



2024 Spring Inventory Strategies Guide

› TAKE CONTROL

› Lotlinx

The Car Buying Factors That May Create **Risk** for Your Dealership

Experts in the U.S. auto market herald 2024 as a return to “normalcy.” After several turbulent years, low inventory, economic uncertainty, and supply chain failures may be over. However, there are still many trends that will affect dealership performance. Consumers will continue to face affordability issues. High interest rates, tight credit conditions, and slow-to-recede vehicle prices will all play a role in your dealership’s success.

5 Inventory Risk Predictions

Inventory risk is a constant concern for dealerships. Many things affect inventory risk, and the landscape is dynamic. Dealers often don't have control over these risk factors, but you can be aware of them and work to put yourself on the offense to get ahead of risk instead of falling behind.

➤ **Driving the landscape are five predictions:**

Prediction 01

Production levels will rise.

Prediction 02

New vehicle sales will grow moderately.

Prediction 03

Electric vehicle (EV) inventory is steady, and consumer demand should increase.

Prediction 04

Some vehicle segments will be more at risk than others.

Prediction 05

Monitoring inventory supply will be more critical than ever.

In addition to these predictions, market trends will impact your dealership's financial risk. To overcome the obstacles these present, you'll need to establish VIN-specific strategies to protect your profits and mitigate predicted inventory risk.

Explore the entire inventory risk ecosystem and be ready to foster profitability with these insights.

> Prediction

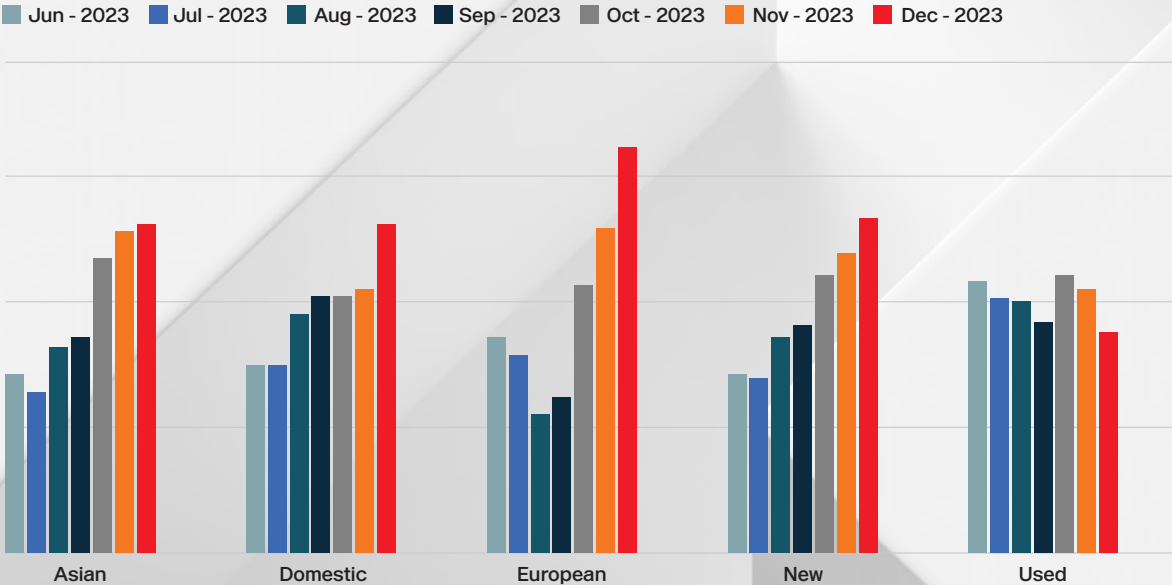
01

Production levels will **rise** in 2024.

Industry analysts predict that new-vehicle **inventory will increase**, reaching pre-pandemic norms with almost 3 million available units. In the car market, more new cars typically lead to more incentives and dealmaking. This shift represents a potential release valve to the vehicle price pressures that have been building over the last year.

Incentives and discounts will be in play in 2024, much more so than in the last few years. As a result, those who were waiting for such deals will reenter the market. It will be more of a **buyer's market** with the combination of incentives and **greater supply**. You can expect a spark in new vehicle sales from this trend.

Production as viewed from Dealer Acquired Units



> Prediction

02

New vehicle sales will **grow** moderately.

2024 new vehicle sales will **surpass 2023**. The projection is a **3% increase** to 15.94 million units. Interest rates remain a barrier to some consumers, but economic experts believe these will fall this year.

The growth is moderate, with considerations for other financial impacts. The manufacturer’s suggested retail prices (MSRPs) and invoices will rise due to material and labor costs.

One area of anticipated sales growth is online car sales. It offers convenience and transparency for car buyers, so it could be a critical component of your new vehicle sales strategy.



* Edmunds, 2024 Predictions, Dec 13, 2023

> Prediction

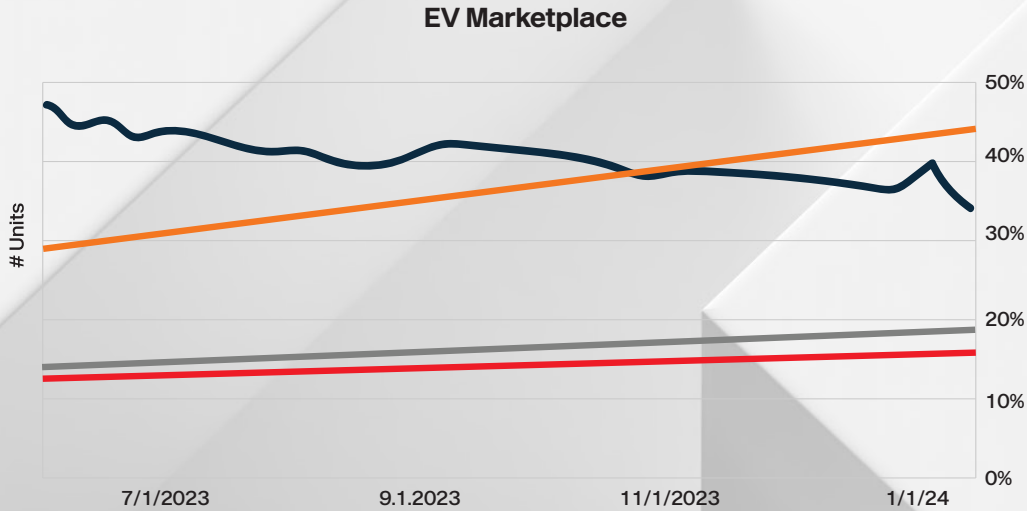
03

Electric vehicle (EV) inventory is steady, and consumer demand should **increase**.

Electric vehicle inventory will explode even further in 2024. The EV segment was **volatile** in 2023. Supply increased while sales were stagnant. Many manufacturers began to rethink their EV inventory models. Consumer reluctance to transition is a concern, as drivers worry about charging station availability and maintenance. New entrants into the EV realm created more competition, and the price point is still out of reach for many.

Dealers and manufacturers realize that the EV sales journey is different. Creating inventory strategies to inflate demand will be necessary. The key to managing this risk is with more model options, incentives, discounts, and advertising.

Overall, the prediction is for EV new vehicle sales to **reach 8%** of the total, which would be a slight bump from 6.9% in 2023. Further, EVs plus hybrids will account for **24% of the market**, accounting for 10% of all sales. Of note is that brand loyalty has little influence on EV sales. Those trading in vehicles for new EVs had a different brand 59% of the time. You have a great opportunity to be the first electronic vehicle purchase for consumers, no matter what they currently drive.



> Prediction

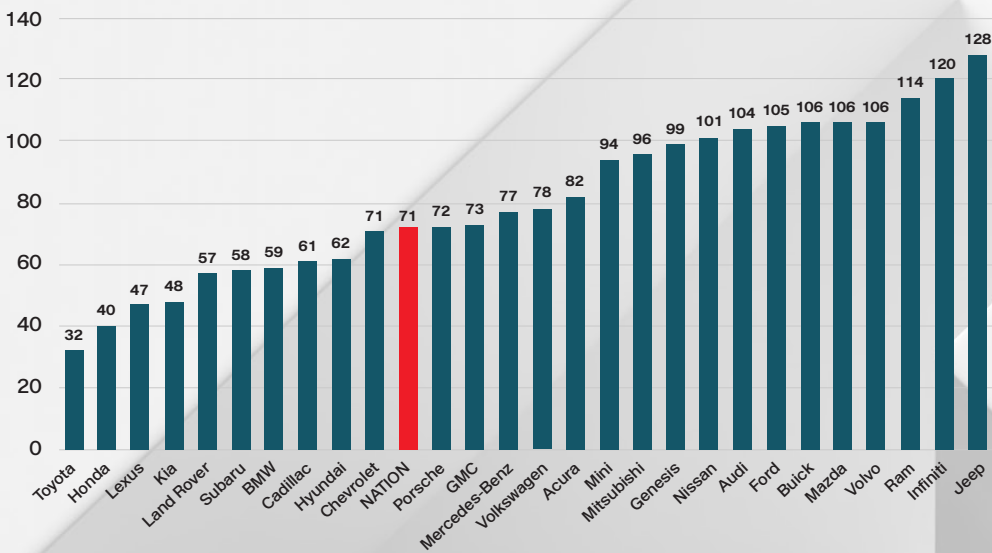
04

Some vehicle segments will be more at risk than others.

In the past six months, the market saw shifts from certain brands to more affordable alternatives. This occurrence was more prevalent in high-end vehicles. Consumers have been buying cars **under \$50,000** at a much higher rate. They are selling more quickly at 30 days versus those above this price at 47 days.

Consumers are also choosing to purchase nearly new vehicles over the latest models. It offers them a more economical price to get a desired car. It's important to pay attention to what's lingering from 2023. Odds are it's the inventory retailing for \$50,000 to \$80,000. These are your high-risk segments.

November Days' Supply of Inventory By Brand



Automakers with days' supply well above twice industry average:

- Lincoln
- Chrysler
- Jaguar
- Alfa Romeo
- Dodge
- Fiat

Source: Cox Automotive - vAuto

> Prediction

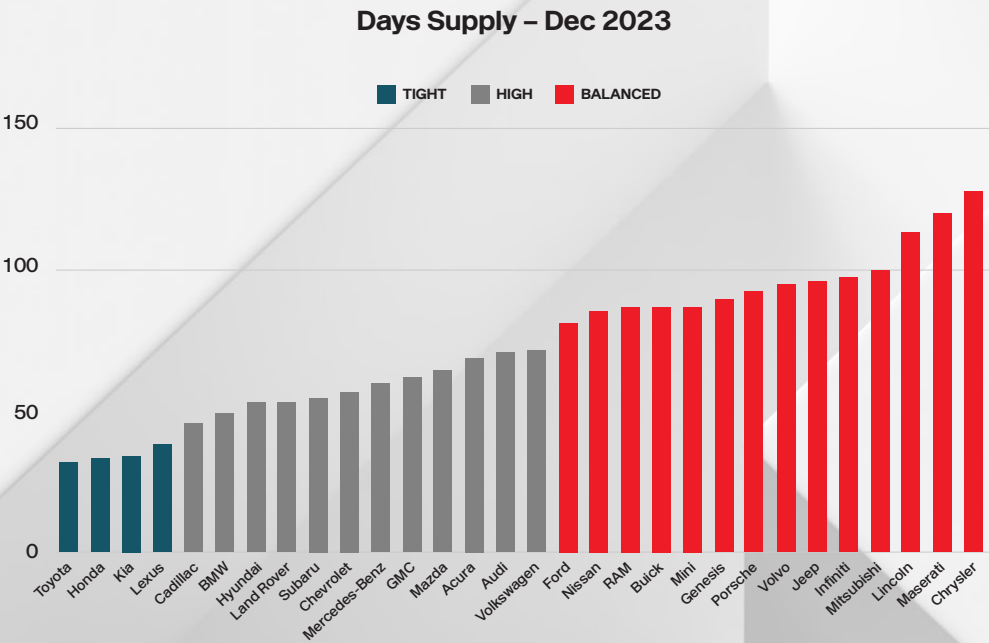
05

Monitoring inventory supply
will be more **critical** than ever.

A key indicator of dealer profitability is proactively monitoring supply inventory and addressing challenges to reduce days on lot. Inventory consists of new and used, and the latter market will see only a **1% increase** in 2024. Certified pre-owned will perform better with a **3% rise**.

Used car supply will remain low as the volume of repossessions, rentals, and off-lease vehicles remain lower than pre-pandemic levels. Dealerships can anticipate that their days supply of used inventory will increase by eight days per **\$10,000 increase** in retail value.

Watching your supply and interpreting demand will be crucial for your dealership. Without a data-driven solution for this, you may miss opportunities and increase waste and risk. These inventory predictions drive the need to take a more detailed look at financial risk.



4 Factors Impacting Your Dealership's Financial Risk

Financial risk is always a consideration for your dealership. Four primary components have the potential to affect your profitability and financial health:

> Factor 01

Affordability

As retail prices go up and interest rates stay high, many consumers will be out of contention. As a result, you could see days supply and days to sale surge.

> Factor 02

Days Supply

In February of 2024, new vehicle inventory hit 80 days of supply. This is the result of increased domestic production and affordability. When days supply rises, you'll face a slower inventory turnover ratio and lower per vehicle retail (PVR).

> Factor 03

Days to Sale

Increased days to sale signals financial risk. Each day of markdown is a loss of \$43, and each day of holding is \$45. Those costs add to overhead. It's at least \$88 per day of lost profit and interest. Strategies must address this metric.

> Factor 04

Visibility

If consumers don't "see" your cars, you can't sell them. Approximately 59% of vehicle inventory does not get visibility daily. That's over half of your lot. Tactics to increase this can positively affect days supply and days to sale.

Understanding inventory predictions and financial factors is the foundation for your plan to mitigate inventory risk.

6 Simple Strategies to Mitigate Predicted Inventory Risk for Your Dealership

Leverage these insights to avoid inventory risk and boost profitability.



Strategy 01

Know your share
of shoppers



Strategy 02

Know market share
by segment



Strategy 03

Identify challenges &
opportunities



Strategy 04

Understand where your
digital ad dollars are going



Strategy 05

Set dealership delivery
goals for every VIN



Strategy 06

Execute a VIN-specific plan
to reduce your inventory
risk



Strategy 01

Know your share of shoppers.

Get to know the market for your available inventory right down to the ZIP code.

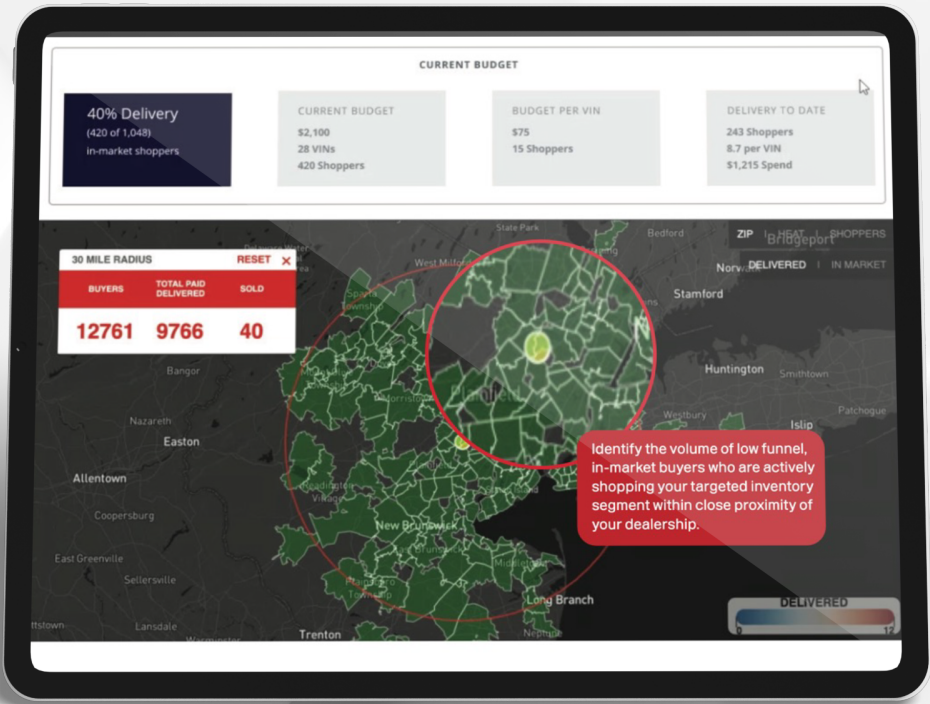
You'll see improved returns with a deeper understanding of consumer needs, expectations, and motivations.

Start by identifying the number of active shoppers within your local area and how many you can reach with your current marketing efforts at the VIN level. With Lotlinx you will have actionable intelligence you can use to adjust your marketing and advertising plays. It will ensure you're presenting the right vehicles to the right audience. You'll be able to remain competitive and deliver relevant information to shoppers so they choose your dealership.

“

I would attribute about 75% of our sales to Lotlinx. We're able to reach people that we've never reached before.”

~ Jerad King, Managing Partner, King Automotive Group





Strategy 2

Know market share by segment.

View real-time market share rankings versus the overall market and key competitors.

This information is valuable as inventory increases and brand loyalty becomes less of an obstacle. Local market share is up for grabs. To maintain or increase your existing ranking, you must know how your top competitors are performing. By monitoring this sales pace by model ad dealership, you can adjust your marketing initiatives proactively at any time.



People are emotional. Lotlinx /AI/ takes the emotion out of it and simply works the statistics and numbers.

~ Jeremy Wiggains, General Manager, Vanguard Kia of Arlington





Strategy 3

Identify specific challenges and opportunities.

In inventory risk evaluation, you want to know the position of every vehicle in the marketplace.

Each unit has a unique set of factors that can help or hurt its ability to sell.

Those more challenging vehicles may require a shift in marketing. On the other hand, you can fast-track those with more opportunities to meet sales and revenue goals.

Regularly reviewing pricing, days-on-lot, and in-market shopper demand for every vehicle supports challenge and opportunity identification. It can help you avoid the costs associated with aged inventory and ensure increased profits for every unit.

“

Kia will not allow you to use co-op dollars with anybody you want, they have to meet a certain criteria. Obviously Lotlinx meets that.

~ Erik Butler, General Manager, Kia of Everett





Strategy 4

Understand where your digital ad dollars are going.

Do you know what channels work best in achieving sales goals?

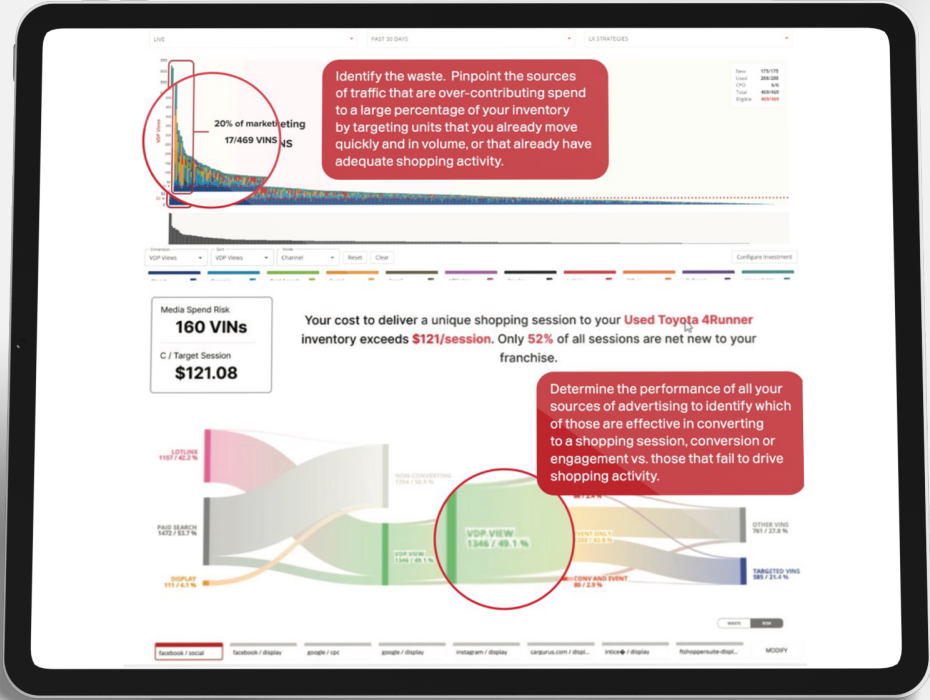
Modernizing the shopping experience and meeting consumer expectations make up your digital delivery. More and more shoppers are researching and purchasing online.

Thus, you must have accurate insights into which channels perform best. Use what you know about your market share to assess how digital marketing is contributing to revenue. Optimize your budget by allocating funds only toward those digital channels that target engaged consumers. These tactics should drive conversions for all inventory. You can also distinguish the channels that only deliver large audiences to your most attractive or fastest-selling units so you can eliminate them.

“

Lotlinx has absolutely helped us reduce markdowns and retain our gross profits. The management team is super happy with results like that.”

~ Matt Hunnicutt, Advertising Director, McCarthy Auto Group





Strategy 5

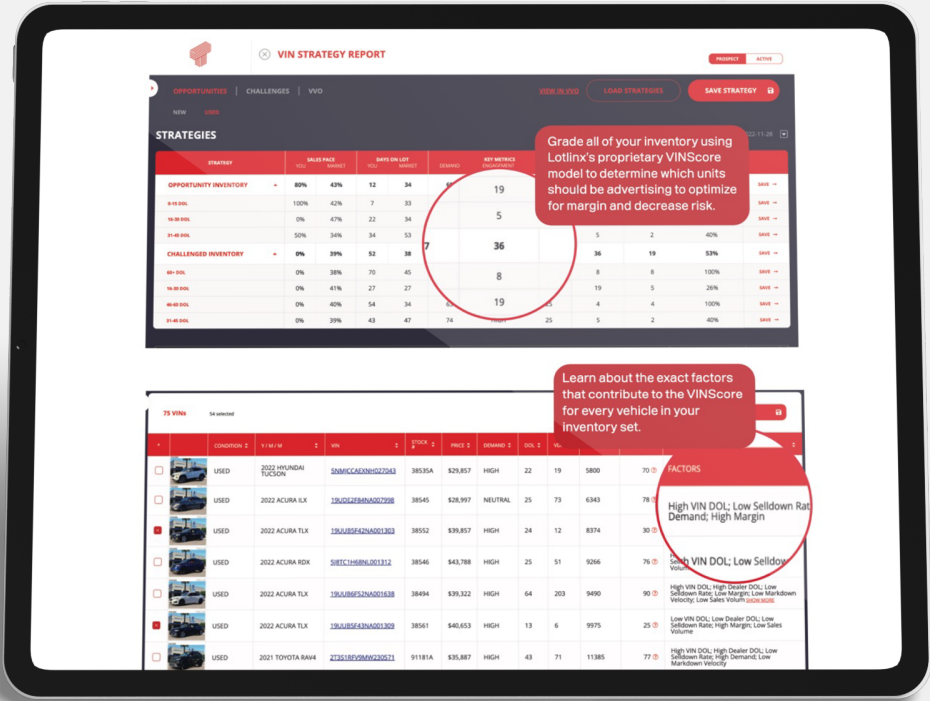
Set dealership delivery goals for every VIN.

Selling inventory should be proactive, which is possible at the VIN level.

If a vehicle is on the lot, there is still time to impact its sale. Recognizing each VIN's place against the market gives you the levers to control the turn rate, days-on-lot, and overall gross profit of a sale.

“ Lotlinx was my first phone call when I got here. I needed help moving metal and they knew what to do.

~ Dominic Scruggs, General Manager, Fayetteville Dodge Ram





Strategy 6

Execute a VIN-specific plan to reduce your inventory risk.

This strategy component is the most critical, allowing you to control sales at the VIN level.

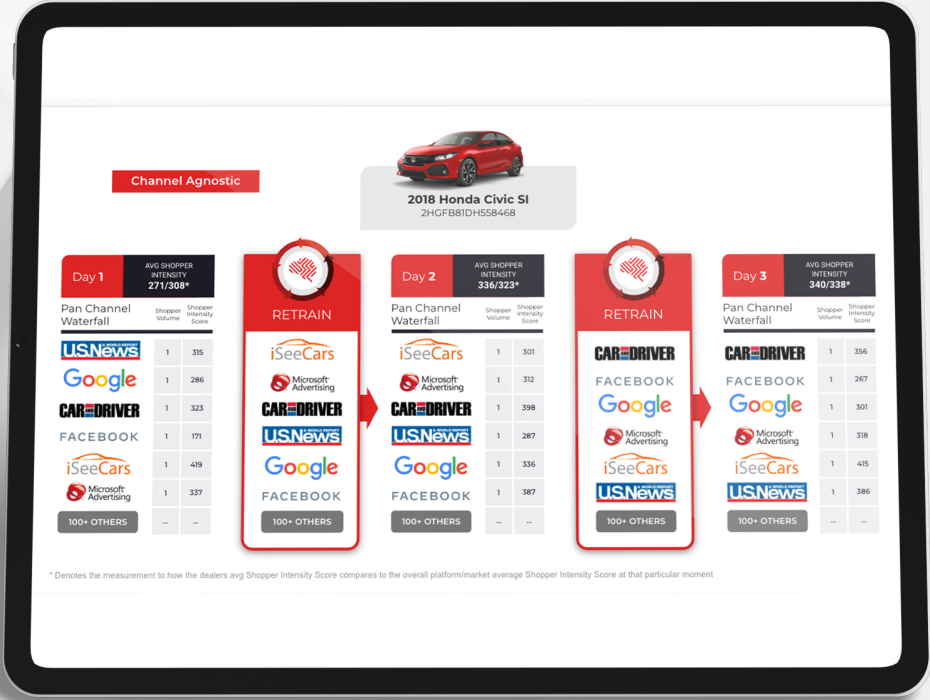
The result is less waste and more reliable profits.

Directing a pricing and promotion strategy at the VIN level focuses resources on specific inventory. You can achieve this with a platform that infuses AI and machine learning into the features. The Lotlinx platform gathers data on in-market buyers and directs shoppers to specific vehicles. It's a dynamic landscape, making thousands of micro-adjustments to media and pricing daily. Our dealership partners have realized the benefits of decreased days on lot and improved gross profit.



Lotlinx definitely helps us move metal at a much faster pace than we're used to."

~ Edwin Tan, General Manager, San Francisco Toyota



➤ Reduce Inventory Risk with Insights Powered by Lotlinx

The U.S. economy continues to show growth and recovery in 2024. Economics, consumer confidence, and borrower limitations all impact inventory risk for your dealership. Even with all the outside noise, your dealership can reduce inventory risk with Lotlinx solutions.

Address inventory risk now and continuously with access to the most advanced and comprehensive dataset, including data from every vehicle on sale and their locations, prices, days on lot, sales timing, and more. Our platform integrates data from over 26,000 dealer websites and captures consumer shopping actions across 160+ automotive publishers. It allows you to leverage machine learning to combine all supply, demand, and sales aspects with over 24 billion data points.

Join the thousands of dealerships proactively reducing risk as our customers.



**REQUEST A DEMO OF THE PLATFORM
AND CONSULTATION TODAY.**

**VISIT
[LOTLINX.COM](https://lotlinx.com)**

Lotlinx provides automobile dealers and manufacturers with enhanced operational control over their retail business. Leveraging state-of-the-art real-time data and machine learning technology, Lotlinx SENTINEL is the only inventory platform that enables dealers to automatically adapt to market dynamics, mitigating inventory risk through VIN-specific strategies. Dealers benefit by optimizing their profitability per vehicle retailed and moving metal faster.