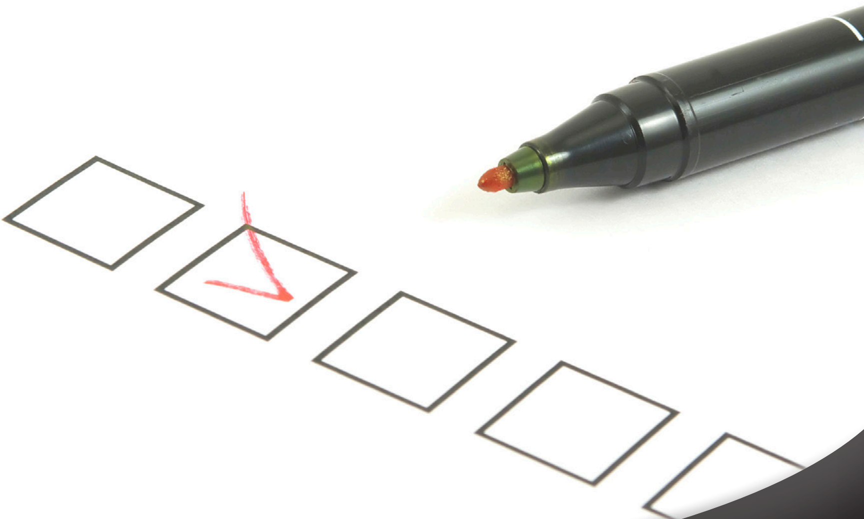
Auto/Mate®
Dealership Systems

The Auto Dealer's 10-Step Guide

to Selecting the Right CRM for Your Dealership



Dear Dealer:

You may be wondering what a dealership management system (DMS) vendor is doing publishing an eBook on CRMs. Although we do have a CRM solution in our DMS product, our goal is not to 'sell' our own CRM solution. Rather, our goal is to address some common issues that many dealerships seem to have after they've chosen a CRM.

Often when we visit a prospective customer's store to present to them our DMS, they ask us about our CRM solution. Which begs the question, if you have a CRM solution, why are you asking us about ours? It's not because of compatibility issues: our DMS has the Open/Mate platform, so chances are we are fully integrated with whichever CRM they are already using. So why do they want to switch?

Some of the reasons we hear have to do with the vendor, the technology, and employees who don't like the CRM—but in many cases, the dealers don't really have a good reason why they want to switch.

Besides the DMS, a CRM is one of the most potentially expensive technologies a dealership can invest in. The key word here is invest. If you decide to spend thousands of dollars a month on a CRM, are you sure you will get a return on that money spent? Just because the CRM vendor says it will happen, doesn't mean it will. The responsibility for your ROI lies with your dealership's management, processes and accountability.

In one of our previous eBooks, "The Auto Dealer's 10 Step Guide to Changing Your DMS," we laid out steps to help dealerships' management teams in their decision making process to purchase a new DMS. Many of the same steps apply to choosing a CRM. I don't pretend that this is an all-inclusive resource, and this guide does not focus on the latest and greatest features or trends in CRMs.

The goals of this eBook are to:
1) Guide you through the purchasing process
2) Help you decide which features you'll need and which features won't be necessary
3) Help you choose a CRM that is right for YOUR dealership (which may not be the same CRM as your fellow 20 Group members or friends are using)
4) If you don't currently have a CRM, help you choose a solution that fits your needs without spending a lot of money
5) If you do currently have a CRM, help you identify legitimate reasons why you may need a new one and the reasons that don't hold water.

I'd like to thank the CRM and DMS consultants who contributed their knowledge and unbiased expertise to this eBook.

Sincerely,

Mike Esposito

Mike Esposito
President and CEO, Auto/Mate Dealership Systems

TOP THREE REASONS NOT TO BUY A NEW CRM:

- The newly hired Sales Manager/Sales Director/ Internet Director prefers Vendor X's CRM over your current CRM and insists on changing.
- The GM/Sales Manager/ Dealer is good buddies or plays golf with someone at Vendor X.
- Just went to a trade show and saw a sales pitch for a really cool CRM

STEP 1: ASSESS WHAT YOU HAVE. DO YOU REALLY NEED A NEW CRM?

The first step in deciding whether you should invest in a new CRM is to analyze the utilization of your current system. Are the salespeople logging 100% of ups, phone leads, Internet leads and more? Or do they log only 25%? Are sales managers using your desking tool and attaching deals to the customers, or are they printing out all their documents and finishing the process manually?

Because here's the bottom line: if they aren't using your current CRM the way they're supposed to, they're not going to use a brand new CRM the way they're supposed to. Before investing money in a new CRM, be sure that employees are following established processes.

Joe Webb, founder of DealerKnows, a training and consulting firm, says that in addition to the process, sometimes the problems lie with the people "If you have a salesperson who's still using a sharpie to scribble out terms, instead of printing out a nice, neat presentation from a desking tool, and that salesperson doesn't see the credibility issue in that, then a new CRM or desking tool isn't going to help them."

If your current CRM has a low utilization rate, take some time to figure out why. Even the most basic CRMs have the ability to log ups, track performance from various ad sources, and send out letters and e-mails. If your employees aren't using the CRM for these tasks, find out if the problem lies with the system or in the management of processes and employee accountability.

STEP 2: KNOW YOUR OBJECTIVES

If you staff is diligently following store processes, and if they are still complaining about the CRM, then the second step in your search for a new CRM is goal setting. Many CRM vendors make all sorts of claims about how much they can increase revenue, but that doesn't mean it will happen in your store.

"Many CRMs just end up being electronic up sheets," said Paul MacDonald, founder of TriMac Automotive Advisory Group. "They're used to handle Internet leads, e-mails and letters, which is very basic. And if that's all you want to use it for fine, but don't get a $2,500 per month CRM when you can get a very basic system to do these things. Going from no system, or an older system, straight to the $2,500 per month system is overkill. It's like throwing a 16 year old kid in a Lamborghini."

Ray Fenster, a consultant with RayFenster.com also recommends a gradual, stair step approach. "Are you effectively managing all your leads, sending out letters, birthday cards and doing e-mail campaigns with your current system? Then maybe you're ready to go to the next step. Some CRM's offer very sophisticated tools for data mining and marketing. But you don't need those tools if you can't even coordinate a good e-mail campaign on a regular basis."

Jim Skeans of Jim Skeans Consulting Group advises dealers to be very specific in their goals. “When I ask why someone wants a new CRM, I’ll hear responses like, ‘I want to sell more cars,’ well, how are you going to accomplish that? A CRM can’t answer that question for you. Do you need more leads or better response to your current leads? The answer lies in your metrics. Are they in line with industry standards? If you have a 50% close rate on showroom ups, I guarantee your salespeople are not logging all their ups. Measuring all your metrics is the first step in identifying what your goals should be.”

Skeans also advises dealers to perform an analysis of their existing customer/prospect database. “Regardless if you just want to keep in touch with existing customers, or dig deep to take advantage of a great new factory program and put folks into a new vehicle for the same or lower than their current payment, an inaccurate or incomplete database will lead to disappointments.”

Our consultants agree that if you are relatively new or inexperienced using CRMs, start out with a basic or intermediate CRM and use it for a couple years or as long as it takes for you to be ready for the next level. For this reason, choose a CRM vendor that doesn’t require long-term contracts.

STEP 3: FORM A SELECTION TEAM

All too often, the decision to buy a CRM lies with one or two people. Yet the CRM is the lifeblood of the dealership, nearly as important as the DMS, and every bit as expensive. Take your time and try to involve as many managers as possible.

“The biggest mistake I see dealers make is they don’t have the buy in from their sales and service managers,” says Webb. “They take the opinion of one new hire, the new General Sales Manager or Internet Director, who may like a system for all the wrong reasons.”

Webb recommends that dealers should also use the CRM in fixed operations, which requires participation and buy-in from the service department.

Fenster agrees and cites an example of a dealership that he recently visited. A service employee who delivers cars often hears comments from the customers during the deliveries. When he returns to the dealership, he enters the comments in the CRM. The dealer principal noticed the activity and publicly praised him for doing a great job. This kind of positive recognition provides incentive for employees to use the CRM. It’s up to the leadership to provide a culture where using the CRM becomes second nature; which can be accomplished by providing incentives for using it and disincentives for NOT using the CRM.

“The most successful dealerships using CRMs I have seen is when everyone is hands on,” says Fenster. “The dealer principal is involved, the GM, the GSMs, service and parts managers, service writers, parts guys—everyone.”

STEP 4: CREATE A NEEDS LIST FOR EVERY DEPARTMENT

Ask each department manager to come up with a list of tasks that they and their employees often perform, or would like to perform, in a CRM. What features do they use on a daily basis? Weekly? Monthly? Is your dealership committed to going mobile in the next couple years? If so, you'll want a CRM with a mobile solution. From these lists, make a combined list of "core requirements" and "nice to have" features.

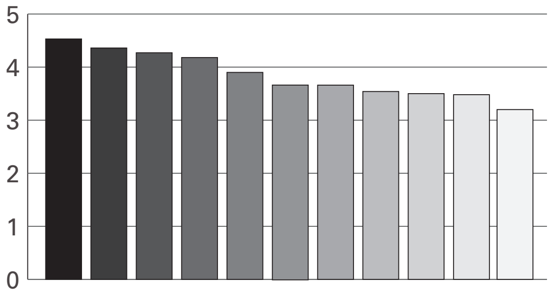
In addition to a needs list, be sure to have your sales and service processes written down. It's important to select a CRM that closely mirrors your processes, or is flexible enough so that you can adapt the technology to your established processes (rather than having to adapt your processes to the CRM). In addition, when the CRM vendor comes in to set up your system, you want to have them set it up to your established processes.

"Some CRM's automate everything; every time you do something, the system creates a task," says Fenster. "The problem with this is that soon a salesperson might have 120 tasks a day, which isn't realistic. They get overwhelmed and just start checking them off as done, even if they didn't do them."

Auto/Mate recently conducted a survey in which we asked more than 100 dealer employees, how important is it to have the following features/functionalities in your CRM?

(Responses are ranked in order of rating average on a scale of 1-5)

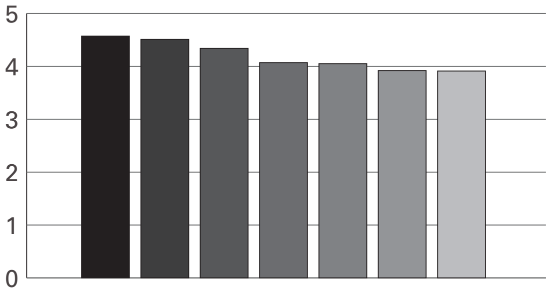
- Ease of use ***(4.53)***
- Customer service ***(4.36)***
- Showroom control/management of ups ***(4.27)***
- OEM lead management ***(4.18)***
- Integrated desking ***(3.9)***
- Service marketing solution ***(3.67)***
- Inventory marketing ***(3.66)***
- Mobile capabilities ***(3.54)***
- BDC integration/functionality ***(3.5)***
- Telephony integration ***(3.48)***
- Social CRM (ability to manage social network connections through RM) ***(3.2)***



Rate the importance of the following features in a desking solution:

(Responses are ranked in order of rating average on a scale of 1-5)

- Integrates with DMS ***(4.57)***
- Ease of use ***(4.51)***
- Customer service ***(4.34)***
- Ability to work multiple car deals at a time ***(4.07)***
- Ability to view multiple payment and lease options on one screen ***(4.05)***
- Download rates and residuals ***(3.92)***
- Integration with credit bureaus ***(3.91)***



STEP 5: ASK YOUR DMS VENDOR FOR A LIST OF INTEGRATED CRM VENDORS

Just about every CRM vendor is going to tell you their system is integrated with your DMS. But not all of them are.

Integration is a nebulous word, meaning different things to different people. So here's what you need to know: in order to be fully integrated, the DMS needs to be pushing AND pulling data to the CRM instantly, in real time.

With push/pull integration, any time you make a change to a customer record in the DMS, it's instantly updated in the CRM. And vice versa; any time a change is made to a customer record in the CRM, that change is pushed back out into the DMS, instantly.

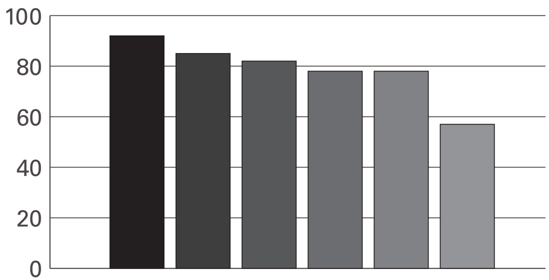
Many CRM vendors will say they're integrated when in fact they have an 'invasive' interface, meaning the system logs into the DMS and pulls customer data so a salesperson can make a change to it. But then it doesn't push that updated data back into the DMS. So now the service writer doesn't have the customer's new phone number or address. This can cause problems. Ideally, you want the customer data in your DMS and CRM to match.

Most DMS vendors have CRM integration or certification programs, so they should be able to tell you which of your potential CRM vendors are fully integrated. And, if a CRM vendor tells you they're integrated, but your DMS vendor tells you they're not, believe your DMS vendor.

How important are the following considerations when choosing a new CRM?

(Responses are ranked in order of percentage of responses that indicated the feature important of critical)

- Integrates with DMS ***(92%)***
- Vendor reputation and customer service ***(85%)***
- Cost ***(82%)***
- Flexibility & customization to our processes ***(78%)***
- After sale consulting ***(78%)***
- CRM has all the latest/newest features ***(57%)***



STEP 6: SET A BUDGET

The consultants contacted for this eBook seem to agree on one thing; a majority of dealers are wasting a lot of unnecessary money on CRM features they don't need or use.

"How much can a new CRM increase your net operating income?" asks Joe Webb. "If you can achieve a consistent 8% closing rate, or increase an 8% close rate to 10%, how much more revenue will that generate? If you use a CRM to send out a monthly newsletter, how many more sales will that contribute to?" Know the answers to these types of questions and use them to help you determine a budget.

Webb recommends finding a vendor that offers month-to-month contracts, and to avoid vendors that want to sign your dealership up for a long-term contract. If for some reason the CRM isn't right for your dealership, you should have the flexibility to change.

Most CRM vendors offer a variety of features bundled in 'packages,' that dealers can choose. Webb says that in most cases, dealers are better off forgoing a package and instead, asking the vendor to give line item pricing for each feature. "I just did this with one of my clients," he says. "I red lined items they've never touched or used, and cut $1,300 off their monthly bill."

ASK THE TOUGH QUESTIONS:

Here are some questions that our consultants recommend that dealers ask potential CRM vendors. Whew, they really put them through the ringer!

1. Give me three dealers in my area who are using your system that I can talk to.
2. Give me three dealers who I can talk to who have left your system, and tell me why they left your system.
3. Who is the best CRM vendor out there? (Of course they're going to say themselves) Then ask: who is the second best?
4. Tell me three things you wish your solution did that it doesn't.
5. If you had to sell one of your competitor's CRMs, which would it be and why?
6. Tell me three things you like about your primary competitor's solution?
7. Other than going out of business, what is the reason most commonly cited by dealers who drop you as a vendor?

STEP 7: RESEARCH CRM VENDORS

With your "needs list" of core requirements in hand, begin contacting and researching potential vendors who have the requirements on your list. There are dozens of CRM vendors in the marketplace, so expect to take some time in researching and narrowing the list down to the top four vendors. One of the primary considerations is the vendor's reputation for both quality of product and service.

"The best source for information is obviously other dealers," says MacDonald. "Ask who they use and like, but don't just take their word for it. Physically go the store if possible and see how they're using it. Ask the employees what they like, what they don't like, what kinds of problems they've had with the company, and how quickly they can get the vendor on the phone to resolve any issues."

Webb also cites conferences as potential good sources for finding out more about CRM vendors. He recommends that dealers ask vendors for a list of at least three other dealerships that use their CRM, then follow up and talk to them. He cautions against relying too much on vendor ratings by industry websites. "Too many vendors try to game the system, asking their best customers for reviews instead of it being an organic process."

Webb adds that although trainers and consultants can be a good source for information, be aware that there are many who take kickbacks from CRM vendors in exchange for recommendations. Know whom you're dealing with.

STEP 8: SCHEDULE DEMOS

Once you've narrowed potential vendors down to the top four, it's time to schedule demos. Paul MacDonald recommends scheduling them back-to-back over a two-day period. "I've found this to be the best method because the managers and employees involved in the demos get really involved, drawing comparisons between one system and another," he says. "If you wait a week between each demo people forget what features they liked."

During the demos, it's important for the dealership managers and employees to be involved, telling the salesperson what they want to see instead of the salesperson "wow-ing" them with cool features. "There's nothing worse than a head-bob demo," says MacDonald. "It's a waste of time."

After the first round of demos, he recommends bringing back the top two vendors for a more in-depth demo where the salesperson sits down with employees in every department. This is where employees should see how their daily tasks are performed, and be asking specific questions like, 'How do you enter an up? How do you do a desking deal? Show me how this works in your system.'

In addition to features, Joe Webb recommends using the demo process to ask vendors for more in-depth information; such as detailed fees information, support hours, contract terms, requirements list and the type of training and consulting the vendor provides. He also tells his clients to ask for copies of every agreement that the dealer will be required to sign, and then take the agreements to their attorneys for review.

STEP 9: ADDRESS DATA OWNERSHIP

Do you want your competitor down the road to know the names and mailing addresses of all the customers that you've sold to in the last three years? Do you want them to know the finance terms? Of course you don't, but there's a good chance they can know, if they purchase lists of customer names from marketing companies. And where do those marketing companies get those names to sell? Believe it or not, they are getting the names right from your CRM and/or DMS!

It's up to you, the dealer, to be very specific and clear with your language, and to ensure that it's in your contract that your CRM vendor cannot use your data for marketing purposes. You own the data and your CRM or DMS vendor should not be allowed to sell it or use it in any way without your written permission.

Then, once the CRM is installed, work with your DMS vendor to conduct audits of data pulls on a regular basis, to ensure that the CRM vendor is honoring your contract terms.

Skeans cautions that every vendor is different. "If you're coming out of the legacy DMS world, you're going to be heavily encumbered by the data ownership issue. But once you come out of that world, many of those issues go away, providing the dealer always has full access to the database at all times, as well as a backup."

Webb advises dealers to be very proactive when it comes to protecting their data. "Review every part of your service level of agreement, make sure you have all your data ownership and that if any of your data is lost for any reason, the vendor will assume responsibility."

STEP 10: CHOOSE AND IMPLEMENT YOUR NEW CRM

If you've done your due diligence, you should feel pretty good about the CRM vendor that you've chosen to partner with for the next few years. But remember that any tool is only as good as the person using it.

"The implementation and coaching of a new CRM system has to be on a continual basis," says Fenster. "You can't expect the system to work if you don't have constant coaching and availability of someone to help. The online tutorial isn't enough; there has to be monitoring, coaching, and initial incentives for using it and disincentives for not using it."

Joe Webb agrees, and cautions that most vendors provide very basic training. "What they don't do and what really needs to be done is best practice guidance. Most vendors will program automated "best practices" into the system. When one client complained to me their CRM wasn't being used, I looked at a salesperson's screen and up came 100 tasks for the day. If a customer missed an appointment, they had phone calls scheduled for 450 days after the appointment. That's not a best practice sales technique; that's stalking. So, be sure that the CRM vendor enters your processes into the system, because if you're not following your processes, the CRM will fail."

Skeans tells dealers that CRM success is an ongoing process. "The key measurement to me is, everyone has to have a report card. The metrics are the report card. Training is the key to getting a good grade."

Skeans cautions dealers that sometimes, a change in management structure might be necessary. “CRMs usually work best if one person understands and oversees it, but that interferes with the current structure such as the F&I Director overseeing what goes on in that department, the Service Manager overseeing his department, and the Sales Manager overseeing their own department.” Dealers may want to get creative and brainstorm methods for implementing new processes and demanding the same level of employee accountability throughout the dealership.

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Auto/Mate Dealership Management Systems

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