How Much are Accessories Worth to You?



5 Myths Holding You Back From Your Profit Potential

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Accessory sales are a logical, but often overlooked opportunity for your dealership to generate brand-new dollars.

You can implement a successful accessory process with the staff you have today.

Have you ever had a year where it seemed like everything went your way? You got the raise at work. Met your fitness goal. Took your dream vacation.

It's been like that for automotive retailers for a while now. The rebound from the recession – now a full decade in the rearview mirror – led to record dealership sales and revenues.

Sure, margins lagged slightly behind where they ought to have been, but there was generally no disputing things were looking up.

Enter the sales plateau last year and what looks like the beginnings of a gradual decline in 2018.

Most industry analysts will argue this is nothing to be overly concerned about - a 'natural' market progression that is less concerning than perpetually inflated numbers, which would point to profit-sapping incentives and extremely loose credit.[1]

That may be true. But what's more tangible, natural or not, is the increasingly urgent need to create new profit centers in the dealership. If sales and fixed ops numbers fall off, where will you turn to make up for the lost revenue and keep your numbers in the black?

Accessory sales are a logical, but often overlooked opportunity for your dealership to generate brand-new dollars. Dealers generally don't consider accessories for several reasons: accessories are seen as a hassle; adopting a new accessory process takes work; and, it's simply easier to direct customers to the shop down the road.

If those lines of thinking sound familiar, allow me to pose another question: Is investing in a consistent, results-oriented accessory sales process worth $41 billion? Because that's how much consumers are spending on accessories.

Those perceptions are holding you back, and have consistently been proven wrong over time. By examining and refuting these beliefs one by one, we can build a case for why you should be in the accessory sales business, and provide a blueprint for how to get there.

Here are the myths holding you back from your profit potential.

Myth #1: To add an accessory department, I would have to hire more people.

One of the first concerns about accessories is: "I don't want to hire more people." Hiring additional sales, service, or parts associates is not ideal. You're trying to increase profit, not add personnel cost.

The good news is you don't have to hire more people. You can implement a successful accessory process today with the staff you have.

If you have a great sales team, add the accessory process to your current workflow. This allows you to capitalize on your current strengths and eliminates the need to introduce "another sales guy" to your customer.

This strategy also helps with attraction and retention of good salespeople when you offer commission on accessory sales. Your sales team has an opportunity to earn more on each deal, and you can both keep the salespeople you have and gain a competitive edge when hiring.

If your existing sales team is busy, a second strategy is to assign a dedicated accessory manager. Promote a hard-working salesperson or start cross-training another hardworking individual for a management position.

Other dealerships use this strategy as an on-boarding tool. They take a budding salesperson, a BDC representative, or sometimes even a service advisor and introduce sales techniques through accessories. It's a good strategy for introducing newer employees to sales as well. Whomever you assign as your accessory manager, make sure they stay in the dedicated position long enough to be successful.

Myth #2: My customers aren't buying accessories, so why should I sell them?

The second myth preventing dealers from offering accessories is something like: "My customers aren't buying accessories, so why should I sell them?" Dealers claim the demand for accessories is small, and most of their customers can't afford them anyway.

The truth is most car buyers will purchase some form of an accessory. Of those who accessorize their vehicle, nearly half will spend $500 or more.[2] Dealerships are only capturing 10 percent of the $41 billion accessory sales market. So where is all that money going?

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It's going directly to accessory manufacturers, aftermarket shops, and even retailers like Amazon, Wal-Mart, and Pep Boys. The demand for this service is real and available to dealerships willing to step up and seize the money right in front of them.

Many customers plan on accessorizing their vehicles, regardless of their financial situation. They are more willing to buy when given purchasing options.

There are two best practices I suggest for purchasing options:

- Finance accessories with the vehicle purchase. Many buyers are able to afford a few additional dollars per month.
- Pay with cash or credit. This option is simple and easy for customers purchasing only a few accessories.

Customers are buying accessories. By offering them at your dealership, you are attracting business. You will increase profits and improve the customer's experience.

54 percent of consumers claimed they would rather buy from a dealership offering their preferred experience over a dealership with the lowest price.[3] For many, that preferred experience includes

personalizing their vehicles with accessories. Customers will share their experience and keep coming back.

Myth #3: Adding accessories to the vehicle sales process will take away from F&I.

The third accessory myth is, “adding accessories into the vehicle sales process will take away from F&I.” These dealers believe customers who spend money on additional, expensive accessories will be less likely to buy F&I products.

Selling accessories actually has the potential to help boost F&I profits. After personalizing their new vehicle, customers may be more likely to buy protection and warranty products in the F&I office. Why? Because they feel more attached to the vehicle and want to protect its new, personalized features.

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Remember to present accessories as a shopping experience—not a sales pitch. Customers won’t typically associate an accessory presentation as part of the car deal. They will welcome the opportunity to get all their accessories at once and even add it to their financing.

Without an accessory presentation to engage them, customers experience a longer perceived wait time. Offering accessories breaks up the time between sales and the F&I office, keeping customers engaged in the buying process. They stay busy and don’t think about the amount of time spent at the dealership.

An effective accessory presentation keeps customers engaged in the purchase and increases their feeling of ownership and attachment to the vehicle. F&I departments should welcome and leverage this opportunity to close additional F&I sales.

Myth #4: Accessory sales will take away from profit in my parts department.

The fourth myth comes from parts managers: “A set accessory process will take profits away from my parts department”. They are concerned sales commissions will cut into their profits.

However, the parts department and the dealership stand to gain more profit opportunities from an active accessory sales strategy, even after sales has their commission. Dealerships not selling accessories during the vehicle purchase are only earning a few thousand dollars a month. If salespeople actively promote accessories, the parts department could earn a percentage of a much larger sum.

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The 2018 Auto Accessories Trend Report looked at 125 dealerships across the country that have adopted new technologies to sell accessories. These dealers reported a combined $56 million in accessory sales, with $468 in accessory profit per customer. At these dealerships, even with a sliver going to sales, the departments involved earned much more than previous years.

The sales department can also prevent customers from going to the body shop down the road. When customers are given an accessory presentation, they see all their accessory possibilities. Some customers

may want to hold off on accessories for a while, but they will be more likely to return to your parts department to buy those accessories. This is why it's important to track your accessory presentations so you can follow up on those potential customers.

No matter where the sale originates, the entire dealership benefits from this more proactive accessory sale mindset.

Myth #5: I don't need to sell accessories; we pre-load vehicles.

The fifth and final accessory myth is a major deterrent when it comes to setting up an accessory department: "I don't need to sell accessories; we pre-load vehicles." Many dealers feel pre-loading accessories onto their vehicles works well enough, and doing it any other way would be too complicated.

Pre-loading can be an easy way to sell accessories, but there are some downfalls and missed opportunities if that is your strategy.

While a dealership may see an expensive pre-loaded feature as upping a car's value and marketability, the customer may value that addition significantly less or not even want it on their vehicle. The perceived worth of the vehicle remains the same for the customer. When this happens, unwanted preloads are typically negotiated into the deal for next to nothing forcing your dealership to write them off as a loss.

Pre-loading vehicles prevents customers from customizing their new vehicle to their liking.

Pre-loading vehicles prevents customers from customizing their new vehicle to their liking. This has two potential drawbacks that could prove costly for dealers.

First, removing the customization experience also removes the opportunity from customers who may want to invest heavily in accessories. More than 25 percent of customers who accessorize their vehicles spend over $1,000—a revenue opportunity that dealers who only pre-load will miss out on.[4]

Second, without customization, buyers may fail to develop a sense of attachment to the vehicle throughout the buying process, becoming less invested in the purchase overall. This may cause them to spend less on insurance and protection when they get to F&I, or they may back out of the deal altogether.

While pre-loading can be a simple way to bundle accessories into a deal and increase customer spending, the reality is you are still missing out on a huge profit opportunity if that is the only way you sell accessories.

Conclusion

There are many myths surrounding accessory sales that can discourage a dealership from implementing an accessories process. It can be hard to look past the myths, but dealerships have experienced success in the form of new profit centers thanks to strong accessory practices.

Dealerships can increase profits, improve the customer experience, and give employees an opportunity to increase their income through accessory sales. But it will only work if you implement the right process:

1. Offer commission to your salespeople, or assign a dedicated accessory manager.
2. Offer multiple purchasing options.
3. Present accessories as a shopping experience.
4. Track your accessory presentations.
5. Offer the accessories your customers actually want.

AddOnAuto is a seamless point-of-sale tool that can help you achieve all these goals. It creates a new profit center while meeting the customer's desire to personalize their vehicles. AddOnAuto drives results with a proven process and ongoing consultation. Eliminate the burden of accessory sales, and the myths behind them, for good.

Don't leave your cut of a $41 billion industry behind.

Visit ***www.reyrey.com/AddOnAuto*** to read more about how accessories are creating a new profit center for dealerships.

[1] Business Insider

[2] SEMA

[3] Autotrader.com

[4] 2018 Accessory Trend Report



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