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Enhancing Dealer Used Car Sourcing Success

A Case Study in Improved Inventory Replenishment with Targeted Market Data Analysis



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Understanding demands, trends and challenges affecting the areas in which you do business is key to succeeding in the used car market. In the wake of the COVID-19 pandemic, automotive dealers have increasingly encountered significant hurdles impacting the efficient sourcing of pre-owned inventory. With a commitment to better understand and improve market penetration as well as streamline their sourcing processes, a market leading car brand in the UK relied on DEKRA experts to provide a solution to the challenge most dealers were facing with sourcing of used car vehicle stock. Post pandemic, the network saw a dramatic reduction in the number used car vehicles entering the market directly from the brand themselves and dealers needed to find new ways of sourcing additional stock.

About the **Client**

With a national dealer network, our client initiated efforts to support local dealerships in maintaining used-car inventories appropriate to their local market demands, increase brand influence and drive increased sales. Working with brand dealerships from across the country, we helped them leverage existing data more effectively to provide a comprehensive overview of local market dynamics and potential opportunities.

The **Challenges**

In their pursuit of operational and customer service excellence, our client understood the importance of giving dealers the tools needed to tackle new challenges in sourcing the used vehicles needed to meet specific local market requirements and ensure a resilient business model. They knew that in order to effectively support dealerships, it was essential to adopt a new approach to car sourcing. This approach would equip local dealers with new insights and information, enabling them to enhance their used car inventory with stock that met local market demands.

The **DEKRA Solution**

Taking an innovative approach using data visualisation and targeted strategies, our market data analysis focused first on market potential for the client's brand and model types before shifting gears to vehicle sourcing and inventory replenishment. Leveraging comprehensive data sets including transactional data from the Driver and Vehicle Licensing Agency (DVLA) provided dealers valuable insight into local market dynamics and consumer preferences so they could concentrate on sourcing vehicle and model types that were appropriate for their market.

Although local dealers had access to data showing the sales of specific vehicle types in their areas of influence (AOI), organising and interpreting this information proved challenging. Our data analysis tool provided the dealer with an easy-to-use platform illustrating complex data sets in a way that was easy to understand. The tool gave dealers a comprehensive market overview, highlighting strengths and weaknesses, while also identifying potential opportunities. This enabled them to refine sourcing strategies and maximise profitability.



Key Features of the DEKRA Market Data Analysis Tool

Facilitating transformative data-driven decision-making, our used car market data analysis sourcing tool provided vital assistance with:

Geographic Analysis

Dealerships could analyse sales data in specific geographic areas to uncover local market trends and demand shifts. By studying sales figures in designated AOIs, they could identify areas with high market penetration potential.

Market Opportunity Assessment

Through improved data presentation, the tool identified market opportunities and inventory gaps. For instance, while analysis showed strong sales of a brand model in the AOI, dealership sales were low, indicating untapped potential and sourcing availability.

Segmentation Analysis

The tool helped dealerships tailor their sourcing strategies to local demands by segmenting data by vehicle age and type. For example, focusing on age segments, such as 3 to 5 years, allowed for better alignment with consumer preferences, optimising inventory mix and boosting profitability.

Comparison Metrics

The tool provided dealerships with clear insights into used car sales within and outside their designated AOIs, enabling accurate assessment of market performance and identification of local market penetration opportunities. This data allowed for refined sourcing strategies and prioritisation of efforts to capitalise on untapped potential.

Forecasting and Projections

Using historical sales data and market trends, dealers were able to generate forecasts for future sales opportunities with a forward-looking approach empowering them to anticipate local demand requirements and proactively adjust inventory strategies.

Data

The tool provided dealerships with clear insights into used car sales within and outside their designated AOIs, enabling accurate assessment of market performance and identification of local market penetration opportunities. This data allowed for refined sourcing strategies and prioritisation of efforts to capitalise on untapped potential.

Pricing

After reaching a certain level of local market share to establish a dominant presence, dealers were able to control the product to their advantage when pricing in the open market, aiding cost of ownership for customers as prices could be slightly raised for added value.

Overall, the data analysis capabilities of the used vehicle sourcing tool played a pivotal role in revolutionising inventory management practices, enabling dealerships to stay agile, competitive, responsive and informed about their specific evolving market conditions.

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Strategic Initiatives and Implementation

Equipped with local market data and insights, dealerships were able to implement targeted initiatives to leverage identified market opportunities and improve their access to vehicle sourcing. Integrating service to sales strategies, dealers facilitated improved communication between their service and sales teams to proactively pinpoint potential vehicles within aftersales service schedules. While helping to identify customers who may not have bought from the dealer, this integration ensured the smoother transition from service visits to sales transactions, maximising opportunities for inventory replenishment.

Prospecting and customer engagement efforts saw dealers maintain ongoing communication with existing customers to better understand their evolving needs and personal preferences. Dealerships targeted promotional events and personalised outreach tactics to strengthen customer relationships and drive repeat business.

Recognising the significance of retaining Personal Contract Purchase (PCP) customers, dealers implemented strategies to encourage the repatriation of PCP renewals to support customers nearing the end of their agreements. Using proactive communication methods and tailored support options, dealers maintained customer loyalty and facilitated the repatriation of vehicles to their dealerships.

Dealers also revisited their key existing sourcing avenues to identify any areas of improvement or product focus due to the vehicle data analysis provided to them about their local AOI.

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Program Impact, Results and Recommendations

In conclusion, this case study exemplifies the transformative power of data-driven decision-making and strategic initiatives in optimising used car sourcing processes. By leveraging actionable insights and implementing targeted strategies, dealerships successfully navigated their unique market challenges and achieved sustained used car sales growth.

The implementation of this new way of working, along with the targeted strategies and activity yielded significant results with dealers enhancing market penetration and increasing their share of local market sales. Dealerships were also able to improve stock turnover rates and boost their return on investment (ROI) with successful targeted sourcing efforts. In addition, customer relationships were strengthened and brand loyalty cemented with proactive engagement and support initiatives.

To sustain and further build on this success, the dealerships were encouraged to continue prioritising data analysis visualisation and effective strategic measures. Ongoing collaboration between service and sales teams, proactively engaging with customers and adopting effective retention methods remained integral components for future efforts to ensure continued growth and market success.



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Project Statistics

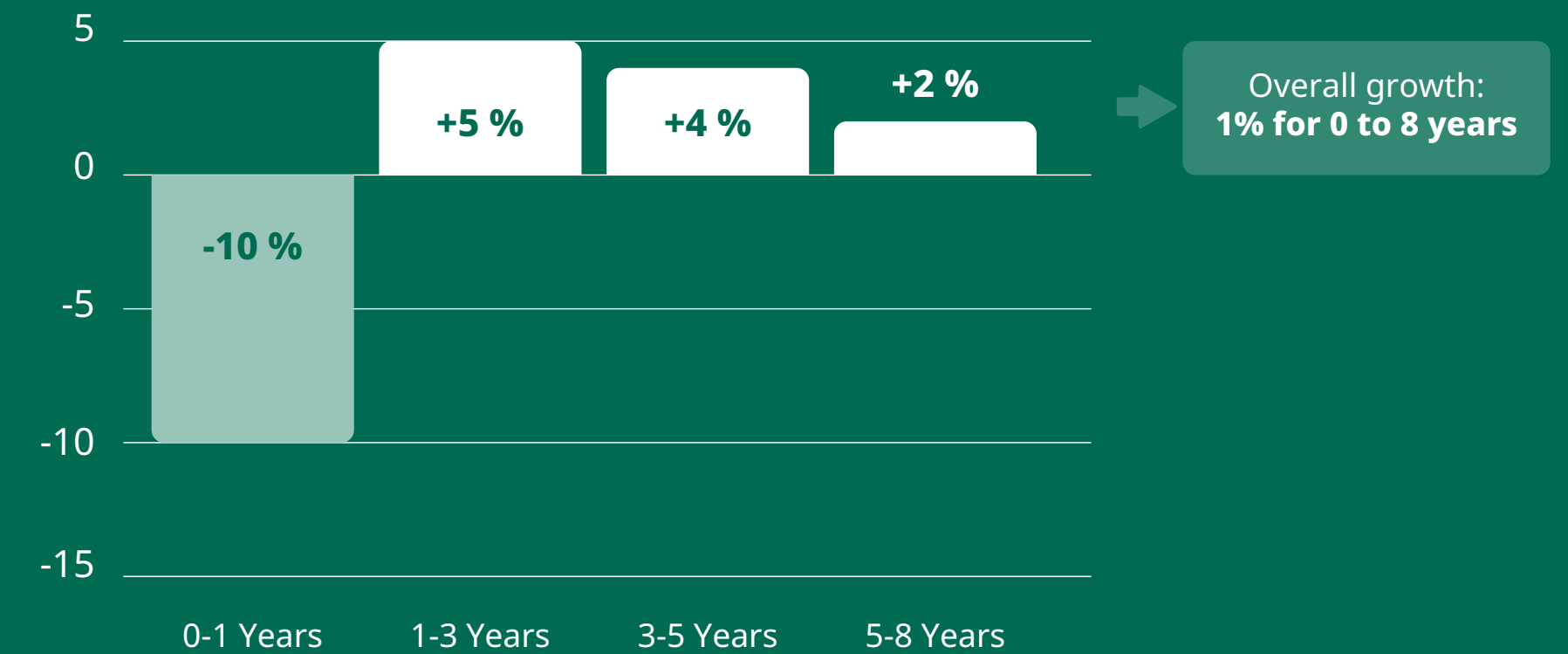
The overall outcomes achieved across the network reflect a strategic shift towards increasing used car market share, with notable successes in specific age segments. At a brand level, the target was to elevate used car brand vehicle market share sales from 35% to 35.5%. The program achieved a rise from 35.2% in July to 35.7% by December of the same year.

Consequently, the implementation of sourcing strategies targeting older vehicles and model types right for local markets led to a commendable additional transaction of 25,700 vehicles within the dealership network.

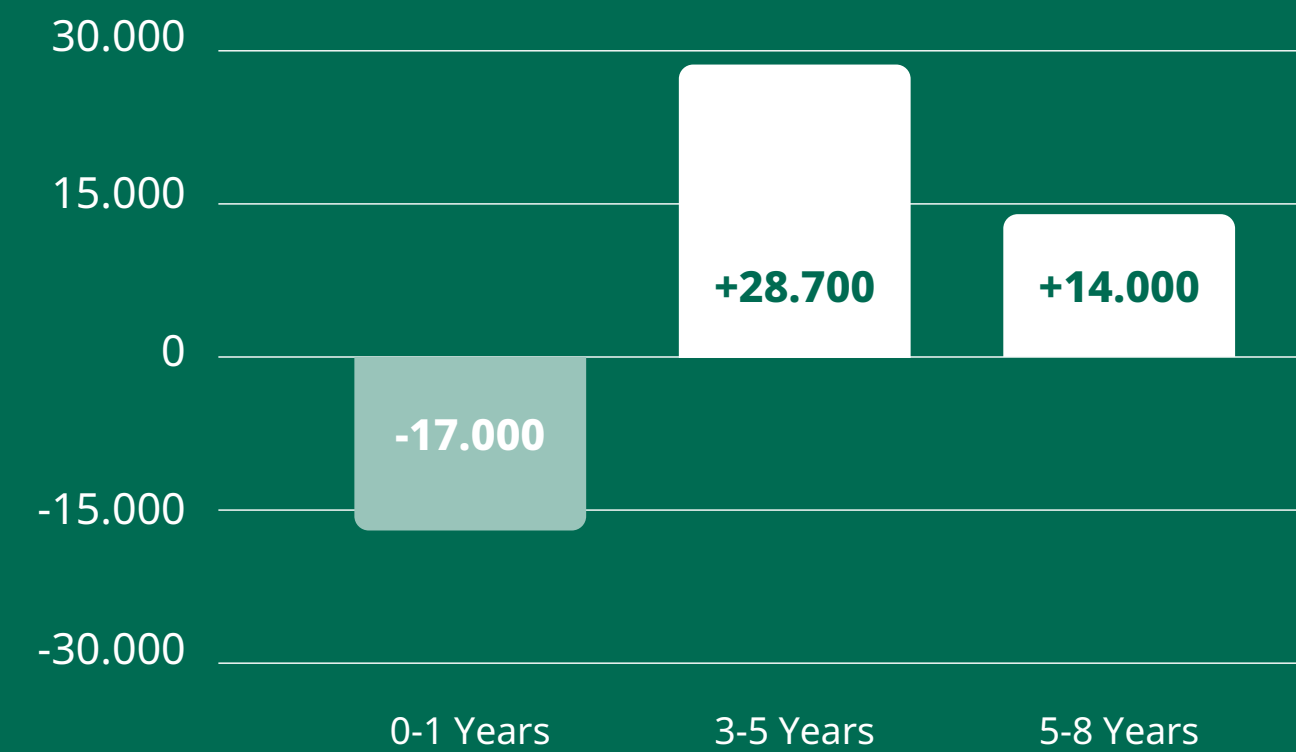
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Market Share Growth by Age Segments



Transaction Results by Age Segments



DEKRA Business Consulting

For companies in the automotive sector committed to improving sales performance and customer satisfaction, DEKRA Business Consulting combines industry expertise and experience with innovation and adaptability. Our approach meets the challenges of an evolving market and a dynamic consumer landscape. Looking back on over twenty years of successful collaboration with the auto industry, we share our knowledge and engage fully with innovations and technologies that are shaping the future. Our vision empowers our partners to transform, adapt and thrive.

Find out more information on
www.dekra-uk.co.uk

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