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e-commerce

The e-evolution of CRM

Customer relationship management (CRM) at North York Chev Olds leverages and encompasses Internet culture

By TROY MACHAN
staff reporter

Jane walks into the dealership for her car's routine 120,000 km maintenance after receiving an e-mail reminder earlier this week. She purchased both of her prior cars from the same location. The unfamiliar service technician greets Jane with a smile and enters her VIN into the computer.

"Hello Jane, are you having any trouble with the new transmission we installed 6 months ago?"

"No, everything is fine with that but the bodywork I had done last year is fading a little."

"The right-front quarter panel? If you like, I'll have a body shop technician inspect it while you are here."

All the while Jane wonders how he guessed the right part.

Later, while Jane waits in the service lounge, a salesperson drops in to invite her to come up to the showroom to take a look at the newest sedan. Jane replaces her cars about every 120-140,000 km and takes advantage of the offer, thinking about the convenient timing of the salesperson's request.

These actions were not coincidences. The dealership Jane deals with uses a CRM system to track customer behaviour and build strong personal relationships with customers. In the ever competitive world of vehicle sales, customers like Jane are a commodity that individual dealerships cannot afford to lose because of one mistake.

Mega-auto groups, online referral services and manufacturer ownership are all competing with traditional dealerships for customer ownership. Because of the importance of retaining good customers, CFO Brian Hoecht has tried to revolutionize how North York Chev Olds handles customer relationships, using Customer Relationship Management (CRM) and cutting-edge information systems.

What benefits did North York Chev Olds derive from implementing CRM? How did it implement an e-CRM system? What are some potential benefits and drawbacks of the implementation process?

Why CRM?

The idea behind CRM is that the cost of finding a new customer far outweighs the cost of retaining a current one. Customers remember every interaction they have with an organization and expect to be treated similarly throughout.

CRM meets the Internet because Web traffic adds tremendously to the volume of interactions with customers. Hoecht feels that the costs associated with setting up a Web site and handling e-mail can save money in contact costs and make money by generating new products and quality sales leads.

Information systems aren't new to dealerships. Accounting, scheduling, inventory and customer database systems have been important parts of doing business for the past 20 or 30 years. CRM aims to bring



Brian Hoecht, CFO of Mike Croxan's North York Chev Olds, puts his finger on the dealership's CRM tool.



together the information from all of the systems to create customer profiles and provide a single set of relationship data on each valuable customer.

In the past, each system had a different set of data. The financing and inventory systems kept records of sales but the first visit to the service department still meant the possible need to enter all of the customer's information again and build a new foundation for a relationship with a new department.

Parallel systems with redundant data are expensive to maintain and annoying to customers who have to repeat information and deal with a blank slate in each department of a single dealership.

The CRM system maintains all of the relationship information, including every interaction the customer has with the dealership, and any actions taken by staff relating to that customer. Transaction information is still recorded in separate (possibly legacy) systems for accounting and record keeping but the customer record in the CRM system provides a single point of access to all available information on an individual customer. The successful implementation of a CRM system eventually leads to removing the legacy system from the hands of front-line staff, which could represent further cost reduction.

A CRM system makes sense by providing dealership-wide access to crucial information, allowing the dealership to function as a whole instead of separate departments, by keeping information even when staff turn

over, and by providing quality data on customer behaviour.

Adopting CRM

But where does a non-CRM dealership start once they decide that CRM is valuable?

Hoecht advises that you start by doing your homework — researching the topic and educating yourself on every aspect of the way CRM works and how information systems support it. The dealership also has to be healthy to begin with — CRM won't fix existing problems that have roots elsewhere. No matter how powerful, no technology can overcome ineffective staff training, poor front-line systems or poor management.

Once management understands CRM and decides it is for them, then top people from the dealership should visit a working model of an implemented CRM solution. Seeing the solution in action is an important tool to help managers buy in to the idea and be dedicated to the project. The project must have a champion, someone who rallies others' commitment to the project and follows it through. Having the support of the entire organization, from the top down, is necessary for a successful implementation of a CRM system.

Goals have to be set for a revolutionary change like CRM. What type of results will make the changes a success?

"It's not really good enough to say that we know more about our customers and that we do a better job with them," says Hoecht.

ROI and payback has to be quantified. Increased sales per salesperson, increased service sales, increased customer satisfaction (CSI), increased loyalty, or an increase in net profit, are all areas that can be measured to gauge the success of customer relationships. The market is maturing, but when North York adopted CRM it had to make a leap of faith in the absence of existing benchmarks.

The scope of the project needs to be defined. Will every department be on board from the beginning? Probably not. Trying to change everything at once is reckless and could hurt the process of change. "You have to learn how to walk before you can run," Hoecht advises. "Look for the low hanging fruit and start there." The fixed systems offer the best chance for a faster pace of change. The more variable areas, like the sales floor, are best undertaken with some experience and training under your belt.

The software selection step was time consuming for Hoecht. He was looking for software that had complete functionality but was still flexible for modifications. He checked out the vendors' reputations and size and looked at the number of vendors needed to complete the project.

Of paramount concern was that the system offers an open architecture and platform independence. What

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this means is that system can interact with existing and new systems easily, and not be tied to a specific vendor or infrastructure that could be exceedingly difficult or expensive to replace. The system also had to be supported by the vendor, but also supportable by others if the vendor moves on or disappears. Finally, the vendor had to have extensive knowledge of dealership operations.

At first, since no product existed at the time, the dealership tried to implement a custom solution built from various components that did track contacts and aid in communication. But the whole package didn't come together. Traditional systems suppliers offered packages that weren't a correct fit and would lead to a very closed system. Hoecht eventually found startup DealerKid tucked away in a corner at a NADA convention. After examining the product he began to realize that their solution had the potential to fulfil his system requirements. North York's experience with eCustomerCentric.com (formerly DealerKid) has been very positive since the outset of the project.

At some point you have to decide what you want and/or need your system to do. "(CRM) can be as creative as you are, all you need to do is collect the data you need," notes Hoecht. "The system can send e-mails, birthday cards or whatever you want." But he cautions that collecting the right data, building the processes and making sure people carry them out is the difficult part. Proper planning and system requirement outlines can build a system that can do anything, but be sure that what it will do offers a payback beyond the "gee whiz" or "neat" factor.

The planning phase also included hardware selection, which can be connected to software selection. Some questions that need to be answered in this regard are: What is the current infrastructure? Does the existing phone system and Internet connection meet the requirements of the system? Who keeps the network running and who evaluates new technologies?

North York chose to upgrade many systems at the same time as the CRM implementation; new flat-panel technology and other modern equipment on the sales floor are intended to provide the customer with a pro-



New thinking and new technology. North York Chev Olds' CRM system employs PCs that have new flat screen monitors — lending a hightech look to the sales floor.

gressive impression of the dealership.

Training is a crucial part of the planning process. First, evaluate the current state of staff computer skills. Is everyone comfortable with entering data, using the Internet and contact management software? Once an accurate current picture is in place, the training plan can be laid out.

Keep in mind that the new system isn't the only part of the training. Building on industry best practices, and figuring out how to effectively use the new data provided by the system, are key. North York even goes as far as using role playing with sales people to ensure fluid usage of the system with the customer.

The existing legacy systems contain important data and may still be needed. Controls must be established to run parallel databases, daily or weekly data transfer processes must be planned carefully, cleansing the existing data is important (garbage in = garbage out) and data entry standards must be developed.

North York's implementation began with fixed operations. The call centre's problem resolution process and a myriad follow-up processes were the first to be streamlined. Then the dealership brought variable operations, processes for prospects, sold customers, lost prospects

and renewals all into the system.

Now the data begins to stream in — or flood in — and data must be acted upon and evaluated. One example is advertising effectiveness. North York pulled money out of traditional media to implement the CRM system and then used the data for more targeted marketing efforts.

Another example has inventory orders being correlated with prospect preferences. Also, departments can now begin to effectively cross-sell services and products. In addition, knowing the source of prospects is valuable information contained in the database. The list of possible uses for the collected data goes on.

Now that dealerships are recognizing the Internet as an important new tool (North York has had a dedicated Internet salesperson for over a year), the CRM system just becomes an extension of that tool. Web collaboration, e-mail notices, multimedia presentations, and increased customer contact all flow from the CRM model. Consumers enter the CRM system through the Web interface and then receive personalized attention just as if they were walk-in traffic or a referral.

Conclusion

In his CRM presentation, Hoecht offers the following summary points.

Implementing CRM involves substantial change. Professional help is important for technology implementation. Most processes take more time than expected. Integration with existing systems is more difficult than you think. Unanticipated benefits will surface as a side effect of quality data.

Increased usage of the Internet and technology is a consumer market trend. The same tools can empower a dealership to build better relationships with consumers.

His final advice: "Since the only sustainable competitive advantage in this business is a quality relationship with customers, CRM and e-CRM should be the cornerstones of a dealership's business and e-business strategy."

Brian Hoecht is the CFO of North York Chevrolet Oldsmobile and can be contacted at bhoecht@northyorkchev.com. He will be speaking on the topic of CRM at the NADA IT symposium in Chicago on Oct 2nd.

Surveys say consumers want more Web stuff from dealers

Why are dealerships spending money on Web development when online commerce makes up such a small part of overall revenues? Will this strategy pay off? What type of content is required to see a return? A recent National Automobile Dealers Association (NADA) survey in the United States tried to answer these questions.

The survey shows that 92 percent of US dealerships have Web sites. A Web site can be simply an online business card or a fully interactive vehicle shopping and ownership tool. Savvy online consumers are coming to expect more from a Web site than a phone number and address. The trend is toward dealers offering more interactivity and content on Web sites.

Since communicating with the customer is the most important function of a site, nearly all (95 percent) offer the ability to contact the dealership via e-mail. Having customers find vehicles for purchase is paramount for generating online revenue. Vehicle inventory is available for browsing on 83 percent of Web sites.

Although dealerships are the final link in a chain of vehicle manufacturing and sales, only 70 percent of dealership Web sites provide links to manufacturers' Web sites. Of course, keeping the browser from wandering away from the dealer's site is important and offering too many exits can make the dealer's site simply a portal to a manufacturer's product information.

Consumers are increasingly turning to the Web for research on new vehicle purchases but new features will help people continue that sequence of events right up to the final transaction. The number of connected consumers grows every day. "Dealers have responded by creating state-of-the-art Web sites that cater to today's high-

tech consumer," said NADA chairman Harold B. Wells.

Other features that are becoming popular on Web sites include ordering a vehicle, filling out financing forms, submitting payments and scheduling appointments with sales and service departments. The long-term relationship with a customer is becoming a focal point and completing the sale on the Web may increase the likelihood of consumers returning to the dealer's site for future service and sales needs.

But does all this investment pay off? Sixty-two percent of dealerships with Web sites have completed sales directly online.

According to the survey, dealerships who have had Web sites since 1995 generate more than twice as many sales online than dealers with Web sites less than two years old. Consumers need time to find out about a dealer's online presence and dealers need time to build a host of products and services to offer online. NADA chief economist Paul Taylor says, "the more they work at it, the better they get at it. There is a learning curve."

Now that building a Web presence is practically a foregone conclusion for most dealerships, site content is coming under more scrutiny as is the payback on site investment.

In Canada, other industries lag behind automobile dealerships in the adoption of e-commerce. Only 22 percent of Canadian businesses had a Web site in 1999, according to Statistics Canada. The Stats Canada survey also found that only 10 percent of Canadian companies were selling goods over the Internet in 1999.