How to Use your BDC to Capture Commonly Missed Profit Opportunities

With
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Kevin Root, is vice president and general manager of The Cobalt Group’s Dealer Advisory Services (DAS). The DAS team provides automotive CRM and e-business performance improvement training and consulting services to OEM and dealer group clients, including Ford, Chrysler, Lexus, VW, Audi, Subaru, Kia, United Auto Group, Hendrick Automotive and AutoNation. Last year alone, Kevin’s team trained over 4100 dealerships.

Kevin has more than seventeen years of automotive industry experience. Before joining Cobalt in 1999, he was a product manager at Microsoft CarPoint where he managed CarPoint’s Used Car Marketplace and trained dealers on effective strategies for selling used vehicles online. He also headed up product planning for Microsoft’s DealerPoint prospect management tool.

Prior to his tenure at Microsoft, Root managed one of the nation’s first dealership Internet sales departments at The Parr Auto Group in Washington State, where he also launched one of the first automotive dealership websites, selling his first vehicle online in 1994. By mid-1995 Root had begun selling parts and accessories world wide via the Internet and was hired as a consultant to DealerNet, the original online buying service.

Root has been featured in USA Today and on CNN as well as in Richard Gascoyne’s book The Corporate Internet Planning Guide. He is a frequent seminar and dealer 20-group speaker as well as a three-time NADA conference workshop presenter.

Root received a bachelor’s degree in visual communication technology from Western Washington University.

Jay Sherman

After graduating college, Jay began his career in the auto industry as a salesperson. Seeing great opportunity in Internet sales, he created an Internet department in Charlotte NC’s Town and Country Ford. Growing this department into an autonomous department with monthly sales in excess of 80 units, Jay became recognized as one of the leading Internet Directors in the industry. Throughout his retail career he also worked as a Sales Manager, Finance Manager, New Vehicle Manager, and Desk Manager before moving to the corporate ranks of Fortune 300 company, Sonic Automotive. There he served as a Sales Process Trainer, as well as the Corporate Director of E-Commerce. During his tenure with Sonic he was involved in numerous CRM installations, training, and implementations, as well as sales process rollouts, training, and workshops. He has created, trained and launched more than 50 BDC and Internet departments to date.
Maximizing profit opportunities.

Kevin Root
Vice President and General Manager
Dealer Advisory Services
August 2005
How do we grow our business without spending any more money?

> Learn from the high performers:
  - Have a plan.
  - Include:
    - Strategy
    - Structure
    - Process
Our objective?

- Not more sales…
- More profit.
- Where does it come from?
Blueprint for success

> Strategy
  - Maximize opportunities.

> Structure
  - Successful model = BDC + CRM.

> Process
  - For each of the seven opportunity targets.
Strategy
Maximizing opportunities

> Maximize existing opportunities.
  - Stop the leaks.

> Maximize new opportunities.
  - Fish where the fish are: self-generated business.
> A business development center (BDC).
> Combined with customer relationship management (CRM).
A business development center (BDC) is a centralized department that professionally manages and tracks inbound and outbound communications (phone, Internet, mail).

The purpose of a BDC is to:
- Capture and maximize opportunities and collect prospect information.
- Generate appointments with prospects/customers.
- Ensure consistent contact and follow-up with all prospects/customers.
- Generate metrics and reports that help dealers understand the efficiency of their operations.

The goal of a BDC is to:
- Eliminate wasted opportunities.
- Increase dealership gross.
- Increase dealership CSI.
- Increase dealership market share.
- Deliver BDC ROI.
A BDC consolidates fragmented processes to improve internal and customer communications.

Typically a BDC works like this:

- Inbound communications are centralized. Customers contact the dealership either by phone or Internet.
- Key customer information is recorded. Name, phone number, address, previous relationship with dealership (if any), vehicle of interest, preferred method of contact, etc.
- An appointment is set for the sales staff. The objective is to drive to a firm appointment or to capture and track the opportunity for follow-up.
Structure

What is customer relationship management?

> It is about 100% accountability and driving inefficiencies out of the dealership.

> It is brought to life by solid processes, management commitment, and technology.

> It improves prospect and sold-customer follow-up.

> It reduces customer acquisition costs and drives up repeat and referral business.
Average CRM results
10.5% increase in sales

Average change in sales after Prospector installation.

Note: Cobalt's CRM product is called Prospector. The chart above compares the increase in sales of OEM-A dealers to all dealerships with Prospector installed that used our training and CRM performance improvement processes.
Opportunity management
7 target areas

- Pull-ahead campaigns
- Equity predictors
- Affinity group marketing
- Orphan conversion

PROSPECTS
- Phone up
- Internet
- Walk-in
- Unsold follow-up

OWNERS
- Sold follow-up
- Service follow-up
- Customer mining

Campaigns: Pull-ahead, equity predictors, affinity group marketing, orphan conversion.
Opportunity management
Process for 7 targets

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Phone opportunity management
Plug the leaks

> For the average dealership, about one half of their prospect opportunities originate from inbound phone calls.

> Dealerships receive 4-8 times the number of inbound phone calls from websites than from prospects submitting email leads.

> A recent study of 70,000 inbound dealership calls showed:
  - 37% of sales reps did not ask for a prospect's name.
  - 63% made no attempt to schedule an appointment.
  - Of those who did establish an “appointment”, 88% did so without a firm date or time.

> Kept appointment close rates average 50%.

> Focus should be on setting appointments.
Phone opportunity management

- Objective: 100% accountability on phone opportunities.
- Tactics:
  - Phone opportunity management process.
  - Sales management involvement.
  - Minimum performance standards.
Phone process
The 15-minute window = 100% accountability

Phone call comes in

Receptionist enters time of call, rep’s name

Sales rep takes call

Sales rep gives receptionist phone up card

Sales rep gets mgmt sign-off

Sales rep completes phone up card

Receptionist logs information
Phone opportunity management
Key metrics

> Must track key metrics:
  - Total calls, source of calls, calls per rep, calls to appts, show and close percentages.

> Use minimum performance standards
  - Name and numbers: 95%
  - Set appointments: 70%
  - Show: 40%
  - Sold/delivered: 15%
Opportunity management
Process for 7 targets
Traditional methods are declining
Internet is increasing

> Method led to vehicle purchase.

BASE: Automotive Internet Users (AIU) Respondents stating they used “Newspaper Classifieds” to locate the vehicle they purchased.
Source: J.D. Power and Associates 2004 Used Auto Shopper.com Study
Internet opportunity management
Plug the leaks

> 42% of Internet leads submitted go unanswered.

> 57% of customers who submit an Internet lead indicate that the dealer did not answer their question effectively.
  - 25% of leads submitted close within first 30 days.
  - 50% close within 31-60 days.
  - 25% close after 60 days.

> The average dealership will follow up for about 3 weeks, then follow-up drops off dramatically.

> The Internet will generate 70% of dealer traffic via phone, walk-ins and email.

> Internet close rates average only 7%.
Internet opportunity management

> Objective: 100% accountability on Internet opportunities.

> Tactics:

- Centralized lead management (supports BDC).
- Defined response process.
- Follow-up process.
- Minimum performance standards.
Centralized lead management
Dedicated Internet department

Structure:

- Dedicated Internet department.
  - Dedicated Internet specialists have grosses 3.4% higher than regular sales people.
  - 43% of dealers use a dedicated Internet specialist.

- Lead management tools with built-in follow-up.
  - Customers who receive an actual response within two hours of submitting a lead are 20% more likely to buy and 50% more satisfied with the Internet process (builds CSI).
Centralized lead management
BDC structure

> BDC handles initial response.
  - BDC sends initial response to customer answering questions and sets appointment with “product specialist.”
  - Prospect is assigned to a sales rep. Results are monitored. If no sale after X days, follow-up of prospect returns to BDC.
  - BDC conducts quality assurance follow-up call to reengage.

> Dealers with Internet in a BDC have a 4% higher closing ratio than those without.

> Dealers with Internet in a BDC have gross averages $450 higher than those without.
Process impacts Internet gross

> 90% of unique inquires ask about price and product.
> Answer their questions.
  - Freely quote price, but not best price = highest gross.
  - 3% higher gross than avoiding price quote.*

*Source: JD Power and Associates
Process impacts Internet gross

> Response elements:

- Solid vehicle description.
- Detail final price including Internet discount, factory rebate, tax & title, disclosure (i.e. subject to prior sale, etc.).
- List value bundle – **tangible** benefits of buying from you (example: discounted accessories).
- List alternative vehicles “in case you’d like to consider other vehicles.”
- Promote the value of a set appointment – “limited availability,” “test drive,” no time wasted, product specialist, etc.
- Call customer within one hour – close on appointment.
- Email appointment confirmation including map & directions to store.
- Phone call confirmation if no response.
> Minimum performance standards.
  - Website visitors to lead conversion: 3-5%
  - Leads to appointments: 30-35%
  - Appointments to show: 60-70%
  - Show to sold: 70-80%
Opportunity management

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Opportunity management
Showroom/walk-ins

> The average dealership spends $384,000 a year to generate opportunities (prospects).

> The average dealership fails to convert 80% of the opportunities that are generated.

> Most dealerships don’t accurately log floor traffic.

> Of those that do, only 60% of the prospects that walk on the lot are logged.

> The average dealership attracts 29% of competitive dealerships’ customers to its store during the shopping process.

> 50% of these in-market prospects are not followed up with by the dealership.
Opportunity management
Showroom/walk-ins

> Objective: 100% accountability with walk-in opportunities.

> Tactics:
  - Tight showroom control.
  - Walk-in tracking application (CRM system).
  - Minimum performance standards.
CRM success
Starts and ends with accurate data

Opportunity management
- Walk-in > Internet
- Phone > Self-generated

Decisions/ management
- Lost opportunities reviews
- Save a deal reviews
- Employee training
- Drives tool buy-in

Management reporting
- Productivity report - individuals
- Team/ department/ store report
- Trends
- Opportunity analysis

Accurate data
- Traffic counts
- Advertising effectiveness
- Closing ratios

Return on investment
Showroom control process.

- Use a spotter to record all walk-ins.
- Sales rep must complete a contact card and turn it in.
- Receptionist enters prospects into CRM system.
- Customer/deal number is generated.
- Sales manager needs customer number to work deal.
- Unsold follow-up action plan is generated by CRM system.
Opportunity management
Showroom/walk-ins

> Showroom minimum standards.
  - Needs analysis and product presentation: 70% of walk-ins
  - Demo drive: 70% of above
  - Write-up: 70% of above
  - Close: 30% of above
Opportunity management

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Profit leaks here

Profit opportunity here
> 80% of the opportunities generated don’t buy the first time in. Follow-up must be part of the sales process.

> Results must be tracked and measured.
Objective: 100% follow-up for unsold prospects.

Tactics:
- Daily action plans.
- Use call scripts and talk tracks. Identify the issue.
- Management involvement – provides a reason to return.
Opportunity management
Unsold follow-up

> Process:

- CRM system generates daily prospect action plan for each sales rep (distributed by BDC manager if necessary).

- Management reviews and conducts daily save-a-deal meeting and/or makes management call.

- Sales rep conducts follow-up (phone, email and regular mail).

- BDC rep takes over if sales rep is unsuccessful (uncover the issue, turn to mgmt. if necessary for resolution).

- Be-back appointment is set with prospect.

- Sales/BDC rep records results of prospect activities into CRM system.

- Appointment confirmation is made if needed.

Tip: If the manager confirms the appointment, the close rate doubles.
Opportunity management

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PROFIT OPPORTUNITY HERE

PROFIT LEAKS HERE
Opportunity management
BDC reduces customer acquisition cost

> Average closing ratio for walk-ins: 16%

> Average closing ratio for previous customer: 41%

> The average dealer resells vehicles to only 35% of their customers.*

> Dealers with a CRM strategy resell to 60% of their customers.**

> Dealers with CRM spend less on customer conquest and sell more to existing customers, typically at higher grosses.

* Source: Cobalt research, 2003
**Source: Deloitte Consulting, 2003
CRM system ensures contact during equity period and when most customers begin to want something new.
Opportunity management
Sold follow-up

> Objective: 100% customer contact throughout ownership cycle.

> Tactics:

- Predetermined contact schedule: calls, letters, emails (includes OEM-required contacts).

- CRM system yields automated follow-up targeting predicted equity points (using sale terms) and desired trade cycle periods.

- CRM system generates scripts and templates to be followed by sales reps (if rep sold vehicle) and/or BDC staff (if sales rep is gone).

- End-of-term lease customers are contacted beginning 180 days prior to expiration by BDC renewal specialists.

- All contacts are logged into CRM system, records are updated.
Opportunity management

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Profit leaks here
Profit opportunity here

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Customer contact diminishes as vehicle repair increases and customer loyalty decreases.
Opportunity management
Service follow-up

> 75% of customers do not service at the dealership where they purchased.

> 85% of customers who return to the dealership for first service return to the dealership for the term of the vehicle.
Opportunity management
Service follow-up

> Objective: Retain and grow service business.

> Tactics:

- Make first service appointment for customer – letter and call to confirm.
- Automated service reminders and vehicle specific service promotions via CRM system.
- Mine service customers for vehicle sales
- Mine high dollar RO customers for potential sales.
- Conduct post-service appointment follow-up call to evaluate satisfaction and schedule next service appointment.
- Have a concern policy and process in place (empower BDC or advisors to make on-the-spot resolutions). All issues reported to service manager.
- Re-contact to determine if issue/concern was addressed to customer satisfaction.
Opportunity management

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PROFIT OPPORTUNITY HERE

PROFIT LEAKS HERE
Maximizing new opportunities
Customer mining and marketing

> Traditional customer acquisition methods are decreasing in efficiency. The market is changing.

> Only 54% of customers find what they want on a dealer’s lot.*

> Only 9% of customers find what they want in traditional newspaper classifieds.*

> Progressive dealerships have completely abandoned traditional marketing methods and replaced them with:

  - Search engine optimization of websites.
  - Search engine marketing.
  - Advanced market analytics to predict prospect propensity to buy.

*Source: J.D. Power and Associates 2005 UAS Study
Maximize new opportunities
Market analysis and propensity to buy

Analyze sales by zip code to determine best competitive conquest zip codes.

Example:
You own this zip code.
Your competitor owns these zips. Mail here.

Source: RL Polk
Maximize new opportunities
Customer and prospect mining

Objective: Maximize new opportunities.

Tactics:
- Mine CRM database for orphan owners. Connect and identify needs.
- Use CRM database to execute instant OEM pull-ahead programs.
- Use CRM system to conduct affinity group promotions (truck accessory specials, tuner accessory specials for sports cars owners).
- Use CRM system to conduct OEM owner loyalty discount notifications, new model introduction notices, “be the first to test drive” offers, etc.
- Use CRM systems to track market conquest direct mail promotions and track zip code predictor campaigns.
- BDC creates, manages and tracks opportunity generation campaigns. Firm appointments are made with prospects, turned over to sales reps.

Tip: collect email addresses from everyone, ask permission to contact them with “relevant information.” Have a process to keep the list up-to-date.
Opportunity management
7 target areas

- **PROSPECTS**
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- **OWNERS**
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Campaigns: Pull-ahead, equity predictors, affinity group marketing, orphan conversion.
Helping dealers sell more cars for more than 10 years.

Kevin Root
Vice President and General Manager
Dealer Advisory Services
August 2005
Business development center (BDC)

> **BDC dealer benefits:**

- Fully integrated processes eliminates duplication and increases productivity.
- A dedicated staff that specializes in phone skills will deliver a consistent message and increase “kept” appointments.
- Better communications within the dealership and increased CSI.
- Increased management visibility and accountability.
- Increased opportunities to grow business (equity prospects, service, parts, etc.).
- Better ability to maximize existing opportunities (improved follow-up).
Business development center (BDC)

Best practices for a successful dealership BDC roll-out:

- Define the strategy, structure and process in advance.
- Define how success will be measured – understand key metrics.
- Don’t skimp on up-front planning. Do it right the first time. It is much harder to re-launch (buy-in will be difficult the second time).
- Involve the entire dealership; don't put the BDC on an island.
- Have CRM in place prior to implementation.
- Ensure correct staffing levels.
- Use results-oriented pay plans.
- Provide plenty of training for the BDC manager.
- Use specialization in all areas (sales, CSI, service, etc.).
Changing market behavior

> The market is changing. We need to change with it.

- Only 54% of customers find what they want on a dealer’s lot.\(^1\)

- Only 9% of customers find what they want in traditional newspaper classifieds.\(^2\)

> Impact of the Internet.

- 36% of all used vehicle buyers are impacted in their make/model decisions by information found online.

- 22% of all used vehicle buyers used the Internet to choose the dealership to buy from.\(^3\)