



Where to Focus First: Dealer Advertising & Computer Systems Expenses

Perhaps more than ever, dealers need to tighten their belts to ride out the rough environment and protect their bottom lines. Fortunately, several types of expenditures are ripe for reduction.

Making Advertising Cost Investment Pay in This Year's Market

Dealer Market Changes Mean Opportunity

The evolving advertising arena presents dealerships with ample opportunity to maximize the efficiency and effectiveness of their advertising expenditures.

Every One is Online: Consider that some reports indicate that, on average each week, a person can spend as much as 14 hours online, 14 hours watching television, four hours listening to the radio, one hour reading newspapers, and one hour reading magazines. Not surprisingly, dealership advertising appears to be shifting to the Internet, cable and satellite television, radio, and direct marketing.

Controlling Your Website Expense:

Greater spending on Internet advertising represents a particularly savvy calculation, as approximately 88 percent of customers visiting a dealership have already conducted vehicle-related research online. Dealership websites play an important role, too. Consumers today seek multiple points of contact, and a website is one of the most common. Dealers should expect to see more interaction with customers through e-mail as well as via live online chats where a dealership employee or a contracted third party will serve as a chat facilitator accessible through the Web site and relay "hot transfers" to the dealership business development center.

Emerging E-Marketing & Mobility Campaigns

E-marketing campaigns and mobile marketing are also growing as well. E-marketing campaigns using mini, streaming videos are much more cost-efficient than television advertising, especially in the age of TiVo. Mobile marketing takes advantage of the growing popularity of text messaging.

Set Goals & Monitor Every Expense:

Whatever marketing mix a dealership develops, the goal is to craft cost-effective programs and eliminate wasteful nonproducing programs. Dealers are finding success by establishing monthly goals and monitoring actual expenditures. These dealers sign off on the advertising budget but provide their general managers with the flexibility to spend advertising dollars by source. The managers are more empowered but also are accountable for the approved budget.

Computer Systems: Watching Those Monthly Invoices

Take Time to Look at Every Invoice

Dealers need to take the time to review their incoming computer-related invoices. Ensure the invoice lists only contracted-for services and prices and only applications that the dealership actually uses. It's not unusual to find charges for hard drives, memory, or printers that are out of service or for too many user access ports.

A Good Consultant May be Timely

At times, in the interest of goodwill, a computer vendor may agree not to charge for software applications that a dealership has contracted for but does not use. The dealer must inquire about such offers, though – vendors are unlikely to offer them unsolicited. Dealers can retain consultants to analyze their computer invoices and look for potential savings. Although results might vary, the majority of dealers who use these types of consultants realize significant savings.

The Secret Ingredient: Empower, Plan, and Monitor

To maximize the savings, dealerships must empower their managers. Dealers can direct their managers to establish plans for each department to reach peak operating performance. The plans should aim to reduce departmental costs gradually, perhaps progressing from 2.5 percent to 5.0 percent to 7.5 percent. Monitor the progress month-by-month or quarter-by-quarter, whichever is most appropriate and effective.

Pay for Results: Goal Oriented Comp Plans Work

Finally, dealers can shape their compensation plans to align employees with the dealership's financial goals. Mutual goals are critical, as management and employees are a key component in any expense reduction program. Remember, the seemingly small items can add up to big savings.

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