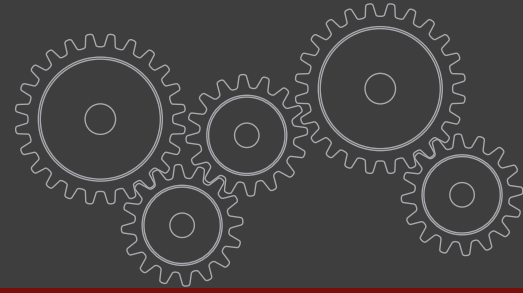




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Accelerate Your Business →

Delayed Titles Cost Consignors Hundreds



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Introduction

Year-in and year-out, slightly more than 20% of auction sales are transacted without the physical presence of a valid vehicle title.

Sellers of vehicles with delayed titles announce that fact prior to the start of bidding. Thus, buyers know when they are bidding on such a vehicle that its accompanying title will not be in hand until days after the sale. Delivery of delayed titles almost always occurs in less than 30 calendar days, most frequently within 10 working days.

In most instances, buying a delayed title vehicle means the buyer cannot transfer ownership of the vehicle to a retail customer until the title arrives. In these instances, the buyer incurs a variable expense – usually the cost of tying up the purchase money for the vehicle until the title is delivered.

Since buyers are aware that a title will be delayed, does that announcement impact their bidding behavior and, consequently, the sale price?

Methodology

Datasets: All auction transactions with sale dates between January 1, 2007 and August 31, 2007.

Datasets were separated into two groups: those where the seller announced the title was delayed and those where the title was delivered on sale day.

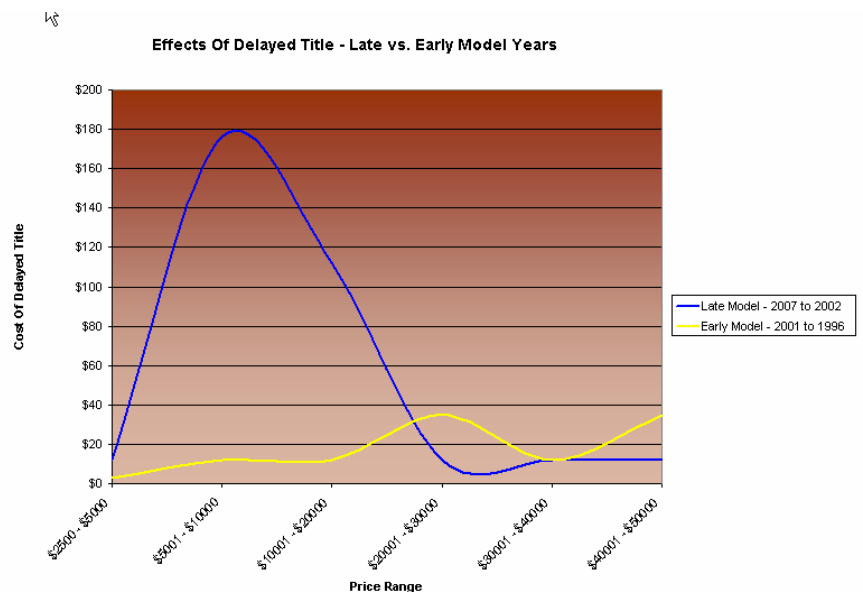
During the study, these two groups were variously partitioned by model year, sale price, seller's business, vehicle condition, and calendar month.

Findings

Late versus early model years

The first examination of the data was looking for sale price variations caused by delayed titles in older and newer model vehicles.

Before the study was started, we had anecdotal evidence that sellers of early model year vehicles (1996 through 2001) were more apt to bring delayed title vehicles to the sale than sellers of late model vehicles. And the early model vehicles



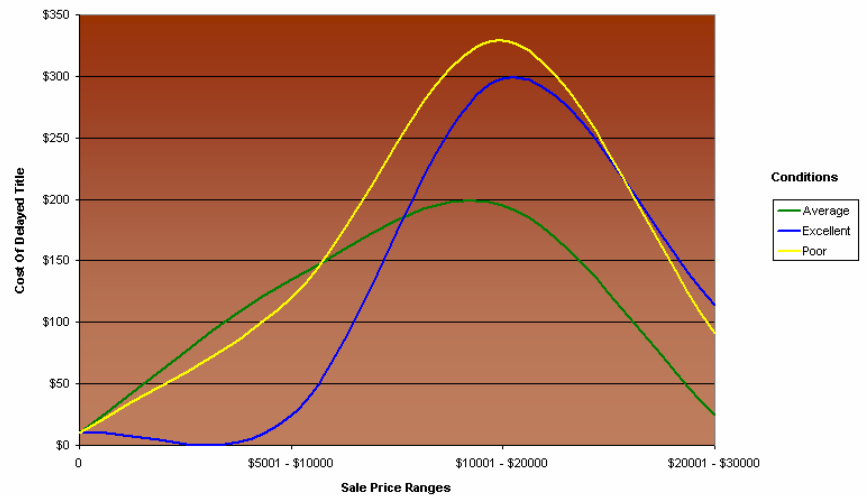
were more sensitive to title delay than the late models.

The data suggests the opposite is true. The delayed title late (i.e., newer) models, especially those selling in the low/moderate \$5,000 to \$10,000 range, incurred a much higher reduction in sale price than the early (i.e., older) models when selling with a delayed title.

Sale Price and Condition In general, the combination of moderately priced (\$10,000 - \$20,000) units and a vehicle condition of average is noticeably sensitive to a title delay. But vehicles in the same price range with either above average or below average condition grades are very sensitive to a delayed title.

Prices both higher and lower than the moderate range appear to be much more tolerant of a delayed title.

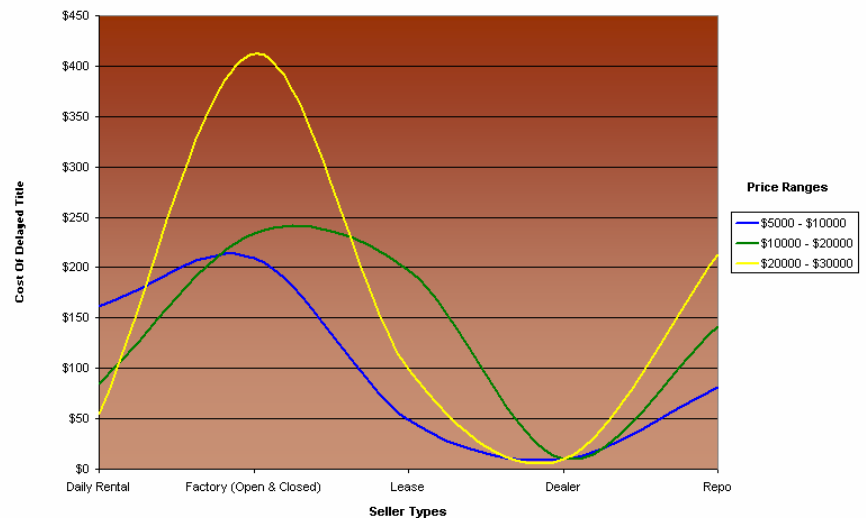
Delayed Title Effect - By Vehicle Condition
\$5,000 - \$30,000 Sale Prices



Seller Type Two features of the data become visible when the datasets are tested from the viewpoint of Seller Type and Sale Price. First, the most sensitive price range shifts upward from the moderate to the higher \$20,000 to \$30,000 segment. Second, delayed titles have a pronounced effect on Factory sales, both open and closed; and a much reduced effect on other seller types.

This conclusion is likely due, in part, to the strong tendency of Factory sellers to transact with the title present. On those infrequent occasions when the title is not present, especially in the more expensive price range, buyers appear to discount the title-present price, taking the sale prices down by \$412 per sale.

Delayed Title Effect - By Seller Type
\$5000 - \$30000 Sale Prices



On the other hand, the data suggests that dealer-to-dealer selling is not much affected by delayed titles, with little discounting for delayed titles.

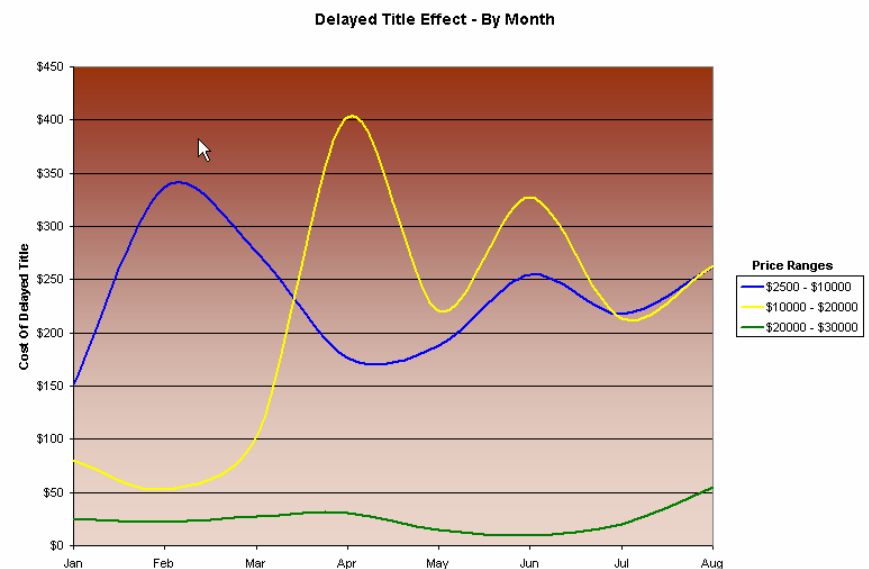
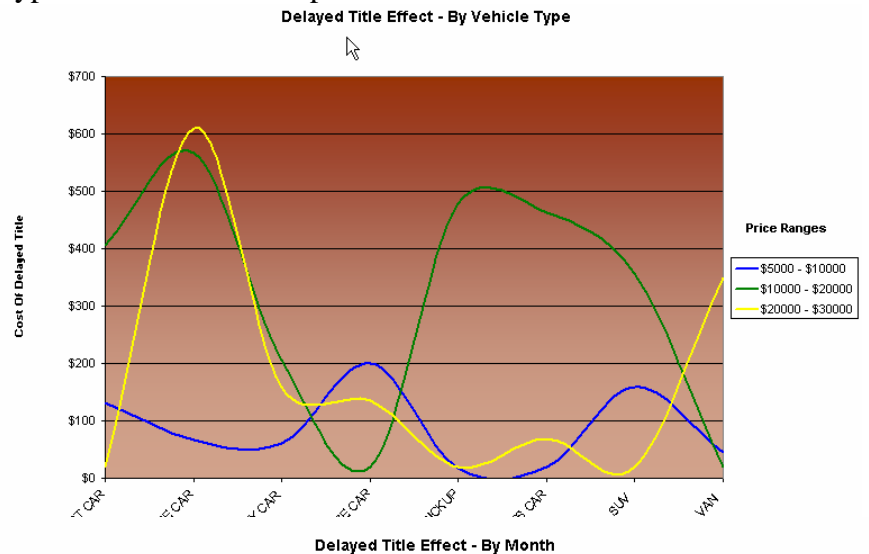
Vehicle Type An unexpected conclusion arises when separating the datasets into Vehicle Types. Full-size sedans, in the moderate and expensive price ranges, are conspicuously more prone to delayed-title discounting than other types of sedans and coupes.

Pickups are almost equally apt to suffer discounting, but mostly in the \$10,000 - \$20,000 price range. Truck buyers might place this price range more in the expensive category than their car buying counterparts would.

Calendar Month Buyers working lower- and moderately-priced vehicles, appear more tolerant of delayed titles in the early part of Q1 than they do in subsequent months.

As the quarter grows older, buyers begin to discount delayed-title vehicles more heavily.

Interestingly, this characteristic does not apply in a significant way to the more expensive \$20,000 - \$30,000 price range. This range is relatively unaffected by the calendar.



Summary

Sale prices of delayed title vehicles are noticeably lower from transactions where the title is present and collected by the buyer on sale day. These differences, however, do not occur uniformly for all vehicles and all sellers.

While sellers have valid reasons for presenting delayed title vehicles, very often there is a true cost for doing it. Depending upon the vehicle type, the time of year, condition and price range, this cost can be a few dozen dollars to several hundred; in some cases, as much as \$600 per sale.

Vehicles selling between \$10,000 and \$20,000 are more vulnerable to buyers' discounting than those selling in the lower and higher ranges.

Factory sellers are more likely to suffer heavy discounting than other sellers when there is no title present. Dealer sellers are not much affected by discounting when there is no title present.

Full-size sedans, pickups, and sports cars are the biggest targets of buyer discounting for delayed titles. Compact and mid-size cars are the least vulnerable to the effect of delayed titles.

