

Dealer Lab: Secret Shoppers Give Surprising Report

Publish date: Mar 1, 2010
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Editor's note: Dealer Lab is a joint effort between Dealernews and PowerHouse Dealer Services, a consulting firm run by former dealer Bill Shenk, detailing his efforts to return Florida Motorsports to profitability. When he took over management in July 2009, the two-store (Naples and Punta Gorda) network wasn't in good shape — it lost about \$1 million in 2008. Our reports will cover these efforts, good, bad and ugly.

We aren't running the Dealer Lab financials for January in this issue because the composite report wasn't completed in time to meet the early deadlines necessitated by the 2010 Dealer Expo. You'll be able to read this report in the Dealer Lab section of our website after Feb. 10. Just visit dealernews.com and click on "Shop Talk."

Fran O'Hagan runs a sales and marketing operation in Pacific Grove, Calif., called the Pied Piper Management Company. On the other side of the country, in Florida, he's running a secret shopper operation, checking the performance of Bill Shenk's staff in the Naples and Punta Gorda stores. It's part of a plan to improve profitability at the Florida Motorsports dealerships.

O'Hagan approached Dealernews and Shenk in November 2009 with an idea about using his secret shopper program to evaluate the performance of the dealerships that Shenk was trying to improve.

Pied Piper PSI "mystery shopping" is the brainchild of O'Hagan, who has worked with OEMs and dealers in both the powersports and auto industries for years. While Pied Piper PSI uses secret shoppers to gather data about a dealer's performance, the process is more detailed than merely sending agents to dealers and evaluating their experience.

PIED PIPER SECRET SHOPPER SUMMARIES				
LOCATION	EVALUATION DATE	PIED PIPER PSI	SHOPPING EXPERIENCE	SALESMANSHIP EFFECTIVENESS
Naples	1/9/2010	123	95%	88%
	11/24/2009	101	95%	57%
	11/24/2009	110	95%	66%
	11/19/2009	105	95%	63%
Punta Gorda	1/13/2010	107	90%	69%
	12/11/2009	107	86%	69%
	11/27/2009	107	76%	73%
	11/25/2009	124	89%	88%

The shoppers really are fact gatherers who evaluate performance using more than 50 sales process criteria. The data is then used to develop a unique index — the Prospect Satisfaction Index or PSI — measuring how effectively a dealership sells.

Since O'Hagan works with dealers across the country and with the major OEMs, it's possible for him to compare the performance of an individual dealership

with the industry or regional average. Using Pied Piper, Shenk can track the development of his staff over time, and he can compare his dealership's performance with that of the overall industry and with other dealers in his region.

Here's a summary of the program that O'Hagan and Shenk developed in November for Shenk's Naples and Punta Gorda stores:

- Pied Piper shoppers would evaluate the two dealerships three times each over the next 45 days, roughly through the end of the year. The three shoppers at each store would pose as a prospect asking about a different brand each visit: i.e., the first would ask for a Honda, the second a Yamaha and the third a Suzuki. ("After the dealerships have a strong storewide sales process in place, it should not make much difference what the shopper is looking for," noted O'Hagan in his early proposal. "But without an agreed-upon sales process followed by all, we have found big differences by brand in customer treatment at many dealerships.")

- After gathering the results of the "baseline" shops (the "before" snapshot) in late December or early January, O'Hagan would talk with Shenk and take him through the different Prospect Satisfaction Index (PSI) reports and Web application, and discuss what the shoppers found and what O'Hagan's data analysis had turned up.

- Then, starting in January, the plan called for an evaluation of each dealership once each month. If the larger dealership had enough salespeople, Shenk could always boost the evaluations to two per month for the larger store (it was his decision). He could also alternate from one brand to another (i.e., asking for a Honda one month, Suzuki the next, etc). Shenk could decide what would be most helpful to him and tailor the work to meet his needs.

"Then, by mid-2010," said O'Hagan, "you will be able to use the PSI evaluation results to show how the sales processes used by the dealerships have improved, but also how they compared to the same-brand national average sales process before and after."

INITIAL BASELINE RESULTS

Dealership PSI Score Range	Description of Dealership Performance
"F" <70	The dealership shopping experience included some kind of egregious mistake, very noticeable, possibly even insulting to the shopper.
"D" 70-89	The dealership did not follow an effective sales process. This could be because the salesperson has not been trained adequately or because the dealership does not have a stated dealership sales process..
"C" 90-104	The salesperson did many things right, but there were also many sales process areas which were not adequately addressed.
"B" 105-114	An excellent job by the salesperson, who clearly followed a defined sales process. There were still several areas that can be improved, but overall an effective effort at helping the shopper buy a vehicle.
"A" 115+	Very few, if any, aspects of the sales process need improvement. The salesperson clearly followed a defined sales process and did as much as possible to help turn the shopper into a buyer.

From Nov. 19, 2009, through Jan. 13, 2010, Pied Piper secret shoppers conducted four visits to each of the Florida Motorsports stores. As you can see in the table, the shoppers gave the Naples' store what amounts to an A, two B's and a C, while Punta Gorda received an A and three Bs.

The PSI scores for both stores are well above the industry average, with the Naples store posting an excellent score for the Jan. 9 visit. Punta Gorda needs some improvement and didn't show any improvement during the last three visits.

The "Salesmanship Effectiveness" section of the table is enlightening. It's a key indicator of the ability of the dealership to close the deal. In the case of the Naples' store, in only 25 percent of the cases did the salesperson provide compelling reasons for the prospect to buy now.

In only about half the situations did the salesperson mention the availability of an extended warranty or ask for the prospect's contact information. And in only 88 percent of the situations did the salesperson even ask for the sale.

Pied Piper will continue to provide Shenk with detailed reports of its visits to his dealerships. The reports shown here are only a small portion of the reports that Shenk can study by going to his password-protected page on the Pied Piper website. As Shenk continues to install and refine the sales processes used by his developing staff, we should expect these scores to continue to climb as we move through the year.

Next month: reducing inventories.

This story originally appeared in the Dealernews March 2010 issue.