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The Ruggles' Report is an ongoing, independently published report with insights, reflections and opinions from noted vehicle expert David Ruggles.

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Online Trends and the New Economy

It's conference season in the automotive world, and attendance has been excellent! I take this for a good sign. Numerous economists offered up views of the new economy, the auto industry and auto finance.

There seems to be a renewed interest in leasing on the part of the "captives" and even some independent banks expressed optimism.

All the talk in the automotive digital world was of new mobile applications, Search Engine Optimization, Search Engine Marketing, web site video and text marketing.

Yet even with the buzz around all the new technology, the industry is still stuck in original thought regarding lead generation.

Most dealers continue to generate leads with the intention of bringing the consumer to the showroom for a conventional closing scenario. In conversation with dealers, and based on questions they asked, most seemed overwhelmed at the availability of leads and frustrated by the difficulty of "separating the wheat from the chaff". They remain flustered with the amount of available leads it takes to close a deal. A round table discussion on ranking and prioritizing leads provided some ideas, but few answers.

At the same time, there was much discussion of manufacturers pressuring dealers into investing substantially to upgrade facilities. This seems counterproductive coming at a time when consumers care increasingly less about those things.

Today, consumers view their computer monitors as their showroom of choice. As Dale Pollak observed, "The Internet has "commoditized" both new and used vehicles. Buyers and sellers have nearly equal information, giving neither party any real advantage. Pollak has written a book on the subject, "*Velocity, from the Front*

Line, to the Bottom Line” that is widely read in the industry. It seems obvious that the dealer who can best control costs and is bright and imaginative enough to recognize and capitalize on opportunities is poised to win in this new marketplace. Dealers who stubbornly adhere to traditional business models could be in trouble, especially if they are pressured into dramatically increasing their cost structure.

So why the frustration on the part of dealers?

Increasingly, more consumers prefer to use the Internet not only to gather information, but also to negotiate price. A recent survey by AutoBidsOnline.com reveals that 94% of all car buyers feel that it is very important to keep their contact information private when shopping online.

And there’s the rub. As dealers continue to push their traditional ways to get the consumer to come to the showroom for a traditional close, the new consumer is becoming highly resistant.

Consumers now tend to come to the showroom, take up a sales person’s time, take a demo drive, gather information, and go home to use the Internet to work for the best price. Often the sales person is negotiating against another dealer many miles away or worse - against his or her own internet department!

To a degree, this is a generational trend. Based on conversations with younger consumers and dialogue resulting from exchanges with college students studying economics, their consensus seems to be that the dealer distribution channel is unnecessary. In their mind, the Internet was created to facilitate their being able to get what they want for the absolute best price.

I find this trend disturbing, but it is what it is! Dealers need to prepare for this, and manufacturers need to understand it too. The industry needs to develop new solutions to capitalize on this trend instead of continuing to force a square peg into a round hole.

It is becoming clear - dealers who learn how to satisfy consumers in this new marketplace will prosper at the expense of those who don’t.

About Dave Ruggles

Dave Ruggles is a widely known, auto industry veteran with more than three decades' worth of experience. His self-titled Ruggles Report is a highly acclaimed industry insider brief detailing the latest hot-button topics in automotive sales, training, recruiting, finance and service.

Ruggles has sold cars, managed, owned and trained dealerships literally across the world. For the last seventeen years, he has spent a month each summer consulting with the world's largest privately owned Toyota dealership group in Nagano, Japan.

He lives in Las Vegas, Nevada.

Follow his blog "Autos and Economics" at <http://autosandeconomics.blogspot.com/>

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Founded in 1999 and based in Dallas, Texas, CyberCalc provides a myriad of software services for the automotive finance industry. The company's namesake product is an internet-based lease comparison system used by franchised dealers, credit unions and independent leasing companies. Additional products include private-label derivatives and custom designed commercial leasing, workflow and merchant services applications.