

WHAT SHOULD MY CLOSING PERCENTAGES BE?



by Raul Vazquez

This question gets asked continuously by dealerships across the country. At first, my response was that you should be closing 10 percent of secondary leads. Then, my response changed because every dealership was different. There are dealers that are only capable of closing 5 percent and are very happy doing it. Then there are dealers that can do 18 percent and are discouraged when they do 12 percent.

After providing services for some of the best secondary stores in the country however, we are convinced that any dealership can do at least 10 percent and gross \$3,000 per car from the leads they generate. That said, there are people reading this article that think these goals are totally out of line. The problem, though, is that half the people think that the goals are too optimistic and the other half claim to do better.

There are three factors that affect a dealer's closing percentage: inventory, lenders, and personnel.

The first two factors are easy to identify and are usually not the cause of a dealer's inability to succeed in secondary. Little or no secondary inventory and lack of bottom feeder lenders account for less than 10 percent of all problems. The real key is personnel.

Those dealers who are good at secondary are good because they have a system and they follow it. They work the system and treat every lead as if it's gold. They call every single customer and exhaust every lead. And, they treat each lead exactly the same. They also understand that the secondary business is a number's game. They bring every customer into the dealership regardless of what their credit bureau says.

Good dealers will tell you that a bureau only provides half of the story. The other half comes from the story you can create for the lender and what you can do with the customer when you have them in front of you.

Dealers that are not good at working leads fly by the seat of their pants. They have no system and rely on their "car" experience to get the job done, or not. They call only those customers whose credit bureaus look good at first glance. They are "cherry-pickers." Amazingly though, they are the first to tell you that they call every customer but upon further review, they only call the customers they think they can get bought. This strategy does not work. Do this and the numbers will work against you.

Let me show you what I mean. Two secondary departments have 100 leads. The successful secondary stores call all 100 customers and get 60 appointments. They get 30 of those people to show up and sell cars to one-third, or 10, of them. The not-so-successful store takes those same 100 leads and only calls 30 of them after reviewing their bureaus. They only get 10 appointments of which 5 show up. They might sell 2 cars.

Notice that the person that pulls the bureaus before calling sets fewer appointments. The reason is that he waits too long to call the customer. In our experience, successful dealers return calls to all customers within 24 hours. Other dealers average nearly 72 hours to return a call. Look at it from the point of view of the customer. They need a car so they called you. They need a car NOW and want a call back right away. Not calling them makes it seem like you do not care so they buy elsewhere. You just lost a sale.

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I mentioned earlier that successful dealers develop systems that they follow every day. This is important in any business. It is especially important in the automobile industry where secondary managers are here one day and gone the next. I have seen many secondary departments completely fold because a dealership loses one person. And, these are stores doing considerable secondary business. Good secondary dealers, however, continue to roll along regardless of who comes or goes. One person goes away and they quickly replace him with someone else. The roles of the people in the department seem almost interchangeable. This can only happen when you have a good system in place. If you gave me a choice of a good system or good people, I would take a good system every time because good systems make good people.

In conclusion, last month I talked about not getting overly concerned with how much you are paying for your leads. Rather, concentrate your efforts on the

return on investment. While some advertising sources perform better than others, if you can convert 10 percent of the customers and gross \$3,000 per car, almost all of your advertising will be profitable. If you aren't performing at this level, don't be one of those dealers that just complains about customers because, believe me when I tell you, someone is getting these customers bought. And, it could very well be your competitor across the street. Instead, take a good look at your systems to figure out how to get to these benchmarks.

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