A New Way of Measuring Retention Reveals True Cost of Holding Vehicles for Multiple Offers

COX AUTOMOTIVE™

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Introduction

Price retention is traditionally measured using MMR at sold date. However, this approach only measures a vehicle's performance compared to peers and ignores the depreciation cost of offering and no-selling a vehicle multiple times. To capture this cost, we instead measure price retention using MMR at first-offer date and show how it differs from traditional retention. This new approach reveals the true cost of no-selling vehicles and should help consignors make decisions that maximize $ returns and residual values.

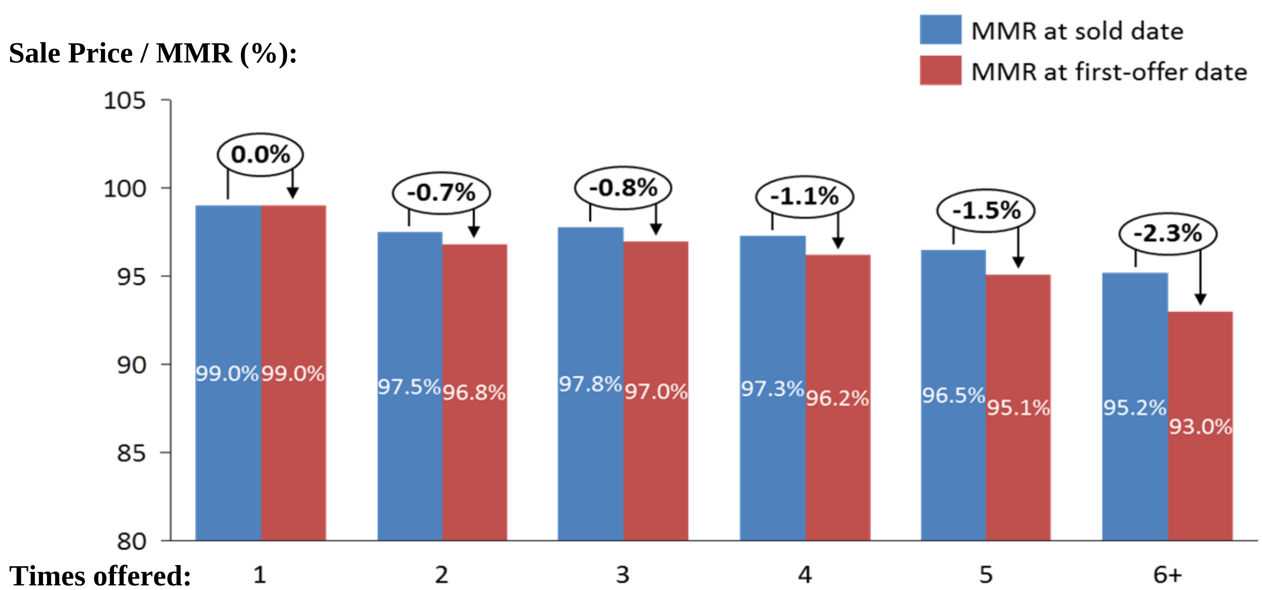
Findings:

- For vehicles that have been offered multiple times, **the gap between retention approaches** (using MMR at sold date vs. MMR at first-offer date) **reveals how much vehicles typically depreciate between offers**
  - By the 2nd **offer, the average depreciation is 0.7%** -- equivalent to ~$85 for a $12k unit
  - By the 5th **offer, the average depreciation is 1.5%** -- equivalent to ~$180 for a $12k unit
- Overall, **commercial vehicles depreciate by 2.1% per month** -- no-selling and holding out for a higher price at the next offer must overcome this depreciation to be worthwhile to a consignor

Recommendations:

- Consignors should **measure performance** using **retention MMR on first-offer date**
- To **minimize depreciation** and maximize true dollar returns, consignors should **price cars to sell quickly**
- Consignors can **list lane no-sales online** to minimize offer downtime and expose cars to a new buyer base

Figure 1



Avg. days from first-offer to sale:	0.0	8.4	13.8	16.8	20.6	33.1

Figure 1: Commercial unit price retention grouped by the number of times vehicles were offered prior to sale. Compares MMR% at sold date (blue) to MMR% at first-offer date (red), and also shows average days from first-offer to sale.

Appendix:

Figure A1: Distribution of Commercial sales across the number of times vehicles were offered

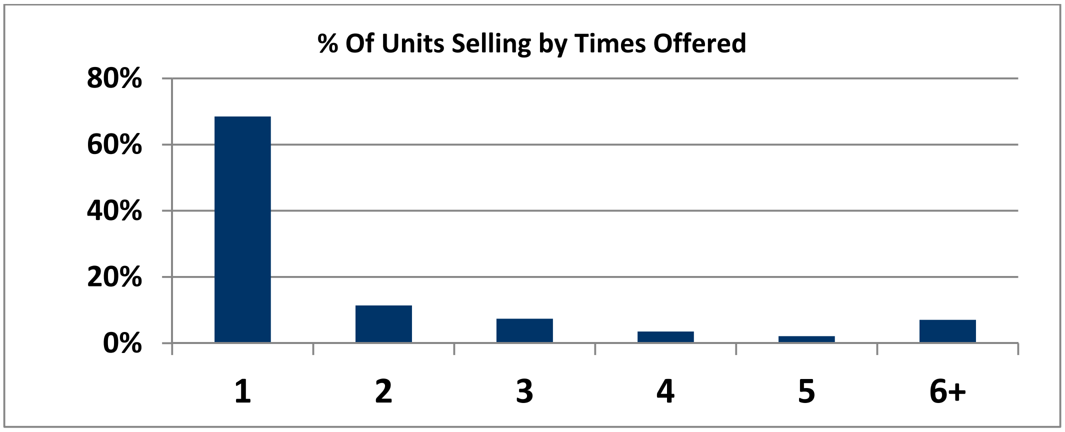


Figure A2: Depreciation vs. average days from first-offer to sale (blue diamonds, based on data from Figure 1). Trend line shows an average depreciation of 2.1% per month.

Figure A3: MMR% decline and price relationship to a $12,000 unit

Times Offered	2	3	4	5	6+
MMR% Variance from First Offer to Sale	-0.7%	-0.8%	-1.1%	-1.5%	-2.3%
Price Change on a $12k Unit	-$85	-$96	-$132	$180	-$276
Avg Days from First-Offer to Sale:	8.4	13.8	16.8	20.6	33.1

Methodology:

- We analyzed Manheim transaction data for US Commercial sellers (non-Dealer), excluding TRA and Salvage, over a 12-month period (November 2015 – October 2016)
- The MMR% was calculated by two methods:
    1. Sale price / MMR on sold date
    2. Sale price / MMR on the first date the vehicle was offered in lane or listed on OVE