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AutoDealerMonthly.com • September 2008



**Understanding
Risk Retention
Groups**

Reasons for BDC Expansion

Evaluating Core Indicators



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A business development center (BDC) is a dynamic entity that needs to be able to expand and contract. Sometimes it's necessary to expand in one area while simultaneously pulling back in another. For example, you may need to cut back one lead source and simultaneously increase the number of leads from another source.

When it comes to growth, there are different reasons to expand and several methods of expansion. When BDC ROI reports continually show effectiveness and profitability, it may be time to expand. However, you must first assess the situation. Are additional advertising sources available in your market to feed the BDC? If not, you need other means of generating leads. If you're adding people to the department, will they be properly trained before facing an upswing in leads?

You also need to look at the BDC's performance with regard to its forecast. Is the BDC meeting or exceeding its goals? If the BDC is meeting goals in profitability, but lacking in another area, it may not be quite ready for expansion. Additionally, consult with peers or members of a 20 group to compare perform-

ance levels and learn about their experiences with expansion.

Another signal that might point to a need for growth is if the BDC is handling all leads and follow-up and is left wanting more. Many BDC employees have performance-based pay plans and will be left hungry and unhappy if not given enough leads. The lead flow for a BDC consisting of two business development representatives (BDRs) and a business development manager (BDM) should be around 500 new leads per month.

If they're left wanting more (and can handle it), give them more. They'll make more money for themselves and the dealership. BDRs need their call lists refreshed and want live action. Remember, a BDC is an engine that must be continually fueled.

When you think expansion, two options might seem obvious—adding people and/or leads. However, it is more complex than that. For example, do you have a separate Internet department working Internet inquiries and handling Internet customers? If so, I strongly suggest merging the Internet department and BDC. This may be done by either adding an Internet person to the BDC or

setting up an instant response system for all Internet prospects and delegating each lead.

Ultimately, you still want to communicate with customers in their preferred way, and a merger between the departments might be a fitting way to improve both departments. Physically merging them not only allows for more BDC personnel, but if you drive more traffic to your Web site, it will feed more leads to the BDC.

There are three *other* ways to grow a BDC: 1) add to the current BDC team, 2) add personnel to create two teams and 3) institute a hybrid BDC, where the in-house operation is complemented by an outsourced BDC.

If your team has developed to the point where you should subdivide into two teams, I suggest keeping an equal number of seasoned "phone ninjas" and newly trained hires on each team. This will promote healthy competition between the teams.

The hybrid methodology is a viable option, but as with choosing any provider, do your homework. It's important the provider is on the same page as the in-house BDC. Customers who initially interact with your in-house operation and are later contacted by the outsourced provider should not be able to tell the difference.

Another way to expand is to add a new ad or lead source, or replace an ineffective one. Sometimes a source will perform well for a while, but eventually fall off either in lead quantity or

quality. The cause may be that your market is saturated or you have exhausted the leads from that source in your area.

The BDM should always be seeking out and having conversations with new lead providers. When dealers and GMs learn of new sources, they should consult with the BDM. The BDM is in the trenches everyday, has a finger on the BDC's pulse and can provide an educated opinion on potential sources.

Another way to develop is right under every dealer's nose. Many dealers are sitting on a goldmine of data and don't even realize it. Mining the database for past customers who might be in the market for a vehicle is a more cost-effective way to feed the BDC. For example, most CRM systems should be able to dial in on customers with equity and produce a follow-up list for the BDC.

Conversely, there are reasons to delay expansion. First, you don't want to rush it. When ROI reports begin to show effectiveness and profitability, first see if the BDC can maintain that level. If the success continues, you might start by rewarding the BDC. For example, have a BDC Appreciation Day. Secondly, market uncertainty is another reason to put expansion on hold. A change in trends may indicate that, instead of expanding, you might want to reallocate funds.

Expanding your BDC is a complex decision, and there are many ways to do so. Evaluate the options carefully, and feel free to e-mail me if you have any questions. [ADM](#)