

*Standards for Technology in Automotive Retail*



*Making IT Work For You*

2002

Survey of Dealer Attitudes Towards  
Information Technology, Infrastructure, and Interoperability

January 9, 2003

## INTRODUCTION

The business of selling cars and trucks has come of age: the technological age that is. While few outside the industry would look at an auto retailer as a hotbed of technological activity, the fact is, today's dealers rely heavily on computer hardware and software to run their businesses.

Unfortunately, the nature of software development in the industry has been such that the multitude of software developers has his own proprietary software code. Software from different companies often can't communicate with each other, or share data. This has left auto retailers with computer systems composed of a disparate set of software packages and presumably a fair degree of inefficiency and ineffectiveness. STAR has undertaken a survey to gauge the important issues and concerns for dealers regarding their Information Technology systems, particularly the lack of common IT standards. The questions we asked were grouped into three areas: attitudes about the role of IT; attitudes about "Inter-operability" of computer systems, and the dealer's vision for IT's role in future strategy and success.

## METHODOLOGY

Our survey was conducted over the telephone during November 2002. We completed 108 surveys from dealers selected from a list composed of dealers from throughout the US. These dealers defined themselves as multi-franchise (57%) and/or multi-point (34%). Over 40% claimed Reynolds and Reynolds as their primary Dealer Management System provider, with 33% using an ADP system. The remainder uses smaller vendors or did not identify a vendor. The margin of error in this study is +/- 5%. Respondents used a scale where 1=Strongly Agree and 5=Strongly Disagree.

## FINDINGS

Regardless of the concerns or complaints dealers might express about their current Information Technology systems, nearly 50% believe the system they use is state-of-the-art or close to it. More than a third rate their computer systems neither state-of-the-art nor antiquated. Only 15% consider their systems somewhat or strongly out-of-date.

**Q. Characterize your IT infrastructure on the following scale:**

(State-of-the-art)			(Antiquated)	
1	2	3	4	5
18%	30%	37%	9%	6%

N=107

Auto dealers are generally happy with their IT systems. Eighty-five percent agreed with the statement, "My current IT situation meets my needs." In fact, most dealers think auto retail systems are as advanced as those used by other retail establishments; dealers not up to par may be resisting upgrades "because of the expense involved," noted one dealer. By department, however, dealers agree that IT contributes disproportionately to profitability at the dealership. They disagree, however, on which departments depend most on IT to make money for the dealership.

**Q. Please rank the five following departments by how important a role IT plays in its profitability. (1= most important, 5=least important).**

<i>Department (by percentage)</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total %</i>
New Vehicle Sales	33	20	25	18	4	100
Used Vehicle Sales	7	20	10	27	36	100
Parts	21	24	16	21	18	100
F & I	19	8	28	15	30	100
Service	20	28	23	18	11	100

N=100

One-third of the dealers surveyed ranked New Vehicle Sales as most dependent on IT for profitable operation. Parts, F & I, and Service each were ranked first by about 1/5 of the dealers. Fewer than 10% believe that IT is most crucial to Used Vehicle Sales profitability. New Vehicle Sales, Service, and Parts rank more closely when their combined scores for "1" and "2" are considered. Fifty-three percent of dealers ranked New Vehicle Sales as "1" or "2" for IT-dependent profitability; Service garnered 48%, while parts captured 45%.

Dealers show strong support for the idea of having common computer infrastructure at the dealership. About 3/4 of dealers in the survey responded that it was "extremely" or "very" important for a dealer to be on a common IT infrastructure.

**Q. How important do you think it is for dealers to be on a common IT infrastructure?**

Extremely Important	Very Important	Somewhat Important	Not very Important	Not at all Important
39%	35%	18%	6%	2%

N=108

The most notable benefits of a common infrastructure are the ability to communicate between software and to share data. At issue? “We need to ‘talk’ between departments,” explained a dealer. Another respondent, however, noted that common code for software programs would also make it easier for vendors to develop new programs, giving dealers more choices. As dealers grow larger, many have dedicated IT staff. Some of these especially knowledgeable respondents noted that common IT infrastructure creates data security problems: not all personnel at the dealership should be able to access some information stored in the data systems.

Our survey probed other more specific areas that relate to the dealer’s ability to run his or her business. For example, we asked dealers if system-wide lack of communication diminishes customer service.

**Q. Current systems, which can’t “communicate” with each other, force me to provide less satisfactory customer service than I want.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
43%	33%	7%	11%	6%

N=106

Three-quarters of the respondents agreed that it did; one dealer described the problem as “a big frustration point.” Even more dramatic is the cost issue. Nearly 70% of the dealers believe that it costs more to have several distinct systems in the dealership than one system.

**Q. I think it costs me more to have several distinct systems in the dealership than one integrated system.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
68%	25%	6%	0%	1%

N=107

Several dealers pointed out that with multiple systems in the dealership, training costs are escalated.

Multi-franchise dealers agreed, at 76%, that being able to integrate data and processes between their franchise DMS systems would help them sell more vehicles.

**Q. [If multi-franchise dealer] Being able to integrate data and processes from one DMS system for one car brand to another DMS system for a different car brand will help me sell more vehicles in the long run.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
46%	30%	9%	9%	6%

N=57

Similar to the multi-franchise dealers' belief that shared data and processes would lead to greater sales, dealers believe that standardizing IT components will promote vehicle sales. Seventy-four percent agree that standardized IT components will help sell more cars.

**Q. Standardizing the IT components in my network and dealership infrastructure will help me sell more vehicles in the long run.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
47%	27%	16%	5%	5%

N=107

Even more dealers (81%) agree that standardizing the data interfaces between the OEMs' computer systems and the dealer management system would help sell more cars.

**Q. Standardizing the data interfaces I have with my OEM and DSP (like parts orders, repair orders, RDRs, etc) will help me sell more vehicles in the long run.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
41%	41%	11%	3%	4%

N= 108

Many dealers added that a more integrated computer system would result in a less stressful, more stable work environment.

Despite some dissatisfaction with specific concerns, like inadequate coordination between systems in the dealership (and the focus of this research), a significant majority (81%) agrees that the future competitiveness of the auto retailer will come from his or her ability to harness IT to serve customers.

**Q. The future competitiveness of the auto retailer will come from his ability to harness IT to better serve his customers.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
45%	36%	9%	4%	6%

N=108

Presumably dealers will continue to emphasize the service side of their business and computer systems will provide the backbone to provide that service. "We could do better follow-up with customers," says one dealer.

Still, dealers are fairly evenly divided on their opinions of Information Technology systems as ally or adversary: nearly as many dealers believe that IT is a necessary evil rather than a competitive advantage, as disagree (39% v. 46% respectively).

**Q. IT is a necessary evil rather than a potential competitive advantage.**

Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
18%	21%	15%	21%	25%

N=108

Opinions gathered during this survey suggest that dealer objections to IT involve costs and complexity. "IT should be a competitive advantage but in its current state, it's a pain," claimed a dealer.

Overall, dealers are very supportive of STAR's mission. An overwhelming 93% consider STAR's mission to be at least "somewhat important."

**Q. How important do you think STAR's mission is to dealers?**

Extremely Important	Very Important	Somewhat Important	Not very Important	Not at all Important
22%	37%	34%	6%	1%

N=106

Well over half rate STAR's objectives as "very" or "extremely" important. Dealers believe common standards will lead to lower costs, both for the systems themselves but also for training. Customers are likely to get better service although several dealers observed that dealer success will continue to be determined by the caliber of the employees.

Dealers expect to greatly benefit if common IT standards are implemented. Some of the comments that recurred are:

- Greater choices of vendors and software
- Improved efficiency
- Better communication between departments
- Lower costs
- Shorter training curve
- Greater customer satisfaction

"Everything would run more smoothly," remarked one optimistic respondent. These positive changes might require some sacrifices initially, noted some dealers, including "learning challenges," and the need to "spend money to upgrade." While most dealers were able to cite at least one way in which they predicted the dealership would benefit from common IT standards, a significant 25% did not think common standards would bring about any changes. And not all dealers agreed that changes would be positive. Primarily these naysayers have two concerns: cost and uncertainty of change. Cost concerns involved potential expenses related to the purchase of new equipment or upgrades; a few dealers also worried that changes, even for the better, would cause problems of one kind or another. Such problems might include, for example, a substantial increase in training and re-learning.

When asked about the biggest headache with their computer systems, most dealers were easily able to identify a problem. Some headaches were broad: "we need to know the system's capabilities, all its functions better." Others were more specific, such as "keeping the T1 line up." Some of the problems mentioned would not be solved through implementation of common IT standards. However, some would. Some frequently mentioned standards-related problems that could be solved include:

- systems and software that can't interact with each other
- limits on the information that can be shared between departments
- proliferation of PC's for various software

## Conclusion

Two issues jump to the forefront in computer technology for auto dealers: use and value of the Internet, and the patchwork quilt of computer systems that has developed over the years. There is overwhelming support among dealers for any improvement to the latter situation. In the current state of affairs, dealers believe they face unusually high costs and inefficient operations that lead to reduced customer satisfaction and even frustrated employees. One dealer summed up the situation this way:

"Our current IT, which requires that a number of systems all co-exist with each other, is so complicated that it is difficult to get anyone to fix or repair or even analyze what and where the problem is..."

Although there is widespread support for STAR one dealer recognized the need for dealers to participate in the effort.

"Long-term success of STAR will depend on grass roots efforts by dealers to cooperate...."