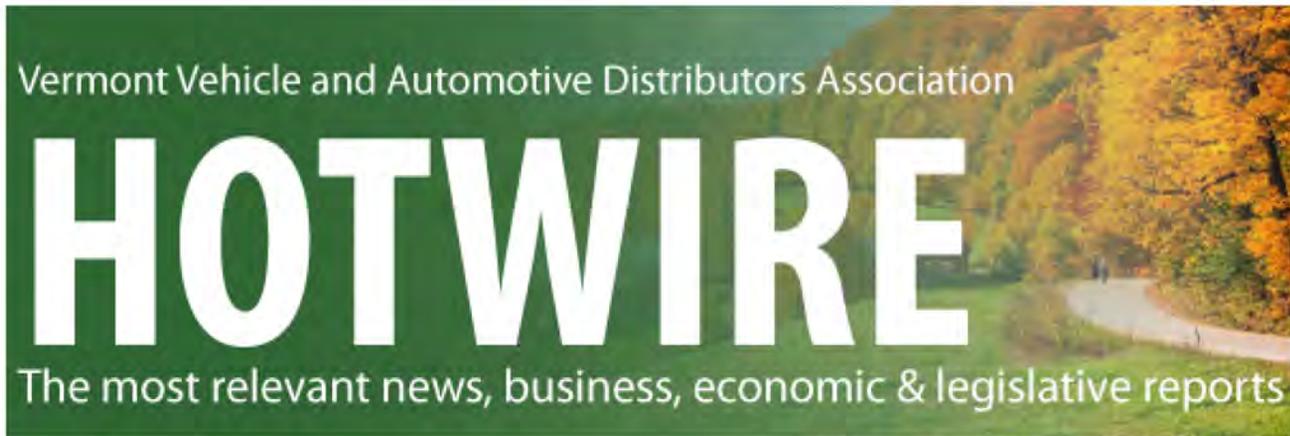


*Helping You Drive Vermont's Economy*



July 27, 2021

Greetings

We have lots of news to share with you this month. Our September 16th [Annual Meeting Agenda](#) has something for everyone; be sure to check it out and mark your calendar. Registration information to follow shortly. We have completed the re-design of our website and invite you to look it over and provide feedback.

[www.vermontada.org](http://www.vermontada.org) Member Resources Password: hotwire#



## **Cox Automotive Industry Update Report: July 14, 2021**

### **Economic Indicators**

Average hourly earnings increased 0.3% in June after increasing 0.4% in May. Average hourly earnings were up 3.6% y/y. This level of increase is high especially since most jobs being created are in lower paying service sector jobs.

The headline unemployment rate increased to 5.9% in June from 5.8% in May. However, the BLS reported that the rate could have been 0.2 points higher if not for misclassification due to confusion about people considered as employed but away from work. This misclassification error rate declined 0.1 points from May, so the likely true headline unemployment rate in June was likely unchanged from May.

Consumer Confidence according to the Conference Board increased 6.1% in June and left confidence down just 4% compared to February 2020. Plans to purchase a vehicle in the next 6 months improved modestly but remains down y/y. Plans to purchase a home also improved in June but remains down y/y.

## Demand

June total new vehicle sales were up 18% year over year, with the same number of selling days compared to June 2020. The June SAAR came in at 15.4 million, an increase from last year's 13.0 million but down from June 2019's 17.2 million rate.

### LIGHT VEHICLE SALES

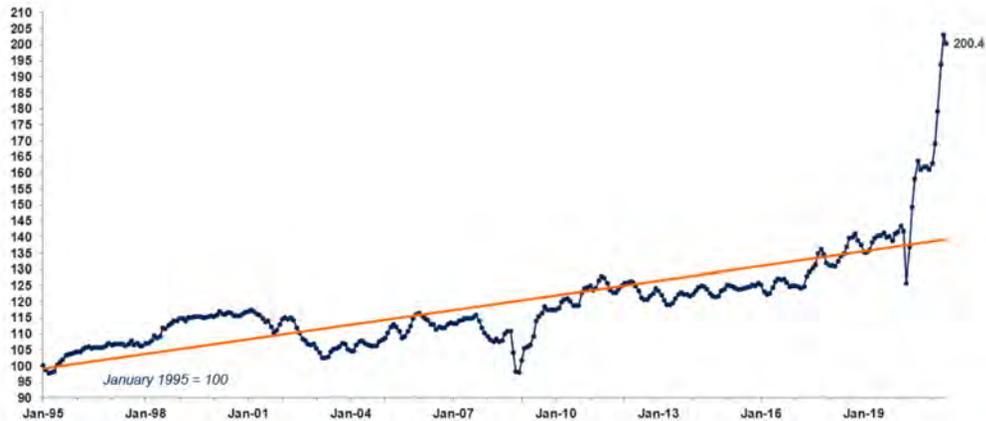


Combined sales into large rental, commercial, and government buyers were up 63% year over year in June. Sales into rental increased 531% year over year in June but remain down 3% in the first half of 2021 compared to the same time period last year. Commercial sales gained 13% year over year and are up 27% in 2021. Including an estimate for fleet deliveries into the dealer and manufacturer channel, we estimate that the remaining retail sales were up 15% year over year in June, leading to an estimated retail SAAR of 13.4 million, up from 11.6 million last June but down from June 2019's 13.6 million rate.

We initially estimate that total used vehicle sales were down 11.1% year over year in June. This brought the June used SAAR to be 39.0 million, down from 43.6 million last June and down compared to May's 40.0 million SAAR. The June used retail SAAR estimate is 21.3 million, down from 23.1 million last year and down month over month from May's 21.9 retail SAAR.

## Supply

Manheim Used Vehicle Value Index decreased 1.3% month over month in June. This brought the Manheim Used Vehicle Value Index to 200.4, a 34.3% increase from a year ago. On a y/y basis, all major market segments saw seasonally adjusted price increases in June. Pickup trucks outperformed the overall market, while most other major segments underperformed the overall market. New Days' supply for June was 25, down 33 days y/y and down 2 days from May.



Source: Cox Automotive Industry Update Report, July 14, 2021

COX AUTOMOTIVE



### FTC Issues Policy Statement on “Illegal Repair Restrictions”

Across the U.S. economy many aftermarket repair facilities and others have long complained about restrictions on their ability to repair articles, ranging from cell phones to tractors, refrigerators and even automobiles. This so-called “right-to-repair” issue has a complicated and contentious history, but the

automotive industry broadly addressed the issue several years ago via an industry-wide agreement (“Memorandum of Understanding” or “MOU”) to provide the information the independent aftermarket needs to repair vehicles. This MOU has worked for many years in the automotive industry, although the aftermarket industry has recently sought to expand access to telematics and other data coming from the vehicle.[1]

In 2019, the FTC held a public [workshop](#) on the broad issue of “right-to-repair” across all industries entitled “Nixing the Fix,” and in May of this year the Commission issued a [report to Congress](#) on the Commission's conclusions from that workshop and recommendations from FTC staff (“Report”). Importantly, the Report actually calls out the automotive industry MOU as being an example of successful industry self-regulation on this issue.

At a public hearing yesterday the FTC voted 5-0 to issue a “[Policy Statement on Repair Restrictions Imposed by Manufacturers and Sellers](#),” which formalizes the recommendations in the Report, and as the Commission states, seeks to “[restore Right to Repair for small businesses, workers, consumers, and government entities](#).”

This FTC action follows President Biden’s recent [executive order](#) that [directs federal agencies](#) to take a series of actions and encourages the FTC to use its “rulemaking authority” to, among other things, address “unfair anticompetitive restrictions on third-party repair or self-repair of items.”

Both the Report and the Policy Statement address this issue across many industries, not just automotive. Importantly, as noted above, the Report characterizes the automotive industry MOU very favorably. As a result, any action the FTC may take in this area should focus on other industries. That said, advocates for the aftermarket industry have sought, and will likely continue to seek, to use this statement by the Commission to expand access to vehicle and consumer data under the guise of “right-to-repair.”

The Commission has indicated that it will increase enforcement related to this issue, including the potential for actions under the anti-tying provisions of the Magnuson Moss Act or the FTC’s “UDAP” authority under Section 5 of the FTC Act.

The bottom line, however, is that there is no legitimate “right-to-repair” concern in the automotive industry. The aftermarket industry continues to hold a majority of the automotive repair market, and access to information needed to repair any vehicle is readily available today. Nonetheless, and despite the fact that the Report clearly notes that the automotive industry has successfully addressed the issue of access and ability to repair automobiles, Regulatory Affairs will continue to work with other industry stakeholders to stress these critical points to the FTC as it further examines these issues.

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[1] This has led to a great deal of activity at the state level, including numerous recent state “right-to-repair” legislative proposals, a successful ballot initiative in Massachusetts, and subsequent (and active) litigation over that ballot initiative. That activity is critical to understanding this issue in the automotive context but is largely unrelated to the ability of aftermarket shops to repair vehicles; rather, it is more focused on access to information that would assist in marketing those services. As such, it is outside the scope of this memorandum.

Jeff Weber

Chairman, NADA Regulatory Affairs Committee

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**Want to advertise your products or services to our members? [Click here to learn more!](#)**

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### **Where have all the trade-ins gone?**

Let’s face it, it’s a terrible time to be short on the quality inventory that comes from customer trade-ins. But who’s buying all their used vehicles? The answer: Large used car aggregators. And it’s a threat that dealerships are only just beginning to realize.

According to the company’s quarterly report, CarMax alone bought a record 341,275 vehicles from consumers in the first quarter of 2021, a 236% increase from a year earlier and 77% more than two years before. That’s over a million used vehicles in one year that are not being brought into the dealership as trade-ins.

While that number is staggering, what’s even more significant is the effect on dealers’ bottom lines. When a customer sells directly to one of these companies:

- The dealer loses a valuable asset. This trend lowers dealers’ margins, because traditionally dealers make the highest ROI on trade-ins with a complete service history.

- That used car becomes a competing retail unit. And it's likely offered at a lower price given the massive volume of cars and low margins these companies operate with.
- The dealership loses a retail sale. While customers intend to sell to a national retailer then buy from a local dealership, once they see the huge selection of cars for sale from a company they've already sold to, they buy there, too.
- The dealership loses future service business. Any car that's not bought there probably isn't coming back in for warranty work, routine maintenance, or other repairs.
- The brand loses loyalty. It used to be that a customer traded an old Toyota for a new Toyota at a Toyota store. But when a customer sells their old Toyota to a national retailer, it's just as easy for them to spot an attractive Mazda, Subaru, or Ford among that buyer's inventory.

It's not a losing battle, though – if dealers can update the way they handle trade-ins to make them as quick and easy as the bigger guys.

Rather than asking the customer to schedule an appointment to physically bring the vehicle into the dealership a week from now, dealers can send a certified ACV True360 inspector to the customer's home or business within 24 hours. Equipped with ACV's proprietary technology, that third-party inspector can provide an incredibly accurate condition report and unbiased appraisal in about 20 minutes so the dealer can offer to buy it on the spot.

If it's not a vehicle the dealer wants to buy, the inspector can launch it to a live online auction immediately. The dealer still gets value from the trade-in (and everything that comes with it) and the end result is the same for the customer—sold car, good experience, money to spend at the dealership.

In markets where the huge online retailers have already begun to buy, ACV can help dealers stay competitive. In markets where the online giants haven't set up shop, though, these tools can help dealers carve out a niche reputation as the easiest car sales experience in town. And there's no national chain that can compete with that.

If you're interested in learning more about how ACV can help you buy more cars from consumers, please reach out to [educationalwebinars@acvauctions.com](mailto:educationalwebinars@acvauctions.com), [rbarone@acvauctions.com](mailto:rbarone@acvauctions.com), or your local ACV territory manager.



## NHTSA Launches Updated Recall Notice Dashboard

Earlier this month, the National Highway Traffic Safety Administration launched a revamped recall dashboard, designed to help dealers and consumers more easily find important data about their vehicles. You may access the dashboard [at this link](#) on the U.S. Department of Transportation's website.

“This new dashboard provides unprecedented transparency into the recall process,” said Acting Administrator Dr. Steven Cliff, in a [news release](#) about the new database. “More than 50 years of recall data are now easily available to the media, researchers, safety advocates, and anyone interested in learning more about vehicle safety. This initiative is part of the U.S. Department of Transportation's commitment to safety on our roadways, and it provides increased transparency and accountability to the American people.”

Users can view both open and closed mandatory recall notices spanning several decades, and sort by a number of different categories, including make, model year, recall type and much more. All open recalls for specific vehicles can be found using [NHTSA's Vehicle Identification Number lookup tool](#).



## J.D. Power: Pandemic Reinforced OEM Brand Loyalty

Here's another positive development — especially for dealerships — that has surfaced because of the pandemic. J.D. Power said vehicle owners remain vastly loyal to their specific brands, in part due to the effects of pandemic lockdowns. Experts made that assertion as part of the J.D. Power 2021 U.S.

Automotive Brand Loyalty Study released on Thursday. With many vehicle shoppers hesitant to venture out to showrooms, J.D. Power vice president of data & analytics Tyson Jominy explained that they often relied on their relationship with their current

dealer.

Source: Auto Remarketing

# ACV Auctions

## Owning Your Used Vehicle Market

Stop Following the Pack!

Complimentary Publication

This Best Practices Publication was created for Used vehicle retailers to assist in expanding their volume and profits. Permission to copy and distribute this publication in its entirety only to other licensed dealerships is hereby granted. ACV Auctions, inc. extends our thanks to the National Automobile Dealers Association for providing data, charts and statistical trends and for joining us in supporting State and Local Dealer Associations. All other Rights are reserved.

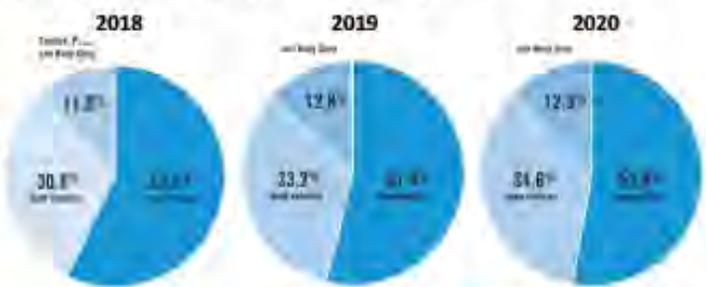
*"The Used Car Boom is one of the hottest, and trickiest, coronavirus markets for consumers" \**

*"Used car sales are soaring all over the U.S and companies from AutoNation to CarMax, Carvana, New York-based used car start-up ACV Auctions are benefitting." \**

\*Source: CNBC

### State of the Industry – Used Vehicle Gross Sales Dollars as a Percent of Total Dealership Sales

The percent of contribution from new vehicles continues to decrease in spite of ever-increasing transaction amounts. Used Vehicles and Fixed Operations are increasing their contribution. Sourcing and selling used inventory have become an unprecedented priority.

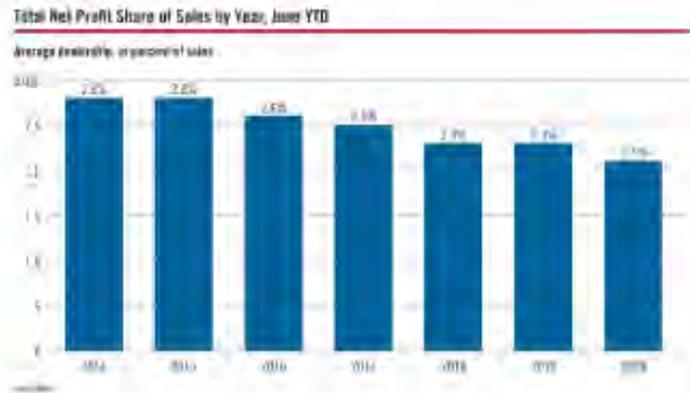


\*Source: NADA DATA 2020: Midyear Report – nada.org

There is a hidden danger going on behind the scenes in the auto industry and it has been getting worse each year and many dealers do not even know it is happening.

- A select few companies have been buying more and more vehicles directly from consumers
- These companies are making it easier for the consumer to sell their vehicle directly to them
- More customers are coming into the dealership without a trade-in
- This trend is expected to grow

Total Net Profit percent of sales for new vehicle dealers has been dropping for many years in spite of sales per outlet generally improving as some brands exit the market and many other factors. Logically, all new vehicles are sold by new vehicle dealers meaning saturation. Roughly 2/3 of used vehicles are sold by independent dealerships or consumers which renders a conquest opportunity.



### Opportunities Presented

- Breaking away from the pack
- Sources of Inventory
- How to acquire vehicles from consumers
- Turning inventory quickly in wholesale and retail
- Getting more opportunities better marketing methods
- Reducing expenses
- Handling online transactions

State of the Industry – Used Vehicle Gross Sales Dollars as a Percent of Total Dealership Sales

**Most dealers get less than 5% of their inventory from consumers!**

Consumers are no longer reliant on the new vehicle or independent dealership for or consumer-to-consumer sales to liquidate their trade or other owned vehicles.

**“Street Purchases” provide some of the most desirable inventory!**



### 6 New or Improved Strategies for Acquiring Used Inventory from Consumers

#### 1. Trade-ins

- Having the right tools and utilizing the right tools to monitor the right number of trades (Dealer/GM needs to know is marketing producing enough trade opportunities)
- Having the right tools and utilizing the right tools to monitor trade-in closing ratios (Dealer/GM needs to know exact trade closing % and needs to push to get over 50% with either fiatline wholesale or making wholesale profit)

#### 2. Digital Retail at Home Appraisals

- Having the ability to go to the consumers home or work to inspect the vehicle and provide an onsite auction number or provide dealer with accurate information to be able to put a real number on the trade.

#### 3. Live Auction Event at the Dealership

- Dealer advertises that they are having a live auction event sale to get the consumers full value for their vehicle. This event enables a consumer to come to the dealership and put their trade on a live auction to obtain top dollar.

#### 4. Friendly Bank or Credit Union

- Work closely with one of your banks or credit unions that when they have a consumer that wants to buy a vehicle that you will handle the trade by sending someone to their home or work to get a live auction number on their trade or an instant bid value.

#### 5. Buy Vehicles Directly from Consumers

- Vehicle buying tools on website and in every marketing effort
- Buying from the service department- Equity tools
- Reverse buying - Contacting customers that have vehicles for sale
  - On sites like AutoTrader, Cars.com, Craigslist, and others
- Boom squad - Advertise on radio, digital, TV, and social media to consumers that if they see a vehicle for sale and they contact the dealership with a phone number and a picture of the vehicle and the dealership buys it they will pay x amount. This turns everyone in your market to working to get the dealership vehicles.

#### 6. Buy Vehicles Directly from Consumers

- Valet locations such as hotels and restaurants – Sponsor claim check printing with your message on reverse side

Compare and contrast the “Typical Dealer” approach vs. the “Top Dealer”

#### Typical Dealer Approach – Following the Pack

- Most dealers wait until understocked to buy vehicles
- Most dealers use gut decisions on what to stock
- Most dealers buy vehicles from auctions with poor descriptions and weak condition reports causing higher reconditioning which increases cost to market
- Most dealers price vehicles against the market and with a higher cost to market... profitability suffers

#### Top Dealers Approach – Not Following the Pack

- Buying vehicles fully inspected vehicles from auctions
- Photos show slightest damage & paint metered
- Check vehicles with OBD scanner for check engine codes, or code resets to temporarily turn off light
- Engine sounds are recorded and available on the auction listings at idle and rev
- Panoramic undercarriage photos on each listing

*How can ACV Auction Tools Help a Dealership Implement Best Practices and Improve Sales and Profit?*

### Key is Transparency

Trusted Condition Reports equal fewer mistakes and more value

- 40+ Photos including undercarriage using ACV Virtual Lift
- Paint, Tire and Engine Readings



**Proprietary  
Technology**



**Greater  
Transparency**

### Audio Motor Profile

- Allows for the clear recording and immediate sharing of a vehicle's engine sound
- Patent-pending custom hardware and software
- Gives buyers the ability to listen to the vehicle running in a better way than physically standing next to the vehicle
- Continues to deliver on our mission statement to provide trust and transparency to our customers.

### Virtual Lift™

Get a high definition look at a vehicle's undercarriage from wherever you are, without having to put the car on the lift

#### Undercarriage Scan

Full Undercarriage  
Reconstruction



#### Proprietary Vantage Point

See more of every  
Vehicle



### Neutralize Accident History

We're the company that created the **True360** Inspection. The Report was developed to help Dealerships retail all vehicles with confidence...

Both Carfax and AutoCheck trust the **True360** Report as the true condition of the vehicle.



### Digital Certificate



**Unbiased 3<sup>rd</sup> Party Vehicle Inspection** - The True 360 Report is the only 3<sup>rd</sup> party unbiased vehicle inspection that LiveLink to your Website, CarFax, and AutoCheck. When we say it's minor, it's minor!

**24/7 Digital Validation** - Even when the store is closed, we're working 24/7. Our report will answer any question or concern while your customer is shopping online.

**Protection Your Brand and Reputation** - Every inspection comes with our buy-back guaranty. You will never retail a vehicle without the necessary data to sell in complete confidence and transparency.

For more information on ACV Auction visit our website at [www.acvauctions.com](http://www.acvauctions.com)



Instead of Following the Pack, adopt Best Practices Successfully Implemented by Top Performing Dealers

### Best Practices to Increase Turn and Profitability

#### Challenge

Inevitably some vehicles at auctions and some vehicles you trade for will have an accident history Carfax or AutoCheck.

Normally dealers don't buy vehicles with this issue and but still have to try and trade for ones that have this issue.

#### Top Dealers – Best Practice

They buy vehicles with accident history without frame damage and use True360 to amend the Carfax and AutoCheck with a full description of the minor damage.

They get a vehicle for a better price and a web link to help market the vehicle with inspection report and certificate.

#### Challenge

Over 15% Of the vehicles dealers trade for have accident history on Carfax or AutoCheck

Normally dealers don't put these vehicles on their retail lot and choose instead to send them to auction or sell to a local wholesaler.

Dealers typically break-even or lose money on wholesale vehicles they wholesale because showing a wholesale profit leaves the impression

#### Top Dealers – Best Practice

Dealers have these vehicles inspected with True360 which includes a 3<sup>rd</sup> party inspection and the Carfax and AutoCheck is amended along with a web link to the inspection and the amended Carfax and AutoCheck.

There is also a certificate of inspection to use for marketing. Consumers are spending 3-4 minutes on the VDP of these vehicles. These vehicles turn 12 days faster with a True360 inspection and for more profit.

### Best Practices for COVID-19 Forced Digital Retailing

#### Challenge

Losing customers over trade values when it is not the brand the dealership sells new and primarily sells used.

#### Specific Example:

Not enough market data to do a well-informed appraisal. The Used Car Mgr. calls dealers that sell that make and hopes to find a buy-figure acceptable to the customer.

#### Top Dealers – Best Practice – Solution Example

In calling dealers that sell that make the Used Car Mgr. was told that due to the small engine, it was an "ad-car" and the most they will pay is \$20k.

Before letting customer walk, they proposed getting a Live Auction Appraisal. The vehicle got multiple bids in 20 minutes and brought \$23500 which closed the deal.

### Best Practices for COVID-19 Forced Digital Retailing

#### Challenge

Dealers were forced by COVID-19 to embrace Digital Retail and complete more transactions online.

The trade is has traditionally been a stumbling block for online transactions.

Dealer narrative in this situation typically causes the customer to lose interest or confidence in the dealer's process.

#### Top Dealers – Best Practice

Top Dealers are using At Home Appraisals

Having the ability to go to the consumers home or work to inspect the vehicle and provide an onsite auction number or provide dealer with accurate information to be able to put a real number on the trade.

If the dealer does not want the vehicle it can be auctioned on the spot and turned into cash.

### Best Practice for Bodyshop Profit Opportunity

Contact customer who is having a vehicle repaired at the dealership's body shop or affiliate body shop

*We have an exciting program to build value in your vehicle once it has repaired by our dealership.*

Explain to consumer that their vehicle will have a Carfax or AutoCheck issue and will hurt the value of the vehicle even though it was a minor accident the report will just show it was involved in an accident, so our dealership offers:

1. An inspection done by a 3<sup>rd</sup> party that will describe the repairs done to the vehicle and show they were minor repairs and score the vehicle and provide you with a certificate.
2. The information will also be amended to the Carfax and AutoCheck to build value in your vehicle when you decide to trade it or sell it.



Heat stress is a major concern for dealership employees. Be sure to stress to employees that hydration is one of the best ways to beat the heat. The coming weeks may be a good time to supply water or sports drinks for employees who are most exposed to the elements. Employees should also know that they should be drinking fluids not only at work, but before and after as well. If they come into work thirsty, they're already behind the curve!

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A promotional banner for VADA (Vermont Vehicle and Automotive Distributors Association). On the left is the VADA logo, which is a green rectangle with 'Vermont' at the top, 'VADA' in large white letters in the center, and 'Est. 1945' at the bottom. To the right of the logo is a scenic photograph of a winding road through a valley with colorful autumn trees. Below the photograph, the text 'DRIVE TO SUCCEED' is written in large, bold, white capital letters. Underneath that, in smaller white text, it says 'Advertise with most relevant news, business, economic &amp; legislative reports'.

Want to advertise your products or services to our members? [Click here to learn more!](#) Or email me at [mmiller@vermontada.org](mailto:mmiller@vermontada.org)

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