

Affinitiv CEO Scot Eisenfelder Shines Spotlight on 5 Industry Disruptors Affecting Auto Dealers in 2019

Forget autonomous vehicles; the impact of these trends is being felt today

CHICAGO, IL, UNITED STATES, January 14, 2019 /EINPresswire.com/ -- Affinitiv CEO Scot Eisenfelder is shining a spotlight on five industry trends that have the potential to negatively impact

auto dealership operations in 2019, unless dealers take immediate action. Although disruptors such as autonomous vehicles, ride sharing and alternative powertrain vehicles dominate today's headlines, these trends are several years away from having a direct impact on dealership operations.



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Five trends that Eisenfelder has identified as having more immediate impact include declining front-end margins, improved product quality, more onboard technology, aging units-in-operation (UIO) and consumer expectations.

“While the news is full of major disruptors, there are more practical realities shaping auto retail today,” said Scot Eisenfelder, CEO of Affinitiv. “Virtually all of these trends

will force dealerships to rely more on fixed ops as a source of future profit.”

Declining Front-End Margins. New vehicle gross margins have declined significantly in the last seven years, from 4.0% in 2011 to 2.2% in 2018. The same pricing transparency that drove down new-vehicle per vehicle retail (PVR) is likely to drive down F&I PVR in the next few years.

To combat this trend, dealers will be forced to shift their business strategy to a razor and razor-blade model, whereby products are sold cheaply and all the profit is made on the back end.

“This requires a shift in operational mindset,” said Eisenfelder. “If you can't make a killing off the first sale, how do you manage the customer relationship going forward?”

Dealers should invest in service marketing designed to increase customer loyalty, and in technologies designed to improve the customer experience in the service department.

Improved Product Quality. Available work per unit is declining as quality improves, service intervals lengthen and work shifts from repair to replace.

“Dealers can no longer count on substantial warranty work and in-warranty customer pay business from new vehicle sales as a way to feed steady business to their service departments,” said Eisenfelder. “Additionally, the average service interval length has increased from every 3,000 miles years ago, to nearly 10,000 miles today.”

To address this, dealers need to maximize Revenue per Units-in-Operation (\$/UIO). Today's

franchise dealers only capture 20 to 25 percent of revenue potential from their UIO, and less than half the work needed on vehicles that enter their service lanes. To increase service yield, dealers should focus on providing complete vehicle care to current customers.

This requires the ability to identify, communicate and capture all service needs, which may require modernizations to the write-up, multi-point inspection (MPI) and service recommendation processes.

More Onboard Technology. This trend favors dealerships, giving them a competitive advantage over independent repair facilities (IRF) based on technician knowledge. To leverage this advantage, dealers need to move beyond an oil change mentality and send relevant, targeted offers based on customer data, vehicle mileage and service history. This requires the ability to leverage data contained in the DMS/CRM.

Ageing UIO. Most industry analysts predict a flat to declining new vehicle market through 2021. This means fewer one- to three- year old vehicles to service, with a corresponding increase in four- to six- year old vehicles.

Number of Units-in-Operation Change Since 2017*

Vehicle Age	2018	2019	2020	2021
10-12 years	8%	20%	29%	30%
7-9 years	9%	5%	2%	18%
4-6 years	16%	30%	38%	37%
1-3 years	1%	5%	7%	7%

*Automotive News: Scrappage not removed; assumes 2018-2020 sales of 305K units.

"In this environment, sales conquest becomes brutally competitive and essentially a zero-sum game," said Eisenfelder. "In fact, it's pretty common to see incremental marketing costs exceed gross margin net of commissions."

Additionally, dealers are facing increased competition from IRFs that have seen a decrease in seven- to ten- year old vehicles to service, which are their traditional bread and butter. As a result, IRFs are aggressively targeting the four- to six- year old market.

To combat this trend, dealers will need to shift marketing spend into service conquest, which delivers better ROI at an average \$40 to \$80 per customer acquisition, compared to the average \$1,200 to \$1,600 per customer acquisition in sales. Conquest efforts should focus on finding and servicing second owners of four- to six- year old vehicles. Dealers also need to do better at retaining current customers through post warranty.

Consumer Expectations. Today's consumers expect a transparent, modern and convenience-driven experience, which traditional dealer processes and systems are ill-equipped to deliver.

"It's truly baffling because a person can track a pizza being made and delivered to them, but they must call your dealership several times to check on the status of their car, then wait in line to pay at a cashier," said Eisenfelder.

Dealers need to improve service pricing transparency and invest in technologies and amenities that modernize the customer experience.

For more information on Affinitiv, visit booth #2139S at the NADA Convention and Expo in San Francisco, CA. Schedule a demo at <http://bit.ly/Affinitivdemo>

About Affinitiv:

Affinitiv is a leading marketing technology company serving automotive manufacturers (OEMs), dealership groups, and individual dealers. Affinitiv's Connectiv1 Platform is designed to provide a 360° view of customer, vehicle, dealership and marketing campaign effectiveness all in one place. It makes it easy for auto dealerships to leverage data and target customers with the right message at the right time on the right communication channel.

Affinitiv enables dealerships to produce, manage, measure and optimize omni-channel communications to drive brand loyalty and increase revenue. Affinitiv's digital and analytic capabilities support a consistent customer experience through the entire ownership lifecycle. Affinitiv was formed in 2016 and is headquartered in Chicago, IL.

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