ABC HONDA/ACURA

EXPRESS SALES PROCESS

ASSESSMENT REPORT

Conducted by
The Rikess Group

PROJECT GOAL

Industry research indicates that the speed of the sales transaction is a key element in achieving a great customer purchase experience. Creating an Express Sales Process (ESP) is also a major contributor to customer advocacy, resulting in a higher incidence of referral and repeat business.

Time studies have indicated that a customer's actual "engaged time" in the sales process is approximately one hour and forty-five minutes. This "engaged time" includes all the activities that cause a Customer to interact and communicate with a Sales Consultant, manager, and F&I. The typical Customer engaged activities include:

- Meet and greet
- Needs assessment
- Product presentation and test drive
- Trade evaluation
- Vehicle purchase negotiations
- F&I presentation
- Vehicle delivery

Time typically spent – or more accurately "wasted" – beyond the "engaged time" creates *dissatisfaction* for most Customers who can't understand why they have to waste so much time while spending a significant amount of money. Research further indicates that when the total time to purchase an automobile exceeds three and one half hours, Customer loyalty (repurchase intent, referral intent, service department utilization) drops to thirty-four percent and below, from a high of ninety-seven percent for a two hour process.

The potential for increased sales department productivity (throughput) is also another **bottom-line** benefit for dealerships that apply an ESP. If the typical sales process in a dealership takes four hours that means there is also over two hours of wasted time for the Sales Consultant. This wasted time clearly impacts a Sales Consultant's productivity. For example, if it takes four hours for a deal to process, a Sales Consultant can only sell two vehicles a day. If the sales cycle time can be driven down to two hours, sales capacity opens up, allowing for the potential of selling four vehicles in a single work day.

The above factors have created the following goal: *To assess **ABC Honda/Acura's** current sales process in an effort to identify opportunities that could eliminate time constraining "bottlenecks" – resulting in a more time efficient sales process.* The body of this report will offer recommendations that will include suggestions for achieving enhanced Customer loyalty/CSI improvements (repeat & referral business) and Sales Department throughput (productivity).

PURPOSE AND METHODOLOGY

The purpose of the initial on-site visit was to

- Determine the current time it takes to sell and deliver vehicles
- Identify the dealerships' most significant "bottlenecks" that *consistently* slow down the sales process
- Solicit suggestions from affected employees for minimizing or eliminating the identified bottlenecks
- Survey management attitudes toward potential new solutions in addressing the bottlenecks
- Identify specific process improvement opportunities

The methodology utilized was an interview format. Interviews were conducted with the following dealership stakeholders:

General Comments

This dealership is clearly a very well run organization. All managers interviewed have a desire to seek methods for continuously improving processes at **ABC Honda/Acura** and were receptive to recommendations that were discussed during the interview process. The Sales Consultants interviewed were also sincerely interested in improving sales process time efficiencies.

This dealership clearly has a variety of opportunities for improving sales process cycle time. The current sales process is undocumented resulting in inconsistent execution by both Sales Consultants and Management.

In addition to the process inefficiencies that are identified in this report, there are also cultural issues that are affecting the overall output of the dealership. Although outside of the scope of this report, they will be touched on briefly.

Of the various groups of individuals interviewed, it was very apparent that the Sales Consultants were the most frustrated and therefore the most desirous to implement process change to improve sales cycle time efficiencies. Regarding the current sales process, it is clear that the identified process deficiencies listed below occur more often during peak business periods, most notably weekends, evenings and the end of the month. The perceptions of the current constraints, root causes of those constraints, and suggested possible solutions, greatly varied depending on the job functions of the individuals being interviewed.

For assessment purposes, the sales process was divided into the following two phases:

- Phase One – From the time the guest is greeted until the time the guest agrees to purchase

- Phase Two – From the time the guest agrees to purchase to the time they leave the dealership in the newly purchased vehicle

Please note that during our interviews we focused on process breakdowns and internal constraints that take place during "peak business hours." These "peak business hours" are typically some evenings, weekends and the end of the month. Previous time studies have indicated that the typical dealership will sell approximately 70% of its vehicles during 30% of the time the store is open ("peak business hours"). The findings of this report will therefore focus on how efficiently time is being utilized during the "peak business hours."

It was estimated by Sales Management/Closers that the average sales transaction during peak business periods ranged **from two to four and one half hours.** However, the Sales Consultants' estimated the sales transaction **from three to six and one half hours** during peak business hours. ("Three hours is good but if it's busy you can wait an hour for the car!" and "If you don't go help the clean-up guy your car will never get done!") *Actual time studies performed at many dealerships in the past indicate that Sales Consultant estimates tend to more accurately indicate actual transaction times than do estimates from management*. It was evident that there is opportunity for improvement at the dealership within both Phase One and Phase Two of the process.

NOTES: Please note that all of the time estimates contained in this report are based on the Sales Consultant's estimates as opposed to sales management. You will find our recommendations for process improvements after each listed bottleneck.

PHASE ONE BOTTLENECKS: Greeting - Agree to Purchase

The pace of sale in Phase One is primarily dictated by the guests' purchase desires (necessity of multiple test drives; Customer's degree of product knowledge; etc.). The constraints at the dealership pertaining to Phase One of the selling process are listed below.

Average Estimated Time to Complete Phase One: *1½ to 3½ hours*

Opportunities to Reduce Sales Cycle Time

1. **Bottleneck: Product Selection and Customer Misinformation**

   If Sales Consultants are doing a less than optimum job regarding needs assessment/Customer interview, product selection or product presentation & demonstration during the Phase One selling process, it forces Sales Management to focus on "deal and/or Customer repair" activities, such as re-working an improperly structured deal or reselecting a vehicle. This lack of sales skill competencies may also further elongate Phase Two of the sales process. The primary cause of the slowdown during Phase One is usually due to *inexperienced or improperly trained* Sales Consultants.

   During interviews, Sales Managers claimed that ongoing training occurs *twice per week during sales meeting*. Interestingly, the Sales Consultants interviewed universally claimed that *no or very little training* takes place at the dealership. In fact when queried concerning training they only pointed out the Honda/Acura corporate training was occurring. This disparity of perception may merely be a result of definition. What management considers training, Sales Consultants consider nothing more than a morning sales meeting.

   Recommendation #1: Formalized & Documented Training. The dealership should develop and implement a *formalized* training and development plan. This plan should include ongoing sales skills training, product training, as well as an emphasis on the completion of required input and information. The formulation of this training plan should include input from the Sales Consultants, allowing them to prioritize their perceived training needs. A lack of consistent, well thought out sales training is a major contributor to employee turnover. Sales Consultant turnover creates a perpetual cycle of the scenario described above.

   Potential Time Savings per deal = 10 minutes

2. **Bottleneck: Inventory Selection and Location**

   It was also noted that most of the new vehicles in the storage area were still in their shipping packaging and had not been prepared for display. These "*still-in-*

the-plastic" vehicles are not visually attractive and are not creating the excitement they could with the prospective buyer.

Recommendation #1: Ripped & Stripped. It is recommended that all new inventories be prepared for sale as soon as it arrives at the retail facility. These vehicles should be "ripped down," mechanically prepped, gassed and paint protected. By doing this in a timely manner, all vehicles will "put their best foot forward" and will serve to make it much easier to prepare the vehicle for delivery when it is ultimately sold. An additional Porter will be necessary to carry this off in a timely manner as the current Porter staff appears to be fully occupied.

Marketing Note: The cost of the paint protection in bulk is minimal and will provide additional gross profit if retailed at the time the vehicle is sold. A special compensation plan for the Sales Consultant should provide additional opportunities for paint protection sales and at the very least, if the Customer wishes not to purchase, it could be just "thrown in," which would be appreciated by the Customer.

Potential Time Savings per deal = 15 to 30 minutes

3. Bottleneck: Trade Appraisal

The current process has the trade appraisal being performed after the demonstration ride has been completed. The Sales Consultant and Customer return to a showroom workstation at the conclusion of the demo ride. The Sales Consultant then goes to his desk in the "bull pen" to retrieve an evaluation form, which is then completed by the Sales Consultant with the Customer. The Sales Consultant then takes the sheet and vehicle keys to the appraiser's desk, in the used car department away from the new car showroom, and the appraiser appraises the vehicle.

In the best-case scenario, this process may take an estimated fifteen to twenty minutes. However, during peak business hours this process may be delayed until an appraiser becomes available. (**Important Note:** The Used Car Manger works all Used Car deals and attempts to close the majority of those deals.) The Sales Consultant may return to the Customer while waiting for the trade appraisal to be completed, however, the process is stagnant until the appraisal is completed. The Sales Consultants universally estimated the time for an appraisal to be completed during peak hours varies from fifteen to twenty-five minutes.

Recommendation #1: Early Appraisal. Move the appraisal process to the beginning of the sales process, where the appraisal is being performed in parallel with the selection, presentation, and demonstration steps. If it is determined during the needs assessment that there will be a trade involved in the transaction, the Customer accompanies the Sales Consultant to the vehicle to gather the vehicle information. While this practice avoids leaving the Customer alone early in the transaction, the true benefit is that the Sales Consultant has the opportunity to gather additional valuable information regarding the Customer's buying motives and vehicle needs. The information gathered can further be explored to better assist the Customer in the vehicle selection process. It will also give the Sales Consultant the ability to personalize and customize the vehicle presentation and demonstration.

Once the Customer's trade information is entered onto an appraisal sheet the vehicle and sheet can be delivered to the appraiser by the Sales Consultant or a Porter.

At this point the Sales Consultant and Customer can proceed with the product presentation and demonstration. By the time the Customer and Sales Consultant return, the vehicle appraisal would be completed and the trade value provided by phone to the "desk."

Potential Time Savings per deal = 15 to 25 minutes

4. Bottleneck: Obtaining Pricing Quotes From the Desk

This issue represents another considerable process constraint during Phase One of the sales process. Sales Consultants reported that the initial desking process requires an inordinate time away from the Customer. The time actually engaged with the Sales Manager was not the issue, but rather the time required "waiting" to engage with the Sales Manager. During peak business hours, when the Sales Managers are engaged with Sales Consultants "penciling deals" (*creating and amending proposals*) or conducting a Customer T.O. (turnover), other Sales Consultants frequently are "stacked up" at the sales desk to discuss their deal.

It is interesting to note that a typical deal is "penciled two to three times" so the Sales Managers could possibly pencil deals equaling three times the amount of the Customers that get to the write-up stage of the process.

It was also noted that one of the Sales Manager is brand new and the recently departed General Manager was very hands on when it comes to working deals. This structure allowed for three managers being available to work deals while now there is typically only one.

Additionally, it was noted that the "penciling process" varied from Manager to Manager. Some members of the Management Team pencil payments on finance and/or lease while others only present the "drive–out" price.

Recommendation #1: Express Desking Process. ABC Honda/Acura has a number of seasoned, senior Sales Consultants. Management should consider empowering these Sales Consultants to conduct the entire transaction with limited support from management. The implementation of this practice would contribute to alleviating the bottleneck at the sales desk. By reducing the amount of management time required on deals that least likely need it, the Sales Managers can more effectively utilize their time with less experienced Sales Consultants in a more timely fashion. A side benefit of this concept is that it also adds a measure of recognition and prestige to the Senior Sales Consultant position.

Potential Time Savings per deal = 15 minutes for senior Sales Consultants

Recommendation #2: Additional Express Desking Process. Another group of "select Sales Consultants" could possibly use the telephone to call the desk for an initial sales figure rather than leaving the Customer alone. Coded verbiage by the Sales Consultant can alert the Sales Manager to how informed the Customer is with dealership pricing practices ("Mr. Jones has spent two hours conducting research on the internet;" "Mr. Smith has been to three other Honda/Acura dealerships and is ready to buy today if the deal is right").

Potential Time Savings per deal = 15 minutes

Recommendation #3: Consistent Desking & Pencil Process. Develop and implement a consistent desking and penciling strategy, technique and tools. The consistent application allows the Sales Consultant the ability to prepare the Customer more effectively, move through the desking process more quickly resulting in a more efficient negotiations methodology.

Potential Time Savings per deal = 10 minutes

5. Bottleneck: Consistent Trade "Bump"

A consistent comment from Sales Consultants was that every trade value required a "bump." The need to consistently "work" the Used Car Sales Manager to get to the "real" trade value creates an additional delay (and often significant) in the desking process.

Recommendation: Reduce Need for Trade Value "Bump." Utilize a more realistic initial trade valuation. As noted above, most deals require an additional valuation "bump," which means that the first number is almost never accepted by the Sales Consultant, Sales Management or the Customer. This lack of trade valuation acceptance rarely results in increased gross profit, but it almost always extends the sales cycle time and takes time away from Sales Management's desking duties.

Potential Time Savings per deal = 10 to 15 minutes

6. **Bottleneck: Insufficient Number of Sales Consultants**

During peak business hours, it is not unusual for there to be more Customers at the dealership than can be assisted by the current number of Sales Consultants. Customers may wander unassisted for significant amounts of time (estimated to be up to 20 minutes) and possibly leave the dealership without ever being engaged by a Sales Consultant. Further, it was noted that often Sales Consultant attempt to juggle more than one Customer increasing the number of times they leave the Customer unattended and often end up with nothing from either Customers.

Recommendation #1: Demand Scheduling. Employ a "demand scheduling" strategy to insure proper staffing during peak business periods (see Attachment #3).

Potential Time Savings per deal = This process recommendation is more about preventing prospects from leaving the dealership due to a lack of sales assistance as opposed to saving time.

Recommendation #2: Part-time Sales Consultants. An opportunity may exist in utilizing part-time employees on weekends as product presenters, delivery personnel or possibly full-fledged Sales Consultants. Properly training people to engage with Customers and having the ability to present vehicles with some degree of knowledge would prevent prospects from being neglected and possibly leaving the dealership. There are a number of sources to recruit "part-timers" including:

- Local colleges
- Retirees
- Dealership staff members college age children
- Previous dealership Customers

Potential Time Savings per deal = 10-20 minutes

7. **Bottleneck: Excessively Low Amount of Dealer Trades/Locates**

It was reported that there are very few dealer trades/locates at the dealership. During busy periods this creates a bottleneck due to the fact that the Sales Consultants must spend a significant amount of time attempting to convince Customers to take a vehicle in stock. Obviously, it is always wise to attempt to sell vehicles from your current inventory; however, it is likely that the lack of dealer trading is creating a sales cycle time extension and almost assuredly costing the store some sales.

Recommendation #1: Defined Dealer Exchange Activity. Develop a consistent set of parameters defining and limiting the dealer exchange activity as well as a streamlined process to accomplish the task. Implement the plan with everyone's full understanding of the processes and the activity.

Potential Time Savings per deal = 10 minutes

Recommendation #2: Dealer Exchange Clerk. Dealer exchanges are generally a clerical function that could be accomplished by someone other that the Sales Manager. Sales Consultants could also be educated on how to locate the vehicle and provide the Sales Manager with the proper data prior to completing the desking process.

Potential Time Savings per deal = 10 minutes

Recommendation #3: Dealer Exchange Group. Build relationships within the metro area allowing for vehicle exchanges without animosity. Utilize retirees to transport dealer trades/locates. It has been found that these retirees are extremely conscientious, easily available at short notice, and cost-effective. Compile a group of 4 or 5 so there will be "backups" if one or more is not available at any given time. You can also utilize retirees for retrieving auction vehicles.

Potential Time Savings per deal = 15 minutes

8. Bottleneck: Sales Consultant Turnover

ABC Honda/Acura is operating with approximately 10 Sales Consultants (ideally they would like to have 14). It is estimated that Sales Consultant turnover exceeds 80% a year. One of the primary reasons for this turnover is the "inability for the new Sales Consultants to make a living." This lack of production – and the necessity to hire new Sales Consultants who are then not thoroughly trained – leads to constant "deal and Customer repair" by management or even worse, lost deals. These "repairs" and lost deals cause management to spend more time working deals than necessary.

Recommendation #1: Documented Sales Process. Create a documented training program (word tracks; flow charts; Customer benefits for each step of the sale). The document should be a "what to do" document but moreover a "how to do" manual. Develop a training calendar that dedicates specific time slots to delivering the documented training. Create an internal "sales skills" certification program to ensure that every Sales Consultant is extremely well versed in ABC Honda/Acura's training program. Please note that product training, competitive product training, and training for paperwork processing must also be part of the overall training strategy.

Potential Time Savings per deal = Significant

Recommendation #2: Part-Time Employees. As previously noted, the store should consider utilizing part-time employees on weekends as product presenters. Training “part-timers” to engage Customers who have some degree of product knowledge would prevent prospects from being neglected and possibly leaving the dealership. A possible source of these part-time people could be local colleges, retirees, dealership staff members, college age children, and previous dealership Customers. Please note these would be hourly employees who would not receive benefits. Also, it is highly likely they will pay for themselves by providing your dealership with referrals (e.g. Fellow students, friends).

Potential Time Savings per deal = This process recommendation is more about preventing prospects from leaving the dealership due to a lack of sales assistance as opposed to saving time.

Recommendation #3: Recruitment Plan. Develop a ABC Honda/Acura recruitment plan which may include university placement services, job fairs, online posting, infomercials, direct mail to your owner base, etc.

Potential Time Savings per deal = Significant

PHASE TWO BOTTLENECKS – From Agreeing to Purchase to Leaving Dealership in Purchased Vehicle

Overcoming “Phase Two” bottlenecks is highly critical to productivity and efficiency as well as increased Customer advocacy.

Average Time to Complete Phase Two: *1 ½ to 3 hours*

<u>Opportunities to Reduce Sales Cycle Time</u>

1. **Bottleneck: Duplication (and Triplication) of Paperwork**

   It was mentioned by the personnel interviewed that the completion of a transaction requires an inordinate amount of documentation, requiring the *duplication of information* many times over on paperwork.

   Recommendation #1: Documentation Review. A review of the documentation process may be in order to consider eliminating any paperwork deemed unnecessary and consolidating others. Also consider the utilization of technology to allow information to be inputted once by the Sales Consultant.

   Potential Time Savings per deal = 10 to 15 minutes

2. **Bottleneck: F&I Hand-off**

   This area, by far, provides the largest opportunity for improvement within the current sales and delivery process. With the both new and used Sales Consultants funneling deals into the F&I department with one contracting person, it is no surprise that a major bottleneck is occurring at the F&I hand-off. Various interviews indicated that during some peak periods, even though the F&I person is fast, it is not unusual for a Customer to wait from twenty to forty-five minutes before being contracted by the Business Office.

   It was repeatedly mentioned that even when the 2nd Sales Manager contributes assistance to the F&I process there is still a bottleneck, as his primary focus is on desking deals.

   Additionally it was noted that there was no way to get the deal documentation to the F&I Manager while he was with another Customer, thus the Sales Consultant was on hold outside the F&I Office waiting for the process to end.

   Recommendation #1: Effectively Utilizing the Wait Time to Get Into F&I. Delivery responsibilities can be separated into two distinct sections: 1) maintenance and warranty book review, and 2) physical delivery of the vehicle. When an F&I bottleneck occurs, Sales Consultants can document an action plan to begin the delivery process. Executing the delivery process prior to the F&I interface when a back up exists will eliminate additional, unnecessary wait time for the Customer. If an F&I representative becomes available during the delivery process, the Sales Consultant will stop the process and “pick it up” after the F&I presentation. It is also recommended that the dealership provide Customers with a “ABC Honda/Acura” logo box that they can use to remove the contents from their trade-in during this wait period.

Potential Time Savings per deal = 10 to 20 minutes

Recommendation #2: Document Processor. During peak periods, consider utilizing a “document processor” to load deals for F&I Managers and complete the documentation with the Customers, freeing the F&I Managers for increased productivity. Utilizing document processors would greatly reduce or eliminate wait time by the Customer while increasing productivity opportunities for the F&I managers. This position can also ensure completeness and accuracy of input information. Additional information and/or inaccuracies can be identified and corrected prior to the Customer interfacing with the F&I Manager. Although this recommendation requires additional administrative personnel, it is on a part-time basis and is much more cost-effective than additional F&I personnel.

An analogy of the described above process is much like a hospital emergency room. Upon arrival, the client is initially screened (document processor). The client is then handed off to a person who processes the insurance information (DMV processor). Upon entering the examination room the nurse or technician reviews the purpose of the visit and performs vital sign check (Delivery – maintenance and warranty review). The client is then seen by the doctor (F&I Manager). Finally, the client is processed out (Physical delivery). By actively managing this process, the Customer’s wait time would be greatly reduced. The F&I Managers time would be maximized by increasing the amount of interface time they have with the Customer. (When was the last time an emergency room physician completed insurance information forms?)

NOTE: Although the above recommendation requires adding additional personnel, it is on a part-time basis and is much more cost-effective than adding additional F&I personnel. You might be able to source this type of person from someone currently working in your office who desires additional work.

Potential Time Savings per deal = 10 minutes

Recommendation #3: A Time Study. Conduct a time study to determine traffic at the dealership. Over a period of time, a pattern will emerge. Compare the work schedules of the F&I personnel to the traffic patterns determined by the time study. Although the current work schedules may form a nice symmetrical pattern, it is highly doubtful that the Customer traffic patterns resemble the work schedules. Use this information to schedule accordingly.

Recommendation #4: Deal "Bucket." Designate a "bucket" to drop off deals at the F&I Office allowing the Sales Consultant to put his deal into the queue and return to the Customer.

3. Bottleneck: Incomplete and Inaccurate Deal Information

Loading deal information into the DMS can take five to ten minutes of the F&I Manager's time per deal ***if*** no errors or omissions occur. When errors or omissions are discovered (which happens with some frequency at this store), delay times can be as simple as making a quick correction or may take an additional twenty minutes while trying to find the Sales Consultant to collect the missing or inaccurate information.

Recommendation #1: Use of checklist. Use a deal checklist and thoroughly review the contents of the deal jacket for completeness and accuracy before forwarding it to the F&I department by the Sales Managers. Missing documents are noted on the checklist with accompanying explanations. This is clearly an accountability issue. Redesign (if needed) and properly utilize a deal checklist on <u>every</u> deal. Insist on the check sheet being properly completed by Sales Consultants and verified by Sales Managers with all supporting documentation or an explanation of any omissions.

Potential Time Savings per deal = 5 to 20 minutes

Recommendation #2: Review Documentation. Conduct a review of all documentation required to complete a transaction. Consider eliminating unnecessary paperwork and duplication of efforts.

Potential Time Savings per deal = 5 minutes

4. Bottleneck: Detail

It was noted by all stakeholders that the ABC Honda/Acura lot is well organized.

However an area of opportunity is to schedule detail personnel to meet demand. Again, during peak business hours, it was reported that it is difficult for the department to meet delivery demand. It was reported that even after experiencing constraints in the F&I process, a Customer's vehicle usually is not ready for delivery by the time the Customer has completed the F&I and delivery paperwork.

Recommendation #1: Stripped & Ripped. As previously noted, it is recommended that all new inventories be prepared for sale as soon as it arrives at the retail facility. These vehicles should be "ripped down," mechanically prepped, gassed and paint protected. By doing this in a timely manner all vehicles will "put their best foot forward" and this will also serve to make it much easier to prepare the vehicle for delivery when it is ultimately sold. An additional Porter may be necessary to carry this off in a timely manner as the current Porter staff focuses on both Sales and Service and appears to be operating at or almost at full capacity. *Repeat Marketing Note:* The cost of the paint protection in bulk is minimal and will provide additional gross profit if retailed at the time the vehicle is sold. If the Customer wishes not to purchase, it could be just "thrown in," which would be appreciated by the Customer

Potential Time Savings per deal = up to 15 minutes

Recommendation # 2: Demand Scheduling. Creating a demand schedule for Porters requires a time study to determine when workload demands exceed the department's output potential, then staffing the department according to identified peak workload demands. This could be implemented by simply time stamping the get-ready form when completed by sales management, then again when the vehicle is delivered to the delivery team. If demand scheduling is determined to be necessary, the detail department could employ additional part-time personnel to meet Customer demand during peak business hours.

Potential Time Savings per deal = up to 30 minutes

Conclusion

ABC Honda/Acura has several opportunities for process improvements affecting their sales cycle time, if they choose to address the issues and commit and adhere to the changes they decide to implement.

It was estimated by the Sales Consultants, that the current average time to complete a sales transaction is approximately 3 to 6½ hours, and in some cases even longer during peak sales times. By instituting the following suggested methods for reducing sales cycle time, it is our belief that the average sales cycle time could be reduced by at least two to three hours. Recommended sales cycle time enhancements include:

1. Sales Consultant Turnover

   - Create a documented training program.
   - Develop a training calendar.
   - Create an internal "sales skills" certification.
   - Include competitive product training.
   - Train paperwork processes.

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2. Product Selection and Customer Misinformation

   - Develop and implement a *formalized* training and development plan.
   - Include ongoing sales skills training, product training.
   - Include the completion of required input and information.
   - The training plan should include input from the Sales Consultants.
   - Allow Sales Consultants to prioritize their perceived training needs.

3. Inventory Selection and Location

   - All new inventories prepared for sale as soon as it arrives.
   - Vehicles should be "ripped down," mechanically prepped, gassed and paint protected.
   - An additional Porter will be necessary.

4. Detail – Vehicle Get Ready

    - Creating a demand schedule for Porters identifying peak workload periods and demands.

5. Trade Appraisal

    - Move the appraisal process to the beginning of the sales process, so the appraisal is being performed in parallel with the selection, presentation, and demonstration steps.

    - While gathering the trade information, the Customer accompanies the Sales Consultant to the vehicle.

6. Consistent Trade "Bump"

    - Reduce the need to consistently "work" the Used Car Sales Manager.

    - Reduce the time required to call the Used Car manager and argue the case for a more realistic value.

7. F&I Process & Hand-off

    - Effectively utilize the wait time to get into F&I.

    - Perform a time study to determine how many and when to station F&I producers and clerical help.

    - Designate a "deal bucket" for drop off deals at the F&I Office.

    - During peak periods, consider utilizing a "document processor" to load deals for F&I Managers and complete the documentation with the Customers.

8. Obtaining Initial Proposal

    - Consider re-engineering the sales process so the initial Customer information can be added at one of several kiosks on the showroom floor.

    - ABC Honda/Acura has a number of seasoned, senior Sales Consultants. Management should consider empowering these Sales Consultants to conduct the entire transaction with limited support from management.

    - Another group of "select Sales Consultants" could possibly use the telephone to call the desk for an initial sales figure rather than leaving the Customer alone.

- Develop and implement a consistent desking and pencil strategy, technique and tool.

9. Duplication (and Triplication) of Paperwork

    - Review documentation process.
    - Consider eliminating any paperwork deemed unnecessary.
    - Consider consolidating of all others.
    - Consider the utilization of technology to allow information to be inputted once by the Sales Consultant.

10. Excessively Low Amount of Dealer Trades/Locates

    - Develop a consistent set of parameters defining and limiting the dealer exchange activity.
    - Treat the dealer exchanges as a clerical function accomplished by someone other that the Sales Manager.

11. Incomplete and Inaccurate Deal Information

    - Use a deal checklist and thoroughly review the contents of the deal jacket for completeness and accuracy.
    - Conduct a review of all documentation required to complete a transaction.
    - Consider eliminating unnecessary paperwork and duplication of efforts.
    - During peak periods, consider utilizing a “document processor” to load deals for F&I Managers and complete the documentation with the Customers.

12. Insufficient Number of Sales Consultants

    - Employ a “demand scheduling” strategy to insure proper staffing during peak business periods.
    - Utilize part-time employees on weekends as product presenters.
    - Properly train people to engage with Customers and having the ability to present vehicles.

Attachments

Attachment 1 – Points in Sales Process where Customer is "left alone"

ATTACHMENT #1

Points in sales process where Customer "is left alone"

One of the most significant "drags on Customer satisfaction" is the amount of times a Sales Consultant will in essence "abandon" a Customer during the sales process. We use the word "abandon" as Customers have indicated that they feel this way during focus group studies. During these studies, Customers have consistently said they would like to have a "single point" of contact allowing them to complete the automotive purchase transaction with one highly trained individual. There are very few dealerships that have a seasoned and senior enough staff to allow for a "single point" of contact purchase process. Therefore, it is incumbent upon dealerships to minimize the amount of people a Customer has to interact with and the amount of times a Sales Consultant must leave the Customer to consult with his/her fellow co-workers. Below find the amount of times a Customer may be "abandoned" during the typical sales process at **ABC Honda/Acura:**

- 1st — Sales Consultant goes to Receptionist to get Demonstrator Vehicle key, copy driver's license and insurance information
- 2nd — Sales Consultant leaves the Customer to check availability of a vehicle that matches the Customers requirements
- 3rd — Sales Consultant goes to their "desk" for trade appraisal form and worksheet
- 4th — Sales Consultant with Customer's vehicle goes to the Used Car Department for trade appraisal
- 5th — Sales Consultant goes to the desk for 1st pencil
- 6th — Sales Consultant returns to the desk for 2nd pencil
- 7th — Sales Consultant returns to the desk for 3rd pencil
- 8th — Sales Consultant goes to the storage area to get specific vehicle information
- 9th — Sales Consultant goes to his desk for deal paperwork

- 10th Sales Consultant leaves to make copies and returns to the desk for inspection of paperwork, then to F&I to drop off the deal

- 11th Sales Consultant leaves to check on F&I Queue

- 12th Sales Consultant leaves the Customer to put the vehicle in queue for “get ready”

- 13th Sales Consultant leaves Customer to acquire the “books” and keys to begin the delivery

- 14th Sales Consultant leaves to retrieve the vehicle

NOTE: It is estimated that a Sales Consultant will leave a Customer alone for a period of up to two hours based on the scenario outlined above.

Squeezing “unapplied time” out of the vehicle sales process

(Improving the efficiency of the selling process can also boost the productivity of the sales staff)

Everyone understands the concept of “unapplied time” as it is used to evaluate the performance of a dealership service department. But what would happen if the same type of measurement were used as a benchmark in the front end of the business?

The results would be dreadful, of course, unless the formula was tweaked to recognize the significant differences between selling and servicing a car. Still, the idea intrigued dealer Mike Price of the Price Group in Wilmington, Delaware. Mr. Price wanted to see if shortening the time it takes to buy a car, by squeezing out wasted or unapplied time, would have any effect on customers’ perceptions of the experience. So he set out to study the subject.

The study

How long does it take to buy car from the time a customer walks onto the dealership lot until he or she signs all the paperwork? The number we heard at the NADA Convention earlier this month was 171 minutes or just under three hours. That’s an average and some deals move faster and some take considerably longer. Mr. Price sought to measure the correlation between the “speed of the sale” and “customer advocacy.” As used here, customer advocacy means the likelihood that a customer will recommend or refer another customer to a dealership.

The results of the survey were illuminating. Mr. Price discovered that 74 percent of the sales customers surveyed had purchased a vehicle, including time spent in F & I and detailing, in two hours or less from the meet and greet to the delivery. Of that group, 100 percent indicated an absolute/complete willingness to recommend or refer additional customers to the store. In fact, 67 percent had already made such a referral.

Of the group who were in an out in two hours or less, 97 percent also indicated their intent to use the dealership for service.

On the flip side, customer advocacy dropped to 34 percent when it took 3.5 hours or more to complete the sales transaction. Moreover, the longer duration affected follow-up after the sale as well since dissatisfied customers tended not to want to hear from the sales rep or sales manager.

The solution

Mr. Price works closely with dealership consultant Mark Rikess of The Rikess Group (800-851-4018,
www.rikessgroup.com) Mr. Rikess spent some time studying the problem and developed what he dubbed the Express Sales Process (ESP). Essentially ESP is a process improvement program for the dealership sales departments. It seeks to reduce the of unproductive or unapplied time in the sales process, time not spent actively engaged in selling a car.

As Mr. Rikess was developing ESP, he naturally gravitated toward the bottlenecks and obvious time wasters. Some were easily resolved like the dealership that required salespeople to drive to a nearby gas station to fill a vehicle's tank just before delivery (15 – 20 minutes). The solution was to have a lot man keep the tanks full.

A more difficult problem is the F & I department. During busy periods, customers can wait upwards of 30 minutes before getting to see the F & I manager. Once in, Mr. Rikess made an interesting discovery. The amount of time spent actively engaged in the sales process was relatively short, 20 minutes or less. But at least twice that much time was being wasted on deal loading, correcting paperwork mistakes, and re-closing customers that were having second thoughts.

Fixing those kinds of process deficiencies requires root cause analysis, process change, better staffing (or better scheduling) and some retraining.

Demand scheduling

One of the more interesting aspects of ESP has been its reliance on the concept of demand scheduling for the sales staff.

Most dealerships schedule their salespeople for shift coverage. One group works 9-to-5 and a second group works from 2-to-closing. So frequently there are too many people on the showroom floor when there is no traffic and not enough sales reps when customers crowd the store. That can make salespeople start to rush and take shortcuts when they see customers standing around waiting for help and that, in turn, leads to those time-wasting process errors.

Mr. Rikess recommends staffing to cover peak traffic periods. In his experience that can result in dealerships needing fewer salespeople working fewer hours yet selling more cars. In fact, in the stores where his ESP program has been implemented, salespeople on average are coming face-to-face with six to eight more prospects per month.

Another tool for speeding the sales process is the use of an "electronic delivery" program. This is a PowerPoint presentation of the service department, warranty issues, even a CSI questionnaire. It makes this aspect of the delivery go faster and is more memorable. What's more, if the customer agrees, the presentation can be e-mailed, which allows the dealership to capture that e-mail address.