

Providing confidence and reliable guidance through accurate values

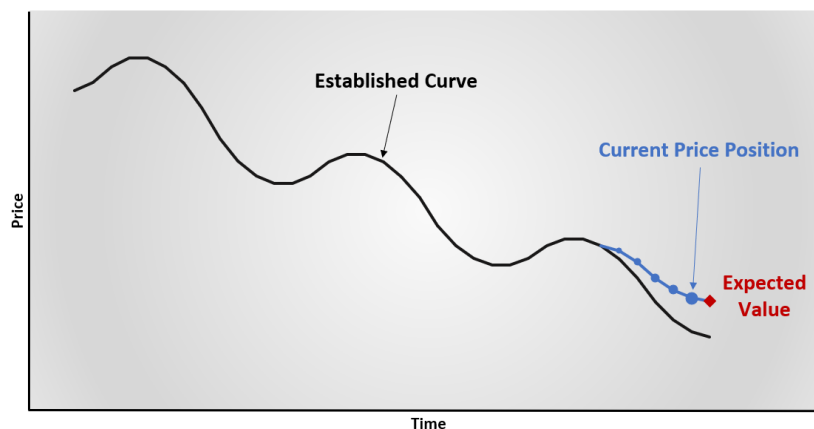
J.D. Power weekly values represent the most up-to-date and accurate picture of the used vehicle market.

Good used vehicle values are informed by a combination of factors: a strong foundation of timely market price data, historical depreciation patterns, and adjustments for market factors that influence prices. Values should avoid including market volatility or “noise” based on factors that are not reliable indicators of a given vehicle’s actual value. J.D. Power’s weekly values are based on a comprehensive and robust process that incorporates these important factors.

Underpinning our values are two industry-leading datasets – AuctionNet, the most comprehensive source of dealer-only wholesale auction data in the country, and J.D. Power’s renowned Power Information Network (PIN) data, the most robust source of franchise dealer used retail sales available.

These sources provide us with detailed information on 250,000 to 275,000 transactions every week. We utilize industry leading VIN decoding in combination with J.D. Power’s proprietary VIN Configuration Data to identify and assign value to vehicle attributes frequently undetectable via normal VIN-decoding, including trim and optional equipment. This high-fidelity data is then aggregated with effective outlier control methods and mileage adjustments.

Once initial data processing steps are completed, our valuation algorithm creates two key metrics. We first use five years of history to establish a curve representing the typical movement of each vehicle as it ages. Higher levels of aggregation are used to ensure a reliable curve even in cases with little or no historical data. Second, the price position of each vehicle over the last 6 months is compared to this established depreciation curve. These 6 months are weighted so that much more emphasis is put on very recent observations, and more emphasis is put on observations with higher volume (see graph).



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The established depreciation curve is adjusted up or down so that it overlays the current price position and continues moving into the effective time period for each edition. This method allows us to identify when a vehicle is experiencing real price movement or if price movement appears to be based on other external factors. It also provides the benefit of building in some smoothing and safeguards against unnecessarily volatile swings in value.

When this step is complete for each vehicle, we gauge the weekly price movement at higher levels—most crucially the model level. This step is taken because many vehicles do not have enough data each week to determine price movement. In these cases, our valuation algorithm aligns vehicles with low sample sizes with the most similar vehicle within the same model lineup with an adequate sample size to adjust values. The algorithm tests the validity of these values by evaluating content differences and applying an expected premium or discount to the substitute vehicle based on associated differences.

Each week the algorithm measures the difference between calculated values and actual wholesale market prices. Every vehicle is measured and given an accuracy score. J.D. Power's seasoned team of valuation analysts use this data to refine algorithm results and/or to make appropriate adjustments to align with current market conditions.

These steps ensure that J.D. Power's valuations are consistently improving and that they provide confidence and reliable guidance over time and through periods of extreme market volatility.