



"The power used to be in the hands of the sales person. The power today is in the hands of the customer."



Part 2 of a 3 part series:

Fran O'Hagan is President & CEO of Pied Piper Management Company LLC and founder of *Auto OEM Network*: the largest automotive group on LinkedIn with 127,000 members and growing. Few people are better positioned to see the most important trends and challenges across the industry. Part 2 of our interview therefore focuses on trends.

Automotive IQ

Turning toward Auto OEM Network itself, given your unique position of having founded this group which is the largest automotive community on LinkedIn (126,000 members and counting), what trends have you experienced in the industry during the evolution of the group so far?

F.O'H.: Interesting. It's clear that the Internet has dramatically impacted the auto industry as it has virtually every industry. In the auto industry the Internet has shifted the balance of power. The power used to be in the hands of the sales person. The power today is in the hands of the customer. It used to be that you showed up at a dealership hoping that you could learn from the sales person about the car. Today, you can learn as much as you want about the car before you ever even get to the dealership. It changes the role of the salesperson from a librarian in charge of information and the brochures to somebody who is, if he or she is smart, focused on helping you to end up owning the right car for you.

Automotive IQ

Just to be a little provocative, given how you see the changing role of sales people, what is your opinion of BMW's announcement that they will staff several of their dealerships with employees that walk around with iPads (like Apple's Geniuses) whose purpose is not to sell you anything, rather to educate you about the car?

F.O'H.: We stumbled upon something related to that after we had invented PSI. Clearly we invented PSI because we knew that old-fashioned mystery shopping was broken. We knew that it didn't really do what we wanted it to do. That's the reason we invented it. We weren't smart enough to know exactly how PSI would be used. What we stumbled upon is fascinating. Henry Ford had this quote, he said, "If I had asked my customers what they wanted they would have asked for a faster horse." And actually Steve Jobs said something very similar about apple products, that nobody knew they wanted an iPod before he gave them an iPod. What we stumbled upon relates to how real customers buy a real car... let's say you are going into a dealership because you are interested in an M3, speaking of BMW. You're focused on, "How much are they going to give me for my trade? Shall I get the silver M3 or the black one? Shall I get these wheels? Is this even the right dealership or should I be going to another one? I only have 30 minutes left of my lunch hour, and need to leave soon. Should I finance or should I lease?"

That's what you're thinking. Those things that you're thinking about are no measurement of how effectively the dealership is selling.

The measurements of how effectively the dealership is selling are things you don't even care about. You may not even be aware they're happening. If after you leave the dealership, we ask you, "Hey, how did Harry do at selling this car at this BMW dealership?" You may very well say, "He was great." And would you buy a car from Harry? "Absolutely." Would you recommend him to a friend? "Absolutely." Did Harry ever get your name? "No." Did Harry ever do anything to sell the dealership, to tell you why you should buy here instead of elsewhere? "No." Did Harry ever ask for the sale? "No." Did Harry ever get contact information to be able to follow up with you? "No. But he was terrific, he was a great guy."

Do you see what I mean? There are parts of the sales transaction that customers pay very close attention to. But it's everything that happens after the decision to buy. Back to Apple's Genius and BMW's Genius, one of the things that customers are very aware of is if the dealership didn't do a good enough job explaining how to synch my phone, how to plug in a device in this USB port, all of the tech stuff. That's a big difference from ten years ago when that technology didn't exist. All customers are very much aware of how a dealership handles the delivery process for the car. If I'm delivering the car to you and I say it's going to take 20 minutes and three hours later you're still at the dealership, that's a problem. What actual sales customers tell us shouldn't be called, 'Sales Satisfaction,' it should really be called delivery and initial ownership satisfaction, and BMW's Genius should help with that.

Automotive IQ

That would include early vehicle services as well...

F.O'H.: Yes, absolutely and the other thing is, if you ask people about their buying experience six weeks after delivery and they've been driving the car for six weeks, they can't divorce the two. If they like the car...you understand the point. What PSI does, in contrast, is it measures accurately everything that leads up to that decision. Up to that point where somebody says, I'll take it or somebody says, I'll think about it. That's what PSI measures. When you're buying that M3 and thinking, do I want the silver one or the red, or the black one, what PSI is measuring is did the sales person build a rapport and did the salesperson fact-find to figure out what is important to you? Did the salesperson get your name, sell the dealership etc.? The sorts of things that are not sexy and interesting to the buyers.

Automotive IQ

But are exactly what's needed to follow up and actually make the sale...

F.O'H.: Exactly.

This is part 2 of a 3 part interview with Fran O'Hagan.