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'Velocity': Change sweeps nation's used car markets

Book looks inside the trends

Digital technology is dramatically changing the way used cars are bought and sold.

In his new book, "Velocity: From the Front Line to the Bottom Line," Dale Pollak challenges common assumptions about today's used car market and describes major changes that have swept the industry. A high-tech entrepreneur, used car authority and former dealer, Pollak believes that used vehicle buyers are ahead of the game in today's marketplace.

"Consumers are no longer the losers when it comes to buying a used car or light truck," Pollak notes. "The new losers are dealers who have failed to understand the dynamics of today's Internet-driven market."

Pollak is the founder and chairman of used vehicle analysis company [vAuto, Inc.](#) and a *Dealer* magazine columnist.

More than 80 percent of all used car buyers currently shop on the Internet before making a final decision, according to Cars.com. Another popular site where nearly 45,000 dealers list used car inventories, AutoTrader.com, reports more than 12 million visitors a month.

"Most dealerships still operate from a decades-old play book when managing their used car business," Pollak says. "They need to adopt a more disciplined, investment-minded approach."

The market for used vehicles is becoming a commodities market thanks to Internet-savvy shoppers. "Buyers have a multitude of choices and prices are easy to find," Pollak explains. "Vehicles aren't as unique as they used to be, no matter

what some dealers would like to believe."

Pollak's book warns that a "perfect storm" is brewing in the used car business. Although used vehicle inventories are the largest single asset outside of property and facilities at most dealerships, the used car business historically has occupied "stepchild" status with most car companies and their dealers.

In the past, vehicle manufacturers trained their dealers to focus on new vehicle sales and in fact most franchised dealers prefer to sell new cars and trucks. To compound the problem, factory-provided dealership financial statements basically de-emphasize a dealer's used vehicle business assets.

In addition, new vehicle sales incentives, lease-car and factory buy-back programs, overproduction and a proliferation of domestic and import models have combined to squeeze the profitability of dealership used vehicle operations.

"Factory efforts to pump up new vehicle demand through sometimes insane amounts of incentive money have had a disastrous impact on many used vehicle sales departments," Pollak points out.

For nearly 100 years, dealers and used-vehicle managers have used unit sales, vehicle age-in-inventory and gross profit to benchmark performance. "In today's marketplace, those metrics are crude and unreliable," Pollak adds. "They don't tell the full story behind a used vehicle business operation."

There's good news, however, for consumers and dealers alike. To remain profitable, used vehicle managers are boosting profits by turning inventory more quickly and pricing their vehicles based on actual market value. More and more dealers are offering buy-back guarantees, warranty protection and vehicle-history reports.

Pollak adds that now, for the first time, dealers and car makers also have the ability to obtain accurate used car supply-and-demand information for specific markets and regions.

"Velocity: From the Front Line to the Bottom Line," is available at Amazon.com and considered a "must" read for the nation's more than 60,000 franchised and independent used vehicle dealers and their sales personnel, according to vAuto President and CEO Keith Jezek.

Five out of the nation's six highest volume franchised dealerships by brand, including Ford, Honda, Nissan, Lincoln-Mercury and Toyota use pricing and appraisal strategies supported by vAuto software solutions. Virtually every imported and domestic vehicle brand is represented within vAuto's customer list, including Acura, Audi, BMW, Hyundai, Infinity, Kia, Lexus, Mercedes and Porsche, as well as all Chrysler and General Motors brands.

vAuto provides the auto industry's only "live" analysis of used vehicle markets, supplying dealerships with up-to-the-minute information about used vehicle supply, demand and pricing in their specific markets. Headquartered in the Chicago suburb of Oakbrook Terrace, the company also maintains a research and development center in Austin, Texas.