

Used Car Dealers - Use Transportation and the Internet to Boost Your Profits

Over the last 18 months, there has been a significant reduction in wholesale used vehicle supply. With fewer used cars flowing into the market, auto dealers in many regions are finding less inventory to choose from and higher prices at their local auctions. To solve this problem, many used car traders are turning to the Internet to source inventory. Following suit, auto transportation providers are stepping up to help make long distance auto shipping easier and more affordable.

Dealers Look to Internet to Source Inventory

The flow of used car trade-ins, consumer lease returns, and fleet and rental cars into the wholesale market is expected to continue to decline in 2010. Some analysts predict the reduction in wholesale supply will last through 2012. Consequently, more dealers are sourcing their inventory at auctions, and even more are buying online, according to the Manheim 2009 Used Car Market Report. In support of this data, a 2009 dealer survey conducted by ShipCarsNow found that the majority of dealers planned to source 50% or more of their used vehicle inventory over the Internet in the next year. With wholesale used vehicle prices predicted to continue a “year-over-year” increase from 2009¹, it was no surprise that most of the dealers surveyed also expected their online sourcing to increase in the future.

Dealers Can Improve Profitability with Rail Transport

While the Internet offers the potential to expand markets for dealers, one of the major issues constraining Internet trading has been transportation. In their 2009 Used Car report, Manheim cited Transportation Logistics as one of the five most important issues facing the wholesale market in 2010. For internet trading to be cost effective, dealers need easy access to affordable and reliable transportation to move cars efficiently around the country.

Transportation providers can help dealers by a) making it easy to arrange delivery online; b) provide tracking and visibility of vehicle shipments with ETA's; and c) by giving dealers access to both time-sensitive, premium delivery, and lower cost multimodal delivery options like rail. Fortunately, our nation is already equipped with a highly efficient, multimodal transportation network for the delivery of automobiles across North America. Multimodal means that vehicles are transported using a combination of truck, rail and even vessel transportation services. More than 70% of all new cars are delivered using this multimodal network.

The real game changer in this equation is rail. Rail offers better economics (lower cost, higher efficiency, less damage) over longer distances. In the past, rail delivery service for autos has been limited exclusively to auto manufacturers and high volume shippers. However, companies like ShipCarsNow, a subsidiary of Union Pacific Corporation, are working with the railroads to revolutionize auto transportation for used car dealers, even those shipping just one car at a time.

¹ Adesa Analytical Services (Pulse, 2009 Mid-Year Recap)

“Affordable rail service brings the additional capacity and market coverage needed to truly expand used car trading on the Internet, domestically and internationally,” commented Julie Krehbiel, vice president and general manager automotive, Union Pacific Railroad. Rail becomes an even more attractive solution as fuel prices rise because rail is much more fuel-efficient than truck over long hauls. Dealers can expand their trading zone and potentially boost their profits using a combination of truck and rail transport in a seamless service.

With wholesale prices climbing and supply decreasing, more dealers will be turning to the Internet to source their inventory in 2010. Multimodal transportation services that include rail options will help dealers expand their opportunities to trade used cars profitably over the web.

For more information contact Sarah Harvey or Jeff Grandstaff at ShipCarsNow. Please visit ShipCarsNow at the NADA 2010 conference in Orlando, Booth #521. Jeff Grandstaff will be speaking more on this topic at the Conference of Automotive Remarketing, March 3-4, 2010. ShipCarsNow provides the used car industry with affordable multimodal auto shipping services throughout the U.S. Register at www.ShipCarsNow.com and get a quote, place an order, and track a shipment online. A Union Pacific Company, ShipCarsNow makes auto shipping easy! Call toll free 866-207-3360.