

AS SEEN IN

CANADIAN AUTOWORLD

Behind the numbers – Is there a reason to worry?



Ian Reilly
FROM THE
CORNER OFFICE

Vehicle sales in Canada grew six per cent in the first half of the year. Then came July and a sales decline of three per cent from July 2015, a loss of 4,600 vehicles.

Harbinger or aberration?

Most analysts still predict a strong second-half finish. But, behind the forecast, there are worries.

One that continues to gain attention is a growing subprime auto loan bubble.

Analysts continue to warn that Canadians are buying too much car and taking out loans with terms that stretch too long – seven years or more. Analysts also see consumers rolling old auto debt into a new vehicle's financing, compounding their debt burden. At the same time, recent reports also show that auto-loan delinquency rates are rising, especially in oil-rich areas of Canada where unemployment rates have risen due to falling oil prices.

All of which puts more worry behind the numbers.

If and when the subprime lending bubble bursts, it could make enough of an impact that dealers will need to adjust their business strategies to compensate for the loss of these sales.

The best dealers already are. In fact, they're applying lessons learned after the recession and acting now, rather than reacting after a downturn begins.

One of the steps they are taking is to better manage key performance indicators, such as marketing costs and inventory levels.

To do this, they're using newer tools, such as management dashboard reporting technologies that allow dealers and their management teams to keep a pulse on their business in real time.

Newer dashboard tools that pull data directly from the DMS enable dealership managers to spot problems or improvement areas quickly.

Exception reports track performance metrics that fall outside acceptable levels for the dealership. When a potential problem pops up on the report, dealership managers can move swiftly to make the necessary business adjustments and plug profit leaks.

By leveraging technology tools to constantly monitor business performance, dealership managers can focus on areas of the business needing immediate attention. It also affords them more time for things that move the business forward, such as strategic planning and employee training.

It's a great time to be in the automotive industry. It is also a tenuous time. Using newer technologies to constantly monitor business conditions can help dealers ward off the worry behind industry trends and remain successful whether it is boom time or bust. **AW**

Ian Reilly is the vice-president of sales, Reynolds Canada