A side effect of the ongoing pandemic has created an auto inventory shortage, which experts warned might happen. Thanks to a shortage of semiconductors, distribution issues, commercial driver shortages, and further production disruptions due to the resurgence in COVID-19 variants. The auto industry does not have enough cars to keep up with consumer demand.

The shortage becomes apparent to anyone looking for a car. What would typically be an inventory of 200–300 new vehicles are now reduced to under 20 in stock. The shortage is so extensive that dealers, now more than ever, are contacting previous customers and offering to buy their used vehicles just so they can have inventory to sell. That, in turn, is driving up the price of used cars.

**USED IS THE NEW...NEW**

When the pandemic struck, it halted business globally. The manufacturing facilities that remained open were soon struck by COVID-19 outbreaks, which further slowed down production. Specifically, those outages and slowdowns have resulted in a low product supply of semiconductors — used in nearly every manufactured vehicle worldwide. As a result, fully-built new vehicles are unsellable without a semiconductor.

Even if selling a new car was easy, there is yet another challenge. Specifically, transporting new cars from the shipping docks or factories to the dealerships. For the last five to ten years, the commercial trucking industry has been fraught with a shortage of qualified and licensed drivers. That has created a ripple effect on the supply chain that has grown over time.

This has changed the entire genetic makeup of the used car market. Dealerships’ revenue suffers from the lack of new car sales volume - but with used cars readily available, dealers can collect some of that missing revenue. But while attempting to supplement the front-end with the increased price of used vehicles, dealers’ F&I departments need to assess their product suite to ensure they have the coverage available for these newly popular, higher mileage vehicles.

**CONSUMER RISKS**

Purchasing a used car comes with some risk for the consumer. Underlying mechanical issues, heavy wear and tear, or overall lack of proper maintenance that impact the car’s life span can create unexpected repair needs in the future.

Some dealers may offer limited warranties on used vehicles, but typically they are short durations – 30 to 60 days – and do not cover all items on the vehicle. However, most used cars come with no guarantees and little, if any, protection for the buyer.
Without the manufacturer’s warranty or a limited warranty, buyers could be left with expensive repairs at any time after purchasing the car. Additionally, the older the car, the more likely there will be an expensive repair in the near future.

**BOOSTING BACK-END PROFIT**

There is a recourse that benefits dealers and their consumers — NFP’s competitive, high-mileage vehicle service contract. Our Power Automotive Protection VSC has been successful in hundreds of dealerships for over five years. By providing long-term, exclusionary coverage to vehicles with up to 125,000 miles, our Power VSC is the way to extend your current coverage without disrupting your core program.

Built with a disappearing deductible, our Power VSC will drive your consumers right back to your service department – increasing your service retention, too. Receive claims payment the same day, leaving you and your consumers happy. The proprietary claims portal makes it so your service department can submit and manage any claims with ease.

In today’s current market conditions, maximizing profits in a way that gives buyers more confidence in their purchases is key to remaining profitable. Our Power VSC protects your consumer’s investment while giving your dealership an opportunity to boost slipping VSC penetration and back-end profit.

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