

AutoSuccess

BULLDOG



BULLDOG KIA
SUPERCHARGES
SALES WITH AN

AI ASSISTANT

How David Kernall Took Decisive
Action to Boost the Bottom Line

From left to right:
James Hammond,
David Kernall

AUGUST

2018

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A

ASSISTANT

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THE CYCLE OF INSANITY

At the beginning of 2015, David Kernall, owner and general manager of Bulldog Kia in Athens, Georgia, concluded that he and his sales management team were caught in a cycle of insanity — doing the same thing over and over but expecting a different outcome. Over the previous year, sales were stagnating, gross margins were shrinking and expenses were rising.

“We convinced ourselves that shrinking margins were the result of a competitive retail market,” Kernall said. “Our solution to overcome this was simply to sell more cars. So we spent more money to acquire more leads to sell more cars. However, in our case, more leads did not translate into more sales — only more expense.”

FROM BAD TO WORSE

In 2013, 28 percent of Bulldog Kia’s internet leads were marked as “bad.” By the end of 2014, the percentage of bad leads skyrocketed to 41 percent, despite increasing advertising and lead-generation expenses. Worse, as the volume of leads increased, the closing ratio on leads plummeted, falling from 16 percent in 2013 to 8 percent by the end of 2014.

Most frustrating to Kernall was how his BDC viewed incoming leads. “What we heard from the BDC was that too many leads were not real buyers.” However, Kernall suspected that the root problem lay far below the surface and believed they needed to open the hood and

take a closer look at what was going on.

Kernall and business partner, James Hammond, began tracking internet leads as well as “mystery shopping” their own dealership. They soon noticed an unmistakable pattern: leads were being systematically marked as “bad” based on biases and assumptions. Kernall and Hammond suspected this was the result of BDC personnel “working a pay plan,” combined with sales managers using the BDC as an alibi when sales were off.

“It was very convenient for sales management to throw the BDC under the bus if we were having a bad day, week or month,” said Kernall. “And when we approached the BDC department, their excuse was that the leads were garbage!”

Furthermore, salespeople realized that if they hung around the BDC office they would discover when the next BDC appointment would be rolling in. Some BDC employees began to favor certain salespeople by giving them what they considered to be hot leads. A handful of salespeople were earning volume bonuses each month simply by receiving “cherry picked” leads from the BDC.

“Over time, many of our salespeople became glorified greeters for the BDC department, neglecting the other habits and skills that make a successful automotive sales professional,” Kernall said.

Sent Message Jun 25, 2018 2:48 pm

Hi Joe,
How are you today? I just received your online request.
Should I use this email address to send information to?
Thanks,
Shannon
Internet Sales Assistant
Bulldog Kia
(706) 555-5555
Unsubscribe

Lead Response Jun 25, 2018 4:48 pm
Re: Your Bulldog Kia Request (77149082)

Yes Ma'am. Thank you in advance!

Sent Message Jun 25, 2018 4:51 pm

Hi Joe,
James is working on this and would like to give you a call.
Is (706) 333-3333 a good number to call you at during the day?
Thank you,
Shannon
Internet Sales Assistant
Bulldog Kia
(706) 555-5555
Unsubscribe

“The combination of better-trained salespeople and better initial lead handling produced exciting results.”

THE BDC FLAW

“Our first reaction was to find a way to fix the BDC. After running through several proposed solutions, it occurred to us that the problem was the BDC itself,” Kernall said. “James and I came to the conclusion that the whole model of the BDC was flawed and that perhaps we’d actually sell more cars if we simply eliminated our BDC.” Kernall admits that this was unconventional. “The prevailing thought amongst car guys is that you *have* to have a BDC department; it’s like a religious belief!”

Kernall explained his reasoning as to why he thinks the BDC is a flawed model. Most new car franchised dealerships have a general sales manager or at least a sales manager providing leadership over the salespeople. These managers, for the most part, began their retail automotive careers as salespeople and demonstrated exceptional performance that over time afforded them the opportunity to step in to sales management. These positions typically earn a six-figure income.

Then you have your automotive retail salesperson. Most dealerships have some form of sales training, which includes ongoing product knowledge. Good salespeople earn \$50,000 to \$100,000 annually, and your typical BDC employee earns \$10–\$15 per hour, depending on “spiffs” and hitting certain pay plan objectives, with little to no sales experience or training. The typical BDC department in the average dealership (with some variations) receives all internet leads and incoming sales calls and are given the responsibility to convert these leads into showroom visits.

“How much sense does it make to send all your internet leads and incoming sales calls to the lowest paid and least experienced employees in the sales department?” asked Kernall.

GOING OLD SCHOOL

“James and I reflected back to our early days as salespeople. There was no BDC department. Every salesperson was required to learn phone skills and do their own follow-up and prospecting. If you were afraid of the phone, you basically withered on the vine,” Kernall recalled. “The internet lead today is no different than the incoming sales call 20 years ago. These people are hot prospects and are ready to buy if they are responded to properly. To us, it just made sense that the way forward was back, back to the ‘old school’ selling skills that got us to where we are today.”

In March 2015, Kernall and Hammond began strategizing how to transition away from a sales process modeled around a BDC to a sales process where the digital “UP” was handled no differently than the lot UP.

“We envisioned a sales process where the salespeople and managers handled the digital UP and the phone UP with the same level of urgency and professionalism as the UP standing in the middle of the showroom. We believed that not only would this model lead to more sales but also a much better buying experience for the customer,” Kernall said. “Our strategy revolved around two main components: a relentless focus on developing and maintaining core selling skills and utilizing technology to ensure every lead is contacted and followed up.”

ELIMINATING THE BDC

Kernall and Hammond spent about six weeks coaching and training on every aspect of the sales process, emphasizing proper phone skills before informing the team of their plans to eliminate the BDC.

“The salespeople had become dependent on the BDC. Up to this point, the BDC handled all incoming sales calls and a good portion of the follow-up calls. Our goal was for our sales staff to rely on their selling skills instead of the BDC,” Kernall commented.

During this time, Kernall and Hammond were in search of a vendor that would help them accomplish their goal of ensuring every lead is contacted and followed up with.

“Our journey over the previous couple months revealed to us that CRM reports were easily manipulated. It can’t think. It only reports that a lead was marked bad or lost, and it has no idea if the lead was actually bad or lost. We needed a technology that would ensure every lead was being responded to timely and appropriately,” Kernall recalled.

A LOOK INTO AI TECHNOLOGY

In April 2015, Kernall and Hammond were contacted by John Ruble of Conversica, an Artificial Intelligence company. The three had worked together when Ruble was with another digital company. Ruble told them that Conversica’s conversational AI technology would accomplish their goals, so a meeting was scheduled for a demonstration. According to Kernall, Ruble’s demonstration provided compelling evidence that Conversica’s AI technology (a virtual assistant

Implementing AI technology and replacing the BDC produced game-changing results for Bulldog Kia:

- Internet lead conversion rate nearly **tripled from 8% to 20%**.
- Internet deliveries went from 30 per month to **70 per month** with the same number of leads.
- Salespeople and sales managers became more focused on core selling skills and being more engaged in every aspect of the selling process, leading to an **8% increase in total deliveries per month** with the same number of all-lead types per month.

engaging internet leads in human-like conversations) would help Bulldog Kia reduce the number of identified bad leads, improve lead response times and boost closing rates — all while eliminating the expense of a BDC. An important bonus for Kernall was added accountability, since Conversica’s system kept a record of all interactions and follow-ups right in the dealership’s CRM.

RESULTS WITH THE CONVERSICA AI ASSISTANT

“In May 2015, we went live with Conversica and phased out our BDC,” Kernall said. “There was skepticism and groaning from the staff at first, but in a short period of time there was 100-percent buy-in.” The combination of better-trained sales people and better initial lead handling produced exciting results. With Conversica’s assistance, Bulldog Kia’s engagement rate increased from 24 percent to 58 percent, the percentage of leads marked “bad” decreased from 41 percent to 26 percent, internet delivery ratio increased from 8 percent to 20 percent and the total number of internet deliveries jumped from 30 per month to 70 per month.

“Salespeople and managers are more engaged in every aspect of the selling process. That, combined with our focus on developing core selling skills, has resulted in an 8 percent increase of total deliveries from the same number of total opportunities. Conversica has played a major role in helping us achieve these results,” Kernall concluded.