

POWERFUL SOLUTIONS

For maximum F&I profitability

"The Rent Is Too Damn High!"

Many of us are recently confronting a down-turn in production. It appears no one is spared. Regardless of our local demographics, our area is almost certainly experiencing these results. Our Guests feel as though they have less money to spend, and they aren't wrong. They are, therefore, spending less money.

Why is this happening?

Interest rates are 2.5 -3.5X higher than they were just over a year ago! Mortgage rates are now the highest they've been in over 20 years. Everything is *crazy* expensive, and there is no relief in sight. Food, fuel, clothing, utilities, insurance... it has all gotten out of hand. Vehicles are no exception, either. Everyone is familiar with the fact that the price of admission, recently, has *soared*... and, again, there is no end in sight! And that was before the potential impact of the current strike negotiations to the price of automobiles. Afterall, multiple years-worth-of-pay-increases for Line-Workers are now being considered, which will have to be factored into future pricing. Perhaps we should also take into account the *massive* losses the Manufacturers are incurring, on a per unit basis, to bring EV's to market. As is always the case, these losses, too, will almost certainly be blended into the price of other products. It's no secret that businesses aren't *in business* to lose money...

What happens next?

Naturally, the result of all these economic pressures manifests as higher prices, and not just to the vehicles themselves. The parts produced by the Manufacturers (and those other parts onboard required to keep the vehicle running... sourced from other entities, from which the Manufacturer enjoys a cut) will continue to shoot up until costs stabilize. And let's not forget that part's prices are also *heavily* influenced by the availability of raw material. These materials tend to be dramatically affected by global conflagration which is currently growing daily! And these are by no means the only inflationary pressures affecting our industry.



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Partnership + Performance = Profit

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"The Rent Is Too Damn High!" (continued)

Of course, "big picture" analysis of these occurrences bears witness to the fact that loss ratios on Vehicle Service Contracts are also ballooning. Not only are part's costs an important component of this equation, but labor rates (which are also skyrocketing) are certainly factoring into the mix, as well. Dealerships are having to invest more than ever on the human-capital side of things, to attract, recruit, and hire the best people available... folks with the skill-sets *necessary* to keep these incredibly complicated conglomerations of the latest tech moving down the road.

It's one BIG sticky mess!

Let's face it... current loss ratios indicate VSC's have been underpriced. Just because it has NOW been determined that the investment required to take advantage of a VSC in the past was possibly *not enough*, does not mean that those folks (who wisely took advantage of a VSC) are asked to make up the difference, now! These VSC contract holders are protected from ALL these inflationary realities. Even though, "THE RENT IS TOO DAMN HIGH," now, does not mean that they *now* must participate in the clean-up after the party. They are *immune* to these negatives!

Plainly, we all know someone who has found themselves in the difficult situation of choosing between making their car payment or staying mobile and making a required repair payment... which is almost always degrees of magnitude higher than the car payment, itself! And why wouldn't our cash-paying Guests want to enjoy all the shelter provided for by our products, as well?!?

As always, we owe it to ALL our Guests... those who are financing, as well as paying cash... to explain these realities while they still have time to shield themselves from ALL the exposure that comes with operating a modern vehicle... and at TODAY'S rates of investment, before that nasty old inflation Grinch makes the price of admission (to take advantage of a VSC) *even higher*



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Think about it.

Good luck and good selling!

