

“Invest a little; gain a lot.”

Simply put, vehicles that are easy on the eyes often generate faster buys—and better profits. Dealers buying and selling at auction should both consider the positive impact of added reconditioning services.

And it usually doesn't cost a lot to make “visual amends” to correct the most-common minor damages. Most repairs can be made within two to six hours at wholesale labor rates. That's why reconditioning can bring you a greater return on your investment.

For dealers acquiring inventory at auction, it's good to have a reconditioning plan for the vehicles you plan to buy. Know your market and your customer demographics. Keep in mind that reconditioning costs at the auction can be funded through floorplan financing vs. out-of-pocket working capital. As you review inventory on run lists, be sure to consider the increase in value—and ultimate profit too—that can be realized through reconditioning.

Auctions offer on-site reconditioning services

Most auctions have on-site repair shops and highly skilled personnel to accommodate your reconditioning needs. Get to know these folks. On-site auction repair shops are focused on building long-standing partnerships with dealers. And some, like ADESA, offer nationally recognized vendor services such as Dent Demon for paintless dent removal, dings and crease repairs. This can be handy for seasonal issues like hail damage. And, because they're experts in PDR, Dent Demon fixes hail damage one dent at a time—never drilling holes or using paint as filler.

CONVENIENT, FAST AND RETAIL-READY

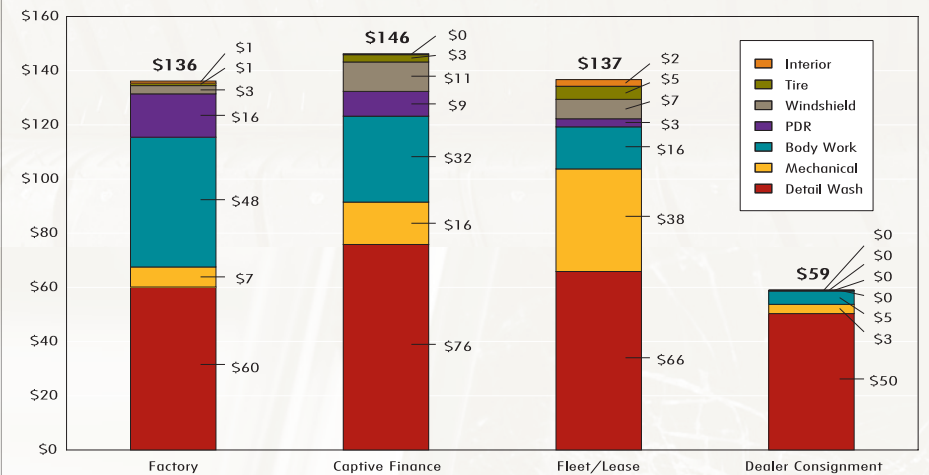
Dealers buying inventory at auction can quickly and conveniently get vehicles reconditioned and ready for the retail sale. Even most cars bought online through LiveBlock can be reconditioned at the auction location before being shipped to a dealer's business location. This way, newly purchased units are ready for immediate placement on a sales lot. When vehicles are reconditioned through the auction, it also means that a dealer's revenue-generating service bays and body shops are not tied up repairing new inventory. Instead, they're ready for paying customers who have vehicles in need of repair—often for more extensive mechanical services at a dealer's retail repair rate.

DEALERS SELLING AT AUCTION

For dealers selling cars at auction, reconditioned vehicles are generally more likely to produce higher resale values. This in turn creates a positive brand image for the seller and higher auction conversion rates. Based on a 2003 ADESA study, the rate of return for reconditioned vehicles sold at auction ranges from \$1.24 up to \$1.93 per dollar invested. In other words, it's possible to almost double your ROI on money spent on reconditioning services.

And keep in mind that values can go up and down depending on news events—such as vehicle recalls and other unexpected business announcements. Because of this, it's a good idea to build in a little wiggle room in your overall cost factor. Especially since today's consumers expect a deal—or at least some kind of negotiation process. ■

Recon Spending by Sale Type (Average Cost Per Unit Across All Unit Sold)



SOURCE: ADESA Analytical Services

Reconditioning services to consider:

- BODY AND PAINT SERVICES:**
- Key replacement and glass repair
 - Pin stripes
 - Paintless dent removal (PDR), paint scratches and chip repair
 - Air brushing
 - Complete body repair and paint refinishing
 - Headlight restoration
 - Upholstery work
 - Bumper fixes
 - Wheel rim repairs
- INSPECTION SERVICES:**
- Vehicle history check
 - Condition report
- DETAIL SERVICES:**
- Car wash
 - Full detailing work
- MECHANICAL SERVICES:**
- Inspections/diagnosis
 - Select mechanical repairs and tire replacement

RECONDITIONING:

MINOR REPAIRS FOR MAJOR RESULTS