits begin to shrink.

To turn inventory quicker, you may be forced to manage your customer database to determine who is in the market and what they're in the market for. It's basically a game of chance — roll the dice to determine who gets a promotional mailer on Honda Civics and who gets a promotional email on Honda CR-Vs. More often than not, it's wasted effort because the customer you thought would want a sedan is actually in need of an SUV.

The longer vehicles sit on the lot, the more gross profits begin to shrink.

Utilizing Data to Master Used Vehicle Inventory

With a strenuous list of data points and factors, it's nearly impossible to predict on your own what a consumer will do and when. Predictive Analytics is an engine fueled by hundreds of data points and profiles to determine who is likely to buy, and when. It uses transactional, demographic, and behavioral data to analyze your database to compare consumers against historical outcomes and consumers in similar life circumstances. The engine understands that consumers tend to behave like those they are around. However, as time moves on, data changes. It's not static. Consumers don't always drive the same vehicle for the life of the loan, live in the same neighborhood, or have the same job at the age of twenty-two compared to twenty-eight. It uses this information to constantly scrub and analyze your DMS and determine in real-time which customers have the highest propensities to upgrade and trade. Predictive Analytics has become an in-house approach to acquire and move used vehicles more strategically.

Predictive Analytics is an engine fueled by hundreds of data points and profiles to determine who is likely to buy, and when.

Impact On Gross Profit

So what does Predictive Analytics have to do with used vehicles? It helps you strategically acquire and move used vehicles so you generate more used vehicle profit. XtreamService is fueled by Predictive Analytics, finds customers who currently own quality used vehicles you need, and hand picks those with the highest propensity to trade.

XtreamService then finds customers in your database who are in the market to buy those specific used vehicles you just acquired. With this predictive data, XtreamService helps you move used vehicles faster to cut down on expenses and increase profits.

Gross profits were more than $800 higher per vehicle compared to used vehicles without predictive data.

Data was compiled from current XtreamService users to evaluate how Predictive Analytics impacted used vehicle gross profit. The data showed gross profits were **more than $800 higher per vehicle** compared to used vehicles without predictive data.

XtreamService Used Vehicle Gross Profits		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$2,622	$1,808	+ $814

These results remain consistent across manufacturers with both import and domestic brands experiencing higher grosses using XtreamService.

XtreamService Used Vehicle Gross Profit: Domestic		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$3,124	$2,032	+ $1,092

XtreamService Used Vehicle Gross Profit: Imports		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$2,243	$1,604	+ $639

Used Vehicle Success

Take a look at a recent success story. Once this dealership implemented XtreamService, they experienced a substantial spike in gross profit on used vehicles. Three years post-installation results were compared to evaluate performance.

July 2016 – June 2017		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$1,493	$1,384	+ $109

July 2017 – June 2018		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$1,659	$1,080	+ $579

| July 2018 – June 2019		
AVERAGE GROSS PROFIT: *XtreamService Used Vehicles*	AVERAGE GROSS PROFIT: *Other Used Vehicles*	AVERAGE GROSS PROFIT: *Difference*
$2,212	$1,063	+ $1,149

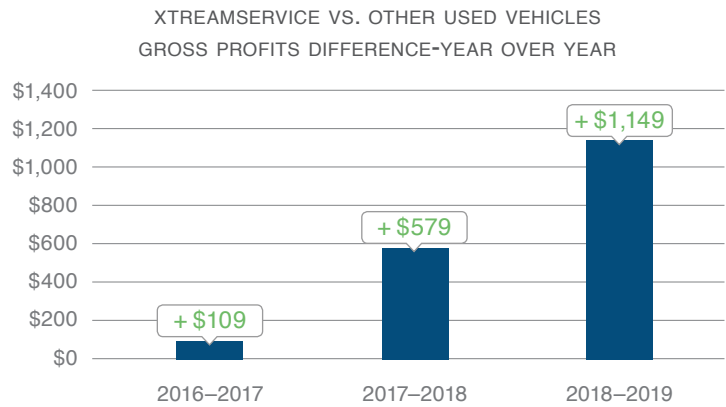**With predictive data, used vehicles generated $2,212 — a 107% increase.**

Predictive data helped this dealership generate more gross profit on used vehicles acquired through XtreamService. Used vehicles acquired through traditional methods generated $1,063 in gross profit on average. With predictive data, XtreamService used vehicles generated $2,212 — **a 107% increase**.

The longer they used XtreamService and the more used vehicles they acquired through XtreamService, the more successful their used vehicle strategy became. In just three years, gross profit increased more than $700 per vehicle.

XTREAMSERVICE TRADE-INS AND AVERAGE GROSS PROFITS YEAR OVER YEAR

$2,212
$1,659
$1,493
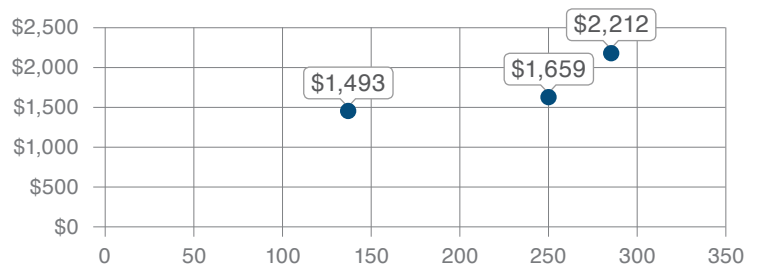
As non-XtreamService gross profits remained flat, the profit gap continued to increase year over year.

XTREAMSERVICE VS. OTHER USED VEHICLES
GROSS PROFITS DIFFERENCE-YEAR OVER YEAR

	2016–2017	2017–2018	2018–2019
	+ $109	+ $579	+ $1,149

Bottom Line

Used vehicles acquired and moved strategically through XtreamService generate higher gross profits, regardless of make. Predictive data enables you to find buyers and align them with specific vehicles so you can capitalize on used vehicle gross profit, despite shrinking margins.

"Predictive data enables you to find buyers and align them with specific vehicles."

Retail Management System

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Reynolds & Reynolds