



DEALERSHIP

WEEKLY INFORMATION NETWORK

www.DealershipWIN.com

June 18, 2020 Notes

Will Fernandez - CPA of Cirtin Cooperman - with a PPP Update

- More changes were made to the PPP regulation and constant changes are still going on.
- Don't rush for forgiveness. Sit, pause and wait because it's not going to make a difference - you should sit back and wait to see what else changes.
- There are other things that are popping up from a tax point of view – one bill in the house, one bill in the senate – that will look to reestablish the deductibility of expenses that are forgiven under the PPP program.
 - o Presently, the income that you recognize from your forgiveness is not taxable but then the deductions from the expenses are not deductible. They're thinking about putting that back in place. And if you do that, you have to make sure that you're strategizing what expenses you're putting in for forgiveness because that could change other aspects of your tax returns from a dealership points of view.
- If nothing changes further, most people that wait for 24 weeks don't have to worry too much about the FTE reduction and they're going to be eligible for the full forgiveness. So that's another reason to sit back, pause and don't rush to forgiveness.
- They came out with an EZ application to file for forgiveness. In order to get that, you have to meet one of three criteria:
 - o Self-employed or independent contractor
 - o OR if you did not reduce any salaries or wages below 25% or reduce the number of employees and the numbers of paid hours of employees through the covered period
 - o OR if you did not reduce the salaries below 25% AND you were unable to operate because of the COVID-19 issues and restrictions.
- The revisions to the loan forgiveness application are:
 - o They've added an additional safe harbor revision if you're not meeting your FTEs because of these COVID restrictions.

DWIN (Dealership Weekly Information Network) is a public service. Views and opinions expressed by any members are theirs solely, and do not necessarily reflect the views of J&L Marketing, Sandy Cerami or any of the featured guests. As always, we encourage you to seek your own legal representation or council in regard to implementing any ideas or concepts discussed during the program.

- They are showing that now you need a 60/40 split between payroll and nonpayroll expense.
- If you're an owner of a dealership and you're including yourself in the calculations, you can still count yourself as an FTE – you're capped off at \$20,833.
- You have to be patient and let the changes unfold. There's the deferral of a full year for interest and penalties and worst-case scenario, you're paying a 1% interest rate.
- There might be some tax strategies in place once we figure out what the House and Senate are going to do.

Paul Lynch – DePaula Auto Group

- In regard to culture, and really tying this into coming out of post COVID, I think it goes back to three very basic things that if you do great, you're going to be successful: your people, your advertising and your inventory.

Your People

- When it comes to your people: You've got to be a great leader. And a great leader in my opinion is first, a great communicator. They've got to be able to communicate the vision and the story that they want told from their organization. You have to be positive, upbeat and communicate with conviction.
- You need to know how to motivate. Every person has a different personality. Different things motivate different people, so you have to know your people. And to do that you have to show up every day, put in the hours and have conversations that not just pertain to work but that pertain to them on a personal level.
- I always want people that are going to be better than me. And now my top guys throughout the organization, outproduced my numbers when I did the things that they're doing. If you embrace that then not only is your production going to go up, but they're going to make you better too. You should surround yourself with the best of the best at all times, regardless if it makes you uncomfortable.

Your Advertising

- I think COVID really taught us a lot when it comes to advertising. We certainly were overspending. I think it was a great thing for us to be able to shut everything off and then start to add advertising and vendors one at a time.
- For a long time, we used to forecast our volume and what our gross profit per unit was and then depending on the month of the year, I would use somewhere between 12-16% of our forecasted gross as our advertising spend. Now, at this point, I'm pretty convinced I can do the same production or possibly even more using 8-12% of my forecasted gross.

DWIN (Dealership Weekly Information Network) is a public service. Views and opinions expressed by any members are theirs solely, and do not necessarily reflect the views of J&L Marketing, Sandy Cerami or any of the featured guests. As always, we encourage you to seek your own legal representation or council in regard to implementing any ideas or concepts discussed during the program.

- That being said, you've got to really understand what you need to have in there, what's going to convert the best and where you're getting the true ROI.
- We're doing a lot more advertising on social media. It seems to be a lot cheaper and a lot more effective.
- We attack certain models. It's not broad stroke or it's not just the core models. It's the models that we have the most inventory of on the ground. But it's not just when we have a massive amount of inventory, it's when we have an average amount of inventory but we see that our competition has none. When you know you can make big wins in certain spots, we kind of direct our money based on inventory, not just branding. We're really dialed into where we can get the biggest wins and you have to know your inventory and know your competitors' inventory at all times.

Questions for Paul

- How are you dealing with the inventory challenge with marketing?
 - o For new Car inventory, I think pre-stocking inventory is very important - making it look like we have more than we really have. Being more heavily weighted on off-core product, wherever we have a major pile up of inventory, we're going after that with advertising. You really have to dial into inventory. Some of the major problems are when you have different people specializing in these little areas and they don't all really communicate and there's not one guy making all the decisions.
- How are you figuring out where you're going to spend money on a model basis?
 - o I know overall how much money I'm going to spend and how I'm going to slice that up with the different medias that we're going to use that month. Then, I'm going to look at where I have the most inventory and also where my competition has no prayer in the world of competing.
- What does the relationship strategy with your hiring and elevating look like pre-Covid to now?
 - o I definitely learned we can do more business with less people – so we're not hiring everyone back. We want to tell people that we want to do business the way that they want to conduct it. We're going to try to shrink the in-store sales process and elevate the experience whenever they're here. Other than that, it's going to be all digital and we're going to have a real read on ROI.

Jamil Zabaneh – President of J&L Marketing

- Following up on what Paul was talking about – I thought it would be appropriate to talk about inventory and setting up your budget when it comes to digital marketing.
- I would highly suggest, if you're doing a monthly call with your agency, that you get these numbers. Because the reality is a lot of us are spending 20-30% of our marketing

- budget on digital and you have to know where that money is going. Of course, you have to know about results, but you also need to know what it's about.
- The first thing you want to do is have your agency show what they're spending on a daily basis inside of Google ads (Google Search and Banner Ads), and what your daily budgets are set up as - does it align with your inventory levels?
 - What should happen, if it's not already happening, is all of your models should have their own budgets and their own campaign. If they're grouping all new inventory under one campaign, ask them to separate it out because it can't have its own budget if it's all grouped together.
 - What you should be doing with your agency is looking at "what is our daily budget?" and "does that line up with my inventory levels?"
 - So, what we've done with all of our clients is we've set up a percentage amount per day or per month to make sure that the inventory levels line up with ad spend.
 - Instead of just sending out ads specific to your dealership, do something that's more specific to the vehicles that the customer might be interested in that you have in inventory. Within display, this is very easy to do. Obviously, you're going to set up your VIN specific remarketing – which is when anyone comes on your website, when they jump off, were going to set up ads specific to the vehicle they were looking at.
 - You can actually remarket your competitors' websites. We have to be smarter now. If we only have inventory in 3-4 models, ask your agency to get much more specific by model and break out your budget. It shouldn't be a breakdown by media, it should be broken down by model for each month.
 - Another strategy that I want to recommend is through Facebook and they call it broad audiences through your dynamic inventory. So, you upload your inventory to Facebook - and it should already be there if you guys are doing any VIN specific remarketing – and instead of selecting people that visited your website, you select a broad audience or an in-market audience. What Facebook does is it looks at people that visited autotrader.com, cars.com, all these other websites and it profiles what they're potentially in the market for, and it uses your inventory to send them ads based off of what they're in market for.
 - Have a zip code report sent over to you every month to really take a look at wasted spend.

Questions for Jamil

- How exactly does the retargeting work? And is it free?
 - o Remarketing or retargeting is just placing a pixel on a website and when the customer hits the site, through a cookie, you're following that customer and serving a display ad. It doesn't cost any extra to do remarketing with the exception of the cost of the ad. And a typical ad cost is at a CPC or a cost per click. On average you're looking at about \$2-\$3. Or some people do CPM which is cost per impression, you're looking at under \$5 for about 1,000 impressions.

DWIN (Dealership Weekly Information Network) is a public service. Views and opinions expressed by any members are theirs solely, and do not necessarily reflect the views of J&L Marketing, Sandy Cerami or any of the featured guests. As always, we encourage you to seek your own legal representation or council in regard to implementing any ideas or concepts discussed during the program.

- Where does a broadcast medium fit into the advertising picture?
 - o People are moving to Hulu or YouTube because you can serve very specific one to one ads. It's all connecting data points – Google uses data such as email addresses, and phone numbers to serve targeted ads through YouTube and multiple other media outlets. I'm still a big fan of TV for branding purposes and then digital allows us to move the customer further down the funnel.
 - o It's important no matter what you do to leverage the content you're creating and use it on multiple platforms.

Best Practices for Google My Business from Matt Kellogg

- You should have separate GMB profiles for Fixed Ops.
- Make sure you're utilizing Google My Business to its full extent.
 - o Utilize GMB posts
 - o Utilize the products section inside GMB
- Use video! Just enough to capture someone's interest. It's the most captivating way to promote your business.
- Create a special offer for anyone who "follows" you.
- Google's algorithm looks for relevancy and you get a quality score based off the searches. Having all of this information plugged in – the likelihood of you coming up over your competitors goes way up.
- Adding all of this is free of charge – this is a great example of "time is money."