



# Dealership Profitability Best Practices Checklist



Dealership profit retention strategies for today's competitive, online-focused marketplace.

# Challenges to Dealership Performance & Profitability

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Retaining profit has never been easy. I can remember back in the late nineties when I managed a group of high-line stores, we were up in arms about the factory squeezing margins and it's not really changed since then. What has changed is the pressure on the dealership business model. With changing consumer preferences, and digital properties even more relevant, it's never been more crucial to adhere to dealership profitability best practices.

A major piece to this pressure puzzle on the dealership model is that many dealers still have not recognized that customers do not like dealerships.

When I spoke at a recent conference about transparency in today's online-dominant world, we discussed the fact that consumers still have the same opinion of dealerships that they have for 40+ years. I expressed the urgency of being transparent so that consumers are more informed.

Until this "elephant in the room" is addressed, there will be no moving forward.

It's time that dealers and manufacturers openly recognize the problem so we can develop *real* solutions to retain profitability.

Creating a cohesive brand that consumers want to connect with is vital.

Today's dealers, and by extension the manufacturers, must evolve in order to engage today's customers. To do this, there must be a "merging" of online and offline experiences - before, during and after the sale.

# Dealership Profitability Best Practices Checklist

The customer is in charge and they're looking for frictionless experiences. The industry has now had nearly 10 years to listen to consumer preferences and has done very little to adapt and accommodate. **Disruption** is at the door and now it seems everyone is scrambling.

While the lines keep getting blurrier between customers' digital, physical and in-store experiences, it's going to take **serious leadership and vision** to guide a store across each moving border and back again.

Evolution is happening rapidly and only those leaders who manage digital transformation skillfully will be positioned for survival in the next 5 years.

Leverage the following checklist to update your current operational processes. Take action now to embrace the digital direction of dealership profitability.

# Dealership Profitability Best Practices Checklist

## Culture

- Harmonious top-level management communication.
- Superior hiring practices.
- High ESI (Employee Satisfaction Index).
- Team member support from top down.
- Consistent, honest, open two-way feedback.
- Incentives to improve operations
- Encourage constant learning & personal growth.

## Marketing/Advertising

- Set goals and objectives.
- Top-shelf website user experience.
- Written social media strategy.
- Written content strategy.
- Documented online authority.
- Internal process to consistently improve online reputation.
- Well-developed lead generation strategy.
- Focused measurement & analytics.

## Operations

- Deconstruct and restructure operations to fit today's online-dominant retail model.
- Develop and create an internal control checklist.
- Set goals and objectives for operations, individual departments and employees.
- Create and utilize a Daily Operation Control report (DOC Sheet).
- Ongoing assessment of productive and non-productive employees' duties and results.
- Use internal checklists to improve flow of paperwork to office (ie: deal checklist, F&I checklist, Work in Process, etc.)
- Train employees on use of social media.
- Encourage and reward employee participation in social media (content creation and online reviews).
- Create monthly forecasts and hold monthly meetings to discuss results.
- Utilize a General Manager planning calendar.

## Financial Reporting

- Close the month by no later than 3rd working day of new month.
- Ensure all business is posted to accounting each day and DOC Sheet is accurate.
- Track KPI's (Key Performance Indicators) for entire store and individual departments.
- Provide managers with their respective monthly Income Statements and hold a monthly managers meeting to discuss goals and results.
- Monitor Receivables and stay within guidelines.
- Track vehicle and parts inventories and stay within days-supply guidelines.
- Scrutinize cash flow and stay within guidelines.
- Implement hierarchy to approve overtime and policy expense.
- Develop a process to approve all Fixed Asset expenditures.
- Track Net Profit as percentage of Gross Profit.
- Track Net Profit as percentage of Sales.
- Track individual Departmental Gross Profit.
- Track Service Dept Absorption Rate and Shop Productivity.

## Compliance

- Conduct a quarterly compliance assessment.
- Implement an internal process to handle customer complaints, including online reviews and compliance strategies.
- Fair Credit Reporting Act.
- FTC-Used Car Rule.
- CAN-SPAM Act.
- Gramm-Leach-Bliley Act.
- Regulation Z.
- Disposal Rule.
- Magnum-Moss Warranty Act.
- FTC and State regulations of marketing and advertising including the danger of fake reviews and fake social media.
- Any and all DMV and other State laws and regulations.

## General Profitability/Performance Basics

- Create and enforce a Social Media Policy.
- Secure all passwords in one place and have a minimum of two people who control them.
- Always use company email to create and maintain social media accounts (never let employees use their personal emails).
- Don't fall for vanity metrics (ie: number of page likes or followers)
- Only allow corporate officers to sign checks or approve electronic payments.
- Train employees on social media crisis management.

## Next Steps?

Retaining profitability in dealership operations has never been more complex.

Evolving with the shifting retail landscape has many obstacles - many moving parts - and they're moving more often than ever before.

Improved dealership performance and profitability requires a focused, holistic approach.

There is a solution: ***Auto CFO To Go.***



## Want More?

Sales numbers good? Check.  
Service numbers good? Check  
Numbers don't add up at the end  
of the month. Check?

Guess what? We can help you!

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