

Automotive Retailing in the “New” New Normal

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It's happened again. And we may not have fully realized it.

The past eight years since the recession have put automotive manufacturers and retailers to the test. Overall, they passed with flying colors.

After the recession, the industry hit a New Normal, with 4,000 fewer dealerships to serve a growing consumer population. Still, industry sales continued to climb and this year reached a near-record number of cars and trucks sold – closing the year above the 17-million vehicle mark to a level not seen in 15 years.

But now, the ground is shifting again.

Dealerships are flourishing on the one hand, yet facing more and different pressures on the other. Beneath the industry's rising tide:

- Dealership net profit margins continue to stagnate, while gross profit margins have declined over the past several years.
- The swell in off-lease vehicles returned to dealers this year is expected to put even more pressure on new car margins and used-car values.
- Service department net profits have been up and down but are still below 2009 levels.
- F&I operations are increasingly under pressure from government regulators.
- Sales of new vehicles in the U.S. are soon likely to plateau – or even dip.
- And today's changed consumer continues to push for a changed retail experience when buying and servicing a vehicle at a dealership.

Against that backdrop, one more data point.

More than 995 consumers out of every 1,000 dislike going to a dealership – the car buying process... the test drives... how the deals come together... all the paperwork... and the service process.

How many other businesses could stay afloat if more than 95 percent of their customers disliked the experience – unless the customer had no other choice in where to buy the product? Right.

Now, ask yourself: If one of those dealerships could flip those percentages so that 95 percent of the consumers who did business with the dealership preferred the experience, how much more successful – even dominant – could that dealership become? Right.

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in physical paper...**

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Welcome to the “new” New Normal in automotive retailing. It will challenge dealers on a number of fronts, in spite of near-record industry sales. But it also will create opportunities.

How to respond?

Here are three strategies that promise the most benefit in the “new” New Normal for dealers to separate themselves from their competition.

Digitize the Dealership: eWorkflow™

Dealers are drowning in physical paper from Sales and F&I to Accounting, Service, and Parts. It's more than costly and inefficient to the business; it also reinforces the worst perceptions of a dealership for consumers.

Consider this: The millennial demographic is now the largest population group in the U.S. – and the largest group of potential car shoppers and buyers.

For nearly 90 percent of millennials, their smartphone never leaves their side – day or night. For 80 percent of that demographic, their smartphone is the first thing they reach for when they wake up, and it's where they spend more than two hours every day. And, 60 percent of millennials believe that in the next five years *everything* will be done on mobile devices.

Does it make sense then to have these consumers walk into the dealership and face a Sales and F&I process with dozens of forms and brochures spread across the desks? Is that the efficient, rewarding experience these consumers expect?

That's what digitizing the dealership and eWorkflow™ can address.

The aim of what I call “eWorkflow” is to help eliminate the inefficiencies and ineffectiveness in the dealer's processes that come from constantly handling physical paper. eWorkflow changes how work is done in order to change how customers are served; it delivers improved productivity and efficiency for dealership personnel and an improved car-buying experience for consumers.

Implementing eWorkflow takes the right technology platform and tools that enable dealers to organize their deal-related information and documents into a comprehensive, manageable electronic portfolio across the dealership.

- Dealership personnel will be able to easily access that electronic portfolio to deliver the right documents to lenders, to aftermarket product vendors, and to departments across the dealership.
- All the deal information will be digitally archived, but easily accessible.

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- And the dealer can also eliminate much of the cost and wasted time filing, storing, and, ultimately, purging paper documents.
- For the consumer, eWorkflow can make the car-buying process faster and more efficient.

eWorkflow is more than adding software to “digitize” a part of the car buying process. The true retail challenge with eWorkflow is building the technology ecosystem that functions seamlessly across every dealership department and every consumer touch point.

Connecting the Dots: Precision

Precision is emerging as the new North Star of automotive retailing. It's no longer simply about gathering customer information; it's about taking more deliberate actions *with* the customer – and *for* the dealership – *tied* to the information.

By using the right technology platform and digital tools, dealers can more readily reach each consumer with more precision in delivering *relevant* information at the right time in the right channel so that consumers – and the dealership's employees – can respond in the most favorable, advantageous way. That relevant information is tailored to the individual consumer and is aimed at optimizing the next steps in that consumer's buying or service journey.

- Precision in targeting a prospective customer with an offer tailored to that customer.
- Precision in pricing of service with the technologies to deliver comprehensive, to-the-penny pricing estimates for maintenance and repairs, along with factory recommended maintenance.
- Precision in logging, tracking, and following up with customers for “recommended but declined” service work.
- Precision in the snapshot of a customer's total value to the dealership, delivered in real time, when dealership personnel need the information.
- Precision in stocking the right used vehicle at the right price for the dealer's local market.

With the right technology and tools to reach customers with more precision, dealers can gain a competitive business advantage, improving business results and delivering a more engaged, rewarding customer experience.

Measure the Difference: Profit-Per-Customer Throughput

Dealers recognize the time and money they invest to reach consumers, capture their interest, and engage them in purchasing

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and servicing a vehicle. Now, dealers are looking for ways to take a further step in serving their customers and focusing more on profit-per-customer throughput.

One proven approach is to develop new profit centers (Accessories, for example). Another is to re-cast more familiar ones (F&I and Service).

Here’s an example of a new profit center: Vehicle Accessories.

For consumers, accessories are a hot commodity (9 out of 10 consumers purchase accessories for their vehicles). While most dealers recognize the interest in accessories and personalization on the part of consumers, they haven’t lined up to sell accessories. Until now.

Dealers who are embracing the newest technology and processes to sell accessories in the dealership are increasing gross profit per vehicle and changing the customer experience. It’s an experience that builds on the excitement of buying “the car” and using accessories to make it “my car.”

Here’s an example of re-casting a profit center: Service.

Over the past 10 years, dealers have applied sophisticated tools that track sales leads from the Internet and from the showroom, enabling dealership personnel to follow up on those that didn’t buy.

But what happens in the Service department with “recommended but declined” service work? Typically, it falls into a black hole and the dealership’s added profit opportunity with it. Or the service technician spots several potential problems, but that information doesn’t get logged, tracked, and conveyed to the customer.

That’s reminiscent of Sales department leads 15 years ago before CRM processes and tools.

In Service, by adding the right technology platform and processes that enable the dealership to capture, log, and market to its service customers, it’s possible to re-cast a familiar (and profitable) operation into a *more* profitable operation.

It requires a comprehensive approach to Service CRM. It’s a closed loop technology that makes the most of the information housed in the DMS. And it’s an approach that the dealer applies with the same rigor and accountability as they do to lead generation and follow up in the Sales department – all in order to capture *every* profit opportunity at *every* consumer touch point.

The best retailers are using technology to differentiate their business from the competition...

Competing in the “new” New Normal of Automotive Retailing

For dealerships to meet the challenges ahead, it’s not enough simply to use technology to automate processes in the business. The best retailers are using technology to differentiate their business from the competition, improve their business results, and deliver a more rewarding and engaging consumer experience.

A recent Cap Gemini report put it bluntly: “Connected consumers are in charge. They are confident about what they want and how they want it, secure in using technology to increase their power as car shoppers and owners, and comfortable driving innovation in the industry.”

For dealerships to keep pace – and lead – that innovation will include the right technology platform to function seamlessly across every dealership department and in every touch point with the consumer.

In the “new” New Normal of automotive retailing, it will also include new efficiencies – eWorkflow. New effectiveness in automotive retailing – precision. And, it will take new ways to serve customers – adding new profit centers, as well as re-casting old ones.

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