



the Southlander

Fall 2011



2011 SMCDA Scholarship Golf Tournament Results

Putting Contest Winner
Gene Mavis
Runner Up Bob Arthur

Longest Drives
Brian Walwyn
Susan Beard Jamrog

Closest to Pin Winners
Hole 5, Herbie Weston
Hole 7, Rich D'Agostino
Hole 11, Gavin Hughes
Hole 15, Steve Piccinati

Golf Scores

First place team with a score 58 and 13 under
Sil Gonzales
Bryan Gonzales
Matthew Jackson
Steve Rojas

Second place team with a score of 60 and 12 under
Dan Duir
Jonathan Forgy
Joe Geleris
Bill Rehwald

Third place team, with a score of 62 and 10 under
Bob Ludwig
Carmy Mausten
Craig Mosqowsky
Rolf Sorensen

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The Southlander is an official publication of



11111 New Falcon Way
Cerritos, CA 90703
Phone: (562) 467-5252
Fax: (562) 653-7876

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PRESIDENT'S MESSAGE

By Matt Browning,
Browning Auto Group, Cerritos



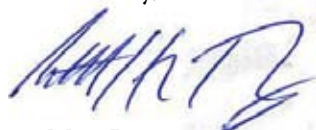
A season of contradictions? It's the economy, Stupid? Economic reports indicate things are slow, people aren't spending and we have double digit unemployment in California. For those who are out of work, it's horrible, and the ripple effect has penetrated the psyche of America. Car dealers saw the economic struggles first hand a couple of years ago; it devastated many in our industry.

This year, the one bright spot in the economy is the retail auto industry, which is well into a recovery. With the exception of the natural disasters in Japan, most manufactures are seeing double digit sales increases year over year. This unique growth is due to several factors: an aging fleet of vehicles, a shortage of quality used cars, low interest rates, and a lot of good new product in the showrooms. I am thankful auto buyers are challenging the psyche of America whether it is by need or desire, we can all be happy we are still in the game and optimistic about our industry.

Politics as normal? In a strange turn of events, politics are not normal in California, the CNCDA had a very successful year in sponsoring three bills which are all now law. Not that the success of our team in Sacramento isn't normal, it is, and they have a great record to prove it. This year, it's the way they achieved their goals. Well, it would be more accurate to say it's "the who" dealers sided with in passing legislation that made it interesting. The car dealers and the consumer advocates were actually on the same side lobbying together on a vehicle registration bill, the trial attorneys and the dealers on a finance bill—and the factories and dealers helped pass reforms to the franchise law. Those are three groups that have been on opposite sides of many issues in the past.

Lastly, for the first time in our 80 year history, we will move our annual installation of officers from the third Thursday in January to the second Thursday in the month. **I encourage you save the date and attend on Thursday, January 12th as John Davis will be installed as our second-third generation president to this great association.**

Sincerely,



Matt Browning
SMCDA President



Scholarship Golf Tournament Raises More than \$25K

Proceeds will support student scholarships at Cerritos College and Northwood University

Setting up for a pitch and a swing at SMCDA's golf tournament on Monday is the team from the Norwalk Auto Auction. The annual tournament raised more than \$25,000 for student scholarships at Cerritos College and Northwood University.



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Three Keys to Turning an Objection Into a Sale

By Jan. R. Kelly, Kelly Enterprises

There is a process that should be followed to maximize every opportunity. In these difficult economic times, every opportunity counts, every effort counts, and, in order to make the sale, F&I professionals need to make the second and third effort. Here are three keys to help you maximize those opportunities.

1) Consistent presentation.

Make sure your F&I presenter makes a consistent value added presentation to each and every customer. Record the presentation, play it back, and listen as a customer would listen. Provide positive feedback. What could have been said better from a customer's point of view? The interview and presentation should not take any longer than 15 minutes. That leaves five minutes to address the objections. Remember the clock is ticking. We have only 20 minutes of the customer's concentration from the time they cross the threshold of our office.

2) Clarify the objection.

Repeat the objection to the customer, making it a positive requirement. If the customer says, "Wow, that payment is too high..." begin with: "Then you see value in the coverage don't you? What I am hearing is that you need the payments to fit into your budget, is that right?"

3) Implement the READY strategy.

a. Reverse—"That is exactly why you need this protection to eliminate any unplanned future repair expenses that could be a hardship on your already fragile budget. What I am hearing is that you would like the plan, provided we can find a way to make it fit into your monthly budget, is that correct?"

b. Elaborate—Perhaps the customer had a service agreement before, with which they had a negative experience, and they are still angry with the company. Get ready to ask them to elaborate, let them vent. They are telling you what it will take to

Continued on page 5

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sell them. Be quiet until they are finished. Begin with...“I am sorry to hear about your previous experience. We have had other customers with similar stories and thank goodness they choose to do business here. As you know we have been servicing our community for ___ years and we stand behind our policies. Let’s review what is covered—and it is in writing so you can make an informed choice, okay?” Bring out the written policy and review the coverage in depth, “policies are better today and they are insured by _____ (a rated insurance company).”



c. Admit—“Yes, we too have had some difficulties with some companies in the past. That is why we stand behind what we sell. We have completed research and have chosen _____ because of their outstanding track record and high customer satisfaction. Can you see where this type of coverage can protect your future repair budget? How many years of coverage would you like, ___, ___ or ___?” Offer them a choice between something and something.

d. Deny—Perhaps they had a bad experience with another company. Begin with... “I am sorry to hear that, please realize that your previous experience was not with us. Our plan’s coverage is well defined and backed by a solid insurance company. Doesn’t it make sense to limit your

personal exposure to future repair bills with this solid policy? How would you like to pay for the coverage, cash, check, or include it in the financing?”

e. Ask why—If they will not respond to your inquiries trying to isolate the issue, ask them why. Begin with: “Rest assured we do not want you buying anything you do not see any value in. Most of our customers choose to buy _____ to protect their future repair budget. Our owner is always curious as to why customers choose to face the future without this valuable coverage. Can you help us improve in the future? May I ask you what about the plan you did not like?”

First try to secure the sale as a package, then isolate the objection and address that specific concern. If that does not secure the sale then bring out the proof statements, and share an example of a claim. If you cannot succeed in making the sale you should have a customer declination form.

Documentation showing the customer had the choice to purchase on a certain day and elected not to purchase the coverage can save the dealership down the road?

As I tell folks, service always gets paid for. The question is, from whom? ■

Originally published in Dealer Marketing Magazine, October 2009. Visit Jan Kelly online at www.jkelly.com.

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Calculating Net Profit and Fixed Absorption

The first step to reaching your service potential is knowing where you stand, and where you should stand. Bottom line, you'll want to earn the best net profit you can. This means ascertaining that expenses are in proportion and under control. Use your financial statement to subtract total expenses from total gross; the result is your net.

As a rule of thumb, personnel expenses (which may appear on your statement as personnel, variable, or selling expense) should amount to 45-50 percent of the gross. All other expenses should run 25-30 percent of the gross.

In general, successful service departments should net 20 percent after absorbing their share of administrative or indirect expenses. If your expenses are greater than 80 percent, and the culprit is not gross retention, concentrate on lowering expenses—common costs to rein in include shop supplies, policy work, uniforms, and parts washers. You can achieve a 20 percent net; like a small increase in gross, a small decrease in expenses can have a big



impact on sales needed to make your best net.

Fixed absorption is yet another area to scrutinize. Fixed absorption is the extent to which the fixed departments (service, parts, and body shop) can cover the entire dealership's adjusted overhead expense (i.e.,

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total dealership expense less expenses directly attributable to vehicle sales—commission, delivery, and policy).

Absorption, important in any sales climate, becomes critical when vehicle sales slide. Variable income flow goes down, but expenses increase. The more of the debt load you can take off variable operations, the easier it is for them to sell vehicles. Aim for as close to full (100 percent) absorption as possible.

NADA 20 Group guidelines, which include used-vehicle gross in the formula below, recommend 100 percent absorption. NADA Academy, basing its guidelines on the experience of the top 20 percent of dealers who are successful in all departments, recommends 75 percent absorption, with or without a body shop. If your absorption is low, look at your grossing patterns. Service should be holding 70 percent, parts should be holding 38 percent, and body shop should be holding 65 percent on labor, 30 percent on paint and materials. If you're holding gross in all these areas, examine expenses.

Advise the general manager or sales manager if you find that the service department is in the position of absorbing costs it cannot control, i.e., floor plan inter-

est on and advertising of aged inventory.

Calculate your fixed absorption using the numbers from your financial statement in this formula:

$$\text{Gross profit (parts dept + service dept + body shop)} \div \text{dealership overhead expense} = \text{absorption percentage}$$

This article is adapted from Service Department Performance Analysis. Please sign in to www.nadauniversity.com and visit Resource Toolbox to access this and other Driven guides.

For more on fixed absorption, NADA Academy instructor Robert Atwood will present a week-long advanced service management seminar at NADA headquarters in McLean, VA from Oct. 31 through Nov. 4. For more information, sign in to www.nadauniversity.com, visit the NADA U Store, and select "Webinars & Seminars" under "Products." You can also call NADA U Customer Service at 800.557.6232. ■

Save the Date for SMCDA's Annual Installation of Officers, Thursday, January 12, 2012! Stay tuned for more details.

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SMCDA Delegation Has Full Plate in Washington D.C.

Board members travel to D.C. for NADA Conference



SMCDA Board members Matt Browning and Nick Worthington visited Washington D.C. in September for the NADA Washington Conference. The two-day event included workshops, political updates and appointments with local members of congress, including Janice

Hahn, Laura Richardson, Linda Sanchez, Grace Napolitano and Lucille Royball Allard. Pictured at left above are Nick Worthington, Congresswoman Richardson, Matt Browning, and Todd Leutheuser. ■

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Build an Online Reputation You Can Be Proud Of

"If you lose dollars for the firm by bad decisions, I will be understanding. If you lose reputation for the firm, I will be ruthless." ~Warren Buffet

A few weeks ago I was asked to give a Social Media & Online Reputation assessment for 5 auto groups across the U.S. These groups contain all the main categories of auto retail: Imports, Domestic and high-line European. I was shocked at what I found. One well-established BMW store had 18 reviews for a total of 1.5 stars. 14 of those were 1-star reviews, and they're all posted on page one!

In the 2011 Cone Online Influence Trends Study, research found that 80 percent of shoppers change their purchase decision based on negative reviews.

Some dealers and other businesses mistakenly believe that having a presence on Social Media is separate from online ratings. The Social customer looks at you holistically. They're shopping for their next car, or to service their current one, and they visit Social Media sites simultaneously. If they read reviews like this example above, 80 percent will go elsewhere.

The time to act is now. Dealers have been rated for years through their franchise-specific Customer Satisfaction Index. Those results are published by the OEMs and JD Power. CSI is one of the most important components of daily operations. Social commerce demands that you sit up and take notice. When negative things are said about you online, you need a strategy, just like the CSI process, to counteract them.

Sadly, the dealers I analyzed thought not that many people paid attention to the online ratings or they simply didn't have the tools to rectify the situation. If you find yourself in this same position or if you feel like there's not much you can do about it, think again. Being proactive about obtaining online reviews is critical to your bottom line.

A best practice strategy for online reviews is to train your front-line personnel on how to ask for them. You trained them on CSI procedures and you've incorporated CSI into their pay plans. Set

goals for your online reputation. Motivate, recognize and reward your staff to get their buy-in. It's going to interrupt their daily routines for a while so be creative. Give a monthly bonus for the best review or hold a contest for who can get the most authentic 5-stars reviews. As your staff becomes aware of your intent, so will your customers.



*By Kathi Kruse,
Kruse Control, Inc.*

People with a negative experience are always more motivated than a loyal happy customer, it's just human nature. But for every dissatisfied customer, there are at least 100 happy customers who can be invited to tell their story. Good customers write great reviews. You need to be diligent in asking them to do it. Encourage authentic reviews so that when a potential buyer starts their research, your online reputation reflects the opinions and experiences of your raving fans.

Kathi Kruse is an automotive Social Media expert, bringing 30 years of 'best practices' dealership management experience to dealerships across the U.S. Visit her online at www.krusecontrolinc.com. ■



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Source: 2006 JD Power New Vehicle Buyer Survey; Scarborough Release 1 2006.

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