



# **The World's Already Different: How Changing Consumer Expectations Will Transform Automotive Retailing**

By Ron Lamb, President  
The Reynolds and Reynolds Company



## The World's Already Different: How Changing Consumer Expectations Will Transform Automotive Retailing

Consider two comments.

**First: “We understand that our customers’ definition of services (is) changing.”**

**Second: “The rules of the game have been changed permanently. The need to deliver exceptional, truly differentiating customer experience has never been greater.”**

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Both comments were made by executives managing brands that have earned a reputation for outstanding customer service. One is from Nordstrom’s president; the other is from Mercedes-Benz USA’s CEO.

Care to guess who said what?

The president of Nordstrom said, **“We understand that our customers’ definition of services (is) changing.”** He was commenting on demands from consumers, armed with smartphones and tablets, to redefine customer service for a new era. Coming from the president of what many believe to be the gold standard in customer service, it’s easy to conclude that the world has already changed.

The second comment is from Steve Cannon, CEO of Mercedes-Benz USA. **“The rules of the game have changed permanently.”** He was referring to the way social media can amplify every interaction – good or bad – between a dealership and the consumer, and how it is increasingly difficult to differentiate brands on the strength of product alone. Coming from the CEO of a brand and product considered by many to set high standards in automotive, it’s easy to conclude that the automotive world has already changed.

What both executives have in common is looking at their respective businesses through the prism of changing consumer expectations.

It’s not uncommon to hear the phrase, “consumer-driven economy.” Typically, that’s used to point to the role consumer *spending* plays in the economy.

What’s discussed less often is an equally powerful phenomenon: Consumers are driving change in the economy by putting different *expectations* on retailers for an improved consumer experience throughout every step of the retail process.

Consumers no longer simply compare one Ford dealership to another Ford dealership; consumers are comparing all dealerships against benchmarks of other retail experiences – from the Apple store to Amazon to the local pizza place, which very likely knows what pizza you want to order as soon as your phone number pops up on their call screen.

Consumers today don’t want the experience of buying and servicing a car the way it’s been done in the past.

The phenomenon of changing consumer expectations is converging with other trends in the automotive industry to alter the dynamics of what happens inside and outside the four walls of a dealership, putting new pressures on dealerships.

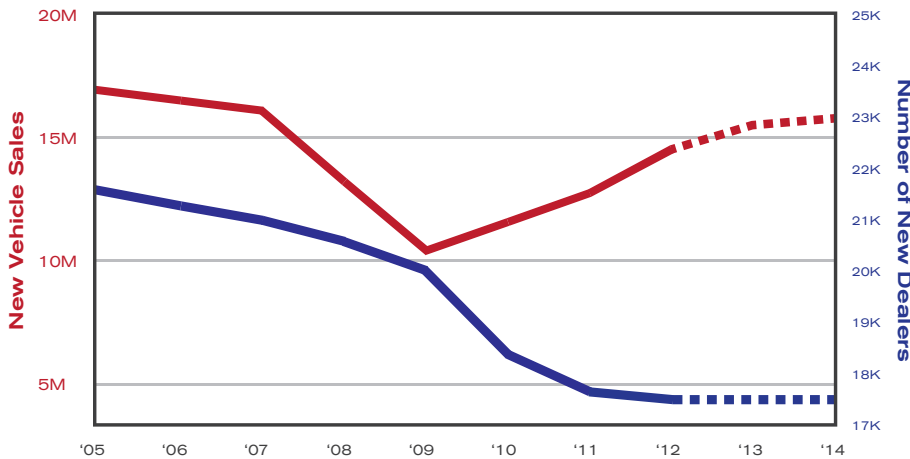
These pressures will make the leap in transforming the consumer experience with the dealership a much higher bar to cross for the dealer – and more difficult to accomplish – without the right tools and technologies.

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## The Gap: More Sales; Fewer Dealerships

The first trend is the **sharp decline in the number of dealerships over the past five years, combined with the steady increase in the number of vehicles sold in the industry.**

During the recession, some 4,000 dealerships closed across the country and industry sales dipped to a 27-year low in 2009. Since then, industry sales have continued to rise, the number of dealerships has remained relatively flat, and there is a big gap between the two – a gap that is likely to persist.



**Sharp decline in the number of dealerships over the past five years, combined with the steady increase in the number of vehicles sold in the industry.**

The imbalance between the industry's projected sales volume in the years ahead and the number of dealerships to handle it puts **intense pressure on dealerships for better productivity and operating effectiveness** in every aspect of the business.

There is also another, more subtle pressure in that imbalance.

If the recession had *not* happened, and the industry's average vehicle sales would have remained steady at 16+ million units a year, the industry would have sold 23 million *more* vehicles over the past five years.

Much of that demand bubble is still out there, poised to work its way through dealership sales and service departments – which are 4,000 fewer after the recession.

### How will dealerships respond?

Hiring more people is not the answer.

The answer will require a more strategic, innovative use of technology. It will also require more substantive changes in how business gets done inside the four walls of the dealership to make everyone more efficient in everything they do. And it will require changing how dealerships influence the consumer experience and connect with consumers outside the four walls.

**Intense pressure on dealerships for better productivity and operating effectiveness.**

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## “Great Cars... and Greater Cars”

A second trend is the marked improvement in vehicle quality – across the board. Or, as I once heard Keith Crain, editor-in-chief of *Automotive News*, remark: “There are two kinds of cars today: great cars and greater cars.”

Over the past decade, manufacturers have made strides in closing the “quality gap” so that vehicle quality alone as a traditional brand differentiator is less influential than it once was. That means automakers and dealerships will need additional ways to reinforce the value of a brand to drive sales and build badge loyalty.

This, too, will put a different pressure on dealerships to provide an optimal consumer experience as an important way to differentiate the brand and the dealership.

How will dealerships – and OEMs – respond?

## The Trump Card: Consumer Expectations

A third trend: the societal megatrends that are exerting profound pressures on dealerships.

Consumers are increasingly on mobile devices. They expect information to be available when they want it, where they want it, and not tethered to one location. Even when standing on the dealer's lot, four out of 10 consumers use a mobile device to search for vehicle information.

There is also more appetite for **transparency in every retail transaction**. Consumers want a level playing field. They want the experience of buying and servicing a car to match the norm in other retail transactions: Clear, simple, and easy to understand.

Undoubtedly, consumers today have no interest in staring at the back of a PC when buying or servicing a car.

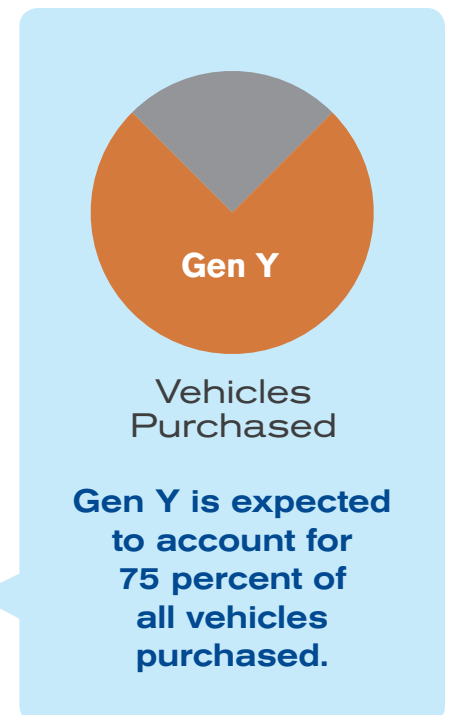
There are also demographic changes: By 2025, **Gen Y is expected to account for 75 percent of all vehicles purchased**. While all consumers are bringing different expectations to every retail experience, that is especially the case for Gen Y.

How will dealerships respond?

## A New Competitive Landscape

These are several of the forces converging on dealerships and reverberating across the entire automotive landscape. That convergence and reverberation will only quicken; the resulting pressures on dealerships will only increase.

**“There are two kinds of cars today: great cars and greater cars.”**



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What are the consequences for dealers of this changed world? How should dealers respond to the new pressures?

For dealerships that have come through the recession and now are likely seeing record profits, it's convenient to conclude the status quo is fine. That answer might work in the short run; in the long run, however, it's the wrong answer.

**Status quo is the wrong answer.**

## Dealership Management System of the Future: The Retail Management System

The dealership business is undergoing a fundamental retail transformation that now requires dealers to win a different retailing battle *inside* the four walls of the dealership, as well as a retailing battle where the rules have changed *outside* the four walls.

The term "Dealership Management System" (DMS) has long meant the core applications to run the dealership's business within the four walls. These applications count the transactions inside the store, exchange data with the manufacturer, report on the business, and serve as the main record for customer names.

As the information foundation of the dealership, the DMS is a necessary *dealership* tool to account for the business, but no longer a sufficient *retail* tool to drive the business.

For dealerships competing to meet these new retailing standards, what's required is more than a DMS; **what's required is a Retail Management System (RMS).**

**What's required is a Retail Management System.**

The Retail Management System is a comprehensive retail management tool to help improve the dealership's *total business performance* ... to enhance the customer's *total retail experience* ... and to coordinate the actions of dealership personnel to function better as a *total team*.

Here's what dealers should look for in the retail management tools and services they choose to better manage their businesses in this changed world of automotive retailing.

First, look for technology that helps the dealership **improve how work is done inside the dealership.**

There may be areas of the dealership where simply doing a traditional task faster and more efficiently is the objective; in most situations, however, the objective should be to change the way the work is accomplished in order to deliver a step-change in productivity and efficiency. The technology should enable every employee to work smarter, faster, better.

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Second, dealers should look for tools that change how consumers *experience* the dealership and the entire car buying and servicing experience. Tools that will help break down technology barriers between dealership personnel and consumers in every part of the dealership – from the service lane to the F&I office... from the Web to the showroom. Tools that engage the consumer, make information transparent, and add fun to the entire experience.

After all, why shouldn't walking into the F&I office be as fun and engaging as the test drive? There is no reason – except that DMS software traditionally is designed to be viewed only by dealership employees. In sharp contrast, RMS software is designed to engage the consumer to become a more active participant in the car buying and servicing experience. And the results can be dramatic.

Mylas Copeland, the general manager of Green Toyota, Scion, Volkswagen, and Audi in Springfield, Ill., has said he has customers **giving *him* high-fives when they leave F&I**, so different is the experience when they're engaged, involved, and in control. He's a strong advocate for changing the traditional F&I experience and making it a comfortable, retail experience using new technology and tools.

Third, dealerships should look for products and services that deliver *more insightful reporting* about the entire business. Reporting and management tools can no longer be delivered by individual departments or bolt-on systems that "talk" back and forth to the DMS. To compete effectively, dealers need enterprise-wide, retail decision support.

In the retail world, **instant information and feedback are becoming the norm**. For automotive retailers, the information should be available for all dealership departments and pinpoint the measures dealership executives want to monitor and manage. Ideally, this is offered in a comprehensive, single snapshot of the entire business with the ability to drill into details.

Finally, to borrow a concept from Apple, does the RMS function as an integrated or fragmented system?

Fragmented solutions "bolted on" to the DMS put the dealership employee in the role of "systems integrator" – needing to log-in to multiple systems and continually switch back and forth between different screen layouts and navigation options.

In the Retail Management System, the technologies and different applications are **built as one to work as one**, cohesively and intrinsically, to guide the dealership employee. Simply bolting on applications to the DMS of yesterday won't create the RMS of tomorrow.

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### Concluding Comment

The world's already different. And car buying and servicing must catch up.

Dealerships who want to respond to this changed world of automotive retailing will need the tools, technologies, and processes of a Retail Management System.

A Retail Management System that helps the dealership more completely connect *with* consumers across the entire retail continuum... more effectively manage *across* the dealership throughout every department... and more efficiently *operate* as a retailer at a higher, more proficient – and profitable – level.

Our aspiration at Reynolds and Reynolds is to deliver the technology that enables dealers to compete – and thrive – in this new, changed world of automotive retailing.

Our litmus test is simple.

When an executive from Apple, or Amazon, or Nordstrom buys or services a car with your dealership, we want them to return to their office and ask their colleagues: **Why can't we provide an experience like the one I just had at the dealership?**

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A number of these concepts and ideas originally appeared in a slightly different form in opinion articles written by Mr. Lamb. The articles appeared in [AutoRetailBusiness](#) and on the Reynolds and Reynolds website at <http://views.reyrey.com/>



**Ron Lamb** is president of the Reynolds and Reynolds Company. He was named to that position in October of 2010. Prior to being named president, Lamb was senior vice president of Sales and responsible for all sales of Reynolds systems and related applications in the United States. Throughout his career at Reynolds, Lamb has held a variety of leadership positions in sales and marketing. Lamb holds a bachelor's degree in politics from Princeton University and a master's in business administration from Loyola University in Baltimore.

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**To contact Reynolds and Reynolds, call 800.767.7879,  
email [info@reyrey.com](mailto:info@reyrey.com), or visit [reyrey.com](http://reyrey.com).**



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