

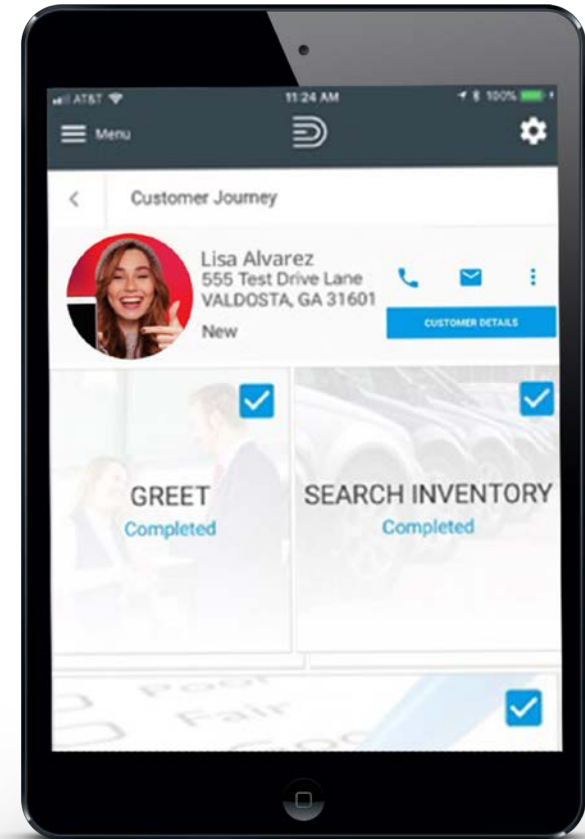


The Auto Dealer's Guide to **Digital Retailing**

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MESSAGE OF THANKS

We thank the following automotive experts for contributing commentary:



Jim Ziegler

President of Ziegler SuperSystems, is a trainer, commentator and public speaker on dealership issues



Mark Tewart

Sales training expert, consultant, professional speaker and author of the book "How to be a Sales Superstar"

THE DIGITAL RETAIL EVOLUTION

Digital retailing is defined as moving some or all of the car buying experience online. As an industry, we've been talking about it for years, but there's still no consensus on how this new business model will work.

Ford Motor Credit has partnered with AutoFi to develop a product that allows customers to buy a vehicle from a dealership's website. Toyota is aggressively working on an online transaction solution.

“

Digital retailing is not a revolution; it's an evolution. Every new process has to be nurtured and requires education of the public, the dealers and the manufacturers. **Cars are not commodities, yet.**”

- Jim Ziegler

All indicators point to 2018 as a milestone year in the digital retailing evolution.



Large dealer groups like AutoNation Inc., Sonic Automotive Inc., Asbury Automotive Group and Penske Automotive Group have developed, or are developing, online car shopping tools and software for their dealers' websites.

30% of AutoNation's new-vehicle sales in January 2018 were transacted online.

- AutoNation CEO Mike Jackson

Several automotive technology vendors have introduced digital retailing solutions that integrate seamlessly with a dealer's CRM and/or DMS.

Consumer demand exists and online car buying is already here. Early adopters have the opportunity to win market share, and not just locally. Digital retailing solutions make it easy to sell vehicles to customers hundreds of miles away.

“

Dealers are pushing this off. The people who will win are those who can make the process transformational, not transactional. **It has to be high tech and high touch.”**

- Mark Tewart

What does the immediate future of digital retailing look like? Read on to discover how your dealership can join the evolution.

CONSUMER EXPECTATIONS

Car shoppers already use the Internet to research brands and models, buy insurance and look for dealers. How many consumers would start the purchase process online, if the option were available?

85% of consumers said they would be more likely to buy from a dealership that offers at least one component of digital retailing.

83% of consumers want to do one or more steps of the purchase process online.

71% of consumers say they would consider buying a car more often if they could start or complete nearly all of the purchase online.

Cox Automotive “Future of Digital Retail Study” —January 2018

Reasons why demand for online car-buying is growing:

Time

Car buyers spend an average three hours at the dealership. More than half that time is spent negotiating or doing paperwork.¹

“

We all feel like we're time poor. Dealers need to **speed up the process**, especially the finance portion of it.”

- Mark Tewart



Convenience

Customer satisfaction with the dealership increased on average by more than 100 percent when customers completed their financing online. The majority of those surveyed reported that the finance experience online was easier, more pleasant and hassle-free than what they had experienced previously at a dealership.²

Less Pressure

Car shoppers like the convenience of conducting most of the car-buying process on their own time and away from what is perceived as a high-pressure environment in the dealership.³



DEALER EXPECTATIONS

Not surprisingly, the majority of dealers are reluctant to implement a digital retailing solution.

Only 35% of dealership management said they were likely to offer a digital retailing solution on their website, defined as selecting a car, negotiating price, submitting credit information, reviewing final paperwork and transacting. When told that consumers were very interested in buying a car online, dealership management's perspective changed and interest increased to 53%.

- Root & Associates/CDK Global study — January 2017

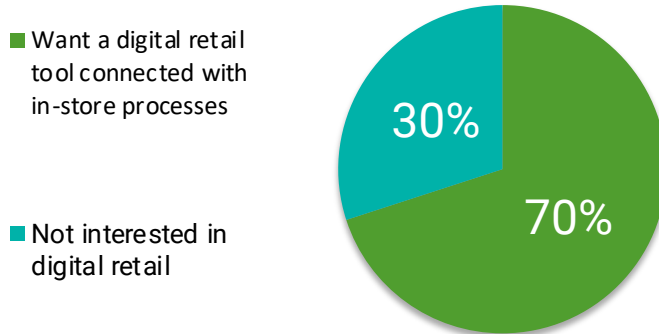
Dealers' primary concerns include:

- Losing control of the sales process
- Decline in gross profits, especially from F&I products
- Significant investment required
- Process changes and training required
- Integration issues



Many of these concerns are unwarranted. Most digital retailing products in development are designed to keep dealerships involved in the purchase process. Not all solutions require a significant investment, and integration issues can be a non-issue, depending on the solution.

Dealer Interest in Digital Retailing Tools



- eLend Solutions auto dealership survey –October 2017

The only concern dealers may need to address is process change and training.

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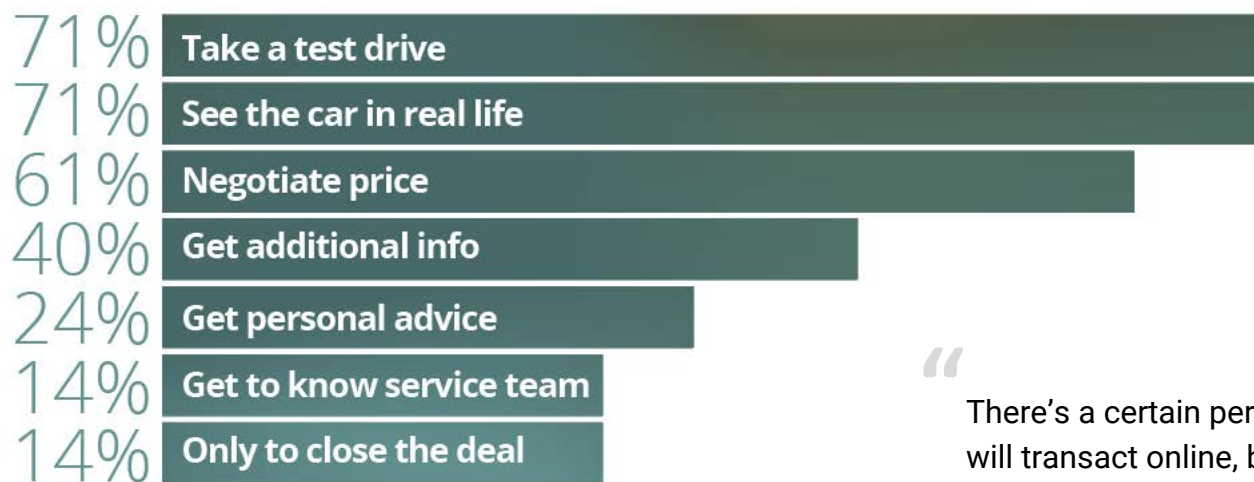
Dealerships have actually been doing this for years. I've purchased cars from dealers hundreds of miles away. It's easy to do over the phone and email. The next step **simplifies the process and makes it more digital**, with less email involved.”

- Mark Tewart



CONSUMERS STILL WANT TO VISIT DEALERSHIPS

Car shoppers still rely heavily on dealers for services such as inventory selection, accepting trade-ins and arranging financing. Most consumers still want the touch, feel and smell experience of buying a car.



“

There's a certain percentage of consumers that will transact online, but a **greater percentage won't** right now.”

- Jim Ziegler

- Capgemini Cars Online -- 2017

Consumer Adoption Rates Will Be Slow

Although more than 80 percent of consumers say they want to do one or more steps of the purchase process online, we project that consumer adoption rates will be slow.

Many variables affect a person's ability to transact a vehicle purchase online and some consumers will always find it easier to let dealership staff manage the process.

Within two years, five to ten percent of consumers will complete some of the purchase process online. In three to five years, that will grow to 20 or 30 percent.

“

Even if only 10 to 20 percent of the people want to do it, **why not have it available?**”

- Mark Tewart

89% of consumers said they want to sign final documents at the dealership. However, one in four of those customers want to review paperwork electronically before coming into the dealership to sign.

80% of consumers would never purchase without a test drive.

Six in ten consumers still want help from dealership staff even if they could purchase online.

- Cox Automotive “Future of Digital Retail Study” —January 2018

CHALLENGES WITH PURCHASING VEHICLES ONLINE

The car buying process is not as simple as placing a vehicle in an online shopping basket and paying with a credit card. Challenges to be addressed include:

Entrepreneurial solutions may soon include bidding networks or remote appraisers going from house to house with mobile tablets.

Accurate Price Quotes

Most digital retailing products are unable to quote accurate price payments to the consumer. A final price quote includes all variables such as the customer's credit score and local taxes and fees. Without this ability, the retail installment agreement cannot be completed online.

Trade-Ins

The value of a trade-in can be difficult to determine. Some digital retailing solutions provide tools for the consumer to upload photos and information so that a dealer representative can come up with a quote.



Financing

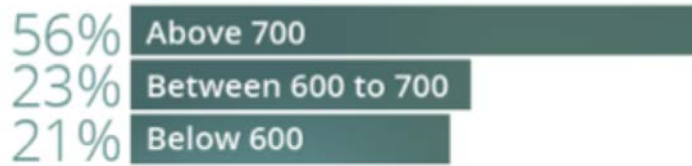
Many consumers believe they can afford more car than they actually can.

“

Customers have unrealistic expectations about their credit. If a customer comes in with a 600 credit score, they need a down payment, and they have to accept a higher rate. **Someone needs to explain that to them, and that's a challenge.”**

- Jim Ziegler

Percentage of U.S. consumer credit scores:



- Fair Issac Corporation (FICO) -- 2018

Compliance

Some digital retailing solutions connect a F&I provider exchange network (PEN) with a dealership's DMS and/or CRM for electronic ratings, forms preparation and electronic contract origination. All presentations have the proper disclaimers in place.

State Laws

Certain states still require documents to have a wet signature. This will likely change in the next few years as digital retailing becomes more mainstream.

ONLINE CAR BUYING: THE INTEGRATED APPROACH

It may take years for consumers to feel comfortable completing 100 percent of the transaction online. That doesn't mean that dealers should adopt a wait-and-see mentality. **The faster dealerships embrace digital retailing, the less impact solutions that cut dealers out of the process will have.**

An integrated approach allows the consumer to complete some or all of the following steps online:

- ❑ While viewing inventory, have the option to "Buy Now" or "Build Your Deal"
- ❑ Save vehicles into a shopping cart and continue browsing
- ❑ Learn about, and add, aftermarket products
- ❑ Negotiate price with dealer representative
- ❑ Get a trade-in quote
- ❑ View different payment options and change terms
- ❑ Apply for credit
- ❑ If credit application is rejected, contact the dealership for options
- ❑ If application is approved, complete the financing process online
- ❑ Start and stop the process at any time, and pick up from where they left off either in-store or online
- ❑ Choose whether to have the vehicle delivered or pick it up in-store
- ❑ All transactions are integrated with current sales process

Although this scenario allows for the consumer to transact all of the purchase process online, the majority of consumers will come into the dealership for a part of the process. Additionally, dealership personnel must be available to answer questions and help the consumer along the entire journey.

Dealers that want to stay competitive should act sooner rather than later to implement a solution.

“

The higher the ticket item, the more questions consumers have. **Customers will need access to a salesperson** or concierge throughout the process.”

- Mark Tewart

What part of the car-buying process do consumers want to complete online?



- Autotrader 2016 Car Buyer Journey

HOW TO PREPARE YOUR DEALERSHIP

In addition to a technology solution, dealers may want to consider tweaking some internal processes, as well as websites and advertising to help educate the online car buyer. Additionally, staff roles and responsibilities will inevitably change.

Digital Marketing

Dealers will need multi-channel digital marketing strategies designed to drive online car buyers to their websites.

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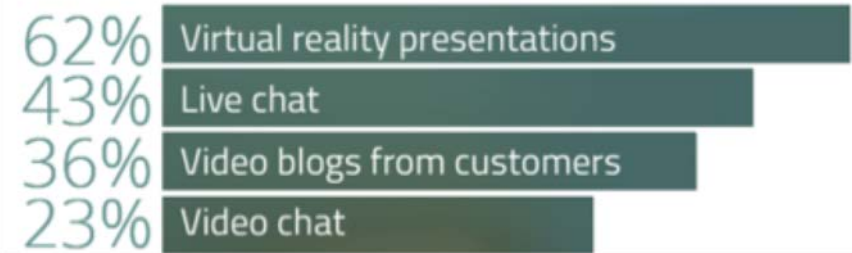
A newspaper is only valuable for training a puppy. Today's car buyers go straight from the manufacturer website to the dealer website. **They're Googling and coming off social media. That's where you need to be.**”

- Jim Ziegler

Research Tools on Website

Most dealer websites don't provide in-market car shoppers with answers to their most commonly asked questions. Explore ways to provide information to FAQs. Videos are highly recommended.

Tools that customers would like to see in addition to 'traditional' tools used for research:



- Capgemini Cars Online -- 2017

43% of car shoppers view the dealership as an educational institution.

- KBB.com "Car Buyer of the Future" study

“

Most dealers take the kitchen sink approach with their websites; let's try this widget, let's try that form, let's try everything. You have to take a more linear approach.

Think about the consumer and what they want to accomplish. How do they get from point A to B to C?"

- Mark Tewart

Be Open 24/7

Digital retailing means your dealership is open 24 hours a day, seven days a week. Artificial Intelligence

(AI) chatbots can be helpful, but can't answer more complex questions. Dealers need to explore extending their store hours or utilizing a 24-hour BDC.

Staff Roles and Responsibilities

Digital retailing will inevitably change the roles and responsibilities associated with dealership salespeople, F&I managers and BDC agents. Online car buyers need nurturing, not closing.

“

Dealers have to make a choice. They either have to move towards a professional, higher-grade salesperson that handles every part of the process including F&I, or they have to move towards a salesperson that's more limited in their role, like a product specialist."

- Mark Tewart

Car buyers prefer staff who are “product specialists.” Consumers want dealership staff to be highly knowledgeable about vehicle specs, features, technology, models and trim levels, and they also want them to act as consultants who listen to their needs in a low-pressure environment.

- Cox Automotive “Future of Digital Retail Study” —January 2018

Dealers will need to experiment with a variety of roles and responsibilities designed to help the online car buyer:

- Digital sales specialist or concierge to facilitate the online car-buying process
- BDC agents trained to facilitate the online car-buying process
- Product and/or brand specialists to answer questions and help with selection

- High touch, combination sales/F&I managers that oversee the entire process from A to Z

“

I see salespeople becoming selection specialists, having no part in negotiating prices or payments. They strictly help the consumer select the model and then a manager—not a F&I manager, or a sales manager, but a manager—sits and **transacts the entire deal in one sitting, never getting up from the desk.**”

- Jim Ziegler

Home or Work Delivery

A small percentage of customers will want vehicles delivered to their home or work. A product specialist delivers the car, explains features and takes the customer for a test drive. Also, dealers will have to offer a money-back guarantee.

DIGITAL RETAILING SOLUTION CHECKLIST

Look for a digital retailing solution designed to meet customer expectations and keep your dealership central to the car-buying process. Here's a checklist of features and tools that your dealership's digital retailing solution should have.

- ❑ **Shopping Cart:** Allow consumers to select cars and save them for consideration and comparison against other models as they continue to browse.
- ❑ **Ease of Use:** Online forms should be simple to navigate and visually appealing. "Click to Buy" or "Build Your Deal" buttons should be highly visible on VDPs.
- ❑ **Integration with DMS and/or CRM:** Don't use a tool that uses "bait and switch" tactics to take your customer to another website or third-party solution.
- ❑ **Save Deals:** Customers want to progress at their own speed. Look for a tool that allows them to save their deals and come back to them later.
- ❑ **Communication:** Online car buyers must know the best and fastest way to communicate with dealership staff. Look for a tool with integrated communication options such as a built-in chat widget.
- ❑ **Allow Price Negotiation:** 56% of consumers still want to negotiate price¹. Give customers the option to negotiate price, either via phone, email or through the application itself.
- ❑ **Remote Trade-Ins:** Look for a solution that allows the customer to enter in information about their current vehicle, including videos/photos so that you can give an accurate appraisal.

- ❑ **Accurate Pricing:** Your digital solution needs to be able to calculate accurate pricing down to the penny, incorporating data from consumer credit reports and local taxes and fees.
- ❑ **F&I Product Presentations:** Look for a solution that can present F&I products and other aftermarket products to the customer, along with all necessary forms and disclaimers.
- ❑ **Allows Consumers to Remain Anonymous:** A customer should not have to enter an email address or other information unless they want to save the deal or apply for credit.
- ❑ **Mobile Optimized:** 53% of online auto shoppers use a mobile device.⁵

eBook Sources:

- 1) Autotrader 2016 Car Buyer Journey
- 2) SpringboardAuto survey, November/December 2017
- 3) Root & Associates/CDK Global study January 2017
- 4) Cox Automotive “Future of Digital Retail Study” —January 2018
- 5) J.D. Power 2016 New Autos shopper Study
- 6) ELEAD1ONE Data

Connect With Customers Through Genuine
Experiences to Accelerate the Buying Process.

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