

Hidden in Plain Sight



How Dealers Overlook Their Fiercest Competitor... and What They Can Do About It.

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Hidden in Plain Sight: How Dealers Overlook Their Fiercest Competitor...

A dealer's fiercest competitor is not the dealership down the street; the real competition is the status quo.

When Apple unveiled its iconic “1984” TV commercial during Super Bowl XVIII, it also unveiled an insight most of its competitors had missed. The insight for Apple came in identifying the company’s true competition. In spite of the commercial’s imagery, Apple’s true competition was not IBM or any other personal computer or business technology company at the time.

It was the status quo.

The premise of the commercial took aim at the conventional wisdom that companies and consumers were comfortable and productive enough with the technology of the day. Apple challenged the audience to think beyond the status quo long enough to look at a very different approach to technology, productivity, and efficiency – and to competing.

For automotive retailers, the lesson today is this: A dealer’s fiercest competitor is not the dealership down the street; the real competition is the status quo.

Despite another record sales year in 2016, NADA Data points to dealership trends behind the sales figures that are troubling and hard to ignore:

- Lower and stagnant profit margins over the past 3-5 years and lower dealership return-on-investment in 2016.
- Industry-wide dealership employee turnover at nearly 40 percent, with the total turnover cost for the average dealership approaching \$500,000 annually.
- Mounting compliance requirements, increasing operating costs, and stubbornly high levels of consumer mistrust of dealerships.

Now, these trends are playing out in 2017 against flattening industry sales.

How will dealers meet these retailing challenges?

To repeat a well-known saying: “If you always do what you’ve always done, you’ll always get what you always got.”

Automotive retailers who recognize the status quo as their true competition can gain a significant competitive advantage by challenging the conformity of “the way we’ve always done it” and challenging themselves to “think beyond the status quo.”

Here are three ways dealers can challenge – and move beyond – the status quo that yield the most benefit:

- **The People Churn:** In the status quo, dealers are lulled into accepting the “turnover treadmill” and its associated business costs.

There are some 20 percent fewer dealerships today than before the recession, yet the employment numbers are slightly above pre-recession levels to meet the sales demand.

- **The Paper Churn:** In the status quo, despite drowning in paper, dealers are lulled into accepting lost time, efficiency, and money in endlessly passing around hundreds of pieces of paper each day.
- **The Technology Churn:** In the status quo, dealers are lulled into adding stand-alone technologies on different platforms that ultimately undermine dealership efficiency and the customer experience.

There's a better way.

The People Churn

Automobile sales have improved steadily since the recession and dealerships have ridden that wave of increased sales year after year. But one little noticed trend is dealership employment: It's bounced back and once again hit 1.1 million – about where it was a few years *before* the recession.

While that's good news on the jobs front, what's the implication for dealership productivity and efficiency?

There are some 20 percent fewer dealerships today than before the recession, yet the employment numbers are slightly above pre-recession levels to meet the sales demand. It appears many dealers simply defaulted to “status quo” thinking and hired back people as the industry improved. It was the path of least resistance.

It also put dealers on the treadmill of recruiting... hiring... replacing... and accepting the built-in costs from employee turnover: lower productivity, squandered efficiency, and lost profitability.

With industry-wide employee turnover at nearly 40 percent, there are several other sobering insights in the NADA data:

- The average tenure of a dealership employee is 2.4 years.
- It takes roughly three years for a newly hired employee to become fully productive in a dealership's specific processes and operations.
- Only four out of 10 service advisors will still be in the job after three years.
- The average tenure of F&I managers is just over three years.

As one consultant advised dealers about F&I staffing during an interview with an automotive industry publication: “Hire enough F&I managers so they won't feel pressured to rush through presentations to keep the F&I line moving.”

Does that really solve the problem?

What would it mean to your dealership if you could manage human resources and productivity for the best benefit of both employees and the business?

What would it mean for your dealership to eliminate costs and consumer frustration by automating and digitizing the F&I process?

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There's a better way.

While many dealers may have *over-invested* in people as the recession ended, they also likely have *under-invested* in technology and automation. Yet, business researchers continue to report compelling evidence the right technology can lead to better employee retention, especially among Millennials. Better employee retention leads to better business performance.

For a fraction of the monthly costs associated with the "turnover treadmill," dealers can invest in proven technologies and automation that improve workflows by cutting out or reducing unnecessary or redundant steps. In turn, those investments pay the business back in operating efficiency and productivity, flexibility in staffing, improved employee satisfaction, and better growth and profit.

The Paper Churn

While the retail industry overall is a leader in process automation and digitization, automotive retailing remains a laggard.

Automating processes helps eliminate manual, time-consuming, and costly tasks, while also improving speed, boosting productivity, reducing errors, and lowering operating costs.

Yet, in an online, high-tech, mobile-enabled world, dealership personnel are still handling too much paper and waiting around too much.

Two examples:

F&I

F&I paperwork takes nearly three dozen forms to complete. Deal jackets can be more than an inch thick. Compliance requirements are increasingly stringent. Dealership personnel in different departments are unable to take the next step in a vehicle transaction as they wait for paper to make its way to their desks. Plus, dealers are expending untold amounts of staff time and effort – and money – to physically file, archive, retrieve and, ultimately, purge paper documents.

That flood of paper is costly and inefficient, and it reinforces the worst perceptions of a dealership for consumers.

What would it mean for your dealership to eliminate costs and consumer frustration by automating and digitizing the F&I process?

Service

Another part of the dealership ripe for challenging the status quo and applying automation is the service department.

What would it mean for your dealership if you could automate your service process and eliminate wasted time?

What would it mean to your dealership if employees were more productive and could simultaneously deliver a better experience to your customers?

The research we've done indicates it takes on average more than 15 minutes of walking and waiting to complete an RO, as a paper-based copy is moved from one service touch point to the next. The service advisor working with the customer in the service drive to complete the appointment information and vehicle inspection. The technician walking to the dispatcher for the RO... then to parts... back to the service advisor... then the service advisor contacting the customer for additional approvals... and back to the technician and finally to the customer.

Now think how many ROs a day your dealership handles.

What would it mean for your dealership if you could automate your service process and eliminate wasted time?

There's a better way.

With the right technology platform and digital tools, dealers can eliminate many of the inefficiencies in F&I and Service processes that come from physically handling paper or contacting others in the dealership. But it takes a single, seamless technology platform.

The Technology Churn

Dealerships are one of the more regulated and standardized retail operations. So it's not surprising dealers have long opted for a number of one-off technology solutions using different technology platforms to address one specific area or operating problem.

The dilemma is, over time, those one-off solutions become dependent on an increasingly complex series of connections to update, re-key, and re-sync dealership and customer data to gain a mostly complete picture of the business and the customer in one place. With stand-alone and bolt-on solutions, the dealership employee too often ends up in the role of technology integrator – a role more focused on working the system than serving customers with speed and quality.

What would it mean to your dealership if employees were more productive and could simultaneously deliver a better experience to your customers?

There's a better way.

It starts with investing in the right technology that offers a seamless platform built as a single system. In that platform, the technologies and different applications are built together to work together to support the dealer's process. They're built together to work together to guide the dealership employee in serving customers and making better business decisions.

- It's a technology platform that supports advanced retailing tools and processes.

- It breaks down technological barriers between dealership departments and between the dealership and consumers.
- And, it supports process automation across the dealership and changes how work is accomplished in the dealership.

The sum of which improves dealership business performance and the consumer experience with the dealership.

Challenging the Status Quo

Faced with continued retailing challenges and an impending sales plateau, the most innovative and successful dealers are constantly working to remove the obstacles to achieving their goals.

- They are taking a serious look at where they should invest in technology to improve business performance.
- They are embracing a relentless focus on process improvement through technology and automation.
- They are adopting new operating approaches and seamless technology platforms to support those processes.
- And, they are continually thinking beyond the status quo to improve operating efficiency, control employment costs, and drive profitability in every transaction.

Yes. There *is* a better way.

Visit reyrey.com/whitepapers to read more about how the automotive industry is changing.

Acknowledgements:

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