

 **Automotive Systems & Communications Service** 
Briefing - Current Events in Context



No. 25 - 2006 - 30. November 2006

Topic...	Region affected
1. Infomedia sells... R&R buys	- Australia
2. Vector expanding in the "middle"	- Central Europe
3. Datafirst gains Renault and P.A.G. approvals	- Italy
4. Newspaper Group expands its "automotive on-line"	- UK
5. RouteOne co-operates with BIGFNI	- USA
6. Kelley & RouteOne join Open Secure Access	- USA
7. Kalamazoo-UCS... more Power	- UK
8. Microsoft and Quorum... again!	- North America
9. Multi-Continent DSPs	- a request...

1. Infomedia sells its DMS to R&R Australia

Infomedia, based in Australia, is best known internationally for its after-sales (Parts & Service) systems, including the *MicroCat* EPC.

In recent years, it has also been developing a parallel business with two types of DMS - *AutoLedgers* (for large Dealers) and *NOVA* (for smaller Dealers) - in its Business Systems Division.

This Division has been sold to Reynolds & Reynolds Pty Ltd., also based in Australia, for AU\$1.5 million.

- The announcement refers to future co-operations between the two... *"Infomedia is looking forward to the new working relationship with Reynolds & Reynolds in delivering technology integration benefits between Infomedia's suite of aftersales productivity solutions and Reynolds and Reynolds systems"*.

Comment

After a few years of supplying a broader range of Dealer systems, it appears that Infomedia decided that it would be more effective as a specialist.

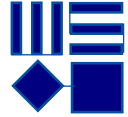
For R&R Australia, *AutoLedgers* and *NOVA* bring an extension of its already large DMS customer base, which primarily uses a variant of the R&R (USA) *ERA*.

- **Note:** R&R (Australia) is not owned by R&R (USA), and so is not involved in the current "merging" of R&R into UCS. As present, we have no details of the extent to which future development of *ERA* in the USA may affect the Australian variant.

The words used by R&R (Australia) about the Infomedia DMS customers do not make clear exactly how the products will be handled in future... *"We look forward to continuing the footprint that Infomedia have developed with AutoLedgers and NOVA, and ensuring that customers continue to receive products which assist them to manage and grow their businesses."*

R&R Australia has also been active in the on-line Parts systems business, and it is not clear whether the future co-operation which was mentioned in the announcement will lead to Infomedia taking more of the responsibility in that area.

- We hope to have more details from both organisations later.



2. Vector expanding in the "middle"

Western Europe has a large population of DMS providers, but relatively few of them have ventured into the expanding markets in Central and Eastern Europe, where system prices are usually lower than those in Western Europe.

Vector, based in Austria, is one which has been very active and has made progress, especially as a Partner of Renault - see *European Developments & Trends - 2006* for details of its main country positions.

A recent update indicates the coverage of its CDP DMS...

- ❑ Close to 100% of the **Renault** and **Dacia Retailers** in Austria, Croatia, Hungary, Slovakia, Slovenia and Poland.
- ❑ 40% of the **Nissan Retailers** in Hungary.
- ❑ Commitment of the complete **Subaru Network** in Croatia.

Outside of Austria, Vector operates mainly with Partners, with whom it maintains close contact, including via an annual Partner Convention. This year's was held recently in Hungary.

Activity has started in at least two other Central European countries.

❑ Comment

In Central European markets, the OEMs have a strong influence, similar to that which they had in the West before the changes in Block Exemption in 1997 and 2002.

In its home market, Vector also has multi-Brand Dealer and Group customers.

Another DSP which operates in a similar way - and is sometimes in competition with Vector, is...

3. Datafirst - approvals in Italy

Datafirst, a long-time DMS provider in France, gained additional prominence when it acquired the UCS (ex Kalamazoo) operations in France and Spain.

It operates in several other countries - see *European Developments & Trends - 2006* for details of its main positions

Mostly it works with Partners outside France and Spain. In Italy its Partner is **Global** - an established DSP - with whom it gained two significant new OEM approvals recently...

- ❑ **Renault** approved Datafirst's *eCARS21* DMS for its Network.
- ❑ **P.A.G. - Volvo, Jaguar and Land Rover** - approved *eCARS21* DMS for its Networks.
- ❑ **Comment**

With the existing approvals by **GM (Opel, Saab and Chevrolet)** and the **Peugeot Dealers** in Italy, Datafirst and Global have gained a useful platform for selling *eCARS21*.

Global also has its own positions in the **Fiat, Hyundai** and **Mitsubishi** Networks.

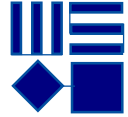
Together, they will hope to gain ground as ADP and Kerridge are in the process of merging their operations in Italy, and R&R deals with its disposal of Incadea.

4. Newspaper Group expands its "automotive on-line"

In the UK, the trend in used vehicle advertising by Dealers and others is the same as in the USA, i.e. away from Newspapers and towards the *Internet*.

This is causing some of the Newspaper Groups to acquire Specialist DSP businesses - e.g. Trader Corp. in the USA which acquired Dealer Specialities and @utoRevenue, and the Trader Group in the UK which acquired Contact Advantage and 2nd Byte. (**Note:** The two "Traders" are not related.)

More recently, **Associated Northcliffe Digital (AN Digital)** - part of a Group which includes the **Daily Mail** which has close to 20% of the UK daily newspaper market - acquired **Complete Automotive Solutions** which provides **Closett**, a Web-based showroom and lead management system for car Dealers.



Previously it had also acquired...

- ❑ **Data Media & Retail** which has become one of Britain's largest car and motoring Web sites, used by "hundreds of Dealers from around the country with over 100,000 used cars".
- ❑ **Auto Exposure** which manages Web sites for the used car trade, loading data into more than 100 portals.
- ❑ **Comment**

AN Digital is clearly investing significantly in gaining on-line automotive revenues to (at least) replace the reductions in newspaper advertising by Dealers and others.

We hope in the near future to have more details of how its three acquisitions are "coming together" as part of a co-ordinated strategy.

5. RouteOne co-operates with BIGFNI

RouteOne is the Finance Acceptance Network (FAN) owned by DaimlerChrysler, Ford, GM and Toyota, which connects franchised Dealers to over 100 Captive and Independent Banks.

BIGFNI is an independent FAN operating primarily in the Independent Used Car Dealer market, to connect them to a variety of Independent Banks.

Although both connect Dealers to Banks for Finance proposals and acceptances, they operate in different ways.

- More details about both are in *North American Developments & Trends - 2006*.

In an unexpected (by us at least) alliance, they have agreed that RouteOne will connect its network to BIGFNI's network, so that the Independent Used Car Dealers have access to all of the Banks which use RouteOne. Their comments indicate the logic for co-operation...

RouteOne says...

- *"Many of the lenders on our system maintain very strong relationships with the independent dealer community, which is so well served by BIGFNI. Our integration with the BIGFNI platform allows us to better service our finance source partners conducting business in both the prime and non-prime arena.*
- Additionally, we understand that the independent dealer has distinctive needs in the marketplace. This integration allows us to continue to focus on our core customers in the franchised space."*

BIGFNI says...

- "BIGFNI provides a unique opportunity for RouteOne's lenders. Our real-time credit decision engine allows lenders access to the top independent dealers in the country, while mitigating the risks that have traditionally kept them out of the independent market. It's the perfect solution for lenders who have been unable or unwilling to tap into this lucrative market."

❑ Comment

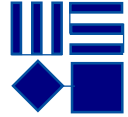
Another reason for the two to co-operate is RouteOne's battle with **DealerTrack** for the top position in the FAN market. Adding more Dealers to its FAN should make it more attractive to those Banks which have so far not signed up.

- Once again it needs to be said, we know of no equivalent to the American (and Canadian) FANS in the European automotive markets so far. From a multi-Brand Dealer's viewpoint, it is a very convenient way of connecting to multiple finance sources.

6. Kelley Blue Book and RouteOne join Open Secure Access

Open Secure Access (OSA) was established earlier in this year - see *Briefing 13-2006* - by eight significant independent DSPs...

- **Autobytel**
- **AutoTrader**
- **CARFAX**
- **Cars.com**
- **Cars Direct**
- **The Cobalt Group**
- **DealerTrack**
- **JM Solutions.**



Their objective was to maintain an open market for data transfers, and to protect their businesses against the move by Reynolds & Reynolds to restrict access to the *ERA* DMS used by its customers.

Now, two other significant organisations - **Kelley Blue Book** ("rated the No. 1 automotive information site by Nielsen//NetRatings and the most visited auto site by J.D. Power and Associates eight years in a row") and **RouteOne** (owned by the 4 largest OEMs) - have joined the OSA Board.

□ Comment

The dominant positions of R&R-USA and ADP Dealer Services in the USA - each with 35% to 40% of the DMS market - potentially allow them to either block or at least make very difficult the access of 3rd Parties to the data in the DMS.

Possibly as many as 200 - perhaps more - 3rd Parties, including OEMs, want to exchange data with the DMS, and there has been a relatively open market with specialists providing exchange services. One major Dealer Group recently counted about 180 different 3rd Parties which exchanged data with its DMS.

- However, it has some important security implications, and is also a valuable business which R&R-UCS and ADP would like to own. (ADP acquired one of the exchange specialists, DMI, in the mid-'90s.)

But it was R&R's more recent move which caused the formation of OSA.

- At present it is not clear how intense the battle will become, but the OSA (and others) are very concerned about the possibility that the changed management of R&R-UCS might be even less "open". See *North American Developments & Trends - 2006* for much more on this topic.

7. Kalamazoo-UCS... more *Power* sales

Very little information is coming out of R&R-UCS in the USA as it goes through the "agonies" of merging two rather different organisations.

However, the UCS "bright star" outside the USA - **Kalamazoo-UCS in the UK** - has recently provided two notifications of sales of the UCS *Power* DMS to...

- **Brindley Group** which has 11 Dealer locations covering 10 OEM Brands. It will upgrade from an earlier Kalamazoo DMS.
- **Rates Ford** which has a single location. It will upgrade from Kalamazoo's *DARTS*.

□ Comment

The position of Kalamazoo-UCS among the "International" parts of R&R-UCS is very interesting.

R&R-UCS has announced that it will sell **Incadea**, which is an indication that it does not have wide "global" interests - or at least, not with this Microsoft-based product.

It has made no announcement about its intentions for **DCS Automotive**, which R&R acquired just before it was acquired.

- But because DCS Automotive is so different from the "UCS style", something will need to be said about its future very soon if customer confidence is to be retained.

It is a puzzling situation because negotiations between UCS and R&R were in progress for many months before the "merger" was announced.

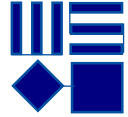
During that time, R&R was negotiating to acquire DCS Automotive, and completed the deal on a few weeks before the R&R-UCS "merger".

It is reasonable to expect that, if UCS did not want DCS Automotive, it would have suggested to R&R that it should not make the acquisition. But perhaps SEC rules would not allow that.

So everyone waits to hear of the R&R-UCS strategy for DCS Automotive.

However, **Kalamazoo-UCS** is a solid feature of the R&R-UCS empire.

- UCS and its DMS have been in the UK for more than a decade, and the recent flow of orders for *Power* commits it to being in the UK for many more years. It is (almost) unimaginable that Bob Brockman would leave users of his *Power* system in any other hands, or buy his way out of the Contracts.



8. Microsoft and Quorum... again!

Briefing 24 - 2006 included a report on a new level of Partnership between Quorum, based in Canada, and Microsoft.

- In essence, it stated that Quorum would help Infonizer to prepare its product for the North American market, and would add more Microsoft products to its own *Xsellerator* DMS.

Since then, a report appeared in *Automotive News* which stated - incorrectly - that Quorum would sell the Infonizer DMS.

□ Comment

Quorum has been making it clear that it is not a re-seller for Infonizer. The relationship is only for helping Infonizer to prepare for its entry into North America.

- Infonizer will be selling - via Microsoft and its Partners - a DMS which is expected to be aimed above the current level of *Xsellerator*.

It could be very unfortunate for Quorum if its customers (including GM with its *IDMS* project) and potential customers believed that *Xsellerator* is only an interim product.

- Quorum states that its co-operative agreement with Microsoft is to add facilities to *Xsellerator* using a variety of Microsoft products, which will enhance its capability for the long-term.

Microsoft will also need to be very careful that it does not confuse the market about its relationship with Quorum, and the long-term future of *Xsellerator*.

- It is probable that the Infonizer DMS will not be delivered in significant numbers in the USA for 3 years, and its targets are expected to be "middle-level" Groups.

So, in principle, a Quorum which hopes by then to be more widely established, could add Infonizer's DMS to its product range alongside *Xsellerator*, at a higher price level.

But all of that is speculation... at present Infonizer is still only "on the the boat" heading towards the USA, hoping to gain a foot-hold using Quorum as its guide, not as one of its distributors.

9. Multi-Continent DMS - a request

We are working on an Analysis of DSPs which operate in more than one Continent, including those with "global aspirations" - which, of course, includes ADP, Microsoft and SAP. (The future position of R&R-UCS is not clear.)

- Of particular interest are DSPs selling DMS or Specialist systems, whose Multi-Continent operations include regions beyond North America and Europe... Africa, Asia-Pacific, South America.

So far our list includes 17 DSPs of various types and sizes. But there may be more.

If any Subscriber knows of a Multi-Continent DSP which we may have missed, a contact would be very welcome.

As usual, comments and queries are welcome.

Mike Seaton