



The BDC Puzzle

What is the most puzzling, inconsistent, and frustrating process at a dealership? Many executives would say it's the function of the Business Development Center (BDC), a.k.a. the Internet department, call center, or telemarketing group.

Call them what you wish, but their purpose is noble—to develop sales and service business for the dealership. Unfortunately, the BDC and its ultimate value to the dealership still mystifies and infuriates many dealers and industry advisors.

Dealers often find themselves asking the question, "Is setting up a BDC a prudent investment or a misuse of time and resources?" *Surprisingly, the right answer is, "It depends."*

The BDC role has been part of the car business for a quarter of a century, and while some OEMs pressure and even incentivize their dealers to set up these structures, the debate over their usefulness lingers. That debate will likely only intensify as dealers wrestle with the best way to deliver a better customer experience in an era of online vehicle and F&I sales.

"We have a 21st Century connection to the consumer these days and, in some dealerships, the sales process just does not jive with that customer connection," says Internet/BDC/Digital Marketing Trainer David Kain, former COO at FordDirect and now President of KainAutomotive.com. "And this disconnect is the calamity facing many dealerships today."



Why a BDC?

An early automotive BDC adopter, if not its originator, is Adam Simms of Price-Simms Automotive Group with seven locations in the San Francisco Bay market. In 1995 he created iMotors, the industry's largest online used vehicle marketing and sales organization. He constructed a 167-seat call center to support his digital sales model.

The center processed phone and internet orders and then worked the phones to source those vehicles from dealers and private parties nationwide. iMotors would then purchase those vehicles, ship them to an iMotors recon center, and finally transport them to the buyers for delivery.

"The BDC model accelerates learning, generates excitement and enthusiasm, and provides ability to measure and manage the outcomes wanted," Simms says.

While Simms dismantled iMotors in 2000, the BDC model he set up stands as a proof of concept even while the debate lingers.

In Kain's experience, "We find both a benefit and curse from a well-run BDC."

A well-run BDC can:

- Improve engagement and relationship building with phone ups and other leads and raise appointment conversion rates for sales and service
- Deliver more consistent and persistent follow up, increase be-backs, recapture declined service customers, and drive retention
- Eliminate or reduce missed calls, hang ups, and other mishaps, especially during periods of high call and floor traffic volumes



But It's Not All Roses

On the downside, a dealership using a BDC process (especially a high-performing one) can create over-dependent salespeople who never seem to build their own book of business.

"The BDC was meant to expand business, but dealers who don't grow the skills and aptitude of their own floor staff often have no net gain from a BDC and actually a loss," Kain says.

"When a dealer goes the BDC route," says Phone Ninja's CEO, Jerry Thibeau, "they've realized they cannot get their sales people to handle these calls effectively or make follow-up calls and, so, look at different options."

In addition, BDCs often tangle with the sales staff about who "owns" the call. This situation can be a difficult reality to referee. The sales department is often bitter about the BDC-to-sales handoff and cooperation fades.

"In the car business, everything is centered on that inbound call and it is hard for sales to let that go, even to an internal BDC, from an ego and personality perspective," notes Bill Wittenmyer, Partner at outsource call center provider ELEAD1ONE.

Finally, poor BDC execution—in staffing, equipment, training, and/or compensation—is likely to work against the dealership. Kain observes, "The idea behind the BDC is it can be a wonderful stopgap measure but too often creates the exact-same issue that ill-equipped, poorly trained, and unmotivated salespeople do—a poor first-time connection with the prospect."

Is Outsourcing an Option?

Making BDCs useful and profitable might seem easy, but experience says it is not. Some dealers dismantle theirs because performance doesn't justify cost. Others outsource the process.

Vendors specializing in providing BDC services are more adept at sourcing talent comfortable with and skilled at engaging people by phone, whether in inbound or outbound connections. Vendors have the BDC management and coaching experience, as well as the phone systems and call tracking technologies for conducting call campaigns and providing campaign results.

Should the time come to disengage with a BDC vendor, pulling the plug is almost always an easier and less personal alternative to dismantling an internal operation.

Many now feel that an outsourced BDC is the better option for making and handling service-related calls and service campaigns. New dealer marketing strategies, such as retargeting ads that pop up on consumer web pages and stimulate calls, is often driving increasing call volume, which an internal BDC may be ill prepared or equipped to maximize.

Wittenmyer of ELEAD1ONE notes that 72% of the inbound calls his company's BDC staffs handle for dealerships result in service appointments. Without a BDC to handle those calls, he says, those opportunities would go into voicemail or, if answered personally, into a busy service center and not handled as they should be. Both outcomes translate into lost opportunity.



72% of inbound calls result in service appointments for ELEADONE's dealership BDC staffs.

Is a BDC Sales Function Truly Necessary?

Mark Rikess, CEO of the Rikess Group, shares his interesting observations. "I'm a bit dumbfounded as to why a modern auto retailer would still use a BDC for sales," he says.

"Think about it. BDCs withhold information to try to secure an appointment—not because they are nefarious," he assures, "but they just don't have the answers to customer questions like: Does my daughter qualify for a first-time buyer's program? How long is that incentive on? [Or] what is my trade worth?"

"If sales BDCs could answer such commonly asked questions," he continues, "they would be sales people, not appointment setters." In his estimation, "The BDC is a layer of cost dealerships don't need," and, he asks, "in an era of margin compression, why would I pay two people to sell one car?"

Phone Ninja's Thibeau also believes a well-honed sales floor shouldn't need the support of a BDC group. Thibeau founded Phone Ninja in 2009 after managing a BDC for an eight-store Honda dealership. He believes the best BDC solution is not to have one. He recommends dealers consider the managed floor model where existing sales personnel work up and make calls on rotation.

In his model, the dealer's top three sales people, determined by the prior week's sales volume, margin, and CSI, manage the floor. The top performer gets the lead spot and first ups, with number two making sure the number one person engages any potential customers on the lot or in the showroom. The third-ranked individual handles any new phone shoppers or internet leads.

The remainder of the sales staff are expected to spend their time making outbound phone calls attempting to self-generate appointments. Then, once the number one salesperson has finished, he or she moves to the back of the rotation and commits to making outbound phone calls.

Benefits of this model are plentiful, including equal distribution of prospects; salespeople working more diligently with their shoppers since they may not get another opportunity that day; and, ample opportunity for each sales person to self-generate appointments with previous sold and unsold customers.

“This model makes your sales people focus on what is important for the business—volume, CSI, margin, and self-generated appointments. When people know management ranks them by these levels of performance, they perform at higher levels,” Thibeau says.

Service Is a Different Story

Where the BDC model still shines bright is in the service department. BDC groups designed to set service appointments save service staff from disruptive calls that are too often mishandled, dropped, or placed on indefinite “hold.” The appointment setting experience often dings customer satisfaction and retention and can drive business to independent operators, so addressing that problem is crucial.

BDCs can also effectively execute declined service recapture opportunities. Utilizing your dealership’s DMS data, these campaigns are well suited to an internal BDC group. In addition, these calls can be real moneymakers because service is often too busy to pursue this otherwise lost business.

“The return can be 20 to 45 percent,” notes fixed ops consultant Mike Volkman of Service Department Solutions. “But it’s not important to a lot of dealers because without some way to organize this business, it’s not going to get done.”

Pursuing declined service customers:

- Reconnects them to the dealership and reinforces goodwill
- Enhances retention
- Educates the dealer on why those services were declined: Did the customer do them elsewhere? Or did the customer not have an adequate budget to do them at the time presented?



Why Pursue Declined Service Customers?

- *Reconnects Them to the Dealership*
- *Reinforces Goodwill*
- *Enhances Retention*

Finally, Agreement

Whichever BDC model is right for your operation, many agree that there are certain metrics that define BDC effectiveness. If choosing an internal setup, put call and lead tracking technology in place so you can measure staff performance and R.O.I.

Key metrics and considerations for measuring effectiveness of all options include:

- **Time on phone:** Longer inbound calls signal relationship building. A service-appointment call should be brief—the best phone relationship is brief.
- **Bad number ratio:** A 10% or more ratio could mean that your database needs to be updated and cleansed.
- **Management trust:** Will store management trust an off-site BDC team they do not know or care about or an internal team they do?
- **The story:** Which option is best positioned to convey the story of the dealership? An outsourced option may not have the deep story about the store. Story helps build consumer trust as it personalizes the business.
- **The technology:** Internal BDCs likely use the same CRM technology the sales floor does, and transferring call data can be a huge challenge for an external operation. Outsource firms typically use a CRM proprietary to them and forward call notes and other details to the dealer, which the staff must then import into the CRM they use.

Wrap Up: The Future

While dealers continue to struggle with the puzzle that is the BDC process, trends point to a future where a better alternative exists. Many are betting that the best solution will be found in offering self-service via the dealership website where car shopping, trade evaluation, financing, F&I product purchases, and final deal paperwork will be done solely by the customer at their convenience.

“That is what I am working on today,” Simms says. “How do I put my BDCs out of business? Automate more car-buying processes to make car buying self-serve.”

This concept has great appeal among millennials and the iGeneration. The cost implications and the potential to enhance the customer experience has dealerships excited about the prospects as well. But will the execution live up to the hype? Only time will tell.



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