

## Is Your Roof Leaking?



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It is good to be in the automotive industry! At least today it is. Not so long ago, deep were the wounds felt by the impact of the recession. Lending dried up, while inventory was stacked deep. Revenue fell, while expenses increased and everyone was struggling. Have we already forgotten how painful that was? George Santayana said, “Those who cannot remember the past are condemned to repeat it.”

It is sunny outside in the car business. For the third year in a row, NADA is projecting that new vehicle sales will remain above 17 million in 2017. Could we be nearing the top of this rollercoaster though? Are we due to take a small, medium, or deep plunge? History proves it is only a matter of time, so now is the time to check if your roof is leaking. I worked for a brilliant dealer who used to say, “Anybody is good when everybody is good.” Our goal was to try to set sales and revenue records when everybody else was struggling in the market. Here is a quick checklist to see how well your ‘roof’ will hold up in the next downturn.

1. **Tracking** – Do you know your R.O.I on your advertising dollar? Have you evaluated if your money is well spent? If you track your ups, do you know your statistics? Once the customer comes in contact with your dealership, what happens? Do you really use your CRM or just pay for one? How is your older vehicle inventory? If it is not moving now, it is not going to move when there is a downturn. Do you have your management team dialed in to your accounting schedules? How old are your CITs? How about your receivables? Do not wait to collect your cash when there is nobody there to pay for it.
2. **People** – Are your people receiving the best training? Do not wait until they are starving to arm them with the tools of success. Each person needs to know how to market themselves, the dealership, and their products. In most cases, it is usually the people who we depend on the most that get the least amount of attention when times are good. In addition, this is a good time to evaluate your pay plan. Does it mimic your vision for the dealership? Changing a pay plan during a downturn to accommodate a squeeze on expenses is reactionary and will lead to turnover. Pay plan changes are best implemented when everyone has the ability to acclimate.

3. **Manufacturer Bonus Program Incentives** – We all need the manufacturer. We need the product, innovation, and incentives. However, many dealers rely heavily on the objective programs for gross profit. This is a risky game to play and sometimes the house wins. Take control of your dealership’s destiny and do not rise and fall based on your manufacturer’s objectives. If the market turns south, you will be thankful you did not move your chips onto the table.
4. **Compliance** – Our government agencies and consumer protection services operate by multiple sources of revenue. One source comes from issuing fines. When tax revenue starts to decline, audits increase. I highly encourage you to do the right thing for your customer, your dealership, and the industry. Make sure your dealership is operationally compliant. Now is the time to evaluate your dealership’s processes and look for any possible exposure by those who simply do not know the rules and regulations. Provide the right training and information, and your pattern of practice will be appreciated.
5. **Pre-Owned** – This focus can play a large part in controlling your dependence on Manufacturer Bonus Program Incentives. Having a successful Pre-Owned department will minimize the impact of market changes, manufacturer recalls, negative manufacturer press, loss of incentives, and the list goes on. Always keep vehicle inventory fresh, clean, and inviting. Constantly move your lot and get your Sales team excited by adopting a liberal reconditioning mindset. As NADA likes to say, “Sell your dogs when they are pups.” Take control of your pre-owned vehicle program and ride the new vehicle rollercoaster without fear.

There are a number of additional holes in the ‘roof’ we can work on while the sun is shining. Once the true self-observation of our business starts to permeate, the eyes will widen and the list will grow. Bottom line is, do not wait until the times get tough again. It will simply cost too much.

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