

## **The Deadly Dozen: Bad Ideas for 2008**

### ***Some common but dangerous assumptions auto dealers make about technology decisions and why you should avoid them***

#### **Bad Idea #1: “These computer contracts are all the same- I just signed”**

The world is a very different and perilous place. The old rules simply do not apply. Remember that you are not buying a computer. You are signing a contract for computer services. Do you think your rep gave you all the documents? What about the *referenced* documents? Did you see a couple of passing references to another minor document or two? Did you get copies of these contracts as well? Often these are the real governing documents. They are made to sound like they contain just a few innocuous items like a “user guide”, reference manuals and the like and they may reside on a password-protected website (and they are periodically revised as the vendor sees fit). Woe to the dealer who does not take the time to carefully scrutinize what is, in reality, the serious part of the agreement, incorporating the terms and conditions that primarily favor the vendor.

Vendor reps always have a deadline and they will put unrelenting pressure on a dealer from the time they deliver their documents until they get the signature. You should know that many dealers demand and get many favorable changes in these contracts. Should you sign the standard contract when you could do better? You still get only what you negotiate. This is a business to business relationship - the consumer protection laws don't apply. No one cares when millionaires are treated badly by billionaires (or multi-billion dollar enterprises). Level the playing field by having all the documents reviewed by an expert who sees these contracts every day and knows, not only what needs to be changed, but also what is missing. No one sees more DMS contracts than we do, so call us at Gillrie and we'll help you get the right deal.

#### **Bad Idea #2: “I’m not going to buy a new computer until I get into my new building.”**

Common sense tells us to avoid stacking stressful situations in our personal lives into one short period of time. It's no different for a dealer and his staff. Moving into a new facility, even one across the street, can be a daunting enterprise. Installing a new computer system, including one from a familiar vendor, at the same time can create chaos. Our advice is to have the system you will use in the new facility up and running in the existing store so that your team can be doing business as soon as the system is plugged into the new network. The tough issues of installation, data migration and training will then be far behind you as you make the physical move.

The new facility will, of course, require wiring. This is done more economically and efficiently in an empty space during the construction phase. Because the new system is already up and operating in your old facility, forecasting specific new network needs is also vastly simplified. You will save money because duplication of existing, fully serviceable peripheral equipment (printers, switches, routers etc) will also be easier to identify and avoid. Also remember that it is much cheaper to build in some wiring overcapacity at this stage than to add capacity later after the walls are finished.

Lastly, the most critical phase of any DMS system upgrade is the data migration. Simply put, you have to move all the information about your business and all your records and history to the new system. Vendors almost always accomplish this by having both computers sitting next to

## ***The Deadly Dozen: Bad Ideas for 2008***

each other while running in parallel. Since the “old” computer is up and running without issue, any glitch will be relatively minor and easily overcome without disruption of your business. Any installation problems that may have arisen will have already been addressed and, therefore, they will be less likely to create a situation that has to be dealt with on the day of the move.

Call us if you have any questions and we’ll always try to help.

### ***Bad Idea #3: “I’m in the middle of a buy/sell. I’ll think about computers only after the dust settles.”***

There is probably no more critical time to address ongoing computer issues than as stores transition from one owner to another. So many questions need to be answered. Do I completely understand which outstanding obligations I may be assuming? Is there an existing unfavorable vendor contract? Do I want to keep all my stores separate or consolidate them on one system? Which system will best serve my needs? Will my employees in either store need additional training? Can I renegotiate terms with my existing DMS vendor or with the vendor I am inheriting with the new store? What if the same vendor is in both stores? Can I eliminate excess capacity and reduce costs?

These are just a few of the important questions that will arise. In most cases, there will never be a better time than now, when you have all the leverage you need, to reduce your exposure and, at the same time strike the optimal deal with both the computer vendor and the selling dealer. Certainly you may have to reach some compromise if it’s a deal you really want to make. On the other hand, you may choose to walk away rather than getting mired in a bad situation. ***The important thing is that you know exactly where you stand and go forward with your eyes wide open.*** We’ve seen some surprisingly innovative solutions that have saved deals that looked doomed to failure. Call us if you need help with the technology or the associated contract issues. We have been involved in hundreds of these situations and we’ll probably have the answers you need.

### ***Bad Idea #4: “ABC is coming out with a new system. I’m going to wait”***

Before a new DMS vendor can successfully enter a market they have to:

1. **Have a comprehensive product**
2. **Have successful test stores**
3. **Have approved, verifiable Factory Communications (DCS)**
4. **Have a sales and service network in place**

*Our advice:* In short, we ***never*** recommend that dealers buy the latest, unproven technology from any source. The “first adopters” tend to be little more than guinea pigs who come to rue the day they moved too quickly. The DMS industry is rife with sad examples of this principle at work. Wait until there are a few hundred dealers using a system and then talk to the managers who use the technology every day in these stores. That’s how you will find out what you really need to know before you trust the future of your entire business to a new vendor. In the interim, make the best possible deal with a proven provider and wait until the dust settles. You can always make the move later on.

## **The Deadly Dozen: Bad Ideas for 2008**

Because we are involved in so many of the DMS deals made across the country, we are generally “in the know”. You can always call us to talk about any ideas you have. We work only for dealers and you can rely on our independent, unbiased advice.

### **Bad Idea #5: “I’m going to let my contract expire –I’ll just go month to month.”**

This has never really been a good idea and recently, in some cases, it has become inherently self-defeating, if not downright dangerous. When you read the last contract you signed, you may find that your contract automatically renews for a specific additional term. The new term may be one year or it may be equal to the full term of your previous contract. Because, in this scenario, you have not updated your hardware or software so any innovation or a “required update” leaves you in a vulnerable position. The vendor can then force your hand and decide when and how much more you will pay. Don’t think this can’t happen to you – it’s a real world nightmare that many dealers have faced in recent years.

Even if your contract allows you fly without a new agreement, it’s still not always the best idea. Because of the flux in the current DMS market, there is another danger in going month to month. The temporary nature of the agreement cuts both ways. If you can cancel it in 30 days, so can your computer vendor. If your vendor ever decided to exercise that option, where would you go to get a working system and a trained staff up and running in 30 days? You couldn’t. You would be forced into a position where you have no choice and no leverage. You would just re-up with your existing vendor. You would almost certainly pay too much and get the wrong terms.

Call us at least a year before your current contract expires and we’ll help you explore all your options. It’s always a good idea to make decisions when you are not “under the gun”.

### **Bad Idea #6: “I don’t want to check to see if I got a good deal -I know it’s good.”**

*This is almost never the case.* We constantly speak with dealers who are in the final stages of a negotiation, ready to sign a deal (or just signed one). We tell the dealer to send us his deal and let us analyze it—without obligation on their part. Some dealers choose to bury their heads in the sand. The old axiom, “Decide in haste, repent at leisure” comes to mind.

Because of the complexity of today’s systems, the confusion stemming from the myriad offerings, the vendor’s Byzantine pricing structures and the convoluted, seemingly contradictory contract terms, a dealer, even the very best negotiator, is at an almost impossible disadvantage. Everything has changed since the last time he did this and the salesperson can spend all his time on the deal while the dealer has his business to run. The results are very predictable. We cannot recall ever having seen a completely correct deal that a dealer has negotiated without experienced, expert assistance.

There are four broad areas where these deals fall short of the mark:

1. The dealer misses important items that will have to be added later - by then he will have no leverage and pay way too much for them.
2. The dealer buys items that he doesn’t need, won’t use or which just don’t work. He, nevertheless, pays for them for the next five to seven years.
3. He pays too much. How can he get it right when he doesn’t know what the right price is? Often additional costs emerge that were not apparent when the deal was signed.

## ***The Deadly Dozen: Bad Ideas for 2008***

4. He agrees to a contract that doesn't include all the protections he needs. Because he neglects to insist on important addenda to the standard vendor contract, he gets some nasty surprises down the road. Clauses that look innocuous enough now may turn out to be dangerous later on.

*Our advice:* Get expert help. Call us – we guarantee our results.

### ***Bad Idea #7: “My IT people know computers - I’m going to let them negotiate the deal.”***

This is an exceptionally bad idea. IT personnel, because they tend to like technology, much more so than the rest of us, love to have new hardware and software around. It's rarely to the dealer's advantage to be the first to have new technology and, even if the new item works perfectly, the dealer may simply not need it.

Further, most IT professionals have absolutely no negotiating experience and, most importantly, they don't have any idea what to pay for the technology being offered. They are almost never the best person in the dealership to handle the negotiation. DMS vendor reps will almost always initially quote prices that are very far from the final best price to be had. The price you pay for your new DMS is totally dependent on your negotiating strategy. ***These negotiations hinge on business acumen, not technology.*** While your IT person may be a great asset in some situations, it is truly unlikely that he (or she) will be of much help when sitting opposite the experienced, professional your DMS vendor will undoubtedly field.

Our advice is to utilize all the resources at your disposal. Certainly you should include input from your IT staff in the decision but the best negotiator in the organization should guide the process. We know how to get the best results - call us for the help you need.

### ***Bad Idea #8: “My office always checks the computer bill before we pay it- I know it’s right”***

Your office staff may be very diligent and well intentioned, but in many cases, we see billing errors and charges appear that are not in accordance with the signed agreement a dealer has with his vendor. Errors are very rarely made in the dealer's favor and that fact has given some dealers the impression that their vendor is just trying to slip these charges past them. When these charges are identified and brought to the vendor's attention they are usually resolved and the dealer is reimbursed or credited. Because dealers' DMS bills can be very difficult to read and their staffs are busy, it is common for excess charges to be left unquestioned.

The monthly billing, further, has to be evaluated in the context of the governing contract. This is a document a dealer's payables clerk has usually never seen. An example of this type of item might be the periodic price increase a vendor assesses. Is it something you should pay? Does your contract call for no increases? Limited increases? Less frequent assessments? Are you confident your office will pick up such an error?

Because the Gillrie staff works with DMS bills and contracts every day, they are experts at identifying problems and serving our clients. Our clients send us their bills periodically and we check them against the deals they signed (and common industry practices) to ensure they do not overpay. We help them identify errors and get credits. Call us if you would like some help.

## **The Deadly Dozen: Bad Ideas for 2008**

### ***Bad Idea #9: “I know my rep for years – I trust him to give me a good deal”***

Your rep is probably a good guy (or gal) but, especially now with the current changes in industry alignment, your rep is subject to tremendous new pressures. Just to keep their jobs and maintain their current level of income, some reps are following some very stringent new rules that are definitely not in the dealer’s best interest. As reps are now frequently required to sell (or not sell) certain items, their former consultative value in configuring your optimal system is no longer viable.

Even if your rep is telling you what he believes is the truth, he may be operating without all the facts. Your local rep is responsible for relatively few deals and only in your area, so he may not even realize that other dealers are getting much better prices and better terms in other parts of the country. The rep may be totally truthful when he tells you that yours is the best deal he’s seen. It is likely very far from the best deal you could get. In the best case, you are relying on a salesperson to act against self interest and reduce the commission to give you a “deal”. Think you can really rely on that to be the case? ***Our advice: trust, but verify.***

Because we are involved in hundreds of deals across the country, we know exactly what a good deal looks like. Our experience is your assurance that you are getting the right configuration, the right price and the right terms and conditions on your DMS. Before you start any negotiations and certainly before you sign a deal, be sure to let us take a look at it. There’s never a charge unless we can save you much more than we charge and the evaluation is *free and without obligation*.

### ***Bad Idea #10: “I can’t think about my computer, business is very soft”***

We totally agree. Don’t spend money unless you can actually reduce your overall DMS costs and improve your store’s efficiency by taking advantage of the latest technology. In the real world, technology is always getting cheaper, why not use that leverage, enhanced by the increased competition in the industry to spend less and get more for your tech dollar?

Just like signing a new cellular phone plan can wind up being cheaper for better service, it sometimes pays to look at a new DMS plan as a way to reduce your technology expense. You may even find that they will throw in the new “phone” as an incentive to get or keep your business! *Call us and tell us what you need – we’ll help you find it and get a great deal.*

### ***Bad idea #11: “I don’t have to worry – my vendor has fixed pricing”***

Has this really worked out for most dealers? In most cases, it’s not even true. Even with “fixed price” systems there are lots of ways to save money and get more for the money you spend. Your vendor may have fixed pricing for one product but have another very similar product that is discounted heavily. Many dealers feel that some very recent developments cast serious doubt on the staying power of contracts that are pre-negotiated by third parties.

*Remember the Gillrie doctrine: “The price you pay is solely dependent on the negotiating strategy you employ”.* Call us – we’ll always save you money, time and aggravation!

### ***Bad idea #12: “I’ll just buy out my existing server”***

## **The Deadly Dozen: Bad Ideas for 2008**

As many dealers learned last summer, going forward with yesterday's technology puts your DMS vendor in charge. If you are told you must "upgrade" your equipment mid-contract, you will almost certainly pay much more than it is worth – you have no leverage! Bear in mind that a new server, with more speed and capacity, probably costs no more than \$ 2,500.00 in the real world. It will always cost much more from your vendor, and that is to be expected, but how much more? If you buy what your vendor offers, will you then have the latest technology with enough excess capacity and power to serve you for the foreseeable future? Or will simply have paid too much for an outdated piece of equipment destined to last only until the next "required upgrade"? At Gillrie, we're always available to answer your questions and help you make the best decision for your individual situation.