

Alma Chrysler Jeep Dodge Ram: Home Of BUDDY, The Four Legged Greeter

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ABSTRACT

This is a case about a couple who met in college, eventually reconnected and married years later, and returned to the general area of where they met to own and operate a small town Michigan car dealership. Both have much experience in the automotive sales industry. The automobile business is evolving and deciding which promotional mix elements will work best for them is the challenge. As they are busy operating the dealership day to day, it is not always easy to find the time to plan strategy for the future. The dealership is far from reaching its sales potential; attaining the proper number of car sales each month is the goal. The Malloys believe that that is the key to the overall success of the dealership. Decisions need to be made, training needs to be implemented, and getting the team to pull together will contribute to attaining that goal.

Keywords: Automotive; Advertising; Marketing; Sales; Dealership

Recommended Courses: Introduction to Marketing and Marketing Case Study

MOVING TO MID MICHIGAN

*S*oward Malloy grew up in the car business. For years his father owned and operated family dealerships on the east coast from New Hampshire to Virginia. Upon graduating from high school, Scooter (as he's known as to this day), wanted to become a part of the family business. His father wanted to make sure that Scooter not only learned the basics by working by his side in the business, but that he also complete a good strong college education.

At that time, only one university in the United States offered a degree in Automotive Marketing Management. Though it was a move of some significance from the family home in New Hampshire, Scooter Malloy entered the program at Northwood University in Midland, Michigan, about 138 miles northwest of Detroit, the center of America's automotive industry.

About the same time, Jill Ritz was finishing high school in Port Huron, Michigan, the boyhood home of Thomas Edison, located, of course, on Lake Huron. Jill's interest was not necessarily in the automotive business, but she had the desire to get a business degree, and decided to choose Northwood University as well. That's where she met Scooter Malloy. Upon graduation, Jill entered the automotive industry herself and worked for many years for General Motors in New Hampshire, Washington DC, and California. After years apart, Scooter and Jill reconnected in the 1990s while Jill was working in California. She moved back to New Hampshire continuing to work for General Motors, eventually going to work for Zurich Insurance.

Eventually, Scooter decided it was time for him to move on to owning his own dealership instead of co-owning with his dad. They looked in many different states for a dealership that fit what they wanted. They were looking for a smaller dealership, preferably not of foreign make, in a nice area they could call home. After a long search they closed a deal on what is now Alma Chrysler, formerly Martin Chrysler before the sale.

WALKING INTO ALMA CHRYSLER

The building on West Monroe in Alma (Figure 2) is just about a half-mile from route 127, a main north south state highway thru the center of Michigan. If you drive a bit farther past the dealership on West Monroe, you'll drive right into St Louis, Michigan. St Louis boasts a population of 7430, comparable to Alma's 2012 population of 9283. There are a few other locally owned dealerships in Alma, including a Ford-Lincoln dealership, a Chevy-Buick-GMC dealership, and a couple of used car dealers.

Alma is the home of Alma College, a liberal arts college with an enrollment of about 1500 students. Alma is also famous for being the site of the Republic Motor Truck Company, the largest truck manufacturer in the world in the early 20th century. To add to its automotive heritage, Alma is where the first gallon of high octane (96 octane) gasoline was produced in 1956. Alma's Mayor, Mel Nyman, points out that Alma is part of the power conservation movement and has strong agricultural roots. "Gratiot County is home to the largest wind farm in Michigan; hosting 167 large wind turbines in the Northeast sector of the county. Our rural county has an extensive agricultural base. The investment in agriculture ranges from farms with thousands of acres under cultivation to smaller specialty farms centered on organic and specialty crops." Nyman is also a professor at Alma College.

Driving into the Alma Chrysler dealership, one is immediately impressed with the selection of new and used automobiles. Scooter Malloy spends a lot of time at auto auctions in Detroit, Flint, Lansing, Florida, and online looking for the right selection of used automobiles for his community. Walking through the front door, customers are greeted by Buddy, Jill and Scooter's ten-year-old Labrador retriever. You can tell by the quiet way that the lab approaches you that you have nothing to fear from this gentle friendly animal. However, if you don't pet him right away, he's liable to find your hand and put his head underneath it to allow for your forgetfulness (See Figure 1). You'll find smiling faces to help you and point you in the right direction to the individual or department you're looking for. You might even find Jill sweeping the floor or cleaning up the coffee break area. Every one of the twenty-one employees pitches in on all the jobs to be done at Alma Chrysler, including the owners.



Figure 1. The First Ad Under The Malloy's Ownership

HOW DO CAR DEALERSHIPS MAKE MONEY?

Contrary to popular belief, new car dealerships don't make a majority of their profits off of new car sales. Most dealers will actually sell their new vehicles at or below invoice price in order to stay competitive. Sometimes, however, manufacturers will award extra incentive money when a dealership hits pre-determined sales goals.

A common practice at most dealerships to maximize their cash flow and make money faster is to floorplan their new inventory. Floorplanning is the financing of a dealership's new vehicle inventory through a financial institution so that they don't have to front the \$20,000 to \$50,000 per unit on their lot. The dealership needs to have money on hand rather than spend it on inventory and wait for said inventory to sell. While not actually making money off the floorplanning, it allows the dealership to use their cash flow in a more productive manner. Floorplanning requires the dealership to pay interest monthly on the automobiles, so it's important for a dealership to sell cars quickly.

Another major way dealers make money is on finance and insurance sales. Dealers make money from having people finance vehicles through them as well as selling service contracts and extended service contracts. Dealers also make money from used car sales in addition to new vehicles. When customers trade in their used vehicles while buying a new car for themselves, it also helps dealers make money by stocking up their used car inventory.

One possible profit center that is generally more of an expense as opposed to generating cash flow is the service department. Needless to say, an automobile dealership needs to be available to not only repair customers' vehicles, but also to service them on a regular basis. This does require the customer to return to the dealership in most cases, which is always a positive for the auto dealer. He or she will take time to look at the new models on the showroom floor.

BUYERS ARE WISER THESE DAYS

Thanks to the internet, buyers are much more savvy today than in the past. The Malloy's sell used cars to buyers from all over the country. Often people buy without ever seeing the car, especially when a buyer in a faraway location is looking for a specific used car. When it comes to selling new cars, buyers are coming in very much aware of what costs are, etc.

"I call the internet 'the great equalizer'," Jill remarks. "It's made car buying more transparent."

This represents a major paradigm shift in automobile industry sales; perhaps moving automobiles to be purchased more as a commodity, leaving little room for the creativity of the automobile dealer.

One salesperson on their staff is totally dedicated to dealing with internet customers. It's critical that their site be updated on a daily basis to show changes in inventory. Also noteworthy is the fact that drivers are keeping their automobiles longer. The average age of an automobile on the road today is eleven years, according to Jill. "Ten years ago it was more like six or seven years." Obviously, this slows down the sales cycle.

ALMA CHRYSLER'S SELLING TEAM

In the industry, the average salesperson sells eight to ten cars a month. The dealership has five salespeople (including the internet salesperson), meaning their monthly sales effort would average forty-five cars a month if each person averaged nine cars. A couple of the salespeople are new, as this is an area that experiences higher than average turnover throughout the industry itself.

The Malloys are selling on the average, over forty cars a month. As a goal, the Malloys would like to average 65 to 70 car sales each month. To assist them in their sales effort, the salespeople have access to Customer Relationship Management tools. There are a number of CRM tools in the industry. Some of them might not work as well for small dealerships such as the one the Malloys own. At the same time, it is sometimes difficult to get the older, more experienced salespeople on the team to even consider using the CRM tools, despite the fact it may help them sell more cars.

With the sophistication of the buyer increasing, an automotive salesperson must not only be knowledgeable in terms of the automotive industry, he or she must be a well-trained salesperson as well, knowing how and when to negotiate, how to read a buyer's intentions, the use of sales techniques, and the emotional wherewithal to keep a positive attitude in a very competitive industry. Ongoing sales training is a necessity, but Jill believes they don't do

enough. “We really need to spend a lot of time doing one on one coaching with each salesperson. Scooter and Mike, our sales manager, do a lot of that now.” The Malloys give their managers plenty of authority to make changes as needed with the overall goal of trying to reach the monthly sales goal without compromising the dealership’s objectives.

INITIAL MARKETING EFFORTS

The challenge for any automobile dealership is to generate traffic on a daily basis. Its only when the prospective customer comes to the dealership (or shops via the internet) that the dealership has an opportunity to make a sale. Obviously, things are no different for the Malloys at Alma Chrysler.

Early on in their ownership of the dealership, the Malloys and their employee Brittany Verran put together a public service campaign designed to create foot traffic at the dealership.

Their campaign, Keeping Kids Safe, was a community safety fair event that focused on keeping kids safe from predators and kidnapping. Keeping Kids Safe focused on providing parents with a safety packet including their picture, fingerprint copies, and identifying information provided by a representative from SIP Kids, the organization that created Keeping Kids Safe.

“Brittany did a terrific job. We feel the promotion increased our visibility in the community,” according to Jill. At the daylong event, the dealership had inflatables, food, a children’s dance company, an acapella group, face painters, and craft projects. The event helped position Alma Chrysler and its employees as being involved in the community.

THE PROMOTIONAL MIX

The four elements of the promotional mix include Advertising, Personal Selling, Public Relations, and Sales Promotion. Analyzing each area shows that the Malloys are putting effort into fine tuning the promotional mix, but agree “it could use some work.”

In the Advertising area, the dealership launched a new website in early 2014. (<http://www.almachryslerjeepdodgeram.com/index.htm>) Displayed on the website at the top position is the logo currently used by the Malloys in an attempt to identify with Alma’s Scottish roots. The site was created by a design company that specializes in automobile dealerships (www.dealer.com). The Alma Chrysler home page includes a function that allows anyone to search the current inventory to find the new or used automobile one may be considering.

In addition, the Malloys have a billboard along route 127, just south of Alma (for northbound drivers). They also have a board near a popular restaurant in nearby Ithaca, also just off route 127. The billboards are generic in nature and don’t attempt to sell any specific automobiles; they simply position them as Alma’s Chrysler Jeep Dodge Ram dealership. The Malloys do some television, radio, and newspaper advertising, as well as advertising on various sites that specialize in car sales. In addition, the dealership has a Facebook page, a Twitter account, and a blog; that’s the extent of current social media.

The advertising budget is not firm and tends to vary from month to month depending upon business and the whims of the owners. All of their advertising have separate 1-800 numbers used to identify the source of the lead when potential customers call. “We are in need of an advertising campaign that differentiate us. We are truly missing an integrated marketing plan,” according to Jill.

The Personal Selling effort of the Promotional Mix is described in some detail earlier in this paper. It is, as it is for most businesses, the most expensive element. The time spent searching and then training new salespeople in addition to the compensation plans add up very quickly.



Figure 2. Front Of The Dealership Off Monroe Street Near Route 127.

However, the nature of the automotive industry is that a salesperson is available to serve individual customers when they come in the door, and the Malloys understand the importance of that fact. Many dealerships have tried different approaches to managing their sales effort, but traditionally, most dealerships go with the conventional path of having a sales team to help each customer looking for an automobile.

Public Relations maintains its status as the most difficult element of the Promotional Mix to manage. The dealership has a presence at the Gratiot County Fair every year. They are also involved with the Highland Festival, Chamber of Commerce, Rotary Club, high school sports, a contest for the opening week of hunting season, and generally will consider any request that comes their way from non profit organizations. Up until this point in the ownership of the dealerships by the Malloys there have not been any public black eyes for them to have to explain or suffer with a poor reputation.

Sales promotions, the main thrust of the manufacturer's advertising effort on the behalf of all dealers, are most often provided by Chrysler in the form of manufacturer incentives. These incentives generally label a period of time with a title, such as Truck Month, Chrysler Town and Country Minivan month and many others. Essentially these incentives target a specific Chrysler make or model and offer a discount or incentive for a buyer to purchase that particular vehicle.

Other incentives for the general public that are offered are bonus cash on new vehicles, rebates for new vehicles, cash back programs, lease pull ahead pricing and many, many more. Incentives usually change on a month to month basis and also usually include sales events such as a Summer Clearance event. Alma Chrysler uses these incentives to help their sales team sell more cars at more attractive prices to their customers. In addition, Chrysler offers the Chrysler Affiliate Rewards Program, which gives employees of Chrysler and its affiliates or subsidiaries a discount on Chrysler vehicles; the program applies to new vehicles.

AUTHOR INFORMATION

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Brittany Verran is a senior studying Business Administration at Alma College in Alma, MI. She has enjoyed having an internship at Alma Chrysler for the past two years. She is very involved in the community and in organizations on the college's campus. She currently serves as the President of Alpha Gamma Delta, Vice President

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STUDY NOTES FOR ALMA CHRYSLER JEEP DODGE RAM

1. Do a SWOT analysis of the dealership based only on the information gleaned from this case.
2. Develop a unifying theme for the overall marketing efforts of the dealership.
3. After developing the unifying theme, how would you introduce the theme to the target?
4. How would you utilize each element of the promotional mix in introducing the theme?
5. Would it be better to wait to expand the selling staff after each of the five salespeople start to average nine automotive sales each month?
6. How does selling cars in a small community differ from selling in a large community? What are the advantages and disadvantages?