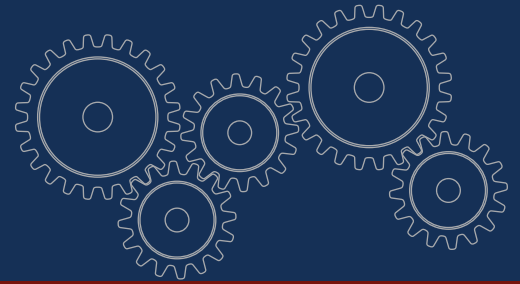




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Accelerate Your Business →

Case Studies

ARBITRAGE ANALYSIS PROMPTS MEGA DEALER TO CHANGE ITS SELLING PRACTICES, RESULTING IN MAJOR INCREASE IN REVENUE

THE CHALLENGE

In the wholesale marketplace, every seller is aiming to maximize the value – or price – he receives for his vehicles. But in this selling environment, it's sometimes difficult to know whether maximum value is being achieved for every vehicle sold, or whether situations exist where money is being left on the table. An arbitrage analysis can help a seller better understand what's taking place in the marketplace – whether his vehicles are achieving top dollar or whether they are quickly reappearing in the wholesale selling environment and drawing significantly larger prices when they do. Such was the case for a large franchised dealership with operations in several states. The owner suspected that there were problems stemming from its vehicle wholesaling practice. Specifically, there were concerns relating to arbitrage – that is, whether vehicles the company was selling (in this case through wholesalers) were being flipped and resold in the wholesale market for significant financial gain.

THE RECOMMENDATION

Manheim Consulting conducted an arbitrage analysis, analyzing the company's portfolio of vehicles to determine how many cars were bought and resold through the Manheim network within a 45-day window, and bringing significantly more money in the resale transaction – a strong sign of arbitrage. Additionally, Manheim Consulting reviewed the floor prices the dealership was setting for its vehicles and the company's use of wholesalers. From this analysis, Manheim Consulting identified numerous instances of arbitrage and concluded that the company was wholesaling its vehicles well below market value, as these vehicles were quickly reappearing in the auction system and drawing significantly higher prices.

THE RESULT

As a result of Manheim Consulting's findings and recommendations, the company made changes to its selling processes which have resulted in an increase in profitability.

