

# Manheim auctions assignment



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Data Management & IT-LB5002. | Assignment 3| | MANHEIM AUCTIONS|  
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Singapore. 1. Describe Manheim’s business, information and organizational strategies. Business strategy: Auction is a very social event with a culture of its own. Manheim is the largest wholesale automobile auction company in the world. He is using up various modes like Manheim online, Auto connect, etc. to sell the used cars and his main focus initially on US market and later on UK.

Manheim business strategy is auctioning, reconditioning and processing the used vehicles by getting a fee for various processes and thereby revenue generated. They entered with Japanese automobiles as it has improved quality. They focused mainly on dealers as they are their customers. They notify the dealers about forthcoming auction including details of used cars. Before auctioning, inspection will be carried out. Once the cars are ready, auctioneers will bid until final price is reached.

Once a final bid is accepted, the car becomes the property of dealer which is then sold for customers or public. Information strategy: Manheim’s information system is excellent for implementing its business plan through various means. Initially he used a physical means for auctioning by using special sites. But later on as the technology grows he tried to implement many systems like auction vision, Manheim online and other services like MMR, auto connect, tracker plus and leasing plus with the help of a third party developer so as to compete more efficiently with its competitors.

Manheim also uses Extranet to link with their suppliers, customers or other firms to share common goals. Organizational strategy: According to the vision statement as the world's largest auction house, Manheim sells millions of used cars to the customers by using many systems which is technically more advanced so as to serve well. In olden days when an automobile reached 50, 000 miles rebuilding of engine was required. So the demand for used car was very low. Later on as the technology grows there is no need of even tune up until 100, 000 miles reached.

So there is lot of craze on used car and this is the main reason that boosts up Manheim to become a top used car seller. Manheim's main focus is to reduce/avoid the competition by extending sales through internet and by adding values to its customers and suppliers. Moreover he delivered the sold car to the dealer's lot within the specified period of time. 2. Describe the Manheim value chain. Who are Manheim's customers and how does it add value to each of these customers? Manheim initially sold the used cars by physical means and then it became advanced by selling through auction vision.

After that it has developed a web site MOL with the support of a third party developer ICI to improve the sales in convenient way so that the customers get out better benefits and process would become easy. Thus its value chain holds well by adding more customer benefits. Manheim's customers are the dealers of used cars. Manheim act as an intermediate as he got supply from other special suppliers and then he sold out to the dealers who are the customers which is further sold out to the public.

Manheim also adds value to each of these customers by implementing special softwares like Auto connect, Tracker plus and Leasing plus so as to compete its other competitors more effectively. 3. What are Manheim's core competencies? Have these changed with the introduction of MOL? The main reason for Manheim being a successful and number one company is that they are the part of a globally well reputed privately owned Cox Enterprises. Though there are many other competitors, Manheim enjoyed a first mover advantage.

Manheim being the first to start the business, initially he used auction sites to sell the cars where customers directly come for face to face auction. After that he sold through the media. Later as he has the first mover advantage and also due to the lack of infrastructure, he started developing Manheim Online(MOL) with the help of a third party developer to operate the business more efficiently. They give full details of cars to be sold including dents, damages, etc. so that Manheim could be trustworthy. 4.

How has the web changed the nature of Manheim's business? At starting, to sell the used cars Manheim preferred bidding in an open area called auction sites by physical means. That is the customers or their representatives had to come to auction site in person and bid. Once a final bid is accepted the car will become dealer's property. Later on due to the lack of infrastructure it was very difficult to manage all the customers and suppliers also to accommodate the used cars. So as a subsidiary of Cox enterprises they planned to approach Intellimedia, inc. (ICI).

They created a prototype website that would enable the dealers who are certified participants of Manheim auction to purchase directly from the website. The cars are just processed as usual and digitally imaged including information like mileage, color, defects etc. so that one can access the website and select accordingly. After entered in to the web Manheim generated very high revenue compared to before. To become a member in Manheim auction one has to pay registration fee of \$20-\$40 per month. As many as the customers join, the more the revenue generates.

The web has changed Manheim auction a lot by reducing time consumption, the travelling charges of the customers and more over it has got good competitive advantage. 5. Should Manheim develop an online auction? What does it stand to gain and lose? Of course YES, it is really very easy for the dealers and suppliers of Manheim to pursue the business more effectively and efficiently through online. The main issue related to its lack of infrastructure could be overcome by using this(MOL), as he could do his business everywhere just by implementing the clear details of the cars on the web which is a great GAIN.

Through MOL instead of purchasing a sufficient number of used cars to meet the perceived demand and tying up in an inventory of cars, a dealer can greatly reduce the risk by waiting until a particular customer's needs are identified before ordering a car from Manheim. In addition to that if a person wants to know about the bidding history or average auction sale price of a particular car, he can search in the Manheim market report (MMR). So this allows the customers to choose the car accordingly and thereby reduced the time consumption, operational costs, etc. This gives a great GAIN for

customers as well as suppliers of Manheim auction. . Do you agree with Ralph Liniado that the only threat to Manheim online is from the automobile manufacturers? What does a SWOT analysis show for Manheim online? NO, Manheim auctions was the first to start this business in the US and handles in an unique manner. There are lot of competitors also persists but by his unique approach on business let them far away. Although there are competitors like AUCNET, there are other threats may heading against Manheim online from Intellimedia Inc. as they are outside developers. Also Auto-By-Tel and Microsoft's car point. Strength:

Manheim auction is a subsidiary of Cox Enterprises, a large privately owned corporation which has got a very good reputation globally and financially backed up. Even though competitive internet-based services were being developed by other companies, Manheim enjoyed a first mover advantage in this approach. They were up to date with the cutting edge technologies.

Weakness: The main weakness suspected is lack of infrastructure to accommodate all the cars which should be sold out. Another weakness is lack of involvement in IT because of this, they are going for third party developer but the information would not be confidential.

Opportunities: Actually Manheim acts as a mediator that he get cars from outside suppliers and selling out to the dealers. The dealers are then sold out to the customers/ public. Instead Manheim could sell directly to the customers or public to avoid in-between charges and could earn more profit.

And instead of using outside developers Manheim could involve in IT for security purposes. Threats: There are many threats heading against

Manheim which includes other competitors like AUCNET, Microsoft's car

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point, etc. but another most important threat that may heading against is ICI which is the third party oftware developer who holds many secret information about Manheim. In any situation if ICI sells the system to other automobile manufacturers then it would be a great threat for Manheim. 7. Do you agree with his goal of extending the core business without cannibalizing it? Why is he concerned with cannibalization? Yes, Manheim auctions goal is to sell used cars so he chosen various means with his enhanced technology like auction vision, Manheim online. By the way he gave the customers much more benefit by adding values or services like MMR, Auto connect, Tracking plus and Leasing plus.

Even though there are many packages available all these are for enhancing its core business without any cannibalization. His philosophy also states that one of doing everything possible to continue to add value to MOL as a way of discouraging competition. He has a clear thought to extend sales through Internet and wanted to increase its profit without cannibalizing the core business. 8. Why do you think that Manheim did not use its internal IT operation to create the Manheim online website? Do you think it is a good idea for Manheim to continue to depend on an outside developer?

Manheim may not be able to develop an internal IT operations due to the lack of time as he spend much of the time in other auction processes, or due to the lack of confidence to develop such a great IT system with his inadequate resources like skilled IT professionals. That is why they outsourced to intellimedia commerce, Inc. As far as Manheim’s outside developer is considered I think it is not a good idea and it is not appreciated.

Manheim believes on an outside developer instead of developing its own internal IT even though he has got adequate resources and revenues.

But at any point of time the outside developer Intellimedia, inc. may sell the system which is designed for Manheim to other automobile competitors and thereby ICI may generate more revenue. As a result more competition would occur and this would affect the Manheim's business. So this would not be fair in long run. 9. How can Manheim use IT to enter the European market? How could the European operation be different from that in the US? As a subsidiary of Cox Enterprise, Manheim auction started initially in the US consisting 65 auction sites. Later on it started in the UK consisting of only 8 sites and also had infrastructure for the business but much of the Europe did not have that. This is because in Europe there was not much craze for used cars. Manheim has lack of infrastructure to enter the European market so as to accommodate the cars and to manage. But Manheim may create a base in Europe and could create awareness about the used cars by explaining its advantages through advertisements and media. Once it is accepted by the customers he could deal with groundwork and enhance his infrastructure so as to accommodate all the cars to be sold.

He could develop websites so that he could control the business through the online and also could ease the business. Also Manheim could directly involve in IT to maintain the records securely. 10. How does Auto connect make it difficult for Manheim's competitors? Auto connect is one of the several information technology related services that Manheim offered. It allows a person to input his/her geographic location and details on the type of used



cars. Auto connect will locate the nearest dealer for the customer with such specified vehicle requested.

Automobiles that are not found on Manheim's database are added to Automobile data processing Inc. The main competitors of Auto connect are Auto-By-Tel and Microsoft's car point. They were not able compete with Auto connect as its services are tremendously unique manner and also very effective. They could not sustain with Auto connect as it has leading and more competitive advantages. Auto connect helps the dealers more efficiently to sell their higher margin pre-owned cars in some specified ways such that it does not erode traditional dealer & customer relationships.