



Profitable Ideas for Automobile Dealers

Three Trends Dealerships Must Not Ignore in 2016



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This year, dealers have experienced significant increases in both sales and profitability. 2015 numbers were at an all-time high, while 2016 is projected to set records before an estimated decline in 2017. What should dealerships be focused on in 2016?

1. Mobile Devices

It's no secret that mobile is hot. A report by J.D. Power reveals that tablet research jumped 83% between 2012 and 2015, and the use of smartphones for research increased by 70%. Consumers are using their smartphones and tablets to conduct detailed research before making high involvement purchases, such as a vehicle.

This makes them better informed and empowered with information such as competitive vehicle pricing, detailed model information, dealer inventories and sales incentives.

Traditionally, a customer would make initial contact with a dealer the old-fashioned way by simply visiting their showroom. However, it is becoming more common for shoppers to make initial contact with a dealership through a virtual medium such as a webpage, email interaction, online quote or social media channel.

Dealership owners are responding in kind by using mobile devices as a tool to help get in front of consumers. As a result, this is helping many increase their sales.

As dealers look to 2016, they should be considering how best to embrace the mobile marketplace to drive sales.

2. Dealership Acquisitions

Consolidation in the auto dealer industry is on the rise and has been for some time. As manufacturers make changes and existing dealership owners continue to retire, many dealers are looking to acquisition opportunities.

Berkshire Hathaway's acquisition in early 2015 of family-owned Van Tuyl Group, the fifth-largest US dealership chain, highlights growing consolidation in the industry. The auto retailer, renamed Berkshire Hathaway Automotive, will serve as a platform for Berkshire Hathaway to purchase more dealerships in Van Tuyl's established markets in the South and Midwest. Asbury Automotive Group, similar in size to Van Tuyl, has been snapping up small independent dealerships that are looking to cash out.

As the example above shows, smaller dealerships will cash out while mid-size dealerships will continue to maneuver for regional market share. Dealerships should expect this trend to gain speed in 2016.

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3. Sales at a 10-Year High

According to data from Kelly Blue Book, Auto Dealers are expected to have sold 16.9 million vehicles in the United States in 2015. This would put vehicle sales at the highest they have been in a decade. The following factors can be attributed to the significant increase in sales:

- Solid economic growth
- Low interest rates
- Low gasoline prices
- Improved job market
- Better incentives from auto manufacturers and dealers

Looking forward, Auto Dealers should consider allocating more money in their budgets toward advertising and marketing to attract customers and compete in an increasingly competitive marketplace.

What These Trends Mean for Dealers in 2016

2015 was a remarkably profitable year for most dealerships. But, as many dealerships have likely experienced, profitability will eventually decline. The National Automobile Dealers Association predicts U.S. auto sales will come full circle, likely declining in 2017. Auto Dealers should take note of the following factors which can attribute to an eventual decline in sales:

- Rising interest rates
- Declining prices of used cars
- Consumers holding on to cars longer

Regardless of the state of the economy, dealerships that produce consistent results are those that manage their dealerships effectively and actively seek out opportunities for growth.

If you would like to discuss the trends discussed in this article, contact any member of the team at Vawter, Gammon, Norris and Company, P.C.



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