# What is Provision ProfitTime?

Provision® ProfitTime is a new way of predicting how a used vehicle will perform as an investment. Traditionally, Velocity-minded dealers have used Days in Inventory, or the calendar, to assess a vehicle's investment value or profit potential. As a vehicle ages, its investment value declines, and prices get more aggressive. ProfitTime predicts each vehicle's investment value from Day One, helping you identify vehicles that will become distressed inventory in the future, and allowing you to take corrective action.

## What's the score?

Provision ProfitTime assigns a score to vehicles in inventory and vehicles being considered in the Provision Appraising module. The score is on a scale of 1–12, with results grouped as follows:

| | |
|---|---|
| ***PLATINUM*** 10–12 | This is the best score. If you get a car in the Platinum range, consider yourself lucky. And keep this score in mind when you're merchandising and pricing the car. These opportunities are rare, so consider holding margin on this vehicle. |
| ***GOLD*** 7–9 | Although not Platinum, this is still a good car that offers a respectable investment return. It's OK to have some patience with these vehicles alongside the Platinum vehicles. |
| ***SILVER*** 4–6 | ProfitTime is running out on this car. It represents a growing risk to your portfolio if not managed carefully. |
| ***BRONZE*** 1–3 | ProfitTime has run out — price this car to move. Free up space on your lot and floor plan for future cars that will offer more investment return and profit potential. |

ProfitTime Provision®
USED CAR INVENTORY MANAGEMENT

## What does this change?

As we've applied the ProfitTime algorithm to dealer inventories, we've seen two habits over and over again — habits that ProfitTime will help you break:

### BUYING A CAR RIGHT BUT SELLING IT TOO CHEAP

We consistently see dealers price cars with the lowest Cost to Market (CTM) with the lowest Price to Market (PTM). Effectively, they're passing on the discount they achieved at the time of acquisition to the retail consumer. As margin compression continues to be a major concern, these cars with low CTM at the time of acquisition are one of the only tools dealers have for fighting it. ProfitTime will help dealers identify the situations where holding a higher price will help keep front-end gross when the opportunities arise.

### NOT BEING WILLING TO TAKE AN INEVITABLE LOSS

The other pattern we're seeing is pricing vehicles too high in the market when dealers invest in the wrong car. Just because you're in a car for 100% CTM doesn't mean you should be able to sell it for 103% PTM. Often, the most distressed vehicles in a dealer's inventory have the worst CTM and the highest Days in Inventory. These conditions are partially caused by the depreciation of the cars, but they're more often related to a lack of discipline and fortitude to price these vehicles to sell despite an inevitable loss.

## How is the Provision ProfitTime score calculated?

The Provision ProfitTime score is calculated using the following data:

### ADJUSTED COST TO MARKET

How you invest in a car has the biggest impact on whether you will make money on it. ProfitTime's Cost to Market calculations are adjusted to reflect two critical factors:

**1. Average List Price in the Market:** Although you need to make more money on a more expensive car to cover the additional costs of floor plan and risk, that cost shouldn't grow at the same rate as the price. This means that a higher CTM on a more expensive car can be as good an investment as a lower CTM on a cheaper car.

**2. Price Spread in the Competitive Set:** If the prices in the competitive set have a wide spread as a percentage of the average list price, then you will need a lower CTM to absorb the risk this introduces.

### LIKE-MINE MARKET DAYS SUPPLY (MDS)

A vehicle is a better investment if the demand for similar cars is outpacing the current supply.

### MARKET SALES VOLUME

A higher-volume car is a safer bet than a lower-volume car with an equivalent MDS.

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