



# CARPRAZE

UC STRATEGIC FINANCIAL OPPORTUNITIES

FOR AUTOMOTIVE GROUPS



# How to Optimize Your Used Car Operations

With the recent pandemic sending shockwaves throughout the economy, the Canadian automotive industry is looking for opportunities to reduce overall costs and increase operational efficiency as a key strategy to weather this economic storm.

Auto groups specifically have an advantage and significant opportunity to reduce overall used car operational expenses by centralizing and streamlining key processes, and performing as one, coordinated, group.

This deck will model financial benefits for a sample Auto group (ABC Auto) with 10 dealerships in 3 strategic cost reduction activities.

1. Reduction in appraisal tool fees per rooftop.
2. Reduction in wholesale sell fees, and creation of a new commission-based revenue stream from buy fees.
3. Increase in retail revenue due to increase in internal trading.

# Reduction in Multiple Appraisal Platforms

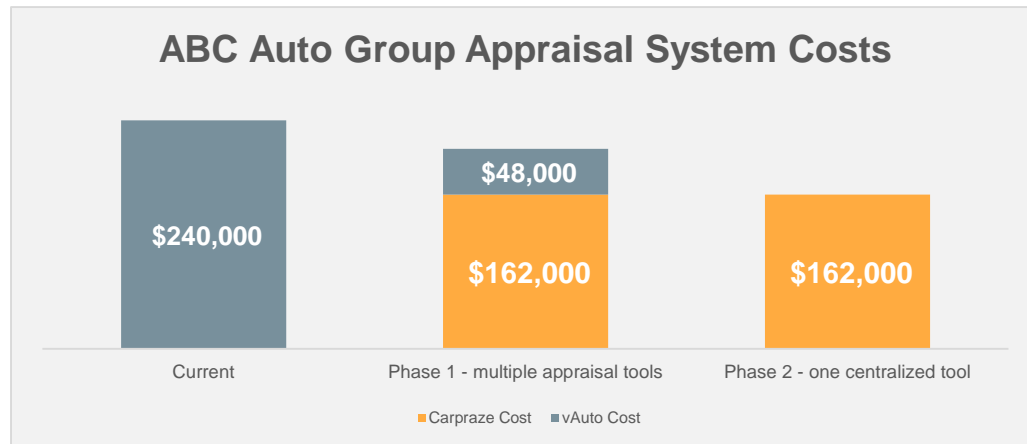


Reducing overlapping, single purpose, or under-utilized tools is a significant opportunity to reduce costs for auto groups. Tools that result in centralized control of key UC operations, and provide accurate and transparent information on strategic KPIs, are excellent opportunities to reduce inefficiencies. Re-organizing a UC operation this way has financial benefits beyond the simple cost savings of multiple tools, as it paves the way for fast and continuous refinement of operational processes.

## STRATEGIC CHANGE

### Centralize Appraisal Activity to Reduce Appraisal Fees

- On average, Auto groups pay ~\$2000 per rooftop for an appraisal tool
- The utilization of the appraisal tool is up to the Sales Manager;
- Auto groups can keep their preferred appraisal tools at a centralized trading desk; for ABC Autogroup, this means reducing appraisal tool subscriptions from 10 to 2.
- Auto groups can plan to reduce further to a single centralized appraisal tool.
- Reducing the ability to appraise vehicles at the discretion of individual managers would result in more control over the appraisal process, and greater accuracy and consistency for valuations, resulting in stronger profit margins.



## BENEFITS

- Eliminating other appraisal tools in phase 2 would result in **\$78,000 net savings annually.**
- This would result in greater transparency and control over appraisal valuation and remarketing processes within the Auto group.

## IMMEDIATE NEXT STEPS

- Identify a centralized appraisal tool for your Auto group.
- Identify a centralized remarketing tool for your Auto group.
- Cancel all alternative appraisal and remarketing tools except for the 2 subscriptions required for your centralized team.
- Set up a centralized team of three individuals (two Trade Desk users, one supervisor) to run centralized appraisals and remarketing.
- Institute a policy to all Sales Managers and Dealerships that a centralized appraisal process is the only way to value a vehicle moving forward. No store-level appraisals will be available. Exceptions will need to be made for high-end luxury brands.

# Increase Retail Revenue with Internal Trades



Many auto groups have recognized the benefit of wholesaling vehicles internally within their own dealerships before sending a vehicle to auction. However, facilitating this internal trading has been challenging, time consuming, and sometimes resulting in vehicle aging more than necessary as they wait for internal trading processes to execute. A centralized team, armed with the right platform, can facilitate a fast and transparent centralized trading.

## STRATEGIC CHANGE

### Wholesale Less With More Internal Trading

- An internal trading network will allow for less vehicles to go to auction externally, and retail more vehicles within the group.
- Increasing internal trades will result in higher retail profits, and reduced floorplan and wholesaling fees.
- Carpraze estimates that 30% of wholesaling inventory can be traded internally.
- A central remarketing team is recommended to facilitate an efficient internally trading platform.
- The same centralized team that runs appraisals can also facilitate internal trading, eliminating need to additional resources

Used vehicle retail  
profit margin

**\$3,500**

Average wholesale  
fees per vehicle

**\$350**

Volume of internally  
traded vehicles per  
month

**45**

\*Based on 30% of 150  
vehicles wholesaled per month

Additional average retail  
profits per month

**\$157,500**

Sell fees avoided per  
month

**\$15,750**

## BENEFITS

- 30% increase in internally traded vehicles, will result in a net gain of **2.08M of recovered profits and reduced sell fees annually** for a 10 dealership auto group.
- Vehicle age and floorplan impacts are significantly reduced.
- Better control and insight into available wholesaling inventory.

## IMMEDIATE NEXT STEPS

- Set up a centralized team of three individuals (two Trade Desk users, one supervisor) to run centralized appraisals and remarketing.
- Institute a policy to all dealerships that internal trading is mandatory, without exception.
- Utilize centralized data for performance evaluation to further incentivize compliance to new process.

# Reduction in Wholesale Fees



All auto groups have additional expenses when wholesaling vehicles externally through vendor platforms. In addition to sell fees, there are hidden costs such as negotiation fees, re-post fees, or mandatory Carfax purchase fees. But auto groups are realizing they have the market advantage to create trusted relationships with specific buyers, allowing them to skip extra sell fees for some of their wholesaled vehicles. This can be achieved efficiently with a centralized remarketing function within the organization.

## STRATEGIC CHANGE

### Set up a Trusted External Buyer Network and Save on Fees

- Based on the wholesale channels, Carpraze insights shows that auto groups pay an average of **\$350 per vehicle in wholesaling fees**.
- With a trusted External Buyer Network, Carpraze estimates **30% of wholesaling inventory**, can be remarketing with **zero additional fees**.
- A centralized remarketing team will be required to coordinate this channel.
- Centralizing this function will also result in overall better control of used vehicle inventory, resulting in benefits such as reduced vehicle age, fast implementation of operational rules, and real-time inventory data.

### Earn Commission on Wholesaled Vehicles

- Some remarketing channels offer commissions or 'payback' on sell fees charged. Every auto group should ensure they are taking advantage of these market options.
- With Carpraze, vehicles traded through the External Buyer Network will earn **an 0.5% commission**.

### Current State

Seller Commissions Earned  
**\$0**

Sell Fees Paid  
**\$52,500\***

\*Based on avg/month 167 vehicles wholesaled, at \$350/ vehicle sell fee

### Future State

Sell Commissions Earned\*  
**\$3,150/month**

\*Based on avg. sales price of \$14000/vehicle

Sell Fees Eliminated\*  
**\$15,750/ month**

\*Based on 30% reduction in wholesaled vehicles via traditional channels

Savings per Month  
**\$18,900**

## BENEFITS

- By implementing an External Buyer Network, ABC Auto Group with 10 dealerships will **save \$226,800 annually**.
- With a small and centralized team, the Auto Group will now have greater transparency and control over remarketing procedures, and be able to adapt quickly to changes in the marketplace.

## IMMEDIATE NEXT STEPS

- Set up a centralized team of three individuals (two Trade Desk users, one supervisor) to run re-marketing operations.
- Establish an External Buyer Network of approved buyers.
- Direct the central Trade Desk on rules and requirements for wholesaling vehicles through the External Buyer Network.

# Financial Impacts



With 10 dealerships, ABC auto will see significant immediate financial benefits from centralizing its Appraisal and re-marketing functions. There are additional downstream benefits from running more efficient operations, such as being able to react quickly to market conditions, increasing conversion ratios, and having real-time data available for making decisions, which are not accounted for in the financial benefits below.

		PER AUTO GROUP PER ANNUM
<b>PERSONNEL</b>	TradeDesk Resources	-100,000
<b>APPRAISAL SYSTEM</b>	Savings from eliminating multiple appraisal tools	+78,000
<b>BUYER NETWORKS</b>	Increase Profit Margins with Internal Trading	+1,890,000
	Seller Fees Eliminated	+378,000
	Seller Commission Earned	+37,800
	Total Benefits	+2,283,800
	Carpraze Complete Platform	-162,000
	<b>Net Benefits</b>	<b>+\$2,121,800</b>

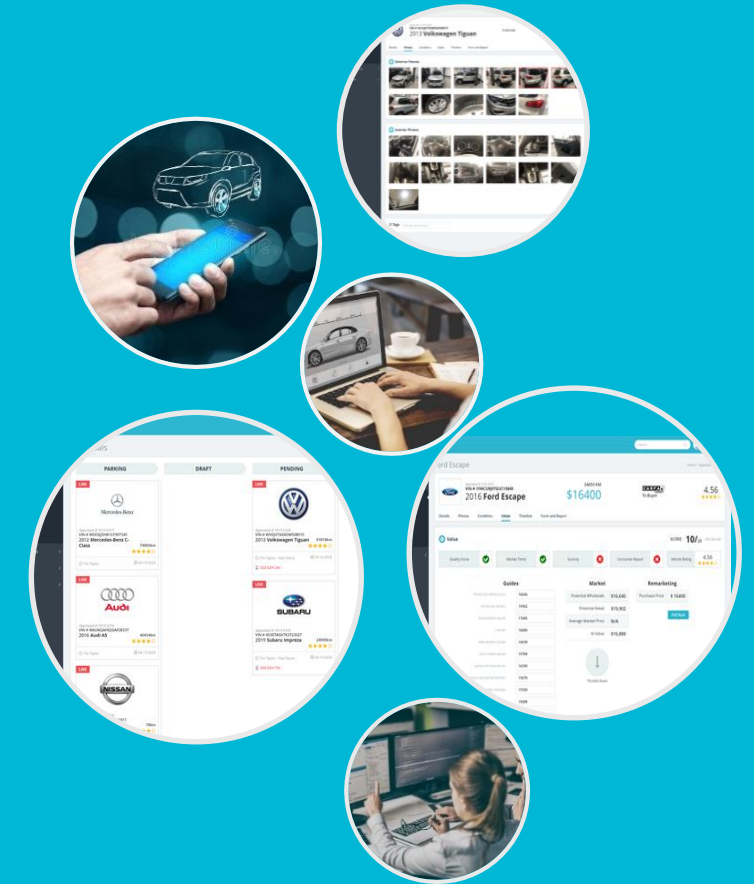
# How Carpraze Can Support You

Carpraze is a centralized Appraisal and Wholesaling Platform. It allows you to efficiently coordinate appraisals, internal trading, and an external buyer network, for less than what you pay currently for just your appraisal tool.

We aren't selling a software system. We are selling a way for auto groups to move towards centralization, and enable you to be more efficient in how you operate, leading to profits for your business. Our Carpraze platform is just a simple yet effective tool to help you get there.

We recognizes that transitions to a new operating model can be difficult. This is why our team will support you with a full implementation and change management plan, so that you can implement this organizational change with confidence.

Reach out to us today to find out more about Carpraze at [info@Carpraze.com](mailto:info@Carpraze.com)



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