

Manage by the Numbers, Not the Financial Statement

The retail automotive business is at a crossroads, and dealers and managers have a critical choice to make

You can buy into the negativity and cut expenses (i.e. jobs, advertising, inventory, promotions, training, etc.) or you can stick with the basics – the fundamentals that are driving success, and hold every individual in the organization – beginning with yourself – accountable for doing their job and driving success.

Consider the story of the man who sold hot dogs. Years ago there was a man who sold hot dogs. He didn't listen to the radio or watch TV or read the paper. He simply sold hot dogs. He put up signs telling how good they were. He stood on the side of the road and cried: "Buy a hot dog, mister?" And people bought, because he was so enthusiastic. And his business grew. One day his son came to help him out. His son said, "Haven't you heard? The economy is in terrible shape!" The father thought, my son's been to college, he reads the newspaper, he listens to the radio, and he ought to know. So he cut down on his meat and bun orders, took down his advertising signs, and no longer bothered to call out to sell his hot dogs. And his sales fell – virtually overnight. His conclusion – my son was right, we are in a Depression.

It's time dealers stopped managing their business based on the month's-end financial statement, and start "closing" the month every day with every customer. According to NADA, the average salesperson sells 8.5 cars per month. According to Automotive Profit Builders' customers, their salespeople sell an average of 10 cars per month. Using this data, let's consider two dealerships – Store A and Store B – both selling an average of 100 cars per month, both exposed to the same negative external influences, but each taking a different approach to managing by the numbers.

Dealership A's management uses the monthly financial statement as the basis for management decisions with a history of old data. Since the dealership typically sells 100 cars a month, they employ 11 salespeople, in line with the market averages. Anticipating a decline in the market, the dealer makes a decision to protect profits by cutting back on advertising, training, laying off people, cutting inventory by 50% and eliminating perks and promotions. In reality, instead of cutting the fat, the dealer cut the muscle – important basic requirements of running a successful dealership. At the end of the month, the historical financial statement shows that business is down, profits have dropped, and sales have fallen – in essence, everyone's negative expectations have been met. Business is off.

Dealership B's management takes a different approach and uses an accurate count of the showroom traffic that comes through the door each day, week and month, say an average of 400 – 450 opportunities. Despite averaging only 100 sales per month, the dealer decides to stick with the fundamental basic concepts for running a successful business. The dealer adds salespeople, manages inventories, keeps people and

processes the same, and focuses on relationship selling--the red carpet treatment of their customers. They put a process in place that holds every employee accountable for job performance and it's measures daily. The dealer and managers together develop a plan to hit a specific gross revenue target in the month. This is divided into weekly and daily goals, and is spread across every part of the business, and is communicated to every employee. On a daily basis, the dealer holds managers accountable and the managers hold their teams accountable for hitting the goals. In this way, the dealer, managers and salespeople know have an exact traffic count and exactly what happened to every opportunity that comes into the showroom each day, why it happened, and what to do to improve it. What is the result? Store B's financial statement no longer shows peaks and valleys.

The key differences in these scenarios – and with the hot dog vendor – are Attitude, Accountability, Communication, Confidence and Comprehension. These differences start at the top. Dealers and top management who nourish a positive attitude and eliminate external negativity, who hold their managers and teams accountable while giving them the tools to succeed, who communicate the goals and measure progress, and who act confident in their decisions to stick to the basics, will succeed in all markets. After all, people are still buying cars.

In an uncertain market, successful dealers realize there is an opportunity to build, yet many put the brakes on their own success by feeding into the negativity around them and permeating this attitude throughout their organization. Success, attitude, accountability all start at the top and the will to win. Dealers *and* managers must create a mindset so that every individual who comes into the showroom is viewed as a customer, a person who engages the professional advice or services of another - repeatedly, is the ultimate goal. Clientele, after all, turn to your dealership again and again for professional counsel, vehicles, service, parts, and accessories – everything to meet their transportation needs.

Salespeople cultivate customers through prospecting and referrals; they convert customers into clients by establishing and maintaining personal communication that allows them to build a sense of trust. It's this trust that allows clientele to rely on the salesperson for advice, and allows the salesperson to secure referrals as well as higher value and volume sales.

The ability to prosper in any economy is in the control of dealers and managers. It takes a commitment at the top to create a positive mindset, train salespeople, hold their people accountable, and stick to the basic game plan. "Tough times" represent an opportunity to build, to go back to the basics of what made dealerships successful in the first place: when a customer walks in the door, build a relationship, find out what they want, and sell it to them. It's that simple, so don't stop the sale.

It's time for dealers to stop blaming others and start growing business by the numbers - *the right numbers, the showroom traffic numbers.*

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