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HERE TODAY, GONE TOMORROW:

The Cumulative Costs of Inventory Theft As seen in AutoSuccess

Earlier this summer, three dealerships made headlines when 12 vehicles worth nearly \$1 million were stolen. What the media didn't mention was that the price tag of the vehicles themselves is a fraction of the costs dealerships absorb after an inventory loss. But why should you care? High-profile thefts like these only make headlines because they're uncommon, right? Maybe not.

Recently, there's been a rise in organized criminals robbing dealerships. The FBI reports that these criminals often ship stolen vehicles overseas and use them in illegal activities, including drug trafficking and terrorism. They tend to target dealerships near export areas, major interstates or borders, and that have keys in an easily accessible location, such as in window-mounted lockboxes.

Of vehicle thefts reported in the news, dealerships typically lost four or five vehicles, but some lost as many as 30. Your dealership may never fall victim to these criminals, but it's important to understand the cumulative

costs of inventory theft and take precautions to protect your business.

Monetary Cost

We often quantify an item's loss by the price tag, but when you lose inventory, losses extend beyond the vehicles' value. Below are three hidden costs of theft.

Insurance

Let's say your deductible is \$5,000 per vehicle. If you lose five vehicles, you're out \$25,000. That's less than the vehicle's cost, but how much will your premiums go up? There's also the fact that insurance funds aren't always immediately available. One theft victim, for example, reported that a lengthy claims process led to cash flow challenges.

Opportunity Costs

When you don't have inventory on your lot available to sell, that's revenue you miss out on. Brand damage could also cost you additional opportunities in both sales and service if your dealership gains a reputation for being poorly

run and not protecting its assets (and, by extension, customers' assets).

Rekeying Costs

If your vehicles are recovered, you may choose to rekey them, especially if the original keys weren't recovered, extending the time the vehicle is unsellable.

Even if thieves leave vehicles on the lot when swiping keys, your bottom line suffers since vehicles can't be sold without keys. If a high volume of keys goes missing, you may also face the issue of the manufacturer not having the necessary parts in stock to replace all your keys and fobs at once.

There are several variables that affect the total cost of inventory loss, but it's safe to say you're looking at a loss of tens — if not hundreds — of thousands of dollars.

Operational Impact

When keys or vehicles are stolen, the impact reverberates throughout your dealership:

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“When keys or vehicles are stolen, the impact reverberates throughout your dealership.”

- The dealer struggles with a hit to the bottom line, higher insurance premiums, the hassle of dealing with insurance and police, and harm to their personal reputation.
- Sales suffers from reduced earning potential while stolen inventory is being replaced or recovered, as well as fewer new opportunities due to reputation damage.
- Service sees less business due to reputation damage, as customers will be reluctant to entrust their vehicles to a dealership that wasn't able to prevent its inventory from being stolen.
- Accounting has to straighten out the financial implications of inventory loss, insurance deductibles and higher premiums.
- Marketing spends time and budget remediating reputation damage.

These effects could last anywhere from months to years — and that's assuming you don't experience repeated thefts.

Morale

Dealership theft isn't just expensive — it's a

morale buster. Will salespeople be excited about their jobs if they lose sales as a direct result of the thefts? Do you think your controller will look forward to reconciling post-theft financials? Will your internet marketing team enjoy handling snide remarks on social media?

As low morale spreads, employees become disengaged, which in turn leads to turnover. According to NADA's 2018 Dealership Workforce Study, the industry's employee turnover rate is 46%, up from 43% the previous year. Since the industry already struggles with retaining employees, you can't afford for associates to be in low spirits when your focus should be improving satisfaction.

Protecting Your Inventory

To reduce the risk of thieves targeting your

dealership, start with the tips below:

- Store keys separately from vehicles, preferably in a secure electronic key control system. Although window-mounted lockboxes appear convenient, they actually create additional risk. Thieves have devised ways to break into them, making it easy to steal keys and vehicles.
- Routinely train your employees on key control and general security principles.
- Re-evaluate your security practices on an ongoing basis. Thieves' methods are continually evolving.
- Speak with your insurance agent to make sure your coverage is adequate.

Even if you never experience a headline-worthy crime, taking measures to protect your business is worth the peace of mind. ○

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