How to Innovate

...Before it’s too Late!
About DealerOn

- Digital Dealer Website Excellence Award Overall Winner
  - An Unprecedented 6 Years In A Row!
- DrivingSales Top Rated Website Provider 2011 thru 2017
- Three time AWA award winner
- Google AdWords Certified Partner
- More Dataium Monthly ASI Winners than all others combined
- DealerOn’s website customers have an average documented lead increase of 200%
Say Hello To...

Christy Roman

“Queen of Auto”
President of Now Digital
Chairman of Women In Automotive (WIA)

christy@nowdigital.com
407.256.2645
Women in Automotive Conference

Palm Springs, CA
Dec. 10 & 11, 2017
WomenInAutomotive.com
If you have questions during the presentation, please submit them using the “Questions” feature.

Questions will be answered at the end of the webinar.

A link to the recorded webinar will be emailed to you within 24 hours and will also be posted on DealerOn.com/webinar as an On-Demand Webinar.
Two winners for admission to Women In Automotive Event in Palm Springs December 10-11

After the presentation, be the first to answer the giveaway question correctly to win this awesome prize!
After the webinar, please fill out our short survey and let us know what YOU thought of today’s presentation!
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How to Innovate

...Before it’s too Late!
OBJECTIVES

- A lesson in history and technology
- Recognize how much disruption is going to play a part in your future
- Innovate - think outside the box
- Follow the trends - they are real and will have continuing impacts moving forward
- Giveaway
- Question & Answer Session
INDUSTRIAL REVOLUTION
Industrial Revolution 1760-1840: 

Beginning of mechanized manufacturing

Transportation advances - Steam Engine and Steam Locomotive

Communications Advances - telegraph in 1837 to the telephone

Trends in Banking/Finance - stock exchanges and the monetary reserve policies

Beginning of mass marketing
Invention of the automobile

Dates back to steam tractors in late 1700s

First gasoline engine widely credited to Karl Benz in 1865

Went from 2,500 cars produced in 1899 to 485,000 by 1913

First Model T sold for $825, but by 1927 the price was $290 for a coupe
The invention of the Airplane - Wright Brothers first flight 1903:

DID YOU KNOW:

The Wright brothers had a monopoly on the only viable airplane created but they lost because others innovated around them - bad business decisions kept them out of the game.
The Computer:

Actually invented during WWII

1975 the Personal Computer changed everything

Thousands of companies came into the fray: Zenith, Compaq

Few major competitors survived but you know who they are
The DotCom Revolution:

Between 1997 - 2001 an explosion in investments and IPOs

No revenue necessary at the height of the bubble - just an exciting idea

Many dot com concepts became public with no viable business model

In the months of March and April 2000 - Over $1 Trillion lost in value when the bubble collapsed
POLL QUESTION
KODAK - in 1976, 90% of film and 85% of all camera purchases

Built one of the first digital cameras

Revenues of $16 Billion in 1996 To $16 million in 2016
MYSPACE - from 2005-2008 the largest social networking site in the world

Surpassed Google in 2006 as the most visited web site in the U.S.

Even with Justin Timberlake and Time Inc. acquisition...

Where are they now?
Toys R Us - started in 1923

An original “category killer” where no competition could touch them.

Could not fulfill ecommerce orders on their own and signed on with Amazon to do it for them (they even sued Amazon for breach of contract and WON).

Fell behind Walmart in toy sales beginning in 1998.

No profits since 1998.

Bankrupt 2017 - NOW going to start their own e-commerce.
BLOCKBUSTER VIDEO - in 2004 at their PEAK

84,300 employees and 9,094 stores

Had the chance to buy Netflix in 2000

A $5 Billion company

2010 Bankrupt
What does any of that have to do with automotive??

Here are some fundamental questions to be addressed:

*Is the franchise model obsolete?*

And how much more quickly can companies like Amazon (and Hyundai) and Google (partnering with Walmart) turn the model upside down?
With customer satisfaction in purchasing a car at continuing lows, how long do current protections remain in effect?

Why do consumers need to pay a premium to have a miserable shopping experience?
POLL QUESTION
Automotive - the franchise model

Fundamentally - a distribution model for new cars

Ideals:
1) Stop automakers from selling directly to consumers to protect franchisees
2) Provide a knowledgeable sales process to guide people through the sales and service process (in theory)
Benefits of the franchise model:

Dealers are a part of the community and employ many people

Provide a local venue for consumers to buy and service their vehicles, particularly as manufacturers have not proven they can do this to begin with

Major contributors in the community and charitable endeavors
Negatives of the franchise model:

Consumers hate the experience (the SCARIEST problem)
Many managers are great sales people who have no idea how to develop people

A sales-focused model, not a consumer-focused model
No Excuses

Excuse

Excuse

Excuse

Excuse
CURRENT INDUSTRY DISRUPTORS

Selling direct – from Ford Direct’s failed attempt to sell direct to consumers, Carvana, Tesla

Big and much faster Potential Game Changers: Amazon, Google

Ride-sharing, “subscription based buying”
OTHER CHALLENGES

Commodity Differentiation More Difficult - hard sells are becoming a thing of the past

Margins continue to get squeezed - other profit centers must make up the difference
WHERE ARE WE TODAY

Franchise laws protect the industry but consumers do not like the process (reference historic trends I just outlined).

Sales people are not well-trained and consumers know more than they do when they walk through the door.
The sales process is not customer focused - it’s a 30 day month and it starts on the first.

There is little benefit in the consumer’s mind to buying at a dealership except to test drive a car and service.
No thanks!

We are too busy
“We need to stop acting as if there is a recipe for business—like a cake or a casserole—and start thinking in terms of how factors are connected. (The networks of consumers that make up our brands and industries)....”

Greg Satell, Forbes Contributor
O.M.F.G.
WE'RE DOOMED!
Reality

Dealers MUST adapt and become more consumer friendly (reference Blockbuster at the peak of it’s game in 2004 to bankrupt in 2010)

Pricing WILL become more transparent - yes, people still like to haggle but that’s not a long-term play for the up and coming generations
Threshold model of collective behavior

- Innovators: 2.5%
- Early Adopters: 13.5%
- Early Majority: 34%
- Late Majority: 34%
- Laggards: 16%

How Disruptions Happen
Dealers created the current consumer climate - so even as frustrating as that can be, it’s the bed that’s been made.

Customer service and satisfaction MUST be the focus…

“You can get everything in life you want, if you help other people get what they want…Zig Ziglar
THINK OUTSIDE THE BOX
Revenues are shifting

Other profit centers will become key: used, service, parts, accessories, insurance

Increased use of apps and services that can be sold as a result of a car purchase – “mobility” revenue streams, insurance – residual income

Reshape the value proposition of buying at a dealership
ACTION ITEMS

• Innovate!! Try things that have never been done before - fun showroom, internship programs, 4 day work weeks

• Address Pain Points: time in store, transparent pricing, sales tactics. Think Apple Store, Easy, Effortless, No Pressure

• Research alternative profit centers through add-on products that may not even be associated with the car purchase
ACTION ITEMS

• Training and development are not optional - they MUST be incorporated to match changing consumer trends

• Look to diversify your work force to more closely represent your store demographics

• Internal cultural changes from hours to flexibility and compensation - experiment to find what creates a balance for employees and addresses consumer needs
SUGGESTED RESOURCES

- Good to Great – Why some companies make the leap and others don’t (Jim Collins)


- Your own ability to innovate and experiment
Q&A: ASK OUR EXPERT
PRIZE ALERT

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How to Sell, Market & Advertise to Women!

Jody DeVere
CEO of AskPatty.com