

# MARGIN CRUNCH: HOW DEALERSHIPS CAN FIND MORE EFFICIENCIES IN THEIR DELIVERY TRANSPORT



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I've worked closely with automotive dealerships for over 30 years and have seen the pressure increase on servicing and parts divisions.

**Dealerships are being challenged as large insurance companies take on more repair work, and by a changing landscape across panel repair which is seeing many smaller panel beaters being purchased by bigger players.**

In addition, the cost of distribution to make a dollar is only increasing. Delivery transport efficiency is always a challenge but there is now more urgency for dealerships to control these costs. There are some common delivery transport traps which must be avoided to gain more control over this area.

Delivery transport represents a high fixed cost and a potentially bottomless pit for dealerships – even running a small delivery fleet may attract many unexpected and hidden costs.

**Some ways to improve efficiency and reduce costs will be obvious, such as outsourcing to high-performing transport suppliers. But good ideas can come from a combination of experience and lateral thinking.**

For example, Ontime recently facilitated a conversation between two dealerships to pool some of their delivery resources – they were each located on either side of a major capital city, and we found they could share some of the costs by teaming up on certain delivery runs. This created an instant and profound efficiency gain.

## Common transport delivery traps

Before a dealership can hope to lift its efficiency it must avoid some common delivery transport traps.

The first trap is the lure of “false economy”: This generally involves a headline delivery rate which is too good to be true. There has been a recent increase in the number of low price, low quality transport operators in the industry, which offer attractive headline rates, but often ending up costing more down the track. It may be tempting to find someone who can do a delivery for a few dollars cheaper, but what if it takes two hours longer? If the supplier doesn't have the systems or experience to improve your business, it's false economy.

**Dealerships need to look beyond the rate and consider the value add, the ability to streamline processes and improve performance.**

The second biggest trap is not knowing the exact delivery costs for your parts division. It's surprisingly common, yet there are ways to objectively reveal the lurking costs which trouble many delivery fleets.

When you truly know the costs you increase your chances of making the right choices.

## Keys to greater efficiency

Many little things improve efficiency, and experience counts. For now, let's consider three big areas for improving efficiency in the delivery fleet.

**Elastic logistics – flexibility is king in parcel delivery, and dealerships must demand solutions which provide more control. Elastic logistics is scaling resources up or down at short notice, critical for being genuinely responsive to your customers.**

Achieving a logistics solution which is “elastic” involves significant ground work, but the effort is worth the efficiency gains. Dealerships which can honestly appraise their delivery transport structures, locate the hidden costs, and evaluate suppliers and technology solutions are poised to benefit.

Using technology – Many small-to-medium sized delivery fleets still fall short in digitalisation. As a minimum, you should consider digital tracking, communication to keep customers up-to-date, and proof of delivery systems. Research shows customer expectations around parcel delivery are increasing. Interestingly, it's not all about speed. A quick turnaround might be nice, but communication, reliability and accuracy are most vital.

**Using technology to track items and update clients is a customer service booster. They just love being accurately informed about their deliveries.**

Thinking laterally – sometimes you need to be creative to solve a problem, but achieving this requires experienced transport operators able to treat your dealership's delivery challenges as if they were their own. Whether it's combining resources as part of an efficiency drive, or finding innovative ways to streamline processes, you'll know a transport supplier has your best interests in mind if they put you first and genuinely help you to cut costs. ■