Crisis? What Crisis?

It’s Not an *Industry* Crisis Anymore. It’s a *Retailing* Crisis.

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As one economist has remarked: “A crisis is a terrible thing to waste.”

Crisis? Automotive? Surely you must have the wrong industry?

Most would point back nearly 10 years to the real crisis. Deep recession. OEM bailouts. Nearly 4,000 dealerships shuttered. Vehicle sales falling sharply to 10 million a year.

Since then, vehicle sales have rebounded steadily to record levels.

And that’s true enough. It’s not an industry crisis anymore. It’s a retailing crisis.

At the heart of the crisis is a changed consumer and an expanding digital world. Caught up in the middle of the crisis is the automotive retailer.

A consulting firm put it bluntly: “Connected consumers are in charge. They are confident about what they want and how they want it, secure in using technology to increase their power as car shoppers and owners, and comfortable driving innovation in the industry.”

Dealers already recognize the connected, highly informed consumer as the biggest change – and challenge – they face. That changed consumer is armed to the hilt with information and with different expectations for a retail experience.

Across every retail business and service, there is a “constant evolution of the customer experience.” The characteristics of this (r)evolution: More transparency. More consumer control. More engagement. More speed in transactions. And a better overall customer experience.

Leading-edge retailers already recognize that the customer experience is far more than aesthetics...it has more to do with the “mechanics” of the customer experience.

Remember when fast food meant standing at the counter?

- Wendy’s is adding more than 1,000 self-ordering kiosks in stores.
- McDonald’s has installed mobile “order and pay” apps covering all of its U.S. stores and is also offering home delivery from half of its stores.
• And grocery stores are also pushing online ordering and curbside pickup services.

The “mechanics of the customer experience” also extend to the retail employee: In serving customers, do employees have the tools and processes in place to make handling the “mechanics” of the customer experience efficient, effective, and engaging, or do obstacles make it cumbersome, inefficient, and difficult?

• When Best Buy’s new CEO turned around the struggling retailer, in addition to talking with customers, he spent as much time asking employees what obstacles they faced in serving customers. Chief among the obstacles: An internal search engine returning inaccurate results about products in stock.⁶

What the best retailers have also discovered is that automation and digitization are critical to improving the “mechanics of the experience” – for the customer and the retailer.

Now, as the broader retail world evolves with the digital world, there are lessons for automotive retailers.

Here’s how automotive retailers can respond to this digital (r)evolution.

**The Digital (R)evolution: 2 + 2 = 5**

Automation and digitization together are both necessary to respond to this digital (r)evolution. But automation is not digitization. Digitization is more than automation: It’s $2 + 2 = 5$.

Automation typically takes manual tasks and uses technology to complete the same tasks in less time, more productively, and cost effectively. Most tasks that are automated are separate or stand-alone activities.

Digitization, on the other hand, is linking those automated tasks together to create entirely new processes and efficiencies.

Automation improves the efficiency of what was already being done; digitization changes the way work will be done and the way customers will experience the dealership. Automation will help reduce costs; digitization will help reduce costs and create opportunities for increased revenue.

**Digitization for Dealerships: An Approach to Business, not just Technology**

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doing business (“we’ve always done it this way”) and to uncover new ways to create value through digitization.7

For example, most dealerships today don’t sell accessories – or, at least, not efficiently and profitably. Typically, the accessories market is fragmented; most of the information is in paper-based catalogs or a stand-alone database; and, the entire process is disconnected from the dealership’s daily operating processes and dealership management system (DMS). As a result, most dealers ignore accessories sales. The digital tools haven’t been available.

Yet accessories sales are an untapped new profit stream for dealers. How would that old way of doing business change if a dealership could digitize the accessories sale and fulfillment process inside the dealership, making it part of daily operations and a seamless part of the DMS?

How would it change the customer experience if digitizing the accessories sales process meant dealers could display vehicle accessories on a large, interactive screen for customers, showing the car the customer just purchased (by VIN) and animating how the vehicle would look with different accessories?

How would it change the “mechanics of the customer and employee experience” if each accessory purchased could be added – instantly, seamlessly – into the deal in F&I and financed?

And, how would it change the way work is done if that digital platform also enabled the dealership’s personnel to digitally track and manage the entire accessories process from the sale to order placement to fulfillment and accounting?

Responding to the digital (r)evolution challenges dealers to first look critically at their current ways of doing business and how digitization can deliver new value – and profit.

Digitization for Dealerships: Reinventing a Familiar Process

Second, taking a digital approach to the business challenges dealers to look for ways to uncover new value in familiar processes already in place.8

For example, F&I today is a paper-based process with multiple points of contact throughout the dealership, with most steps done sequentially so that physical paper (or a deal jacket) needs to pass from one person or department to another and to outside businesses (lenders and aftermarket providers) to complete the transaction.
How would it change the business if a dealership could utilize a digital presentation layer built as a part of the DMS and working seamlessly with it?

How would it change the process if that digital presentation layer enabled the F&I manager and customer to see every step of the F&I process together on a large, interactive screen? To view sales presentations for F&I products and sign e-documents on screen that are immediately available electronically to other departments in the dealership – from accounting to reporting – as well as to auto finance companies and after-market providers?

The F&I process and function remain the same, but the digital connectivity and electronic workflow make both vastly different – changing the mechanics of the customer experience and the way dealership employees serve customers.

There are a lot of ways to automate various steps in the F&I process, but reinventing the process and linking all the steps together seamlessly requires digitization – digitization that can lower costs and increase the financial returns in F&I.

**Digitization for Dealerships: It’s About One-To-One Retailing**

Third, a “digital way of doing things” is about delivering a more personalized shopping experience for the customer. It’s a one-to-one retail experience where the customer and the dealership employee both have the right information at the right time to make the best decisions.

A 2017 McKinsey survey identified attributes that customers value when it comes to personalized communication in a retail experience:⁹

- Give me relevant information that I wouldn’t have thought of myself.
- Send the message when I need it – not randomly, and certainly not after the fact.
- Remind me of events I may not be aware of or may have forgotten about.
- And make sure you know who I am regardless of where and how I interact with the retailer.

Here’s how that translates for dealers meeting the challenge of the digital (r)evolution in retailing.

- If you identify me on the dealership website and communicate with me through chat, yet have no idea of those interactions
when I’m in the showroom and you have to re-key my information, that’s a problem.

• If I send in an e-lead and identify a vehicle I’m interested in, yet your system doesn’t instantly match my e-lead with my customer record and purchase history in the DMS, so that your response is either delayed or too generic, that’s a problem.

• If I’m a valued service customer and call the Service department, yet that employee has no digital platform that connects my phone call to the DMS to my name so that the Service person knows who’s calling, a likely reason why, and my customer history, that’s a problem.

• If I decline recommended service but the dealership has no digital tools in place to reach me consistently with the right message at the right time across different platforms, through email, social media, and digital ads for the recommended service, that’s a problem.

Automating tasks alone won’t solve these problems; digitizing workflow will.

Looking Ahead

Meeting the retailing challenges of the digital (r)evolution means implementing the tools, technologies, and processes that will support an ongoing “digital way of doing business” throughout the dealership.

It’s not about one application “talking” to another application or data sets being “synced.” Rather, it’s about deeply embedded applications and processes working cohesively as one across each area of dealership operations. It’s about a single, seamless system built with a holistic retail and digital view.

And it’s about meeting the expectations of the “Amazon generation” of shoppers.

For dealerships to keep pace and lead that digital (r)evolution in automotive retailing, it will take seeing the world differently – and digitally. It will take uncovering new ways to create value through digitization. It will take uncovering new value in familiar processes. And, it will take delivering a more personalized shopping experience for the customer.

Because it’s not an industry crisis anymore. It’s a retailing crisis.
Visit www.reyrey.com/whitepapers to read more about how the automotive industry is changing.

5 “Wendy’s is Going to Install Self-Ordering Machines in 1,000 Stores,” Tara John, Fortune Magazine, February 27, 2017; “McDonald’s Prepares to ‘Flip The Marketing Switch’ to Drive Up Mobile Ordering,” Sarah Vizard, Marketing Week, October 24, 2017.
8 Ibid.

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