

No Mickey Mouse Way to Run a Business



Eliminating the Turnstiles in Your Dealership

Keith Hill, Vice President of Sales
Reynolds and Reynolds



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The year was 1948. That's when a visit to Henry Ford's Greenfield Village museum complex in Michigan proved pivotal – and an inspiration – to a young man from Southern California. He returned home with an idea to build a business modeled after the Henry Ford village.

The business? A themed amusement park. The young man? Walt Disney.¹

What's the connection that links Greenfield Village to Disneyland and each man's vision?

The visitor experience.

While both men are known for innovation and relentlessly reinforcing their brand message, what is less known is how both were ahead of their times in exploiting innovation and technology to deliver a seamless, frictionless, and memorable visitor experience.

Are there lessons in that for today's automotive retailers?

To borrow a phrase from a Disney character, "If you focus on what you left behind, you will never be able to see what lies ahead."²

Let's look ahead.

A New World of Imagination

Consumers have changed dramatically in the past 10 years.

A recent report from McKinsey and NADA gives voice to one dimension of the change for dealers: the arrival of the "highly informed consumer."³ That consumer is not simply armed with pricing and model information when entering a showroom, but also expects a totally different *retail* experience than the one typically associated with buying a car in a dealership.

Increasingly, that expectation is for a more efficient, transparent, and engaging buying and service experience – an expectation shaped by other retail experiences and online shopping and browsing. When it comes to automotive retailing, the competition is more than the dealer down the street – it's every store down every street and every web address.

Those two trends – consumers with virtually unlimited information at their fingertips and radically different expectations for what a retail experience ought to be – are converging to push dealers to adopt better *retailing* practices and elevate the *customer experience* at every step of the vehicle purchase and ownership journey.

Looking at your dealership solely through the lens of serving a changed consumer with changed expectations, how do your *retailing* practices stack up? How does the *consumer's experience* stack up?

Delivering an exceptional retailing customer experience can make the difference between simply *competing* in the radically new normal of the automotive industry and truly *thriving*.

The answers to those questions have hard dollars behind them.

Research from Maritz Marketing indicates the average dealership would generate an additional \$100,000-plus in annual gross profit by improving the customer experience and satisfaction with the dealership.⁴

The reverse is also true: When customer satisfaction drops, the corresponding drop in dealership gross profit can be more than \$190,000 annually.

Adding more substance to the point is research from McKinsey & Company. Their work shows that “companies offering an exceptional customer experience can exceed their peers’ gross margin by more than 26 percent.”⁵

Those numbers are impressive in their own right. But the changed landscape of automotive retailing today makes the potential impact of the numbers even more noteworthy.

Low interest rates and relatively low consumer borrowing costs have lifted industry sales since the recession. Now, industry sales are hitting a plateau and may decline in the next several years. At the same time, interest rates on consumer borrowing are increasing and dealership net profits continue to get squeezed.

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How to respond?

The formula is deceptively simple: Less friction. More precision. Seamless technology.

Among all the organizations that have cracked the code on all three, Disney stands out.

You Don’t Mess With the Mouse

Before Disney reinvented itself in the last decade, the leadership team faced two sobering realities: First, consumer trends around smartphones and social media were changing the way people interacted with brands and retail experiences. Second, feedback from consumers on the Disney experience revealed too many “friction” and “pain points.”⁶

At the same time, there was also strong cultural resistance to change inside Disney. Years of success and a pervasive attitude of “we’ve always done it this way” slowed change. At Disney, the mantra was, “You don’t mess with the Mouse.”

To tackle the challenge, Disney assigned a select team to the “Next Generation Experience” project and gave them carte blanche to “rethink everything – from turnstiles to paper ticketing.”

Their charge: “Root out all the friction within the Disney World experience. Look for the pain points. Remove the barriers to a consistently smooth consumer experience.”

Disney changed the way work was done... minus many of the frustrations and points of pain from before.

Among the ideas the team came back with was a “drawing of the Magic Kingdom without turnstiles.” They also unveiled a wristband with an RFID chip inside that tied everything together: The Disney MagicBand.

Those changes created a domino effect on other areas and processes throughout the park. Once turnstiles were eliminated, paper ticketing was eliminated too and digital reservations became practical. The MagicBand now could be used to pay for food, purchase gifts, and unlock the hotel room. No need for credit cards, paper receipts, or room keys. The hassles and inefficiencies of the old processes melted away.

Disney changed the way work was done in order to change the way consumers were served and experienced the park – minus many of the frustrations and points of pain from before.

What are the lessons for dealers?

Where are the “turnstiles” in your dealership to eliminate?

Where are the barriers to rethink for a more rewarding customer experience in the dealership?

Less Friction

For dealerships, simply doing a traditional task faster or adding more people in response to changing consumer expectations and industry dynamics will yield only limited improvements.

Instead, changing the way work is accomplished across the dealership is what will yield more substantial results for dealers and customers. Like Disney, the keys to delivering those results are implementing the right technology and letting go of “that’s the way we’ve always done it...”

Overall, consumers who look for a more rewarding car-buying and servicing experience typically point to frustrations with how time is spent in the dealership and the multiple friction points with people, technology, and processes – the temporary obstacles that interrupt taking the next steps in purchasing, financing, or servicing a vehicle.⁷

Among the most frequent obstacles are frustrations and friction with “waiting” and paperwork.

On average, customers in the dealership are left alone or “abandoned” 11 times during the sales process.⁸

Friction.

How would it change the customer experience if the salesperson could communicate with the sales manager by using a mobile device and never have to leave the customer’s side during the vehicle negotiations? And how would that change the way work is accomplished in the dealership?

Is that one of your dealership’s “turnstiles”?

Demographics will continue to tilt toward younger, technologically savvy consumers...

Beyond being “abandoned,” customers are actively engaged for only about a third of the total time spent in the dealership buying a vehicle. The rest of the time is open-ended waiting on the next step or while dealership personnel check with another person or access another source of information.

Then comes the paperwork.

More friction.

Once the Disney team digitized a part of their workflow with the MagicBand, it changed the way visitors experienced the park and the way the park operated. It also played into consumers’ growing acceptance – and expectations – for technology.

Demographics will continue to tilt toward younger, technologically savvy consumers who increasingly expect technology to continue to make everything more efficient and effective.

How does that consumer expectation stack up against a dealership car-buying process with dozens of paper forms to shuffle and handle?

What would happen if you eliminated paper from the F&I office and implemented a digitized, electronic workflow? How would an electronic workflow change the way work is done in F&I, in accounting, with after-market providers and lenders? How would it change the consumer experience? And what would it mean if your dealership could also eliminate much of the cost and wasted time filing, storing, and, ultimately, purging documents?

Is paperwork one of your dealership’s “turnstiles”?

More Precision

Disney learned long ago it’s no longer simply about gathering customer information; it’s about taking more deliberate, precise action with the customer tied to the information.

It takes the right technology platform and digital tools to capture, decipher, and deliver the most relevant information to the customer at the right time to engage them, enhance their experience, and enable dealership employees to work more effectively with them.

Is lack of precision in taking more deliberate, specific actions with customers one of your dealership’s “turnstiles”?

- How would it change the customer experience and the way work is accomplished in the service department if the service advisor was automatically alerted when a customer pulled into the service drive? And the automatic alert included the customer’s name, appointment details, and the customer’s full service and ownership record?
- What would happen if you could sell vehicle accessories in the dealership, display the accessories graphically on the specific vehicle the consumer is purchasing, as well as automatically

track and manage the entire accessories process from the sale to order placement to repair order and fulfillment?

- What would happen if you could precisely capture, track, and follow up with each customer for “recommended but declined” service work?

A consumer who interacts with a dealership – for the first time or fiftieth time – expects to be treated as an *individual* customer, expects the dealership to have captured past interactions, and expects the customer experience to be consistent inside and outside the dealership’s four walls.

Seamless Technology

The image below is the map Walt Disney drew in 1957.⁹ His vision from the earliest days was to deliver a consistent consumer experience at every touch point with Disney. More importantly, from the earliest days, every touch point reinforced the Disney brand and strengthened another part of the business.

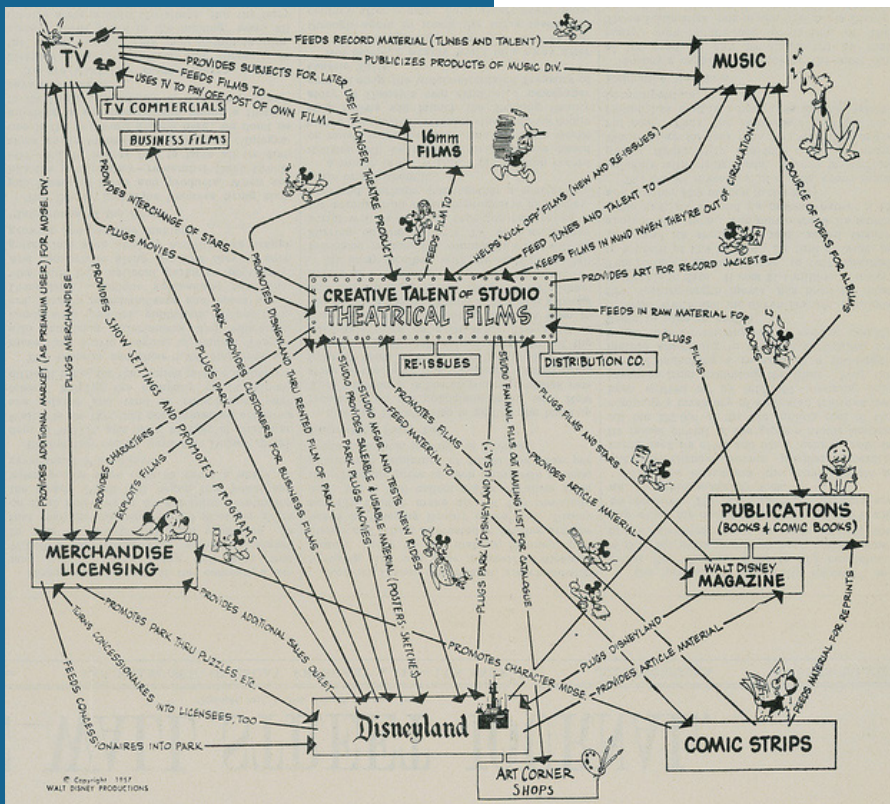
For example, “Snow White was a movie, a ride, a doll, a book, a dress, a television show, and a cartoon” with a consistent message and set of experiences.¹⁰

As a former Disney CFO put it: “it’s all about brands and franchises. Movies drive merchandise sales and theme park visits, which in turn drive interest for movie sequels and spin-offs, rinse, repeat, reboot.”¹¹

Do dealers think of their business as a single experience or more as a series of different experiences? Website. Sales. F&I. Service. New vehicles. Used vehicles.

Would the experience stand out for customers as consistent from start to finish? From the first click on your website to word of mouth, direct mail, sales and F&I, to calling the dealership, scheduling a service appointment, or picking up a vehicle in service and waiting to pay. How do those experiences stack up against other retailers and retail experiences?

What’s required for dealerships to deliver a consistent buying and servicing experience is the right technology functioning seamlessly as one platform across every dealership department and every touch point with the customer.



“Walt Disney’s corporate strategy chart,” <http://kottke.org/15/06/walt-disneys-corporate-strategy-chart> Kottke, Jason, June 26, 2015.

What's required is a set of software tools and services built together to work together as a single system with the magic happening seamlessly – automatically – between the tools in managing every aspect of a dealership's retail operations.

What's required is re-thinking "the way we've always done it."

What's required is identifying – and eliminating – the "turnstiles" in the dealership's operations.

What's required is looking ahead.

What's required, to borrow a phrase from another Disney character, is to "Venture outside your comfort zone. The rewards are worth it."¹²

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

Acknowledgements:

- ¹ The New York Times Morning Briefing, "Back Story", July 16, 2015
- ² Gusteau (Ratatouille)
- ³ "Fast Forward: How U.S. auto dealers can drive sustainable economic performance in the digital age," McKinsey & Company and NADA, March 2015.
- ⁴ "2012 Customer Experience Payback Study," Maritz Marketing, www.maritzresearch.com.
- ⁵ "The Secret to Delighting Customers? Put Employee First," the Disney Institute and McKinsey and Company, January 16, 2014.
- ⁶ The Disney content and quotations in this section were taken from two articles: "Disney's \$1 Billion Bet on a Magical Wristband," Wired Magazine, Cliff Kung, March 10, 2015, and. "The Messy Business of Reinventing Happiness," Fast Company, Austin Carr, April 15, 2015.
- ⁷ "It's About Time: Streamlining In-store Processes to Improve the Customer Experience," Cox Automotive, November 2014.
- ⁸ "Car Dealers Can Cut Wasted Time," Mike Rikess, WardsAuto, May 15, 2015.
- ⁹ "Walt Disney's corporate strategy chart," <http://kottke.org/15/06/walt-disneys-corporate-strategy-chart> Kottke, Jason, June 26, 2015.
- ¹⁰ "How Would Walt Disney Market in 2009?" John Sviokla, Harvard Business Review, December 30, 2008.
- ¹¹ "Walt Disney's corporate strategy chart," <http://kottke.org/15/06/walt-disneys-corporate-strategy-chart> Kottke, Jason, June 26, 2015.
- ¹² Rapunzel (Tangled)



Keith Hill is vice president of Sales for Reynolds and Reynolds. During a 19-year career at Reynolds, Hill has gained a breadth of industry and dealership experience, having served in customer service and training roles, as well as a number of management and leadership positions across the organization. Hill graduated from Hampden-Sydney College in Virginia with a bachelor's degree in Mathematics.

