

## HOW TO BY THE EXPERTS

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### Three Trends Dealers Should Watch As the Spring Sales Season Gets Underway

Now that the hangover from holiday spending has faded away, President's Day kicked off the unofficial start of the Spring sales season at dealerships across the country. As sales of new and used vehicles pick up steam, dealers will need to pay close attention to three key trends in relation to volume, pricing, and access to credit that are expected to converge and place downward pressure on used vehicle pricing.

"While used vehicle prices typically see an increase in the range of three to five percent during this time of year, market factors will likely keep price increases more in the one to two percent range," said Juan Flores, director of operations at AutoTrader.com's Trade-In Marketplace®. "Dealers need to be aware of these trends and ensure that they are using tools that can help them mitigate risk on both the retail and trade-in sides of their used vehicle operations."

- **New Vehicle Pricing.** Even with a slower than expected start to the year due to the weather, the auto industry is still expected to return to new vehicle sales levels not seen since 2007, increasing sales between 3.5-4.5% in 2014. While manufacturers are expected to remain resilient in their continued pursuit of market share, the projection suggests that not all manufacturers will achieve their much higher internal 2014 volume target. As a result, the competitive landscape will provide plenty of purchasing opportunities as manufacturers continue to offer aggressive pricing and enticing incentive programs to attract shoppers and help turn them into buyers. Many of these new car buyers will likely have a current vehicle that they need to offload, which will help increase supply in the used vehicle market.
- **Used Vehicle Volume.** Used vehicle prices are expected to see slight downward pressure in 2014 due to continued increase in supply. In addition to more shoppers trading in their current vehicles, a notable volume of leased vehicles will be returning to dealership lots this year. This influx of supply will not only create negotiation opportunities for consumers as they look to purchase used vehicles, but it will also increase consumer demand, particularly among payment sensitive shoppers, as many units will become more affordable.
- **Access to Credit.** Most importantly, access to credit will continue to open up in 2014—even in the subprime market. This will continue to increase the pool of potential consumers that will regain purchasing power not seen in several years. Access to credit, combined with more affordable vehicles, will continue to boost

new and used retail volume for the industry in a market efficient manner, affecting both pricing and the volume of trades coming to dealers.

"Dealers need to be extra focused on used vehicle pricing patterns to ensure that they are valuing trade-ins and retailing their used vehicles accurately, and they should also pay close attention to the days' supply of their used inventory,"

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