Three Big Steps to improve 2015 net profit.
(Part One of a three part series in Wards Auto.com)

Swelling inventory of off-lease cars and trucks are returning to the market like so many relatives seeking a place to stay "just for a few days". But instead of relatives eating all of your groceries and sleeping on your sofa, these discounted used cars and trucks eat away at your 2015 net profit margin.

What we will do with them all?
And how will recent market-based pricing impact our profit?

Why wait for the market to dictate how much you will make next year?
Now it the time to consider what smart moves will build profit in 2015.

This is part one of a three part series of articles about what smart moves you can make to build net income in 2015. This article will cover advertising, article two will address sales best practices, and finally article three will share creative inventory choices.

2015 will bring with it shrinking new car margins, and now massive inventory of used will push used prices, and especially trade-in values down in real dollars.

In 2015 car buyers will be even more upside down in their trades, trying to get approved for a loan to buy a new car on which you will make even less margin than last year. Do I have that about right?

Lets not move with the herd. Instead, lets innovate now to build net income.

Begin with your advertising.

Soon you will be hearing about real time marketing. It's what works today when consumers have a 20-second short term memory.* Expect to see some innovative television and mobile marketing tactics in your city.

Do you plan your ad budget using a PVR retail ad cost, or a percentage of your gross revenues, or, should you even look at advertising this way at all? Perhaps the “correct” ad budget is what drives your net income the highest. If your net income moves up with your ad budget (as it should) then the cost per unit means nothing and instead your real cost of sale is the factor. We’ve had CFO’s tell us that they don’t even worry about the PVR anymore, it’s a tracking number, not a planning number.

What are you paying? Remember, that the percentage of your city buying a car this week is 0.1%**. That’s a tiny slice of your population actually buying a vehicle this week. It’s your job to reach the maximum amount of potential buyers for the least amount of money. Many dealers miss out on massive scale in their advertising. And that’s impacting how your profit margin either grows or shrinks.

To reach one person you can select what you want to pay from the advertising media list below, remember, it’s a cost to reach just one person in your market:

3rd Party Lead	$20.00
Direct Mail	$1.00 (glossy card)
Live Event	$1.00 (varies based on audience size)
Cable TV	.15
Newspaper	.10
Radio	.04
Broadcast TV	.01 (Penny a Person™)
Digital Ads/Mobile	.01 (Penny a Person™)

This guide above is a solid start to understand what you are really paying versus what you are perceiving what you have bought.

Start with the basics. If you are serious about wanting to grow your business net income then it makes sense to know, up front, what you are paying for an Up. Or, even better, what you are paying to reach a potential Up. If you start out very efficient there, then your net income should follow suit.

Here is a real world example. When I consulted a west coast dealership principal his net income was far too low at a $60 gross per unit. Something was very wrong. I began by looking at their “person reach” cost, in other words what are they paying now to “reach” one person in their city. When we ran the numbers, they were spending $21 to reach a potential buyer. That’s spending too much to say hello to too few people. The model that we built for him was *hundreds of times* more cost efficient.

During my career at the Disney I was surrounded by smart people that taught me leverage of assets, merchandising, and marketing tactics that build net income. For example the reason large successful companies use so much television and digital advertising is the efficiencies of their message delivery. These folks know their per person reached numbers. Do you?

My suggestion:
If you haven’t yet, consider shifting expensive/low scale lead sources to a strong broadcast television and digital and mobile campaign to improve your impact and efficiencies quickly.

Some additional steps to take:

Did you research when your BDC or Internet team is the busiest with incoming leads?

Do you know which sales are the highest average grosses and why?

Does a "direct" lead earn you more gross than any other lead?

Does a high gross “spot delivery” often result from a direct lead?

Did you mash that data and adjust your entire advertising plan as a result?

If all advertising works to some degree (It does.) then it's not really all about advertising to buyers in the same way that they *used to* buy cars.

Instead we need to advertise to buyers (with massive scale!) at the time, in the place, and on the screen that they are staring at as they are about to press the "click to call" button or just drive to the dealership. That's what we call AdverTiming™. This approach is light years ahead of most competitive dealer advertising plans.

All of the information that you need above to adjust your ad plan to build net income *is already in your dealership.* The question is will you grab this opportunity right now or wait until 2015 net income begins sliding down?

My next submission will be on the topic of internal sales best practices to build net income. Stay with me.

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*source: John Assaraf (One Coach research study) 2014
**Based on an 11 year vehicle purchase average NADA.

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