

CAR DEALER

The Auto Dealer's Management Briefing

INSIDER

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Trend spotting

Greg Gilmore, president of the Apex Group (www.apexgroup.net), reports that after hearing from approximately 50 of his best clients on January business, there were some legitimate success stories in January. Greg even had a few of his clients tell him they had one of their best months in a long time. The dealers who did well tended to be the ones who were able to motivate their people despite all of the media distractions. Other distractions include dealers having to spend an inordinate amount of time with their wholesale reps discussing allocations.

Some of the motivation came through bonuses and pay plans, which are difficult in this era of cut backs, but they were met with positive results. Hyundai dealers were extremely happy with their January. Hyundai came on board with a creative and effective ad campaign which paid off for its dealers with a 14% increase in business. Dealers who have built strong used car departments also did well and made good money in January.

Unfortunately, Greg notes, many of the manufacturers also contributed to the bury your head in the sand mentality with lowball forecasts and severe production cuts. A tier 1 import dealer tells Greg that while his objectives were reduced, he did not share the lower numbers with his sales staff. The result, he exceeded his original objectives. The point being is that the dealers who don't buy into lower expectations are in a much better position for success in today's market. Some manufacturers may lose market share through drastic production cuts when business picks back up again.

Automotive Retailing on the Web enters its next phase

Terms like “skinned microsite,” “WordPress,” and “organic referral sources” may be old news for the more technically savvy among us, but we'll wager that for most car dealers, and for *Car Dealer Insider*, the terms are new and something of a mystery. Yet they represent the present and the future of online auto retailing. So what are these concepts and why and how do they work?

Here's a fundamental question: Does your dealership own its own website(s)? Or does an outsourced website hosting company actually own the site and rent it to the dealership? If your dealership is renting its website and decides to change hosts, there is a good chance the established website address will disappear along with the host company.

The goal of any dealership's online marketing effort should be to get customers and prospective customers into the habit of visiting the dealer's site not just when they are in the market for a new vehicle or for service, but to visit regularly for any information of interest. We're not knocking third-party lead referral service. They provide a valuable service. But leads cost money and, especially, these days, there is real and measurable benefit for car dealer's who can attract customers and prospects directly to the dealership website, bypassing the lead aggregators.

Microsites

That's where microsites come in.

Wikipedia describes a microsite, also known as a minisite or weblet, as an Internet web design term referring to an individual web page or cluster of pages which are meant to function as an auxiliary supplement to a primary website. The microsite's main landing page most likely has its own domain name or sub-domain.

We're talking here about search engine optimization (SEO), the ability to get your dealership's website to appear at the top or near the top of the listings when a prospect does an Internet

search for vehicle models that your store sells.

For example, *Car Dealer Insider* operates in the Philadelphia area. We don't know the closest Mercedes dealer offhand, so we did a Google search using the terms "Mercedes-Benz PA." The first listings that are likely to come up in this kind of search are the so-called Sponsored Links. They get top billing because those firms have paid a fee to Google. For our Mercedes search, though, there were no sponsored links.

The first listing is for "YourMercedes.com." This is an excellent example of a microsite. **YourMercedes.com** is affiliated with two Mercedes-Benz stores, in West Chester, PA, and Fort Washington, PA, both owned by the same principals.

Here are some more examples. A prospective customer shopping for a BMW in New Jersey won't necessarily start an online search by going to one of the highly advertised third-party referral sites. Instead, that shopper could go to Google and use the search terms New Jersey, BMW, dealer.

The first result is a sponsored link paid for by BMW North America. Among the non-paid links, first on the list is Circle BMW in Eatontown. In fact, Circle BMW shows up near the top of nearly every search for BMWs in New Jersey.

Case study: Circle BMW

BMW search phrases that include the word New Jersey, NJ or Monmouth County show that Circle BMW websites dominate search results. That's not an accident. Circle BMW owns its own site, **www.circlebmw.com**. It also owns several "skinned" microsites.

For instance, **www.njbmwdealer.com** is a domain owned by Circle BMW. Now, when shoppers type in any of these phrases into Google, this microsite is on page one:

- ▶ NJ BMW Dealer
- ▶ NJ BMW Service
- ▶ BMW Dealer NJ
- ▶ NJ BMW Cars
- ▶ NJ BMW 328i
- ▶ NJ BMW 528i

Again, it's called a microsite because it supplements the dealership's primary site. It's "skinned" because the Circle BMW brand and logos surround the content of the site making it look like the pri-

mary website.

It's not true that all the good things in life are free. Car dealers who want to create this type of microsite web marketing program will probably have to pay a consultant for some guidance. Brian Pasch, president of Pasch Consulting Group (**www.paschconsulting.com**) created the Circle BMW web campaign. Pasch Consulting Group works with businesses in a variety of industries and numbers about twenty dealerships among its clients.

As dealership advertising shifts from the weekend classified section of newspapers to more contemporary and cost effective

Facebook summary

General growth: More than 150 million active users

More than half of Facebook users are out of college

The faster growing demographic is those 30 years and older

Users:

Average user has 100 friends on the site

More than 3 billion minutes are spent on Facebook daily

More than 13 million users update their status at least daily

More than 3 million users become fans of pages every day.

Applications:

800 million photos uploaded to the site every month

5 million videos uploaded each month

20 million pieces of content shared each month

2 million events created each month

20 million active user groups on the site

Platform:

More than 660,000 developers and entrepreneurs from 180 countries.

More than 52,000 applications currently available

140 new applications added every day.

More than 95% of Facebook members have used at least one application built on a Facebook platform.

online media, dealership owners need to update their thinking. Microsites are part of the puzzle along with the traditional third-party lead aggregators, the factory websites, the dealerships primary website, and social networking sites. The idea is to generate as much traffic as possible regardless on the ways in which car shoppers undertake their search. If dealers can attract their own leads at little or no cost, so much the better.

Social networking

The standard dealership web template still contains mostly “car and price” inventory information, the dealer’s location, and hours of operation. But take a look at www.circlebmw.com and note the additional content provided by the dealership. This is a good example of the use of blogging by a car dealer. It’s facilitated by a program known as WordPress. WordPress is an open source blog publishing application. Details can be found at www.wordpress.com. This is a do-it-yourself program for car dealers that would like to introduce blogging as another feature of their websites.

Younger car shoppers it seems don’t read newspapers, so they won’t see the dealership ads on Saturday and Sunday. They also don’t watch much television and, if they, do are more likely to skip through commercials using services like TiVo. But younger shoppers do spend time on social networking websites like Facebook and its competitors.

As Brian Pasch notes, “Social networking websites have the ‘buzz’ and promise to increase dealer web traffic but it is still the ‘wild west’ out there, so dealers need to take some care before venturing onto a site like Facebook.” Nonetheless, Brian believes that social networking sites Facebook, Linked-In, and MySpace are the next big thing in dealership Internet marketing.

For dealers who are considering setting up their own dealership Facebook pages, Brian offers the following advice:

- ▶ Create a dealership account as opposed to a personal account.

- ▶ Upload quality, tasteful photos of the cars you sell, staff photos, showroom photos, and your most recent print ad. Focus on your brand!
- ▶ Download your e-mail database and invite your customers to join.
- ▶ Post weekly specials with hyperlinks to the website pages. This creates links and traffic.
- ▶ Hyperlink as much as possible so that Facebook can be used to drive traffic to the dealership website.
- ▶ Videos can be an effective tool for Facebook members since it is more entertaining.

Other web sales tools, according to Brian Pasch, include **Craigslist**, the top choice for free car traffic sales with an attractive ROI, **Google Base**, an automated feed of your existing inventory to Google’s free online store and classifieds, and **VAST**, and automated feed of your inventory to www.vast.com and AOL Autos. ❖

BTW on March 10th Brian Pasch is presenting a free webinar on this topic www.dealersedge.com/Pasch

Who should close their dealership now?

By Nancy Phillips

There are many reasons to exit the business of operating an auto dealership. Among them are: retirement, health issues, debt, lack of profit, decrease in revenues, increased competition, and franchisor issues.

The traditional exit strategy for auto dealers has been limited to an outright sale to a new owner or an existing partner, a buy-in by a minority partner or a sale back to the franchisor.

Selling an automobile dealership is a very complex and time consum-

ing endeavor and each of these methods, in order to be effective, must begin with an accurate determination of value followed by procurement of the right qualified purchaser, preparation of critically important legal documentation, management and facilitation of the

franchise approval process and coordination of the dealership closing.

Today, in the midst of a worldwide economic downturn, business as usual isn’t achievable and “normal” business practices no longer apply. While we all understand

that making the decision to exit is extremely difficult, if your dealership or your franchisor is failing, then the question of if and when you should close needs to be seriously addressed.

Who Should Close Their Dealership Now?

- You, if you own a dealership in a non-primary market area.
- You, if you own a dealership that is improperly aligned.
- You, if your floor plan is at risk and you have no alternative finance source.
- You, if your dealership could lose more than your current cash-on-hand within the next 6 month period.
- You, if you own a domestic dealership and have serious health problems or are suffering from stress and burn out.

If you fall within this category of dealers, how do you determine if dealership closure is actually an option for you?

Here are four (4) steps that you must take to make a proper assessment of your dealership:

- 1 Be absolutely positive that you have NO opportunity to sell before considering closure. Selling a dealership today can take on different forms than you are accustomed to seeing. If you can't sell outright, you may be able to sell to a contiguous dealer in order to realign or consolidate your market area or, alternatively, your franchise could be bought by your franchisor and your point terminated or re-assigned. To be sure, consult with a trusted professional who knows where to go to obtain the answers you need to evaluate your dealership's situation.
- 2 If you have determined that closing your dealership is necessary, carefully analyze your situation to make sure you understand the approximate value of all of your assets and the debt you will remain obligated for. You will need to involve a team of advisors including your attorney and CPA as well as a trusted automotive expert to facilitate the process and improve the outcome.
- 3 When you liquidate, it is important to hit the ground running and divest yourself of assets as quickly as you can to mitigate further operational losses and to maximize your recovery. Planning is essential. The final closing of your dealership must be done properly and cleanly, otherwise its effects will come back to haunt you later.
- 4 The procedure and timing of all of the facets of dealership closure must be professionally orchestrated to address the many issues unique to the automobile industry. Be sure to engage an experienced auto dealership exit strategist to avoid costly mistakes and optimize the value of your franchise assets. Services offered should include:
 - **Franchise Disposition:** Guidance through the process of termination, resignation or re-assignment.
 - **Parts Return:** Facilitation of the return of current parts and liquidation of obsolete inventory.
 - **Vehicles:** Management of sale of non-returnable new vehicles

and used vehicle liquidation.

- **Fixed Assets:** Coordination of appraisal and auctioning of furniture, fixtures and equipment.
- **Real Estate:** Providing options through a network of national developers and key commercial brokers for divestiture of real estate.
- **Other Franchise Issues:** Guidance in handling other requirements relative to the orderly closure of your dealership such as extended warranty plans, computer contracts, leases, etc.

Above all, remember that getting out of business requires a great deal of planning and intelligence. Often dealers are slow to recognize and deal with their immediate circumstances and the future viability of their franchise. On a personal level, closing one's dealership is extraordinarily difficult and psychologically traumatic. Ego and pride can prevent a normally good business person from reaching out for the best support and assistance and doing the right thing at the right time. To survive, you will need to conduct the closing of your dealership in the same manner as you would conduct good business - without allowing the stress factor to destroy you. ❖

Nancy Phillips Associates (www.nancyphillips.com) represents franchised dealers by orchestrating dealership sales and closures for those wishing to divest. Nancy Phillips can be reached by calling (603) 658-000.