## Stacking The Deck With Four Aces

 In Your Used Car Department

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# Stacking The Deck In Your Used Car Department 

## Market Trends - Setting The Gambler's Table

## \#1 - It's All About the Money

\#2 - Get On Down
\#3 - The Attack Mode
\#4 - Life Cycle Management
\#5 - The Internet

10 Winning Tips For Thinking Like A Coach


## Questions

How many of you struggle to make gross on those units over 60 days old?


Is it fair to say the grosses on 45to 60-day old units pull your average down?


## Two Simple Questions



Are You Maximizing the
Used-Car Opportunities in Your Market?

How Does That Relate to Maximizing Your

New-Car Opportunities?

## It's a Fact!

The Used-Car Department is the Key to Doing New- and Used-Car Retail Volume

Most Used-Car Managers Are Trained by Other Used-Car Managers and Local Wholesalers

With Such Training, They are Asked to Manage Millions of Dollars of Inventory

## New-Car and Used-Car Sales

|  | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| New |  | 6.5 | 15.6 | 14.5 | 12.7 | 11.6 | 10.4 | 13.2 | 16.1 | 16.5 |  |
| Used |  | 2.0 | 41.9 | 40.5 | 38.7 | 36.8 | 35.4 | 36.5 | 41.4 | 42.5 | 44.1 |
| Breakdown |  |  |  |  |  |  |  |  |  |  |  |
| ranchise |  |  | 15.7 | 15.0 | 13.8 | 12.8 | 12.8 | 13.2 | 14.2 | 14.3 | 16.4 |
| Independen |  | 3.9 | 14.2 | 14.0 | 13.7 | 13.0 | 11.7 | 11.7 | 13.1 | 13.7 | 14.2 |
| Private |  | . 5 | 12.0 | 11.5 | 11.2 | 11.0 | 10.9 | 11.6 | 14.1 | 14.5 | 13.4 |

It's All About the Money

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## The Reality

|  | Amount | Gross | $\%$ |
| :---: | :---: | :---: | :---: |
| NEW |  |  |  |
| 2011 | $\$ 31,576$ | $\$ 1,415$ | $4.47 \%$ |
| 2012 | $\$ 31,744$ | $\$ 1,281$ | $4.03 \%$ |
| 2013 | $\$ 32,398$ | $\$ 1,183$ | $3.65 \%$ |
| 2014 | $\$ 33,057$ | $\$ 1,190$ | $3.59 \%$ |
| 2015 |  |  |  |
| USED |  |  |  |
| 2011 | $\$ 17,557$ | $\$ 1,679$ | $9.57 \%$ |
| 2012 | $\$ 17,745$ | $\$ 1,624$ | $8.74 \%$ |
| 2013 | $\$ 18,184$ | $\$ 1,591$ | $8.74 \%$ |
| 2014 |  | $\$ 1,566$ | $8.29 \%$ |
| 2015 |  |  |  |

## Short-Term Stocks



## Famous Last Words

## "I Don't Want to Get Rid of It Because I Can't Replace It"

|  | Front Gross | Cost of Sale + Recon | Rate of Return | Days in Stock | Annualized | Turns per Year | ROI |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 | $1,200$ | $\$ 15,000$ | 8.0\% | 25 | 365 | 14.60 | ) |
| 2 | 900 | \$15,000 | 19.3\% | 60 | 365 | 6.08 |  |
| 3 | ,200 | \$15,000 | 8.0\% | 60 | 365 | 6.08 |  |
| 4 | ,200 | \$15,000 | 8.0\% | $90$ | 365 | 4.06 |  |
| 5 | ,300 | \$15,000 | 28.7\% | $90$ | 365 | 4.06 | 116\% |
| Keeping a Unit Because You Can't Replace It Is a Bad Business Model! |  |  |  |  |  |  |  |

## Fix Roi



## ROI Reality



## Tracking 30/30



## Tracking 30/30

| 4 | A | C | ט | E | 6 | H | I | 」 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
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| 4 |  |  |  |  |  |  |  |  |
| 5 | Mo/Yr: | UNDER 30 DAYS |  |  | OVER 30 DAYS |  |  |  |
| 6 | 1/15 | UNITS | FRONT GROSS | AVERAGE | UNITS | FRONT GROSS | AVERAGE |  |
| 7 | Cumulative total $=>$ | 86 | \#\#\#\#\#\#\# | 1897 | 67 | \$ 64,796 | $967$ |  |
| 8 |  |  |  |  |  |  |  |  |
| 9 | Day 1 | 4 | 10350 | 2588 | 2 | -12 | -6 |  |
| 10 | Day 2 | 4 | 5531 | 1383 | 4 | 3526 | 882 |  |
| L1 | Day 3 | 3 | 8416 | 2805 | 2 | 4393 | 2197 |  |
| 12 | Day 4 | 1 | 5484 | 5484 | 4 | 6274 | 1569 |  |
| 13 | Day 5 | 6 | 5904 | 984 | 1 | -47 | -47 |  |
| 14 | Day 6 | 5 | 12293 | 2459 | 1 | -61 | -61 |  |
| 15 | Day 7 | 0 | 0 |  | 3 | 4307 | 1436 |  |
| 16 | Day 8 | 6 | 6724 | 1121 | 3 | 5081 | 1694 |  |
| 17 | Day 9 | 7 | 12250 | 1750 | 5 | 3813 | 763 |  |

## Tracking 30/30

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| Mo／Yr： | UNDER 30 DAYS |  |  |  | OVER 30 DAYS |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 5／15 | UNITS | FRONT GROSS | AVERAGE |  | UNITS | FRONT GROSS | AVERAGE |
| Cumulative total＝＞ | 19 | \＄26，727 | $1407$ |  | 17 | \＄18，863 | 1110 |
| Stock \＃ |  |  |  | Stock \＃ |  |  |  |
| W7833A | 1 | 1475 | 1475 | W7678B | 1 | 1，971 | 1971 |
| W7939A | 1 | 2562 | 2562 | WPR2183 | 1 | －474 | －474 |
| WPT2277 | 1 | 514 | 514 | W7731B | 1 | 1510 | 1510 |
| W1460A | 1 | 2173 | 2173 | W8003A | 1 | 634 | 634 |
| WPB2141A | 1 | 919 | 919 | WPR2221 | 1 | 433 | 433 |
| W8034A | 1 | 2533 | 2533 | W7717A | 1 | 3117 | 3117 |
| W8070A | 1 | 2132 | 2132 | WPR2233 | 1 | 373 | 373 |
| WPT2173 | 1 | 518 | 518 | W7914A | 1 | 1822 | 1822 |
| WPR2240 | 1 | 1003 | 1003 | W7907B | 1 | 849 | 849 |
| WPL2255 | 1 | －50 | －50 | WPR2196 | 1 | 1037 | 1037 |
| WPB2235 | 1 | 1990 | 1990 | W8078A | 1 | 1426 | 1426 |
| W7389A | 1 | 1618 | 1618 | W8030A | 1 | 1448 | 1448 |
| W7977A | 1 | 1418 | 1418 | W7938A | 1 | 1730 | 1730 |
| W7788A | 1 | 3874 | 3874 | WPR2234 | 1 | 1120 | 1120 |
| WPR2256 | 1 | 1556 | 1556 | WPR2198 | 1 | 705 | 705 |
| WPR2250 | 1 | 770 | 770 | WPT2211A | 1 | 702 | 702 |
| WPT2250 | 1 | 960 | 960 | WPR2219 | 1 | 460 | 460 |
| MロTフフ70 | － 1 | 1.3 | －147 |  |  |  |  |

## Review Model by Years



## 2016 Hot Sheet

| 2013-2012-2014 <br> Hottest Models |  |  |
| :---: | :---: | :---: |
| Rank | Cars |  |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| 5 |  |  |
| 6 |  |  |
| 7 |  |  |
| 8 |  |  |
| 9 |  |  |
| 10 |  |  |

## Front-End Gross Profit by Model Age for Franchised Dealers



## Get On Down



## Pressing Down

|  | Retail Sales | - | Gross Profit | = | Cost of Sales | $\div$ | Retailed Units | $=$ | Avg. Cost per Unit Sold | $\downarrow$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Jan |  | - |  | $=$ |  | $\div$ |  | $=$ |  |  |
| Feb |  | - |  | $=$ |  | $\div$ |  | = |  |  |
| Mar |  | - |  | $=$ |  | $\div$ |  | $=$ |  |  |
| Apr |  | - |  | $=$ |  | $\div$ |  | = |  |  |
| May |  | - |  | $=$ |  | $\div$ |  | $=$ |  |  |
| Jun |  | - |  | $=$ |  | $\div$ |  | = |  | PRESS DOWN |
| Jul |  | - |  | = |  | $\div$ |  | = |  |  |
| Aug |  | - |  | = |  | $\div$ |  | = |  |  |
| Sep |  | - |  | = |  | $\div$ |  | = |  | $\uparrow$ |
| Oct |  | - |  | = |  | $\div$ |  | = |  |  |
| Nov |  | - |  | = |  | $\div$ |  | = |  |  |
| Dec |  | - |  | $=$ |  | $\div$ |  | $=$ |  |  |
| Totals: |  | - |  | = |  | $\div$ |  | = |  |  |
| Yearly Avg.: |  | - |  | = |  | $\div$ |  | = |  |  |

## Do This Daily

vAuto
MAXIMIZING INVENTORY VALUE


NATIONAL AUTOMOBILE DEALERS ASSOCIATION

## The Attack Mode



## Do This Daily...

| MAXIMIZING INVENTORY VALUE $\quad$ Logout Contact Us Privacy Policy Home |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Scoreboard | Appraisals | Sales | Wholesalers | $\begin{array}{c\|c} \text { rs } & \begin{array}{c} \text { Personal } \\ \text { Profile } \end{array} \end{array}$ | $\underset{\substack{\text { Dealership } \\ \text { Profile }}}{ } \quad$ Find |  |  |  |  |  |  |  |
| Inventory Aging |  |  |  |  |  |  |  |  |  |  |  |  |
| Invento | Summ <br> Avg. | mary <br> \# Days in <br> Av | Stock: 31 <br> Score: 92 | $2.05$ | Avg. Water | Wat Uni | er: \$30 | 754 |  | Water \%: | 2.76 |  |
| 5tk\% | RWW Year | Make | Model | Trim Color | Mileage Condition | Days | Score | Book Investment ${ }^{\text { }}$ |  | Water \$ | Water \% | \% Type |
| 0 000P6273 | R 2007 | TOYOTA | FJ CRUISER | ADUutily $4 \mathrm{~W}_{\sim}^{\text {a }}$ Missing | 12654 Average | 52 |  | $\$ 0$ | \$25,423 | $\$ 0$ |  | * |
| Q 0007i89A | A 2005 | TOYOTA | prius | 40. Hatchbac.. Missing | 18444 Averege | 45 | 58.61 | \$20,450 | \$24,899 | \$4,249 | 17.2 |  |
| (\%)000R602 | R 2006 | TOYOTA | SIENA | CE-50 Wag Missing | 10129 Rough: | 352 | -11722 | - $\$ 100$ | \$23,936 | \$24,036 | 100.42 |  |
| (6) Copre24A | R 2000 | DODGE | CHARGER | RT - 40 Sed... Missing | 19118 Averge | 29 | 88.98 | \$21,875 | \$22,582 | \$707 | 3,13 |  |
| $600007222 A$ | R. 2005 | TOYOTA | prius | 40 Hatchboc... Missing | 39773 Averige | 42 | 63.02 | \$19,25 | \$22,493 | \$3,366. | 14.97 |  |
| (4) 000TR804 | R 2000 | TOYOTA | RAV4 | Limited-40 ... Missing | 4301 Claan | 269 | 94.93 | \$22,450 | \$22,273 | \$17 | 49 |  |
| - 000p6338 | R. 2006 | ISuziu | ASCENOER | Limed-40; Wissing | 7275 Averege | 6. | -10394 | \$300 | \$22,000 | \$217700 | 98,64 |  |
| (3) 000P6314 | R 2007 | MAZDA | MAZDA3 | 5*40 Sedan ${ }_{\text {m }}$ Missing | 5 Claan | 9 |  | \$0 | \$21,400 | \$0 |  | $\checkmark$ |

## Investment Detail



N ATIONAL A UTOMOB ILE DEALERS ASSOCIATION

## The Winning Card ~ LCM



## Life Cycle Factors

## ACQUISITION TO SHOP

## POSTED ON INTERNET

SHOP AND PARTS ISSUES

## PRICING

NOT WILLING TO REROUTE

## GROSS PROFIT

PHOTOS -
QUALITY AND QUANTITY

## PAY PLANS

## Life Cycle Factors



## EWR: Early Warning Radar



## Enact EWR When

| $\left(\begin{array}{l}\text { (WR } \\ (\sim)\end{array}\right.$ | Over Appraised | ( (W, | Customer Trade Out |
| :---: | :---: | :---: | :---: |
| $\left(\begin{array}{c}\text { W/ } \\ (\text { R } \\ \sim\end{array}\right)$ | Make-a-Deal Car | ( (CNR) | Potentially Large Repair Bill |
|  | Odd Equipment | ( (WR | High Dollar Vehicle |
|  | Bad Model For Your Store | ( (Wixit) | High Miles |
| $\binom{$ (WPR }{$(\mathrm{O}}$ | Bad Color | ( (\%) | CarFax Report |
|  | No Experience | ( (WR | Gut Feeling <br> (Horse vs. Zebra) |

## Suggested Expiration Dates



## If You Are on a 60-Day Turn...

## IT’S NOT ABOUT

IT
IS ABOUT

How Old a Unit Happens to Be

How Many Days It Has Left in the "Life Cycle"

A 45-Day Old Unit

> Is Not 45 Days Old

It Has
15 Days to Go

## Life Cycle Management \#4

## Strategic Decisions Improve Accountability



## Life Cycle Management

Life Cycle Management
. . . Starts with the Trade Walk

- Creates a Sense of Urgency
- Intensity Goes Way Up
- Aging Occurs on Day One --- Not Day 61
- A Very Simple Discipline



## What Will Life Cycle Management

... Do For You?

- Control Your Destiny
- Faster Overall Turn
- Volume Goes Up
- Reduces Wholesale Losses
- Gross Goes Up


## Getting After the Internet



NATIONAL AUTOMOBILE DEALERS ASSOCIATION

## Why Customers Aren’t Showing Up

## The Wrong Inventory

## The Wrong Pricing Strategy

## Quality and Quantity of Photos

## The Showroom is No <br> Longer the Showroom

A Photo Booth is Critical in Today's Market

## What Is Your Price-Change Frequency?

Every Week?

Buckets?

## 330 Days?

## When the Mood Strikes You?

## Panic Time?

## 90\% of All People Have a Personal Device such as SmartPhone, iPad, etc.

## Did You Know?



## 65\%

of the Shoppers
That Come on Your Lot

DON’T TELL YOU

## Side Window Sticker

The way car buying should be.

## Vehicle Info Sheet

Vehicle: 2010 VOLKSWAGEN TOUAREG TDI

Body Style: 4D SPORT UTILITY Mileage: 39 K

Color: WHITE
Interior: TWO TONE
VIN: WVGFK7A97AD004157
Stock \#: 8133364

## KarKare

Get comprehensive coverage with a KarKare extended service plan

- Avoid costly repairs down the road
- Choose the options you want
- Your deductible is per visit, not per repair

Equipment:
20 INCH PLUS WHEELS ABS BRAKES AUXILIARY AUDIO INPUT CRUISE CONTROL FRONT SEAT HEATERS
NAVIGATION SYSTEM PARKING SENSOTEM POWVER SEATSS) POWVER SEAT(S)
REAR VIEW CAMERA SIDE AIRBAGS
SUNROOF(S) TRACTION CONTROL

EL ENGINE TURBO DIESEL ENGINE up to 72 months or $\mathbf{1 2 5 , 0 0 0}$ miles

4WDVAWD
ALLOY WHEELS
CD AUDIO CD AUDIO
LEATHER SEATS OVERHEAD AIRBAGS POWER HATCH/DECK LID
POWER WIINDOWS SATELLITE RADIO READY SATELLITE RADIO READY
SIRIUSXM TRIAL AVAILABLE TOW HITCH
|||||||||||||||||||||||||||||||||||||||7195 - FA29

Price excludes government fees and taxes, any finance charges, $\$ 55$ dealer document preparation charge (not required by law), and any emission testing charge.


ABC Toyota is committed to present EVERY customer a competitive Market Value Price on all our pre-owned vehicles.


```
Was:
    S 
```

        Internet
        Market
        Value
        Price: -
    
## Tracking GAP

## Give Away Profit

## The Difference Between

## Your Internet Price

## and

## Your Transaction Price



## Tracking GAP

|  |  | $\checkmark$ | : $\times$ |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 4 | A | B | C | D | E | N | * H | , | J | N |
| 2 | Dealership |  |  | Stock \# | Customer |  |  | , |  | $\cdots$ |
|  | \# | Date | Salesperson |  |  | Internet \$ | Transaction Amount | $\begin{gathered} \text { GAP } \\ \$ \end{gathered}$ | $\begin{gathered} \text { GAP } \\ \% \end{gathered}$ | Running <br> Average |
| 3 | 1 | 6.10 .10 | Davis | 2345P | Stewart | \$14,000 | \$13,500 * | -\$500 | -3.6\% |  |
| 4 | 2 | 6.11 .10 | Stevens | 2442A | Owens | \$14,000 | \$14,000 |  |  | -\$250 |
| 5 | 3 | 6.12 .10 | Stevens | 2249B | Kelly | \$14,500 | \$14,000 * | -\$500 | -3.4\% | -\$333 |
| 6 | 4 | 6.13 .10 | Davis | 2339A | Stovall | \$24,000 | \$23,500 * | -\$500 | -2.1\% | -\$375 |
| 7 | 5 | 6.14 .10 | Davis | 2545P | Monroe | \$24,500 | \$23,500 * | -\$1,000 | -4.1\% | -\$500 |
| 8 | 6 | 6.15 .10 | Stevens | 2262P | Berstein | \$24,500 | \$24,500 |  |  | -\$417 |
| 9 | 7 | 6.16 .10 | Stevens | 2295A | Strickland | \$25,000 | \$25,500 | \$500 | 2.0\% | -\$286 |
| 10 | 8 |  |  |  |  |  |  |  |  |  |
| 11 | 9 |  |  |  |  |  |  |  |  |  |
| 12 | 10 |  |  |  |  |  |  |  |  |  |

## $\square$

## Internet-Based Pay Plans

| Pay Plan |  | Will Pay Plans of the Future Look Like This? |
| :---: | :---: | :---: |
| Sold For <br> Internet Price | Pays |  |
| $1-10$ Days | $\$ 800$ |  |

## Still Paying On Gross?

| Amount |  |  |  |
| :---: | :---: | :---: | :---: |
| Salary: \$1,500 |  |  |  |
| Units | Pays Per Unit | What It Means | Avg. Per Car |
| 0 to 6 | \$0 | \$ 1,500 | \$250 |
| 7 to 10 | \$200 Retro to $1^{\text {st }}$ Unit | \$ 3,500 | \$350 |
| 11 to 15 | \$300 Retro to $1^{\text {st }}$ Unit | \$ 4,500 | \$400 |
| 16 to 20 | \$400 Retro to $1^{\text {st }}$ Unit | \$ 9,500 | \$475 |
| 21 to 25 | \$450 Retro to $1^{\text {st }}$ Unit | \$12,750 | \$510 |
| 26 + | \$500 Retro to $1^{\text {st }}$ Unit | \$16,500 | \$550 |
| 60 or 90 Day Running Average |  | Bonus Per Car |  |
| 10 |  | \$100 |  |
|  | 11 to 15 | \$150 |  |
|  | 16 to 20 | \$175 |  |
|  | 21 to 25 | \$200 |  |
|  | 26 to 30 | \$300 |  |





## The Winning Hand!

## How Many Turns are You Getting?

## Do You and the Team Know the Average Cost Per Unit in Stock?

Where Are Your Ten Most Expensive?

## LCM Creates a Unique Action Plan

You Hold The Winning Hand - You Just Have To Play It

## Cool Card Trick




## Stacking The Deck With Four Aces

 In Your Used Car Department

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