CarOffer

Uncharted Waters:

# How Dealerships Can Navigate the Current Automotive Landscape

The pandemic forever altered the way dealerships, car shoppers, and OEMs do business. For decades, the go-to method for dealers to source inventory - perhaps the only method - was attending in-person frenetic auto auctions that offered little in the way of efficiency and transparency. But lockdowns, closures, chip shortages, and the realization that the old way of doing things was never coming back, forced dealers to implement quick, effective changes or risk being left in the dust.

The silver lining in all of this? The evolution of the auto industry is now moving at warp speed, with advanced technology and resources emerging that likely wouldn't have come into play for another decade. While digital retailing has been picking up steam for several years, there have been few, if any, options or innovations applied to the 'sourcing vehicles' stage of the process.

**But that's all changing.**

Let's take a closer look at how the evolving automotive landscape is ushering in new and improved ways for dealerships to drive growth, and highlight how CarOffer, the auto industry's first instant dealer-to-dealer trade platform, is a must-have tool for dealerships looking to buy, sell, and trade pre-owned inventory with complete confidence and control.

## What Does the Future Hold for Auto Dealerships?

The auction industry at large has changed forever as brick-and-mortar houses halted onsite sales. Some may never open the physical lanes back up, and some have and will continue to run then, but it's a safe bet that the process is forever changed.

The dynamic has shifted in favor of the dealer, offering them more transparency, reliability, and cost and operational efficiency, as dealer-to-dealer platforms are quickly becoming the preferred transaction agent. Major corporations apparently see the writing on the wall, as evidenced by KAR recently spending nearly $1B to acquire TradeRev, Backlot, and CarWave.

With the rapid change we're seeing today, what does the auto industry of tomorrow look like? Most analysts agree on these major points.

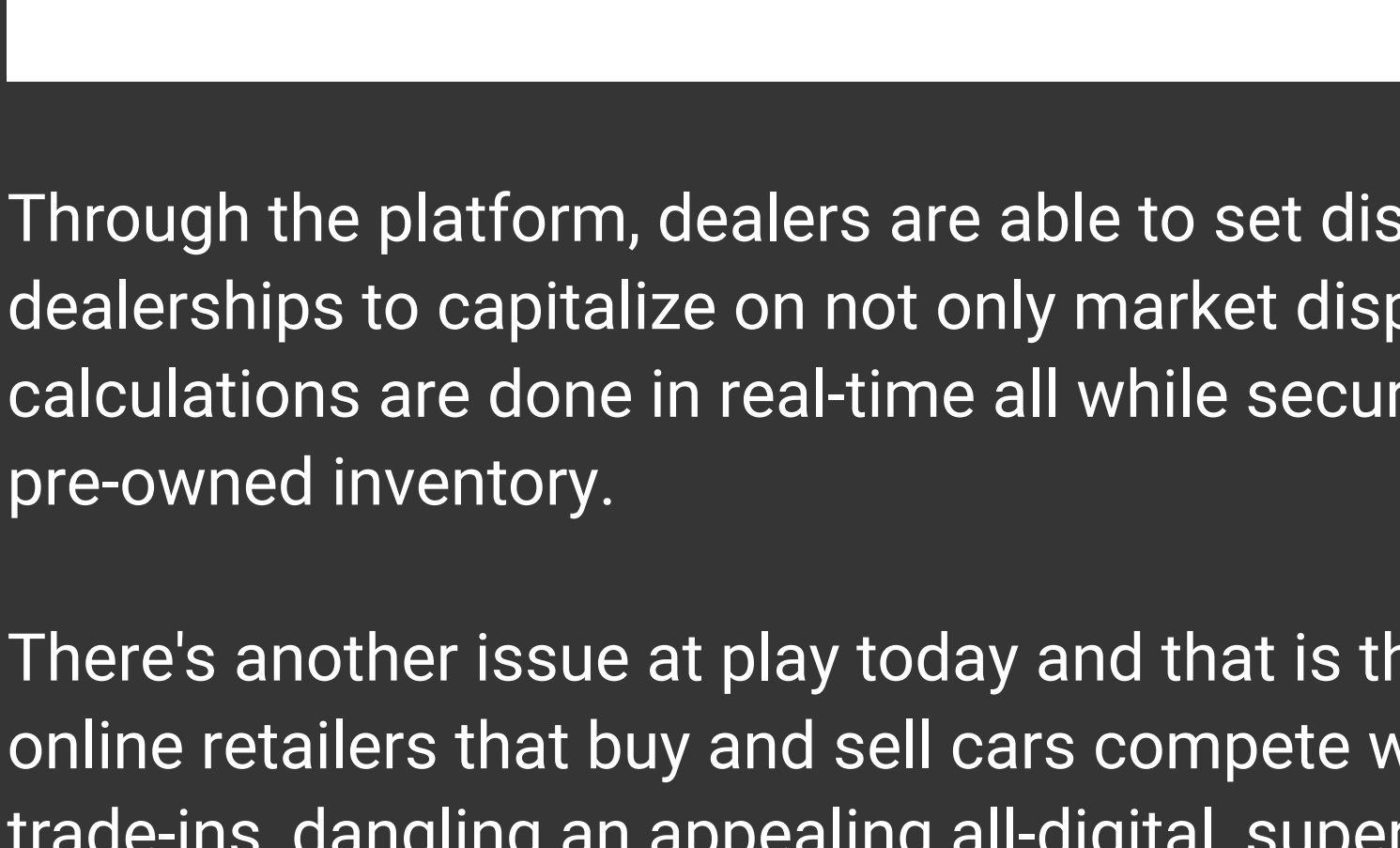
- With current data in mind, we can expect new car shortages to continue well into 2022 and possibly into 2023.
- Pre-owned retail and wholesale prices will remain high for the foreseeable future.
- The new car shortage will have a ripple effect on "nearly new" and "off-lease" for the next several years.
- The dealer-to-dealer transaction platforms will continue to gain significant market share.
- Brick-and-mortar supplies will continue to be constrained as dealers keep lease returns and rental car companies prolong their fleet lifecycles.
- Digital wholesale and digital retail platforms will begin to merge as new supply channels of "direct from consumer" vehicles are created with mergers like CarOffer.

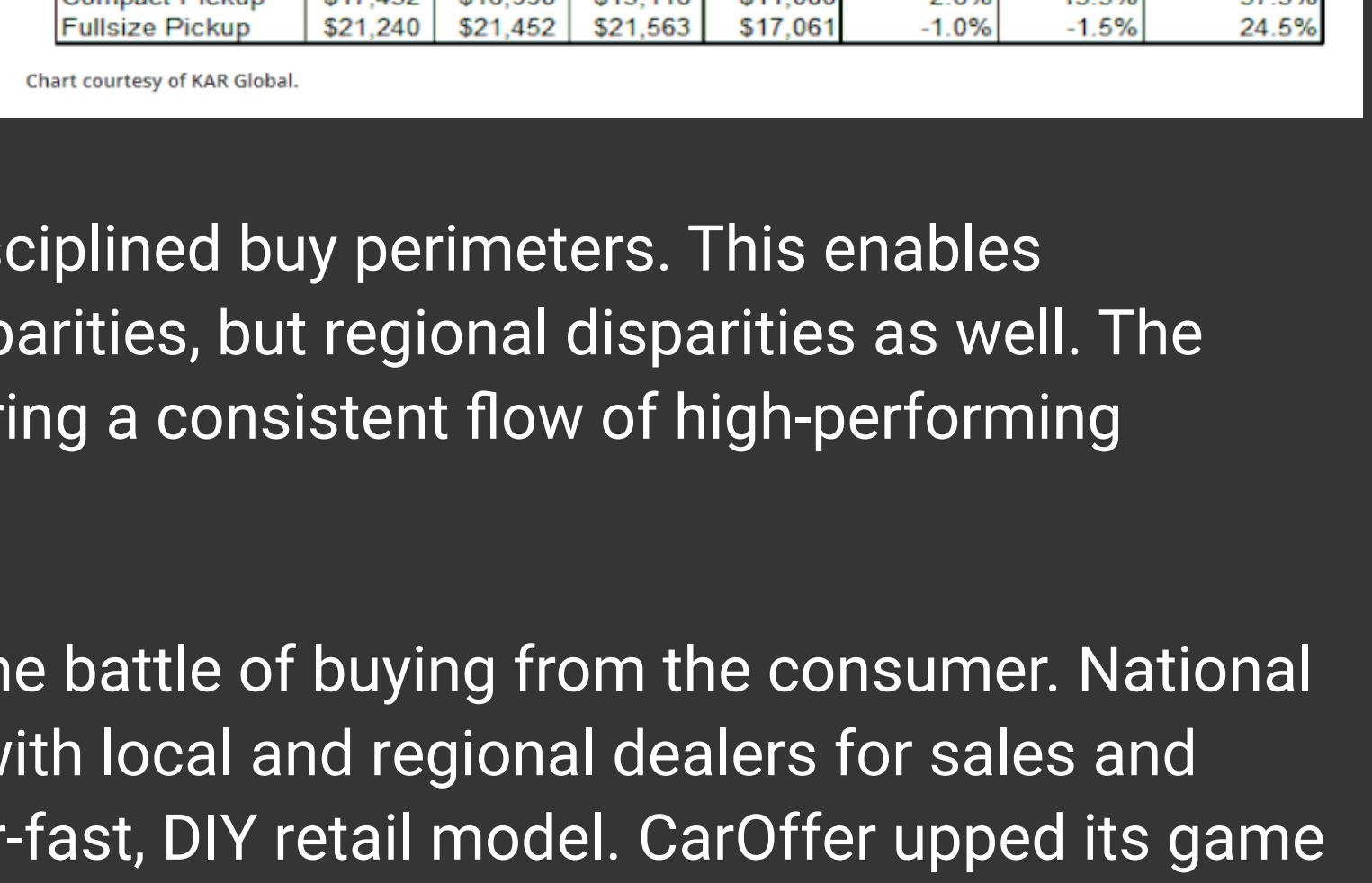
As tumultuous as times may seem, there has never been a better opportunity for dealerships to embrace innovation, rethink their strategies, and show up how today's car shopper wants them to be: nimble, transparent, and efficient. And it all starts with having the right inventory. Because dealers can't sell what they don't have.

## CarOffer: The Stock Market for Used Cars

CarOffer's solutions are designed to help dealers navigate today's ever-evolving auto landscape and prepare for the road ahead. The platform operates more like the modern-day stock market than a traditional auction system - think of it as placing limit orders on vehicles - setting parameters on vehicle type, volume, age, and price - and letting the platform fulfill the order automatically. Dealers can stay at their store while bringing in the optimal mix of inventory sourcing from dealerships across the country.

The CarOffer platform combines the best aspects of digital retail and digital wholesale tools to deliver huge competitive advantages for dealers. Historically, we've seen major volatility in pre-owned prices, but with CarOffer's proprietary tools, dealers have been able to capitalize on regional market disparity. Even as wholesale prices abated this summer, retail prices remained high and national turned times were historically low at 34 days or less.





Wholesale Used Vehicle Price Trends

| | Average Prices ($/Unit) | | | | Latest Month Versus: | | |
|---|---|---|---|---|---|---|---|
| | Aug-21 | Jul-21 | Aug-20 | Aug-19 | Prior Month | Prior Year | Two Yrs Prior |
| **Total All Vehicles** | **$14,712** | **$14,250** | **$13,498** | **$11,244** | **3.2%** | **9.0%** | **30.8%** |
| **Total Cars** | **$11,035** | **$10,623** | **$9,823** | **$8,465** | **3.9%** | **12.3%** | **30.4%** |
| Compact Car | $7,983 | $7,856 | $7,243 | $6,530 | 1.6% | 10.2% | 22.3% |
| Midsize Car | $9,165 | $8,933 | $8,387 | $7,312 | 2.6% | 9.3% | 25.3% |
| Fullsize Car | $9,631 | $9,088 | $9,752 | $7,592 | 6.0% | -1.2% | 26.9% |
| Luxury Car | $17,291 | $16,548 | $15,535 | $13,080 | 4.5% | 11.3% | 32.2% |
| Sporty Car | $21,324 | $20,680 | $18,040 | $14,219 | 3.1% | 18.2% | 50.0% |
| **Total Trucks** | **$17,155** | **$16,772** | **$16,072** | **$13,382** | **2.3%** | **6.7%** | **28.2%** |
| Mini Van | $10,073 | $9,252 | $9,739 | $8,118 | 8.9% | 3.4% | 24.1% |
| Fullsize Van | $20,039 | $17,502 | $14,634 | $13,748 | 14.5% | 36.9% | 45.8% |
| Compact SUV/CUV | $12,978 | $12,823 | $11,818 | $10,923 | 1.2% | 9.8% | 18.8% |
| Midsize SUV/CUV | $14,995 | $14,693 | $14,833 | $11,548 | 2.0% | 1.1% | 29.8% |
| Fullsize SUV/CUV | $20,148 | $19,119 | $19,139 | $14,248 | 5.4% | 5.3% | 41.4% |
| Luxury SUV/CUV | $25,661 | $24,778 | $21,878 | $18,465 | 3.6% | 17.3% | 39.0% |
| Compact Pickup | $17,432 | $16,998 | $15,116 | $11,080 | 2.6% | 15.3% | 57.3% |
| Fullsize Pickup | $21,240 | $21,452 | $21,563 | $17,061 | -1.0% | -1.5% | 24.5% |

Chart courtesy of KAR Global.

Through the platform, dealers are able to set disciplined buy perimeters. This enables dealerships to capitalize on not only market disparities, but regional disparities as well. The calculations are done in real-time all while securing a consistent flow of high-performing pre-owned inventory.

There's another issue at play today and that is the battle of buying from the consumer. National online retailers that buy and sell cars compete with local and regional dealers for sales and trade-ins, dangling an appealing all-digital, super-fast, DIY retail model. CarOffer upped its game by empowering dealers with a direct-from-consumer channel that leverages the power of its Buying Matrix because what's better than an instant offer on a vehicle? An instant, better offer.

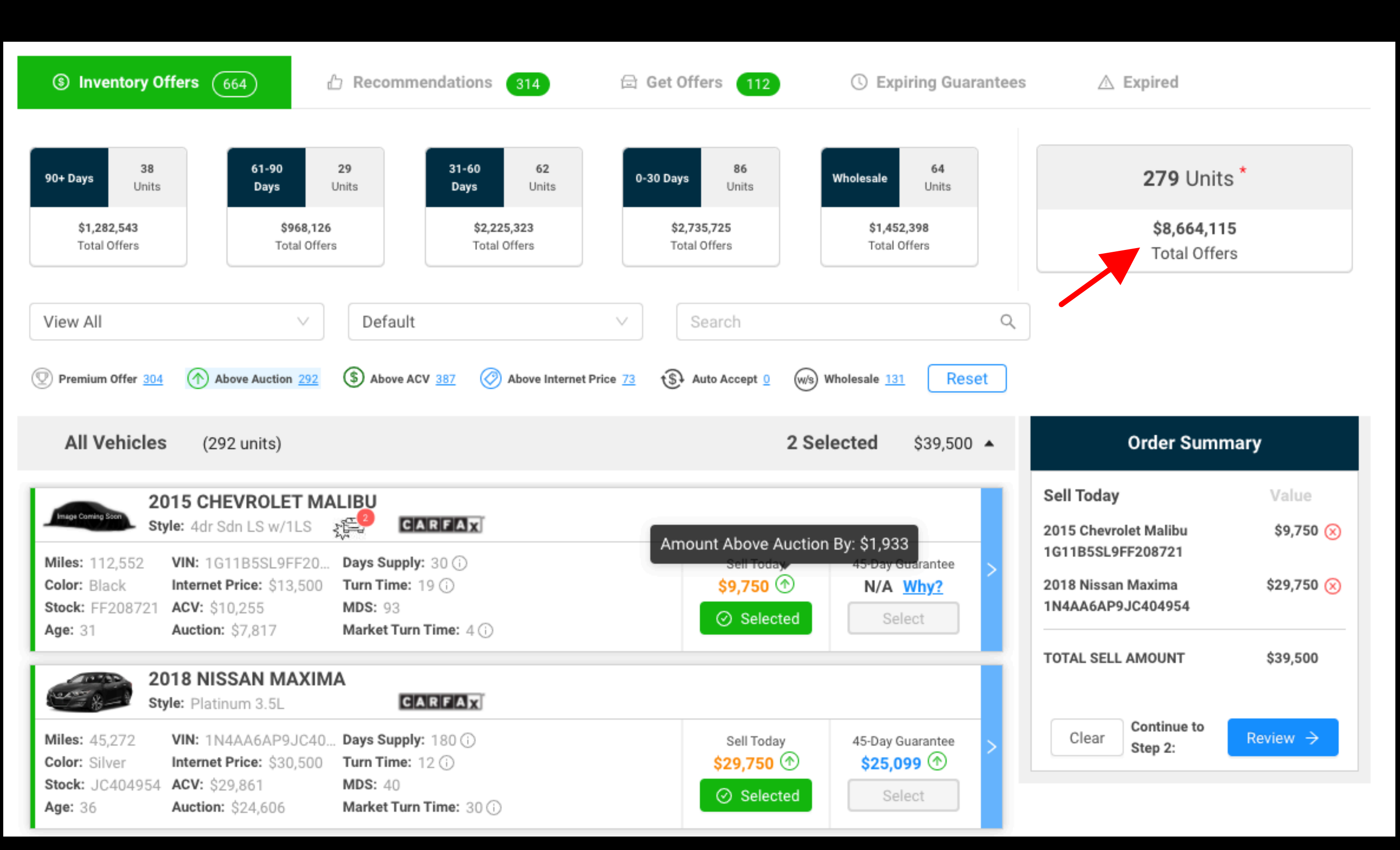
Let's dive deeper into two of the platform's most innovative tools;
The Buying Matrix™ and ConsumerLane™.

## What if We Told You There's a Better Way to Buy Cars?

The global car shortage mixed with consumers seeking out new and used vehicles like never before has put dealerships in a tricky position. How do you keep up with inventory demands when the current circumstances are not at all in your favor?

**Simple, you use the platform that handles it for you.**

Instead of manually trying to buy cars one at a time, the Buying Matrix™ works 24/7 in order to obtain the exact used car inventory you need. The platform enables dealers to pre-configure their buying preferences based on make, model, mileage, condition, score, color, and logistics.



90+ Days 38 Units $1,282,543 Total Offers
61-90 Days 29 Units $968,126 Total Offers
31-60 Days 62 Units $2,225,323 Total Offers
0-30 Days 86 Units $2,735,725 Total Offers
Wholesale 64 Units $1,452,398 Total Offers
279 Units * $8,664,115 Total Offers

All Vehicles (292 units)
2 Selected $39,500

2015 CHEVROLET MALIBU
Style: 4dr Sdn LS w/1LS
Miles: 112,552 Color: Black Stock: FF208721 Age: 31
VIN: 1G11B5SL9FF20... Internet Price: $13,500 ACV: $10,255 Auction: $7,817
Days Supply: 30 Turn Time: 19 MDS: 93 Market Turn Time: 4
Amount Above Auction By: $1,933
Sell Today $9,750 Selected
45-Day Guarantee N/A Why?

2018 NISSAN MAXIMA
Style: Platinum 3.5L
Miles: 45,272 Color: Silver Stock: JC404954 Age: 36
VIN: 1N4AA6AP9JC40... Internet Price: $30,500 ACV: $29,861 Auction: $24,606
Days Supply: 180 Turn Time: 12 MDS: 40 Market Turn Time: 30
Sell Today $29,750 Selected
45-Day Guarantee $25,099

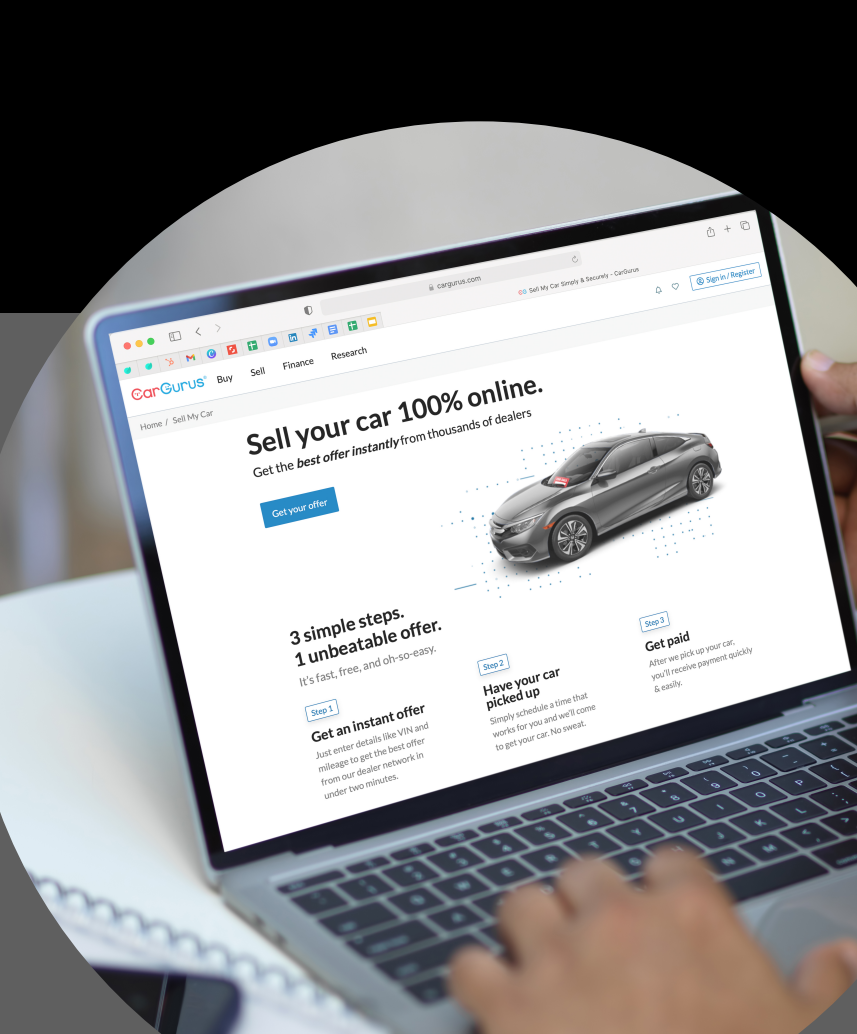
Order Summary

| Sell Today | Value |
|---|---|
| 2015 Chevrolet Malibu 1G11B5SL9FF208721 | $9,750 |
| 2018 Nissan Maxima 1N4AA6AP9JC404954 | $29,750 |
| TOTAL SELL AMOUNT | $39,500 |

Continue to Step 2:

Dealers will notice a few things missing from the Buying Matrix™. First of all, it's completely automated, so there's no tedious manual bidding. There's also no waiting around for the vehicle of choice to roll up physically or virtually to start the bidding war. And dealers will definitely notice there is no time-consuming coordination of titling, inspection, and transporting. It's doubtful these things will be "missed".

Thousands of the nation's largest dealers participate on the platform with tremendous success. So if sourcing inventory has become an increasingly heavy burden for your dealership in recent years, the Buying Matrix™ is certainly a tool worth considering.



## Harness the Power of Instant Max Cash Offers

CarMax recently stated that 70% of all their retail vehicles were sourced from consumers, which highlights just how much business can be generated by enabling direct-from-consumer purchases and trade-ins at dealerships.

Enter ConsumerLane™, the powerful tool that enables dealerships to give customers a cash offer for their used vehicle within seconds. With ConsumerLane™, you can provide CarOffer-backed "Sell your Car" and trade-in instant binding offers directly on your dealer website. Best of all, you have options when it comes to what you do with the vehicles you acquire directly from your customers.

Want to keep the vehicles on your lot and find the right buyer for them yourself? Go right ahead. Prefer to simply sell the vehicles directly to CarOffer and let us take care of them? You can do that too. In any case, using ConsumerLane™ means the customer is exclusively yours 100% of the time.

> *"We piloted ConsumerLane™ and did a side-by-side comparison with other online appraisal applications. CarOffer's product quickly distanced itself from the competition. We've been able to buy many more cars from consumers with ConsumerLane™, and those that don't fit our retail criteria, we simply sell on the CarOffer platform with the click of a button. It's a very powerful and much needed product and it's a win-win for our dealerships and our customers."*
>
> *Jeff Dyke, President of Sonic Automotive*

As an added bonus, ConsumerLane™ also helps generate buzz around your dealership thanks to its ability to integrate directly with your website. Dealers can deliver co-branded invitations and offers that drive traffic and help stand out from the competition.

## Give CarOffer a Test Drive

Designed with the dealer in mind, CarOffer enables you to manage your used car inventory like never before. Through advanced tools like the Buying Matrix™ and ConsumerLane™, you can regain valuable time and resources for your dealership, and help position your business well for whatever the future may bring.

Getting started with CarOffer is quick and easy, simply give them a shout and you can get your free demo started right away.

caroffer.com/demo