



A Global Fortune 500 Automotive Company:

*How Sales Manager Training Affects Gross
Profit and Other Factors*

CASE STUDY

How Sales Manager Training Affects Gross Profit and Other Factors

A global Fortune 500 leading automotive company owns many domestic and international recognized brands driving today's automotive innovation. The company also educates advertising and dealer personnel through BBDO Detroit, with which the company has had a long-standing relationship. BBDO Detroit and the company expand advertising to the dealership level.



Together, the two companies created a Measurement Task Force. The initiative's purpose was to identify and measure the academy's business impacts. The team also performed a gap analysis on the training program. However, it was found that certification achieved through the training program had an effect on an individual salesperson's performance. The program was later revised, and the company began to analyze the impact of the new training curriculum on the business.

Balaji Consulting Group: Human Capital Management

Using a comprehensive approach, Balaji Consulting Group analyzes organizational behavior and management, considering goals for productivity and enterprise success. Balaji tracks the results of investments to better understand human capital, including how it is created and deployed throughout an organization.

Looking at Sales Manager Training

The revised SMT program was soon implemented. The training included basic education and two additional sales management classes. These courses were designed to teach supervisors how to improve the sales performance of their dealerships. Training fell into three ranks:

- Fully trained, meaning the sales managers and their consultants achieved certification.
- Partially trained, meaning the sales managers were trained but not the consultants.
- Untrained, meaning neither the manager nor the workforce was trained.

The company targeted sales managers working in its dealerships and the impact SMT had on a manager's KPIs. To measure this, individual KPI factors had to be identified and isolated. The KPIs were noted as vehicle sales volume, gross profit, inventory turnover, productivity, and the Sales Satisfaction Index (SSI), which measures customer satisfaction. The demographics for the dealership and the sales managers were used to isolate the KPIs and the efficacy of training.

Methodology

The company examined 3,216 dealerships and their sales managers. More than half the dealerships had at least one sales manager who had gone through training. For accuracy, the assessment used full training, partial training, and no training as its variables. These compared these variables to nine separate hypotheses regarding the company's business objectives. It measured the impact of each variable based on the following metrics:

- Gross profit
- Sales volume
- Gross profit for each new car
- Sales consultant retention rates
- Sales consultant turnover rates
- The rate at which inventory was sold (inventory turn)
- Gross productivity
- Overall retention rates for each department
- SSI for each dealership

The company used optimized models to measure individual effects of training on the sales managers. The models the researchers created measured whether participants showed positive, negative, or no effects from the training. The company and the researchers identified specific groups to measure based on their predicted impacts on the business as compared to training status.

The company asked the following questions:

- Does SMT actually have an effect on business outcomes?
 - If so, how much effect does it have?

Experts measured the impact of SMT on various KPIs and identified areas for future improvement to the curriculum. Additionally, it would serve as a foundation for predicting how changes to the curriculum would affect dealership KPIs.

Findings

SMT had a positive effect on several business goals:

- Dealerships with a trained sales manager had a 29% higher gross profit than those without a trained sales manager.

- Dealerships with a trained manager sold 1.48 more cars per month than the previous year. Dealerships without a trained manager only saw a 0.01 increase in this same time. That means the return on investment was 5,280% for dealerships with a trained manager!
- Dealerships with a trained sales manager also had better overall retention rates of sales consultants. On average, a dealership with a trained sales manager could expect to retain one additional sales consultant each year.

The company was able to identify key areas for optimization. It could use this information to improve training initiatives and further develop business outcomes. It evaluated the relation of 126 separate models to demographics, training, and specific KPIs. The models were put into two classifications – dealership characteristics and sales manager characteristics.

- Dealership characteristics included dealership age, size, location, number of sales managers and consultants, service measure scores, fixed first visits (FFVs), and customer and sales satisfaction ratings.
- Sales manager characteristics included length of employment, previous training and/or certification, and size of sales force.

Both classifications were tested for optimization and how they related to training.

Further Improvements

The company uses studies like these to measure the performance of each dealership, customer satisfaction, and buying behavior. This information is used in conjunction with other instruments and industry trends. By measuring these factors, the company can improve and refine its SMT curriculum.

Balaji Consulting Group understands that training programs are always changing, because customer behavior is always fluctuating. For example, sales managers were more likely to influence buyers before the advent of the internet. Today, however, research drives consumers. Therefore, it is imperative that big-ticket businesses continually measure the effect of their employee training and develop optimization models.

It was helpful to measure the effect of SMT on several KPI factors. Aside from finding that SMT does have a positive influence on business objectives, the data can be used to improve training curricula and dealerships further.