

The CMO Perspective: **Marketing's Contributions to Profit**

- **Allen Levenson, Vice President, Sales & Marketing,
Asbury Automotive Group**

As consultants, we at Max Brand Equity have the privilege of contributing to the success of many of the most respected business organizations in the world. In addition, we are provided the opportunity to see and experience 'what works' and 'what doesn't work' in the marketplace across a broad range of industries and business models. We bring this breadth and depth of knowledge and experiences to each of our clients each and every day and, in doing so, we have the added opportunity of meeting and working closely with many of the best and the brightest CEOs and CMOs in business today.

This article is the third in a series which proactively solicits and shares the views of several successful CEOs and CMOs on important business topics, providing you, our readers, with varying and unique perspectives across a wide range of industries. For this second issue, we are pleased to have had the opportunity to speak with and solicit the views of Allen Levenson, Vice President, Sales & Marketing of Asbury Automotive Group.



Allen Levenson has served since 2001 as Vice President Sales & Marketing for Asbury Automotive Group, one of the largest automotive dealer groups in the country, with sales approaching \$6 billion. Mr. Levenson is responsible for helping Asbury maximize sales, increase Internet volume, build Asbury's strong local brands, and manage the company's public relations efforts. Mr. Levenson joined Asbury from Gazelle.com, a leading consumer e-commerce company where he was the Founder and Chief Executive Officer. He has served in senior marketing positions with A&P Supermarkets, and two industry consolidators, Petroleum Heat & Power and United Rentals. Mr. Levenson started his business career with a strong foundation in strategy consulting, first with Bain & Company and later with McKinsey & Company. Mr. Levenson has an MBA in Marketing from The Wharton School of Business at the University of Pennsylvania, and a BA in International Relations from Tufts University. Mr. Levenson lives in Westport, CT and has 4 beautiful daughters.

Asbury Automotive Group has grown through acquisitions, selling 30-plus automobile brands through a dozen major dealership groups (some 94 locations) in Arkansas, California, Florida, Georgia, Mississippi, Missouri, North Carolina, South Carolina, Texas, and Virginia. Asbury dealerships also

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offer parts, service, and collision repair as well as financing and insurance and used cars. The company acquires both large multi-location dealership dealer groups with established local brand recognition, and single dealerships, which it re-brands and folds into the existing local group.

While Mr. Levenson, of course, has several strategic issues associated with his business, “nuts and bolts marketing”, he states, is what drives the business. “Lead generation is critical...getting customers into dealerships, for which we use a significant amount of mass advertising.” However, growth in the use of the internet is changing how leads are generated. “Dealerships used to be the largest advertisers in newspapers, but now 75-80% of buyers are using the Internet at some stage, and 23% of sales can be traced to a first contact on the Internet.”

He went on to discuss the sales funnel, and noted it can be 2-12 months before a first contact results in a sale. As a result, the use of CRM systems is becoming increasingly important, mainly to target repeat customers as well as entice switchers. “For example in Jackson, Mississippi, we own a Ford and a Nissan dealership. If we find that someone who bought a Ford from us a few years ago is now considering a Nissan instead of Ford, we will try to steer them to a Nissan. The industry is not yet doing a great job. As a further example, at least end, when you know someone is in the market for a new car, they are more likely to hear from the manufacturer than the dealer.” Levenson continued, “the owner of a traditionally financed car is harder to track since you don’t know how long they plan to keep the car after they have paid it off. However, using CRM technology, we can assess their equity situation, and contact them before they have paid their car off. If they are in positive equity, you can offer to put them in a new car using that equity, often with lower payments than they currently pay.”

Still, tracking leads is quite difficult even with sophisticated CRM systems. For starters, there appears to be little benefit for the sales people who are asked to enter the data to track leads. “We don’t let our sales people close a sale unless the CRM data is complete, but you’d be surprised how many are filled in on the day of sale. You’d think that we would want sales people who have the highest close ratio, but we find that the best can achieve only 10-20%. If anyone gets 20-25% or above, it is probably because they enter fewer ‘ups’ (leads).” Levenson went on to talk about the system and type of people in the jobs as driving behavior. “You eat what you kill on a 30 day cycle. Also, turnover of sales people is 100% per annum. While you can earn a lot in the car sales business—we have General Managers who earn \$800,000 per year—the average sales person earns about \$40K. The type of person who becomes a car sales person often does not take the long view, so we have started an aggressive college recruiting program with a career path. We have kids 2 years out of college making \$90,000, which is a lot more than most of their college buddies.”

Branding is another issue Levenson and Asbury Automotive are well aware of. The company follows a strategy similar to that which the department stores followed until a few years ago. “When we buy dealerships in a geography, we pick the strongest local name and rebrand all the other dealerships with that name. Some of these names have been around for 75 years, and are among the most well known local brands in a market. However, most dealer groups have not yet managed to differentiate dealerships on the basis of brand, even though there is a saying, ‘the first car is sold on the showroom floor, the second in the service department’...so we use familiarity with McDavid in Texas, Coggin in Florida, and Nalley in Atlanta.”

For Asbury Automotive Group, it is important to balance the car brands. “Right now US brands are declining. Some dealers are down over 50% over the last couple of years, so they have to concentrate on used cars as well as Finance (high profit) and Service. Fortunately, 80% of our brands are imports. The Luxury brands have much better retention of sales people.”

The marketing implications of this interview are many. In the broadest sense, several of the major issues within the retail automotive industry have much in common with those which face other industries, particularly those marketing big-ticket consumer items.

Four key “success principles” emerge from our discussion with Allen:

1. Lead generation:

There has been a shift in importance from traditional media to the Internet within the retail automotive industry. While traditional media still plays a meaningful role in generating leads, online activity by potential customers has exploded, leading to a need to improve the management of leads generated from the Internet. Of course, any business which relies on providing information to ‘make the sale’ (particularly high-ticket products and services) has been heavily influenced by the growth of the internet. As such, the importance of effectively managing and leveraging this information cannot be overstated.

2. Improving the ‘lead to close’ process:

This ‘lead to close’ process tends to be a black hole in many industries, inclusive of retail automotive. While gaining visibility into the process is difficult by itself, doing so often raises and highlights further issues of management, support systems, organizational structure, and personnel and training (among others). In this industry, as in many others, installation of state of the art CRM systems may well be a necessary step towards closing the gaps in the ‘lead to close’ process. But a CRM system, by itself, is rarely sufficient.

3. Learning from experience for continuous improvement:

A company needs open-mindedness and curiosity on the part of management to constantly strive to change, fix and continuously improve what may not appear to be broken. A key requirement of continuous improvement is quantitative measurement of all processes and results against pre-set objectives. Thresholds of success and failure must be established in advance. Without these monitoring and measurement systems in place, a company is highly vulnerable to competitive inroads threatening the very existence of the business.

4. Branding:

A brand is built and maintained at each and every point of contact with the customer. Lack of focus or varying experiences can and will dilute and devalue the brand. The automotive dealership industry faces the same problems many industries employing a “roll-up” strategy have faced. Most, like Asbury, started by maintaining brands with strong equity. Increasingly, however, this approach to the management of the brand is being replaced by focus on a single brand or, if multiple brands are used, differentiating by target group rather than geography. Multi-branding, co-branding and umbrella branding are very complex approaches and often very difficult to execute. We find multi-branding is often more the result of convenience rather than strategy. Yet, the brand or brands of a company are often among the organization’s most valuable assets and need to be consciously managed as closely and professionally as more tangible brick and mortar assets.