



Dale Pollak

CHALLENGING THE CORE INVENTORY CONCEPT

OK, I'm going to go out on a limb to challenge a conventional dealership notion. I'm really troubled by the concept of "core inventory." I'm not saying that each store doesn't have a certain natural traffic profile based on its brand, location and community, but I am suggesting that the notion of a "core inventory," while appealing and comforting, is fool's gold.

The idea of "core inventory" suggests that there is a fixed profile of used vehicle inventory that produces optimal results. In other words, if you stock certain types of vehicles, you'll be well on your way to success. This notion makes the assumption that the automobile market place is steady and predictable. Without the assumption of steadiness and predictability, one could not legitimately suggest that dealers should stick to a defined core of inventory mix.

However, the truth is that the used car market place, by definition, is anything but steady and, in fact, is extremely unpredictable. There are hundreds of factors that are at play in our environment that influence consumer's purchase preferences and they are anything but steady and predictable. Fluctuating gas prices, interest rates and weather patterns are just a few causes that constantly befuddle those that attempt to stock inventory today, based on what has worked in the past.

For example, every day, we are all watching gas prices skyrocket. There couldn't be any environment that more dramatically highlights the fact that the theory of dealers stocking based on their "core inventory" is just plain wrong. If any dealer today stocked their lot based on their past core inventory, they'd be purchasing gas guzzlers and, quite possibly, avoiding the purchase of today's hot selling, gas-sipping vehicles. It seems insane to keep doing the same things and expect different results.

Today, I spoke to a highly successful used car director of a large multi-franchise organization. His comments made me realize that the absurdity of "core inventory" goes well beyond the issue of gas prices. He said that, as an experiment, they stopped stocking used Infiniti's at their Infiniti dealership. They experimented with high volume, off-brand vehicles, such as Impalas and Malibus. I asked him if he was sure he knew what he was doing, and he told me that they were selling like "hotcakes."

He said that we all get hung up on the notion that we should stock according to our past sales and/or in accordance with our franchise brand. Yes, it may be true, he told me, that there is some natural traffic for these vehicles, but that does not necessarily mean that they are the most demanded products in the market. Properly used, the Internet allows dealers to be successful with products that are hot, but not necessarily their brand or part of their past core. "Remember," he said, "no used car manager ever got fired for selling the right mix of used makes and models."

So why is it hard for many dealerships to

do what my friend has done at his Infiniti store? I think that the answer lies in the fact that we are all more comfortable operating in a zone of comfort and familiarity. Think about how hard it would be for someone very knowledgeable and familiar with the Infiniti to say, "there might be something better out there, and I'm gonna give it a try." It's a lot easier for us to go with the inventory that we know, rather than venturing out and taking the risk associated with buying something different.

The good news for the industry is that there is now technology that can analyze any market and tell a manager, at the level of year, make, model and specific equipment, which are the hottest vehicles at the moment, based on volume and/or gross. This takes much of the risk and uncertainty out of the equation. So if you haven't seen this, you need to. In my opinion, it's the only way to stay in tune with the market.

As uncomfortable as it is, we need to let go of our security blanket or, in the words of Thomas Friedman, our "olive tree" and accept the fact that, in the words of Bob Dylan, "times, they are a' changing." We must embrace uncertainty and accept the fact that what worked last year, last quarter or last month may not work today. This means that we must keep our finger on the pulse of the market place and take our cues from it in "real time" rather than from history. Our present inventory must always reflect the market at the moment. If gas prices are way up, we have to dump gas guzzlers in favor of compacts. If we're experiencing unusual amounts of snowfall, we must quickly respond with more 4-wheel drives. If silver cars lose their appeal, we must quickly respond by changing our preference of color choices. We simply can no longer afford the convenient comforting thought that what worked in the past will work today or tomorrow. The only things that are constant and predictable are death, taxes and change. Let's wake up, smell the coffee and realize that the notion of "core" is rotten.

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