Controlling DMS Costs
How to Decide What You Really Need

With
Sandi Jerome
Sandi Jerome Computer Consulting

Moderated by
Mike Bowers
Editorial Director, DealersEdge

Presented by
DealersEdge
Sandi Jerome

consults and lectures on automotive business management, internal controls, and computer utilization for NADA Management Education, CPA firms, AICPA, 20 groups, manufacturers, and three of the major computer companies. She has been a highly rated speaker at NADA in the past few years. Her seminar, “40 Valuable Things to Do With Your Computer System” was rated 14 out of 63 seminars. She also provides in-dealership computer training for dealers and evaluations of their existing systems and processes. She developed Compuscore, a computer program that provides dealers with a computerized analysis of their computer bids. She also developed SalesLink, which downloads a dealership’s inventory into a Palm Pilot. She specializes in third-party interfaces between R+R, ADP, UCS and EDS systems for downloading accounting, service, parts, and F&I data from remote locations and converting the data into Microsoft Excel, Access or ASCII files. Most recently she developed customer retention software that downloads the customer database from ADP, R+R, EDS and UCS for dealers to a PC for use in Customer Retention Management (CRM.)

Sandi has over 20 years experience in the automobile business. She is a CPA with a degree in accounting, but also has the unusual combination of 3 years in F&I and another 2 years as an assistant general manager. She has been the fixed operations manager for parts and service and the controller for the largest Chevrolet and Dodge dealer in a 5-state area.

Sandi is the author of a series of self-study guides on the automobile business that is used by CPA firms for continuing professional education. She has written reviews of tax and accounting software for computer magazines and two computer manuals. The latest is *Easy 1-2-3 for Small Business* by Compute Books! She was a beta tester for various versions of Lotus 1-2-3 and has written two books on using computers in the automotive business. She is the technical editor of *Digital Dealer* magazine. E-mail questions to sandi@crsauto.com.
Controlling DMS Costs
How to Decide What You Really Need

Why Are Technology Expenses Doubling And Tripling For Dealerships?
- Invoice creep – the 5% factor
- New technology introduced by your DMS
- New vendors with new technology
- Dumb terminals to PCs
- The "got to have" factor

How to Reduce your Costs
- Analyze your technology expense
- Determine what technology you really need and eliminate duplicate or “bleeding edge” technology
- Consider an alternative system
- Get more value from your existing system
Technology Base Expense Analysis

Step 1: Regroup your technology expenses by base account to see the total amount paid by department and account.

<table>
<thead>
<tr>
<th>Expenses Grouped by Base Account</th>
<th>SEPT03</th>
<th>SEPT04</th>
</tr>
</thead>
<tbody>
<tr>
<td>DATA PROCESSING SERVICES - NEW</td>
<td>$3,090.74</td>
<td>$3,268.15</td>
</tr>
<tr>
<td>DATA PROCESSING INTERNET/BDC</td>
<td></td>
<td>$1,376.63</td>
</tr>
<tr>
<td>DATA PROCESSING USED</td>
<td>$234.54</td>
<td>$2,674.65</td>
</tr>
<tr>
<td>DATA PROCESSING SERV-RTL PARTS</td>
<td>$565.91</td>
<td>$653.52</td>
</tr>
<tr>
<td>DATA PROCESSING SERVICES-MECH</td>
<td>$1,323.74</td>
<td>$1,388.97</td>
</tr>
<tr>
<td>DATA PROCESSING SERVICES - ADMIN</td>
<td>$3,147.34</td>
<td>$3,492.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,362.27</strong></td>
<td><strong>$12,854.32</strong></td>
</tr>
</tbody>
</table>

Vendor Expense Analysis

Step 2: Regroup your technology expenses by vendor see the total amount paid by department and account – watch for hidden accounts like supplies, advertising, phone. Are Internet charges phone expenses?

<table>
<thead>
<tr>
<th>Date</th>
<th>Budget Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0304</td>
<td></td>
</tr>
<tr>
<td>Acct Bas</td>
<td>Amount over (under) budget</td>
</tr>
<tr>
<td>(All)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$14,876</td>
</tr>
<tr>
<td>Total</td>
<td>Acct De</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vendo</th>
<th>Descript</th>
</tr>
</thead>
<tbody>
<tr>
<td>REYNOL (blank)</td>
<td>SUPPLIES, ETC - PARTS</td>
</tr>
<tr>
<td></td>
<td>NC DELIVERY EXPENCE</td>
</tr>
<tr>
<td></td>
<td>NEW VEHICLE INVENTORY MAIN</td>
</tr>
<tr>
<td></td>
<td>MAINT BLDG</td>
</tr>
<tr>
<td></td>
<td>MNT-NON BLDG</td>
</tr>
<tr>
<td></td>
<td>USED VEHICLE INVENTORY MAIN</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$289.06</td>
</tr>
<tr>
<td></td>
<td>$750.17</td>
</tr>
<tr>
<td></td>
<td>$2,250.56</td>
</tr>
<tr>
<td></td>
<td>$2,250.56</td>
</tr>
<tr>
<td></td>
<td>$2,972.73</td>
</tr>
<tr>
<td></td>
<td>$258.49</td>
</tr>
<tr>
<td></td>
<td>$2,250.56</td>
</tr>
</tbody>
</table>
5 Most Common Billing Errors

- Annual increase is higher than agreed to (times 1.05) – or more often than annually
- Hardware you no longer own (Modems, terminals, printers, hubs)
- Software you don’t use (SPG, Lease, VMS)
- Time and Materials (what is “after hours?”)
- Special paper, supplies and forms (return of tapes, hard copy – yellow?)

Existing Technology Checklist:

- Take a physical inventory of the technology you have
- Find out what you might own but are not using
- Find hardware that should be returned
- What does the technology do and who uses it?
- Analyze your DMS monthly billing – monthly!
  - Physical to billing
  - Billing to contract

New Technology Checklist

- Is it required by your manufacturer?
- Does it PAY for itself?
  - Sell more cars
  - Increase productivity
  - Help you reduce expenses or collect funds faster?
- Who will use it? Are they qualified or is it “bleeding edge?”
- Is it a duplicate system or does it replace a process that isn’t broken?
Should you Switch to an Alternative DMS System?

Take this Test

5 = Strongly Agree  1=Strongly Disagree

__ Price is the main reason why I’m changing computer companies
__ Our managers are open to new ideas and changes (especially the controller)
__ I have an IT manager – or someone who handles my technology full-time
__ I’m a risk taker
__ I like to be on the cutting edge of technology
__ Our dealership already has a network server and LAN

______ Total Score

26-30 Consider all systems
21-25 All systems if you hire an IT manager
11-20 Tier 1 and Tier 2
0-10 Stick with traditional – Tier 1
Discussion of the DMS Systems and Booth #s

Tier 1
Higher cost, less control, slower to respond to new technologies, all modules, stableb companies, accepted by factory and your employees.

EDS (ADP) #127
ADP #127
R+R #4041
UCS #2821

Tier 2
Arkona #4913
Automotive Computer Services (ACS) #1531
Auto/Mate #2321
Dubuque Data Services #4224
XSellerator/Quorum #2242
ADP Alliance – Web1000 #127

Tier 3
ADAM #5533
Autosoft #5443
PBS Financial Systems #301
Lightyear #5521
Procede Software #6149
Galaxy Systems 2000 #119
NeoSynergy #101
1 SourceDMP (Ocentrix, AIMData) #3753
RGS Suite by R+R #4041
# Comparison of Three DMS System Choices

<table>
<thead>
<tr>
<th>Upgrade DMS System</th>
<th>Alt#1</th>
<th>Alt#2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely high cost</td>
<td>Lower cost</td>
<td>Lowest cost</td>
</tr>
<tr>
<td>No conversion issues</td>
<td>Control over database/server but less secure Windows system for viruses</td>
<td>Unix is more secure</td>
</tr>
<tr>
<td>No loss of productivity, no need to re-train</td>
<td>True Windows-based system</td>
<td>Best NADA score</td>
</tr>
<tr>
<td>Has VW, KIA interface</td>
<td>Willing to work on VW, KIA</td>
<td>No KIA, VW in March 2005</td>
</tr>
<tr>
<td>No CRM in bid</td>
<td>Driver’s License Scan, would probably not need a CRM system</td>
<td>No CRM in bid</td>
</tr>
<tr>
<td>60 Months</td>
<td>30 day notice</td>
<td>3 year contract</td>
</tr>
</tbody>
</table>

### Price estimate - Monthly

<table>
<thead>
<tr>
<th></th>
<th>Alt#1</th>
<th>Alt#2</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,000- $9,000 (with price concessions)</td>
<td>$2600</td>
<td>$1850</td>
</tr>
<tr>
<td>CRM - $1450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>½ System Admin - $2000</td>
<td>$4000</td>
<td>$4000</td>
</tr>
<tr>
<td><strong>Total - $12450</strong></td>
<td><strong>$6600</strong></td>
<td><strong>$5850</strong></td>
</tr>
</tbody>
</table>

Upfront prices would be similar.

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## Rate — What is Important?

- Integrated CRM (rather than interfaced)
- Manufacturer certification or interface
- Technician Terminals/Dispatching
- Download to Excel/Word
- Remote access by 3rd parties – or interface
- Integrated Payroll (rather than interfaced)
- Server-based (PC, Linux, or Unit) or ASP
- Do you require Multi-accounting (inter-company transactions?)
- Full database conversion
- Contract length
The System Administrator Solution

- How much are you paying for 3rd party PC/Network support?
- Who is watching out for attacks on your server?
- Support for your campaigns, BDC, mailers
- Protection of your database - Safeguards
- NOT for the R+R, UCS, ADP system, please!

Get More Value out of Your Existing DMS System

- Creating dazzling reports by downloading data to Excel
- Free or low-cost email campaigns
- Better utilization of existing features

16:06:26                                            BRANCH  STORE #3 PARTS                                           PAGE1

CTRMN INV#    DES/PT             QSHP  COST     ORIG PRICE  ORIG EXT OVRD PRICE  OVRD EXT
----- -------- -------- -------------------------------- ----  -------- ----------  -------- ----------  ------—
5     1025     10/13/99  3812492 CLUTCH AS               1     33.21      85.60     85.60        64.48     64.48
5     1027     10/13/99  1220494 BRG/IDL                     1       5.50        9.00      9.00           0.00      0.00
5     1027     10/13/99   922528 RADIATOR                  1     81.39     127.00    127.00        0.00      0.00
5     1027     10/13/99   922528 RADIATOR                  1     81.39     100.53    100.53      89.53     89.53

ADP – OR ROV R+R 2542 UCS – 134 (Y-FORCED FIELDS)
EDS-Report Menu – Price override report

Why Download to Excel?

- Data vs. Information
- Save time – bank/floor plan 4hr vs. 15 minutes
- Long-term storage of what you need
- Easier analysis and faster changes
- Reports are easier to read
Three most Important Excel Features

- Vlookup
- Autofilter
- Pivot Table

Data, Filter, AutoFilter
Data, Pivot Table, Next, Next, Layout

10 Reports from one Data Extraction

1. Deals not posted or pending
2. Gross profit average for New Trade-ins
3. Deals with a gross profit less than XX
4. Salesperson gross profit analysis
5. Sales manager comparison
6. Best sales gross by model
7. F&I manager analysis
8. Bank gross profit
9. Bank reserve analysis
10. Sales with no extended warranty sold (with a mail merge to Word.)
Getting the DATA

ADP – Reflection, function RXR, RPX. Files: FI-WIP, CAR-Inv, Vehicles, History, GL.ACCT.LDGR
R+R – EraLink, RunQuery. FIMAST, NVInventory, UVInventory, ROJournal, Customer, SerIndex, GL, SCHEDULE4, etc.
EDS – Executive Assistant, SLDELHPF, VMVEHMPF, SVSOHDL1
UCS – File Transfer for Windows, Run reports in modules, then PRT blank. 269-01 thru 269-04, 358/359, 410-01 thru 410-03.
Autosoft – DAT files like asro, aasacm – need to import with position of field.
Example: 4654514SWE654514A90336 1G4CU5217X4654514 GARY SMITH
PBS – Microsoft Access files – link, import, unlink. PBSf&I.mdb, PBSinvn.mdb, PBServ.mdb
ACS, Auto/Mate, XSellerator – Query with Excel
ADAM – dbf files can be imported or linked

Developing a company policy for access to the data

■ Can salespeople have their customer database on their own PC?
■ What happens when a salesperson leaves?
■ What is the easiest Safeguard, dummy?
■ Safeguards Rule – Risk and training

Free – or almost free technology

Five Steps to Creating a Successful E-Mail Promotion (courtesy of Laurie Halter, Charisma!)
  1. The list is king (do you have a system to collect emails?)
  2. Always offer opt-out option
  3. Clean layout and navigation
  4. Short and sweet info
  5. Always provide value $$$
     □ E-mail-only service coupons
     □ Special sales or vehicle promotions
     □ Workshop tips for buying a vehicle
     □ Vehicle recall information
     □ Vehicle reviews and ratings
     □ The newest trends in vehicles, i.e. DVD players, hot colors
Summary

- What is REALLY your technology expense?
- Are you being overcharged?
- Can you get rid of unused technology?
- Should you switch DMS systems?
- What about thin clients?
- How technology can save you money

Questions?