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GM Rethinks Remarketing Methods

By Paul Hobson
News Editor

General Motors wants to apply a little science to a business infamous for relying on instinct.

GM, the world's largest automaker, now uses an advanced software program to choose the best auctions for used vehicles it wants to sell.

Using a vast set of variables and preferences, the software recommends an auction for each vehicle, predicts a selling price and tracks its accuracy after each sale.

The result can be significant cost savings, says Matthew Michalewicz, CEO of North Carolina-based NuTech Solutions, which developed the software over the past three years.

"Any industry that makes decisions on intuition has enormous potential for growth and to make decisions based on data," he said.

The software – called the Vehicle Distribution System – is a self-learning system that constantly absorbs actual values like auction prices and transportation costs and adapts to them.

"The problem is extremely complex," said Zbigniew Michalewicz, Matthew's father and founder of NuTech Solutions.

Not only does a consignor have to choose from a long list of auctions for each vehicle, it has to take into account market

fluctuations, seasonal changes and a variety of limitations it faces, he said.

"Even for a small company that doesn't sell as many cars per month, the number of options open to them can be astronomical," he said.

The VDS system takes those factors into account and adds market data from the customer's source of choice. It also incorporates a company's sales history and run lists at auctions to avoid sending vehicles into flooded markets.

A remarketer can set parameters, too. They can set limits on how far they ship vehicles and specify which auctions they prefer.

The system then recommends an auction and lists a net predicted price that includes auction fees and transportation and reconditioning costs. If the remarketer sends the car to the recommended auction,

the system crafts a report after the sale to gauge its accuracy.

The result is a more accurate decision about where to remarket certain vehicles, Matthew Michalewicz added. That can be crucial in a time when many auto lenders are still stinging from overly high residual values set on lease vehicles in the late 1990s.

"Every leasing company in the world is interested in maximizing the resale value of off-lease vehicles," he said.

Ford Motor Co. and Bank of America were the first companies in the auto industry to use the VDS to remarket used vehicles. Several others are now testing the VDS, he said.

"I can't say who they are at the moment, but if I did, they would be names you know," he said.

Michalewicz did say the companies included a rental agency, a fleet/lease dis-

posal firm, two banks and two captive finance companies.

NuTech's systems aren't limited to auction sales, though. They have crafted software programs for many different fields.

Its client list is very diverse, including heavyweights like Chevron, Corning and the U.S. Department of Defense.

Even within the auto industry, NuTech plans to create systems for dealers and online auctions.

So far, the NuTech's software is only available to finance companies, but a marketing package might be ready for dealers next year. It will help dealers decide the best ways to spend their advertising dollars, another decision he says is too often made on intuition.

The company also plans to launch products in the next two years that deal with transportation networks and the visibility of vehicles between sites.

Va. Bank Buys Moore Loans

WEST POINT, Va. – C&F Financial Corporation, a holding company for Citizens and Farmers Bank of West Point, Va., recently acquired Moore Loans.

Moore Loans is a leading regional auto finance company providing loans in Richmond, Roanoke, Hampton Roads and portions of eastern Tennessee.

Moore Loans, founded in 1952, had approximately \$65 million in loans outstanding at July 31.

Larry Dillon, president of C&F Financial, said Moore Loans' auto finance business would diversify the bank's revenue. He added that Moore Loans would operate as an independent subsidiary of the bank and

maintain existing management and employees.

Moore Loans President Abby Moore said, "We are excited about joining an institution with the financial strength and capabilities of C&F, and we believe that our customers, dealers and employees will all benefit from the affiliation."