

# **3 Catastrophic Mistakes THAT DESTROY USED CAR BUSINESSES**

*(OR....Will Cause you to go broke in the Used Car Business)  
(OR....Eat Your Used Car Profits.)*



***Allen Willey***

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**1. Old Age** will eventually kill all of us, but old age used cars will immediately wipe you out. There is a strong reason that the best dealers turn their used cars in 30 days. In a Retail Operation, this is critical, and for Wholesaler's it is a life and death matter. Admit your losses, and blow them out. Time starts ticking and values start going down the minute you buy (or trade in) a vehicle.

Any Used Car Professional can tell you when there is "water" in a Used Car Inventory, the owner of those cars is headed for a serious ass-kickin' I have owned Used Car Lots, New Car Dealerships, and I bought for one of the largest Wholesaler's in America. Betting that the Market will "come back" is like betting on a 1 legged man in a 100 yard dash.

While I'm on the subject, trying to trade or retail out of your losers is even worse. 90% of the time you will increase your lose. I fired a Used car Manager in my Toyota Dealership who traded all of his (actually mine) losers with the Ford Dealer down the street, by buying all the Ford Dealer's losers for too much money. Looked good on paper for about 30 days.

**2. Don't Go Ugly Early**...More mistakes are made buying a "Dog" because it sounds too cheap. Cheap used cars are *never* cheap enough. There are a handful of people who successfully deal in Dogs, but they have it down to a science and your chances of outsmarting them is somewhere between slim to none. You can't own an edgy car cheap enough.

To make it worse, used car buyers commonly under estimate reconditioning costs. What starts out as a Dog will get bigger and bigger as you pour more and more money into trying to make a flea-ridden hound into a show dog.

**On the other hand**, you can almost never pay too much for a perfect car that is hot in the marketplace. Know what your buyers are looking for and what your salesmen can sell. A young sales force at a Kia Dealership in a middle income neighborhood is not going to have a lot of success selling Mercedes and BMWs.

**3. The Mileage Monster.** I've seen the best of the set get **slaughtered** on this mistake. There are 2 key facts to know about High mileage cars and trucks.

A. **You** can't deduct enough for high miles. If you are looking at a 2 year old Tahoe LTZ, with 47,000 miles versus the same vehicle with 18,000 miles, the difference in value can be astronomical. Here is a current Manheim Market Report for November 24<sup>th</sup> 2014: Look at the variation in values.

OVE	<a href="#">2012 Chevrolet TAHOE LTZ 4X4 4DR SUV*</a>	<a href="#">sd</a> SD NOT_SPECIFIED	8/A 11,500 Black	1GNSKCE08CR279928	<a href="#">\$41,000</a>
OVE	<a href="#">2012 Chevrolet TAHOE LTZ*</a>	CR NOT_SPECIFIED	8/A 24,251 White	1GNSKCE09CR261440	<a href="#">\$39,000</a>
OVE	<a href="#">2012 Chevrolet TAHOE LTZ*</a>	<a href="#">cr 4.6</a> CR 4.6	8/A 35,700 Brown	1GNSKCE09CR260269	<a href="#">\$37,100</a>
OVE	<a href="#">2012 Chevrolet TAHOE LTZ*</a>	<a href="#">sd</a> SD NOT_SPECIFIED	8/A 36,135 Black	1GNSKCE03CR245539	<a href="#">\$37,100</a>
OVE	<a href="#">2012 Chevrolet TAHOE LTZ*</a>	CR NOT_SPECIFIED	8/A 39,230 Gray	1GNSKCE02CR200737	<a href="#">\$36,600</a>
OVE	<a href="#">2012 Chevrolet TAHOE LTZ*</a>	<a href="#">cr 4.6</a> CR 4.6	8/A 40,357 White	1GNSCCE07CR244973	<a href="#">\$34,800</a>
3/34	<a href="#">2012 Chevrolet TAHOE 4X2 V8 LTZ</a>	<a href="#">cr 3.3</a> CR 3.3	8/A 44,479 Black	1GNSCCE05CR180397	<a href="#">\$34,100</a>
3/53	<a href="#">2012 Chevrolet TAHOE 4X2 V8 LTZ</a>	CR NOT_SPECIFIED	8/A 47,070 White	1GNSCCE08CR116550	<a href="#">\$33,700</a>

**B. Mileage is far more critical the higher the price vehicle.** When you get all the way to Exotic Sports Cars most buyers look for about 1,500 -2,500 miles a year. A very high % of the Used Car Buyers and Managers don't really understand the impact of high miles. What is worse is that the New Car Manager, who happens to be appraising on a given day, appraises a 2 year old Porsche with 38,000 miles as a "Clean Car." Ouch!!!

**More Money Destroyers.** Here is a quick list of mistakes that cost \$1,000s in today's market.

1. Underestimating Reconditioning Costs! If you have ever had to pay to replace an electronic dash in a Mercedes, you know what I'm talking about.

Take a good look at those 19” Michelin Pilot Super Sports. A new set will cost your \$1400. A scuffed Alloy can be up to \$500 to repair.

2. Not realizing what options are expected on a specific model car. Leaving a sunroof off of a many cars can kill the resale value. A Luxury Car without “Nav” is colder than last year’s Turkey.

Finally, we learned many, many, years ago, that buying used cars without a Paint Meter is downright suicidal. Maybe worse. FenderSplendor has over 15,000 Customers who trust us to make sure they never miss paintwork. We hear stories every week of dealers who traded for—or bought—a car with hidden damage. The small losses are \$1-2000, but losses of \$5-10,000 are all too common.

Regards, and here’s to your success in the Used Car Market.

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