

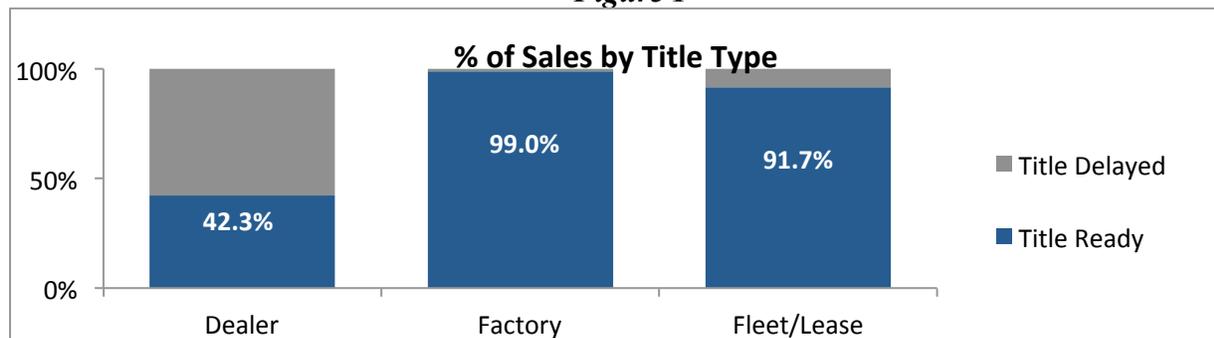


Impact of Delayed Titles at Auction

Introduction

Roughly 35% of all vehicles at auction are sold without the physical presence of a title. When broken out by seller type, over 90% of all commercial sales are conducted with a title, while only 42.3% of dealer sales are, (Figure 1). Because the majority of delayed titles are sold by dealers, the study will focus on their results only. The seller must announce lack of title as the car runs down the lane, or on the online posting, so the buyer's awareness of the absence may affect the sale and auction performance.

Figure 1



Executive Summary

- The cost of money at 3.25% prime interest rate is \$0.89 /per car per day on an average dealer car of \$10,000
- Conversion rate more than doubles when the physical title is present (86.2%) compared to a delayed title (42.0%)
- Same-day titles have slightly higher online penetration (18.5%) than delayed titles (17.7%)
- %MMR is not impacted by the presence of a title

Methodology

- All Manheim Auction transactions in the U.S. between January 1, 2014 and May 31, 2014.
- Dealer sales transactions. only
- “Whole car” results only; TRA (Total Resource Auction) and Specialty sales excluded.
- Datasets are broken out by “Title Ready” and “Title Delayed”. “Title Ready” indicates that the title was present at the auction on the day of sale; “Title Delayed” means more than 1 day’s wait before the customer received the title.

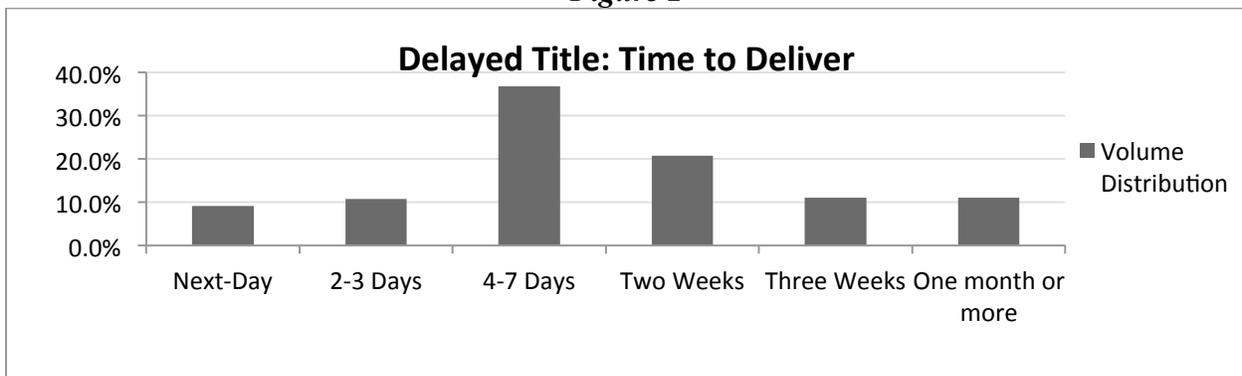


Findings

Cost of Title Delays

Typically, the delayed title will arrive within 1 week, (Figure 2), but without a title the dealer cannot retail the car on their lot. The longer the title delay, the longer the dealer must hold the car and endure the hassle of tied-up money. For example, the current prime interest rate is 3.25%, making the cost of money on an average dealer car of \$10,000 for a dealer about \$0.89/ per day. If they purchase 1,000 cars a year from the auction and each title is delayed one day: that's an additional \$890 cost to the dealer. If the titles are delayed one week it's an additional \$6,232. Unfortunately, around 10% of these delayed titles can take up to a month or more. This risk can impact the buyer and their purchasing behavior. Present titles benefit the seller by allowing the dealer to liquidate the funds as soon as possible, but also because the appeal of a title can draw in buyers wanting to avoid the cost of tied-up money.

Figure 2



Conversion

A major impact of having a title present on sale day is increased conversion rate, (also known as 'sales %'). Typical dealer conversion is 50%- 55%. While titles may not be the only driving factor, the average conversion for dealer vehicles with a title present is 86.2% as opposed to conversion for delayed-title vehicles at 42.0%. In Figures 3& 4 below, it is easy to see that the newest, lower mileage vehicles have the lowest conversion rates without a title present, while the older, higher-mileage vehicles feel less of an impact. This may be due to a dealer's tendency to do reconditioning work on older vehicles to get them ready to retail. Because they are already expecting delays and extra holding cost due to reconditioning time, the delay of title is less of a concern.



Figure 3

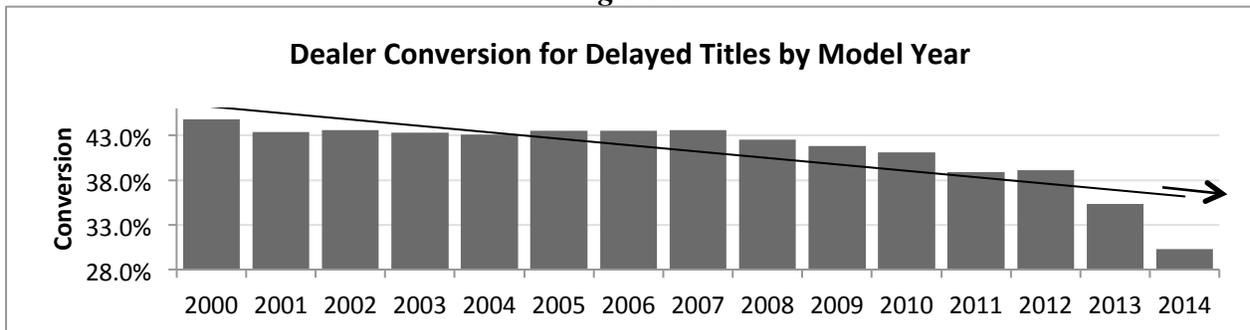
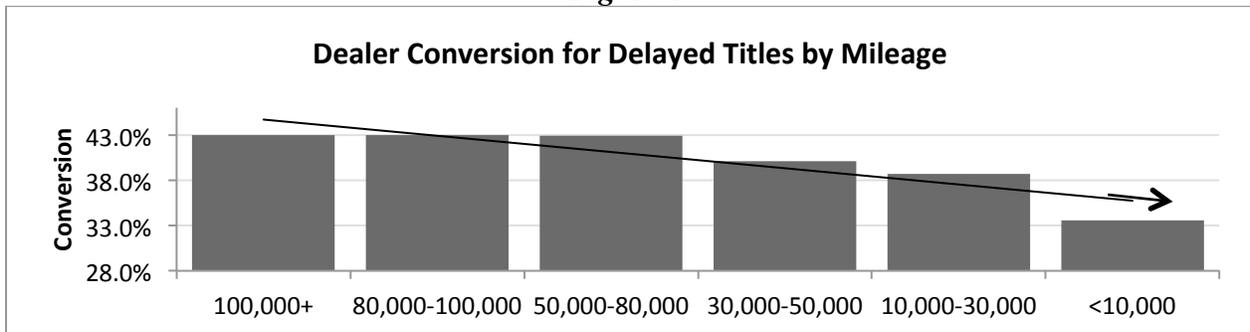


Figure 4



Online & MMR

Another benefit of title-ready vehicles is their online activity. Figure 5 shows that 18.5% of whole cars with physical titles present sold online via Simulcast or OVE in 2014, compared to 17.7% of vehicles with delayed titles. Buyer confidence is crucial during an online transaction, and the risk of a long-delayed title is enough to deter some dealers.

Figure 5

	Volume Distribution	%MMR	Conversion	% Online
Title Ready	42.3%	101.3%	86.2%	18.5%
Title Delayed	57.7%	101.4%	42.0%	17.7%

Conversion and online sales are both positively impacted by same-day titles, yet there is another standard measure for success: MMR. The %MMR achieved by dealer groups is relatively the same whether the title is present or not, as seen in Figure 5 above.



Conclusion

Having a physical title present on sale day has benefits for buyers, sellers, and the auction. The cost of money when waiting for a title to arrive can escalate quickly, causing the buyer to lose profits if they decide to take the chance on the vehicle at all. High conversion rates associated with ready-title cars help the seller's results as well as keep re-run costs for the auction low. A physical title also gives confidence to online buyers, expanding the pool of dealers doing business. While having the title ready is a positive impact to all vehicles for sale at auction, it is crucial to have it for newer, low-mileage inventory. Currently there is no perceived additional value on a physical title where price is concerned; the value coming from the likelihood of buyer confidence and a transaction.