

## What Are You Going To Do Differently in 2009?

Most dealers I know and have talked to were ready for 2008 to end last September. Now that 2009 has started, it may not seem much better than 2008. As dealers, you were mostly beat up, knocked down and trampled during 2008 by the economy. Few dealers made money and there were many who lost more money in 2008 than they had lost in all the previous years together. Some dealers did not survive 2008 and some may not survive to see the end of 2009.

Some dealers really and truly made money in 2008. And, they will probably make money in 2009. What are they doing differently? Do they have the magic potion? Where can we order some?

I have noticed over the years there seems to be certain areas in the country that seem to always survive better than others. For example, Texas dealers seemed to keep selling trucks and SUV's far longer than the rest of the country. Some dealers are still doing well in the sub prime market. Their sales might have slowed down, but they are still selling enough cars to make a profit each month.

If you are a new domestic car dealer, 2008 was probably a big disappointment. Sales were down, profits were down and it was tough to cut expenses and keep realizing savings after you had already reduced them the first time you reviewed them. You have come to

realize you can't save your way to a profit if the sales and the gross profit are not enough to cover your reduced expense structure.

You may not be able to control the new car market, the economy in general, or the lenders who don't seem to have money for your customers to borrow unless their credit score is unusually high. But, what you need to do is take another hard look at your business and figure out what is working for you. Meet with your managers weekly to review what happened last week and what you can do to increase your sales and gross profits.

Think outside the box. You need to explore what makes other dealers with the same franchises and similar customer base show a profit when you can't. Schedule a meeting with your lenders. Find out what kind of cars, credit scores, etc. they will loan money on today. Then make sure you have those cars available for sale on your lot. Next advertise to your customers, as economically as possible, have lenders lined up and the cars in stock they will lend money on.

Review not only what advertising other dealers are doing in your selling area, but also look at different dealer's advertising across the country. Look at other industries to find out what may be working for other retailers, whether they are selling cheap or expensive items. Even though business is down in most areas of the economy, businesses are still selling some products.

Take a look at your service, parts and body shop departments. Review your historical sales over the past three to four years. What type of service has increased and what has decreased? Review each one in detail with your managers and discuss ways to increase all areas of your sales. If there are independent repair shops and oil change facilities in your area and they still have business, then you still have room to increase your sales. Review their advertising, their pricing, etc. and construct a way to market to their customers. Find out why they used to be your customers but have not bothered to come back to your service department for one reason or another after buying their car from you. Call up all those customers and offer them a coupon to visit your dealership for their next service needs. Yes, call them. With business being what it is, there should be time to make some phone calls to say hi, thank them for their past business, and ask them for their future business. What have you got to lose? Sales you haven't had? You can only increase your sales by doing this.

Take the offensive. You have tried defense by reducing costs throughout each department already. To obtain profitability you will need to sell your way there. You can't just sit around hoping to wait out this downturn in the economy. You need to be structured and ready and already hitting it hard from all angles when the economy does start to recover.

The car industry has always had its ups and downs. And it will continue to do so. It is inevitable as history has shown us. Remember the dot.com industry? It was flying high and then crashed and burned.

(2009 cont. on page 2)



### Did you know...

Business meals, entertainment and travel expenses may be fully, partially or totally non-deductible?

Call your Auto Team America firm to ask for a deductibility checklist.

(2009 cont. from page 1)

What did come out of it were stronger companies with better products and increased profits. Only the strong and determined companies survived. They reduced expenses, rediscovered and redesigned current products, eliminated products which were not profitable to continue and came up with new methods of marketing all of them.

Think of your dealership as if you were buying it today. What would you do differently? What would you improve? What would you change cosmetically? What training do you need to accomplish? What personnel changes do you need to make? What expense structure would you set up? What would your budget look like?

If you don't have a budget, then take this time to put one down on paper with the help of all your

managers. Arrive at the number of units and minimum gross profit it will take to cover all your expenses to arrive at break even. Once you know this break even number of units and gross profit, plan how you are going to increase your sales and with what type of product. It should consist of increases in new, used, service, parts and body shop departments.

I know I have rambled on, but try to go back to the basics of just good operational business procedures and policies. Clean up your balance sheet of overage and over-priced vehicle inventory and other non-producing assets and strive to keep it that way for 2009 and the future. Get all dealership personnel involved in your project to gear your operations for increased profits in 2009.

For additional information, please contact your local Auto Team America member today!

## Revvng Up Sales In A Down Market

**Abstract:** From giving time-hungry Internet shoppers the fastest service possible to asking your manufacturer for advertising help, there are tactics a dealership can use in a slow market to pick up the pace. With most buyers now using the Internet as part of the process, you can benefit from paying attention to what's important to customers as they surf their way to a new set of keys.

### Revvng up sales in a down market

From giving time-hungry Internet shoppers the fastest service possible to asking your manufacturer for advertising help, there are tactics a dealership can use in a slow market to pick up the pace.

#### The need for speed

Think about how consumers are buying cars and trucks these days. With most buyers now using the Internet as part of the process, you can benefit from paying attention to what's important to customers as they surf their way to a new set of keys.

A 2007 study conducted by Outsell, an Internet auto sales and marketing company, found that the speed of a dealer's response to requests plays a crucial role in the consumer's first impression of the dealership.

According to study results, 91% of car buyers search for a vehicle online. And 80% will ask for more information via phone or e-mail to multiple dealers before visiting the physical dealership. Because these potential customers contact a number of dealerships during their search, their first impression of a dealership is all-important.

The study reveals that consumer interest in purchasing a vehicle from a particular dealership decreases rapidly if it doesn't respond quickly to a request for information. It also finds that time spent at the physical dealership is a consideration for car buyers: 90% would prefer to complete their shopping experience at the dealership in two hours or less.

#### Getting back on track

Slow sales sometimes are attributable to the decline in popularity of a once-hot model. There are many reasons why a top-selling model suddenly becomes a bottom dweller. Maybe high gas prices make a vehicle far less attractive or a manufacturer recall has damaged its reputation. Or perhaps its time has simply passed.

More often than not, however, with a little creative brainstorming and a lot of hard work, you can light a fire under that one-time top seller — figuratively, of course. Here are some strategies to consider if you want to get such a model's sales back on track:

TAX  
TIP

## IRS Announces Special Tax Break for New Car Purchases in 2009

The Internal Revenue Service announced that taxpayers who buy a new passenger vehicle this year may be entitled to deduct state and local sales and excise taxes paid on the purchase on their 2009 tax returns next year.

This deduction enables taxpayers to buy now and get cash back later on their tax returns.

The deduction is limited to the state and local sales and excise taxes paid on up to \$49,500 of the purchase price of a qualified new car, light truck, motor home or motorcycle.

The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between \$125,000 and \$135,000 for individual filers and between \$250,000 and \$260,000 for joint filers.

IRS also alerted taxpayers that the vehicle must be purchased after Feb. 16, 2009, and before Jan. 1, 2010, to qualify for the deduction.

The special deduction is available regardless of whether a taxpayer itemizes deductions on their return. The deduction may not be taken on 2008 tax returns.

**Increase callbacks.** Changing market conditions are often to blame for declining interest in a model. Fewer people may be buying that type of vehicle — or any vehicles at all. Sometimes the most effective initial response to such an obstacle is to simply work harder. This could mean asking your sales force to increase its minimum number of callbacks.

During slow periods, it's especially important to stay connected with customers who have expressed an interest but haven't followed through. Inform them of your latest deals and invite them to a no-commitment meeting. You might even consider making price or warranty concessions that you normally wouldn't.

**Accentuate the positive.** Sometimes reigniting sales requires creating a new spark. Every model has distinctive characteristics that help it compete with its rivals.

For instance, some vehicles now include fuel-saving features, satellite radios or blind-spot detectors. Refocusing on selling points such as these could get things moving again.

#### Pedal to the floor

Experienced dealers know that down markets are going to occur from time to time. But if you step up tried-and-true tactics for revving up sales, you'll be doing what you can to turn a down market on its head.

#### Sidebar: I just love it!

As you weigh the equation of what it

takes to sell a vehicle in a down market, don't forget the power of emotion. There's a reason why almost every book and article on car buying says consumers should leave their emotions at the door when they walk into a dealership. Emotions can rule.

Both common sense *and* research over the years say that the more emotionally attached someone is to a vehicle, the more likely the person will buy it — and the more money he or she likely will spend.

The vehicles we drive say something about who we are. And whether a particular make or model tells the world the driver is wealthy, frugal, sexy, macho, carefree, forward-thinking or environmentally conscious, it's important that it project the image the buyer desires.

When your staff is sizing up potential customers, they shouldn't toss aside the non-emotional considerations (current transportation needs, such as the number of people the buyer will be transporting). But they shouldn't forget the "e-factor" either. By paying attention to what pushes your customers' emotional buttons, your salespeople have a better shot at the prize.

For additional information on revving up your sales, please contact your local Auto Team America member for additional information.