



PAGE 1: HOW **SO**CIAL DISTANCING IS BRINGING US TOGETHER

PAGE 3: GO BIG AND GO HOME

PAGE 4: WHAT **CO**RONA AND CARVANA HAVE IN COMMON.



HOW SOCIAL DISTANCING IS BRINGING US TOGETHER

- BY MARILOU C. VROMAN, CPA, CFE

A visit with a multi-franchise dealer with stores in multiple states left a marked impression. I entered a conference room and saw countless monitors on the wall, many of which were tracking appointments, ups, and sales transactions at each of the group's dealerships. Interestingly, the largest screen in the center of the wall at focal point was dedicated to hosting virtual meetings with team members at other locations. At the time I viewed this setup, it was almost foreign, embracing video technology by dealers seemed somewhat rare, discretionary, and almost "ahead of its time" even though the technology had been around for quite some time. Many dealerships to this day still engage in primarily face to face meetings and conference calls with those away from central operations.

At a time when working from a remote location is either required due to a government order, or merely encouraged for health and safety, it's time to start thinking of what our automotive retail business might look like in the future. Who would have thought the simple act of sharing a screen would potentially become the new norm?

The freedom of interacting with dealership co-workers in the same physical space does not necessarily mean face to face interaction is happening.

In fact, there are plenty of dealerships where staff will go for days before seeing a manager. Even in the back office where a Controller or Office Manager is "locked" behind their monitor for three days trying to close out a month making only the most vital calls, is having little to no face to face interaction with others. Further to this, how often are customers contacted via email alone, with no chance to see your customer's and share a good laugh with a smile?

With so many dealership showrooms closed due to Executive Order and staff working from home and isolated from others, what has dealing with this 2020 Coronavirus pandemic taught us? As we've had to adapt to a new environment with uncertainty, one thing remains constant, the importance of effective communication. Now more than ever, communication with our teams, our customers, and those we care about, are absolutely vital. We have been trained to know the importance of communication, but why is this so different now?

What we are now lacking by social distancing is a key common element of effective communication which is body language. When communicating by conference calls or email alone, we lose non-verbal cues such as a smile, nodding as a form of understanding or agreement, or signs of distraction, disengagement or discontent. These physical signs are vital to the progress of achieving goals, whether it's negotiating a sale with a customer or sharing a new company policy with staff.

My work with dealers who host countless meetings via video-conference has been an eye opener for me. As I have participated in these conference calls, whether by WebEx, Go to Meeting, or other online platform, through the addition of video communication, I sensed an accelerated and stronger connection with the individuals who joined the meetings from the remote locations. While I could not be in multiple dealerships at once, I could effectively communicate with them, share relevant data and exhibits, and put more faces with names so the next time we interacted in person, I already knew them, and they knew me. Did this strengthen our relationships? You bet it did.

Our firm started using Slack technology in 2018 to manage projects and workflow. Little did we know at the time this would be a lifeline of our continued communication in March 2020. With our new social distancing protocols in place, our entire team is still meeting face to face daily, whether one on one and as a group, sharing meaningful communications, whether for a client project or simply the status of our individual health, wellbeing, family and/or pets.

There seems to be a silver lining with nearly every cloud. As we navigate the disruption, we may learn new and better ways of doing business with each other and our customers. Remember, in times of adversity, the stars often shine brightest in the dark.



GO BIG & GO HOME

- BY PHIL VILLEGAS



It seemed that for the past few weeks every day presented a new level of anxiety and doubt about what the future may hold with regard to this virus. The Coronavirus has most of the country staying at home through the month of April, and now that we're in the thick of it, a great deal of the anxiety and doubt of what's in store is lifted and it's just a matter now of riding it out.

How we spend the next month or two during this time of social distancing will say a lot about us in the years to come, both as individuals and as dealers. Some will squander this opportunity and sit on the couch watching Netflix and eating Cheetos all day, while others will see this as a gift to improve their skills and prepare for the future.

Let's look at the bright side of what is otherwise an unpleasant situation for everyone:

PPP – Paychecks Protection Program: Payroll, employee benefits, utilities, and rent essentially covered for 8 weeks as long as you comply within the guidelines of the program. For many dealerships deemed as small businesses, Uncle Sam is covering the core of bills for two months while we collectively get to the other side of this pandemic. In this time, dealers can pragmatically assess their personnel and operational needs in tooling for the changing retail environment which is likely going to follow.

On-line/Virtual Retailing: Whether its sales or service, I have witnessed dealers make leaps and bounds in their approach to conducting transactions remotely with customers. While it's unfortunate we needed an inflection point such as the Coronavirus for dealers to embrace true virtual retailing, I firmly believe this change has triggered a movement amongst dealers and customers that will help curb the tide of influence coming from brands like Tesla and Carvana, which have been eroding sales of traditional dealers.

Low Interest Rates: Low interest rates are sure to stick around for the remainder of the year and possibly the next. Prior to the Coronavirus crisis, one of the more prevalent dealership acquisition concerns related to increasing interest rates. Now consumers, just as much as dealers, will have the benefits of lower borrowing costs towards the purchase of a new vehicle or a new dealership.

Lower Dealership Valuation: For dealers considering expansion through acquisitions, the time will be ripe in a few months as we anticipate earning and blue-sky multiples to drop based on the adjusted market environment. While we anticipate many dealers that were previously considering selling will try to hold off until 2021 to allow business to recover, the reality is that prior to this crisis many dealers were already facing profitability headwinds, and their ability to sustain business levels beyond the PPP and other government subsidies paired with low sales performance will be difficult. We expect to see an increased level of distress sales that will present great expansion opportunities.

While it would be great to just take a nap and wake up sometime in June, the reality is we still have a while to go before we get out of this and resume to what might be considered a normal environment. For dealers, I see the next two months with the help of the PPP as a truly remarkable opportunity to position the dealership for the future. This philosophy applied to improving all facets of its operations, from how vehicles are sold and serviced remotely, to looking at total headcount and pay plans. Never in the history of the car business have dealers been provided this kind of opportunity to retool and refocus their operations to better business platform than they have today. Don't squander this unique opportunity to reshape your dealership for the future.



WHAT CORONA AND CARVANA HAVE IN COMMON.

- BY PHIL VILLEGAS

With China in a state of Coronavirus and contamination concerns, new vehicle sales volume in China dropped over 80% in February 2020. As the virus is appearing to gain traction here in the U.S., genuine concerns begin to arise related to the potential disruption here at home and what this could mean for dealers.

Having faced some adversity early in my life, my personality type has always been to focus more on the potential opportunity of a given set of circumstances. Operating with a philosophy that "the cavalry isn't coming" to save me, has always provided me with greater clarity in confusing times.

Even before the rise of the Coronavirus, one of the largest risks facing conventional retail auto dealers has been their ability, or should I say inability, to successfully engage and transact with customers online. The general inaccessibility to fully transact virtually by most dealers has paved the way for providers like Carvana and Tesla in providing a refreshing alternative buying experience to consumers. We are living in a decade where we expect the greatest transformation and pressure to the dealer franchise network due to the mobility movement. Whether it's start-up manufacturers like Tesla, online friendly alternatives like Carvana, vehicle subscription services, ride-sharing providers, or autonomous fleets of vehicles, dealer sales will get negatively impacted. In light of these pending changes, most dealers are continuing to sell vehicles in the traditional fashion with no actionable plans to change.

With the risk of the Coronavirus poised to disrupt US sales I see the silver-lining in this forcing the opportunity for dealers to improve their virtual/online presence.

Knowing that a disruption is coming to the industry with the mobility movement in the coming years, dealers should be seizing the current opportunity the Coronavirus crisis is providing in improving their virtual/online presence. If U.S. dealers are impacted even half of what China experienced in February, we are looking at a 40-45% drop in new vehicle sales, with comparable drops in pre-owned and likely greater in parts in service. Some marginally capitalized dealers can possibly not survive more than a few weeks in these circumstances.

How well prepared is your dealership to transact online? This is not just about having a little chat pop-up window on your website that is handled by a third-party provider. Does your dealership have a process by which you appraise a customer's car remotely? Do you have a process by which you will take a car for a test drive to a customer's home? Can a customer complete the entire transaction without stepping into the dealership? The same goes for service, can customer's car be picked-up or pre-diagnosed remotely without an exorbitant tow bill?

One early lesson coming out of China is dealers' challenges with transacting remotely with customers. This is different from social engagement; this is the ability of getting cars over the curb or up on a lift without a customer having to set foot in the dealership. As a dealer, I wouldn't be waiting for the manufacturer, DMS provider, dealer association or vendor to come with a silver bullet on how to help me through the Coronavirus or mobility disruption to come. Change comes from within and how you view and position your store to engage in changing environment will determine whether your dealership will survive the threats and disruptions to come.

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