

POWERFUL SOLUTIONS

For maximum F&I profitability

The Race To The Bottom Is Over (at least temporarily)

Many of us have been around long enough to witness decades of lean deals. Competitive forces within the Automotive Industry have ensured that the law of natural selection was always relevant. Learn to adapt and overcome! Competing with a store across town, run by someone eager to undercut margins to the point of insolvency, was usually putting us 6 months from going out of business! Who knows... perhaps this brinksmanship was encouraged by a Salesman's desire to discover how good he or she really was? Whatever the reasons, we have witnessed decades of experiences where margins were razor thin, and we were compelled to cater to the demands of our industry to the point of the ridiculous. After all, what other form of commerce finds its wholesale costs widely published to an audience who expects nothing less? Business is tough enough without a Supplier (in our case, the Factory) who sets our retail pricing structures at a few hundred dollars above the wholesale cost, on vehicles priced well over twenty thousand dollars! Perhaps they figure we are going to give it away as a discount, anyway, so what does it matter... And so it *used* to go.

These are different times.

Supply chain disruptions have our industry in a state of massive flux that no one could have predicted. Inventory shortages are real and show no signs of abatement. Our Guests are aware of their surroundings and are stepping up. We are currently witnessing unprecedented increases in median used vehicle prices which, by some accounts, have gone up 34%, or more, year to date! Change is happening. Faced with the uncertain nature of these events, consumer sentiment is evolving. Our Guests are confronting the very real possibility of greatly extended trade-cycles, as a result. Resultantly, production in the Business Office has increased dramatically. Our Guests don't like costly surprises, particularly if the likelihood of finding themselves behind the wheel of several year-old vehicle is now high!



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This is great, right?

Of course, but people are people. As we find previous performance pressures subside, *unfortunately* we tend to find ourselves indulging in unnecessary short-cuts. This is where new habits begin to develop which may lead to decreased performance, and possibly even compliance headaches.

Now is not the time to take our foot off the accelerator, nor our eyes off the road! Pendulums swing and seasons change. We are enjoying a (hopefully not brief) respite from the race. However, despite all the talk of on-demand ordering of new vehicles (possibly eliminating capital-draining massive floor plans), we may find ourselves in very familiar terrain, before long. If our indulgences, in these new times, have made us incapable of taking care of business should (when) the old times return, we may go hungry. We will be well-served by staying mentally and emotionally fit so that when that old competitive bear comes around, we are able to outrun our competition!

Think about it.

Good luck and good selling!



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