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Mercedes Dealers Top Sales-Effectiveness List

By Steve Finlay

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Most-improved player Mercedes-Benz again leads an annual ranking that measures the sales effectiveness of different auto brands' dealers.

This is the third year in a row Mercedes has topped Pied Piper Management's independent Prospect Satisfaction Index.

The consultancy sent 3,524 mystery shoppers into dealerships. The covert operatives recorded how sales personnel did on matters ranging from product knowledge to whether they gave compelling reasons to buy, to whether they provided vehicle walk-arounds.

Mercedes dealers collectively merited the highest index rating of 108. Jaguar and Lexus dealers tied for second with an index of 107. Acura and Infiniti placed third, each scoring 106.

At the bottom of the list were Mitsubishi (91), Suzuki (98) and Smart (100). The low scores largely reflect those brands' anemic sales in recent years, says Pied Piper CEO Fran O'Hagan.

Mercedes earned only a so-so score on the firm's first index of 2007, he says. "Mercedes was at the low end of the luxury brands."

The German auto maker's American dealer body went to the top of the ranking for "one main reason," O'Hagan says. "Ernst Lieb showed up in the U.S."

As president and CEO of Mercedes-Benz USA, Lieb set up a process guiding how Mercedes dealers treat customers. The auto maker now measures performance and rewards dealers who do well.

Did the power of Lieb's personality or the strength of the system produce the desired results among Mercedes 350 U.S. dealers?

"Both," O'Hagan tells *Ward's*. "A lot of dealer-improvement programs are out there, and they haven't been as successful. Lieb will tell you money motives. And Mercedes dealers are very profitable. You will see differences between a Suzuki dealer delivering five units a month and a Mercedes dealer delivering 55."

If dealers struggle to make money, "they will not be able to offer the service our customers deserve and pay for," Lieb recently told journalists in Detroit. "Dealers are such a huge part of what we do."

Among the brand's stand-out dealerships is Mercedes-Benz of San Francisco, near the heart of that city.

"We're not on an auto row, we're downtown, so as a 'destination' dealership we strive to provide exceptional service to our clients," Ash Zaki, the store's general manager, tells *Ward's*.

It apparently is working. The dealership typically delivers 90 new and 90 used units a month. "We're doing a lot more used cars than before," he says.

Overall auto-industry performance on the Pied Piper prospect satisfaction index has declined from 2010 to 2011.

- Compared with last year, sales people were less likely to:
- Mention maintenance programs and costs.
- Address specific features and benefits relevant to the shopper.
- Discuss features different from the competition.

The index slide may reflect the fact that fewer salespersons are selling more cars. That's because many dealers cut payrolls during the recession, and some auto makers, notably General Motors and Chrysler, slashed their dealership ranks in 2009 and 2010.

During the recession, reduction in dealership staff "was common," O'Hagan says. "Over the past year, the quantity of car buyers has rebounded, leading to higher sales spread among fewer sales people, but also leading to deterioration of customer treatment."

Mystery shoppers gauge things that are important to making a sale, but not necessarily of interest to customers at the particular time.

"A customer in a dealership is thinking about price and trade value, not whether the salesperson addressed specific features, asked for the sale or followed the sales steps," O'Hagan says. "Those are not what the customer focuses on, but they are what sells cars."

Consumers who later fill out customer-satisfaction surveys give feedback on their dealership experience. But there is a difference between asking buyers how they feel after the sale "and sending people into a dealership to find out what is happening *during* the sale," O'Hagan says.

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Customers often aren't keyed into how to run a business, he says. "It's like Henry Ford said: 'If I had asked my customers what they had wanted, they'd have said a faster horse.'"

Despite the stereotype of the hard-driving car salesman pounding a customer into buying, the Pied Piper index indicates most sales people avoid "overselling." The industry average for avoiding that is 94%, the study says.

A good salesperson neither oversells nor undersells. Someone who fails to ask for the sale, lest it be seen as pushy, isn't doing the job right, O'Hagan says.

"At ultra-luxury dealerships such as Porsche or Ferarri, we've seen some sales people who are in what I call the 'museum-curator' mode," he says. "They are polite, friendly and answer questions. But they are not good at selling."

"If you ask customers walking out, 'How were you treated?' they'll say, 'Great.' If you ask them, 'Did you buy a car?' they'll say, 'No.'"

While Mercedes dealers rank highest in this survey, they tied with Audi for fifth place in a spring Pied Piper study of how well dealerships handled online customers.

Topping the Internet-effectiveness list by brand was Lexus, followed by Honda, Toyota and Smart.

Ironically, Smart dealers rank near the bottom of the latest study of in-store best practices. Still, dealers who do well with customers online usually do well in person, too.

But some dealerships continue to struggle with their online sales efforts. The biggest shortcomings are failure to respond promptly to Internet leads and inquiries – if at all, O'Hagan says.

"A dealer wouldn't tolerate it if customers were walking around the showroom and employees were ignoring them," he says. "That essentially is what dealership personnel do if they are not responding to Internet customers."

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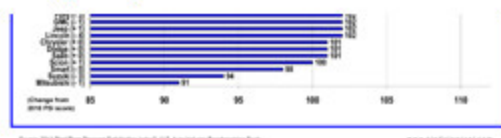
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More sales, fewer sales people in auto industry, says Pied Piper CEO Fran O'Hagan.



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