

CHUCK PARKER BLOG- October 2015

Auto Dealership Business Model in for Disruptive Change--May Be a Revolution, a Collapse, and a Reinvention Soon

The current automotive dealer business model is in great peril and must change dramatically in the near future.

Are you crazy? Auto Dealers--whom should now be called Automotive Retailers-- are having a record year in sales and profits in 2015. Warren Buffett and AutoNation are buying up franchise dealerships --and there has never been a better time to be in the car business.

Everything seems to be working just fine in the current U.S. automotive market even if consumers are still getting into cars and service in much the same way as they did 5 years ago.

What is the situation that prompts one to make such an outrageous assertion about the future of automotive dealerships?

So let's look around and see if we can spot and list some of the changes that have or have not occurred in the last year in the automotive retailing business:

1. Car shoppers are looking for a way to buy cars online more than ever.
2. Consumers still do not want to go a dealership and do so only to get a car.
3. Startups are offering many of the services and support that car dealers do or could.
4. Consumers are generally more knowledgeable about the car they seek to buy than the dealer sales people.
5. Millennials (25% of the market) do not really want to own or hassle with a car
6. Getting customers to return to the dealership for service is bigger problem than ever.
7. Many dealers are seeking to sell cars the same way they did five years ago
8. Mobile phones are changing the whole car shopping & sales experience
9. The focus or objective of the dealership team is to sell the car, period.
10. There is still little trust, transparency, or desire to engage with the dealership.
11. Consumers want more from the dealership experience than they seem to be getting
12. The dealership culture is too engrained, established, and isolated to change.

So the dealership business model is about to experience the impact of many of these emerging disruptions from all directions. **What should "dealers" do about all of this & When?**

So When should “Dealers” begin the migration to a new business model?

On or before January 1, 2016:– Implement a new business model that transforms the existing dealership structure, services, and strategy into a “Total Transportation Center”

What does this mean and what would this new business model look like?

- The dealership would no longer be called a “dealership”.
- The dealer model would transition to being a “Retailer of Client Automotive Management Services in a Total Transportation Center”
- There would no longer be any “deals” and the “D” word would never be heard again.
- Customers would be referred to as and treated like “clients”
- A sustained, trusting, and reliant relationship would be gradually built between the client and the Transportation Center team.

The services to be offered by the new Total Transportation Center would be:

Simply stated: The former “dealership” would offer a complete menu listing of every possible service & products relating to the car’s management during its period of ownership or “usage”.

The complete client vehicle management services would include:

1. **Vehicle Selection & Purchasing** of a car or truck or the “buying” will be handled by an automotive consultant not sales person at the Total Transportation Center.
2. **Vehicle Service & Support** – Managed, scheduled, & delivered at the Center or in the client’s driveway or office parking space
3. **Financing & Funding** – Counsel, Selection, & best method of funding a loan, lease, or long term rental in place of an F& I Department, as such.
4. **Insurance Underwriting and Accident Management** – The Center would assist, review, and advice the client on the selection of an automotive underwriter -- then, administer, manage, and handle all claims management, repairs. Loaner car, and advisory services.
5. **Temporary Transportation Services** including short term rentals, loaners, and individual requirements to meet family and personal transportation needs.
6. **Vehicle Cycling Management and Replacement Process** – The center would again counsel, arrange, and manage the cycling of the “old” vehicle to the “new”.
7. **Car Sharing Programs & Uber-like services** – All part of keeping clients constantly mobile with managed transportation.
8. **Roadside and emergency support** including the arrangement & delivery.
9. **Community & Tribal Social Media Network Connectivity** with other owners
10. **Special Programs, events, & opportunities** involving the vehicle brand

Now ---What will be some of the objections from all over the place?

1. The OEM or the franchise agreement

Total Transportation Center model will allow the same branding, product display and presentation except the location of the TTC building or store front would say for example “AutoNation Total Transportation Center”

2. Dealer to make less money—

Actually, at a minimum the same level of sales, profits, and growth will occur and probably more.

3. TTC involves more work & a change of the dealer culture:

Yes, probably, but new and exciting services, ideas, and resources for the dealership would be immediately available. More opportunity & career growth for the dealer team.

In reality, what actually would be the pluses and solutions from TTC model?

- More profit and revenue for the “dealer” by offering more & complete services
- Provides means & platform to create real client relationships
- More new business to target audience that hates the old “dealer” system
- Creates many new and more jobs for the professionals in the TTC
- Opportunity to changes image and way “dealerships’ have been viewed for years
- Services, products, and SAAS systems form new startups to be included.

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