THE FRANCHISE GIANT

Three Strategies for Competing With the Big Boys
Independent auto dealerships face a tough challenge in today's market competing for both customers and cars against larger and often better-funded franchise dealers.

According to data from DealerSocket's Independent Dealership Action Report, franchise dealers see an average 617 percent higher yield in gross profits selling used cars. They also turn used inventory an average 16.5 days faster than new vehicles. As a result, franchise dealerships are stepping up their activity in an area previously dominated by independents.

To make matters worse, independent dealers’ traditionally limited resources are no match for the franchise giants’ hefty marketing budgets and referral bases. So how can today’s independent dealers compete with the big boys? According to our research, the most significant difference-maker is a strategic investment in technology.
1. LEVERAGE DATA-MINING TOOLS

As franchise dealers vie for more used cars, independents face greater difficulty acquiring newer used vehicles. In fact, our data shows an 11.8 percent uptick in vehicles sold aged six-plus years and a corresponding decrease in vehicles sold aged five years or less.

It’s no surprise, then, that inventory acquisition is the most important problem facing independent dealerships today, according to DealerSocket’s recent survey. To combat this challenge, independents must position themselves as a buying power by identifying new opportunities to source and finance inventory.

Purchasing cars from customers is a key opportunity to increase inventory and potentially capital, as the seller likely will be ready to buy another vehicle. However, many used car shoppers may not be aware that smaller independent dealers are in the market to buy their used vehicle.

In addition to advertising to the general public that you purchase used cars, data-mining software can help identify and target your customer base for vehicle buyback programs. Only one out of nine independent dealers currently takes advantage of data-mining technology. That said, tremendous potential exists for those who choose it.

Franchise dealerships adopted this type of software much more quickly than their independent counterparts, and success followed closely behind. Approximately 75 percent of deals generated from data-mining software result in a trade-in for franchise dealers, compared to just 19 percent of independent deals.
2. SCORE A QUICK WIN WITH INTEGRATED CRM TECHNOLOGY

Our data shows that independent dealers using customer relationship management (CRM) technology turn used cars 27 days faster than franchise dealers, on average.

In just the first year of CRM use, independents sold 14 more cars per month. They also increased gross profit by $261 per vehicle compared to their pre-CRM days. As a result, these dealers’ average per-vehicle profit is nearly tied with their franchise competitors — a true leveling of the playing field if there ever was one.

Even in today’s advanced market, most independent dealers still do not use a CRM. They are undoubtedly leaving money on the table.
Dealers who combine a DMS and CRM turn used cars 40 days faster than industry averages, saving approximately $120 per vehicle in flooring costs alone.

While the majority of independents have implemented some version of a dealer management system (DMS), a surprising 35 percent are still holding out. Franchise dealers’ expanded interest in used cars will inevitably force independents to make a choice: adopt the technology and grow, or resist and deal with blow after blow from the competition.

Consider this: Independent dealers using DMS software shave 32 days off their inventory turnaround compared to industry averages. Statistics from dealers who combine a DMS and CRM are even more impressive. They turn used cars 40 days faster than industry averages, saving approximately $120 per vehicle in flooring costs alone.

Although competition is getting more fierce by the day, the independent outlook is ripe with opportunity. Technology, after all, is the great equalizer. Over the past several years, advances in the automotive space have brought to market cost-effective solutions that greatly empower the independent dealer. We predict this trend will continue with dealers who welcome new technologies to soar ahead of their peers — and perhaps even their franchise rivals.
4 bonus tools to level the playing field

**Online Advertising**
Focus on advertising high-demand vehicles to boost floor traffic in your store.

**Mobile Apps**
Utilize technology your consumers are comfortable with, such as smartphones, during the sales process to create the shopping experience they prefer.

**Post-Sale Follow-up**
Maintain a relationship with customers after the sale by promoting referral programs for your service department.

**Internet Auctions**
Attend multiple auction lanes remotely, increasing efficiency and allowing more time on the floor to train staff and turn cars.

Schedule a demo to learn more about how DealerSocket’s suite of automotive technology can help your dealership better compete for inventory and customers.