

HOW TO PRICE YOUR VEHICLES RIGHT

Despite record success in 2015 for the auto retail world, 2016's forecast is not so sunny . . . margins on new and used car sales are at an all-time low, and there is no end in sight. A large quantity of used cars is flooding the market place, and margins will continue to be under attack. Disruption is coming, whether dealers like it or not, and leaner, digital companies are coming into auto retail at an unprecedented rate to steal profits and customers. On top of all of that, today's consumer is now digitally-empowered, has transparent pricing information, and wants digital channels to purchase a car.



If dealers aren't careful, they will lose. It's just that simple. Here at MAX, our proprietary research says that to survive and thrive in today's changing market place, dealers need to get four things right: acquire, price, merchandise and sell.

How do dealers evolve their sales process to price their cars to be competitive in their marketplace and maintain gross margins? Let us walk you through our thinking.

Price Right

At MAXDigital, we like to think across the entirety of the sales process. Pricing, as a part of that process, is critical to

staying competitive and optimizing gross margin per unit sale. In today's competitive marketplace, it is no longer enough to rely on gut and guessing to determine where a car should be priced. Consumers want transparency and they now have more information than ever before. So how do you price right?

The secret to pricing right is... drum roll please...building trust in car buyers. This will make or break your sales. There are simply no two ways about it.

Let's set the stage with a realistic view of the car buyer's mindset: 92% of consumers

do not trust car salespeople¹, and 79% of consumers buy cars based on perceived value and quality at a fair price.²

Consumers are not happy with auto dealerships because they feel they are not getting a fair price (note: not the lowest price). Car buyers are taking action to fight against this perceived injustice and they are doing research online (more than 10 hours of it on average³) to find out what they should be paying for a specific vehicle. Consumers have transparent pricing information, and they come to dealership lots armed and ready for battle.

But do auto salespeople have to go to battle? Not if they price right!

Our proprietary research here at MAXDigital has shown that if consumers' needs are met on the lot – if they are able to validate the information they find online and trust in the price is built – then consumers will negotiate less and are considerably more likely to make a purchase. Establishing early and often that a vehicle is priced fairly can make or break a sale, and thus can make or break a dealer's margins.

The point is that building consumer trust by determining a fair price for a vehicle is the key to close more deals. Vehicles need to be priced at or near local market averages to remain competitive and ultimately convert leads.

Dealers must have a strong understanding of their pricing strategy as well as a tool that not only helps in determining what a fair price is, but that also validates the price for consumers throughout every stage of the buying process.

What if you don't know how?

Don't worry, it's not just you. Check out maxdigital.com/takethechallenge to see how you stack up.

Contact Us

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¹www.gallup.com/poll/1654/honesty-ethics-professions.aspx

²MAXDigital

³"Driving through the consumer's mind: Steps in the buying process." Deloitte. 2014.