

# Close the Loop And Open the Floodgates

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## Introduction

Closing the Loop and Opening the Floodgates is about process, discipline and knowing more about your customers than your competition.

What would it be worth to your dealership's bottom line if you simultaneously improved each of the following areas by three to five percent? 1) Cut advertising costs and the amount of advertising spent on each unit sold, 2) decreased the number of days your inventory was on the lot, 3) reduced the amount of time a sale takes, 4) increased revenue-per-up, 5) and improved close ratios? Would it have a huge impact – we thought so.

In the next few pages we are going to: 1) describe what “closed loop” means, 2) examine the merits of this type of process, 3) discuss how your dealership can benefit from a closed loop sales process, and finally, 4) provide you with some guidelines on how to implement a closed loop sales process in your dealership.

## Closed Loop – What Does It Mean?

So what does “closed loop” mean anyways? “Closed loop” refers to a way of performing tasks. What defines it is that each task is predefined with built-in monitoring and feedback devices. In the “closed loop” system the process never ends, because there is always a logical next step. One key benefit of the “closed” system is that all relevant and actionable information is collected and it is never lost.

## Two Sales Processes – one open, the other closed

Here are two examples of a sales process, one open, and the other closed. Your dealership probably has a similar sales process: 1) Meet and Greet, 2) Needs Assessment, 3) Test Drive, 4) Desking/Initial Offer/Deposit, 5) Objection Handling 6) Closing, 7) F&I Turnover, 8) Vehicle Preparation, 9) Vehicle Delivery. In an “Open” system, there are no checks or balances to, a) ensure each step is accomplished or, b) provide action when a step is not completed in a timely manner. Instead, self-discipline and ad hoc monitoring are the safeguards used to ensure steps are followed – feed-back may or may not occur. In the closed system, discipline is built in; all steps are monitored, and when a step is not completed, a flag is created and feedback is automatically generated.

## Can Your Dealership Benefit From Closed Loop?

You might be thinking open systems can work and that your dealership would not benefit from closing the system currently in place. Well, they can (work), but only to a point, and only with people that have exceptional talent and self-discipline. These lucky individuals use their skills and talents to create their own closed loop systems; they have great discipline, are very organized and are in effect self-monitoring.

Arguably, a closed system would not provide as much benefit to a well disciplined and organized individual as it would your average sales person.

However, the information gained by tracking your star’s progress will set the bar for other less structured employees. More importantly, a closed loop system will provide you with valuable information on your customers and how your top performers actually sell.

Let’s face it though, even your best sales reps do not get it right all the time – even they could use some assistance and tools to increase the number of prospects they can simultaneously manage at one time. For stars, closed systems will allow them to increase their productivity, and close more customers in the same period of time. More importantly, a closed system will allow you to be party to the valuable information locked in your star performer’s head. If you have ever had a “star” leave your dealership with their customer list and aggregate knowledge gained over time you would understand the hole that can leave.

### Identifying Your Real Stars

Things are not always as they seem. The information you get from a closed loop system may tell you the person you believe is the biggest star in your organization is not as worthy of that designation as you think. This is because a closed loop system collects information and tracks the progress of every up, effectively separating your cherry pickers from the reps that work every opportunity equally hard. Is that important? You spend valuable marketing dollars on every prospect that walks in to your dealership – isn’t the amount of revenue per up combined with the close ratio key to the success of your dealership? If you do not have a system that collects information and tracks every prospect the only way to gauge sales rep effectiveness is by looking at their gross revenue.

Table One shows three sales reps each handling a similar number of opportunities during the reporting period. On the face of it, Rep 3 is your star; he (or she) brought in \$30,000 of gross profit. Is Rep 3 really the star? Rep 3 went through more ups than Rep 1 or Rep 2, their close ratio was only 13%, and their revenue per Up was only \$100. In our book, the real star is Rep 1; she (or he) had a close ratio of almost 52% and brought in \$112 per Up.

In reality, Rep 3 is likely a great qualifier but may have cherry picked. Rep 1 may be a better closer but did not focus enough attention on maximizing the revenue on each sale.

Table One

	Ups	Closed	Gross Profit	Revenue Per Up	Close Ratio
<b>Rep 1</b>	250	132	\$28,000	\$112	52.8%
<b>Rep 2</b>	237	87	\$25,000	\$105	36.7%
<b>Rep 3</b>	300	40	\$30,000	\$100	13.3%

Assuming all of the Ups in this example had the same revenue potential, imagine the effect on your dealership if Rep 3 had a similar close ratio as Rep 1? He would have closed 90 additional prospects. If each of those same Ups parted

with \$112 his gross profit would have increased by \$10,000! Now imagine the effect on your dealership if 40 (or so) of Rep 1's Ups spent as much as the ones Rep 3's closed? That would increase Rep 1's gross profit by \$25,000 (\$750 each). Just from these two sales reps, the dealership would increase gross profit by \$35,000.

So how would this apply to your dealership? In a closed loop system there would be a common sales process for all of your sales reps that would guide them each step of the way; a record would be made each time they interact with a prospect; and they would know what comes next. If your reps choose not to follow the process, your sales manager would know immediately and be expected to follow up, getting the process back on track. The key to a successful closed loop system is the feedback loop that is initiated when exceptions occur. This feedback loop ensures nothing falls through the crack; everything progresses forward.

### **Customer Relationship Management**

Besides increasing close ratios and gross profit on every up there are other benefits to using a closed loop system. For example; the valuable information gathered on each prospect. Information like: where they live, what they are looking for, what they have to trade – all valuable data that can get lost if the system for gathering, storing, and analyzing it is open, loosely defined or non-existent.

How valuable is the information? Very. If your dealership is selling similar products in similar locations at around the same price as your competition, what sets your dealership apart? The answer is, "what you know about your customers and what you do with that information". There is a saying in Customer Relationship Management (CRM), "know something about your customer nobody else knows, and you can provide them with something nobody else can". This is what sales and contact management is all about.

### **Nortel's Success Using Closed Loop Sales Practices**

In 2001 Internet giant Nortel Networks replaced its ineffective "open" system of sales lead management with a closed loop process. They did this after realizing its present system fell short in several key areas: 1) no common sales process, 2) no sure way of ensuring all leads were followed up on and, 3) no timely feedback on sales leads. "Without a closed loop process for providing timely feedback on leads, Nortel Networks found it difficult to ensure its lead-generation programs produced optimum results<sup>1</sup>".

Nortel was adamant the new system had to be: adopted throughout its whole organization; that it was so easy to use that reps required virtually no training; and that it would be accessible 24/7, wherever a computer with internet access was available.

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<sup>1</sup> Reese, Andrew K. "Closing the Sales Loop at Nortel Networks." [SDCExec.com](http://www.sdexec.com). Page 2. <http://www.sdexec.com/online/article.jsp?id=5820>.

Nortel's sales force began collecting valuable information on its prospects as soon as the system was implemented but did not see immediate improvements in lead closure. They hung in though, and after several months sales began to improve to a point where (now) lead closure rates have improved by over 500%.

Nortel's closed loop system provides management with valuable information about the performance of each sales rep; information used to make important hiring (and firing) decisions. "Now the spotlight is on. You let a lead expire, you don't provide feedback, or you close a lead and say the customer wasn't interested, and then the customer calls back and says he hasn't been called – that's not good. Those are the sales reps we took out of the system<sup>2</sup>".

Information gathered in Nortel's closed system helped the marketing department make decisions based on factual information, not anecdotal information and hearsay.

Translated from the world of high tech to your dealership, a closed loop system can ensure your advertising is focused on the correct target market using the most appropriate mediums it will help ensure your inventory contains products your customers are looking for; and it will provide management with statistical information so they can staff the sales department with people most likely to succeed.

### **Getting From Here to There – Closing the Loop**

The first and most critical step in reaping the benefits from closing the loop in your dealership is adopting a stance that nobody will be exempt from using the system; everyone has to embrace it, especially the people at the top of your organization. Everything and anything is possible once you have this buy-in; without it, your chances of success decrease drastically.

From there, look at the sales processes in place currently, and ask yourself if they would work if used every time and there were feedback mechanisms in place to ensure anything that falls off the track is caught quickly enough to make a difference? If the answer is yes, changing your sales process might not be necessary.

Also, consider the tools you are going to need. There is no getting away from it; you are going to need software to implement a closed loop system. Look for solutions that follow these rough guidelines: 1) accessibility should be 24/7 using a web browser, 2) for users, the software should require little or no training, 3) it should provide methods for gathering data appropriate to every type of Up, 4) it can capture any and all actionable data, even when there is no contact name to attach the information to, 5) all entries are time-stamped and can not be altered or deleted once the entry has been made, 6) the sales process moves each prospect to a logical conclusion by its design, 7) reporting features are strong, flexible and easy to use and provide actionable insights and recommendations

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<sup>2</sup> Reese, Andrew K. "Closing the Sales Loop at Nortel Networks." [SDCExec.com](http://www.sdexec.com). Page 4. <http://www.sdexec.com/online/article.jsp?id=5820>.

for advertising, inventory, required sales coaching, and trend analysis, 8) there is a component in the system that provides ongoing after sales support and assistance.

The success your dealership has in closing the loop and opening the floodgates will depend upon: the sales processes you close the loop on; staff discipline and their adherence to using the new system; and how information gathered from customers is used to create a competitive advantage. When you succeed, the improvements gained in key dealer processes by using a closed loop system will result in increased productivity, reduced costs and substantial improvements in your dealership's bottom line – well worth the cost and effort.

For additional information on adopting a closed loop system in your dealership contact QuantechSoftware.com, by email [info@quantechsoftware.com](mailto:info@quantechsoftware.com) or phone 877-611-0622.