

How can your inventory choices really build net profit?

While working with businesses outside of the automotive industry, we've seen how managers of brand names respond when they need to drive sales volume. What they often do is create line extension with newly named or even generic product priced at a great value. But either way they protect or improve higher profit margin.

In 2013 Coca-Cola sales slowed. Their response? A massive innovation of new product including personalized Coke cans with first names of consumers listed on them, plus "green" Coke with lower sugar, and a natural logo design. Sales and market share have already climbed.

Since the automotive industry has entered a phase of transparent pricing dealers won't be able to hide their profit margin as in the past. Instead of becoming defensive, let's instead get innovative.

Consumer still enjoying buying a "new" car, but clearly the rules have changed. Maybe now, they really want to buy "their" car.

When we work with successful dealership principles across the country some creative dealer choices jump out at us. I'd like to outline a few here in this article but please know there's no limit to the imagination and creativity of a car dealer today.

If I visit ten Chevy dealers in a day nine of those dealers will look exactly the same. They will all be featuring the same '15 Trailblazers in the same black, silver, and white colors at the same price, lined up the same way. But, there's always that one interesting dealer that changes the buyer experience. And when I speak with these innovative dealers about their store's financials they often tend to be much more profitable even if their sales volume isn't as high as the other nine competitors.

So this article I'd like to review some best practices and inventory management and also add some creative decisions that you can make to build your 2015 profit.

Let's start with what the Walt Disney Company defines as "the moment". What does a consumer see you at your dealership the moment they pull into your drive?

Does your dealership look exactly like the last nine dealerships they've driven by? Or, does something grab their attention and cause them to become excited?

Here are just a few some of the most innovative things I've observed working with dealerships over the last 20 years;

1. In Florida I witness dozens of the same car or truck model lined up in mixed up bright colors like jelly beans all in a row as long as the eye can see with the same attractive price on the windshield. Consumers arriving interested in that nameplate and model got excited at the wide variety and the assortment.
2. In Detroit in one dealership I've seen every unit in inside showroom of the dealership be a highly accessorized high profit margin vehicle. This was also the top volume selling dealership of its kind in the state. I can only imagine the profit margin of that store.
3. In another dealership I saw a pickup truck in the showroom and in the bed portion of the truck was a tall menu board of every option offered on that truck expressed low monthly payments (Rooftop fog lights cost "only" three dollars per month for example.)
4. In California I studied a dealership that lined up every Ford model from compact to sedan to oversized SUV with the actual lease payment advertised on top of each vehicle with a small rooftop sign. I could literally watch customers walking down the row and stopping at their current payment. What a great way to help your sales people qualified buyer!
5. In South Carolina I've observed a pick up truck with custom leather seats, accents and pinstripes all in the proper colors for a major university nearby. Instantly this is "normal" Ram truck became their "University series" pickup truck. It could not have cost this dealer more than \$2000 dollars for these options, but what alumni could resist?
6. In Utah a local hunting and fishing TV celebrity had his own series of "tough guy" pickup truck "designed" by a local dealer including the TV program logo embroidered on the seats plus all the accessories needed to handle the rugged Utah landscape. It sold very well.

If we are truly in an era of transparent pricing, then innovation on the lot is a key step to building profit margin. We are also in an era of more corporate ownership of dealerships so creativity and nimbleness will help you survive and thrive against heavily "formatted" managers. Sometimes it seems strange to me when I hear dealers complaining about not being able to get hot selling inventory from the factory due to production problems when all the while you can create hot product through clever accessorizing.

Finally let's talk about Certified Preowned. Yes, many buyers enter your dealership looking for a "new" vehicle but the superior value presented in a certified unit can motivate a different purchase. I experienced this when selling cars how easy it was to sell CPO's value versus the same model's new pricing. I would talk about how fast a CPO would be worth close to the same market value of a new one in just a few short years.

What this "new" car buyer wants is all the amenities of a new car minus the depreciation but with all of the extended warranty.

In effect you can create your own market. A certified preowned pickup truck for example is a market segment that is seldom capitalized in many cities yet is always in demand among truck buyers.

Fact: the top-selling Hyundai dealer in the nation also owns the top selling certified preowned Hyundai dealership in the nation. Coincidence? I don't think so. This dealer studied his local market and created a destination superstore for CPO Hyundais.

So how to get started building profit margins through inventory?

Study the hot selling models. Then stock a respectable supply of these models. But while you're at consider creating an "exclusive line" only available at your dealership. Another idea. On the lot, line up a certified preowned option next to your new option, Include a menu of add-on custom accessories at a low monthly added payment. And please present your inventory in an eye-pleasing manner, just like a good retailer.

Why fight other dealers in an era of transparent pricing when all the while the consumer really wants personalization and customization at a great value?

So to build your 2015 that net profit, make moves now to attract a unique buyer instead of battling "against" transparent pricing.

Next up, the last of this three part series on building net profit will be on the topic of sales and leadership of your sales department.

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