



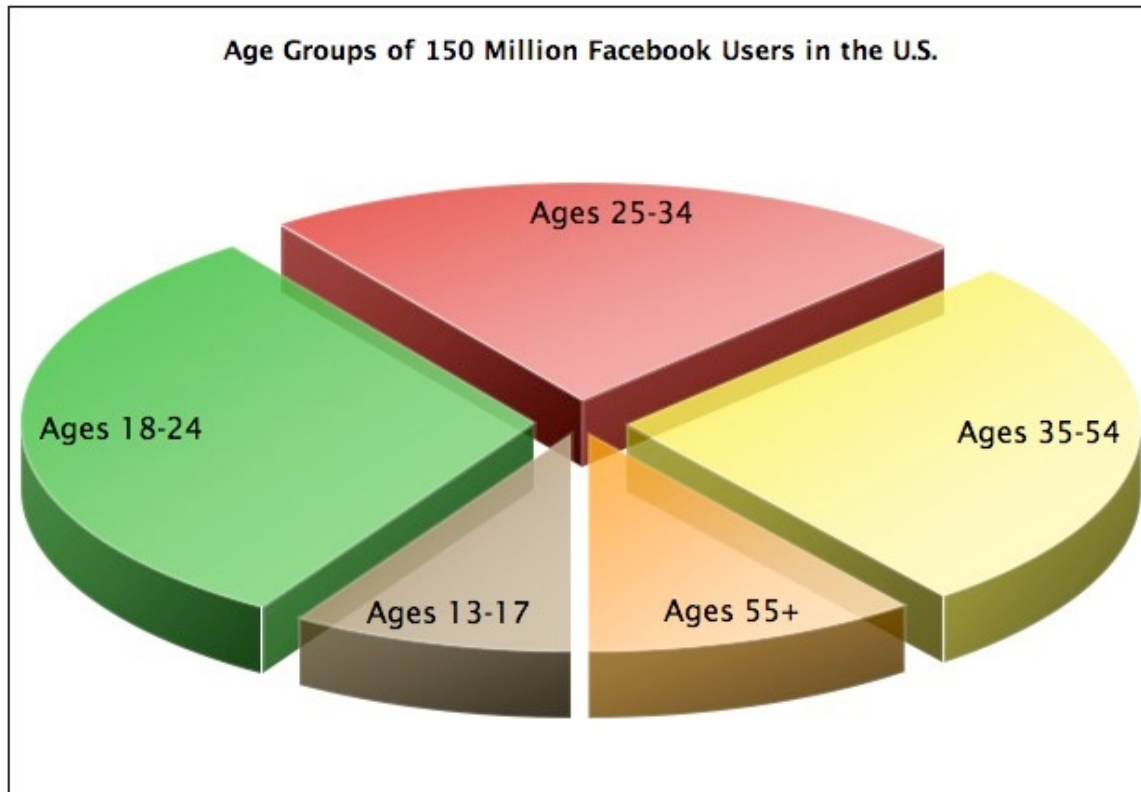
Industry Developments at NADA 2011 in San Francisco

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I can report from Moscone Center in San Francisco that industry optimism helped deliver 20% more NADA customers over last year's convention in Orlando, a positive sign for an industry that is looking to profit from 13 million total new vehicle sales in 2011. Helping dealers improve profitability is the driving force behind the NADA convention, flush with exhibitors menu-selling a wide range of products and services that would be the envy of F&I managers.

Social Media

Among your potential customers, there are approximately 150 million users of Facebook (as of January, 2011). As depicted in the chart, most fall within the 18 – 54 age range. In other words, social media websites like Facebook are fertile ground for finding customers and keeping them. Although this emerging form of dealership marketing has so far produced more buzz than vehicle sales, online relationships have yet to be fully harvested. The point of charting Facebook is that 80% of your customers will go online before they buy from you. The end game, for now at least, is to ensure that buyers find your dealership and gain a favorable impression of it.



Think of social media as "electronic-word-of-mouth." Early efforts at harnessing its potential have centered on Search Engine Optimization ("SEO") and Reputation Management, in that order -- your

customers have to find you before they can learn about you. Even though Facebook is claiming the prize for most eyeballs among social media websites, Google may be the one to watch.

As this article goes to print, Google launched a new social media initiative, simply "+1." It is similar to Facebook's "Like" feature. If it gains traction, Google may have an edge with its installed base of Gmail accounts combined with its search predominance. As your customers are likely to begin their search on Google, Gmail users with whom your customers are acquainted will see how many +1 ratings were awarded by trusted friends (Note that existing Gmail users will need to add a public profile on Google. To learn more, see: <http://www.google.com/+1/button>). When it comes to helping buyers find you on the Internet, there is no substitute for testing and monitoring your search results and knowing the difference between a short tail and long tail search.

Reputation Management ensures that all your SEO efforts are rewarded with positive, plentiful and authentic reviews. First impressions count: Google Instant is a search enhancement tool that displays search results as your customer's type. As part of the search, the Google Places feature clearly presents a dealership's total number of reviews with an overall 1/5-star rating system as a live link right on the first-page results. It also presents live links to the individual websites the dealership has been reviewed at, so customers can effortlessly read what your customers are saying on Google's first-page. And your customers need to find you on page one of search results, because 95% of your customers do not look on page two.

With an effective SEO strategy, your website gets first billing and is highlighted with positive reviews, as aggregated from the various rating services (Dealerrater, Edmunds, Yelp, Insiderpages, Judysbook, and others). Fortunately, dealers have a surprising degree of control over both the scores and the number of reviews published. Because people are more inclined to write a negative review, dealership consultants recommend a proactive approach by dealership employees to elicit positive reviews to counter the tendency of negative ones. And it's worth pointing out that paid online ad placements are far less effective than reviews submitted by your customers. In fact, more than 80% of all clicks come from organic content, not pay-per-click ads located at the very top or off to the side. Call me for a recommendation of SEO consultants who can make an immediate impact to your search results and overall dealership ratings.

QR Codes: Something New



No, this isn't a Rorschach blot: This is new tech. Generation X, Y & Z is more dialed in to new technology, so QR ("Quick Response") codes may be worth learning more about. Simply, the image can contain information about a vehicle, your dealership, your salespeople, etc. The data contained in the code can be links, text, photos, and more. For example, a QR Code can be added to each new and used vehicle sticker, conveying more details about a vehicle in which a customer has interest. The customer can simply take a photo of the QR code with his or her smart phone (courtesy of free, downloadable apps). Whether it's after hours or an inattentive staff, the QR code can assist your "virtual salespeople" efforts, directing the shy customer to a specific page on your website for more information. In the process of connecting to the dealership, the customer can leave contact information for follow up, growing your customer list. QR codes can be generated online for free. Creating a QR code is both easy and free (<http://qrcode.kaywa.com>); they may even be placed on the backside of business cards. On the other hand, predicting adoption rates of new ideas is always a coin

flip and QR codes could wind up as another "solution looking for a problem." Try the one above out for yourself – your Smartphone should direct you to PSADA online upon launching the QR Reader app.

Service Plans: Lifetime Revenue or Lifetime Expense?

It's all about customer retention, and lets face it, your customers are free agents after the sale. Great customer experience will create loyalty, but their allegiance is tested each time they visit. NADA featured Oil Services among its "20 Group Best Ideas" as one of the dealer's best low cost tickets to keep your customers returning. I agree.

I have long been a proponent of a very small oil service agreement that doesn't require an attorney or a "hard close." It's best to make it easy and inexpensive, both of which rule out Lifetime Oil Plans, which are accounting quicksand and costly. In my experience, the path to least customer resistance is a prepaid oil service card. Follow Starbucks' lead and package five oil changes together, incentivized by a meaningful discount, say 15% to 20%. It's a safe bet the customer will not allow the prepaid services go unused, giving your dealership five chances to win continued loyalty with your customers. As the costs of labor and oil increase, you have the flexibility to adjust your pricing to preserve your gross margin.

Unlike prepaid plans, I dread the sight of "Lifetime Oil Plans" on your books. The computer schedule tracking customers and costs is usually out of control, running into pages of misery. Further, the liability on your financial statements is often understated by six figures. Long term, it is very doubtful that dealerships realize any gross profit from Lifetime Oil Plans. With prepaid oil services, the dealer has better control over the costs without any sacrifice to your customer retention strategy.

Annual DMS Update: "Is MSDMS a Window to the Future?"

Dealer management software ("DMS") continues an evolutionary path and the choices are largely unchanged from last year. Paul Gillrie, of the Gillrie Institute, picked up on the growing instant communication features of social media and the integration with your DMS. "We believe this is just the beginning of a trend that will revolutionize the industry over the next five years."

Dealers were teased years ago at NADA with a new "Microsoft DMS," leading some dealers to think that software engineers in Redmond were toiling away on their behalf. The reality is that Microsoft is only selling its software database products to DMS developers. In fact, Tier 2 DMS providers (e.g. ACS, DealerBuilt, and others) have long been using Microsoft software. The new development is that a "Windows DMS" has taken the name of "MSDMS" and has moved beyond vaporware. The current iteration of MSDMS is a rewrite, rather than an update of the European product on which the early demo was based. Further, the MSDMS technology is based on Microsoft's Dynamics AX, an advanced platform that is state of the art for business reporting.

To those rightly skeptical of perennial launch promises that prove empty, ACS, a company that has for years operated a Tier 2 DMS by the same name, is leveraging its experience in the development of MSDMS. Management is confident of a roll out at next year's NADA. MSDMS will be positioned as a higher-end solution designed for larger and multi-store dealerships. The saying "hope springs eternal" is applicable here.