

Profit Protection

Recently we wrote about our Tier Zero™ approach to auto dealership advertising and how its successful use drives net profit for almost any dealership. (See WARDS archives <http://wardsauto.com/ideaxchange/tier-zero-advertising-gets-specific>)

Now we want to discuss profit protection and why this will soon be the subject of discussion across the industry.

You see today's customer shops for a car for 90 days, but they "buy" within 90 hours. This 90 day / 90 hour rule needs to be respected in your advertising plan. Is it? Or are you still using an ad plan designed in the 1990's and simply spending more and more every year. Hint: You'll know you've outgrown your old ad plan when your PVR is climbing and your net profit is flat or down.

In my opinion, this year's 17mm SAAR is artificially holding up profit in real dollars but profit percentage is in a strong decline. I've met many dealers who have simply given up trying to make a decent profit on any new vehicle that they sell and simply aim only to hit OEM new car sales minimums. Used cars have become their expertise.

It doesn't have to be that way does it?

Can't we innovate a better profit just like other retailers? When Coca-Cola found people began drinking less soda Coke rolled Coke Natural in a green bottle and also printed first names on millions of cans and bottles so consumers could buy "their" bottle with their name on it. The result was a 4% *increase* in Coca-Cola sales. McDonald's famous "Do you want fries with that?" phrase is not a random act. Instead it is trained into the McDonald's associates' vocabulary. These are meant to be food industry examples of the same principles that I am about to share.

We recently were a guest on an NADA national profit webinar and we shared the three things you need to do right now to drive net profit. None of which cost you any extra money.

These include scaling up your raw exposure to the masses instead of segmenting your ad plan to where you hardly reach anyone at all anymore. Get out of low scale niche media, it's slowing you down. Talk to the masses and you'll get mass response.

Display and lot management affect profits too. When a car buyer only visits one dealer lets not bore them to death with the same old look of every other same nameplate store in the market. Lining up promo units in bright colors with crazy

affordable lease payments is a start. Why hide these values if you want to sell them?

Merchandising like a maniac is the third. Industry pros tell me that 50% of auto buying consumers will buy accessories when shown them and that these accessories carry up to a 50% profit margin. Not presenting upgraded wheels, tinting, wraps, and warranties, is just plain silly when consumers value them at twice what you pay.

Why let your profit be so limited when you have many steps you can take right now that work, and work immediately?

Bottom line 17mm SAAR is great...
but shouldn't we be preparing for a 16mm SAAR and build net profit right now?