

## Get Past the Monthly Cycle

*It's time for modern-day auto dealers to look further out*

By Phil Villegas

Ward's Dealer Business, Dec 1, 2009 12:00 PM

Ask dealers how business is, and most likely they will respond by telling you how they did last month or how they are currently doing this month.

Few will tell you how they are doing for the quarter. While some may make reference to their overall progress for the year, they generally will only do so in comparison to the previous year's performance. Few dealers will tell you their forecasts for the months to come.

Dealers have traditionally evaluated the performance of their dealership based on monthly cycles. In the colder parts of the country, these monthly cycles will be confined within the greater seasonal cycles of winter and summer.

With advances in technology, there has been a concerted push to narrow the time window for how dealers manage and evaluate their operations.

From dealer-management system providers, to inventory management systems, to website interfaces, and even to accountants, over the last several years vendors have been trying to convince dealers about how to "granularly" manage their operations.

They have been trying to turn the traditional 30-day dealer operations cycle into a 24-hour cycle. Ultimately, there may be a better way to assess operational issues, and instead of narrowing the time window of a dealer's decision-making, we should be working to widen it.

On the surface, a lot of what you hear vendors saying seems to make sense. As an example, dealers can get an e-mail as soon as a new car is over 75 days old, and they can get another e-mail when a contract-in-transit is over 10 days old.

A dealer can even get a text message when a used car is sold under a pre-determined price or when a particular expense goes above a certain amount.

The sales pitch is very convincing: use technology to run your business more efficiently by staying on top of things.

The reality is, however, the individual dealership does not operate as a mass-market retail system, as many of these solutions are designed for.

The typical dealer will spend the first week of the month closing the activity from the previous month, and the second and third weeks (including any activity from the first week) represent about 60% of the month's sales activity.

The final week and first couple of days in the following month are a rush to record the other 40% of sales. It is not by any means an efficient process.

The technology and automation of the dealership experience is well behind other retail segments. Look at technology being deployed in Wal-Mart, Walgreens, Best Buy, banks or even McDonald's. Then ask yourself, "How can dealerships, which had over \$576 billion in sales in 2008, be so far behind technologically?"

Until very recently, whenever I was asked that, I'd simply blame the DMS providers.

What I have come to realize recently, is that the lack of advancements in dealer technology compared to other retail segments has more to do with the dealership operating environment, and less to do with lack of action on behalf of DMS vendors.

As a whole, we have geared all segments of dealership operations to be assessed on a monthly basis, beginning with the monthly dealer statement, carried through to manufacturer performance reports, 20-Group composites, cross-sell reports and month-end metric.

Most of our analysis focuses on a monthly cycle. Some of the more sophisticated dealers will compare the current month performance with the same month in the previous year and look at year-to-date performance. But only the most advanced dealerships — usually the large dealer groups — will use budget and forecasting models.

My conclusion is that it is time to evolve the retail automotive business and to embrace management systems that look beyond the monthly cycle reporting.

Next month, I'll show you how to do that.

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