

By Karla Guleserian,
Marketing Director & Recon Expert,
ReconVelocity

Automotive Recon Operations: How to Transform Your Most Costly Silo

Over the past 15 years, dealers have implemented groundbreaking digital technologies across sales, service, and finance. On the consumer side, digital has transformed the car buying experience and the way we own cars. While most aspects of buying, selling, and owning a car have been significantly altered by digital mechanisms, in many dealerships, there's a silo that has managed to fly under the radar of digital detection – the used car reconditioning operation, otherwise dubbed “recon.”

“... dealer principals and general managers must lead the initiative to break down the barriers around recon...”

Even though it can be one of the largest profit killers for the dealership, recon has escaped scrutiny. Moreover, the recon department's often-entrenched practices can lead to dysfunction across dealership departments, such as poor communications, finger-pointing, lack of collaboration, and improperly prioritized initiatives.

Shedding Digital Light on Recon Processes

Many dealerships still use spreadsheets and whiteboards to manage and track units in recon. Unfortunately, this approach makes it more difficult for dealers to know the exact amount of time it takes to get their units retail-ready. They cannot determine the time spent in each recon step, how much idle time has accrued throughout the process, or the amount of gross profit lost on vehicles in recon. However, if you polled used car managers using these antiquated tools, the vast majority would tell you that they have a good handle on recon and that it only takes a few days, on average, to get cars ready for sale.

“Having this bird's eye view of recon step

Having this bird's-eye view of recon step intervals allows managers to identify bottlenecks and take immediate corrective action.”

The truth is, without software to track and manage the progression of vehicles through the recon steps, there is no way of measuring the efficiency or inefficiency of the overall workflow. It is humanly impossible to track the number of hours, much less the minutes that multiple units spend in mechanical, the body shop, with sublet vendors, in detail, and being merchandised. The time has come to shed digital light on recon and implement process management and automation technologies that track recon step progress by the second and provide managers with an accurate measurement of recon performance in real-time.

The Recon Silo vs. Early Internet Car Shoppers

There are stark similarities between the recon silo that exists today and what happened a decade or so ago when the Internet began to influence the way consumers shopped for cars. Early on, for example, some salespeople refused to work with an “Internet customer” that presented in the showroom, much less give out-the-door pricing over the phone. Managers exhibit this same type of resistance to digital recon technologies capable of uncovering process and performance issues that slow recon and deplete gross profits.

“Within just a short period, he reported that the stores in the pilot had shaved between two to three days at a minimum off recon time – adding more profit to the bottom line and helping them sell more used cars.”

It is not surprising that few recon managers welcome the unveiling of process inefficiencies, the lack of individual accountability, and huge profit losses within their recon operation. For this reason, dealer principals and general managers must lead the initiative to break down the barriers around recon so that it becomes a productive contributor to the dealership culture just like those early Internet customers did.

Digital Technologies Are Transforming Recon Operations

Progressive dealers understand that recon software is essential to achieving transparency across the entire recon workflow, thereby enabling managers to know the

progress of each unit within each step of recon. These dealers have salespeople and BDC agents on the phone on day #1 of acquisition, reaching out to potential buyers so that vehicles can potentially be sold the minute they come out of recon or be given priority status in recon.

Jeff Dyke, President of Sonic Automotive, recently talked about a pilot of recon software that was conducted at seven of their dealerships to measure the impact on recon time. Within just a short period, he reported that the stores in the pilot had shaved between two to three days at a minimum off recon time – adding more profit to the bottom line and helping them sell more used cars. As a result, the recon platform is in the process of being rolled out enterprise-wide to all 106 Sonic locations.

Recon Process Management Software

Recon process management software is designed specifically to reduce the time it takes to get a vehicle through the recon process to the front line or retail-ready. Because the dealership's recon workflow is mapped out in individual steps, there is an incredible amount of transparency into how long each unit stays within each step, as well as the ability to track the amount of idle time of units between steps.

Having this bird's-eye view of recon step intervals allows managers to identify bottlenecks and take immediate corrective action. Additionally, this insight enables managers to hold individuals and vendors accountable for recon goals as well as recognize outstanding performance.

Automation is another critical aspect of recon software. For example, if a user neglects to manually move a unit to the next step within the mobile or desktop application, smart-routing or GPS technology can automatically progress the unit, so that step time reporting is accurate.

Improving cross-department communication is a huge function of recon software. App notifications and Twitter-like VIN-specific messages enable real-time communication about step progress. Unlike text messaging, recon app notifications, and @mentions are vehicle-specific, meaning that when they are opened from the app, the messages are displayed within the vehicle's notes. Such advanced features make real-time work approvals and denials a reality, which can lead to increased technician efficiency and productivity levels.

More Selling Days, Higher Gross Profits, Increased Inventory Turns, and More

Highly efficient recon operations get vehicles retail-ready within two to five days while keeping recon costs within operational allotments. Additionally, since buyer prospecting

keeping recon costs within appraisal allotments. Additionally, since buyer prospecting begins at acquisition, the number of selling days per unit is maximized, leading to increased sales and reduced depreciation. All of this translates to higher gross profits for the dealership and potentially increased employee incomes and customer referrals.

Inadvertently, the dealership gains other benefits of digitizing the recon operation, such as an increase in trade-ins, which then leads to more internal work for the service department. There may also be additional future customer pay opportunities as unit sales increase as well as the opportunity to sell warranty products and hold F&I gross.

Dealers will benefit from recognizing recon as the hidden silo that has averted digital transformation long enough. They must help employees embrace technological change that is necessary to tightly control recon costs, give velocity to the used car inventory turn, and protect diminishing gross profits.

The result is a win-win for everyone involved – the dealership retains more gross profit while driving customer retention, salespeople earn more income and get more referrals, and vendors get more of the dealership's business.

CONTRIBUTOR BIO



Karla Guleserian, for more than a decade, has worked in a wide range of capacities in automotive dealerships, including business development, fixed operations, modern retailing, and digital advertising. In these various roles, she developed and implemented processes to improve internal dealership practices that led to increased operational performance across variable and fixed operations. Karla spearheaded Nissan's Modern Retailing Beta Program in a small dealer group comprised of four Nissan points.

Share this article by clicking on this icon in the toolbar above. 

