

Remarketing Industry Predictions to Follow in 2016

By Jon LeSage, Editor, Used Car Market Reports

1. Used Vehicle Price Drop Coming Up – or Not?

- Will this be the year of softening prices from off-lease, trade-ins, and off-rental? That was supposed to be last year, but market dynamics and dealer practices adjusted well to the market.

2. New vs. Used Vehicle Consumer Purchases

- With used car prices softening and new vehicle transaction prices going up as high as they've ever been, we could see the return of the New vs. Used competition that became common for several dealers and OEMs in the recent past. There's also an increase of trade-ins that the market is seeing. ADESA's Tom Kontos says that trade-in values have been worth less lately, which means that consumers sometimes reconsider buying a new car if they can't find as much equity in the deal. Average terms of new-vehicle loans are climbing, which can further reduce the consumer's equity value.

3. Contest over Multi-Platform Bidding

- Multi-platform bidding systems have been sought after for years by remarketing companies as a way to streamline the used vehicle auction process and adapt to new technologies and applications – something they've seen blocking the efficiency of auction channels in recent years. That's led to heated debates which are yet to be resolved. In November, the International Automotive Remarketers Alliance released an open letter to the industry designed for the establishment of a cross bidding multi-platform online remarketing solution; IARA said 20 of 23 responding IARA consignors supported that strategy in a recent survey of its U.S. consignor members. Manheim, Columbus Auto Auction, BSC America, and WTG Global have backed MPS to help keep the industry on track to produce live transactions; they think it would drive innovation and efficiency to auctions, consignors, and dealers. ADESA and ServNet decided to not to participate in the remarketing industry's proposed MPS. They see technology challenges and antitrust concerns built into the current state of MPS, which has led them to the conclusion that it would not be prudent to further pursue this initiative.

4. Mobility Comes to Remarketing

- Last year, Manheim reported having about one million visits a month on mobile platforms that customers are using. About 47% of all Manheim users had become mobile users by that time. Mobile apps are becoming common in the buying, selling, and inventory management process. Manheim, Black Book, and others are offering a wide range of mobile apps and support services supporting remarketing mobility.

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5. Disruptive Startups

- Third party startups like Vroom, Carvana, Beepi, and Shift are starting to see a lot more sales traffic. Consumers can use their mobile device or laptop to see photos of pre-owned vehicles, find competitive prices, walk through the legal paperwork, and complete the transaction quickly. Consumers value convenience, and competitive pricing, very much these days. An Accenture study found that 75% of U.S. respondents to its survey would consider making car selection, financing, price negotiation, back office paperwork and home delivery completely online.

6. Used Car Retail Brands and CPO

- Asbury Automotive Group has been opening stand-alone used-car stores under its “Q auto” brand – and other pre-owned/used brand retail stores are in the works for other dealer networks. It looks like manufacturer certified pre-owned vehicle programs has gained more interest and support for major franchised dealers. CPO sales are expected to continue growing and reaching record level this year – with a forecast of the industry seeing three million CPO units sold in the U.S. in 2017; that would be up from 2.55 million in 2015.

7. Mergers & Acquisitions

- We may not see world famous investors announcing buyouts of large dealer chains this year, but M&A activity is expected to continue. Erin Kerrigan, founder of Kerrigan Advisors, expects a new record for dealership mergers and acquisitions in 2016 because of the large number of dealership groups expected to go on the block. Kerrigan reported that the value of dealers with at least three stores increased 10% last year from 2014 to an average of about \$40 million. Many sellers are choosing to go to market, Kerrigan said.

8. Car Financing

- Auto loans have seen slight increases lately, and that may increase this year. A one percentage point increase in Fed rates this year could have a similar impact on car loans. That may not be enough to nudge consumer into putting off new and used car purchases, but it’s something that needs to be watched.

Note: These predictions were made during the first week of January 2016

To contact, challenge, or interrupt

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