



How to Increase Sales and Gross Profit in a Down Market



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Contents

Introduction

The Basics

Increase the Number of Fresh Ups
 Increase Advertising and Marketing
 Prospecting by Sales Consultants

Increase Your Closing Percentage
 Reduce Price
 Build Value in Product and Process

Increase Repeat and Referral Business

Training - What Successful Companies Do

Training - Why Dealers Don't Do it

Training – The Answer

Conclusion



How to Increase Sales and Gross Profit in a Down Market

Introduction

Increasing sales and gross profit in any market can be a difficult undertaking. In today's market it is increasingly difficult. However, it can be done. Yet, it will not happen overnight. If you are looking for some new "gimmick" that will jump start your sales, keep looking. I don't think there are any gimmicks that have not already been used. This report discusses the things you can do to increase your sales, gross profit and customer satisfaction not only in a down market, but also in any market.

The Basics

Vehicle sales can be increased in one of three ways. Sales can improve if you increase the number of fresh ups that come into your dealership, close more of the fresh ups that are already coming into your dealership or by increasing the number of repeat and referral customers that come into your dealership. Let's take a look at each of these three and see what will work best in helping you increase your sales and gross profit.



How to Increase Sales and Gross Profit in a Down Market

Increase the Number of Fresh Ups

If your closing ratio stays the same, then the only way to increase sales is to get more people in the door. This can be accomplished two ways. First, you can accomplish this through increases in advertising and marketing. Dealerships that increase their advertising expense usually see increases in floor traffic. The results of increasing your advertising usually can be seen fairly quickly. So, if you want more floor traffic all you have to do is double your advertising budget and you will increase the number of people who come into your dealership. You won't necessarily double your floor traffic, but it will improve. This may sound like a great idea, however, let's examine the negative side of doing this.

Increasing your advertising budget means spending more money. Marketing and advertising in most areas of the country is not cheap. So, while you increase your traffic, you also increase your expense. As long as your grosses are high this should be okay. However, most car ads are about price. The advertising that Dealers do in the newspaper, radio, or cable TV is all about the lowest price or best deal. Therefore, the customers that are coming in on these ads are usually price shoppers. This means your grosses will be low. So, while you may sell more cars, you may not make any more money.

Let me show you an example of what I mean:



How to Increase Sales and Gross Profit in a Down Market

Current Situation

Monthly Sales:	100 Units
Monthly Gross Profit:	\$200,000 (\$2000 per unit)
Advertising Expense:	\$40,000 (\$400 per unit)
Gross less Advertising:	\$160,000

New Situation (increased advertising)

Monthly Sales:	135 Units
Monthly Gross Profit:	\$242,000 (100 units @ \$2000 and 35 units at \$1200 in gross profit)
Advertising Expense:	\$80,000
Gross less Advertising:	\$162,000

What happened is that even though you doubled your advertising budget, your sales did not double. They went up by 35%. The reason for this is that your first \$40,000 in advertising did not bring in all of the 100 sales. Some of those sales are repeat or referral customers and some are customers who live in your area.

Therefore, if you increase your advertising you will not double your sales, even if you double your advertising budget. Also, the additional 35 sales are all customers who came in on your ad. Therefore, they are price shoppers. Unlike repeat and referral customers that are part of your original 100 sales all of these customers are looking for the lowest possible price. So, your gross profit on these customers will be lower. We used \$1200 per unit versus the original \$2000 per unit. (To do your own calculation take your number of sales per month, increase it by 35%, double your advertising budget and then take 60% of your average gross profit per unit). The result of doubling your advertising budget



How to Increase Sales and Gross Profit in a Down Market

was to increase your gross profit marginally if at all. Investing \$40,000 to make an additional \$2000 in gross profit is not a very good investment.

The second way to increase your number of fresh ups is to have your sales consultants prospect. Prospecting by your sales consultants will result in more floor traffic, usually better qualified and not necessarily price shoppers. Rapport is usually already established which leads to higher closing percentages and increased gross profit. Therefore, if you want to increase your floor traffic the best way to do it is to have your sales consultants prospect. However, most dealers have not taught their consultants how to prospect. Just telling them to make calls is not teaching. So, **training is the answer.**

Increase your Closing Percentage

Sales can be increased even if you do not get more people in the door, simply by closing the ones you do get in. By increasing your closing percentage you can sell more cars with out increases in costs. The way most dealerships increase their closing percentage is buy reducing their price. Most dealerships that want to close more deals simply lower their price until the customer agrees to buy the car. This definitely will help you sell more units. However, the philosophy of losing money, but making it up in volume does not work. In addition, when you continue to lower your price you decrease the value of your product. This is not a recipe for repeat business.



How to Increase Sales and Gross Profit in a Down Market

Another way to close more ups is to have your sales consultants build value in not only your vehicles, but also your processes. This will increase sales, gross profit and customer satisfaction. Also, when sales consultants are trained on how to add value to their sales process and are given the latitude to use their abilities, they have higher morale and are less likely to leave. Reduced turnover is obviously an added benefit of this. However, as was mentioned, sales consultants need training in order to know how to add value to your products and processes. In addition, your managers need to know how to coach your sales consultants. Telling your sales consultants to “say this to the customer, if I could... would you...” is not coaching. This way of managing leads to a process that is all about price. If it is all about price your grosses will be low. Therefore, to increase your closing ratio and your gross profit and CSI, train your sales consultants AND managers on how to show the customer the value in your vehicles and process.

Increase Repeat and Referral Business

The best way to increase sales and gross profit in not only a down market, but also any market, is to increase repeat and referral business. However, this is not something that can happen overnight. Just telling your sales consultants and managers to start contacting old customers to see if they or anyone they know is interested in buying a car is ridiculous. If I received a phone call from a sales consultant who sold me a car a year ago and has not contacted me sense, do you think I would be running in to buy another car from him or tell him the name of a friend of mine? I don't think so. If you want to increase repeat and referral business you need to start doing things different now for the future. We all



How to Increase Sales and Gross Profit in a Down Market

know repeat and referral customers are easier to close with higher grosses and higher CSI scores. Yet, we give no training to our sales consultants on how to cultivate this business. Do not assume that they know how to. The only thing they know how to do is to sell cars the way you have showed them. If you want to increase your repeat and referral customers, train your sales consultants how to.

Training – What Successful Companies Do

As you have probably determined by now, training is a key component to success in any market, not just a down one. Before you roll your eyes and stop reading, let me explain a few things. First, every successful company in the country invests in their most precious asset which for most organizations is their people. At the dealership level, I am sure you would agree that your people are your most successful resource. If that is the case you need to invest in them. Successful companies recognize that training increases employee retention which in turn increases customer satisfaction and profitability. Reduced turnover reduces hiring costs. A Gallup study found that 80% of employees surveyed said that training was a major factor in deciding whether to keep their current job or accept a new one. Car dealerships are always looking for good sales consultants. Well, offering them a training program is an important first step. Good people join organizations that help them grow. Training does this. Keep in mind good sales people are looking for jobs in all retail industries. If you want the best sales people to come to your organization and not Macys, then start training.



How to Increase Sales and Gross Profit in a Down Market

Macys along with all major retailers have a training program they put their sales people through. In addition, they continuously train their sales people while they are employed. The most successful organizations spend a significant portion of their budget on training. For example, Starbucks spends more on training than they do on marketing. Think about that for a moment. Most dealerships spend a tremendous amount of money to get people in the door and virtually no money on how to sell them a vehicle at a high gross profit with increased customer satisfaction, once they are in. By the way, despite the current problems Starbucks is having, they have never lost money. McDonalds, which also spends a great deal of money on training, has only lost money in one quarter in the last 30 years. If you want to be successful you need to start training your sales consultants and managers.

Training - Why Dealers Don't Do it

Most dealers, despite their best intentions, do not train their sales consultants or managers. It's true most dealers will give their sales consultants and managers the training that is provided by their manufacturer. However, most of this is product training. Managers and sales consultants need process training.

The problems dealers face with training are several. First, most training is offsite. Dealers do not like to send their sales consultants or managers to a hotel, sometimes in another city, for training. Obviously, there is a cost involved in sending them and lost productivity when they are gone. The other problem is that once they come back from training they quickly forget what they



How to Increase Sales and Gross Profit in a Down Market

learned. Therefore, dealers do not see any return on their investment. Finally, in-dealership training should be done by sales managers. However, most sales managers have no idea how to train or what to train on. This frustration leads to most dealers deciding it is better to hire sales consultants and just have them do what their manager tells them to do. So, you get managers who tell their consultants what to say when they are with a customer, instead of asking them to think on their own. To give them credit without training they do not know what to say anyway. The problem is that this has led the automotive industry to a point where we have high turnover, low gross and low customer satisfaction. When you are hitting your head against the wall when does it stop hurting? When you stop hitting it against the wall. If something is not working why not change it. I am not saying if you start a training program it will change the auto industry. However, I can guarantee it will make your dealership more successful.

Training – The Answer

Now that you know the reasons to train your sales consultants and managers, the question is how. How can you train your sales consultants and managers without the problems that were referred to earlier? First, you want a program that is simple. A complicated training program is not something that anyone will stick with. Second, you need a training program that does not require your sales consultants and managers to leave the dealership. Finally, as with any training, you need a program that involves reinforcement of the training concepts, so they are not forgotten. The training program also has to be inexpensive. Where can you



How to Increase Sales and Gross Profit in a Down Market

find such a program? Well, I am sure you know the answer by now, **WrightAutoPro.com**.

Conclusion

Wright Auto Pro is an internet based training program that is designed for sales consultants and sales managers. The Wright Auto Pro website contains a Sales Module for sales consultants, a Managers Module for managers and a Service Module for service advisors. Each Module contains training videos dedicated to both Skill improvement and Process improvement. The videos contain both lectures as well as role plays of the particular skill being played out with a customer. For each training video we also provide you with Workbooks that can be downloaded, so your consultants and managers can take notes and follow along. In addition, for each of the Sales and Service Training Videos we will provide Managers with a Leader's Guide that can be downloaded and used at your weekly Sales or Service Meetings to reinforce the skills that are taught in the Training Videos.

Sales Consultants can view these 20 – 30 minute videos whenever they have an opportunity and fill out the Workbook that goes along with that video. Managers can use the Leader's Guide to make sure that your sales consultants are continually trained. In addition, when a sales consultant is slipping in one area, you can have them go back and review that particular video. The managers' training videos will train your managers on general management skills. Most dealership managers never receive training on how to manage people. Well, Wright Auto Pro hopes to remedy this. Wright Auto Pro also contains News and Articles that are relevant



How to Increase Sales and Gross Profit in a Down Market

to the Auto Industry along with Forums where sales consultants can chat with one another and managers can chat with one another. In addition, you will find lists of Best Practices on WrightAutoPro.com as well. As you can see Wright Auto Pro goes beyond training to provide your sales consultants and managers with the skills and tools to sell more cars, with higher gross profit and increased customer satisfaction. All of this for only **\$549 Annually**. That's not per person. That's for **ALL** of your sales consultants, managers and service advisors.

Finally, isn't it about time you gave your sales consultants and service advisors the skills to make more money and have higher customer satisfaction scores? Let us help you create real sales and service pros with Wright Auto Pro.