

# Conquer Tomorrow's Challenges - Today



## How a Built As One Approach Helps Dealers

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**Depending on how retailers answer the question of sustainable profitability there's now more to lose than there ever has been in this industry – but there's also more to gain.**

All good things eventually come to an end. That's a harsh reality for automotive retailers to contemplate, but it also enables this industry to adapt and prepare for the challenges on the horizon.

It's also the prevailing message that industry analysts are currently signaling to dealers and vendors alike: We're in the midst of this cycle's plateau, and an impending decline in profits is probable.\*

Another truism of this industry is that there will always be new innovations and new technology spurring progress and refining how automotive retailers are able to conduct business.

What isn't always clear is knowing *what* technology and *which* solutions will help your dealership meet the challenges of an increasingly complex marketplace.

With everything from rising interest rates to import tariffs to manufacturer production decisions directly impacting consumer demand, competition between retailers continues to intensify. As exponential increases in overall demand stop driving growth, it's imperative that dealerships' models of profitability continue to evolve. But, seeing a clear path to that evolution is no easy task.

When dealers step back and look dispassionately at the big picture, it becomes clear that this really is a unique time.

Depending on how retailers answer the question of sustainable profitability, there's now more to lose than there ever has been in this industry – but there's also more to gain.

What is the role of technology for the dealership in all this? The dealer who identifies the technology that can help drive efficiency and create new profit centers is the dealer best equipped to confidently meet the challenges of the near future.

That's not the false confidence of a fool who ignored flashing warning signs on the road to ruin, but the earned confidence of one who understands the reality of what's facing this industry – and has decided to invest in their dealership's continued evolution.

Before you can identify what technology can help you achieve sustainable profitability, it's important to understand the three fundamentally different approaches that your potential technology partners take.

Why does that matter? Because the approach is the foundation, the source from which everything else flows. By knowing how your potential technology partner views their mission, you can judge which vendors align with your goals – and the way you see your future.

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## The Silo Approach

The first, and oldest, approach is “the silo approach.” Historically, this is the approach that has simply looked at dealer problem “X” and crafted a solution to address problem “X” specifically.

Put another way, it’s a “one problem = one solution” approach. This works fine in theory, until you consider the sheer volume of potential problems present in the modern dealership. Trying to match a stand-alone, bolt-on solution to each and every one of them is a ridiculous proposition.

Take the service department, for example: you could have a tool for scheduling appointments online, a tool to greet the customer, a tool to price out labor operations, a tool to record the repair order, a tool to accept payment, a tool to load the shop – the list goes on and on.

This perfectly illustrates what it looks like when a dealership takes the silo approach: an abundance of technology and solutions that are not connected to each other in any meaningful way.

While individual solutions address individual issues in the dealership, they don’t create new, overarching efficiencies. Dealership processes aren’t refined – if anything, they become clunkier and more unwieldy.

Finally, and perhaps most importantly, the silo approach guarantees that, even as individual surface-level problems are addressed, your dealership will *not* fundamentally change.

Different facets of your operation may run a bit better after you implement bolt-on solutions, but the silo approach, by definition, *cannot* bring transformational, cross-departmental change to your dealership. It isn’t tackling the underlying deficiencies in how dealers are doing business.

Simply put, the silo approach is not well-suited to the challenges we currently see on the horizon for automotive retailing. Is the way you’ve always done it going to be good enough in the future?

## The Reliance Approach

The second approach is influenced by the explosion in tech-related problems dealerships have experienced over the last couple of decades – and the corresponding complexity required to address those problems.

Let’s call it “the reliance approach.” This approach essentially relies on one parent company asking third-party companies to create individual tools which follow a set of standards and attempt to maintain cohesion – almost like the silo approach without the direct ownership.

**The reliance approach cannot provide the workflows or insights needed to create new profit centers, streamline operations, and ultimately drive the success of your dealership.**

Functionally, this approach runs into many of the same problems as the silo approach, but it also features some unique challenges for dealers to grapple with. First, there's the issue of duplication.

Keep in mind the companies creating your solutions remain independent. Typically, a unique record of every person and every transaction is created with each use.

What does that get you in practice? Massive duplication of customer data across your disparate systems: dealership management system (DMS), customer relationship management system (CRM), service write-up, and so on. If you have several Jane Does in your system, how will you know which one walked through your door when the time comes to make a sale or write up a service job?

Second is the issue of reporting. Reporting and analytics are critical to assess and improve dealership profitability, but the reliance approach results in separate and seemingly endless reports. When multiple third parties are citing various results on the same metric, it can be impossible to identify the specific improvements your dealership needs with any degree of certainty.

In a sense, this is similar to adding different products to a car to increase fuel economy – an air filter that adds 15 percent here, an additive that increases 10 percent there. If they all impacted that metric as advertised, you would never have to fill up!

The third issue with the reliance approach is that you are forced to trust two or more competing companies to work together to create a great end product for you. In reality, these are complex business relationships that nearly always end in compromise, diminishing the final value for your dealership.

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### **The Built as One Approach**

The final approach is the approach best-suited to meeting the needs of the modern dealership, now and going forward. Why? Because it does what the silo approach and the reliance approach can't do: it addresses dealerships' underlying operating issues in a way that enables the kind of transformational change needed to meet the challenges of tomorrow.

I call it "the built as one approach."

What this looks like is an entire dealership running on *one* system, eliminating the need for multiple vendors. Your single vendor partner builds a single platform accessing a single set of data, with a unique identifier for every customer.

**With a unique identifier for each customer and each transaction across the dealership, you gain new insight into the entire customer journey within your four walls – a high-level roadmap to profitability.**

What's special about this approach? When you implement such a system, consider what happens *between* solutions: a seamless flow that allows you to discard old processes, automated and manual alike. The disconnect between various "integrated" bolt-on solutions is gone, as is the need to rekey customer information or, conversely, deal with duplicate data.

Perhaps, most importantly, this approach takes a core underlying problem in most dealerships – process inefficiency – and turns it into a new profit center by cutting costs, reducing error, and boosting customer satisfaction.

How else does a built as one approach directly translate to increased dealer profitability? With a unique identifier for each customer and each transaction across the dealership, you gain new insight into the entire customer journey within your four walls – a high-level roadmap to profitability.

In other words, it becomes possible to predict what someone will buy, when they'll buy it, and how best to present it.

Consider also the dealership-wide revenue implications once each of your departments sees this kind of improvement. Imagine generating a legitimate promise time on a vehicle, with recommended services, before the first call from the customer is even answered. Or, digitizing deal funding – not just sending a contract electronically, but removing the human set of eyes from the equation completely.

### **Conquering Tomorrow's Challenges – Today**

Profitability comes down to what happens between the solutions in your dealership. For a system to be compatible with sustainable profitability, income must go up, or expense has to go down.

With the built as one approach, one system is pulling both levers: more income per customer and less expense per transaction. This illustrates the unique value of the built as one approach as compared with the silo or reliance approaches: it creates new ways of doing things that are otherwise simply impossible.

That's the mindset that leads to sweeping change and improvement inside a dealership, helping dealers create new profit centers even in the face of changing demand and increased competition.

It's a mindset that says your DMS isn't just a DMS anymore, your CRM isn't just a CRM, and your service write-up tool isn't just a service write-up tool. All of it, together, is a Retail Management System: a single system allowing for streamlined performance across the dealership.

There's no question that seismic changes are on the horizon for the automotive retailing industry – changes that go beyond the normal, cyclical downturn of declining sales.

With this in mind, dealers everywhere recognize the need to invest in continually evolving their dealerships, which means leveraging the right technology to achieve sustainable profitability.

The partner who brings the built as one approach can get you there. Take the time today to evaluate what your potential technology vendors are bringing to the table. The stakes have never been higher.

Visit [www.reyrey.com/whitepapers](http://www.reyrey.com/whitepapers) to read more about how the automotive industry is changing.

\*TechSci Research



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