

BEYOND THE CRISIS: EXECUTING TOMORROW'S STRATEGY STARTS TODAY

COVID-19 Strategies with Simon Bradley, Global Practice Director - Network, Urban Science

"The best way to predict the future is to create it." - Peter Drucker

Today, we are in the midst of an ever-changing, world-altering event. All indications are that the coronavirus crisis will not end on a specific date on the calendar, but rather with stops-and-starts and highs-and-lows over any number of months. The only certainty going forward is uncertainty...or is it?

➤ FAST FORWARD TO THE FUTURE.

Some of the disruptive market forces that were starting to make headway before the pandemic - such as online purchasing and mobile servicing of vehicles - have been turbocharged by stay-at-home government directives and the need for social distancing. Others, such as production of hybrids and advances in electrification, have been curtailed as automotive manufacturing shifts to production of ventilators and other health equipment.



TAKING THE TEMPERATURE OF YOUR NETWORK.

While human health is always of paramount importance, there's another health metric to consider during this crisis: the health of your Network. Even though dealership networks may seem to be at a standstill, there is actually a wide range of activity occurring when viewed through an objective, scientific lens. How is your network faring? Before you answer, consider this: Customers are changing the way they look at, and interact with, auto dealership sales and service departments. They may be staying home, but from a cultural and behavioral perspective, they're not standing still.

**Where will your network be when the recovery happens?
In a leadership position, or playing follow the leader?**

With estimates for the duration of the COVID-19 pandemic changing daily, industry sentiments indicate a probable decline of up to three million retail vehicle sales in 2020. These sentiments come with a caveat based on a highly uncertain post-virus economic environment that may vary depending on - among other factors - any potential government stimulus, manufacturer discounts, and the length of time automakers are suspending production. Total sales, therefore, are likely to come in between 13 and 14 million vehicles. Yet that's a snapshot in time, and an optimistic one at that.

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The length of time the industry will actually take to recover is up for debate. A rolling recovery is most likely, as individual states decide when - and at what speed - to allow businesses to resume operations. The question auto manufacturers should be asking is whether they're doing the necessary network planning right now to ensure their networks will be better prepared for the variants of a new normal that takes into account both digital and traditional ways of doing business regarding dealership retail sales, service and parts.

SAFETY FIRST.

A number of dealers and dealer groups are already taking significant measures to assure customers that they are concerned with their well-being and dedicated to making customer interactions safe, simple and secure.¹

One major group is reporting a surge of interest in its sanitizing service that claims to kill 99.9% of bacteria on hard-and-soft surfaces of vehicle interiors. Others are now offering “no-contact sales and service,” including one regional aftermarket service center advertising the ability for customers to remain in their vehicles throughout the entire service process, from write-up to putting their vehicles on the lift to final payments.²


The network planning decisions you make today can't alter the past. But they can determine your future.



STRENGTH IN NUMBERS.

The actions of individual dealers and groups, while admirable, are no replacement for auto manufacturer network planning. It can be argued that no one could have foreseen the current pandemic crisis. So why plan? “Plans are worthless,” Dwight Eisenhower once famously quipped. “But planning is everything.” Planning, as Eisenhower was well aware, allows for a “big-picture” view that anticipates and prepares for the unknown.

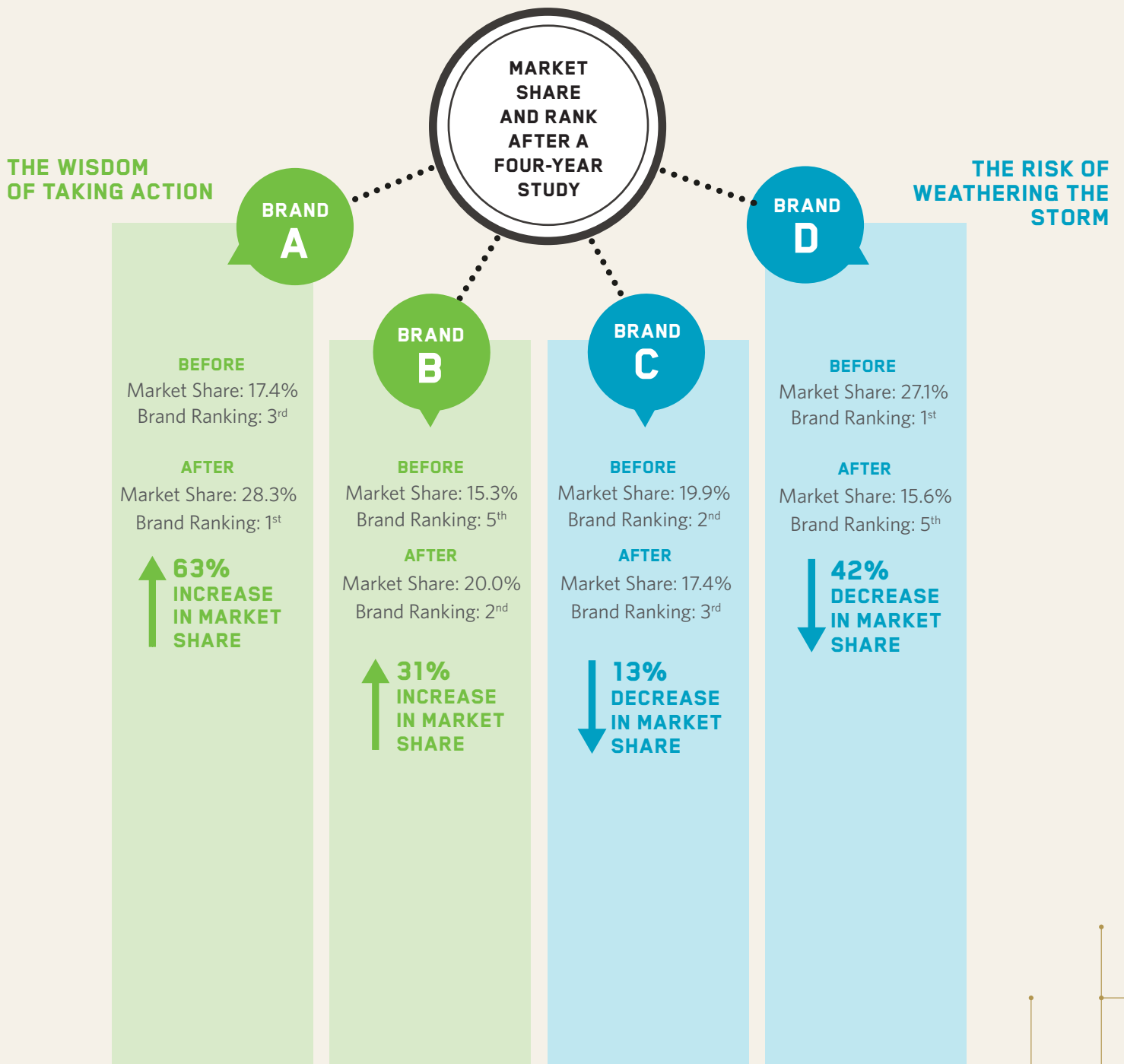
Compassionate planning and leadership during a crisis can accomplish a number of positive results. For your dealer network, assess locations that become available for potential relocations or additional representation. Investigate opportunities to gaining desirable locations. Coordinate buy/sells between strong performers and dealers who simply don't have the will or wherewithal to operate in the new normal of customer/dealership selling and servicing relationships.



“But planning is everything.”
Dwight Eisenhower

Taking Action or the Herd Mentality of Weathering the Storm: Lessons Learned from the 2009 Downturn

Every downturn changes the economic landscape – some in the short-term, some with repercussions that takes years from which to recover. In the downturn of 2009, four automotive brands pursued two different courses of action regarding their business. Two brands (“A” and “B”) chose a network planning path. Two others (“C” and “D”) decided to “weather the storm.” The impact, recorded over a span of four years, graphically tells the story as it illustrates the wisdom of network planning:



THREE POST-PANDEMIC PREDICTIONS.

The necessity of social distancing and state “stay at home” orders has created a seismic shift in the industry. Three aspects of this shift stand out:



INTERNET SALES DEPARTMENTS MOVING FRONT-AND-CENTER

Online sales will increase faster than anticipated, having been turbocharged by social distancing. “Confined by stay-at-home orders, people have discovered that getting a new car delivered is as easy as ordering groceries or takeout.”³



THE OFF-LEASE IMPERATIVE

The estimates cited earlier in this paper will be impacted by yet another variable: vehicles coming off-lease, particularly those whose leases were extended due to states’ “shelter in place” orders. A number of questions will need to be factored into the planning equation. What percent of mass-transit consumers will now more seriously consider personal vehicles as a safer alternative? How will that impact dealerships’ retail sales/lease mix? Will this dynamic be short-lived or stretch two-to-three years, making leasing a more favorable alternative to either buying or public transportation?



THE NEW CHALLENGE FOR SERVICE

The end to shelter-in-place orders will most likely not bring back service customers at the same levels as they were pre-pandemic – at least not in the short term. Dealerships will need to compete more heavily for business with aftermarket service centers who are already advertising the extent of safety measures they’re taking to win back customers and gain market share. The cost that extra sanitizing measures will add to service is another factor dealerships will need to address, especially since it is more likely to become a permanent, not temporary, dealership process step going forward.

The “New Normal” of the Post-Pandemic world will cause a seismic shift in the auto industry, dealer networks and consumer preference and behavior.



THE OBJECTIVE POWER OF SCIENCE.

It all comes back to the science. Since our founding, we’ve been a force for change. Our process of looking beyond what we know to what we discover through science continues to serve us and our clients very well.

At Urban Science, we pioneered a proven, scientific approach to planning, and have continued to advance and innovate our methodology for over 40 years of automotive-industry changes and advances. It’s an approach that has stayed ahead of the technological curve to help OEMs improve the performance of their dealership networks, and continues to be the industry standard.

If you’d like to talk to someone about Urban Science and the power of the Network Planning call or email me. And let us show you how we can apply the power of science to your challenges.

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GUIDING BUSINESS THROUGH SCIENCE

¹“Why Most Auto Dealers, Service Departments Are Open for Business During Coronavirus.” <https://watertown.wickedlocal.com/news/20200328/why-most-auto-dealers-service-departments-are-open-for-business-during-coronavirus>
²“Now Offering Stay in Your Vehicle Tire Service.” Belle Tire, April 20, 2020. https://www.belletire.com/?utm_source=rcm&utm_medium=email&utm_campaign=MailingID=5245866&spUserID=0DQ8NYDM1g1Ng51&spJobID=1009940699&spReportID=MTAWMDKMDY10Q52
³“Car Buying Will Never Be the Same After Coronavirus.” <https://www.axios.com/virtual-car-buying-coronavirus-bak5c5be-6e59-478f-9bd1-622703b4c11.html>