Luxury Brands Have Great Cars, and Great Salespeople

by Steve Finlay in Retail Front

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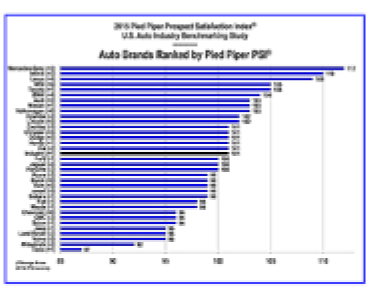
Pied Piper Management deploys mystery shoppers to rank car dealership sales effectiveness by brand.

Why do Mercedes-Benz, BMW and Lexus rank 1-2-3 in U.S. luxury-brand sales?

Reasons vary. But one of them is that their dealership salespeople are real pros. And a reason for that is their staff retention rates are high, meaning good people stick around. And they do so because they're earning a good living from healthy margins on premium cars.

"It boils down to profitability," says Fran O'Hagan, head of Piped Piper Management, a consulting company that works with automakers and dealers and issues an index that ranks dealership sales effectiveness by brand.



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"If good salespeople make a good living, there's not as much turnover," he says. Conversely, a decent sales associate at a dealership representing a struggling automaker "is likely to leave."

Money isn't everything. But it matters among people in auto retailing, from showroom staffers to dealers themselves. In industry surveys, dealers rate their relations with specific automakers. It's essentially a financial popularity contest.

“If stores are making money, they are more likely to score a manufacturer high,” O’Hagan says.

Piped Piper deploys mystery shoppers to dealerships to see how well they sell. Stores are graded on whether they did this or that, such as offering a test drive, providing a reason to buy from the store and suggesting sitting down at a desk to talk things over.

The firm then crunches the data to produce its annual prospect satisfaction index. It also does the same to measure how dealerships field customer Internet leads.

The 2015 Pied Piper index ranks Mercedes first in in-store effectiveness, followed by Infiniti, Lexus, Mini, Toyota, BMW and Audi.

At the bottom of the 34-brand list are Volvo, Mitsubishi, and Tesla in dead last.

High rankings reflect more than just which dealerships tend to garner the highest profit margins. Some brands with average per-vehicle profits are relatively high on the list.

Yes, Mercedes dealerships have high margins. And yes, they’re good at providing the red-carpet treatment to make customers feel special.

“But if you were to ask which brand had salespeople that worked the hardest on getting the sale, it would be Mercedes,” O’Hagan tells *WardsAuto*.


Fran O'Hagan

Even brands with low Piped Piper index scoring had a few stores that earned top grades. And some brands scoring high overall had some individual losers.

For example, despite Tesla occupying the cellar, 15% of its stores had “A” grades that come mainly from a few “brilliant” salespeople, O’Hagan says. And four percent of Mercedes stores got an “F.”

Much auto-industry talk centers on the need for dealerships to provide a great customer experience. Sure, that’s important. But dealerships aren’t amusement parks.

“Let there be no mistake,” O’Hagan says. “A salesperson who’s not indifferent to whether someone buys a car – a salesperson who works hard to sell the car – will sell more of them.”

That doesn’t mean salespeople should jump on customers at the doorway, hard-sell them inside and block the exit until the ink dries on a purchase agreement.

It does mean staffers should follow a process that includes introducing oneself, posing qualifying questions and ultimately asking for the sale.

Lazy salespeople particularly tend to skip over the qualifying questions that include finding out how a vehicle will be used and who primarily will drive it, O'Hagan says.

"Top-performing dealerships define specific sales steps to be followed by their salespeople," he says. "Less-successful dealerships allow a 'Wild West' approach where each salesperson decides how to sell."

A salesperson not following a process may decide a customer isn't ready to buy, and act accordingly, O'Hagan says. "Without question, our mystery shoppers saw salespeople who were judgmental like that."

Tesla's lowly index score of 87 (compared with Mercedes' 112 and an industry average of 101) is largely because many of the electric automaker's salespeople fail to go for the sale.

They were nice enough. They politely answered customer questions. But they didn't do everything it takes to turn a shopper into a buyer.

Dealerships in the top quarter of the index ranking sold 16% more vehicles than did stores in the bottom quarter, O'Hagan says. "It's the math. It's so easy to see."

He started Pied Piper in 2003 after working in product planning, dealer development, sales and marketing at the pedigree brands of Land Rover, Jaguar, Mercedes and BMW.

Why did he pick the name Pied Piper? Is he a fan of German fairy tales? Well, not necessarily.

At a press event in 1993 when he was Land Rover's head of product planning, he enthusiastically showed a group of auto writers the not-so-obvious features of a new model.

"I had a dozen journalists lying on their backs looking at the Defender 90's chassis," he says. For accomplishing that feat, Charlie Hughes, president of Land Rover's North American unit at the time, dubbed O'Hagan "the Pied Piper."

Ten years later, his wife recalled the moniker when suggesting a name for the new company he was starting up.

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