

## BE YOUR OWN COMPETITOR – AN INTERVIEW WITH GATEWAY CHEVROLET



by Raul Vazquez

**M**y interview this month is with Eric Green, the general manager of Gateway Chevrolet in Chicago. Eric has been at the dealership for nine years and has experienced significant changes in the industry. At one point Gateway reached 500 secondary sales per month but is now down to half that number. Let's see what happened and examine why it remains in the business and still considered by many as an industry leader.

What happened? Eric explains, "The finance companies have tightened their programs costing us between 80 to 90 deals per month. And the customers have more options because the market has become more competitive. When this happens, customers gain confidence. You can't just tell them that you are the only option for them. They are not stupid. They see the other ads. Sometimes it is even better to be the third or fourth store that a customer calls. They are not as confident anymore, making it easier to make a deal. The competition has also increased. Our competition has come really from within. People who were employed here learned the business and have moved onto other dealerships. Where we used to be the only big player, we now have two other dealerships that do over 200 secondary deals a month. That takes away from our potential pool of customers." While all of this is true, according to our AutoCount reports, there are still nearly 5,000 secondary deals being completed every month in Chicago. The question is rather, how does Gateway capture more of this audience?

"About 80 percent of our secondary advertising is spent on infomercials. The remaining 20 percent is spent on direct mail and on the Internet," Eric states. On the surface this presents a problem because he already spends the bulk of his money on infomercials, the medium likely to generate the most leads. The problem will come when Gateway tries to generate more leads through its infomercial. Generating

twice as many leads will most probably double its cost per lead making the cost per sale double as well. That is not the answer. Neither is spending more on direct mail or the Internet because if that were the answer a greater portion of its budget would already be spent on these mediums.

So what is the answer? The answer is that Gateway should knock itself off. By that I mean they should make another infomercial to compete against itself. The result will be additional leads for the dealership without a negative impact on its own infomercial. In addition to keeping the cost per lead down, this strategy would allow its show to air for a longer period of time. "We notice that our infomercial starts performing poorly as the length of time we air it increases," Eric says. This is true of any message but it's not just about the length of time a show airs. The frequency will play a big role as well. Knocking yourself off will help your infomercial air more profitable for a longer period of time. This is a strategy that we employ in many markets, sometimes airing as many as three different infomercials at one time. Had Gateway utilized this strategy years ago, it would have made it more difficult for competitors to enter the market with their infomercials.

We all know how much you like infomercials, what type of advertising don't you like? "I don't like advertisements with giveaways. People who are not in the market for a car come in for the gift. The motivation in our advertising is to get people financed. We have tried giving away credit cards and other things but it just does not work," claims Eric. I will agree that in the perfect world you would not have to give anything away to get customers but that strategy does not always work. We have found success in giveaways, but it all depends on the giveaway and the reason for it. But I do think that they can play an important role in generating new business. More importantly, they

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give the customer a reason to call which is critical to our strategy. Phone calls are a key indicator in how a campaign is working much the same way the Dow Jones is an indicator of how the NYSE is performing. If people are told to call to get the giveaway, they will. Not everyone will call but some will and that will help you to determine what media and which stations work and which do not. That information alone will save you 25 percent of your advertising dollars.

First quarter seems to be a busy time of year for secondary dealers. Is that the case at Gateway? “Well, it is for us as well. Our performance in the first quarter is about 10 to 15 percent better than it is the rest of the year. That’s because it is tax season and people have more money to put down on a car. We actually advertise for people to come here to do their taxes and walk away with a car,” Eric says. He continues, “Not only does tax season mean more deals, it means more profit too. Down payment equals profit. It can turn an upside-down deal

that could never be done into a sale. And, it helps keep payments down at a level where a customer can qualify. If I have a customer that qualifies for a \$350 payment but he has no money down, I have to drop the price of the car to get the deal done. But if he has \$2,000 down, I can still get him the payment without now having to drop the price of the car. Down payment equals profit.”

I hope that all of you had a prosperous year last year and will have an even better one this year. My New Year’s resolution for all of you is to track ALL of your media expenditures. Don’t listen to the people that say it cannot be done. Stop wasting money and start tracking your media today.

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