
How to monitor your competitors.

a competitive intelligence guide
by **AutoRevo**.

Out-buy your competition.

Many dealers have a pretty good handle on what inventory they need for their lot. You've got experience, so you know how it goes; you go to the auction and search for inventory to buy, most of the time back of book. The search is on for a vehicle that customers will buy, but that you can get without breaking the bank and still make a nice profit.

You already know what works on your lot. Thanks to technology, now you can keep an eye on your competitors and see what they're doing, too. If you know what your competition is doing, you can do it better. In this guide, we'll talk about how to keep an eye on your market and beat your competition by combining your hard-earned knowledge with the latest advances in technology.



With experience comes knowledge

You figure out what to buy based on what you sold last month and what your customers have been asking for. If you have friends in the business, you listen to what they've had success selling.

Inexperienced dealers look for cars they like, not for cars that their customers want. I'm sure you know a few dealers like this; maybe you were this way when you first started. These dealers fail to put themselves in their customers' shoes, and they end up buying the wrong cars. When any business owner only looks at his own preferences and fails to look at the entire market, he will lose potential customers. His business will suffer.

As you gain experience, you learn which vehicles work best for your dealership. How do you get even better at buying inventory? You look at what your competitors are selling too.

Make technology work for you

Take your experience, add technology, and you've got a powerful competitive edge. Real-time data, now more than ever, is driving successful buying decisions, as well as the retail structure itself. Dealers who successfully marry their expertise with this data are seeing increased sales and a streamlined decision-making process.

What's selling in your area? You have the stats from your lot – start there. Take those stats, and then check your tools. Does the rest of your market match up with what you've been selling? Are there any surprises or outliers that you want to investigate?

Your dealership management platform should have a variety of tools that allow you to see how vehicles are performing in your area. From trim to color, convertibles to dually trucks, you need to be able to see how vehicles are performing with customers in your market. These tools can also help you with those vehicles that sometimes stump you - it was an excellent buy, and all conditions are right for that car to turn quickly... but for some reason, it hasn't sold. Check the tools to see what you can do to make a profit faster on that unit.

You've got all the information at your fingertips to make the best buying decisions for your dealership.

Sizing up your competition

We've all done it: as we drive down the road, we try to scope out the vehicles on other lots. Maybe you notice a couple of strange options here and there. "What were they thinking, putting that thing on the lot?" you think to yourself.

There's no way you could drive past every dealership within a 150-mile radius to your lot. Even if you did, by the time you'd checked them all out, cars have been sold and new cars have replaced them. Besides, you already have a solid idea of how your inventory compares to the rest of the market without having to drive by and look at your competition.

Again, take what you know, and build on it with your tools. Check for vehicles that you don't have, but your competitors are selling quickly. Every geographical area has a unique mix of body types that customers prefer. Some areas may sell tons of heavy-duty work trucks, while others sell more sedans and coupes.

For example: you know sedans are selling well, but a tool like Market Insights will analyze your inventory to see just how well your sedans are doing compared to the rest of your market. These tools are great for checking on the overall health of your market, but they help with specific vehicles too. What if it's the middle of winter in Wisconsin and you get a purple convertible trade-in? It's not an ideal situation, but your tools can help you decide (based on mileage, trim, and other factors) the best way to price the oddball vehicle on your lot. Your competition may be wondering why you put it on your lot, but you'll know exactly how to price the car and how long it will take to sell

Break it down by body type

Whether you're purchasing inventory because you specialize in a certain body type or you're light on inventory, competitive intelligence tools can show you the fastest moving cars in your market.

You need hard facts. Current stats. Hard evidence that supports buying decisions.

Check your market tool. Thoroughly analyze the top performers in every body type available. Drill down and check out the turns, sold counts, and best-selling colors in your area, and create forecasts for your lot to help your business run even more smoothly.

A good pricing tool also gives you an insight into different customer segments you're not actively tapping, but might want to in the future. If you primarily sell trucks, but would like to start selling more sedans, check the tools so you can make a smooth entry into a secondary market. Knowing what's being sold lets you know what you can sell.

Selecting your inventory

Try to get into the habit of checking your market tools on a daily basis. Check all body styles, makes, and models, and see if you find any surprises. Once you get used to it, it won't take too long, and you can perform actionable research while you're drinking your morning coffee.

What's the best way to select your inventory? As I said earlier, take your knowledge and combine it with cold, hard facts. Analyze the vehicles that have sold in your area recently. Investigate your data in a "high demand" format, ranking vehicles by the greatest difference between sold count and volume. This is the easiest way to see a clear table of supply versus demand.

As an example, I checked a certain market for 2009 Nissan Altimas. 34 units are currently available in this market, and 92 have been sold within the past 45 days. On top of that, I can see the color breakdown of least popular colors versus the colors that sold the most.

Now, when Lloyd Christmas, the new guy in Sales, doesn't believe you when you tell him brown half-ton pickups won't sell, you can show him the data. What's obvious to the experienced dealer isn't so obvious to someone new to the game, and pricing and market tools are a great way to teach and lead the new bloods to profit.

Another great way to check your data is in a "Market Top 10" format. This allows you to sort the data by the attribute that's most attractive to you. Maybe it's lowest days' supply, or volume, or maybe you want to know which vehicles are turning the fastest. Before you finish your coffee, you have all the data you need, and your competition is still asleep.

Dealing with the numbers

This section is geared more toward dealers who still have questions about how to buy and price their inventory competitively. For some, this is instinctive; for most, buying and selling vehicles at a profit is one of the hardest aspects of running a dealership.

I've said it before in previous guides, and if we've ever talked on the phone, you've probably heard me say it then, too: You should be reverse-engineering your deals.

In other words, go backwards.

Book value says a unit goes for \$26,000. So how much should you pay for it? Let's say you've already bought it, expecting to sell it for \$26,000, but now you see that your competitors have it listed for \$24,500. More than likely, that vehicle's now going to sit on your lot, or you'll have to lower your price. Suddenly the book value you trusted while you were at auction did you more harm than good.

Use pricing tools before and after you've purchased a vehicle for your lot. Check and find out what you can retail the vehicle for. You've got a 2010 sedan with a certain trim? Check your pricing tool to see how similar units are priced. That sedan can sell for \$24,000. Awesome – that's what you're starting with. How much can you spend on it at auction?

Here's a hypothetical:

\$24,000 (what you can sell it for)
- \$500 in recon
- \$500 in sales commissions
- \$2,500 (profit you hope to make)

= \$20,500 purchase price

If you pay anything above \$20,500, you're going to eat into your profits.

Times have changed and the market is tough, but you need to fight the temptation to say, "I've had a bad month... but it's okay, because all of my friends had a bad month, too."

If you haven't tried using competitive intelligence tools, you should give technology a shot. Market research tools will never take the place of experience and lessons you learn on the lot, but they can definitely help you know what your competitors are doing – and let you beat them at their own game.

I'm Zach, AutoRevo's Dealer Trainer, and I'm here to help any way I can. I have an extensive background in marketing vehicles exclusively on the Internet. I'm not a software guy - I'm a car guy who experienced firsthand the value in the tools that AutoRevo provides. Feel free to contact me with any questions or concerns. I look forward to helping you be more successful.

We hope you enjoyed this guide...

Unlike other providers who forget about you until you complain about a technical problem, AutoRevo is dedicated to helping each and every dealer succeed.

This competitive intelligence guide is one of many free guides that we provide for our dealers. We've worked with thousands of dealers through the years, and we want to share our knowledge and experience to help dealers be the best they can be.

Real data, real solutions, and real success. From vehicle acquisition to point of sale, we're with you every step of the way.

