

**Ralph Paglia: e-Business Director, Courtesy Chevrolet**

by : Digital Dealer

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In 2006, Arizona was the fastest growing state in the country, and Phoenix is currently the fastest growing city in the state. Growth is fueling an extraordinarily strong, vibrant economy and a boom in the Hispanic population. Twenty-four percent of all auto sales in the market are from Hispanic buyers and Courtesy Chevrolet reports that 45 percent of its sales come from the Hispanic population. The market finds 13 very aggressive Chevrolet stores competing for market share. Ralph Paglia, the e-business director at Courtesy finds his team under attack by the online efforts of his hypercompetitive counterparts.

**When did you come aboard the Courtesy Chevrolet team and how is your department set up?**

I was recruited and hired by the Gruwell family to be the CRM/e-business director at Courtesy Chevrolet in the summer of 2005. My responsibilities include the development and supervision of several diverse teams within Courtesy Chevrolet's e-business department, including a customer relationship center (CRC), a new car Internet sales team, two distinct used car Internet sales teams, an e-finance sales team and two full-time CRM administrators. All in all, I have responsibility for approximately 60 Courtesy Chevrolet employees who produce 300 to 400-plus vehicle sales per month.

**Have you been in the business for awhile?**

I started selling cars in 1981 in San Diego, CA, at Kearney Mesa VW-Peugeot. After six years I went to work for Bob Lewis VW-Peugeot in downtown San Diego and stayed a couple of years at that location. After a few stints at dealerships in Texas and New York, I worked for a national sales training company (RBI) and then accepted a position with Cyber Car, a division of the HAC Group, which also owned the AutoMark Dealer Web Site Company and the Half-A-Car Trade Cycle Technology consulting company that specialized in short-term leasing for customer retention.

While working for Cyber Car, I installed over 100 Internet sales departments in dealerships throughout the country. Those first years at Cyber Car were a real eye opener as we tried many different processes and organizational designs while seeking the "secret sauce" for creating Internet sales departments that produce results. In May, 2000 the Reynolds and Reynolds Company acquired HAC Group. After the acquisition, I focused on developing e-business consulting and training programs for various car companies and enterprise level dealership groups.

**How many Internet sales team members are on your staff?**

Courtesy Chevrolet is a single point Chevy dealer with a fully staffed CRC that has two teams, a used car team with 12 CSRs and a new car team with another 12 CSRs. Each CRC team has a leader (Vernon Intara and Steve Clemens) and the CRC has a manager (Joel Matteson). The CRC handles a variety of inbound leads from Internet sources higher up in the sales funnel, as well as inbound sales calls. The Internet sales teams handle leads from sources further into the buying cycle. We have a new car Internet sales team with 14 Internet sales specialists (ISS) led by George Salman; a used car Internet sales team with 10 ISSs led by Bryan Long, and an off-site used car Internet sales team with eight ISSs led by Adrian Fajardo.

**Are floor and Internet sales separate?**

Yes, every Internet sales specialist is forbidden from taking fresh floor ups, although we have at times provided the sales teams on the showroom floor with lead lists generated from our many online marketing sources.

**Is the department part of a business development center?**

The BDC is part of the e-business department and each Internet sales team is part of the e-business department. I serve as the director of the e-business department with financial statement responsibility and each team's manager reports to me.

**Do you have appointment setters?**

The primary role of the BDC is to schedule appointments, but the Internet sales specialists also focus on setting appointments as well. For all the teams within the e-business department the setting, tracking and handling of sales appointments is a major part of our existence. If an Internet sales specialist is having a tough time getting in contact with a lead by telephone, then the CRC backs up the ISS by having designated customer service representatives (CSR) whomake ongoing repeated attempts to contact that prospect while the ISS moves on to the next lead.

### **What percent of your dealership's overall sales are generated from the Internet, and do you see this increasing?**

In 2006 Courtesy Chevrolet sold more than 11,000 vehicles, over 7,700 of them were new Chevrolets. The e-business department was responsible for generating 3,882 of those 11,000-plus sales, so we produce about 30 percent of the store's total sales volume. Our volume contribution margins fluctuate when you break those numbers down to new cars, used cars, credit score categories and model line distribution with e-business contributing over 50 percent of the store's volume in some categories. We have recognized online interactive marketing as one of the most effective means of attracting higher credit score prospects as we attempt to increase our total loan mix portfolio's average credit score.

### **What part of your dealership's overall advertising and marketing budget is dedicated to the Internet?**

While the advertising budget allocated toward online and interactive campaigns has been increasing since the Internet department was started, I am beginning to question how we look at the allocation of budgets. For example, when we put up 15 outdoor billboards around Phoenix that feature a URL message such as "2007 Tahoe.com – AZ's Largest Tahoe Inventory," primarily intended to drive people to one of our specialty micro-sites, is that Internet advertising or outdoor advertising?

Well, of course it is what it is, outdoor advertising, but the results are phone calls and Internet leads that go to our BDC and Internet sales teams, and a significant amount of floor traffic that goes to our showroom sales teams. Likewise, when I use the e-business advertising budget to place dealership display ads on over 800 different web sites, geo-targeted to Phoenix car buyers, and a large amount of floor traffic is generated, along with some Internet leads and phone calls to our BDC, is that pure Internet advertising, or is there some recognition of the branding and floor traffic being generated by those dollars that purchased the web site display ads?

About 25 percent of Courtesy Chevrolet's new car ad budget is spent on digital marketing, and over 50 percent of our used car ad budget is spent on digital marketing. The reason for the differential is that used car digital marketing drives as much showroom traffic as Internet leads and incoming phone calls.

### **Where do you get your Internet leads?**

One of the greatest success stories we have experienced at Courtesy Chevrolet has been our ability to grow and diversify our base of lead sources. Our greatest growth in the past year has been in finding ways to generate new leads on our own, and to recycle old leads into fresh opportunities. An example of recycling old leads is to take mine leads from 2003 and 2004 into categories that indicate the prospect purchased a vehicle from another dealer. Our CRC then contacts these customers by e-mail and phone to communicate with them that we know it is likely that they will soon be replacing that vehicle they bought from another dealer, and Courtesy Chevrolet would like to make it worth the customer's time to let us show them how much we do not want to miss their business this time around. Last year 34 percent of our leads were from third-party sources, 27 percent were from proactive BDC and recycled leads, 19 percent were from digital marketing generated in inbound calls, 3 percent from GM, and the remaining 17 percent from our full-featured web sites, various micro-sites and landing pages.

### **What are the closing rates for the different sources?**

Like many dealers, Courtesy Chevrolet's lowest closing ratio is on leads purchased from third-party lead providers, which were at 5.15 percent for 2006. This is to be expected given that the cost of generating leads has risen to above a level where lead providers can sell a lead once for \$20 and generate profitable business. In frank discussions with our lead providers, after busting many of them sending "our leads" to other dealers, they have admitted to selling the same lead multiple times to multiple dealers within a given market area. Courtesy Chevrolet has learned to accept that fact as a new reality in the marketplace and we work within that reality by

adjusting our processes for third-party leads. Courtesy Chevrolet has changed our lead management process to optimize our response based on the knowledge that these particular customers will be getting several responses from our local competitors of the same brand. We also know that third-party lead providers “churn” leads to generate additional sellable leads from the same customers for other brands of similar vehicles to what the customer initially selected as their preferred vehicle. This works both for, and against us, as we get leads (for example) on Tahoes from people who initially indicated a desire to get a price quote on a Toyota Sequoia, and vice versa. So, we simply accept the fact that we will have more competition for a customer’s business when they come to us via a third-party lead provider than if we generated the leads ourselves using digital marketing, our web sites or one of the many micro-sites that Courtesy Chevrolet owns and operates internally. Leads from our network of web properties close at about 13 percent and leads from GM’s CID program close at over 9 percent.

### **What percent of your Internet sales are for new vehicles and what percent are used?**

Up until this past year, Courtesy Chevrolet consistently produced more new car sales from Internet leads than used car sales. After we developed and expanded our off-site used car Internet sales operations, and added the e-finance sales team, that balance shifted to where we are today, which is about a 50/50 split in total volume depending on month. The used car sales seem to run fairly consistently, while the new Chevrolet sales fluctuate for a variety of reasons.

### **What is your dealership’s web site address (URL)?**

Courtesy Chevrolet has three full-featured web sites that each display both new and used vehicle inventories in different formats, targeted to different marketing segments. We also have more than a dozen micro-sites and landing pages that we use for a variety of digital marketing purposes such as search engine marketing (SEM), model-specific search engine optimization (SEO), specialized demographic targeting, geographic targeting and stealth sites that we use to compete with third-party lead providers in capturing leads from people who may not visit a dealership web site. The three full-featured sites are the BZ Results site: [www.Chevrolet-USA.com](http://www.Chevrolet-USA.com), Reynolds Web Solutions: [www.LatinoChevy.com](http://www.LatinoChevy.com) and GM PowerShift Site (Cobalt): [www.Phoenix-Courtesy-Chevrolet.com](http://www.Phoenix-Courtesy-Chevrolet.com).

### **What company designed or currently hosts your web site?**

We are currently using four different vendors to produce web sites and micro-sites for Courtesy Chevrolet. BZ Results is our primary full-featured web site developer and digital marketing partner. We intentionally drive more traffic to our BZ web sites than our other sites because of its consistently high visitor-to-lead conversion rates. The people we deal with at BZ have a tremendous amount of respect for Courtesy Chevrolet and we always feel like they are more of a business partner than a vendor. BZ does a great job of dealing with our requests regarding our web sites and the landing pages it produces for us, but more importantly it stays in communication with us on an ongoing basis and provides consulting and training services that ensure we don’t get locked into a stagnant comfort zone.

We use Reynolds Web Solutions for our Spanish language web site at [www.LatinoChevy.com](http://www.LatinoChevy.com) and we find RWS to be an exceptionally competent organization from a pure technology perspective, but Reynolds does not stay in contact with us, or find ways for us to improve our results in the manner that BZ Results does. However, Reynolds does provide what we believe to be technically the best web site in the industry. The fact that Reynolds Web Solutions uses technology that generates a separate web page for each vehicle in stock, with a unique URL that can be submitted for indexing by search engine spiders is an incredible technical advantage for dealers that use RWS. Reynolds handles and displays dealer inventory better than other dealer web site providers. Our Internet sales teams often discuss a “dream team” web site vendor, which would be the people and processes from BZ Results and the technology utilized by Reynolds Web Solutions.

We also use The Cobalt group for our GM PowerShift web site, which is a GM mandate for dealers who want a live hyperlink from [GM.com](http://GM.com) and [Chevrolet.com](http://Chevrolet.com) to the dealer’s web site. In fact, the leads from our GM PowerShift web site are the lowest cost leads of any type that we get each month. Our local Cobalt representative, Peter Orlando, is a great guy and we really enjoy the service and support we get from him.

### **Do you use an outside service to take photos of your inventory?**

We use Dealer Specialties and we highly recommend the local DealerSpecialties franchisee, Doug Eggleston. We have also tried Kelley BlueBook's CDM Data Company, which offers some great products.

### **In addition to your own web site, do you post your inventory on any other third party web sites?**

Yes, that is a big reason why we use Dealer Specialties. Doug Eggleston helps us find ways to push our inventory data to more and more websites on a continuous basis. One of the top priorities within our overall e-business strategy is to push our inventory data for both new and used cars to more and more web site hosting companies. This is an especially big challenge for Courtesy Chevrolet since we are handicapped by the closed system that UCS provides to us. If it weren't for UCS's painfully archaic data management restrictions, and lack of responsiveness to our inventory data needs, we could sell significantly more cars through online marketing.

You will find our inventory on many sites such as Autotrader.com, cars.com, eBaymotors.com's local edition, UsedCars.com and others. We are constantly seeking additional sites and operators such as Google's Froogle.com to get more eyeballs on our inventory every week. DealerSpecialties is now taking multiple pictures of our new vehicles that go over 90 days in stock that we push out to dozens of online inventory display web sites.

### **What challenges do you face in maintaining strong gross profits with Internet sales?**

Let me be very clear in responding to this question... Courtesy Chevrolet is a high sales volume focused dealership. Sure, we hold on to gross profit every chance we get, but we will not lose a deal over price to anyone... period. If another Chevy dealer lets its customer talk to us, that other dealer will never see that customer again. We use convenience and service as a differentiator that helps us to hold on to sales profits within our Internet sales teams. I believe that our Internet team members have better product knowledge than the average Chevy salesperson and we leverage that expertise to maintain gross profits.

We also offer car buyers several options including delivery. If a customer does not enjoy spending time at the dealership, then fine... we deliver. Our highest gross profits and CSI scores consistently come from customers who pick out what they want from one of our web sites, ask for a quote, respond that they'll take one of the vehicles we quote, and then ask us to deliver the car and all documentation to their home or work location. Those are by far the best deals because the customer knows that they have received a level of personalized service that 90 percent of all car buyers never even have access to.

The fact is our Internet sales (on a model line by model line basis) out-grosses the sales floor fairly consistently. Of course, the Internet generates a higher gross profit PVR on a model line comparison; that is exactly what dealers should expect when the customer is picking out their next car from our inventory before they ever contact us.

### **How do you manage your prospect and customer information?**

We use BuzzTrak from BZ Results as a central database of all e-business customer contact and communication records before they buy a car. Once an appointment is set in BuzzTrak, our CRM administrators enter that appointment into our UCS sales prospect control system, which is what the showroom sales teams use to track floor traffic. This helps protect the ISSs and the CSRs from a customer just showing up and not being recognized as a "show" brought in by the CRC or the Internet sales department. Since all showroom visitors must be logged into UCS/SPC before the sales desk will work a deal, this helps quite a bit.

### **Do you use e-mail templates, and do you send regular e-mail campaigns?**

Yes, we make extensive use of e-mail templates for both ad hoc e-mails sent by our ISSs and for the automated e-mail system within BuzzTrak from BZ results. We have so many e-mail templates that we now index them by number and publish a manual that shows when and how each template should be used within a process flow chart that references each template's index number.

### **Do you give pricing (or send copies of invoices) over the phone or by e-mail?**

Yes, we provide discounted price quotes to prospects who request price quotes as part of the lead generating process. We also talk about prices over the phone extensively and proactively. As far as we are concerned, pricing

is just another piece of information and we do not want to make it the most important information by hiding it from our customers. The real hard-core price mooches always get a price from any dealer they contact anyway, because they work so hard at it. But the majority of car shoppers ask for your best price because they have been conditioned to expect the run around when they ask that question to a salesperson. We defuse the situation by quoting our discounted "IMV" Internet market value price right upfront. It takes the confrontation out of it and lets us focus on selection, service and convenience, which differentiates us from other dealers.

### **What metrics do you track?**

A better question would be what Courtesy Chevrolet does not track... sometimes we review so many Excel spreadsheets, charts and DMS report printouts that the information can get overwhelming, but our primary metrics look at leads received, appointments made, actual showroom visits, actual sales and the ratio to the sales goals and of course, leads closed, conversions and appointments made to leads received. We look at these same key metrics sorted by lead sources, as well as by individual ISS and internal teams.

### **How long do you work a lead before you retire it, or do you continue to market to that person in other ways?**

Courtesy Chevrolet Internet sales specialists will continue working directly with a customer as long as the communication channels are open and an active dialogue is happening. For people who either do not respond to an ISS or say they are no longer in the market, our CRC takes over and continues to contact the customer until they either tell us to leave them alone or come in to the dealership and buy a car. The CRC acts as a safety net to continue following up on leads that the Internet sales teams lose interest in. The Courtesy Chevrolet CRC is very good at recycling old Internet leads and previous customers to generate new prospects and referrals.

### **How are your Internet sales professionals compensated?**

The Courtesy Chevrolet pay plan for Internet sales specialists is:

Base Salary: \$1,000.00 per month (contingent upon minimum performance requirements)

Commissions: Based on the total gross profit generated for each vehicle sold, including profit on sale (front end), profit on financing and insurance (back end), profits on aftermarket and accessories (ProShop). The percentage of commission paid to the ISS is based on the following sliding scale, retroactive to the first unit sold:

1 to 8 vehicles sold: 12 percent

9 to 11 vehicles sold: 14 percent

12 to 14 vehicles sold: 16 percent

15 to 17 vehicles sold: 18 percent

18 and up vehicles sold: 20 percent

### **Monthly unit volume bonuses:**

5 units sold/billed by 15 of month = \$250 bonus

12 units = \$1,000 bonus

Each additional three units above 12 = \$250

### **Team gross bonus:**

An additional 5 percent of the gross profits generated by the sales team that the ISS is assigned to will be paid out based on the individual ISS's units sold as a contribution to the team's total unit sales. How it works: If the ISS sells 10 units and the team sells 100 units, then the ISS receives 10 percent of the 5 percent team gross bonus payout. Example: The ISS team sells 72 units, generating \$129,760.40 in total gross profits. If the ISS sold 10 units of the team's total 72 unit sales, the ISS would receive 14 percent of the total team gross bonus. Five percent of \$129,760.40 is \$6,488.02 and 14 percent of that is \$908.32, which the ISS receives.

### **Process performance bonuses:**

Leads converted to dealership visits:

#1 ISS receives a \$350 monthly bonus

#2 ISS receives a \$150 monthly bonus

Showroom visits to sales closed:

#1 ISS receives a \$350 monthly bonus

#2 ISS receives a \$150 monthly bonus

**If you could wave a magic wand and change anything about your department, what would it be?**

I would forever banish the bitching and moaning sessions that many sales professionals seem to get going whenever more than two of them are speaking with each other. I have visited hundreds of dealerships across America and have never been to a dealership that treats salespeople better than Courtesy Chevrolet, yet some of our salespeople seem to have no problem finding things to complain about to each other, and to anyone new in the department. If I never witness another salesperson group "crap-out session," it will be too soon! Can you get me a magic wand that stops salesperson crap-out sessions? Other than that, we have a great group of Internet sales specialists and I would like to get more just like them to come and work for Courtesy Chevrolet.

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