

2016

DEALERSHIP

ACTION REPORT



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DATA SOURCES

DealerSocket Data

Google Surveys

DealerSocket Franchise Dealer Survey

J.D. Power: Power Information Network (PIN)

It's no secret, the car buying process has rapidly changed more over the last few years than it has since the industrial revolution brought the mainstream motor vehicle to American families' garages. With all the resources consumers have at their fingertips and the buzz over the buying power of millennials, auto dealers feel the pressure to make process and technology changes rapidly.

As a technology partner to top dealerships and dealer groups throughout North America, DealerSocket set out this year to take a closer look at consumer perceptions and attitudes toward the car buying process. In an effort to identify the most critical consumer perceptions that are formed during the car buying process, DealerSocket called upon Google Surveys to conduct our latest study in August of 2016.

In this volume of the Dealership Action Report, we reveal our findings and make key connections using DealerSocket data (compiled from more than 11,000 franchise dealerships that utilize our software), J.D. Power PIN data, and dealer survey responses.

The purpose of this report is to aid dealers in identifying and prioritizing processes and technologies that will be most impactful to consumers and their businesses. These recommendations will help dealers save time and money and make a significant impact on their bottom line.

IN SUMMARY

We partnered with Google and surveyed more than 2,000 consumers who purchased a vehicle in the last 12 months.

We asked them about their attitudes toward the following aspects of the car buying process:

- **Initial Research**
- **Negotiation**
- **Financing**
- **Digital Retail**
- **Service**

We surveyed dealerships and dealer groups across North America using the same questions we posed to our consumer pool to better understand the dealers' perception of the car buying process.

We collaborated with our data partner, J.D. Power, to examine consumer satisfaction using the Power Information Network (PIN).

We poured over a wealth of product data pulled directly from the DealerSocket platform, including operational and trend data from CRM, DealerFire websites, and Inventory+ inventory management solutions.

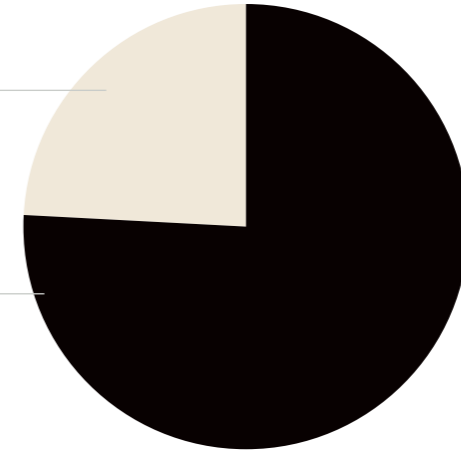
GOOGLE SURVEYS

Q: Do you enjoy the car buying process?

CONSUMERS

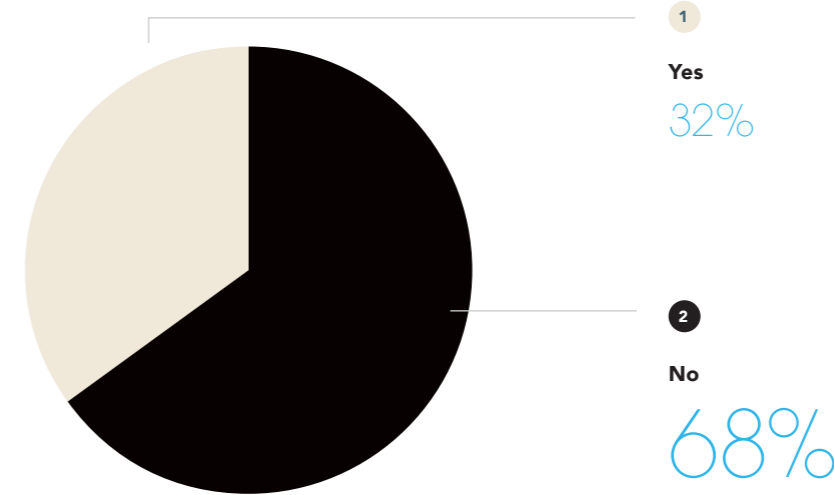
1
Yes
19%

2
No
81%



DEALER SURVEY

FRANCHISE DEALER PERCEPTION



Knowledge Is Power

Why does this matter? The more a dealer understands consumer perceptions, the more he or she can train staff to prepare for their biases. Taking a closer look at the "why" of consumer perception should shape dealer strategies and processes.

Inside the numbers:

Age, gender, and income affected results

LEADING "NO" CONSUMER RESPONSES:

- 85%
45-54 years old
- 85%
Female
- 82%
Income between \$25K and \$50K

LEADING "YES" CONSUMER RESPONSES:

- 29%
18-24 years old
- 24%
Male
- 32%
Income greater than \$150K

Do you enjoy the car buying process?

01

THE WHY

*What don't you like about
the car buying process?*

Inside the numbers:

TOP CONSUMER RESPONSE

29%
Don't trust salespeople

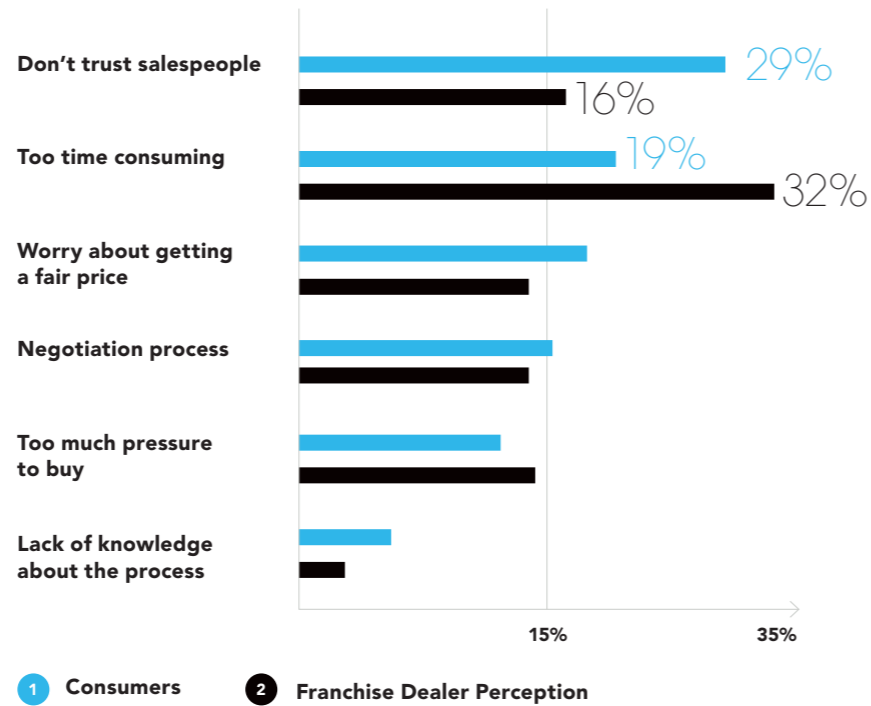
FRANCHISE DEALER PERCEPTION

32%
It's too time consuming

Surprisingly, consumers cite lack of trust in salespeople as their No. 1 concern. Their No. 2 complaint is that the process is too time consuming; dealers, however, believe it's what they care about most.

GOOGLE SURVEYS

Q: What don't you like about the car buying process?

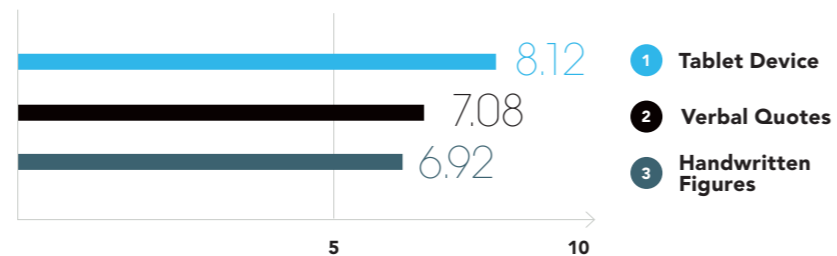


J.D. POWER: POWER INFORMATION NETWORK (PIN)

Increase Consumer Trust in Salespeople

According to J.D. Power, the use of technology, specifically the use of tablets during the payment presentation process, improves customer satisfaction ratings significantly.

POSITIVE SATISFACTION RATING
Negotiation figures were presented using...



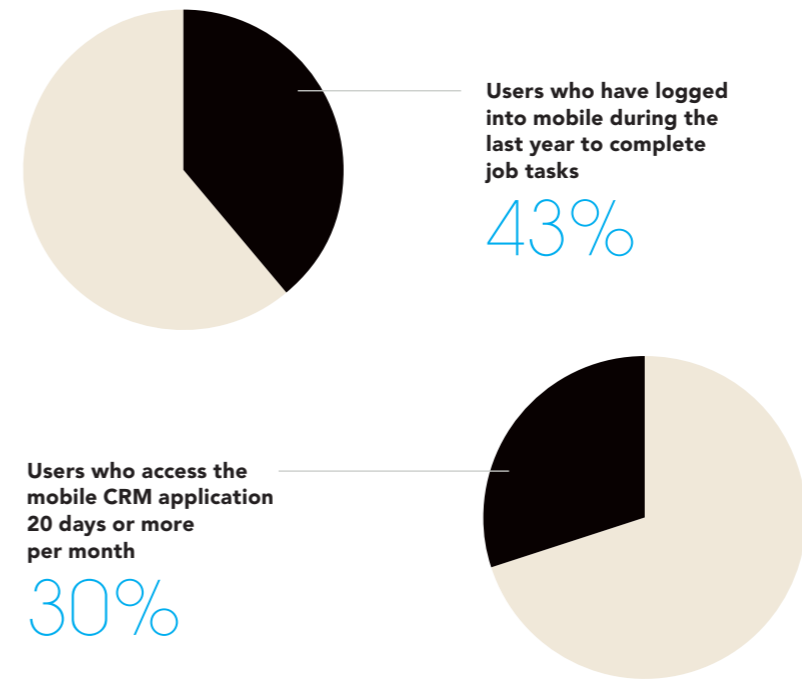
SCALE: 10 Truly Exceptional 7 Outstanding 4 Average 1 Unacceptable

Although it seems obvious that the use of mobile technology should be common practice in the business-to-consumer world, the data suggests that the majority of dealership personnel still completes tasks via desktop.

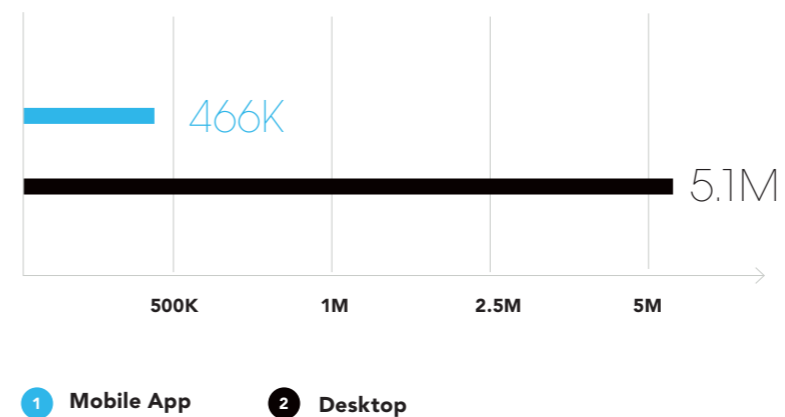
DEALERSOCKET DATA

CRM Desktop Versus Mobile Usage

Dealers have not fully embraced mobile technology, deferring instead to desktop. This presents a great opportunity for tech-savvy dealers to differentiate themselves from their competition.



SALES OPPORTUNITIES CREATED ON DESKTOP VS. MOBILE APP
Based on a three-month data sample



Transparency Builds Trust

Mobile technology promotes transparency. As mobile solutions are utilized more during the sales process, consumer trust increases.

Using a mobile device during negotiation allows a salesperson to work a deal with the desk manager and present payment options without ever having to leave the customer's side.

Confidence is increased and customers are able to feel more involved in the process, while also saving time. Additionally, apps like the mobile driver's license scanner and mobile CRM allow salespeople to quickly update sales statuses and add customer details on the fly. This is efficiency at its finest.



INITIAL

RESEARCH

Path to Purchase

Where are consumers getting their information?

DEALERSOCKET DATA

**DealerFire
Digital Insights**

48%

New leads that come from organic search (ranked No. 1)

1 in 5

Paid ads that result in a new lead

2+

1 in 3 consumers who submit leads interact with auto dealers via two or more channels

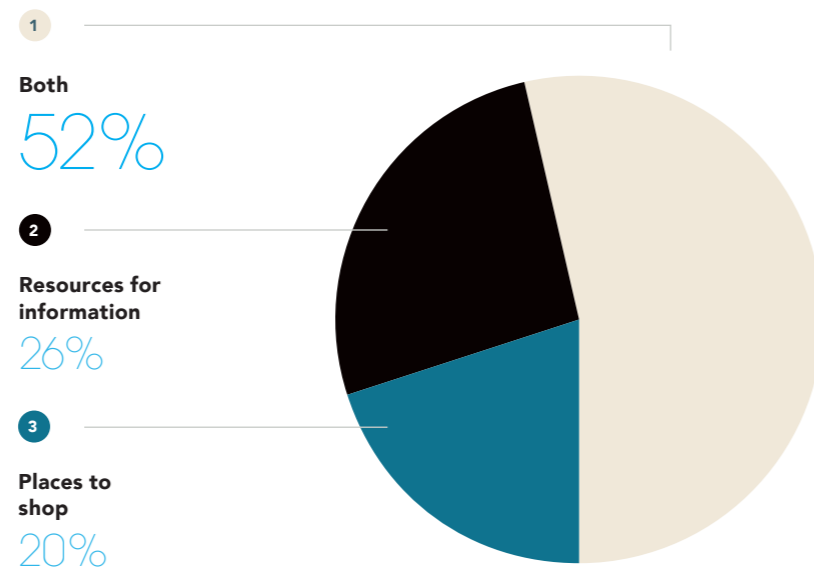
Dealers should invest in search engine optimization and pay-per-click campaigns to increase brand awareness and make it easier for consumers to find their websites.

According to DealerSocket's 2016 Market Action Guide, car shoppers start their online research five to seven months before submitting an online inquiry.

With numerous digital touch-points occurring during their preliminary research, where are consumers getting their information?

GOOGLE SURVEYS

Q: Do you consider dealership websites to be resources for information or simply places to shop?



Inside the numbers:

TOP CONSUMER RESPONSE
52% of consumers consider websites to be both

FRANCHISE DEALER PERCEPTION
74% of dealers think consumers consider websites to be both

The majority of dealers believe consumers consider their websites as both resources of information and places to shop. However, only slightly more than half of consumers actually feel that way. This dichotomy points to a disconnect regarding the utility of dealer websites.

Although dealers have realized that nearly all car shoppers begin their journey online, it is worth noting the exceptions. [There are other ways to initiate the car buying process.](#)

GOOGLE SURVEYS & DEALER SURVEY

Q: How do you feel about knowing whether or not you're in an equity position before shopping for a car?



More than a third of consumers reported that it's very important to know if they are in an equity position before shopping for a car. Dealers should invest in equity-mining software to identify customers in their database who are in a position to purchase.

Most likely, these customers have not quite started shopping yet. Once they are in the store, the likelihood of them purchasing a new vehicle and trading in their old one is very high.

Inside the numbers:

TOP CONSUMER RESPONSE
36% of consumers find it very important

FRANCHISE DEALER PERCEPTION
35% of dealers think consumers find it moderately important

Providing equity awareness is more important to consumers than dealers realize.

DEALERSOCKET DATA

Revenue Radar Insights

Data pulled from January 2016 through August 2016 from Revenue Radar, DealerSocket's robust equity-mining tool, shows this lead type as likely to close and include a trade-in.

57%

Visits sold

66%

Trades to sold on new car purchase

03

DURING THE PURCHASE

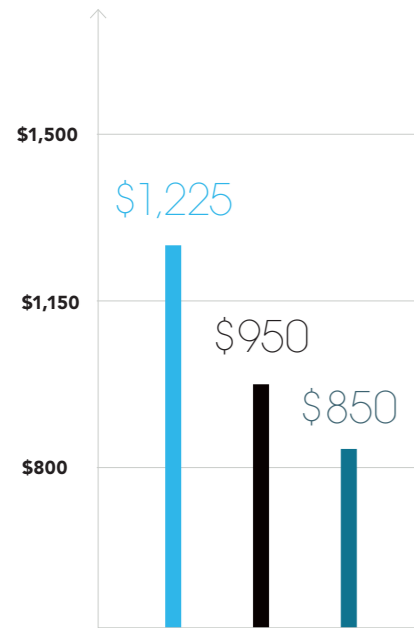
What About Trade-Ins?

*Are consumers turned off
by the negotiation process?*

DEALERSOCKET DATA

Inventory+ Insights

NATIONAL AVERAGE OF RECONDITIONING COSTS PER VEHICLE



- 1 Luxury
- 2 Import
- 3 Domestic

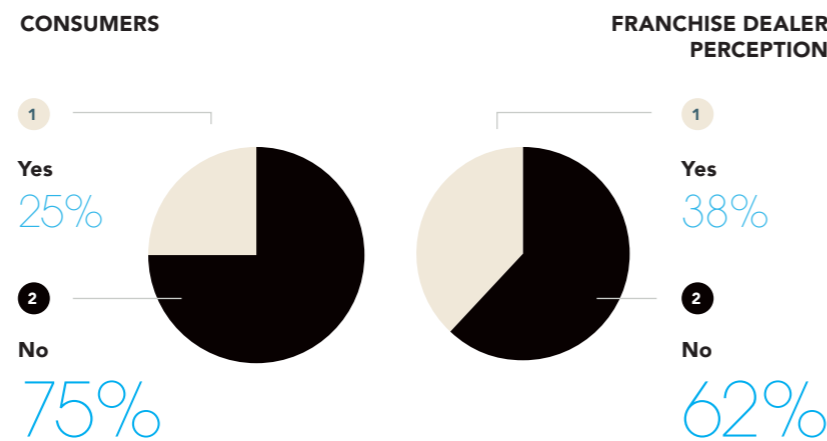
Technology should be utilized to show the consumer everything that goes into a trade in terms of reconditioning; an advanced [inventory management solution](#), such as DealerSocket's Inventory+, provides these numbers to show to the customer during appraisal.

Taking in a trade can add significantly more profit to a sale. Understanding and managing consumer perceptions is key to closing deals.

Do consumers feel that it's in their best interest to trade in their old vehicles and finance with a dealership? Are they turned off by the negotiation process in general?

GOOGLE SURVEYS & DEALER SURVEY

Q: Do you believe you get fair value on trade-ins at the dealership?



DEALERSOCKET DATA

41%

Deals sold that include a trade

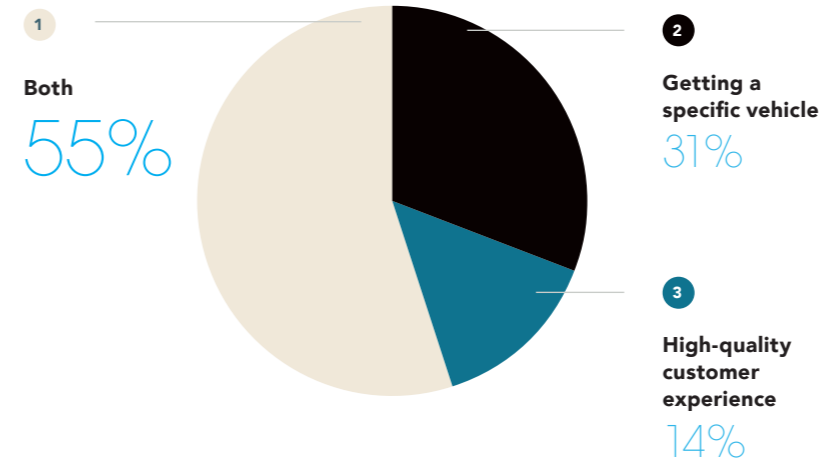
Inside the numbers:

Less than half of all vehicle purchases include a trade, and a large majority of consumers don't believe they get fair value for their trade-ins. To combat the current landscape, it is essential to build an explanation of valuations into the sales process.

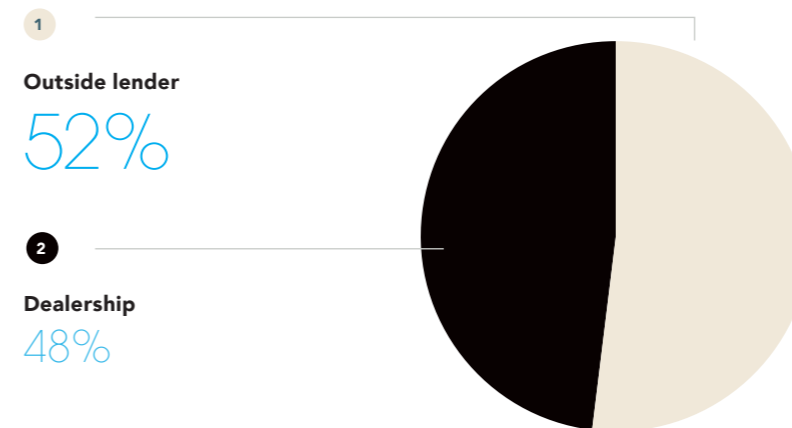
Transparency during this process engenders more trust and, in turn, increases trade-in percentages; an explanation of all dealer costs may further amplify the message.

GOOGLE SURVEYS

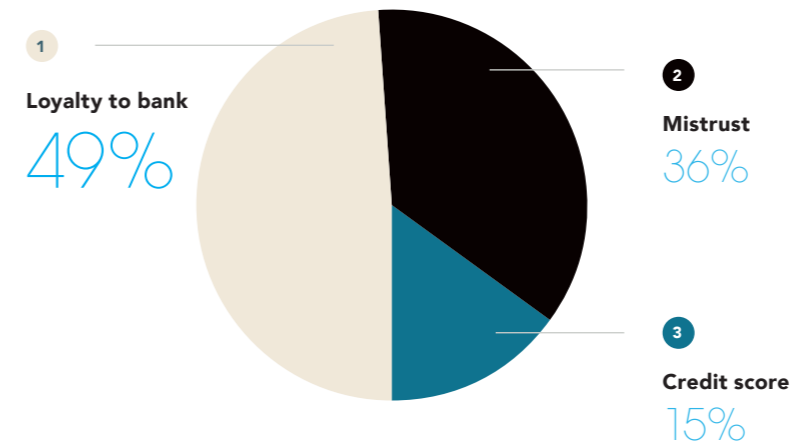
Q: What do you value more during the car buying process?



Q: Where do you prefer to secure your financing? (Through the dealership or an outside lender)



Q: Why through an outside lender?



Inside the numbers:

Consumers want to love the car buying experience just as much as the vehicle they're purchasing. There is no sacrificing one for the other.

Good customer experience leads to high CSI, which breeds loyal repeat customers.

Mistrust is a huge obstacle, but there's an upside. The opportunity for improvement is immense.

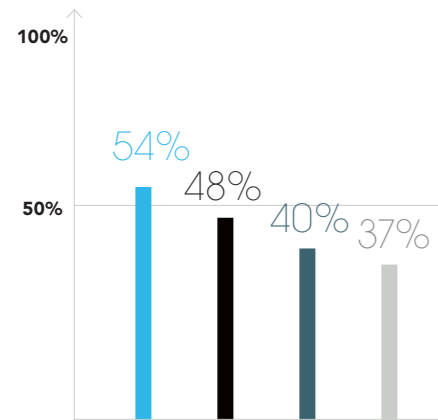
Dealers that create a culture of transparency stand to gain the most. Incorporate [solutions that nurture customer experience](#).

GOOGLE SURVEY DATA

60%

Men aged 18-24 who prefer to negotiate

AGE AFFECTED PREFERENCE FOR NEGOTIATING

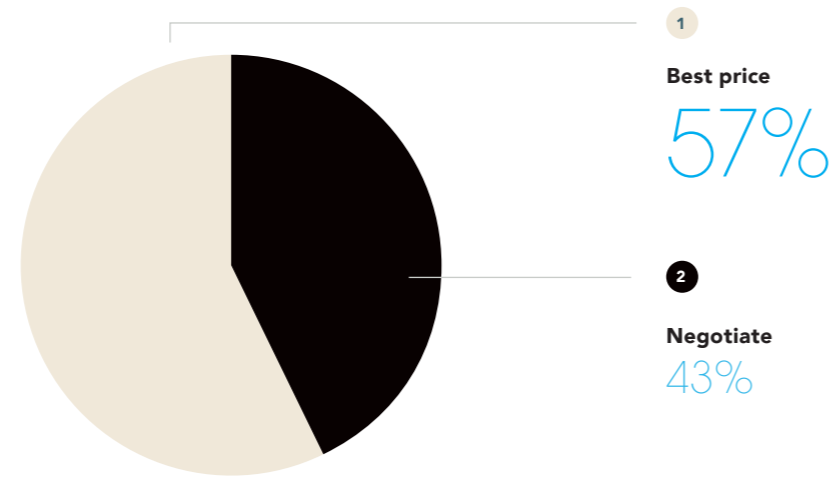


- 1 18-24
- 2 25-34
- 3 45-54
- 4 55-64

As much as some dealers position themselves with the best price up front or advertise internet specials on their website, they need to incorporate a mix of online advertising, price transparency, and negotiation processes to attract buyers, engage them, and work the deal.

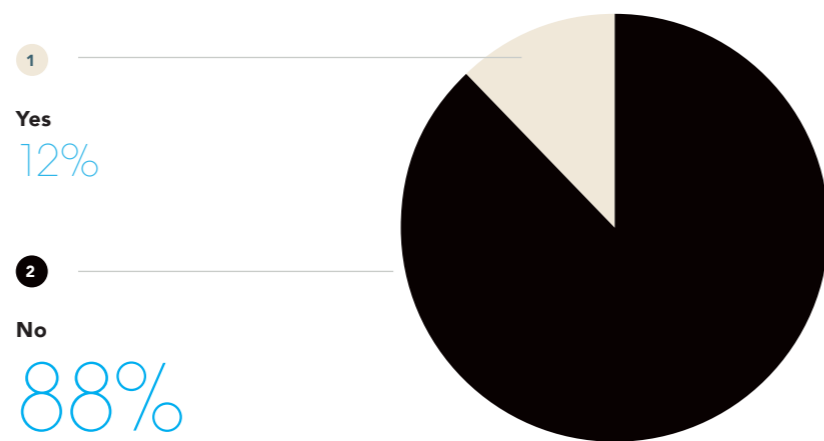
GOOGLE SURVEYS

Q: Do you like to negotiate or be given the "best price" up front?



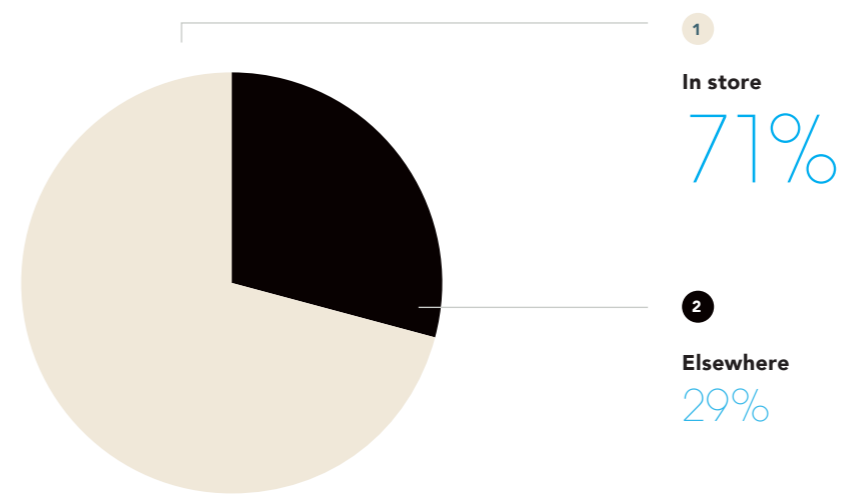
GOOGLE SURVEYS

Q: When you're given the best price up front, do you trust it?



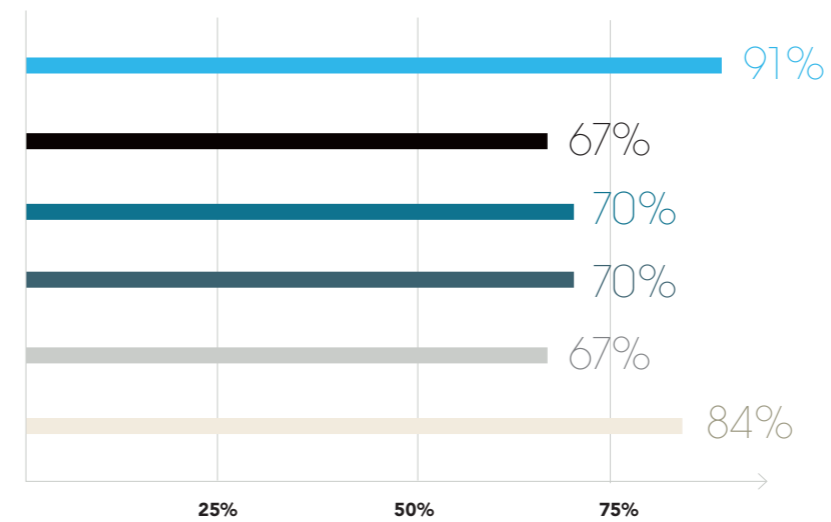
GOOGLE SURVEYS

Q: Where do you prefer to have the negotiation take place?



GOOGLE SURVEY DATA

AGE BREAKDOWN OF CONSUMERS WHO PREFER TO NEGOTIATE IN STORE



- 1 18-24
- 2 25-34
- 3 35-44
- 4 45-54
- 5 55-64
- 6 55+

Inside the numbers:

The data continues to reinforce the fact that dealers must embrace technology that promotes transparency and builds customer trust.

04

DIGITAL

RETAIL

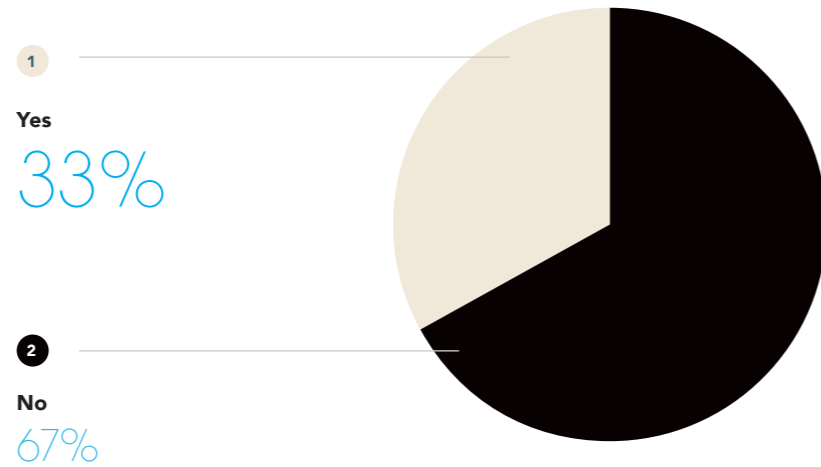
*Do consumers want to
purchase their vehicles online?*

Digital retail is on the forefront of many dealers' minds. Large dealer groups and some forward-thinking dealers have already begun to invest in technologies that enable car purchases via their website. But, do consumers really want to purchase their vehicles online?

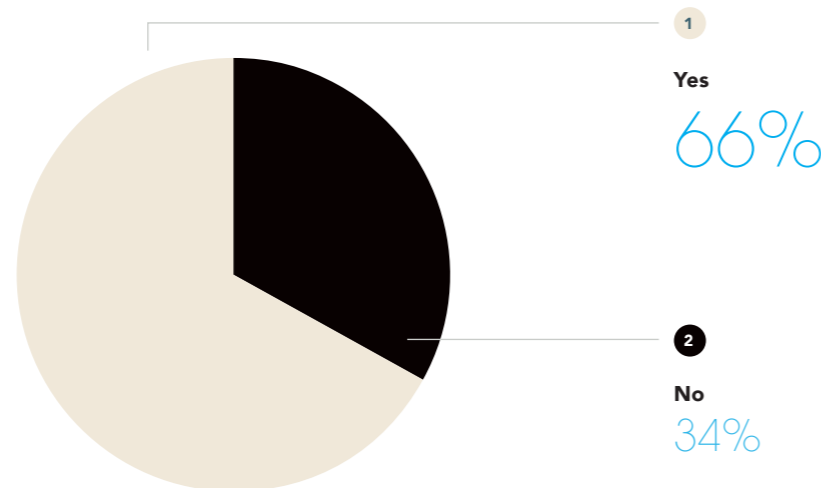
GOOGLE SURVEYS

Q: When buying a car, would you like to be able to complete the entire process online instead of visiting a dealership?

CONSUMERS



FRANCHISE DEALER PERCEPTION

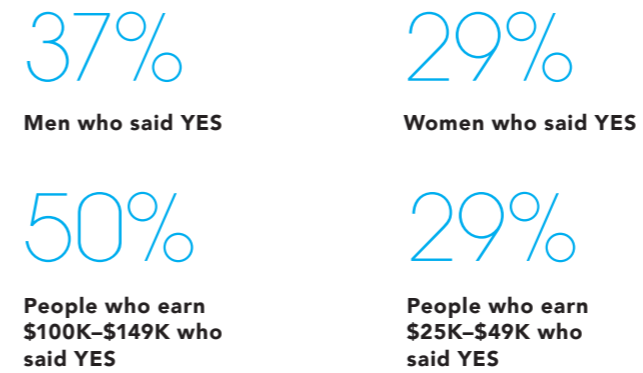


Inside the numbers:

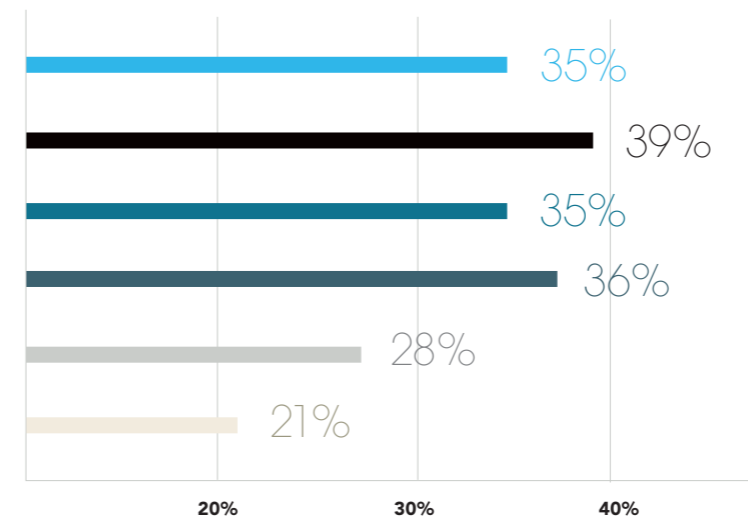
There is a mismatch between what dealers believe and what consumers are saying they want when it comes to purchasing vehicles online.

GOOGLE SURVEYS

A Closer Look at Those Who Prefer to Purchase Online



AGE AFFECTED "YES" RESPONSES



The Majority of Consumers Are Not Ready for Digital Retail at the Dealership

Dealers should make sure their in-store processes are buttoned up before getting too far ahead of themselves. The move toward complete online purchasing is coming, but dealerships need to properly prepare both themselves and their customers while they wait.

Dealers should help consumers understand what the digital retail process entails and emphasize that purchasing online does not eliminate the test drive. Introduce this type of technology when your customers signal to you they are ready for it.

05

AFTER THE
PURCHASE

Are your customers loyal?

Loyalty is a crucial component of the customer life cycle. Dealers know it's beneficial to aim past the sale and put effort and energy into retaining customers through the service drive, but how should they go about it?

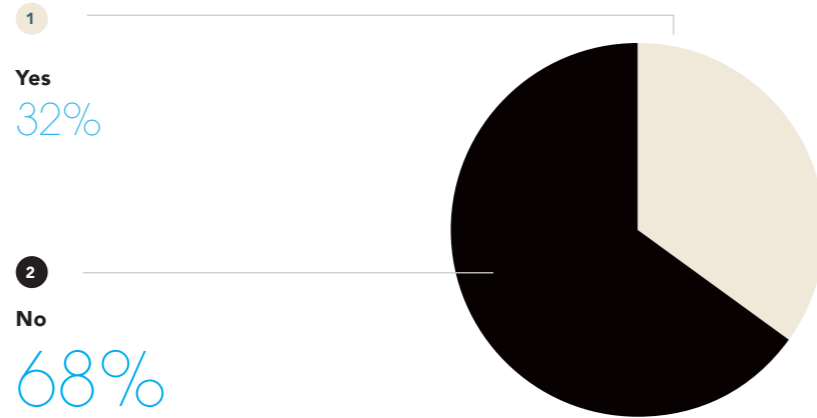
Understanding why consumers avoid having their vehicles serviced at dealerships can provide a roadmap for dispelling concerns and cultivating loyalty.

Inside the numbers:

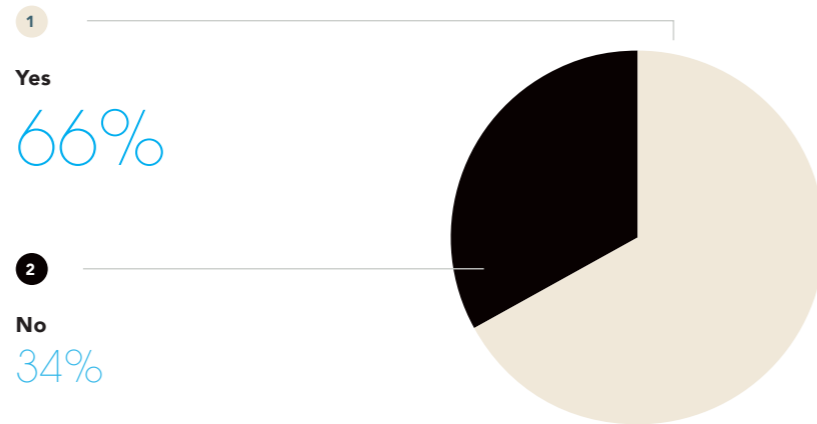
Most consumers do not have their vehicles serviced at dealerships.

GOOGLE SURVEYS

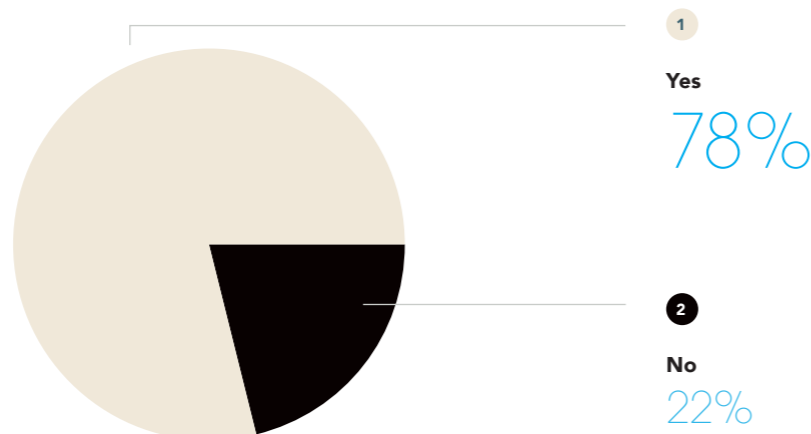
Q: When you need to have your car serviced, do you choose to service at a dealership?



Q: Did you go to the same dealership you purchased from when bringing your car in for service?

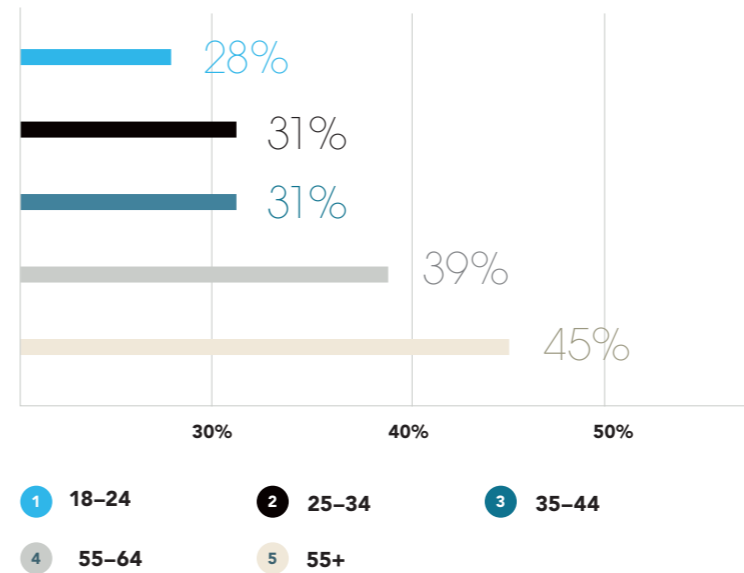


Q: Do you experience the same level of customer service in the service department that you did in the sales department?

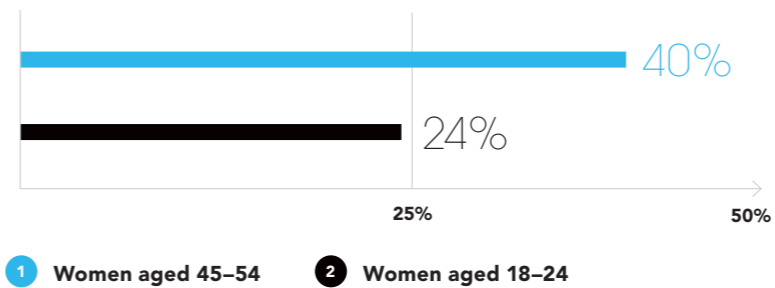


GOOGLE SURVEYS

AGE AFFECTED PREFERENCE FOR VEHICLE SERVICING AT DEALERSHIPS



WOMEN WHO PREFER DEALERSHIP SERVICE DEPARTMENTS



Address Their Pain Points

Considering that the top two reasons consumers don't have their cars serviced at dealerships are price and convenience, make it a point to address these concerns during the sales process. Convey the value of pre-paid maintenance packages and show them how easy it is to schedule service appointments on your website.

Top 5 Reasons Customers Have Their Cars Serviced Elsewhere

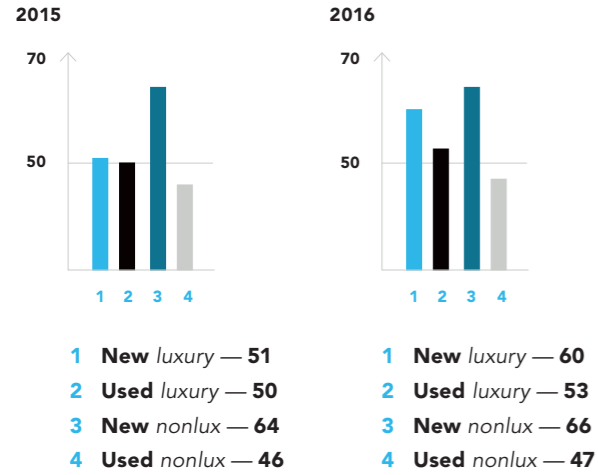
- 1 Price
- 2 Convenience
- 3 Less time-consuming
- 4 Higher level of customer service
- 5 Higher transparency with services

Clarify the value of vehicle servicing at your dealership and highlight convenient perks such as long-distance shuttles, free Wi-Fi, quiet waiting areas, and kid-friendly spaces.

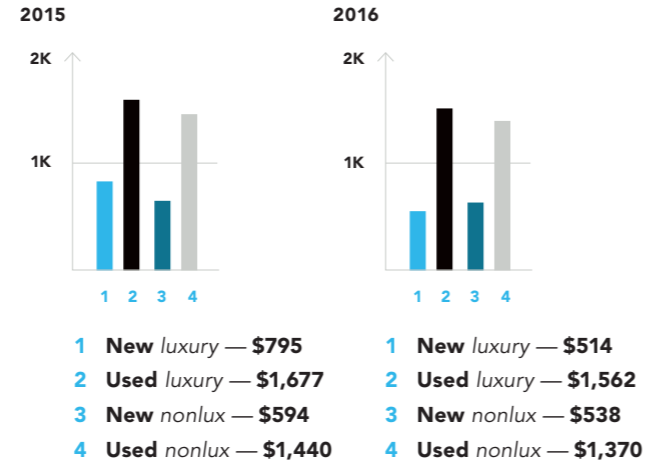
DIGITAL RETAIL

In last year's DAR, we forecasted an impending industry slowdown. Even though automotive continues to prosper, the numbers bear out the trends we predicted. Long-trusted consumer marketing research firm J.D. Power corroborates our findings with its latest industry metrics.

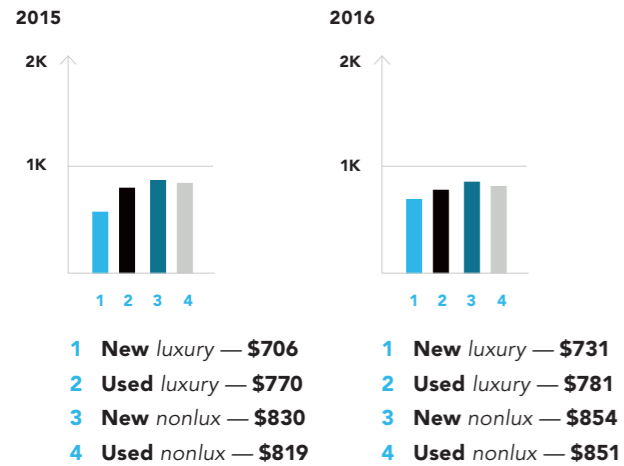
DAYS TO TURN



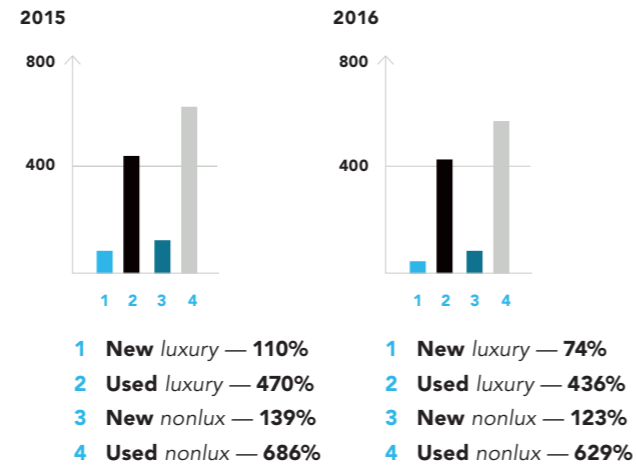
FRONT-END GROSS



BACK-END GROSS



ROI



Overall Car Performance 2015–2016

8%

Decrease in total car sales

4%

Increase in lease mix

2%

Increase in loan to value

\$429

Decrease in trade-in equity

4

Increase in days to turn

27%

Increase in lease maturities

Inside the numbers:

- "Days to turn" is increasing, meaning cars are taking longer to move off the lot
- Front-end gross is decreasing while back-end gross is increasing
- Return on investment is down
- Loan terms are getting longer

IN CONCLUSION

Today's automotive consumer is an elusive creature. Even though consumer shopping habits have changed dramatically over the last few years, their attitudes toward dealerships haven't. Sadly, the notion of untrustworthy salespeople remains. The good news is technology is better than ever at combating this stigma and empowering dealers to change the tide.



Embrace mobile-optimized tools such as mobile desking and mobile CRM to work on the fly and keep customers involved and engaged



Prioritize customer experience as readily as stocking the right inventory



Pump money into SEO and PPC campaigns to generate more leads through dealer websites



Bolster in-store processes to meet today's consumer who still prefers to test drive and negotiate his or her deal at a brick-and-mortar store



Invest in equity-mining software to engage and cash in on customers who demonstrate a high likelihood of purchase and trade-in



Keep customers loyal; address their biggest pain points associated with dealer service — price and convenience — by highlighting the benefits during the sale



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