

TRADE APPRAISALS
& MARKET PRICING:
**STAYING IN
THE LEAD**
OF PRICING YOUR
POWERSPORTS UNITS
RIGHT!

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CHAPTER ONE: UNDERSTANDING THE TRADE APPRAISAL PROCESS

In the powersports industry, the trade appraisal process works a little differently than it does with the automotive world. Sure, you still have to look at the unit in terms of its age and condition, as well as other related factors, but there's more to it than that. The entire trade cycle is different, for starters, so you have to factor in different variables. In this book, we'll help you to better understand how things can work for your powersports dealerships so that you can maximize your profits and your trade inventory to stay ahead of the competition.

Some dealerships focus on the new game, and that's a great part of your business strategy, but it's one that you need to complement with a solid used game. Not only is it going to diversify your potential customer base, but it's going to give you more control over your profits. Who doesn't want that?

Keep reading to learn the basics of trade appraisals for powersports, how they differ from vehicle trades, and how you can take advantage of inside market pricing insights to capitalize on your trade process and used inventory.

Trade Appraisals 101

Why isn't there more information out there about the trade appraisal process and its role in powersports dealerships? For starters, the fact of the matter is that there aren't often a lot of powersports trades made. Aside from the obvious high-end toys like motorcycles, a lot of powersports units get used and end up with little to no trade value left. This left dealers hurting for inventory and caused them to seek out other ways to supplement their new unit sales.

Some started getting creative, offering incentives to those who would bring in trades. This could be as simple as letting people know that the dealer takes trades in the first place (not as obvious as you'd think) or as detailed as offering an additional premium on the trade value or some other type of bonus for those who will trade. This is still a popular practice and one that keeps many dealers in a place where their used game is doing okay.

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Yours needs to be better than okay.

Make sure that when you're valuing your trades and even considering doing an appraisal, that you're creating the opportunity for your dealership to make a profit and still get its hands in on the competitive and elusive used market. You could offer people an online trade-in tool, although this is something that you have to do with caution because the calculators don't always have the right variables.

When you take a trade, you'll need to ensure that it's something that you don't have in your inventory or something that won't sit unsold in your inventory. You have to compare what people are offering to what your dealership needs. Despite the high demand for used and trades, that doesn't mean that anything is fair game. You still need to be discretionary in the units that you take on trade.

How Powersports Trades are Different than Vehicles

Vehicles, typically, are a necessary purchase. The automotive industry does have some pleasure profits, but it's largely a necessity-driven industry. Powersports, on the other hand, is all about fun. People will go further and do more to get their hands on a new toy than they would a new car or truck. It sounds ridiculous, but it's the reality of the market. That's the biggest difference in the powersports industry-- the **trade cycle** drops from the typical 3-5 year buying cycle to about 2 years.

Two years.

It's an impressive improvement comparatively, but it isn't without its problems. Because of the high price of many toys, financing is often extended for up to five years. If they're trading after two, the math doesn't add up. Negative equity is the biggest issue in the powersports trade market—so much so that companies are working tirelessly to come up with ways to improve the trade cycle or the overall financing process to help alleviate this serious pain.

Powersports units typically also have much more customization to consider. While this can make them desirable from a standpoint of being unique, it will also make them difficult to sell until you find the **exact perfect buyer**.

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Want versus need is a serious factor here, too. Just as we mentioned above, the automotive industry is largely driven by necessity. The powersports industry is all about fun. Therefore, the value of trades may be calculated differently in some aspects.

The Value of Specialized Trade Teams

One of the most valuable ways to improve your day-to-day operations is to invest in a team that can focus exclusively on trade appraisals and improving the used game for your dealership. Bear in mind that, depending on the size of your dealership, this "team" might only have two or three people on it, but you need dedicated resources. Not only that, but you also need more than one person on the job. Think about what happens when your efforts DO pay off and your trades pick up. That one person will be underwater in no time at all.



What you can do is to take the time to train a few people on the trade appraisal process and provide them with the resources to stay updated on the trade industry in powersports. You can give them the tools to handle all of the trades from the time of contact through the end of the transaction, and never have to worry about passing people off to two or three different contacts in the journey. Plus, these people will be able to help come up with creative strategies for your trade appraisals and your used inventory sales as they work through the process daily.

The best way to improve your dealership right now is to get on board with trades and put a little focus on your used game. Not only is it where other dealerships are putting their time and efforts, but it's going to give you a way to improve your own profits that offers so much more control than new sales. We'll get into that later. Next, we're going to discuss market pricing and how you can take your dealership to the next level with competitive pricing.



CHAPTER TWO: MARKET PRICING FOR POWERSPORTS TRADES

Once you've got the trades, the next important step is pricing them right. It does you no good to have a full inventory of used vehicles only to have them over- or underpriced. Overpriced is obvious—people are going to see that they're paying too much and hold you accountable for it. They'll expect better deals or assume that they can haggle more because your pricing isn't as competitive.



Of course, since the used market is so touch-and-go, it can be a little more challenging to figure out where you are going to go from here. Read on to learn more about how to keep up with the competition and make sure that your pricing is for your benefit as much as your buyers'.

Keeping Up with Current Market Trends

The current market trends are the basis of all of your used pricing and trade values. You can't just go out and start doing whatever you want in terms of adding to your used inventory. You have to follow suit, and that includes taking the time to understand and employ current pricing that is competitive and still profitable. Some things to consider include:

- »»» Which units are most desirable right now? Keep a list of the top units or brands that people are asking for or that will garner you the biggest profit potential so that you can always spot a good trade when you find one.
- »»» What are others doing? Between the evolution of the used market and the current state of the powersports industry, you aren't going to beat the competition unless you take the time to find out what they're doing and do it better.
- »»» Look at the season and how the market may be affected by seasonal pricing. For example, if you're taking on a bunch of trades in January designed for warm weather, they might sit for a few months before they sell. Therefore, you might have to offer a smaller trade or take a bigger hit by letting inventory sit.

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Ultimately, it's about keeping up on the industry news and market pricing trends, which can change quite abruptly based on market shifts. Fortunately, a little education and the right resources can go a long way. Plus, there are some ways you can save yourself some money along the way.

Where to Save

Start by knowing the market. Once you do that, you'll be in a much better place to find your own profit pockets, as we like to call them. Look to the trades you're being offered—check the fair market value and assess the condition, sure. However, don't stop there. Make sure that you consider all of the factors, including how long it will take you to turn the unit over in your used department. If it's going to take longer than it's worth, try to give less for the trade or skip it entirely.

Another way that you can save yourself a lot of money on taking trades is to stop offering top dollar for those unique, one-of-a-kind units. Sure, the powersports audience loves custom toys, but they love toys customized to **their needs and desires**. If you are taking on units that were customized for someone else, expect to sit on them until the exact right buyer comes along. Or, better yet, stick to more common units that will be easy to sell through with better profit potential.

Using an **inventory management platform** that is integrated with your CRM and other software platforms will also help you save. You'll be able to quickly verify what kind of units you already have so that you don't overbuy or take too big of a hit. Plus, you'll be able to pull up quick reports of what's been selling and how well so that you have a better idea of which units to focus on. Whether it's an ATV, motorcycle, or another powersports unit, managing what you have is part of the secret to increasing your profits with your trades.

Staying Competitive in a Highly Competitive Market

Competitive pricing doesn't stop at your new units—in fact, competitive pricing for your used inventory might be more profitable for your dealership overall. Or, you'll at least have more control to make it that way if you want. We'll get more into the topic of controlling your entire trade process in the next chapter, but for now, you need to know that it's an integral part of staying competitive in today's fast-paced powersports market.

When you can take control of your used inventory, you're not just giving yourself more profit potential and a better trade process. You're stepping up and holding the competition to a higher standard because they will be expected to follow suit. You'll also avoid the blunders of overpricing a unit that is selling lower elsewhere or double-listing an item that could cost you valuable profits or even reputation points.



The biggest part of staying competitive is being aware and proactive about everything that you do.

Capitalize on your AI solutions and incorporate what you can to streamline and automate trades and used inventory management, but also make sure that you've got a well-trained team of people who are capable of taking care of the department. Most of the time, it's as simple as just making everyone aware and then making a plan.





CHAPTER THREE: HOW YOUR AUTOMATION TOOLS CAN HELP

One area that will integrate seamlessly, and necessarily, is your inventory management platform. When you start putting your trade cycle through the AI process, you'll find that it is best to choose trade tools and software solutions that integrate well and make improvements to your existing inventory management solutions. That way, you can have customized control of your trade cycle, used inventory, and more.

Digital solutions are changing the way that your powersports dealership does business on a daily basis. It was only a matter of time before your used inventory came into question. If you're like many dealers, you've already got the tools set up and in place. You just might not be capitalizing on them quite yet. Fortunately, from better inventory management to more control over your trade-in business, there are plenty of benefits to utilizing the automation tools and platforms that your dealership relies on to also manage and assist with your trade appraisals and fair market pricing.

AI streamlines routine tasks, ensures that you get detailed analytics reports, and helps you know exactly what is going on at any given time. It can also give you a chance to streamline your departments by connecting everyone with the tools and resources that you are using. For your used team, this kind of connection can be invaluable.

Total Trade Control

The great thing about taking control of your trade appraisals and integrating the trade process with your marketing automation platform and other AI tools is that you are **taking control of every dollar**. Unlike new sales, where you have limited profit margins based on MSRP and wholesale pricing, among other factors, used powersports sales allow you to control almost every aspect of their purchase and sale.

You control what you take in—determining its value, setting a salesfloor price, picking and choosing how you'll handle negative equity and other trade issues, and every other aspect. You are controlling how everything is priced, how much profit you make, and how quickly you can cycle your used inventory.

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That means you can increase your profit margins AND still give your customers some of the best deals in the marketplace. If you break down the trade process to its most basic form, you'll easily see the control that you have:

- Trade valuation and appraisal
- Trade selection (will you take the trade?)
- Market pricing
- Inventory
- Financing (what you offer and how)

With new units, you're so limited on all aspects beyond basic inventory control and running occasional specials that it is refreshing to see just how much you can keep tabs on your used inventory and improve your trade process, as well.

Digital Trade-In Tools: What You Need to Know

Digital trade tools have been around for autos for several years. People like getting information ahead of time, and often that trade calculator might be what pushes someone to move forward with a trade-in or a new purchase. In the powersports industry, valuing trades requires a few more criteria and a lot of potential options, so these tools were a little bit more difficult to create at first.



Fortunately, the market has come a long way and there are now several tools out there that you can integrate on your website (if you haven't already) to allow your customers to get an estimate of their trade before they even contact you. This not only increases the chances that you will get the trade, but it increases their brand confidence and improves the odds that they'll become a customer for life.

Just remember to choose tools that provide realistic values. If you are going to use these, consider customizing them specifically or having one built for you. The last thing that you want to do is assist people with their trades and then give them bad information. That could cost you a small fortune, or at the very least, eat into your profits significantly.

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Full-Circle Inventory Management

When you create a trade process and used inventory solution that improves your trades, you're giving your business a chance to compete with a popular trend in the market. However, when you incorporate that well-designed trade process and its tools with the rest of your automated solutions, it offers a full-circle reach right back to your inventory management tool, which is probably one of the most useful pieces of AI that your dealership has.

With a solid trade appraisal solution integrated into your dealership, you are going to be in total control of your used inventory from start to finish. Incorporating the various AI platforms allows you to integrate with other systems and provide a more seamless experience for your staff as much as your customers. Like everything with your software solutions, this is just the next step in the journey to complete the perfect circle of marketing success for your powersports dealership.

Conclusion

Now that you understand a little more about trade appraisals and market pricing, as well as how they can improve or impact your dealership, you will be able to get your own process in place to help your dealership. Remember that it's all about making what you want of it because this is the one place where you truly have total control. As mentioned above, we're all about coming up with efficient software solutions to help your dealership, and that includes trades and the entire used department.

Although this is a very different process and industry than what you see in the automotive world, it's still one that has plenty of potential if you know how to use it well. After reading this guide, you should have all of the insights and resources that you need to get started on rebuilding your trade process and improving your used game overall. It's about knowing the market and capitalizing on technology, just like most of the areas of your dealership when it comes to sales and marketing. However, it's also about knowing what to take, when to take it, and how to stay competitive in this unique sector of the powersports industry.

Resources

https://psxdigital.com/powersports-trade-cycles/?nab=0&utm_referrer=https%3A%2F%2Fwww.google.com%2F

<https://powersportsbusiness.com/columns/2009/05/04/may-4-2009-the-difference-between-the-motorcycle-and-auto-business/>

<https://powersportsfinance.com/trade-in-appraisal-tool-adds-credit-score-functionality/>

<https://psxdigital.com/>

<https://www.sema.org/sema-news/2019/07/upward-trend-in-powersports>

<https://www.npauctions.com/bp/ValueGuideInfo>

<https://psxdigital.com/ai-inventory-management/?nab=0>

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