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How Important is the Facility to the Sale?

Posted by [Cliff Banks](#) on June 17, 2011 at 6:42am [View Blog](#)

This week, two American luxury brands, Lincoln and Cadillac, began rolling out facility redesign initiatives, at significant expense for their dealers.

The question is, do facility redesigns help dealers sell more vehicles?

Ford Motor Co. began talking to its Lincoln dealers last year about the investment they would have to make in their stores if they wanted to continue selling Lincolns. A meeting last week in Detroit with approximately 120 Lincoln dealers revealed the level of investment Ford wants from its Lincoln dealers.

Single-point Lincoln dealers will pay an average of \$1 million to complete the redesign, while stores dualued with the Ford brand likely will pay as much as \$2 million, according to media reports. They have to begin the redesign process by the end of the year and be finished by 2013 or Ford will begin action to take away the franchise from dealers not in compliance.

That speaks volumes -- the redesign isn't about selling more vehicles. Instead, its part of an effort to reduce the number of Lincoln dealers to about 325 (down from more than 400 now) in the top 130 markets by the end of the year.

Ford is asking its Lincoln dealers to trust that it will finally figure out how to design and build vehicles the customer actually wants. That's a big jump for a brand that's shown little ability to meet that goal in the last 20 or so years. (See my blog at *Dealer* magazine last September -- **Ford's Plan for Lincoln -- Good Luck**). I know Alan Mulally's got some well-earned political capital, but Ford probably should be more concerned with designing the right vehicles for Lincoln than forcing a dealership design.

General Motors reported this week that more than 200 of its Cadillac dealers have started a facility redesign process. Suburban Cadillac in Michigan was one of the first stores to open with the new look. It's clean, modern and what you would expect a Cadillac dealership should look like.



Good effort and it looks great, but will it help Cadillac dealers sell more vehicles? Without the redesign, Cadillac already is one of the hottest brands -- it's one of four that's tied for the longest consecutive streak of monthly year-over-year sales increases (20 months now) in the U.S. market. Mercedes Benz, Buick and Land Rover are the other three according to [www.wardsauto.com](#).

There are studies that show facilities actually have little to do with whether a customer buys a vehicle from a dealership. One such study is Pied Piper Management LLC's annual Prospect Satisfaction Index, which sends anywhere from 3,500 to 4,000 mystery shoppers into dealerships each year to determine what's most important to customers.

And yes, the facility ranks low on importance. In fact, it's the dealership's people that are the most important. Says Fran O'Hagan, Pied Piper's founder, "The sales team is what makes much more of a difference than the facility. That's not to say the facility doesn't make a difference, just that if you and I owned a dealership and had to pick between a great sales team and a great facility; we would pick the great sales team every time."

(For the record, the Pied Piper study is the most comprehensive and provides the most accurate picture of what's going on in the dealership that I've seen. O'Hagan has been in the business for a long time -- much of it as an OEM guy.)

So what role does a facility play in either the vehicle purchase or service for a customer? According to Pied Piper, there are five key points:

1. **Attracting first-time shoppers to the dealership** – An eye-catching, memorable, easy-to-access dealership will attract more traffic to the dealership.
2. **Turning existing customers into repeat customers** – Customers often have a variety of choices for service—both franchised dealerships and independents—and if a service facility is inefficient or uninviting, customers will choose to go elsewhere for service, which leads not only to losing service business, but losing the replacement sale too.
3. **Attracting the best employees** - The best employees can often choose to work where they wish, so dealerships with subpar facilities will find that they are at a disadvantage when attracting the best employees.
4. **Keeping the best employees** – Similarly, competitors may find it easy to cherry-pick employees from a dealership with an unappealing work environment.
5. **Setting the stage for the products** - Last, but definitely not least, think of the facility as a stage upon which to sell a product. We know that the most profitable dealerships are those who establish value for the products they sell, rather than just selling products as unimportant commodities.

What do you think? How important is a dealership's facility to the sale?

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Comment by [Brian J Walter](#) on June 22, 2011 at 7:59pm

I can give you one example of a CSI comment from one of our customers. We had just completed a \$22,000,000 rebuilding project at our 40 year old facility. Our Dealership was the "Cream of the Crop". Absolutely beautiful! About 4 months after the grand opening a customer commented on his survey, (and I'm going to paraphrase) "The facilities were a little worn out. They needed some new ceiling tiles and new desks and a fresh coat of paint."

Again the showroom was 4 months old. Everything was new. I called him to ask him what we could do to change his point of view and maybe find out if he was just kidding. He stated that the ceiling tiles were dirty and that the showroom just needed to be spruced up. I pointed out to him that the facilities were only finished 4 months ago and he said "Really! humpf, oh well it's just my opinion."

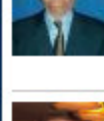
I have always believed that nice facilities create a better work and sales experience. I've worked in the rundown converted gas station showrooms and we made a lot of profit and had very satisfied customers. People will have different views of what is clean and what is dirty. I do come down to the emotion of the sales process on how the customer will interpret their deal more than the facilities.

If you have an honest dealer, it does not matter where you are doing business. You just have to keep it clean.



Comment by [Ricardo Rondinelli](#) on June 20, 2011 at 10:17am

I agree with Cliff, an excellent well trained sales force is what makes the difference. Great looking facilities will invite people to come in, the rest is up to the people.



Comment by [Ric McCoy](#) on June 17, 2011 at 9:09pm

Will be quite a while before anyone will see the full ROI on that \$2,000,000 investment.



Comment by [Craig Lockerd](#) on June 17, 2011 at 2:32pm

Ok, deep breath on this one.....

Buildings are not the church no more than buildings are the dealership....it's the people, people, people....did I mention....It's the people?



Comment by [Marsh Buice](#) on June 17, 2011 at 12:56pm

I agree with Tony, it's the people not the Star Wars state of the art facilities. A facility that is modern in its appearance, clean, and maintained is all that is needed. I love food, while I love the ambiance of a restaurant, it's the product and knowledge that is most important. Car companies need to listen to the dealers and stop raising the bar with these "car show" showroom looks.



Comment by [Tony Provost](#) on June 17, 2011 at 8:40am

CB People sell cars, not facilities. That said, Dealers are all being forced to upgrade, no matter the franchise. Nice facilities are going to be the norm within the industry, over the next 5 years. Great points.