



What the large auctions expect for 2010 and beyond

Manheim and OPENLANE weigh in on wholesale prices, market trends, online sales and where the auction business is headed

MANHEIM

This year will see Manheim Canada spend a lot of time focusing its dealer business and enhancing services for clients, says Manheim rep Steve Macaluso.

When asked to peer into the crystal ball, it all ends up back at the dealers being successful and a commitment to stretch its fingers out across Canada.

As far as growth, Manheim Canada has been quiet about their physical expansion plans. That said, Macaluso says just because Manheim may not have a physical presence does not mean it isn't going there through its online initiatives.

"We'll go where the market takes us," he says in talking about the company's future online focus.

Case in point, the company's recent unveiling of its M'OVE It Fridays weekly online event sale. Dealers across the country now have the opportunity to buy fresh inventory online from national sellers and pre-qualified dealers without leaving their office.

The bid-only, short-window sale format runs from 10 a.m. until 2 p.m. (EST) every week. All vehicles include a condition report, images and are "strategically priced to move."

Since its January launch, Cheryl Munce of Manheim Canada said the weekly online offering has escalated from 500 per week to nearly 1,000 vehicles with approximately 50 per cent of those offerings being dealer consignment.

With that type of growth in mind, Macaluso hinted at a concentration towards "event style auctions online."

"We create an auction event every week at our physical auction locations. By recreating that mindset online, I think we'll be very successful."

When asked about the large influx of off-lease returns expected in the coming months, Manheim says it is in a good position to deal with the volume.

A keen business sense has him looking even further, though, as 2012 and 2013 are predicted to bring significant drops in the Big 3 lease return volumes at the auction level.

"Even though we expect to see a decline in domestic lease returns in the coming years, we look at some of the import and luxury captive finance companies portfolio's growing to offset some of the domestic volume that won't be making it to the auctions."

One thing that is for certain is the Manheim commitment to its dealer body, he says.

"We have always based our business around the dealers. We're committed to them and we're here to help the dealers succeed. When they succeed, we succeed."



OPENLANE

OPENLANE ended 2009 on a high note and looks to continue that momentum into 2010. Last year was the most successful year in the company's decade-long history with approximately 400,000 vehicle sales and surpassed quarterly and annual sales records both in the U.S. and Canadian markets.

Nagi Palle, vice president of analytics at OPENLANE, says look for that success to continue.

"We've always provided the dealer community with significant time and cost savings, a broad variety of inventory and value added services," Palle says.

He said the additions to its iDeal Open Auction Seller Program like pre-sale third party inspections, seller performance panels, seller marketing pages, market value guides help consolidate a comprehensive service for dealers.

For market trends, Palle says despite the increase in new car retail sales from 2009 levels, they're still muted compared to pre-2009 levels.

"Headwinds from diminished numbers of vehicles per household and a lower pent-up demand for new cars going into 2010 will create resistance to the new car market breaking free. Used car retail sales, however are expected to remain robust in 2010 - much like in 2009."

Additional trends OPENLANE identified at the end of last year include:

- Reduced trade-ins from a slow new car retail market and a strong used car retail market is expected to drive strong demand for wholesale used cars.

- The wholesale vehicle supply chain will continue to evolve to provide inventory at the right time and place and price. Constrained supply from trade-ins, as well as lower supply volumes overall, will make online channels for acquiring used vehicle inventory very attractive. Consignors will look to redistribute inventory where there is greatest demand (and healthiest pricing) without moving the vehicle from its location and dealers that have used vehicles that aren't selling on the lot will do the same.

- Online auctions will continue to grow. Boston Consulting Group estimates it to reach 15 per cent by 2013 and will continue to incorporate positive physical auction attributes into sales models (such pre-and post sale inspections, multiple floor planning options, end-to-end transportation solutions and GPS tracking).

It is OPENLANE's belief that overall wholesale supply will remain strong in the first three quarters of 2010 with supply constraints in off-lease volumes manifesting themselves in the fourth quarter.