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Online Automotive Review

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What in the World are You Thinking?

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Editor's note: Dale Pollak, chairman and founder of vAuto, Inc., discusses why sticking to "core inventory" might be holding dealers back.

Literally, 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.

We are now seeing reports of both Ford and GM shutting down manufacturing plants that build their large SUV's and pickup trucks and shifting production to more fuel-efficient models. What if Ford and GM were, instead, using the same philosophy that some companies are promoting to dealers for their used vehicle stocking? In other words, what if Ford and GM kept producing and stocking their dealers with "core inventory," (i.e., lots of trucks and SUV's)? They and their dealers would be guilty of the worst management malpractice imaginable.

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 Impala's and Malibu's. 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, that no used car manager ever got fired for not 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 Infiniti's to say, "there might be something better out there, and I'm gonna give it a try." It must have been really hard for that Infiniti manager to go out and pull the trigger and buy a bunch of Impala's and Malibu's. It would be like waking up one day and putting your watch on your other wrist and deciding to part your hair on the other side. It's just really hard to do! So we don't do it, even if there's a chance that it might work out better. 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. It can even show you where to go to buy those vehicles. 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. And, to those that continue to advocate the message of "core" I say, "What in the world are you thinking?"

About the Author:

In addition to being a best-selling author on Used Car Sales in his book [Velocity](#), Dale Pollak is the chairman and founder of vAuto, Inc., a company that provides retail automotive dealerships with a better way to appraise, manage and price their pre-owned vehicle inventory. Prior to vAuto, Pollak helped build Digital Motorworks, Inc. from its inception to its successful acquisition in 2002. He was also a Chicago-area Cadillac dealer for 13 years.

Dale's blog can be found at www.dalepollak.com.

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