

**CDK GLOBAL<sup>®</sup>**

# **Automotive Dealer Management System Buyer's Guide**

**CONNECTIONS THAT MOVE YOU**

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# About the Author

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Peter Kahn started his career in automotive retail as a Product Manager at The Cobalt Group in 2000, building analytical tools to help dealerships understand digital components and incorporate them into their overall advertising programs. These analytical tools, such as the Lead Source Performance Calculator and the Retail Insights Scorecard, were adopted by OEMs as part of their field support programs. After the acquisition of Cobalt by ADP Dealer Services in 2010, Peter gravitated into market — and shopper-based research. Now with CDK Global for seven years, Peter is the Senior Director of Market Research and Customer Voice Programs.

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# Welcome to the Automotive Dealer Management System Buyers' Guide

Thinking about moving to a new  
dealer management system (DMS)?  
It can be a sizable task, but it  
doesn't have to be intimidating.



Whether your current contract is expiring, your existing system is presenting challenges, you've outgrown your current DMS or you're simply looking for more information about DMS options, this buyers' guide can help.

Refer to this guide for information that will help you define your requirements and priorities as well as summarize trends in the industry that could affect your decisions. An explanation of the steps in the purchase process will give you the structure to make the best choices for your dealership.

By the time you're ready to commit to a new DMS, you'll be able to gain more control over how your dealership makes this change and feel confident that you've driven the project toward success.

**Let's get started.**

# Choose the Right DMS in Five Steps

## 01

### QUANTIFY REQUIREMENTS

- a. Business level
- b. User level
- c. Technical

## 02

### RESEARCH

- a. Read reviews
- b. Blogs and videos

## 03

### SHORTLIST PROSPECTS

- a. Select three to four vendors

## 04

### COMPARE

- a. Qualitative measurements
- b. Demos

## 05

### EFFICIENCY GAINS

- a. Determine customer and employee gains

# Top Five DMS Trends

## TREND 1

### Digital Retailing Took Off During the Pandemic

**Customers expect purchases to be easier and faster than ever — a trend accelerated by the COVID-19 pandemic. Automotive dealerships polished their online experiences so that they could work with car buyers from a distance, which ensured customer and staff safety while enabling a more personalized experience.**

Post pandemic, consumers are more willing to share information and conduct business from their devices than ever. They'll compare and find available models, look for finance options, submit details for credit checks and loan approvals, offer proof of identification and take whatever steps they can before they meet a salesperson or drive a vehicle.

To support this new age of digital retailing, dealers have changed how they sell cars. Innovations include:

- Enabling an omnichannel approach that offers three different car-buying experiences for customers:

- 1 Completely remote end to end
- 2 Beginning online and ending on your showroom floor
- 3 Entire brick-and-mortar experience

- The rise of remote deals over the phone, email, text or video conference
- The ability to sign electronic documents remotely
- Support for the socially distant deal, where a dealer completes the sale by delivering the car and setting up a table in a customer's driveway
- Frequent sanitization of the dealership and cars between customers
- Direct car deliveries

Dealership technology enables buyers to purchase cars the way they want, and the dealer that provides a strong online shopping experience improves its chances of making the sale. A strong-performing DMS can drive a seamless and complete shopping journey through available integrations and connected applications — from the shopper's initial engagement to receipt of the vehicle.

*“All the digital touchpoints during the car-buying journey need to be connected. The customer expects it all to work. And when it works, you get their full attention and some money with it.”*

**CHRISTIAN RICHTER**  
GLOBAL AUTOMOTIVE  
DIRECTOR, GOOGLE

## TREND 2

## Dealers Are Adopting Advanced Payment Systems

**Gone are the days of collecting a monthly check from a buyer. Instead, consumers use a variety of payment options, including credit cards, automatic withdrawal, Apple Pay® and more.**

These touchless payments make it easier for your customers and can include online or mobile payments, supported by text and emails. All of these provide quick and easy options for today's consumers.

Dealers need modern accounts-receivable payment systems to handle all these payment types. In addition, having both Sales and Service payment DMS integrations helps provide dealers

with better monitoring and management of cash flow. As their own processes have evolved beyond manual recording and reconciliation of payments, the accounts-receivable system and a high-quality DMS must be integrated. Embracing these new payment systems and planning for their integration can save time, money and frustration for both dealers and their customers.

## TREND 3

## Dealers Are Moving to Cloud Storage

**Forward-thinking dealers are adopting cloud solutions in place of on-site servers, focusing on simplicity and reliability as their top priorities.**

Cloud-based solutions eliminate the challenges of system overloads, network complexity, reliability and the costs associated with on-site systems. The cloud can hold a dealer's vital information, applications and systems, easily adjusting resources to meet fluctuating service demand and making data available quickly to any location. What's more, cloud-based architecture simplifies and streamlines the process of deploying system updates, taking minutes instead of weeks.

Similarly, older systems could be slow in running reports or displaying data, whereas cloud services will have you working

with your data in real time. With cloud solutions and an internet-enabled device, a powerful DMS can help you run your business anywhere — the showroom, your office, a remote location or a customer's driveway.

The cloud can hold a dealer's vital information, applications and systems, easily adjusting resources to meet fluctuating service demand and making data available quickly to any location.

## TREND 4

## Dealers Are Paying Attention to Security

**DMS cloud solutions are more scalable and secure than on-site systems or older software. Those that are built on industry-leading platforms such as Amazon Web Services (AWS) use 256-bit encryption, one of the most secure protocols available.**

Because cloud solutions are more robust and reliable than on-premise systems, they're able to prevent disruption and downtime, which saves money and improves customer experience. In case of a disaster, having a reliable DMS in place will help you gain access to your systems, software and data easily — enabling you to get back up and running faster.

If you select a vendor without cloud security, be sure it has something in place to keep you secure — whether it's a VPN or an additional protection network.

## ACCORDING TO RAPIDSCALE



Percentage of businesses that moved to a cloud platform and saw an improvement in security



Claimed that working in the cloud makes it easier to meet government compliance requirements

## TREND 5

## Dealers Are Integrating Equity and Used-Car Pricing Tools

**The pandemic created worldwide manufacturing issues that slowed the delivery of electronic components. As a result, new vehicles are difficult to obtain. Dealerships that leverage their DMS to offer equity and used-car pricing tools have an advantage in attracting customers.**

## INTEGRATION TIPS

It sounds simple enough, but integrating those solutions with each other and with existing systems isn't always easy. Savvy dealers ask questions before committing to these tools to prevent headaches in getting the systems to work together:

1. Who is responsible for integrating the solutions?
2. Is data encrypted? Where is it stored?
3. How is data in specific fields updated?
4. How frequently is data uploaded and refreshed?
5. Are the systems' figures accurate and penny perfect?

# Define Your Requirements: Features to Consider

The feature sets of different dealer management systems are impressive — but they can also be overwhelming at first. Understanding your dealership’s specific requirements can be empowering for you and the success of your business. Let’s narrow down the areas where you should identify what your dealership needs:

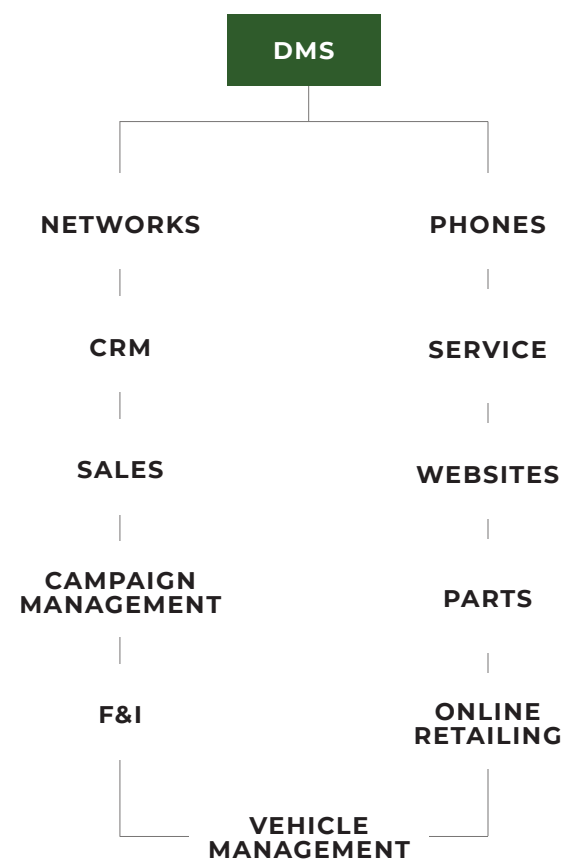
**Integration is more than a one-time startup task as you launch a new DMS.** It’s also about how you ensure your systems are maintained and updated through streamlined, documented processes.

**Inconsistencies in numbers can cost dealers time and money — and the goodwill of a customer.** Consider what data is uploaded and pulled from the DMS, who ensures its integrity and where the data is stored. These factors can affect real-time reporting capabilities, so employees may receive different information depending on when they pull data.

**Lack of integration mostly means** manual rekeying, labor costs, delays and increased risk of errors. Sales Managers have said that reentering every deal can take up to 20 minutes. Having to do this while the customer is waiting is not ideal.

**System and software updates can hamper productivity while they’re in process.** You’ll want to think ahead about who will reconnect, test and troubleshoot the integration once an update is complete.

**Finally, confirm how the integrations affect your OEMs and related contracts and fees.** Typically, a DMS provider doesn’t charge integration fees if you purchase multiple modules or additional solutions. But if you have relationships with multiple vendors, you may incur fees that could increase the overall cost of the new DMS.



*When all of these areas are integrated, you create lifelong customers.*



## Automation

One of the greatest benefits of a DMS is improved efficiency through automation. Here are a few key areas to consider:



**LINKING CUSTOMER PAYMENTS** to repair orders, parts orders or sales transactions will prevent your Accounting staff from having to reconcile payments.



**OEM INTEGRATIONS** will eliminate the need to rekey data or provide the OEM with manual updates.



**AN EASY-TO-UNDERSTAND PAYROLL SYSTEM** will enable employees to focus on actionable insights instead of data entry.

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## Financial Management

**Strong inventory management reporting provides a clear picture of a dealership's profitability and risk. It's most successful when the DMS is the single source of current and accurate data — and every employee across leadership, Sales and Service trusts its authority.**

As the one stop for the latest information, the right DMS can store and connect your website, vehicle and Parts inventories, Service appointments and customer records — and track them in real time from any device. Such clarity of inventory data helps avoid misunderstandings between employees and customers.

# Reporting

**It's hard to overstate the importance of real-time reporting and dashboards. As you customize these, you can empower each of your business managers with data that is most relevant to them, displayed in a way that enables them to act on insights instead of vague perceptions of employees' workload or customer count.**

A hidden opportunity of real-time reporting is enabling sales competitions. You can run reports that compare productivity across your Sales team, then use that data to encourage sales reps to up their game and compete for bonuses or other prizes.

For organizations with multiple dealerships, a dashboard that provides an enterprise view makes it easier to manage data from a single report, rather than juggling different systems' reports and comparing data manually. Such a wide view also reduces the likelihood of data conflicts and errors.

Robust reporting capabilities can give you a broader picture of your dealership's finances — especially any money going out. Look for a system that can monitor transactions, build an audit trail and notify you of transactions (including voided transactions) that are higher than an amount you designate.

## HERE ARE SOME EXAMPLES OF KEY REPORTS

to show profit leaks, profit opportunities and ways to help with customer satisfaction.

### SALES

- **USED INVENTORY > 120 DAYS**
- Booked but not posted deals (not in general ledger and not on financial statement)

### PARTS

- **SPECIAL-ORDER REQUEST (SOR) FOR PARTS SITTING ON SHELF > 25 DAYS**
- Overrides made by counter personnel
- SORs received but waiting on customer pickup
- Warranty parts tracking

### SERVICE

- Internal repair orders (ROs) > 5 days
- ROs closed but not picked up
- **APPOINTMENTS THAT WERE NO-SHOWS**
- Overrides made by counter personnel

### ACCOUNTING

- **CONTRACTS IN TRANSIT (CIT) > 5 DAYS**
- Service policy > \$5,000.00

### FINANCIAL STATEMENTS

- Exception reports — deals, names, schedule and key accounts, parts and service
- A financial statement that can be viewed, printed, downloaded and drilled into for immediate account details.

## Security

**Anyone who holds customers' private data has to prioritize its security.**

Dealerships with multiple digital solutions need an enterprise-level approach to security, so they can prevent vulnerability to unauthorized users or cyberattacks. A data breach or incident of fraud can be expensive — and can damage an organization's reputation immediately and irreparably. Be aware of potential legal and/or compliance issues. Customers could file claims based on hacked personal identifiable information (PII).

Going one step further, it's important to monitor who is accessing sensitive information and what they're doing with it. Examining audit trails and reviewing security operations regularly will enable you to validate their effectiveness and scalability.

# 84%

**of surveyed consumers would not buy another car from a dealership after their data had been compromised.** This demonstrates the significant impact a data breach can have on a dealership's reputation.

*“Maintaining an effective system of internal controls is vital for achieving a company’s business objectives, obtaining reliable financial reporting on its operations, preventing fraud and misappropriation of its assets, and minimizing its cost of capital.”*

➤ HOUSTON CHRONICLE

# Platform

**Investigating the platform on which your new DMS is built is similar to researching a new neighborhood to live in: Know before you buy. You're making a long-term commitment to a system, so you want to be sure you're making the best choice for your dealership.**

## INDUSTRY EXPERIENCE

Consider the longevity of the provider and the quality of technical support. DMS vendors that have been in the business for many years have experience with all kinds of dealers and their customers, along with OEMs. Longtime providers have resolved countless technical issues, so they're more likely to understand anything your dealership might encounter.

## MINIMIZE DOWNTIME

Reliability is equally important, since any service disruptions or downtime can cost you money, effort and customer goodwill. A modernized, regularly upgraded DMS is a sign that a vendor prioritizes reliability. Look for longtime providers with a strong development focus, including security improvements and expanded reporting capabilities.

Besides longevity, customer support and reliability, other decision-making criteria should include:



Ease of use for your employees



Training, professional services and other resources



Data redundancy to reduce risk of loss



Support channels such as phone, chat and email



Support hours/time zones

# Leaders in the DMS Market

Six companies offer particularly strong DMS solutions. The following chart can be a quick reference for you when comparing their ratings and features.

| COMPANY             | PRODUCT NAME            | RATING       | REAL-TIME REPORTING | INTEGRATION | AUTOMATION | REPORTS | FINANCIAL MANAGEMENT | SECURITY | PLATFORM |
|---------------------|-------------------------|--------------|---------------------|-------------|------------|---------|----------------------|----------|----------|
| CDK Global          | Drive                   | (60 reviews) | Yes                 |             |            |         |                      |          |          |
| Dealertrack         | Dealertrack DMS         | (94 reviews) | Yes                 |             |            |         |                      |          |          |
| Autosoft            | Autosoft                | (13 reviews) | Yes                 |             |            |         |                      |          |          |
| Auto/Mate           | Auto/Mate               | (3 reviews)  | Yes                 |             |            |         |                      |          |          |
| Reynolds & Reynolds | ERA-IGNITE or POWER     | (25 reviews) | Yes                 |             |            |         |                      |          |          |
| Tekion              | Automotive Retail Cloud | No reviews   | No                  |             |            |         |                      |          |          |

Source: Data is based on capterra.com reviews as of July 14, 2021; ratings are based on CDK Global research.

**INTEGRATION:** OEM/DCS/third-party integrations

**AUTOMATION:** Seamless flow/integration between workflows, from start to finish

**REPORTS:** Available real-time reports and dashboards

**FINANCIAL MANAGEMENT:** Ability to provide financial view of entire dealership (Inventory, Sales, Service, Accounting, etc.)

**SECURITY:** Mitigate security breaches

**PLATFORM:** All workflows and capabilities needed to run dealership available

# Choosing a System: What's Needed?

Once you understand the trends in the DMS marketplace and how to define your requirements in relation to available features, it's time to take action. Here's what to do.

## IDENTIFY DECISION-MAKERS

Unless you're the only one who will use the DMS, you'll need collaborators as you choose a new system. Choose a few employees from your dealership's different business functions to join you in this process.

When it comes time to evaluate systems, their points of view will be invaluable — they'll imagine themselves and their teammates using the system in ways you might not. And once you've chosen a DMS, your collaborators can help get users on board, helping to answer questions and ensure compliance with procedures.

## CONDUCT A NEEDS ASSESSMENT

First, start by assessing your existing systems and components. Which are working well? When do your contracts expire? Which systems are you sure you'll replace?

You'll also need to consider how your systems are connected, which will help you grasp how extensive your needs are. For example, instead of replacing two of three integrated systems, it might be more cost-effective in the long run to replace all three.

## THIS CHECKLIST CAN HELP ENSURE YOU'RE COVERING ALL THE BASES AS YOU EVALUATE

Use the last column to check off the systems you'll replace immediately.

|                                   | CONTRACT END DATE | PLANNED REPLACEMENT DATE | REPLACE NOW |
|-----------------------------------|-------------------|--------------------------|-------------|
| DMS                               |                   |                          |             |
| ACCOUNTING                        |                   |                          |             |
| COMPUTERIZED VEHICLE REGISTRATION |                   |                          |             |
| COMPUTERS                         |                   |                          |             |
| CREDIT                            |                   |                          |             |
| CRM                               |                   |                          |             |
| CUSTOMER PAYMENTS                 |                   |                          |             |
| DESKING                           |                   |                          |             |
| DIGITAL CONTRACTING               |                   |                          |             |
| HR/PAYROLL                        |                   |                          |             |
| INVENTORY EVALUATION              |                   |                          |             |
| INVENTORY MERCHANDISING           |                   |                          |             |
| MENU                              |                   |                          |             |
| NETWORK/WI-FI                     |                   |                          |             |
| ONLINE RETAILING                  |                   |                          |             |
| PARTS                             |                   |                          |             |
| PHONE SYSTEM                      |                   |                          |             |
| SERVICE                           |                   |                          |             |
| TEXTING                           |                   |                          |             |
| WEBSITE                           |                   |                          |             |



## SCHEDULE VENDOR DEMOS

Using the requirements you identified and ratings like those in the previous chapter, you'll be able to explore different solutions to see which ones offer the features you need. Your next step is seeing the systems in action.

With each potential vendor, schedule a demonstration in which an expert representative walks you through the solution's features and functionality that you need. Consider these important factors:

1. Does the system meet your needs?
2. How is the system different from others on the market? Why is it better for you than the competitors' solutions?
3. Estimate the total cost of ownership. What hidden costs or investments will be required?
4. What training options are available for your employees, before launch and as refreshers?
5. What kind of support does the vendor offer? Confirm support channels and hours of availability.
6. How and where is data stored? Is it encrypted? Does it meet compliance requirements? Does it have built-in redundancy? What is the vendor's disaster recovery plan?

The vendor demo is your opportunity to ask questions. Encourage your collaborators to ask until they understand — that's the way to ensure you select the right vendor partner and system.

## TRAINING FOR EVERYONE

One of the most crucial aspects of choosing and implementing a new DMS is training. Change can be challenging when you have longtime processes or veteran employees at your dealership, especially if they are satisfied with existing systems that appear to work well from their point of view.

The best way to facilitate organizational change is to empower people with the knowledge they need to do their jobs. That starts with training programs for all the DMS users in your organization.

### TRAINING SHOULD COVER:

- The vision for the organization and how technology changes will help achieve that vision
- The vision for how the process should work
- Target outcomes, such as improved sales, customer service or efficiency
- How they should perform their tasks
- What to do if they have an issue
- Who can answer their questions and provide guidance

Best-in-class DMS vendors offer hundreds of free training sessions, so employees can feel in control of their work. Their systems can generate detailed reports, so you can track which employees have attended which training sessions.

## OPTIMIZE YOUR PROCESSES

For at least the first few months, a new system needs a “burn-in” period when employees learn how to integrate it into their daily work. It’s also when teams refine processes based on how people are using the system and the challenges they uncover — a process known as optimization.



### LEADING DMS VENDORS WILL GUIDE THEIR CUSTOMERS THROUGH THIS TRANSITION PERIOD.

In addition to installation, customers may need more training, reports or help measuring their progress as they adopt the new system.



### VENDORS CAN CONNECT THEIR CUSTOMERS WITH OTHER DEALERSHIPS THAT USE THE SAME DMS.

It’s a great chance to learn about best practices and how dealerships similar to yours have solved problems or designed processes.



**CONSULTANTS ARE ANOTHER OPTION.** For more tailored support, dealers can purchase consulting services. These industry experts can help ensure dealers take advantage of opportunities, create efficient processes and set up reports and dashboards to make the most sense of the data.

# Conclusion

Choosing a new DMS isn't a project anyone tackles frequently, so it can feel like a mountain to climb. But it's also an exciting venture that brings opportunities to modernize and streamline operations and improve profitability.

Approach the process thoughtfully — and with help from this guide — to bring your successful DMS implementation within reach.

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