MANHEIM CONSULTING

Selling Strategy: Impact on Sale Results from Sale Day Consolidation and Like Seller Presence

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Objective of Study:

1. To determine if a seller (referred to as "Seller 'A'" in this study) obtains an increase in retention (MMR%) as a result of consolidating weekly sales into larger sales (ex: bi weekly or monthly) and capitalizing on marketing efforts, seller recognition and the ability to attract a larger number of buyers.
2. To further determine if Seller 'A' obtains an increase in retention as a result of selling alongside like sellers.

Methodology and Data Sample:

Methodology

Volume, sale results and peer volume (five other fleet companies) were examined for unique sale dates. Sales were measured and assessed based on the MMR% Seller 'A' achieved when selling between one and 100 units and when selling alongside like sellers. Additional analysis was completed to determine the impact of carrying costs (depreciation and cost of capital) Seller 'A' would incur if it consolidates inventory into larger sales by running less frequently and increasing days to sell as a result.

Data Sample

Seller Data: Units sold by a medium-sized fleet company sold between January/2011 and June/2011. Specialty, TRA (Total Resource Auctions) and units marked as salvage were excluded. Only transactions in the lower 48 states were included.

Peer Data: Units sold by five medium to large fleet companies sold between January, 2011 and June, 2011. Specialty, TRA and units marked as salvage were excluded. Only transactions in the lower 48 states were included.

Executive Summary:

By consolidating sales into a minimum of 21 units (registering 28 to achieve seller's 70% conversion rate), Seller 'A,' can realize an increase in overall retention. Additional retention gains were observed when Seller 'A' sold in the same sale as its peers (particularly sales where the peer sold 21+ units). Based on the combination of Seller 'A's volume and peer volume, the list below sorts from highest to lowest retention results:

Seller Volume/Peer Volume

1. High/High – 100.1%
2. High/Low – 99.7%
3. Low/High – 99.4%
4. Low/Low – 98.9%

Findings:

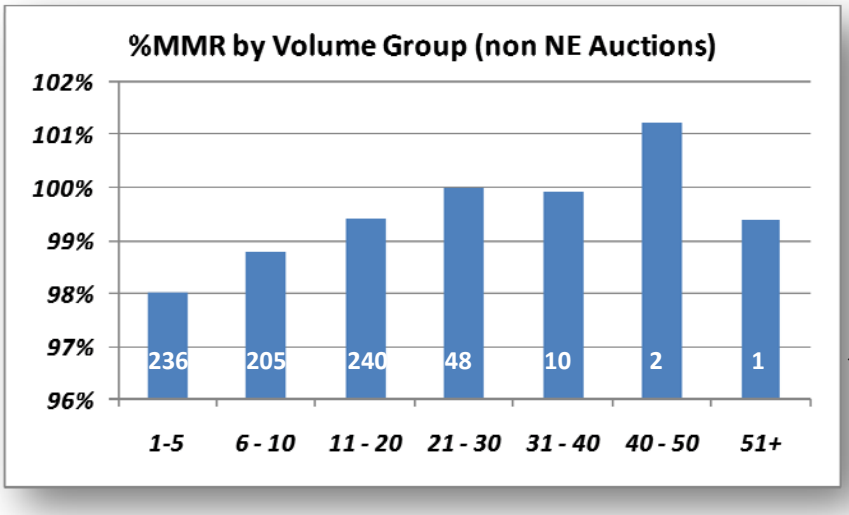
Excluding Units Sold in the Northeast

Seller 'A' wholesales approximately 10% of its units in the Northeast region and typically sells higher volume per sale in the region. To minimize impact of regional performance, transactions occurring in the Northeast were excluded so they would not weight the rest of the data sample.

Seller Results Based On Volume

When analyzing sale size and retention (%MMR), there was a 12.9% positive correlation between the seller's volume offered and sale results. To ensure it is achieving the maximum potential retention, the analysis revealed that the seller should sell a minimum of 21 units (registering 28+ with a 70% conversion rate) in each sale.

Chart 1: %MMR Achieved by Volume Group (sale size):



←# of individual sale date/location combinations

Seller Results Based On Peer Volume

Similar to offering a higher number of units in its own sale, Seller 'A' also benefits from running alongside other fleet companies. The table on page six identifies the MMR% based off the combination of the seller's offerings and the peer group's offerings. Items highlighted in green represent instances where Seller 'A' achieved at or above its national MMR% (99.3%). In most cases, Seller 'A' either achieves a higher MMR% when either selling solo with higher volume or running alongside peers. However, the combination of higher volume on both sides yields the highest returns.

Table 1: MMR% for Combination of Seller Volume and Peer Volume:

	Peer Volume:									
Seller Sale Size	0	1 - 5	6 - 10	11 - 20	21 - 30	31 - 40	41 - 50	51 - 100	101 - 200	Grand Total
1-5	98.0%	96.8%	97.8%	97.1%	100.4%	98.0%	99.5%	99.7%	99.3%	98.0%
6 - 10	99.1%	98.9%	98.7%	97.8%	98.6%	97.8%	99.3%	99.5%	99.0%	98.8%
11 - 20	100.1%	99.2%	97.8%	98.9%	99.8%	99.2%	100.5%	98.8%	101.1%	99.4%
21 - 30	102.0%	100.1%	97.1%	98.8%	98.6%	102.4%	99.3%	100.0%	102.4%	100.0%
31 - 40		99.5%		97.4%	96.0%		111.6%	100.2%		99.9%
41 - 50								101.5%		101.2%
51+								99.4%		99.4%
	99.7%	98.8%	97.9%	98.4%	98.9%	99.4%	100.5%	99.5%	101.0%	**99.3%**

**Green highlighting = retention at or above Seller 'A's national average*

The chart below summarizes the above information in low/high volume groups and assesses the actual gain/loss for these vehicles to Seller 'A's national MMR average relative to units selling in low volume sales (98.9%). Note: the price difference is assessed for an average vehicle value of $10,000.

Table 2: Summarized MMR% for Combination of Seller Volume and Peer Volume:

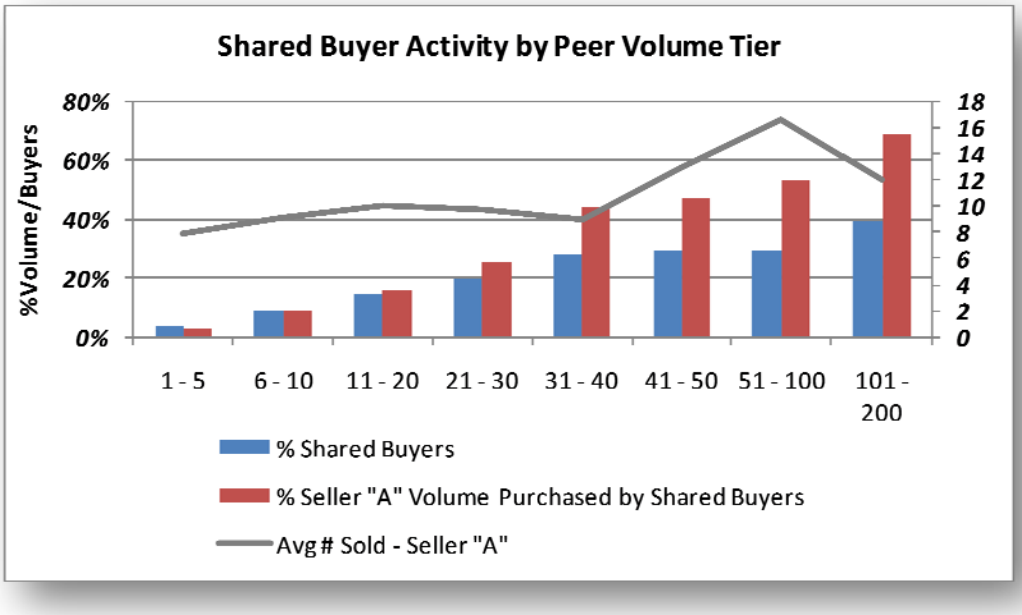
Seller 'A' Volume	Peer Volume: Low	Peer Volume: High*
Low	**98.9%** ***+0.0 pts*** ***n/a***	**99.4%** ***+0.5 pts*** ***$50.56***
High*	**99.7%** ***+0.8 pts*** ***$80.89***	**100.1%** ***+1.2 pts*** ***$121.33***

**High = 21+ Units*

Attracting Potential Buyers

A key benefit from selling in larger quantities, and running together with similar sellers, is attracting a larger buyer base. This study identifies that a larger peer presence meant an increase in cross buyer activity for seller 'A'. In fact, when peer volume approached 30 units in a sale, Seller 'A' could expect a minimum of 40% of its purchases were made by a cross buyer.

Chart 2: Seller 'A' Shared Buyer Activity Based on Peer Sale Size (where Seller 'A' ran in the same sale):



Carrying Costs

Nationally, Seller 'A' averages 7.4 days between sale dates, meaning it sells weekly at almost all of its locations. As noted in the "Seller Results Based on Volume" section, to achieve optimal retention results, Seller 'A' needs to sell a minimum of 21 units (registering 28 units). In order to reach this minimum threshold, Seller 'A' should run approximately every three weeks. The below table identifies carrying costs based on time period for a $10,000 unit:

Table 3: Carrying Costs for a $10,000 Unit (@ 1.5% depreciation / month + referenced discount rate):*

	Prime Rate - 3.25%	5.0% Discount	7.5% Discount	10.0% Discount
1 Week	$9.73	$13.09	$17.88	$22.68
2 Weeks	$19.47	$26.18	$35.77	$45.36
3 Weeks	$29.20	$39.27	$53.65	$68.03
4 Weeks	$38.93	$52.36	$71.53	$90.71

**Depreciation + Discount Rate*

Although a $10,000 unit incurs around $30 in carrying costs after three weeks (interest estimated at prime), an increase in retention would offset this cost. Table two highlights that running in a sale in which Seller 'A' sells 21+ units, the seller achieved an $80 increase over lower volume sales. Combined with the carrying costs, Seller 'A' would net $50/unit in this scenario.

The chart on page nine identifies the net increase in sale price based on the MMR% increase realized from consolidating sale dates and netting out carrying costs for three or four weeks. For example, if Seller 'A' consolidates sales, and a unit takes an additional 21 days to sell, but achieves one point higher in MMR, the return for Seller 'A' would be $70.

*Chart 3: Best Case - Return on MMR (based on point increase), Offset with Carrying Costs- *Assuming Discount Rate of 3.25%:*

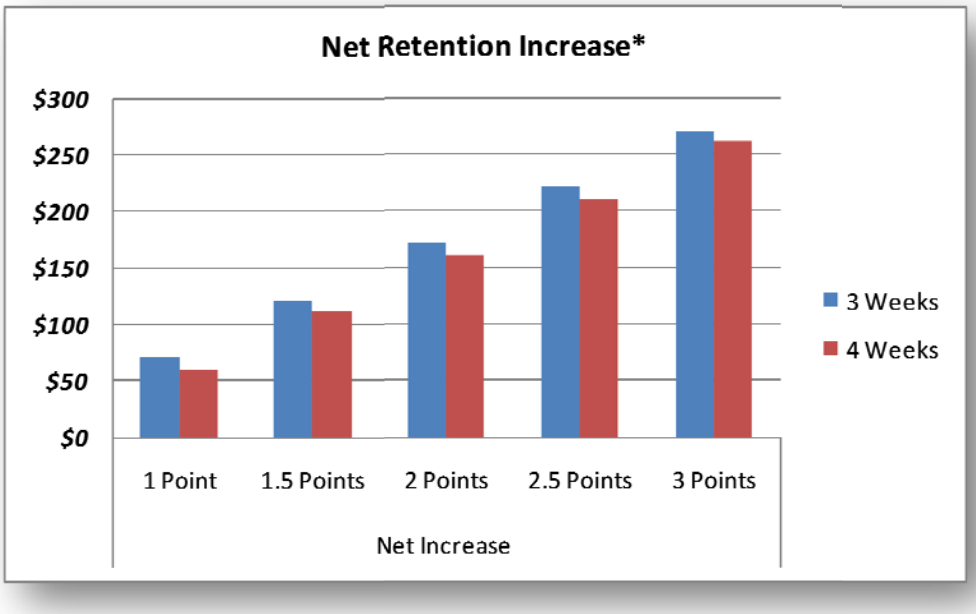
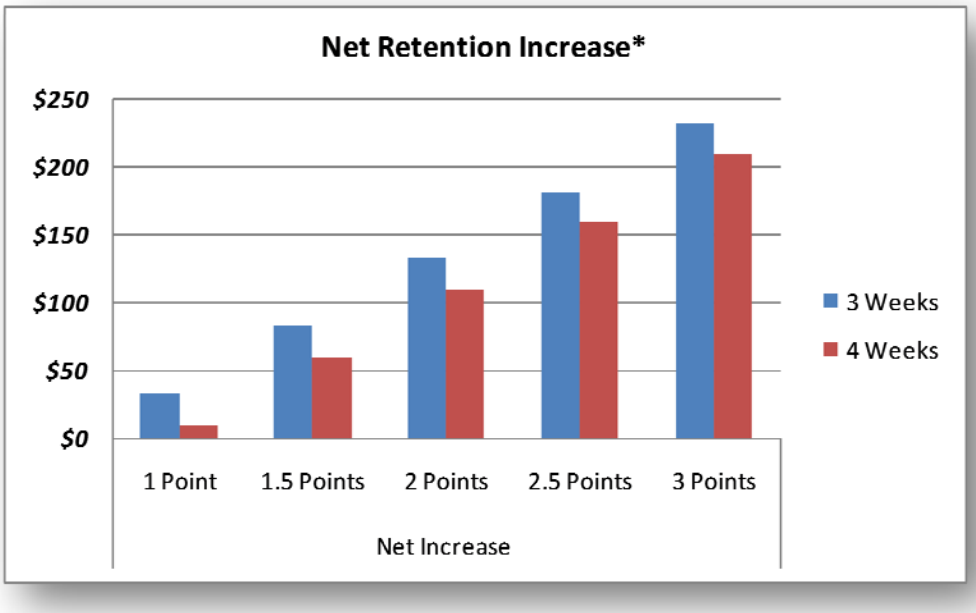


Chart 4: Worst Case - Return on MMR (based on point increase), Offset with Carrying Costs- Assuming Discount Rate of 10%:*



Appendix:

Calculations:

%MMR (Retention) = Sale Price (for units with an MMR value established) / MMR Value

Sales % (Conversion Rate) = # Sold Units / # Registered Units

MMR Point Difference = %MMR1 - %MMR2

Retention Increase (in dollars) = MMR Point Difference x MMR Value

Net Retention Increase = (MMR Point Difference x MMR) – Carrying Costs

MMR Value in this Study = $10,000