



QMA/AMI Management LLC

**Automotive Retail & Distribution
Business Advisory Services**

*Improving Dealership
Operations With the
DCM™
Dealer Capabilities Model*

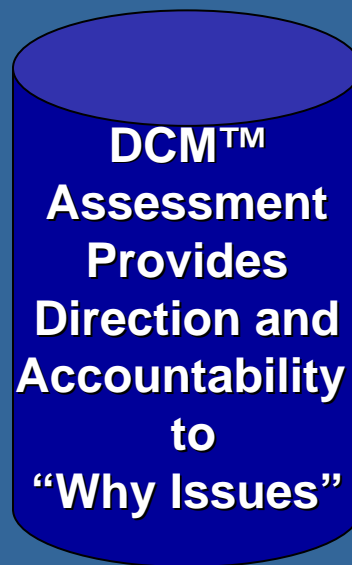
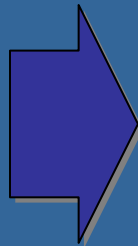


What do we do first? How do we stay focused?

WHAT

Retailers Should Do

- Clear Understanding of Operating processes
- Common goals
- Dealership staff hiring & development
- Manage new customer channels (Internet)
- Inventory Alignment
- Improvement of and access to technology tools



WHY

Retailers Don't Do It

- Inertia – too much to do
- Lack of priority – where to start
- Not sure that the need to change is beneficial
- Lack of Skills & Knowledge – what do I do next
- Discouraged from lack of success
- No Ownership of Idea



What is the DCM™ Process?

- Assists distributors, dealerships and dealer groups to identify process improvements to increase performance and profitability
- Simple Capabilities Assessment administered to select dealership personnel – Dealer Principal, Management, Front Line staff
- Measures, at a relative level, performance capabilities, combined with quantitative financial and market data - Identifies current level of capability (for individual dealership)
- Benchmarks with library of leading and successful practices – defines successful performance behaviors at multiple levels in the dealership environment
- Facilitates planning, project management of improvement activities - Action plans defined, assigned, tracked and reviewed on a scheduled basis



What DCM™ Measures – “Illustrative Example”

Infrastructure	Management & Processes	Knowledge & Skills	Attitudes & Awareness
<ul style="list-style-type: none">• Facilities• Customer Accommodations• General Location• IT Systems• Sales Capacity• Service Capacity• Access to “tools”	<ul style="list-style-type: none">• Application Adoption• Management effectiveness• HR Management• Customer Management• Sales & Marketing Effectiveness	<ul style="list-style-type: none">• Training & Education• Information Management• Product & Technical Knowledge• Measuring Performance	<ul style="list-style-type: none">• Climate• Motivation• Job Satisfaction• Staff Turnover• Factory Relations• Staff Performance• Customer Satisfaction and Relations

Readiness, Ability and Willingness to Implement Initiative(s)



Where DCM™ has been Applied

- **New initiatives – “Readiness” Assessment**
- **Measurement of Initiative Impact on Dealership**
- **Implementation tracking, accountability**
- **Leveraged dealership improvement initiatives, hybrid model of remote and in-dealership assistance**
- **Lead Management and CRM applications**
- **Training Design and Development**
- **Dealership acquisitions - operating due diligence – process integration**
- **Dealership Operations data capture and analysis**



Dealership Performance Growth is Result of Alignment of Departments & Functional Areas

Business Units

	New Vehicles	Used Vehicles	Finance & Insurance	Vehicle Service	Body & Collision	Parts & Aftermarket	Administration
Customer Care	X	X	X	X	X	X	X
Employee	X	X	X	X	X	X	X
Asset	X	X	X	X	X	X	X
Productivity	X	X	X	X	X	X	X
Marketing	X	X	X	X	X	X	X
Technology	X	X	X	X	X	X	X
Interdepartmental	X	X	X	X	X	X	X
Long Range Planning	X	X	X	X	X	X	X

Functional areas

- Many initiatives are implemented in dealerships without considering how all areas will be affected
- Most initiatives address the just the top left box
- Most initiatives do not consider other layers of complexity in the dealership



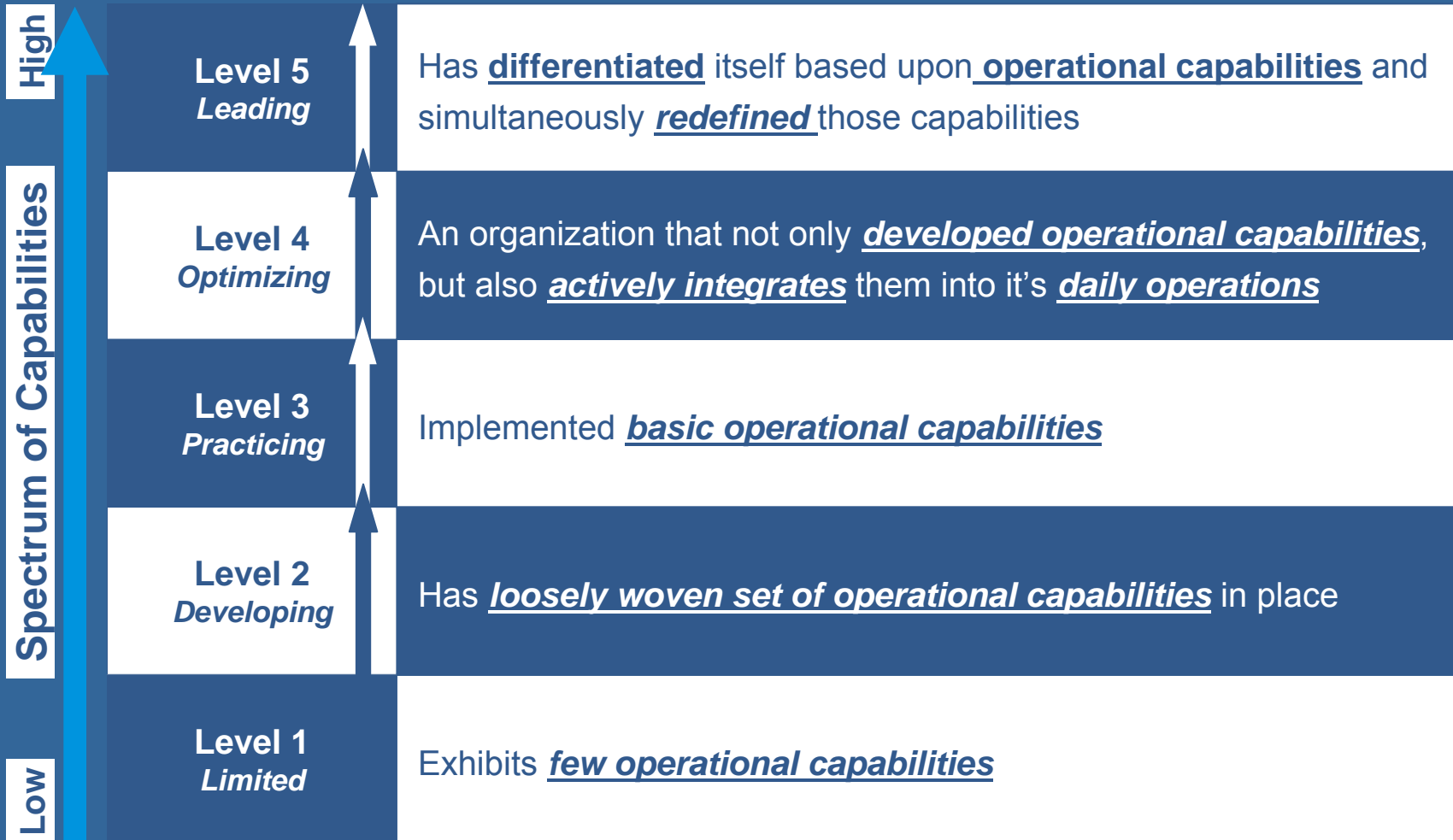
Functional Maturity Guide

Observed Traits	Limited Level 1	Developing Level 2	Practicing Level 3	Optimizing Level 4	Leading Level 5
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- **Process Identified**
 - ✓ Demonstrated Presence of Defined Process within the Dealership, Distributor Business Environment
- **Process Application**
 - ✓ Processes Appropriately Applied to situation or Business Strategy
- **Technology / Resource Tools**
 - ✓ Utilization of Tools (Technology& Resources) (Vendor and external resources)
- **Experience Demonstrated Success**
 - ✓ Implementation of initiatives to address probability of success with new initiatives, methodology
- **Quality Assessment Process**
 - ✓ Utilization and demonstration of QA in work process and specific initiatives - Planning and Feedback
- **Relationships**
 - ✓ Maturity of internal and external relationships, customer and vendors
- **Knowledge Management**
 - ✓ Recognition, access and utilization of Knowledge & Information resources

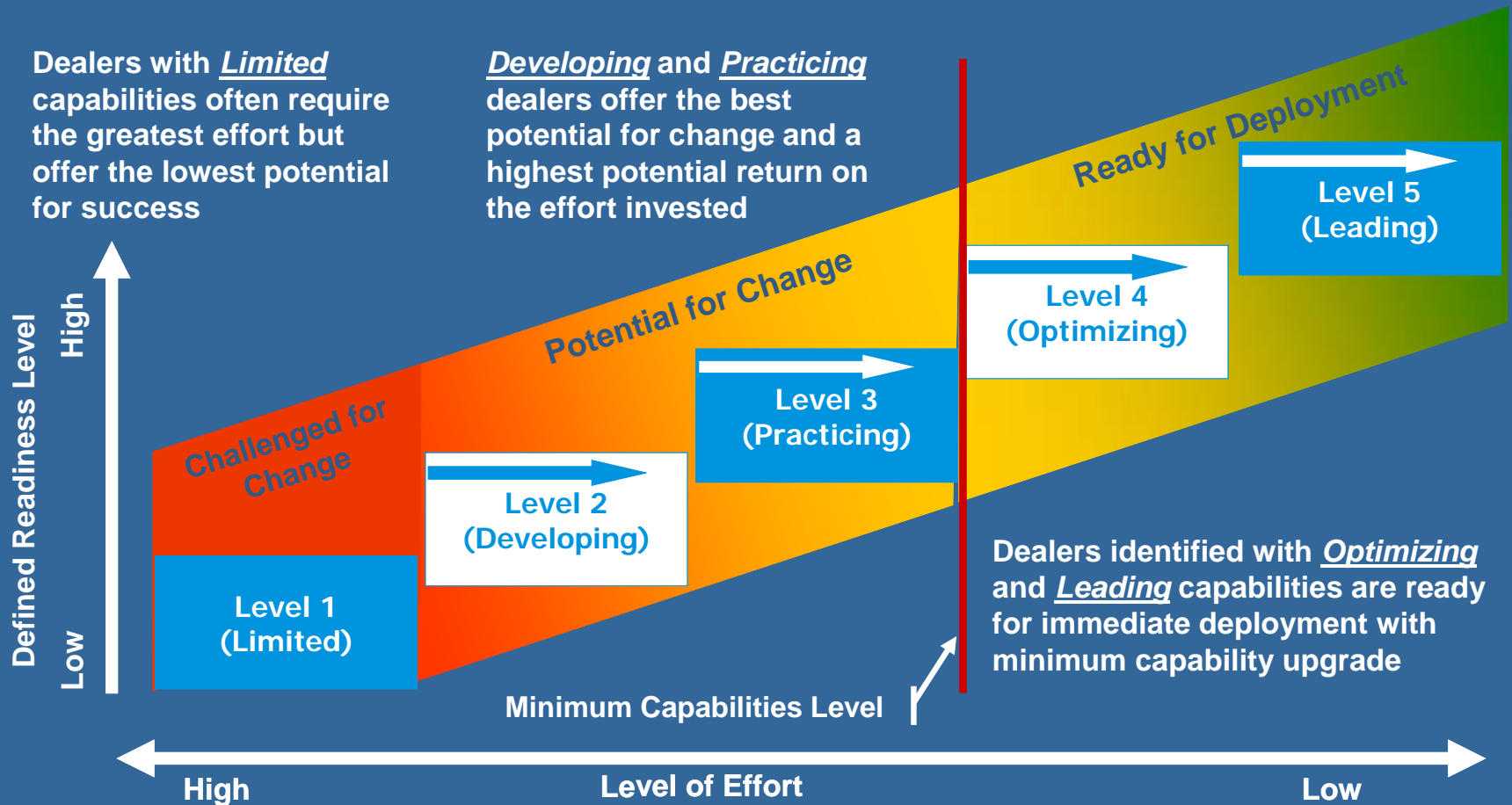


Evaluation of a Dealership's Capability – All Differ – Do you know the difference?





Measuring Dealership Readiness – Different Level – Different Approach to Improvement





How DCM™ works!

□ DCM™ KPI Library – Content used to build assessment

- Database of Questions & Answers segmented by dealership business unit and key functional areas
- Custom Questions & Answers designed for specific situation
- Supported by Proprietary “Leading-Practices” Knowledge Base

□ Assessment targets

- Assessments deployed to unique individual roles in dealership or distribution organization
- Roles mapped to template based on structure – Dealer Principal, General Manager, Sales Advisor, Technician, Parts Counter, Accounting Supervisor, Cashier, etc.

□ Scoring and Evaluation

- Baseline utilizing project objectives, industry benchmark leading practice, dealership structure, comparative response weight and validation

□ Priority and Tracking

- Individual project initiatives identified, accountable person identified, monthly update and tracking of performance initiative.



DCM™ Question Set Database

Business Units

New Vehicle

Used Vehicle

Finance & Insurance

Vehicle Service

Body and Collision

Parts & Accessories

Administration

Dealer Principal-GM

Functional Area

Customer

Employee

Asset

Measurement

Marketing

Technology

Inter Departmental

Long Range Planning

Functional Role

Dealer Principal-GM

General Sales Mgr

Fixed Operations Mgr

Department Manager

Customer Interface
Frontline

Productive
Technical

Other
Clarial

Other

Specific DCM™ question sets are developed for the web/teleconference capability survey and the in dealership interviews and analysis.



The KPI Library Addresses Over 1000 Dealership Business Processes

Core Functional Areas

Customer

Employee

Asset

Supporting Functional Areas

Measurement

Marketing

Technology

Inter departmental

Long Range Planning

Business Process Clusters

- New customers
- Existing customers
- Traffic
- Customer order management
- Complaint

- Recruiting
- Career Planning
- Dismissal
- Roles & responsibility
- Measurement
- Employee data collection
- Regulatory compliance

- Documentation, Protection, Condition, Valuation, Measurement of:
 - Cash
 - Receivable
 - Inventory
 - Capital assets
 - Procurement
 - Maintenance
 - Depreciation

- Customer
- Employee
- Asset

- Product
- Packaging / Placement
- Pricing
- Promotion
- People
- Data research

- Infrastructure Management
- Application Management
- Data Management
- User Management

- Customer
- Employee
- Asset
- Measurement
- Marketing
- Technology
- Planning

- Forecasting
- Performance
- Facilities
- Succession
- Employee
- Strategic Relationships
- M&A



Assessment Content looks at Dealership Specific Area to be Addressed

Customer Management

Employee Management

Asset Management

Business Process & Sub-process clusters

• New customers / Existing customers

- Marketing
- Communication
- Offerings
- Budget

• Traffic

- Process by channel
- Data collection
- Product presentation
- Pricing presentation

• Customer order management

- Collect, input, confirm, record & store:
- Customer information
- Production configuration
- Financing information
- Delivery information

• Complaint

- Concern identification
- Cause analysis
- Correction: internal and external

• Recruiting

- Sourcing
- Screening
- Profiling

• Career Planning

- Training & Development
- Employee Retention
- Compensation
- Tracking

• Dismissal

- Evaluation
- Notification
- Documentation

• Roles & responsibilities

- Resource requirements
- Policies & procedures manual
- Employee handbook

• Measurement

- Objective setting
- Performance evaluations
- Team assessment

• Employee data collection

- Applications
- Compensation & benefits
- Performance evaluations, Etc.

• Regulatory compliance

- Health & Safety
- Minimum wage
- Human rights
- Equity in the workplace

Documentation, Protection, Condition, Valuation, Measurement of:

• Cash

- Petty cash
- Cash clearing
- Bank accounts

• Receivable

- Contracts in transit
- Parts & Service
- Warranty
- Vehicle
- Factory

• Inventory

- New vehicle
- Used vehicle
- Parts
- WIP Labour
- Paint & Materials
- Gas, oil and grease
- Office supplies
- Other

• Capital assets

- Procurement
- Maintenance
- Depreciation



DCM™ Consists of Several Hundred Questions that Address Functional Business Procedures that Impact Dealer Ability to Deliver and Sustain Profitability

Measurement

Marketing

Technology

Inter departmental

Long Range Planning

Business Process Clusters

• Customer

- CSI
- Retention
- Volume
- Segmentation
- Quality

• Employee

- Goals & Objectives
- Productivity
- Quality
- Compensation
- ESI
- Career Progress
- Retention

• Asset

- Utilization
- Absorption
- Reporting
- Inventory
- Performance
- Control
- Protection

• Product

- Offerings (vehicles, parts, services, personalization, reconditioning, etc.
- Dealership Brand (Image)
- Vision
- Product strategy & differentiation

• Packaging / Placement

- Displays
- Signage
- Distribution channel strategy

• Pricing

- Market pricing
- Strategy

• Promotion

- Market communication & strategy

• People

- Customer segmentation & target

• Data research

- Product analysis
- Competitive analysis

• Infrastructure Management

- Procurement
- Maintenance
- Security

• Application Management

- Business appropriate application
- Develop & Build
- Integration
- Procurement
- Maintenance (Release)
- Security

• Data Management

- Input
- Integration
- Storage
- Maintenance
- Capacity
- Security

• User Management

- Access
- Utilization
- Training

• Customer

- Life Cycle
- Program monitoring

• Employee

- Multi tasking
- Cross business unit knowledge
- Career advancement
- Treatment - consistency

• Asset

- Strategic allocation
- Monitoring (centralized)

• Measurement

- Measurement by Silos
- Pool compensation

• Marketing

- Image Consistency

• Technology

- CIMS
- VIMS
- Information sharing

• Planning

- Business unit integration
- Integrated forecasting

• Performance

- Profitability
- Sales
- Inventory
- Employee (career path development)

• Facilities

- Building
 - Renovation
 - Relocation
 - Disposal
- Shop Equipment
 - Maintenance
 - Replacement
- Technology
 - Maintenance
 - Replacement

• Succession

- Dealership Ownership
- Dealership Management
- Employee Career Planning

• Strategic Relationships

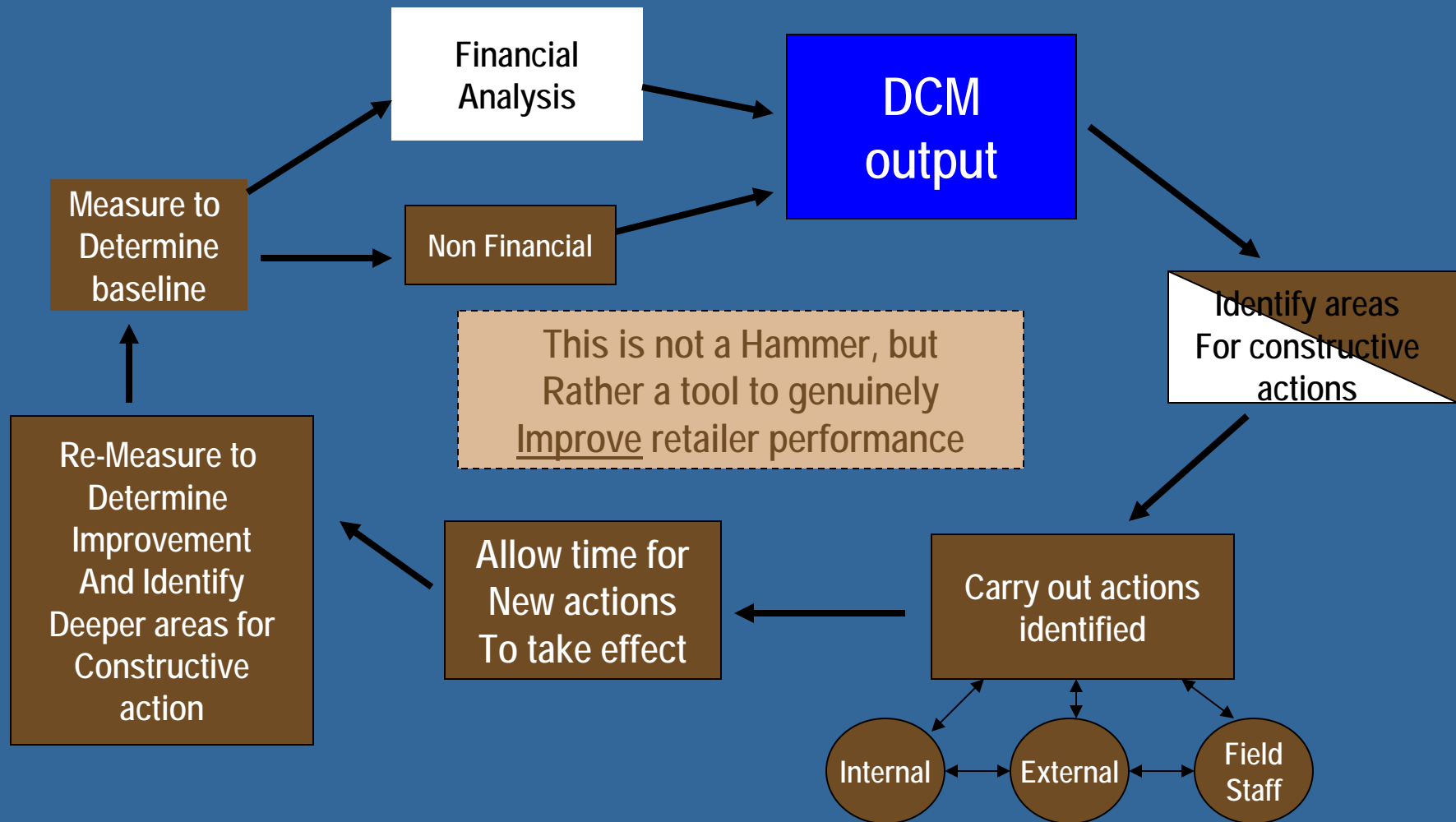
- Factory (OEM)
- Financing
- Warranty – service contract suppliers
- Vendors/Suppliers
- Insurance companies
- Wholesalers
- Fleet customers

• Mergers & Acquisitions

- Purchase of existing facilities
- New additional locations



Dealership Capability Development - Process Summary





DCM™ Reporting

- **Reports are aligned to the objective of each DCM™ project**
- **Clients focus on rapidly using assessment data to formulate tactical action plans with our support**
- **Multiple custom reporting options available for each type of assessment**
 - At a Glance rating by business unit / functional area
 - Detail assessment ratings with range and median responses
 - Reporting and collection of quantitative during assessment period
 - KPI (Key Performance Indicator) – Benchmarking Analysis & Integrated Financials



Assessment Results Identify Opportunities and Set Priorities (Internet Example)

OVERALL CAPABILITY PROFILE

PRIORITIES

✓ KEY FOCUS AREAS



- RESPONDING TO AN INQUIRY
- HANDLING A LEAD
- SALES PROCESS TRACKING
- MANAGEMENT REPORTS
- CURRENT BUSINESS PERFORMANCE

OVERALL IMPROVEMENT FOCUS:

MAJOR FOCUS AREA IS IN THE LACK OF TOOLS TO HANDLE INTERNET LEADS AND SUBSEQUENT LACK OF MANAGEMENT REPORTS DUE TO THE PAPER LEAD TRACKING SYSTEM IN PLACE.

OPPORTUNITIES:

START SMALL, BUT IMPLEMENT A COMPUTERIZED PROCESS FOR HANDLING INTERNET LEADS - USING TECHNOLOGY ALREADY IN PLACE.




Action Plans Prioritized & Tracked

409-722-0443

77627

8/30/2007

Plan Due Date 9/30/2007


 Status on schedule

Situation **Management Reports**

The current manual tracking system does not provide for timely management reports. The existing ADP tool or OneSource LM tool should be implemented and the reporting function utilized to provide management with proper reports on lead handling. Regular management meetings should be scheduled to review this data and process improvements made to improve business performance.

The focus of this intervention is to monitor the **Internet Lead Closing Ratio**, and move the Internet **Lead Response Time** average to under 4 hours.

Utilizing the management reports now available will permit Management to make the required process changes and monitor their impact on performance improvement.

9/5/2007 1  Investigate CRM/LM tool management reports Jamie Kendrick
on schedule

9/7/2007 2  Choose appropriate tool Jamie Kendrick
not started

9/15/2007 3  Implement use of LM tool
not started

9/30/2007 4  Review management reports
not started

Plan Due Date 10/5/2007


 Status on schedule


Situation **Access GM-DART and review Lead Reports**

Monthly lead management reports are available through the GM-DART system available at <http://www.gm-dart.com>. Lead Management process improvement progress can be tracked using these reports and adjusting dealership processes as needed.

This will enable improvements to **Lead Response Time** and the **Internet Lead Closing Ratio**.

10/5/2007 1  Obtain GM-DART password
on schedule

10/5/2007 2.0  Access DART and download Lead Response Report
on schedule

10/15/2007 3.0  Review lead performance report with Sales Management
not started



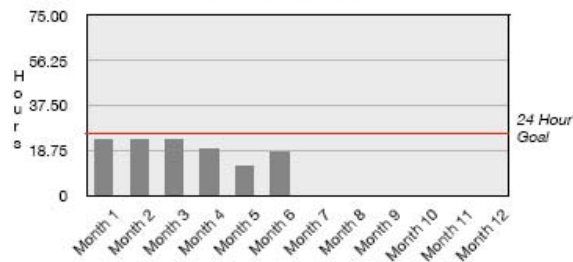
Performance Data is tied to Individual Dealership Action Planning

Report Date: Month 7, Year

Illustrative Example

Month 6 Response Performance

Metric	Value
Internet Leads Received	241
Leads Responded to on Time	129
% Responded to on Time	54%
Average Response Time	18:49
Leads Not Responded to	79
% Leads Not Responded to	33%



Dealer Data

Item	Value
DSP	R&R
LM	Higher Gear
Date Live	Jun 15, 2006
New Vehicle Volume	1250

Month 4 Lead Performance

Metric	Value
Internet Leads Received	228
Leads Sold by You	13
Dealer Closing Ratio	6%
Leads Sold by Others	23
Additional Unit Potential	



Month 4 Additional Gross Potential

Potential	Amount
Units	
Additional Gross per Unit	\$1,500
Total Additional Income	\$0

Performance Track

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Internet Leads	247	217	212	228	253	241	
Response Time	24:45	24:06	23:40	20:34	12:28	18:49	
% Leads Responded to on Time	46%	51%	54%	55%	82%	54%	
% Leads Not Responded to	35%	22%	20%	20%	29%	33%	
Leads Sold by You	7	7	13	13			
Dealer Closing Ratio	3%	5%	7%	7%			
Potential Closing Ratio	6%	6%	6%				
Additional Gross	\$7,500						

Action Plan Status



Action Plan Status



Dealer Name: Joe Dealer
 CID Manager Name: Bill Manager
 Initial Contact Date: 8-2-07

BAC: 123456
 Dealer Name: Hometown Motors
 Dealer Location: Anytown, USA

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DCM™ Detail Results Tables “Illustrative Example”

	Dealer Principal	New/Used Sales Manager	Parts/Service Manager	Product Advisor	Parts/Service Advisor	Technician
Does the dealership have a defined organizational structure?	3.0	3.0	2.6			
How clearly defined is the organizational structure?	2.5	2.6	2.8			
To what extent is this organizational structure well understood by employees in the dealership?	3.0	2.8	2.3			
To what extent do you clearly understand this organizational structure?		3.0	2.8	2.5	2.8	2.5
How effective is this organizational structure?	3.0	2.2	2.8			
Do you have a clear understanding of the roles responsibilities and accountabilities your managers have in the dealership?				2.5	2.8	3.0
Is the management reporting structure in your department effective?		3.4	3.2			
Is your manager able to resolve most issues easily and without seeking approval from higher levels of management?				1.8	4.0	3.6
Do job descriptions exist for roles in the dealership?	3.0	3.0	1.8	2.3	2.0	3.0
How often are the job descriptions updated?	3.0	2.8	1.5	3.3	3.0	4.0
Is there a list of the skills (competencies) and the level to which each is necessary for specific roles?	2.3	2.2	2.2	1.7	1.5	1.0
To what extent does the dealership encourage an individual employee to identify issues or innovative ideas that could improve the operation?	3.0	4.0	3.8	2.0	3.0	3.4
Is there a well-defined career path that allows for advancement as an individual's skills and performance increases?	2.8	2.4	2.0	1.7	2.8	1.0