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**Surprise tech find****Dealers give Application Service Provider two thumbs up****The right solutions, the right price, and a host of other plusses sold them on one company's Web-based alternative.**

Last summer, dealer Michael Cohen found himself in technology limbo. His computer contracts were nearing the end of their lives and he had to figure out what to do for his five Mitsubishi dealerships in New York, New Jersey and Massachusetts. As he began to look at computer systems, he initially thought he would purchase a single server to accommodate all five remote locations. Then a dealer friend in Salt Lake City introduced Mr. Cohen to dealer management solutions provider Arkona, Inc. of nearby South Jordan, Utah.

Mr. Cohen checked out Arkona's dealer management solutions and liked them. His dealer friend was using the system with his own server. After taking a look at Mr. Cohen's needs, however, Arkona recommended its offsite Application Service Provider format. With their ASP, "they thought they could fulfill (our needs) for less cost per store," says Mr. Cohen. They were right.

- Instead of having to spend about \$100,000 on a server large enough to accommodate his five stores, Mr. Cohen only had to spend a minimal amount for some additional routers and PCs.
- Mr. Cohen is spending 40 to 50 percent less per store in overall technology costs with Arkona than the quote a leading technology provider gave him for a system with an in-house server—and 60 percent less than that competitor's ASP quote.

Mr. Cohen's initial costs for software licensing, training, and forms ran about \$30,000 per store. That's

comparable, he says, to what these expenses would've run had he gone with an in-house server. His monthly maintenance charges are the same as if he had selected Arkona's non-ASP model—but they're 40 percent less than what the competition wanted, he says. Mr. Cohen is also saving money since he no longer needs to have an employee devote time and effort to maintaining a server and backing up files.

"No contest" is how Mr. Cohen describes his decision to go with Arkona's ASP, which his stores began using in November. "We didn't go to ASP intentionally, but then it seemed like the next easy alternative," he says. "We need the communication lines between the stores anyway."

But it's more than just the measurable cost savings aspect that attracted Mr. Cohen once he stumbled upon the ASP option. "It's a tool in which we think we can improve processes," he says. "We're trying to broaden the pipeline so information flows more smoothly and so we can service customers better." Ultimately he sees the ASP giving sales associates the ability to help prospective buyers retrieve vehicle research they saved while surfing the Web at home, rather than having to try to recreate all that information on the showroom floor.

Arkona isn't Mr. Cohen's first experience with an ASP. A year ago his Rahway, NJ store, Bell Mitsubishi, became a beta site for a different provider's ASP for

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nine or ten months. But it was Arkona that really impressed him. When Mr. Cohen, a former member of Mitsu-bishi's national advisory board, saw that a lot of things Arkona was doing were a good fit for Mitsubishi, he introduced Arkona to Mitsubishi. The auto-maker is now considering making Arkona's ASP model a platform for communication between Mitsu-bishi and its dealers, he says.

Like Mr. Cohen, Nebraska's Woodhouse Auto Group wasn't necessarily in search of an ASP. "We were looking for a solution to unhandcuff us from the big boys on the block," says John Schomburg, Woodhouse's director of Internet services. But when the group looked at Arkona's solutions, the company mentioned its ASP model and it seemed like a good fit. Woodhouse Ford and Woodhouse Chrysler, Dodge, Jeep—both in Blair—began

using the ASP in August. Woodhouse Lincoln Mercury, 30 minutes away in Omaha, is getting ready to convert to the ASP.

"Chrysler and Ford are moving toward Web-based systems and we wanted to have our internal systems go the same way," says Mr. Schomburg. "Arkona has a whole new look on the DMS world. We wanted our virtual world connected to our physical world, or DMS sys-

### ASPs at a glance

Swapping an in-house server for an application service provider — which provides computer software and services through the Internet — is catching on with dealers. Today, five or more out of six stores that sign on with dealer management solutions provider Arkona each month select its ASP model, up from one out of three when it was introduced early last year, says Dave Jenkins, Arkona's vice president of marketing. More than 100 of the 200-plus dealership clients of the South Jordan, Utah-based firm now use its ASP model.

### What are the advantages of an ASP?

You don't have to buy a server; you get the latest dealer solutions without having to maintain and frequently upgrade your software; data backups and storage are handled for you; and ASP personnel can readily detect and notify you about problems with your network. Mitsubishi dealer Michael Cohen and John Schomburg, director of Internet Services for Woodhouse Auto Group, were attracted to Arkona's

ASP because ASP is the direction of the future and it offered big cost savings. (Don't assume that ASPs always costs less—Mr. Cohen said one vendor wanted more its ASP than its traditional system.)

### How much does an ASP cost?

Arkona's upfront charges for an average store with 30 PCs could range from \$25,000 to \$100,000 (including training), depending on how much hardware has to be brought in, says Jeff Swain, Arkona's vice president of sales. Monthly charges — which includes 24/7 emergency support, software updates and upgrades, and data storage and backups — average \$1,000 to \$1,200 for the smallest dealerships, \$1,500 to \$2,200 for mid-size ones, and \$3,000-plus for large dealerships, he says. There are no click charges.

### Is it hard to use an ASP?

No, say Mr. Cohen and Mr. Schomburg. Mr. Cohen says Arkona's ASP didn't require more staff training than any other new system. Mr. Schomburg found Arkona's system so simple to use that Woodhouse was able to

implement its own training program to save time and money.

### Is data secure?

Mr. Cohen and Mr. Schomburg say yes. Firewalls are in place and both dealer groups have set up a password-protected virtual private network.

### What happens if the phone lines go down?

Arkona, which contracts with Worldcom, encourages clients to use a dependable Internet service provider (ISP) and to have a backup in place. Mr. Cohen uses digital subscriber lines and an ISDN backup. He prints out documents required to be maintained by law, including invoices, motor vehicle work, and finance contracts. Woodhouse uses a T1 line and a DSL backup.

### Are you obligated to stick with an ASP if you decide you don't like it?

Not with Arkona; customers can provide 60 days notice if they're unhappy. "We have to earn their business every month," says Arkona's Mr. Swain.

tem, so when a vehicle is sold it disappears immediately off our Web site.”

The cost savings—for both hardware and monthly maintenance fees—was another big incentive. In 1998, when Woodhouse last upgraded its system with one of those “big boys,” the group spent between \$70,000 and \$100,000 for a new CPU, says Mr. Schomburg. Woodhouse will now be paying less than \$1,000 a month for all three stores to receive access, maintenance, software upgrades and data updates. As Mr. Schomburg sees it, Woodhouse will be getting at least six years of ASP service for the minimum cost of another CPU—hardware alone. Woodhouse will also be paying more than \$3,000 a month for software licensing for its three stores, for a total monthly outlay of about \$4,000 a month. But that’s still a small fraction of the \$10,000 to \$15,000 a month its former vendor had charged when the group utilized an in-house server.

With the ASP, Woodhouse is also saving \$40,000 to \$60,000 a month from better paper flow processing and internal tracking, says Mr. Schomburg. “That’s some serious cash,” he says.

Arkona uses an AS/400 sub-mainframe, which IBM is using as its e-commerce platform, says Mr.

Schomburg. As a result, Woodhouse is able to interact with other businesses more smoothly, he says. The extraction and exchange of data is now easier. Switching to Arkona also enabled Woodhouse to distribute some functions to other parts of the dealership. “It took a load off the accounting department,” he says.

Converting and getting acclimated to the ASP has not interfered with Woodhouse’s business. In fact, its dealerships are selling a substantially greater number of cars each month than prior to the conversion. Woodhouse’s Chrysler store was the nation’s number one Chrysler store in the fourth quarter of 2001 in terms of volume, says Mr. Schomburg.

Mr. Schomburg says his stores’ data transfer was “as slick as could be.” One night data was pulled off their old system, and the next morning they were live on Arkona. “(Arkona) sat in our dealership and fed everything into their system. It was like the box was sitting in our dealership; it’s hard to believe it is 1,000 miles from us. It took nanoseconds to pull up a deal,” he says. Arkona personnel, who spent two weeks on site at Woodhouse during the conversion process, were able to immediately correct two data-related glitches that arose during the transfer.

Arkona’s ongoing high level of customer support impresses Mr. Schomburg. The company offers support via phone and instant messaging, and also has the ability to take over Woodhouse’s desktop so dealership staff can follow any steps being performed to resolve a problem. The one downside, Mr. Schomburg notes, is that as a young, growing company, Arkona is still hiring and training its support staff. “We’re big and they’re just coming up to speed,” he says. Sometimes a new Arkona staffer has to consult with more experienced colleagues. But they are honest if they don’t have an immediate answer and they always get back to Woodhouse with the needed response, he says. Mr. Schomburg also likes the fact that he can speak directly with an Arkona programmer. “We implemented a stock number sequence system and Arkona put it immediately on the system,” he says.

Considering a new computer system in the near future or down the road? The best advice is to check out what’s up and running in other dealerships. A Texas dealer was scheduled to visit Mr. Cohen’s dealership to see his ASP in action several days after our interview. ♦

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