

# Building Your Agency for the Future

By: Joel Kansanback

As agents today we have a dramatically different landscape than we did 10 or 12 years ago. The total number of franchised dealers fell 23% between 2000 and 2012. This reflects the closing or consolidation that has been going on for a very long time, but that was accelerated through our economic down turn in 2008 - 2010. At the same time, the public and mega dealers keep getting bigger and stronger. At last count the six publicly held dealer groups owned 1050 franchise stores, and all six are in buying mode. I'm not sure what you are seeing in your markets but I suspect that it is the same thing we are seeing in ours, which is that stronger dealers are all in buy mode. So if the six public dealer groups own 1050, we can only imagine how many dealerships are held by the next 200 mega-dealers and how much that number will grow in the next 24 months.

The Mom and Pop car dealer that was once a mainstay of independent agents has been going by the wayside, and the trend is speeding up. At the same time, the challenges that dealers are facing are becoming more complex. Their needs for outside assistance are greater than at any time in history. Let's face it, there was a time when this wasn't a very complicated business. You bought cars at wholesale and sold them at retail for a \$2000 - \$3000 profit. You would have a service department in case they broke down. You promoted yourself in the local newspaper and you sponsored a little league team. Being a dealer was

pretty fun. A dealer's biggest concern was whom he was going to get matched with at men's league golf on Tuesday night. That is all a distant memory.

Today's game is entirely different, and most dealers don't seem to be having any fun. They have a very capital-intensive business. They have difficulty recruiting and keeping good people. The consumer has become very informed and demanding. The manufacturers have become clever in finding new ways to apply pressure. The margins are compressed on both new and used, and just for good measure the ever-growing buying segment of Gen Y buyers don't like the buying process. We have leagues of people looking for ways to sue the car dealer, and government agencies devoted to coming up with new restrictions, new audits and challenging important dealer revenue sources. Can you even imagine what will happen when interest rates go up a couple hundred basis points?

While the shrinking dealer number would appear to threaten the independent agency model, these separate macro trends dealers are facing present a number of areas where independent agents can offer additional value. They can offer the types of services a manufacturer isn't equipped to, and the flexibility that a big box solution isn't built for. Said another way, dealers need good agents more than ever. They need agents

who can provide real world solutions for the very real problems they face.

You see, it isn't practical for a dealer to be an expert at everything. By definition they can't focus on everything. The profit margins are thin enough that hiring a third party consultant or implementing a technology solution for every challenge isn't economically feasible. Even mega-dealers have difficulty affording or finding enough management horsepower to carry out their game plans. What dealers do not need is a parasitical relationship whereby they act as the host to an agent who hands out spiff checks and from time to time helps out on a claim all while collecting fat commissions.

If an agent can transcend being a service agent and become a partner agent, there is a big opportunity. If they stack their existing relationship skills, their F&I training skills or their reinsurance skills and add to them additional difference-making knowledge and services, they will become invaluable partners to the dealers for years to come. But this won't come without some pain. Some agencies may discover they have people on their team not up to the challenge. Or agency principals may decide that the point they are at in their career, they aren't up for a major re-tooling of their business model. An individual representative probably won't be able to service 20 dealerships and provide the level of training, support, expertise and follow-

through necessary to become viewed as a true partner in the dealer's eyes.

The stakes are high. For both agents and dealers, those who adapt and survive the fast-paced, changing landscape the rewards will be great. The agents or dealers that chose to do things as they always have will find themselves on the outside looking in.

Joel Kansanback has more than 20 years of automotive finance and insurance experience. Starting with one of the premier F&I training and consulting companies, he worked his way up to regional business development manager for the Rocky Mountain region. After a six-year career for a major auto lender, Joel left his position as sales director to

form Automotive Development Group in 2002. Based in Eden Prairie, Minn., Automotive Development Group is focused on giving dealers the highest level of training, support and reinsurance expertise coupled with very high-touch service.

