BHPH Dealer
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KEYS TO SUCCESS IN 2022

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CREATE A PLAN WITH CLEAR OBJECTIVES, IMPLEMENT IT, MEASURE AND RESPOND

IN
CONTROL

CONTROLLING WHAT YOU CAN CONTROL AND ANTICIPATING WHAT YOU CAN'T IS KEY TO PLANNING

Normally planning and budgeting for BHPH dealers would be either completed or well on its way to being wrapped up by now.

But this year – and probably the next few – is much different, and delays are understandable.

From a bird's-eye view, supply shortages and inflation are here.

After years of hovering around 2 percent, the U.S. inflation rate has soared to 5.4 percent, the highest in more than a decade. And it's expected to remain around that rate for the foreseeable future.

For BHPH dealers, understanding the core economic issues causing the rise in inflation that have a direct impact on your profit and loss statement is key to your operation's budgeting, planning and forecasting – and for your financiers' expectations.

In any business, we can only control what we can control. Dynamics we can't fully control need to be understood and anticipated, while those we *can* control need to be controlled intelligently, objectively and quickly.

Let's look at some of the key budgeting lines from a P&L currently under pressure, from this perspective.

DIFFICULT TO CONTROL
Inventory, unit cost, reconditioning, days to turn: These top the list as the chip shortage and other supply chain issues are severely hampering new car production.

Production shortfalls have been forecast to be as much as 10 million units. That has already created about a 20 percent drop in leasing, and lease returns are a key pipeline to replenish dealers' used inventory and fill auction lanes.

Also, with a whole host of available new car prices being marked up beyond MSRP, many drivers of expiring leased vehicles are choosing to take a buyout, which now seems very favorable, and will wait out the market to move to a new unit.

The same mindset exists on the ownership side, where trade-ins are dwindling – again because of the new car bottlenecked pricing – causing a steep rise in used pricing.

The situation has become so distorted that some franchise dealers are refusing to sell a new unit unless the customer has a trade. Others, in states where rules allow, are charging fees for any car purchase without a trade-in.

So proper budgeting of your asset acquisitions will be challenging and difficult to control, particularly since the price of petroleum products and other associated reconditioning costs are already rising per unit.

SOMEWHAT CONTROLLABLE
Operating expenses, salaries, compensation, advertising: Not a day goes by that we're not reminded of the difficulty in finding and hiring both skilled and unskilled workers.

BHPH dealers have to be smart in their planning for their retail operation. Being more efficient in your use of human assets and optimizing their efficiency is key.

By leveraging a true AI/ML platform, dealers can maximize and accelerate their online pre-screen programs, providing them with an accelerated migration to – or expansion of – digital retail.

Providing better identifiable conversion rates, and by extension, affording them the opportunity to control operating expenses better will keep your budgeting, forecasting and goals more accurate and in line when developed properly.

MORE CONTROLLABLE
Gross profit, portfolio delinquencies, fraud, losses: Pre-COVID, no/thin files, inaccurate scoring and fraud were already rising and contributing to dwindling share for BHPH dealers.

As more aggressive subprime lenders employed cheap money, deployed some anti-fraud techniques and added some alternative data sets, they adjusted criteria and were happy to dip into the void and grab BHPH market share.

Today, as the coming post-COVID landscape crystalizes, BHPH dealers can win back market share, mitigate loss and beef up profitability by uncovering more approvable applicants, using an AI/ML decisioning platform that harnesses an almost limitless array of effective, determinative data sets, synthesized in a machine learning environment that can continuously refine your decision process to safely and logically maximize your budgeting and forecasting accuracy.

BHPH dealers are usually roughly categorized as large, multi-store, centralized operations or small, more independent, decentralized folks.

But today, integrating a process to make planning, forecasting and decisioning much more focused – which seemed way too far off and sophisticated for those smaller dealers just a few years ago – is accessible to all.

The time to act is now.

The budgeting and planning process will be both more difficult and more important than ever with those key industry issues continuing on. But you can leverage it to your advantage and *win*! ■

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