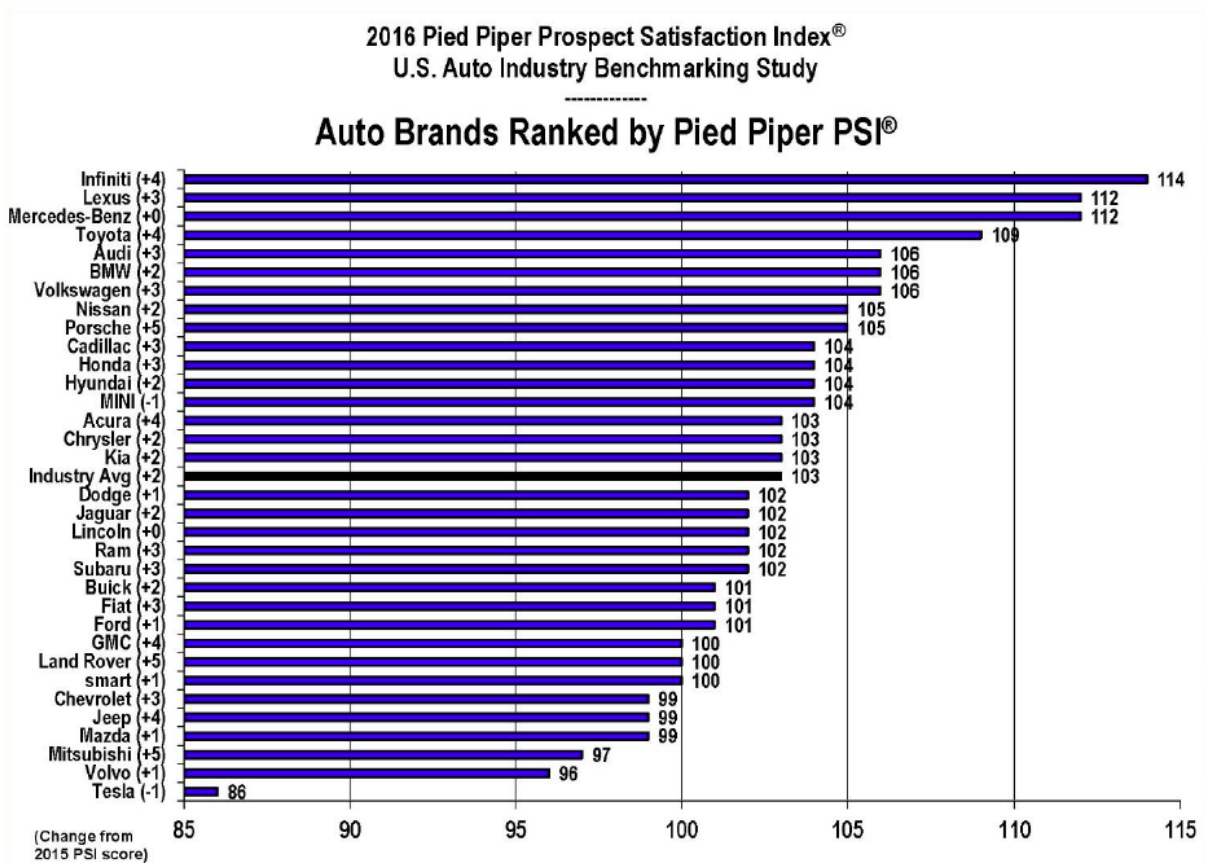


# Dealership insights: ‘helpful’ sells cars, ‘ambivalent’ doesn’t

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*Pied Piper Management Company has been looking into dealership performance over the past decade. Megan Lampinen speaks to its CEO about what makes a successful sales approach*

Competition on the US new car market is fierce, and treatment at the dealership level can make all the difference. For the past decade, the Pied Piper Prospect Satisfaction Index (PSI) US Auto Benchmarking Study has been taking a closer look every year at which brands are getting it right and which are falling behind. The latest results put Nissan’s Infiniti brand at the very top.



## Metrics refined

Study rankings by brand are determined by the Pied Piper PSI process, which ties mystery shopping measurement and scoring to industry sales success. The procedure has been refined

over the years and Fran O’Hagan, President and Chief Executive of Pied Piper Management Company, believes it’s a pretty solid indication of performance.

“Initially, back in 2006, when we invented the PSI process, we conducted shopper intercept research at hundreds of dealerships across the US, and in addition, we separately sent mystery shoppers into all of the same dealerships. We then used that great mound of data to determine which of 225 different sales behaviours were statistically related to sales success and which were not,” he told *Automotive World*. “We ended-up throwing out 75% of the behaviours we measured since the math did not support those behaviours. Now in 2016, after using PSI to measure every US auto brand’s dealer network every year for ten years, we can confirm the accuracy of our initial 2006 PSI research.”

The one change that was made to the PSI scoring came in 2013, what O’Hagan describes as a “fine-tuning based upon years of reviewing individual brand dealer KPIs (change in market share, sales, retained gross profit) compared to change in PSI factors.”

According to the company, dealerships in the top quarter generally sell 16% more vehicles than the dealerships in the bottom quarter, but dealer and brand success can be measured by metrics other than simple total retail volumes. While O’Hagan wasn’t able to provide an equivalent ‘16%’ figure for these other metrics, he pointed to a handful of examples: higher retained gross profit on new sales, higher owner loyalty and higher dealership sales of pre-owned vehicles to customers attracted to the dealership.

The feedback from the mystery shoppers is essential, but each shopper is an individual, representing a certain age and gender demographic, which could influence treatment. Among the top performing dealerships, this impact should be minimal. “The dealerships that have a well-defined sales process for their salespeople to follow tend to treat every car-shopper identically regardless of age or gender,” he commented. “Those are the dealerships that achieve top PSI scores every time we measure them (monthly for example.) On the other hand, at dealerships without a clearly defined sales process ‘owned’ by the dealership—where instead the salespeople can use their own judgement and determine how they wish to interact with each car-shopper—there can be differences.”

### **Shifting sales behaviours**

During the past decade, eight out of ten PSI sales behaviours have improved. The following are some of those that have increased the most as of 2016:

- mentioned the availability of different financing or lease options (occurred 79% of the time in 2016);
- asked about reasons preventing purchase (occurred 74% of the time in 2016);
- discussed features unique from competition (occurred 63% of the time in 2016).

At the same time, below is a list of those behaviours that have decreased the most compared to a decade ago:

- offered printed materials for shopper to take with them (occurred 45% of the time in 2016);
- asked how vehicle will be used (occurred 70% of the time in 2016);
- asked why considered brand (occurred 59% of the time in 2016).

Part of these developments stem from the digital revolution that has been taking place, particularly the category ‘Provided printed materials’. As O’Hagan explained: “Providing printed materials is no less relevant today than pre-Internet. The math says today that customers who walk out of a dealership holding something in their hands are more likely to return to buy. However, what they are holding in their hand has changed. Ten years ago it would have been a brochure, while today it might be a print-out of an on-line vehicle description. What’s key though is that the customer has something physical to place on their coffee table or kitchen island, where it keeps selling.”

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### **Ambivalence doesn’t sell**

While the brands examined in the study vary widely in their target audience, O’Hagan is convinced that the categories looked at in the study are considered equally desirable and applicable for them all. “We have found that there are minor variations from brand to brand, but when the 50+ PSI factors are added together, the combined result works very well for all brands,” he observed.

There has been some variation in the approaches among luxury vs mainstream brands, particularly regarding the traditional hard sell approach. “It has been interesting to watch some of the luxury brands completely change the way that they approached selling over the past ten years. Historically some of the luxury brands followed a very ‘low pressure’ approach where it almost seemed that the salespeople were ambivalent about whether or not a customer bought. We call salespeople who follow this approach ‘museum curators.’ For successful manufacturers and dealers, the days of salespeople as ‘museum curators’ are over,” said O’Hagan. “Manufacturers and dealers learned that for salespeople to be most effective the customer needs to be able to say that the salesperson was very helpful.”

Tesla found itself in this curator category, where it has placed itself deliberately. The California electric vehicle (EV) maker, which insists on a direct sales approach and regards its retail staff more as product advisors than anything else, came last in the rankings. Company Chief Executive Elon Musk welcomed the feedback, tweeting that he is glad to “finish last in being salesy.” According to O’Hagan, he’s missing the big picture.



**Elon Musk**   
@elonmusk



Following

Tesla finishes last in being salesy! Good. Also, I can't believe there is a real Pied Piper.



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“What Tesla and its fans have latched onto is the idea that the Tesla sales process is ‘low pressure’ which they believe is ‘good,’ while the typical car-shopping experience is ‘high pressure’ which is ‘bad’. We can understand that thought process from consumers since it’s fed by the historical car-buying stereotype of an overbearing salesperson,” he observed. “Of course the whole foundation of PSI is based upon the sales behaviours that actually turn car-shoppers into car-buyers, and the key to sales success is not an overbearing salesperson, but a salesperson who will be called ‘helpful’ by the car-shopper.”

In O’Hagan’s view this is a person willing to work hard to understand what’s important to a shopper and to help him or her achieve whatever it is they want to. “What’s interesting is that car-buyers are just as happy running into one of these ‘helpful’ salespeople as they are running into a ‘museum curator’ salesperson who just smiles and answers questions. The

difference is that the ‘be helpful’ salesperson ends up selling a lot more vehicles (with happy buyers) than the ‘museum curator’ salesperson.”

### **Best and worst**

Among all the brands examined, Porsche, Land Rover and Mitsubishi showed the most improvement in the rankings year-on-year (YoY). Only two brands, Mini and Tesla, showed YoY declines. A big part of the problem at Tesla was inconsistency.

“Completely missed by the Tesla folks, but just as important, is the fact that today there is so much variability from one Tesla store to the next,” O’Hagan explained. “If there really was a ‘Tesla way’ of interacting with car-shoppers, then one would expect that similar car-shoppers would be treated similarly from store to store. But that is not the case. Tesla car-shoppers are treated very differently from one Tesla store to the next.”

Test drives, for example, were suggested to 69% of the car-shoppers who visited a Tesla location, but the other 31% received no mention of it. Tesla sales staff asked about a car-shoppers’ trade-in 36% of the time, but that meant 64% of the time there was no mention of trade-in. Similarly, staff asked how the vehicle will be used (particularly important given the product, O’Hagan points out) just 64% of the time. “At some point, the Tesla folks will start to wonder why – despite the same products everywhere – some of their Tesla stores sell a lot more vehicles than others,” he added.

At the other end of the spectrum, eight brands have consistently ranked at or above the industry average for each of the past five years: BMW, Cadillac, Honda, Infiniti, Lexus, Mercedes-Benz, Toyota and Volkswagen. For those consistently at the top, it is the care that they show that sets them apart. “Caring about how dealerships sell is not only worth the effort (+16%), it is also one of the few parts of the car business that manufacturers and dealers can change right now,” he emphasised. “So much of the car business is very difficult to change (improving dealership locations, driving more floor traffic, creating more attractive products, etc). What sets apart the brands at the top is that they have prioritised how dealerships sell. They care about it. They measure it. They review it with the dealers. Over the past ten years we have watched individual manufacturers go through this process. Both Mercedes-Benz and Infiniti are great examples, where the PSI average scores for both brands were right on the industry average ten years ago, but over time, with continual improvement they moved to the top of the rankings.”