

AutomotiveForce[®]

Inside DMS
Automotive
Dealer Management System

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1. INTRODUCTION

WHO IS THIS BOOK FOR?

ORGANISATION OF THIS BOOK

GLOSSARY

QUESTIONS AND COMMENTS

The creation of this book was inspired by many years of hard work in various aspects of the automotive business and specifically in the development and distribution of automotive Dealer Management Systems (DMS). This incredibly large and global industry still lacks fundamental drivers for continuous innovation and change to adapt to the rapid transformation of the world's economic landscape. Especially the BRICS countries – Brazil, Russia, India, South Africa and China - each impact the competitive situation in many industries, which includes the automotive industry. What used to be primarily a European, North American and Japanese business, is now a global business, in which the car manufacturers are now scattered around the globe, increasing consumer choice, production output, investing in new production technology and lean distribution models. Hereby the need to reduce operating costs and to quickly respond to customer demands has been significantly increased.

While increasing competitive scenarios in the manufacturing side of the automotive industry by itself is a threat to the traditional automotive markets, a similar change also has rapidly impacted the consumer side of the business. New technologies, such as Google Search®, specialized applications running on devices such as Apple iPhone® and social media, such as Facebook®, have completely changed the consumers' ability to not only research their vehicle of choice and be fully informed about their buying options and given them unprecedented bargaining power when negotiating vehicle pricing, but consumers are now also directly and indirectly influenced by their social network in their buying behavior and consumer preferences, thereby shifting the buying decisions from the dealership showroom to a more social and context.

For dealerships this means a different “breed” of customers, which could just as well purchase their next car on the internet and never visit a dealership. Customers demand convenience and a pleasant buying experience, and of course the lowest prices, possibly already known to them. The ability to create loyal and long lasting customer relationships no longer necessarily has the dealership “building” as the focal point, but rather, the reputation and dealership reach beyond the dealership premises, for instance in social media, becomes more and more crucial to create customer relationships that convert to profitable business transactions.

At the same time, vehicle quality is increasing and the demand for aftermarket services diminish. This area of a dealership is also under heavy pressure and puts additional pressure on dealership management to find new ways to sustain profitability.

Something clearly needs to be done for a dealership to survive in a traditional sense and in reality there are only two ways to respond to the new competitive scenarios: Efficient, low cost operations and nurturing customer relationships, leading to more sales and longevity with each customer.

This book evolve around the topic of innovating the way dealerships operate, the way they create efficient operations, how they engage with customers, create long term profitable business relationships and how in the very fine details of work processes efficiencies can be found and put into practice.

All of this is anchored into what could evolve into a next generation business application, or Dealer Management System (DMS), which could support new visions for how to operate a dealership. Exemplary work processes are shown and described, as a driving force for being inspired to better understand how work in one department of a dealership may directly impact the ability to operate efficiently in another department, or how one work process may impact the ability to nurture customer relationships, or even damage if not done right.

The book also discusses how relationships should be constructed not only with the immediate vehicle and aftermarket customers, but all the way from the vehicle itself, to the dealerships, to the car manufacturers (OEMs) and to the suppliers of the OEMs. An extended and completely integrated supply chain can be constructed to further optimize the logistics side of the automotive industry, while focusing on developing the most business with each customer.

Visions for the future landscape of how automotive dealerships could operate are discussed. We welcome feedback and questions, suggestions for improvements to

future editions of this book, and more topics, which you, the reader, would like that we shed light to.

WHO IS THIS BOOK FOR?

This book is highly useful for anyone in the automotive industry, who wants to know more about the details of how the automotive retail business operates, how operations can be optimized and software applications developed to support that strategy.

It is also useful for senior executives, industry analysts, department managers, automotive dealership staff on all levels, who wish to be highly educated in their own industry and their own job as it relates to other areas of dealership operations. The book is also highly relevant for academics, who wish to obtain a structured and methodologically advanced approach to understanding the automotive industry in detail.

The book can also be used as a blue print for software developers, who are in the business of developing applications to be used in the automotive industry, including Dealer Management Systems.

“Inside DMS” is also meant to be a highly useful and perhaps even inevitable part of curriculum at universities and colleges, high schools, technical schools, as well as training and development of dealership staff (internal curriculum and educational programs). The authors have trained dealership staff personally and that with great success. The ability for dealership staff to gain significant and highly valuable knowledge about how their work affects other colleagues work, even in different departments, creates tremendous synergies.

Finally, existing Dealer Management System providers as well as dealer service and application providers can also gain significant insight and inspiration as to how to further improve their product and service offerings to their customers.

Enjoy reading this book – we certainly enjoyed writing it! We hope you will be inspired.

Sincerely

Niels Skjoldager & Finn Gulbrandsen Lund

ORGANISATION OF THIS BOOK

This book is divided into chapters, each relating to a specific topic of “Inside DMS”. The book can be read from beginning to end, or specific chapters can be “picked” to read individually, depending on the specific interest you may have as a reader. At the end of each chapter is a section for making notes.

Microsoft Dynamics AX, an ERP platform developed and distributed by Microsoft Corporation, is used to provide conceptual examples of how an integrated business application platform may be used as the foundation for a completely integrated DMS product, based on a flexibly application architecture and open databases.

GLOSSARY

Like all IT and software a DMS uses many abbreviations, acronyms, and technical expressions. Much of this information is available in a glossary that you will find at the back of the book. For a larger list of terms and abbreviations, refer to the glossaries what you might find on the Internet.

QUESTIONS AND COMMENTS

If you have comments, questions, or ideas regarding the book, please send them to AutomotiveForce via e-mail:

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2. THE AUTOMOTIVEFORCE VISION FOR THE FUTURE OF AUTOMOTIVE RETAIL

NEW TECHNOLOGY

REDEFINE THE ENTIRE BUSINESS PROCESSES

WHY THIS BOOK

GLOBAL ERP PLATFORM IN THE CLOUD

VEHICLE RELATIONSHIP MANAGEMENT - VRM

SOCIAL MEDIA

We believe the automotive industry is about to undergo massive changes in fundamental business models and business processes. With the introduction of new car manufacturers, especially in the electric vehicle (EV) segment, entirely new value chains will arise. The basic engineering differences between petrol based vehicles and EV's will by itself result in changes in the automotive retail sector: Aftermarket (service) will change dramatically, as EVs do not require the same level of service as the vehicles have fewer moving parts and as such will not need as much service and parts replacements, and there is no indication that competition in new vehicle sales will be any less, especially since production capacity in the automotive industry is increasing faster than the demand for new vehicles. Therefore, prices on new vehicles will be close to the cost and the business opportunity will move to value added services instead, such as software and content in the vehicle, geo based data in all sorts of categories, games, internet connectivity, etc. In fact, a vehicle will become a

new platform for e-commerce, but one that is moving around, which introduces completely new business opportunities.

NEW TECHNOLOGY

This change must result in high demand for new technology, which will enable the automotive retail industry in particular to change the way they operate fast, adapt quickly to market and consumer changes in demand as well as be able to run a lean dealership operation, always having real-time business data on hand to make informed real-time business decisions. Tight and “waterproof” business processes are essential, as well as a business application platform, which is simple to use, yet captures all the necessary data to produce the business intelligence needed to operate in a fiercely competitive “real-time environment”.

Today, the value chain from consumers through retailers, national sales companies (NSCs) / distributors and all the way to the OEMs is completely broken, with only a few fractional exceptions, but still, there is a “disconnect” between real consumer demand and behavior, to what the OEMs are actually producing and pushing through their dealership channels.

This broken business model situation has over time lead to incredible inefficiency, a dissatisfying customer experience when buying a vehicle or having a vehicle serviced, a push oriented supply chain for parts, mostly based on best guess requirements for inventory replacements and poor IT systems, providing dealership managers at all levels a “mission impossible” to run tight dealership operations based on real-time data and facts, versus historic data and continuous “too late” adjustments in the various dealership business decision parameters, such as showroom floor planning, vehicle inventory levels, parts inventory planning, service scheduling, customer relationship management, and almost anything else you can think of related to running a dealership business.

That all speaks to the necessity for a massive industry-wide effort to create fully integrated supply chains all the way to the consumer, but yet that has not happened, for a variety of reasons.

REDEFINE THE ENTIRE BUSINESS PROCESSES

In the context of this book, the most interesting reason is the ability to apply readily available technology to optimized dealership business processes, as well as to redefine the entire business of running and automotive dealership, how to handle customer relations, how to secure repeat business from customers, optimize service department capacity, lower the cost of inventory (vehicles and parts) and the ability to be able to fulfill consumer demands in a pull based chain versus the predominant push based chain.

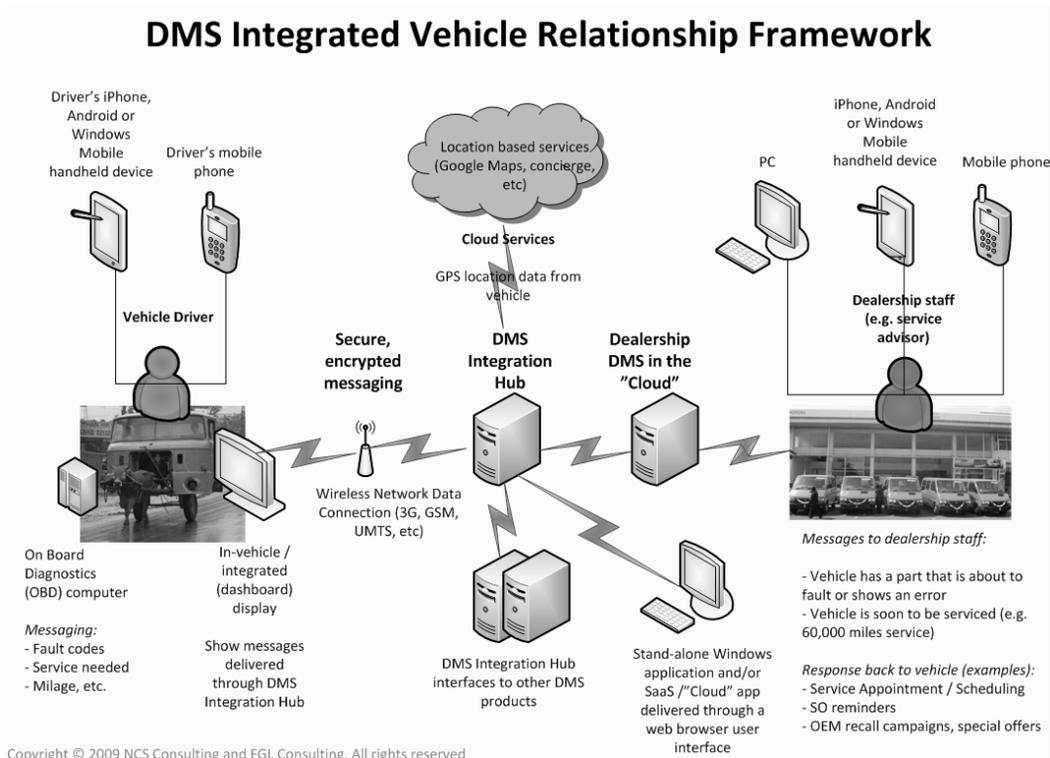
In fact, this is a tremendous “Lean” project: Only do what adds value to the end of the value chain, in this case the consumer, fleet customer, or broadly speaking the “vehicle and the people having a relationship to that vehicle”.

WHY THIS BOOK?

This book therefore is written in order to provide the basis to develop a fully integrated value chain all the way from the OEM to the consumer as well as looking into the future and include enabling technology, which will provide the necessary platform to take full advantage of the future of automotive retail as described in the beginning of this chapter: The vehicle itself will become a moving object for value added services and products, therefore a new channel for e-commerce, just like an iPhone has become a massive new channel for e-commerce such as software applications and content (music as an example). Today, that seems “trivial”, but if you think about it, there was really no such thing before the introduction of the iPhone and the commerce platform embedded hereon. The same will happen in vehicles (is our bet). The recent strategic agreement announced in the beginning of April 2011 between Toyota Motors and Microsoft is strong evidence of the direction technology will take when it comes to embedded software in vehicles, connected to data and application services on the internet, also known as “cloud services”.

So, that brings us to our vision for the future of automotive retail:

The concept of the Integrated Vehicle Relationship Framework tied directly into a next generation Dealer Management System based upon a global ERP platform as the Core application.



GLOBAL ERP PLATFORM IN THE CLOUD

The entire concept evolves around having a global ERP platform as the Core application, running as a business logic engine in the Cloud including a SQL database. Fundamentally, users will not experience this “engine” except for accountants and similar “roles” in a dealership, which need to touch financial postings directly. All other users (“roles”) will be using business processes, designed specifically for their job duties. Everything will run as a Cloud service, which means that the day of hardware and related costs for dealerships are finally over. Only the actual usage of that means low cost for especially small and medium sized dealerships