Attributes of Vehicles with High Online Selling Success
Table of Contents

EXPLANATION OF STUDY: .................................................................................................................. 3
  Table 1: Simulcast Sales% by Seller Segment and Year (North America): ........................................... 3
  Chart 1: Fleet/Lease Simulcast Sales% by Year and Month: ................................................................. 3
DATA SAMPLE: ...................................................................................................................................... 3
EXECUTIVE SUMMARY: ....................................................................................................................... 4
VEHICLE INFORMATION DISCLOSURE: ............................................................................................... 4
  Chart 2: Dealer Simulcast Sales% with and without a Condition Report: ............................................... 4
VEHICLE QUALITY: ............................................................................................................................... 5
  Chart 3: Grade Distribution of Simulcast Offerings: ............................................................................. 5
  Chart 4: Simulcast Sales% by Grade: .................................................................................................... 5
VEHICLE AGE: ....................................................................................................................................... 6
  Chart 5: Simulcast Sales% by Model Year & Fleet/Lease Segment: ......................................................... 6
  Chart 6: Simulcast Mileage variance by Model Year: ............................................................................ 6
VEHICLE AVAILABILITY/BUYER LOCATION AND TYPE: ................................................................. 7
  Chart 7: Simulcast Sales% by Seller Type and Vehicle Segment: ............................................................ 7
  Table 2: Simulast Rank and Percent Offered by Vehicle Segment: ......................................................... 7
BUYER LOCATION (COUNTRY): .............................................................................................................. 8
  Chart 8: Percent Purchased on Simulast by Buyer Country (US Auctions Only): .................................... 8
BUYER PROFILE: .................................................................................................................................... 8
  Chart 9: Percent Units Purchased on Simulast by Dealer Type: ............................................................... 8
  Table 3: Percentage of Units Purchased Via Simulast by Dealer Type and Seller Segment: ................. 9
CONSIGNOR SEGMENT: ....................................................................................................................... 9
  Chart 10: Simulast Sales% by Market Segment: .................................................................................... 9
AUCTION LOCATION: ............................................................................................................................ 10
  Chart 11: Simulast Sales% by Region/Seller Type: ............................................................................... 10
CONCLUSION: ....................................................................................................................................... 10
Explanation of Study:

In order to help customers understand attributes of vehicles with higher online success rates, Manheim Consulting studied a variety of factors influencing a vehicle’s likelihood of selling online. As online selling increases every year, sellers need to understand the importance of making their vehicles attractive to online buyers. Adding an additional selling channel exposes a seller’s inventory to more potential buyers. This can increase the number of bids on a unit, driving up sales price, while also lowering days to sell, thus reducing depreciation and holding costs.

Table 1: Simulcast Sales% by Seller Segment and Year (North America):

<table>
<thead>
<tr>
<th>Year</th>
<th>Dealer</th>
<th>Fleet/Lease</th>
<th>Factory</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 - Aug YTD</td>
<td>2.4%</td>
<td>13.0%</td>
<td>29.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td>2008</td>
<td>2.3%</td>
<td>11.8%</td>
<td>26.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>2007</td>
<td>1.7%</td>
<td>9.3%</td>
<td>24.4%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Chart 1: Fleet/Lease Simulcast Sales% by Year and Month:

Data Sample:

Due to the rapidly diminishing volume of factory vehicles and low Simulcast sales percentage of dealer units, this study examines only fleet/lease transactions. The sample was collected from Manheim US sales and registrations, Simulcast and in-lane, from January through August 2009. Independent variables examined were: location (both individual auction location and region), vehicle age, quality (grade), make, segment and MMR tier. TRA/salvage and Specialty transactions were excluded from the study.
Executive Summary:

Examining online transactions compared to in lane transactions revealed that the primary factors driving online activity are supply and demand. Dealers use online channels to source units not easily available in their area and their online purchases are twice the distance than that of their in lane purchases.

The two most successful online vehicle segments, fullsize cars and sports cars, represent only 4.1% of Simulcast offerings. Additionally, newer, lower mileage, higher grade units tend to be more popular for two reasons: there is an implied guarantee of reliability for these units and the supply of these vehicles may not be conveniently located close to buyers.

Vehicle Information Disclosure:

Perhaps the most important metric improving a vehicle’s ability to sell online is information disclosure. In the auto auction world, this equates to a timely and accurate condition report. Because this study focuses on fleet/lease sellers, a detailed analysis was not performed regarding this metric (nearly 97% of all fleet/lease units have a condition report). However, a condition report for a dealer unit still plays a key role in improving online sales.

Chart 2: Dealer Simulcast Sales% with and without a Condition Report:

*Simulcast Sales% = vehicles sold on Simulcast / vehicles registered on Simulcast (crossing a lane equipped with Simulcast technology)

The combined Simulcast sales% for the dealer segment was 3.6%.

% Dealer units with CR: 10.3%
% Dealer units with no CR: 89.7%
Vehicle Quality:

Since online buyers typically do not touch and see the vehicle they are bidding on, they are less likely to bid on a vehicle they are unsure about. Higher grade and newer, low mileage vehicles offer buyers a better guarantee.

Vehicle Grade:

Higher grade vehicles continue to outperform lower grade vehicles online. Grades 0–2 experience a similar online success rate, while beginning at grade 3, a significant improvement is observed with each increase in grade.

Chart 3: Grade Distribution of Simulcast Offerings:

Chart 3 breaks out the distribution of fleet/lease units offered on Simulcast by vehicle grade.

Chart 4: Simulcast Sales% by Grade:

Chart 4 displays the Simulcast sales% by vehicle grade.
Vehicle Age:

Later in the study, online selling success of fleet/lease units is discussed in further detail. Because certain segments in fleet/lease experience higher online success than others, vehicles were evaluated individually based on their seller segment. For banks and captives, online success consistently increased with newer vehicle model years. In most cases, commercial fleet and rental online activity increased with newer models.

Chart 5: Simulcast Sales% by Model Year & Fleet/Lease Segment:

Within the same seller segment, newer model year vehicles have a higher likelihood of selling via Simulcast.

Chart 6 displays the percent variance between the average mileage of Simulcast sales versus in-lane sales (for same model year).

For almost every model year, the vehicles selling on Simulcast had fewer miles than those selling in lane. Many Simulcast buyers are focused on newer, lower mileage, higher grade units.

Note: In 2009, auction rental volume sample was low prior to model year 2006.
Vehicle Availability/Buyer Location and Type:

Vehicle availability is a key driver in boosting online sales. Buyers looking for inventory not easily available in their area represent one of the largest user groups of Simulcast. On average, Simulcast purchasers are located twice the distance from the auction as lane buyers.

Vehicle Segment:

Overall, Luxury Cars and SUVs achieved the highest Simulcast sales%, however, a disproportionate amount of these units were sold by captive finance sellers. After adjusting for the seller segment, fullsize units and sports cars had the highest likelihood of selling online. Both of these segments had the lowest Simulcast offering (as a percent of all fleet/lease offerings by vehicle segment). Luxury cars and SUVs still performed well, with Compacts, Pickups and Midsize units having moderate online success.

Chart 7: Simulcast Sales% by Seller Type and Vehicle Segment:

![Chart showing Simulcast Sales% by Seller Type and Vehicle Segment]

Table 2: Simulcast Rank and Percent Offered by Vehicle Segment:

<table>
<thead>
<tr>
<th>Simulcast Rank*</th>
<th>Vehicle Segment</th>
<th>Percent of Simulcast Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fullsize Car</td>
<td>1.3%</td>
</tr>
<tr>
<td>2</td>
<td>Sports Car</td>
<td>2.8%</td>
</tr>
<tr>
<td>3</td>
<td>Luxury Car</td>
<td>11.2%</td>
</tr>
<tr>
<td>4</td>
<td>SUV</td>
<td>30.6%</td>
</tr>
<tr>
<td>5</td>
<td>Van</td>
<td>8.8%</td>
</tr>
<tr>
<td>6</td>
<td>Compact Car</td>
<td>11.5%</td>
</tr>
<tr>
<td>7</td>
<td>Pickup</td>
<td>12.1%</td>
</tr>
<tr>
<td>8</td>
<td>Midsize Car</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

*Adjusted for seller type.
Buyer Location (Country):

As the US dollar fluctuates against foreign currencies, buyers from other countries are attracted to a lower US dollar.

Canada: These buyers have rapidly utilized online buying channels, particularly when purchasing in the US. Canadian customers are also purchasing more expensive units (many luxury and SUV models).

Mexico: In contrast to Canadian buyers, Mexican buyers only utilized Simulcast for 3% of their auction purchases. 87% of Mexican buyers’ purchases are in cash, thus making it difficult to buy online.

Within the US, buyers from less populated states, with little or no auction presence are more likely to utilize online channels when purchasing vehicles.

Buyer Profile:

Franchise Buyers are purchasing 23.1% of their units online while Independent buyers are only purchasing 13.4% online. Consignors that can attract or market toward Franchise buyers should see an increase in their online activity.

Chart 9: Percent Units Purchased on Simulcast by Dealer Type:

Over half of the units Franchise buyers purchased were high grade units (four and five).

82% of the units purchased by franchised dealers were 1 – 3 years old, compared to only 46% of those purchased by independent dealers.
Because franchise buyers typically seek newer, higher grade units (often the majority of their purchases are in the same brand), they have to source from multiple auction locations to supply their inventory. Though they account for a smaller percentage of buyers overall, franchise dealerships buy more units per dealership than most independent dealers.

As demonstrated in the table below, regardless of the seller segment, franchise dealers purchase a higher percentage of units via Simulcast than the Independent dealers.

**Table 3: Percentage of Units Purchased Via Simulcast by Dealer Type and Seller Segment:**

<table>
<thead>
<tr>
<th>Seller Segment</th>
<th>Bank</th>
<th>Captive Finance</th>
<th>Commercial Fleet</th>
<th>Rental</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise</td>
<td>14.8%</td>
<td>27.6%</td>
<td>17.4%</td>
<td>13.7%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Independent</td>
<td>9.8%</td>
<td>18.0%</td>
<td>10.6%</td>
<td>11.9%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

**Consignor Segment:**

Of the fleet/lease seller segment, captive finance companies achieved the highest Simulcast sales % (19.2%). There are multiple factors attributing to the high online success rate of captives.

**Chart 10: Simulcast Sales% by Market Segment:**

Captive finance companies offer newer, lower mileage, higher grade units (36.6% of captive finance units are categorized as grade four or five). As the average vehicle age at auction is increasing, the supply of this type of unit is decreasing. Additionally, since purchasing online may be viewed as riskier, buyers feel more secure purchasing a unit with less wear and tear.
Although much of an auction’s online sales are driven by outside factors, particularly the portion of captive finance and factory sales to the rest of the vehicle offerings, there are some regional variations in online sales. Auctions in the Midwest and Northeast typically have higher online selling rates, while auctions in the Southwest and West have slightly lower rates.

*Chart 11: Simulcast Sales% by Region/Seller Type:*

<table>
<thead>
<tr>
<th>Region/Seller Type</th>
<th>Simulcast Sales%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest Region</td>
<td>14.8%</td>
</tr>
<tr>
<td>Northeast Region</td>
<td>14.3%</td>
</tr>
<tr>
<td>Southeast Region</td>
<td>10.8%</td>
</tr>
<tr>
<td>Florida Region</td>
<td>12.6%</td>
</tr>
<tr>
<td>Southwest Region</td>
<td>10.5%</td>
</tr>
<tr>
<td>West Region</td>
<td>12.1%</td>
</tr>
<tr>
<td>Overall F/L Simulcast Sales%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

*Conclusion:*

Online purchasing continues to grow as a popular channel for buyers to source inventory from wholesale auctions. Buyers seek inventory not easily sourced from a local auction. Newer, lower mileage, higher grade units tend to be more popular for two reasons: there is an implied guarantee of reliability for these units and the supply of these vehicles may not be conveniently located close to buyers. Sellers offering these units have a distinct advantage. Because captive finance sellers offer a large volume of these units, they enjoy a high online success rate.

Vehicle segment is also an advantage to increasing online sales percentage. Lower volume segments such as fullsize and sports cars have distinctively higher success online.

Finally, there are some locational advantages for online sales. Though this does not make an extremely significant difference, the geographically centered Midwest Region tends to have a higher Simulcast sales percentage.