

**DealersEdge**

# **Controlling DMS Costs**

## **How to Decide What You Really Need**

**With**

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**Moderated by**

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## Sandi Jerome

consults and lectures on automotive business management, internal controls, and computer utilization for NADA Management Education, CPA firms, AICPA, 20 groups, manufacturers, and three of the major computer companies. She has been a highly rated speaker at NADA in the past few years. Her seminar, "40 Valuable Things to Do With Your Computer System" was rated 14 out of 63 seminars. She also provides in-dealership computer training for dealers and evaluations of their existing systems and processes. She developed Compuscore, a computer program that provides dealers with a computerized analysis of their computer bids. She also developed SalesLink, which downloads a dealership's inventory into a Palm Pilot. She specializes in third-party interfaces between R+R, ADP, UCS and EDS systems for downloading accounting, service, parts, and F&I data from remote locations and converting the data into Microsoft Excel, Access or ASCII files. Most recently she developed customer retention software that downloads the customer database from ADP, R+R, EDS and UCS for dealers to a PC for use in Customer Retention Management (CRM.)

Sandi has over 20 years experience in the automobile business. She is a CPA with a degree in accounting, but also has the unusual combination of 3 years in F&I and another 2 years as an assistant general manager. She has been the fixed operations manager for parts and service and the controller for the largest Chevrolet and Dodge dealer in a 5-state area.

Sandi is the author of a series of self-study guides on the automobile business that is used by CPA firms for continuing professional education. She has written reviews of tax and accounting software for computer magazines and two computer manuals. The latest is *Easy 1-2-3 for Small Business* by Compute Books! She was a beta tester for various versions of Lotus 1-2-3 and has written two books on using computers in the automotive business. She is the technical editor of *Digital Dealer* magazine. E-mail questions to [sandi@crsauto.com](mailto:sandi@crsauto.com).

# Controlling DMS Costs

## How to Decide What You Really Need

Technology Cost Worksheet		1995	2005	Increase
	Users	67	83	19%
	Accounting, AP, AR, CR, ODC			
	F&I, VMS, Sales			
	Parts Inventory/Invoicing			
	Service Invoicing/Dispatch/Schedule			
	Payroll			
	<b>Base DMS System</b>	\$ 5,235	\$ 8,051	35%
	<b>Leasing Software</b>		\$ 732	100%
	<b>CRM Software</b>		\$ 1,351	100%
	<b>Technician Terminals</b>		\$ 433	100%
	<b>DSC Interface and mfg charges</b>	\$ 210	\$ 742	72%
	<b>Credit Reports</b>	\$ 289	\$ 823	65%
	<b>Forms, supplies, custom program</b>	\$ 392	\$ 1,945	80%
	<b>Database updates, LTG</b>	\$ 195	\$ 340	43%
	<b>Parts Catalog</b>	\$ 532	\$ 1,347	61%
	<b>PC support</b>		\$ 1,749	100%
	<b>Total</b>	<b>\$ 6,853</b>	<b>\$ 17,513</b>	<b>61%</b>
<b>Not included - HR, Time clock, Service Pricing Guides, Document scanning/storage, Body Shop interface, Special Finance Software, Parts Locator, Special Laser - NFP, EIS (GM reporting,) Scanners (parts, vehicle, DL)</b>				

### Why Are Technology Expenses Doubling And Tripling For Dealerships?

- Invoice creep – the 5% factor
- New technology introduced by your DMS
- New vendors with new technology
- Dumb terminals to PCs
- The “got to have” factor

\$ 5,235.00	5% Increase	
\$ 5,496.75		
\$ 5,771.59		
\$ 6,060.17		
\$ 6,363.18		
\$ 6,681.33		
\$ 7,015.40		
\$ 7,366.17		
\$ 7,734.48		
\$ 8,121.20		

### How to Reduce your Costs

- Analyze your technology expense
- Determine what technology you really need and eliminate duplicate or “bleeding edge” technology
- Consider an alternative system
- Get more value from your existing system

## Technology Base Expense Analysis

**Step 1:** Regroup your technology expenses by base account to see the total amount paid by department and account.

Expenses Grouped by Base Account	SEPT03	SEPT04
DATA PROCESSING SERVICES - NEW	\$ 3,090.74	\$ 3,268.15
DATA PROCESSING INTERNET/BDC		\$ 1,376.63
DATA PROCESSING USED	\$ 234.54	\$ 2,674.65
DATA PROCESSING SERV-RTL PARTS	\$ 565.91	\$ 653.62
DATA PROCESSING SERVICES-MECH	\$ 1,323.74	\$ 1,388.97
DATA PROCESSING SERVICES - ADMIN	\$ 3,147.34	\$ 3,492.30
	<b>\$ 8,362.27</b>	<b>\$ 12,854.32</b>

## Vendor Expense Analysis

**Step 2:** Regroup your technology expenses by vendor see the total amount paid by department and account – watch for hidden accounts like supplies, advertising, phone. *Are Internet charges phone expenses?*

PRS - Expense Master							
Date	0304	<b>Budget Amount</b>					
Acct Bas	(All)	Amount over (under) budget					
Total	\$ 14,876						
Total		Acct De					
		SUPPLIES, ETC - PARTS	NC DELIVERY EXPENSE	NEW VEHICLE INVENTORY MAIN	MAINT BLDG	MINT-NON BLDG	USED VEHICLE INVENTORY MAI
Vendc	Descripti						
REYNOL	(blank)	\$289.06	\$750.17	\$2,250.56	\$2,972.73	\$258.49	\$2,250.56
<b>Grand Total</b>		<b>\$289.06</b>	<b>\$750.17</b>	<b>\$2,250.56</b>	<b>\$2,972.73</b>	<b>\$258.49</b>	<b>\$2,250.56</b>

## 5 Most Common Billing Errors

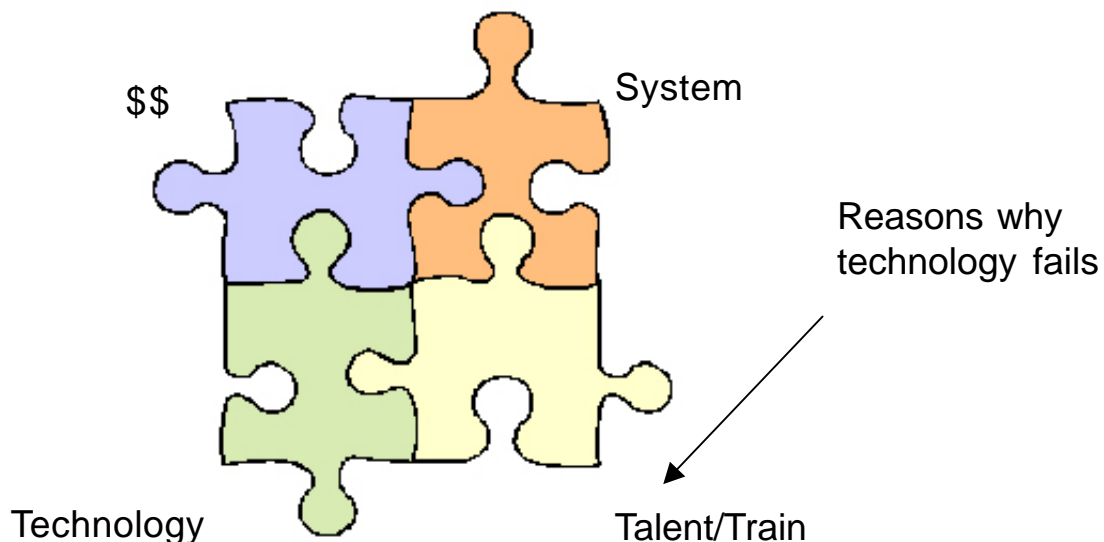
- Annual increase is higher than agreed to (times 1.05) – or more often than annually
- Hardware you no longer own (Modems, terminals, printers, hubs)
- Software you don't use (SPG, Lease, VMS)
- Time and Materials (what is "after hours?")
- Special paper, supplies and forms (return of tapes, hard copy – yellow?)

## Existing Technology Checklist:

- Take a physical inventory of the technology you have
- Find out what you might own but are not using
- Find hardware that should be returned
- What does the technology do and who uses it?
- Analyze your DMS monthly billing – monthly!
  - Physical to billing
  - Billing to contract

## New Technology Checklist

- Is it required by your manufacturer?
- Does it PAY for itself?
  - Sell more cars
  - Increase productivity
  - Help you reduce expenses or collect funds faster?
- Who will use it? Are they qualified or is it "bleeding edge?"
- Is it a duplicate system or does it replace a process that isn't broken?



<b>Technology Cost Worksheet</b>			
Item: CRM Software			
		<b>Product A</b>	<b>Product B</b>
Upfront price		\$ 30,000.00	\$14,995
Upgrade PCs		\$ 1,090.00	\$ 300.00
Add Printer		\$ 343.00	\$ 343.00
<b>Total Upfront</b>		<b>\$ 31,433.00</b>	<b>\$ 15,638.00</b>
Monthly Cost		\$ 1,349.00	\$ -
CRM Manager and benefits		<b>\$ 5,247.00</b>	<b>\$ 5,247.00</b>
Printing, phone and email costs		\$ 750.00	\$ 750.00
<b>Total Monthly Costs</b>		<b>\$ 7,346.00</b>	<b>\$ 5,997.00</b>
Income	Extra Deals	\$ 860.00	Avg Gross \$ 860.00
Non-buyer follow-up	4		After Comm
Data mining/campaign	6		
Add'l Gross Sales Gross		\$ 8,600.00	\$ 8,600.00
Add'l Service Gross	40	\$ 2,400.00	\$ 2,400.00
<b>Total Gross</b>		<b>\$ 11,000.00</b>	<b>\$ 11,000.00</b>
Less Monthly Costs		\$ (7,346.00)	\$ (5,997.00)
<b>Net Gross</b>		<b>\$ 3,654.00</b>	<b>\$ 5,003.00</b>
Months to recoup investment		9	3
<b>Net income after 60 Months</b>		<b>\$ 187,807.00</b>	<b>\$ 284,542.00</b>

## Should you Switch to an Alternative DMS System?

### Take this Test

5 = Strongly Agree 1=Strongly Disagree

- Price is the main reason why I'm changing computer companies
- Our managers are open to new ideas and changes (especially the controller)
- I have an IT manager – or someone who handles my technology full-time
- I'm a risk taker
- I like to be on the cutting edge of technology
- Our dealership already has a network server and LAN

\_\_\_\_\_ Total Score

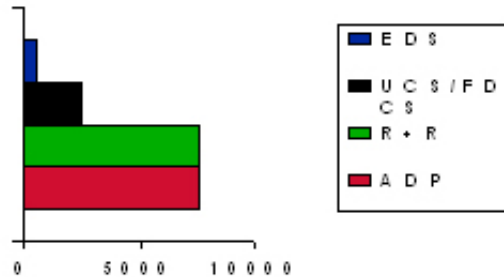
- 26-30 Consider all systems
- 21-25 All systems if you hire an IT manager
- 11-20 Tier 1 and Tier 2
- 0-10 Stick with traditional – Tier 1

## Discussion of the DMS Systems and Booth #s

### Tier 1

Higher cost, less control, slower to respond to new technologies, all modules, stable companies, accepted by factory and your employees.

EDS (ADP) #127  
ADP #127  
R+R #4041  
UCS #2821



### Tier 2

Arkona #4913  
Automotive Computer Services (ACS) #1531  
Auto/Mate #2321  
Dubuque Data Services #4224  
XSellerator/Quorum #2242  
ADP Alliance – Web1000 #127

### Tier 3

ADAM #5533  
Autosoft #5443  
PBS Financial Systems #301  
Lightyear #5521  
Procede Software #6149  
Galaxy Systems 2000 #119  
NeoSynergy #101  
1 SourceDMP (Ocentrix, AIMData) #3753  
RGS Suite by R+R #4041

## Comparison of Three DMS System Choices

Upgrade DMS System	Alt#1	Alt#2
Extremely high cost	Lower cost	Lowest cost
No conversion issues	Control over database/server but less secure Windows system for viruses	Unix is more secure
No loss of productivity, no need to re-train	True Windows-based system	Best NADA score
Has VW, KIA interface	Willing to work on VW, KIA	No KIA, VW in March 2005
No CRM in bid	Driver's License Scan, would probably not need a CRM system	No CRM in bid
60 Months	30 day notice	3 year contract
Price estimate - Monthly		
\$7,000- \$9,000 (with price concessions)	\$2600	\$1850
CRM - \$1450		
½ System Admin - \$2000	\$4000	\$4000
Total - \$12450	\$6600	\$5850
Upfront prices would be similar.		

### Rate — What is Important?

- Integrated CRM (rather than interfaced)
- Manufacturer certification or interface
- Technician Terminals/Dispatching
- Download to Excel/Word
- Remote access by 3rd parties – or interface
- Integrated Payroll (rather than interfaced)
- Server-based (PC, Linux, or Unit) or ASP
- Do you require Multi-accounting (inter-company transactions?)
- Full database conversion
- Contract length

## The System Administrator Solution

- How much are you paying for 3rd party PC/Network support?
- Who is watching out for attacks on your server?
- Support for your campaigns, BDC, mailers
- Protection of your database - Safeguards
- NOT for the R+R, UCS, ADP system, please!

## Get More Value out of Your Existing DMS System

- Creating dazzling reports by downloading data to Excel
- Free or low-cost email campaigns
- Better utilization of existing features

16:06:26

BRANCH STORE #3 PARTS

PAGE1

CTRMN	INV#	DES/PT	QSHP	COST	ORIG PRICE	ORIG EXT	OVRD PRICE	OVRD EXT		
5	1025	10/13/99	3812492	CLUTCH AS	1	33.21	85.60	85.60	64.48	64.48
5	1027	10/13/99	1220494	BRG/IDL	1	5.50	9.00	9.00	0.00	0.00
5	1027	10/13/99	922528	RADIATOR	1	81.39	127.00	127.00	0.00	0.00
5	1027	10/13/99	922528	RADIATOR	1	81.39	100.53	100.53	89.53	89.53

## ADP – OR ROV R+R 2542 UCS – 134 (Y-FORCED FIELDS) EDS-Report Menu – Price override report

### Why Download to Excel?

- Data vs. Information
- Save time – bank/floor plan 4hr vs. 15 minutes
- Long-term storage of what you need
- Easier analysis and faster changes
- Reports are easier to read

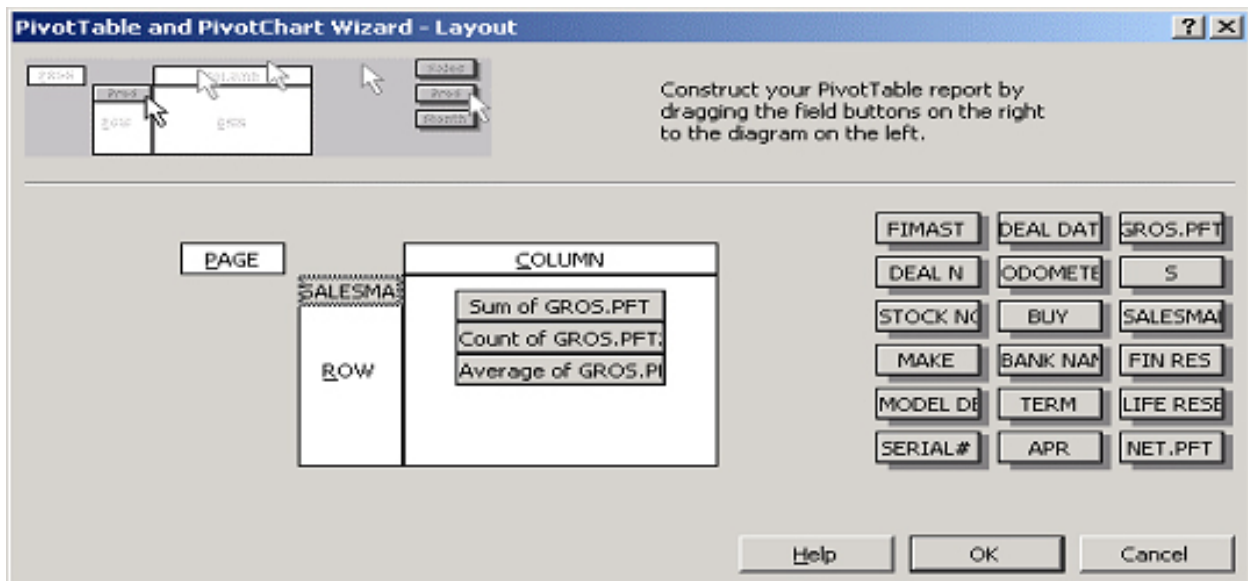
Quick Doc		Deals not in the Office DOC		Projected Gross with F&I numbers		Goal	
Per office	Units	Per F&I	Units				
\$ 15,134	133	\$ 221,029	161	69,686	28	\$ 253,774 87%	200,000
\$ 43,194		\$ 50,091		6,897		\$ 57,511 87%	35,000
194,537	133	271,119	161	76,582		311,285 87%	235,000
\$ 185,343	116	\$ 201,301	132	15,958	16	\$ 231,123 87%	300,000
\$ 16,115		\$ 25,089		8,974		\$ 28,806 87%	10,000
\$ (27,942)		\$ (27,942)				\$ (32,082) 87%	-10,000
173,516	116	198,448	132			227,848 87%	300,000
\$ 79,858		\$ 79,858				\$ 91,689 90%	150,000
\$ 43,252		\$ 43,252				\$ 49,660 90%	75,000
\$ 859,216	249	\$ 859,216				\$ 986,507 90%	1,295,000
		\$ 1,062,245	293	178,097	44	\$ 1,219,615 90%	1,295,000

## Three most Important Excel Features

- Vlookup
- Autofilter
- Pivot Table

Data, Filter, AutoFilter

Data, Pivot Table, Next, Next, Layout



## 10 Reports from one Data Extraction

1. Deals not posted or pending
2. Gross profit average for New Trade-ins
3. Deals with a gross profit less than XX
4. Salesperson gross profit analysis
5. Sales manager comparison
6. Best sales gross by model
7. F&I manager analysis
8. Bank gross profit
9. Bank reserve analysis
10. Sales with no extended warranty sold (with a mail merge to Word.)

## Getting the DATA

**ADP** – Reflection, function RXR, RPX. Files: FI-WIP, CAR-Inv, Vehicles, History, GL.ACCT.LDGR

**R+R** – EraLink, RunQuery. FIMAST, NVInventory, UVInventory, ROJournal, Customer, SerIndex, GL, SCHEDULE4, etc.

**EDS** – Executive Assistant, SLDELHPF, VMVEHMPF,SVSOHDL1

**UCS** – File Transfer for Windows, Run reports in modules, then PRT blank. 269-01 thru 269-04, 358/359, 410-01 thru 410-03.

**Autosoft** – DAT files like asro, aasacm – need to import with position of field.

**Example:**4654514SWE654514A90336 1G4CU5217X4654514 GARY SMITH **PBS** – Microsoft Access files – link, import, unlink. PBSf&l.mdb, PBSinvn.mdb, PBSserv.mdb

**ACS, Auto/Mate, XSellerator** – Query with Excel

**ADAM** – dbf files can be imported or linked

## Developing a company policy for access to the data

- Can salespeople have their customer database on their own PC?
- What happens when a salesperson leaves?
- What is the easiest Safeguard, dummy?
- Safeguards Rule – Risk and training

## Free – or almost free technology

Five Steps to Creating a Successful E-Mail Promotion (courtesy of Laurie Halter, Charisma!)

1. The list is king ( do you have a system to collect emails?)
2. Always offer opt-out option
3. Clean layout and navigation
4. Short and sweet info
5. Always provide value \$\$\$
  - E-mail-only service coupons
  - Special sales or vehicle promotions
  - Workshop tips for buying a vehicle
  - Vehicle recall information
  - Vehicle reviews and ratings
  - The newest trends in vehicles, i.e. DVD players, hot colors

## Summary

- What is REALLY your technology expense?
- Are you being overcharged?
- Can you get rid of unused technology?
- Should you switch DMS systems?
- What about thin clients?
- How technology can save you money

# *Questions?*