



Dealers who weathered the 2008 financial collapse likely know that you must adapt to survive in today's increasingly competitive and rapidly changing automotive marketplace. When it comes to car shopping, consumers are making informed decisions and calling the shots more than ever before. As a result, many traditional sales tactics are largely falling by the wayside and the dealerships that adapt are the ones most likely to thrive.

This situation is impacted by a disconnect between online shopping activity and in-store sales processes that illustrates a gap in customer-dealer engagement. However, even if a dealer is successful at engaging car shoppers online, losses can still occur on the lot because of breakdowns during the offline buying process. Consumers who are becoming increasingly used to the convenience and efficiency of online shopping are becoming more dissatisfied with the sheer amount of time it can take to complete offline sales process activities at the dealership.

“The game changed after 2008. It's more customer-driven [now].”

— Mercedes-Benz Dealer, Atlanta

**This white paper focuses on a potential solution to this dilemma: a sales process that integrates online and offline activities, and provides consumers with more autonomy and transparency while reducing the amount of time customers spend in-store.** Such an integrated sales process would allow sales activities to be conducted either off-site or onsite — whichever a customer prefers. Implementing a truly integrated sales process will require dealers to move many processes “upstream” to give consumers the ability to complete purchase-related tasks online and will accommodate the variety of ways that customers are now using technology to shop. “Integrated” has implications that are both internal and external to the dealership. It means smoothing the transition between online and offline car-buying activities — offering a seamless set of options to meet consumers' need to shop and buy the way they want to — as well as adapting store operations to make the vehicle-purchasing process as fast and painless as possible for the customer.

This stage in the evolution of auto retailing is game-changing. Many dealers are being asked to make a fundamental shift in the way

they have traditionally viewed customers. Opacity is being replaced by transparency, and customers are being encouraged to shop and buy in ways that suit their specific preferences rather than being compelled to conform to dealer-dictated processes. In fact, newer direct-to-consumer companies like Carvana and Tesla Motors are leveraging customer discomfort with traditional dealership practices that have been designed to give the dealer as much control as possible over the purchasing process.

## An Information-Based Struggle

Car shoppers now have access to information about the products they seek and a wider variety of options for completing their purchases than ever before. The Internet has become the most popular vehicle shopping resource: **88%** of car buyers use the Internet to shop<sup>1</sup>, and those who shop online spend **59%** of their total car-buying time online.<sup>1</sup> Car buyers use third-party websites more than any online resource. And usage of the Internet during the shopping process is changing: **46%** of consumers use multiple devices to shop online<sup>1</sup> and Autotrader projects that **80%** of all car shopping will be done on multiple devices by 2020.<sup>2</sup>

The Internet therefore offers dealerships unprecedented opportunities to influence car shoppers. And herein are the roots of an information-based struggle: Consumers want information about inventory, pricing and more, but they may be hesitant to interact with the dealer earlier in the process for fear of being contacted before they are ready.

On the other hand, dealers traditionally want to collect as much information about potential customers as they can, particularly contact information, with the ultimate goal of engineering a face-to-face interaction. Historically, maintaining control over the sales process meant withholding information from the customer as a tactic to drive a face-to-face meeting. In today's marketplace, however, lacking transparency and/or inadequately accounting for the wealth of information available to car shoppers online is becoming a more common deal-breaker because most consumers are now doing extensive research before walking onto the lot.

## A Lack of Engagement

A disconnect between online shopping activity and in-store sales processes is a gap in the customer-dealer engagement that may be negatively impacting dealership sales opportunities. While 88% of car buyers use the Internet to shop, more than half of all car buyers currently have no contact with the dealership prior to walking onto the

“The Internet gives the customer all the information, so you don't have the element of surprise and keeping them in the dark. Now, it all has to be about the customer experience.”

— KIA Dealer, Atlanta

lot (see Diagram A).<sup>1</sup> This information uncovers the need to create more and better opportunities for consumers to interact with dealers in the online environment to begin the car-buying process.

While consumers are ostensibly exploring more car-buying options and leveraging more online information than ever before, they are conversely visiting fewer dealers and spending less time engaged in offline shopping activities: **38%** of car buyers only visit one dealership and over half only test-drive one vehicle.<sup>1</sup> Since consumers are reluctant to engage with dealers in person, **it is critical that dealerships provide opportunities for shoppers to engage with them virtually (online).**

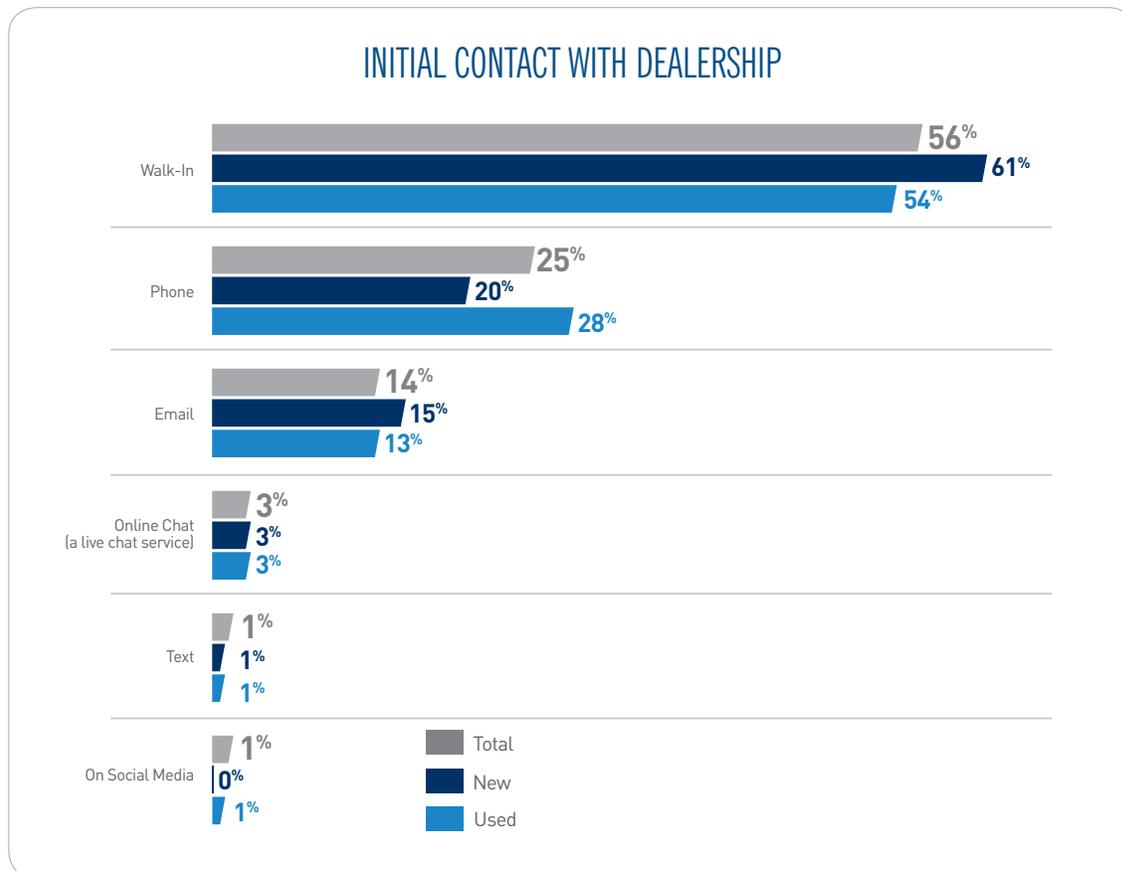
### Satisfaction with the Purchasing Experience

However, even if a dealer is successful at engaging the consumer online, losses can still occur on the lot because of breakdowns during the purchase process. That's why Autotrader conducted in-depth qualitative research of dealer sales processes, which included 26 dealers and 14 consumers in four markets, to better

understand how the consumer/dealer relationship could be improved during the sales process. The research examined how dealerships conduct their sales processes from initial contact to final transaction. These insights were overlaid with Autotrader's 2015 Car Buyer of the Future Study that looked at the current shopping, buying and ownership process and asked 4,002 consumers about their ideal process. **Only 17 car shoppers and buyers out of 4,002 — less than 1% — chose the current process as their ideal experience.**

The study also indicated that consumers prefer to have the option to negotiate, begin the financing process and value their trade-in online. The findings revealed that even though negotiating is a top frustration for car buyers, **56% of consumers nevertheless said they prefer to negotiate because they believe it is the only way to get the best deal or a fair price.** This information is important because it reveals the need for dealers to provide more validation around vehicle pricing in order to build trust and consumer confidence, regardless of whether a dealer uses a one-price sales model or employs price negotiation as part of the sales process.

Diagram A<sup>1</sup>



Currently, walking into the dealership is how most car shoppers initially contact the dealer. This information uncovers the need to create more and better opportunities for consumers to contact dealers in the online environment to begin the car-buying process.

**Consumers also want to start the deal online before arriving at the dealership:** 56% like to start the negotiation on their terms and 45% like being anonymous to the dealer until they lock in a deal. Being able to build the deal online helps them achieve these goals.<sup>3</sup>

“We’re selling to the microwave generation. They expect everything to be quick.”

— Volkswagen/Mazda Dealer, Rockville, MD

When it comes to F&I, **70%** of consumers said that they also want to start this process online<sup>3</sup>, which could increase consumer satisfaction by shortening the time spent in the dealership to complete a purchase. According to the research, buyers are least satisfied with the length of the purchasing process. When asked to rate their satisfaction on a scale of 1–10, **81%** of car buyers gave the test-driving process a rating of 8 or higher.<sup>1</sup> However, satisfaction declined to **67%** when interactions with the F&I Department were factored in.<sup>1</sup> Of the three hours on average spent at the dealer during the purchase process, more than half of that time is spent negotiating or doing paperwork, resulting in a **56%** satisfaction rate for the process (see Diagram B).<sup>1</sup> As a result,

dealers should strive to shorten the purchase process in order to enhance consumer satisfaction and improve loyalty and retention rates.

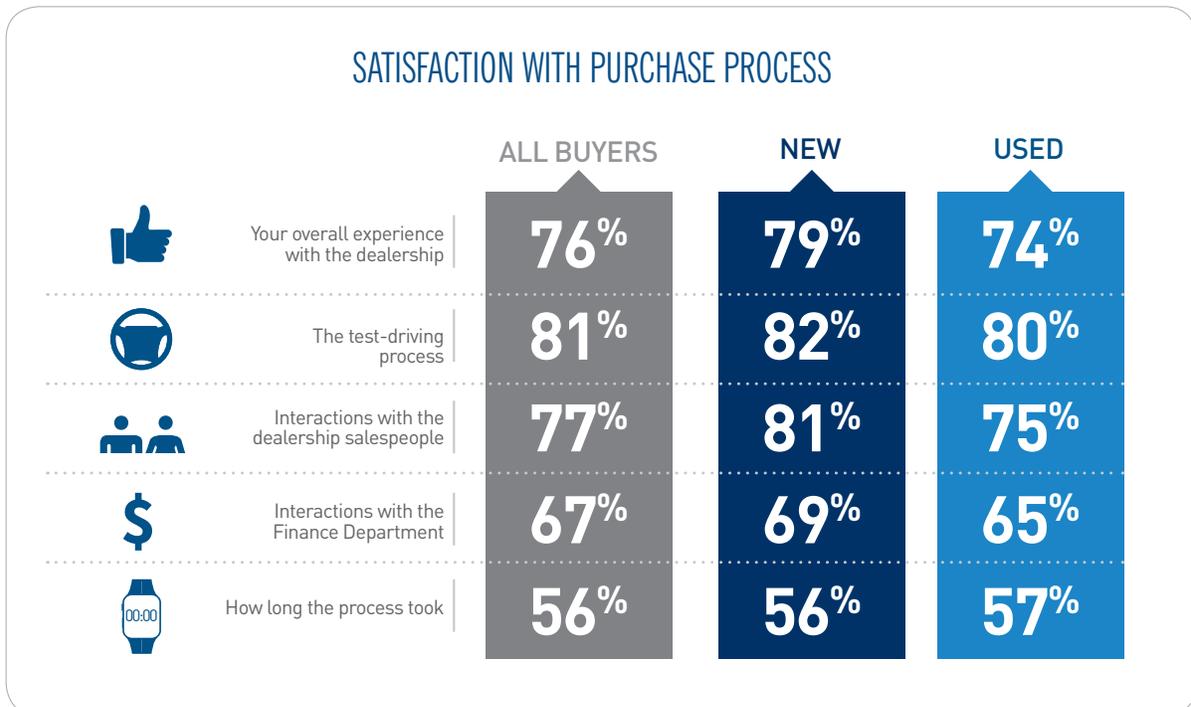
**This drop-off in consumer satisfaction could largely be due to the fact that dealers have traditionally treated online shopping as a separate activity, with little or no direct relationship to in-store buying activities.** This disconnect often results in requiring the consumer to complete tasks at the dealership that potentially could have been completed more efficiently using information submitted online, or that could have been performed completely online.

### Time Is of the Essence

Consequently, consumers who are becoming increasingly used to the convenience and efficiency of online shopping are becoming more dissatisfied with the sheer amount of time it can take to complete offline sales process activities at the dealership.

One of the most time-consuming aspects of the offline sales process is also one of the biggest factors that drives customer preference for the online aspects of car-buying: negotiation. Commonly, the lack of transparency during negotiations results in distrust and causes many consumers to feel intimidated. The result is shopper reliance on independent online shopping, consumer avoidance of contact with the dealer until it is absolutely necessary, and dissatisfaction

Diagram B<sup>1</sup>



While car buyers are mostly satisfied with the test-driving process, satisfaction levels decrease substantially when it comes to dealing with the F&I Department. Consumers are least satisfied with the length of the purchase process.

“I didn’t like being passed off [to another rep] . . . I kind of felt like he didn’t value my time.”

— *New Car Buyer*

with an often non-linear and complex sales process that is rife with potential deal-breaking decision points (see Diagram C).<sup>4</sup>

Reliance on a wide variety of disparate systems (e.g., CRM, inventory management, credit, appraisals, finance, titling) and a division of labor among personnel (BDC, sales, F&I, marketing, management) contribute to the time it takes to complete the offline sales process. Being “handed off” from the sales representative to the F&I manager also increases customer wait time.<sup>4</sup> These factors can substantially contribute to consumer frustration.

Furthermore, shoppers are relying more on the Internet and less on traditional media and direct communication with dealers: **59%** of the total time that buyers spent getting a vehicle is spent online compared to only **36%** of time spent directly communicating with dealers, **2%** of time spent researching/shopping with print and **3%** of time spent talking with others (see Diagram D).<sup>1</sup> A conventional sales process

that limits buying activities to the dealership could therefore also limit sales opportunities. **Dealers should strive to shorten the purchase process in order to enhance consumer satisfaction and improve loyalty and retention rates.**

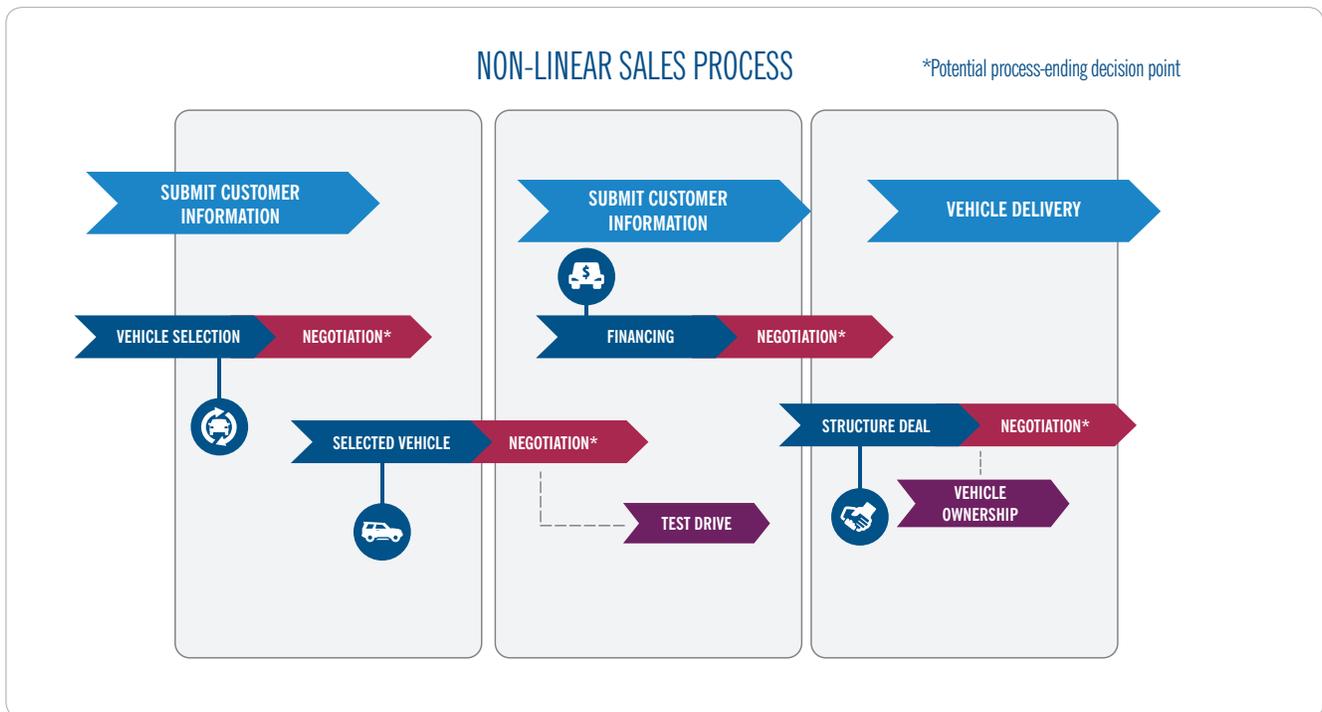
### The Solution: An Integrated Sales Process

Consumer satisfaction could be significantly enhanced by implementing a singular, streamlined end-to-end sales process that more thoroughly integrates online and offline activities. This integration should be designed to give more autonomy and transparency to the consumer while minimizing the often stressful time consumers spend in-store. Allowing fewer dealership employees to facilitate the entire offline transaction could also be an effective way to reduce cycle time, relieve consumer frustration, build trust and ultimately boost dealership longevity through repeat business and referrals.

Notably, the prevalence of online car shopping — and the growing sophistication of consumers when it comes to leveraging Web-based resources — is not particularly demographically limited. Millennials spend **61%** of their total shopping time online, Gen X spend **62%** and Baby Boomers clock in at **56%**.<sup>1</sup>

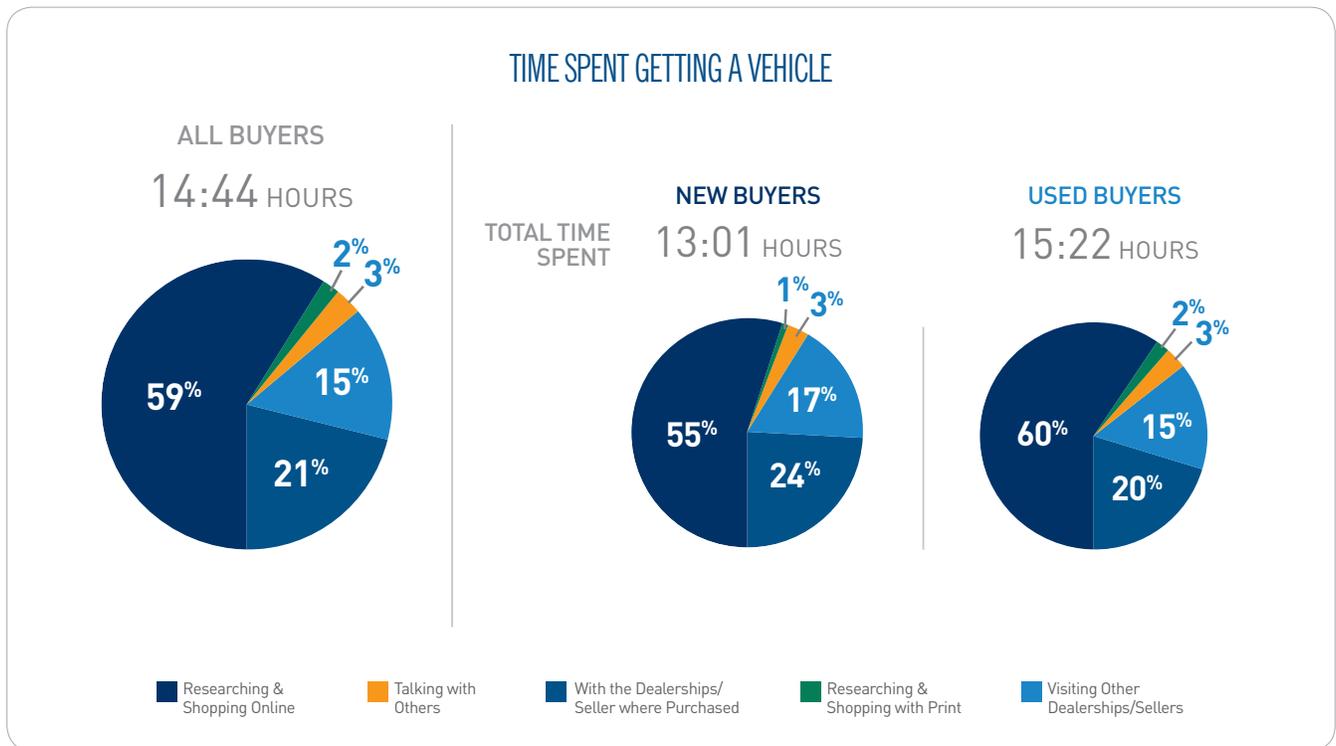
Regardless of generation, the majority of car shoppers are nearly ready to buy by the time they reach the dealership. When they

Diagram C<sup>4</sup>



Negotiation is often a time-consuming and intimidating aspect of a non-linear and complex sales process rife with potential deal-breaking decision points.

Diagram D<sup>1</sup>



first begin to shop, 6 out of 10 car buyers are open to considering multiple vehicle options and many of them are also open to both New and Used vehicles. However, by the time they actually show up to the dealership, they already know what they want to buy: **38%** of car buyers only visit one dealership, and **52%** only test-drive one vehicle.<sup>1</sup> While car shoppers can be influenced about what to buy and who to buy from, the time to influence and convert them is online, where car buyers spend the majority of their shopping time making decisions. **It is therefore critical to integrate online shopping processes with offline sales processes in order to quickly close sales.**

An integrated sales process allows sales activities to be conducted either off-site or onsite — whichever a customer prefers. Off-site functionality can engage and convert shoppers before they visit the dealership, and onsite functionality provides a more efficient sales process — and a more pleasant customer experience — when at the dealership.

### How is an Integrated Sales Process Implemented?

All integrated sales process activities should have online functionality. That is, sales process activities should be able to be conducted online either onsite at the dealership or off-site away from the dealership. Dealers should be aware that car shoppers currently use the Internet primarily to research pricing, find actual vehicles listed for sale, compare models, find out what their current car is worth and locate a dealership (see Diagram E).<sup>1</sup>

An effective integrated sales process will leverage this knowledge accrued online prior to visiting the dealership and will take into account that consumers would likely complete other car-buying activities online (e.g., F&I paperwork) if they were given the opportunity. **A sales process that is disconnected from online activities may make the shopper feel as though they are “starting over” when they walk onto the lot.**

Diagram E<sup>1</sup>



“With the evolution of the Internet, you don’t have a choice... We can absolutely do the whole car deal [off-site]. All they have to do is come in and sign.”

— Mazda Dealer, Colorado Springs, CO

Dealers should also note that car shoppers use third-party automotive sites more than any other online resource (see Diagram F) and **56%** of car buyers say that third-party sites are the most useful sites. Third-party sites, manufacturer sites, dealer sites and search engines complement each other during the shopping process (see Diagram G).<sup>1</sup> It is therefore vital that inventory listings on third-party and dealership sites include the information that online shoppers are looking for such as photos and videos of actual inventory, make/model/pricing comparisons, special offers, and trade-in and monthly payment estimates.

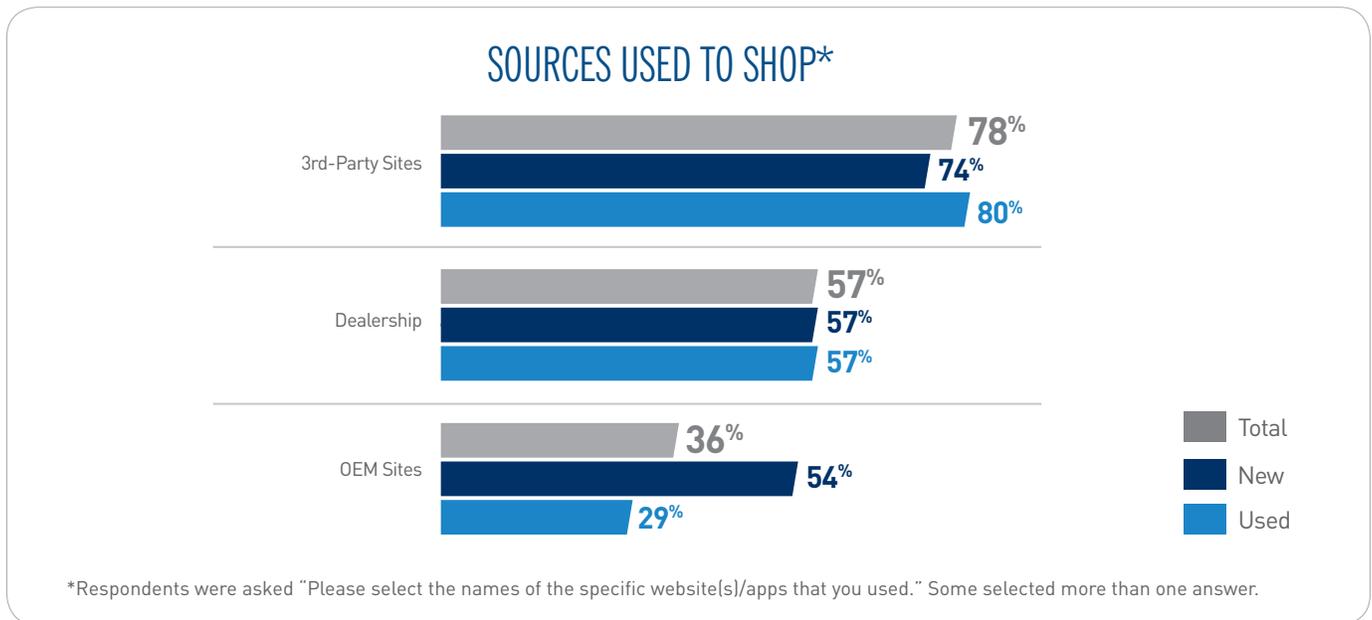
**Ideally, a dealership’s online presence can also be integrated into its offline sales process.** This can be accomplished by providing shoppers with a variety of options for interacting with the dealership to obtain further information and proactively complete purchase activities (e.g., make an offer, get a trade-in valuation and/or proactively complete purchase-related forms).

### Moving Traditionally Offline Activities Upstream

Implementing a truly integrated sales process will require dealers to move many processes “upstream” to give consumers the ability to complete purchase-related tasks online. In addition to easy-to-access online information about inventory, pricing, financing and special offers, car-buyers should have access to online tools for acquiring a trade-in value/offer, applying for financing, taking advantage of incentives and even negotiating. **The entire four-square process could be completed proactively online in order to provide a “technological buffer” that can help alleviate the stress associated with face-to-face negotiation.**

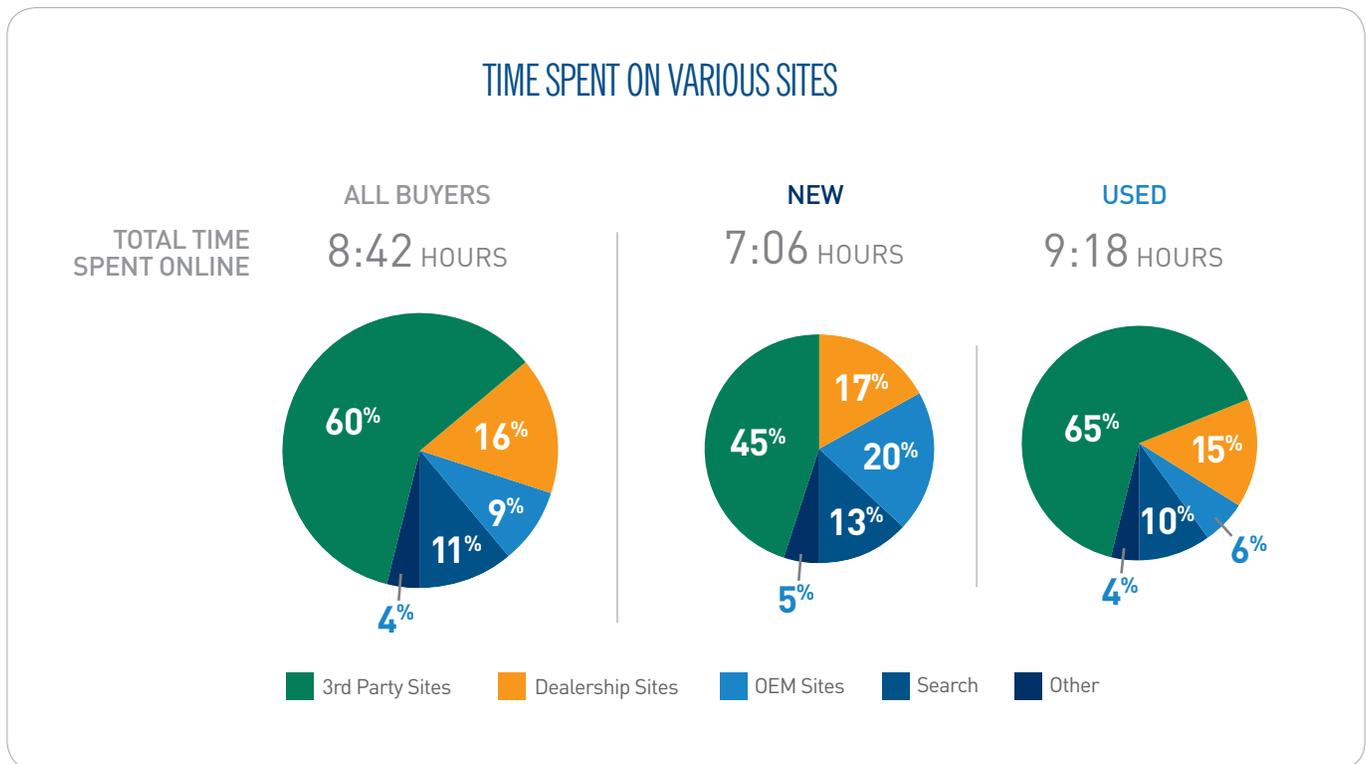
For example, Autotrader’s digital version of three of the dealer-controlled components of the traditional four-square is called Deal Builder. It provides online car shoppers with trade-in value, purchase price and monthly payment information and allows customers to complete online credit applications. New car listings

Diagram F<sup>1</sup>



Car shoppers use third-party automotive sites more than any other online resource.

## Diagram G<sup>1</sup>



Third-party sites, manufacturer sites, dealer sites and search engines complement each other during the shopping process.

that include Deal Builder have shown a **19%** increase in Vehicle Detail Page (VDP) views. Autotrader website data also shows that Deal Builder increases the number of qualified online credit applications sent to dealerships: **62%** of Deal Builder dealers received at least one credit application while only **19%** of non-Deal Builder dealers received one application.<sup>5</sup>

Similarly, a survey of car shoppers who have used Dealertrack's® e-commerce solution, MakeMyDeal®, illustrates consumer demand for online negotiation options. MakeMyDeal hides customer email addresses from dealerships so that shoppers can negotiate privately while they shop, compare deals and communicate online using a messaging feature until they are ready to accept an offer to reserve a vehicle at the dealership. The majority of MakeMyDeal customers surveyed said they used the application because "it seemed like it would ease the hassle of negotiating with dealers," and nearly half said their favorite aspect of the application was "I can negotiate a deal without going into the dealership."<sup>6</sup>

In addition to credit applications and negotiations, consumers feel particularly vulnerable when it comes to Finance and Insurance (F&I) products. Despite their anxiety around F&I, research shows that **72%** of car shoppers are interested in learning more about F&I products. However, while most consumers learn about and purchase F&I products at the dealership, **71% of consumers prefer to first learn about F&I products outside of the dealership** (see Diagram H).<sup>7</sup>

Once a consumer has a better understanding of F&I products, they are more open to hearing about them from the F&I manager: **63%** of consumers are more likely to purchase F&I products if they can research them on their own time before finalizing a vehicle purchase.<sup>7</sup> It is therefore vital that dealerships strive to integrate online and offline F&I education, information and functionality to not only drive F&I product sales but also to increase customer satisfaction by more efficiently completing the in-store transaction. According to the research, dealers that offer a digital F&I experience benefit from higher customer satisfaction and repeat and referral business (see Diagram I).<sup>8</sup>

"[MakeMyDeal] takes away the sense of being pressured into buying a car that day."

— New Car Buyer

Diagram H<sup>7</sup>

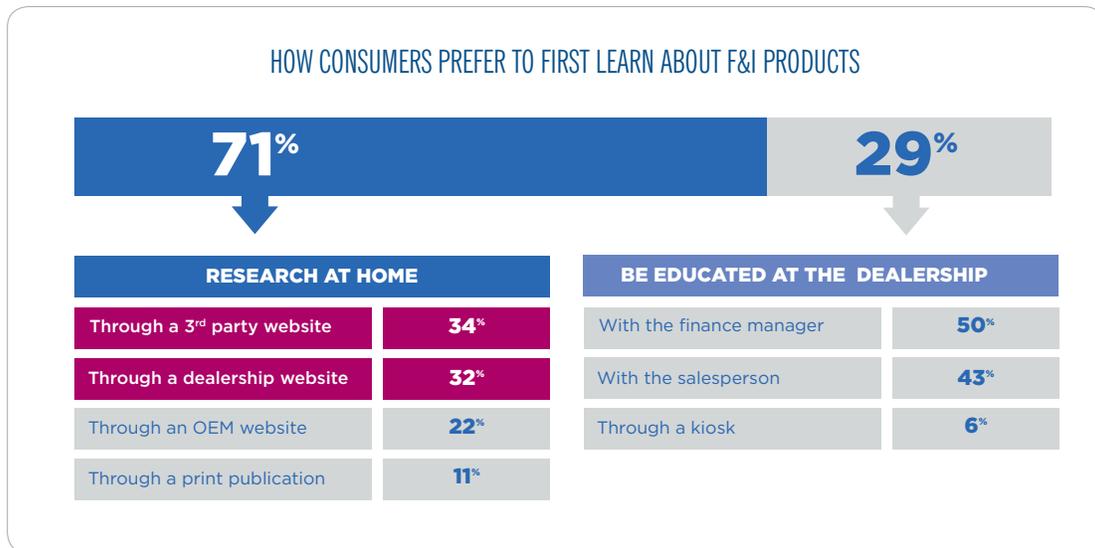
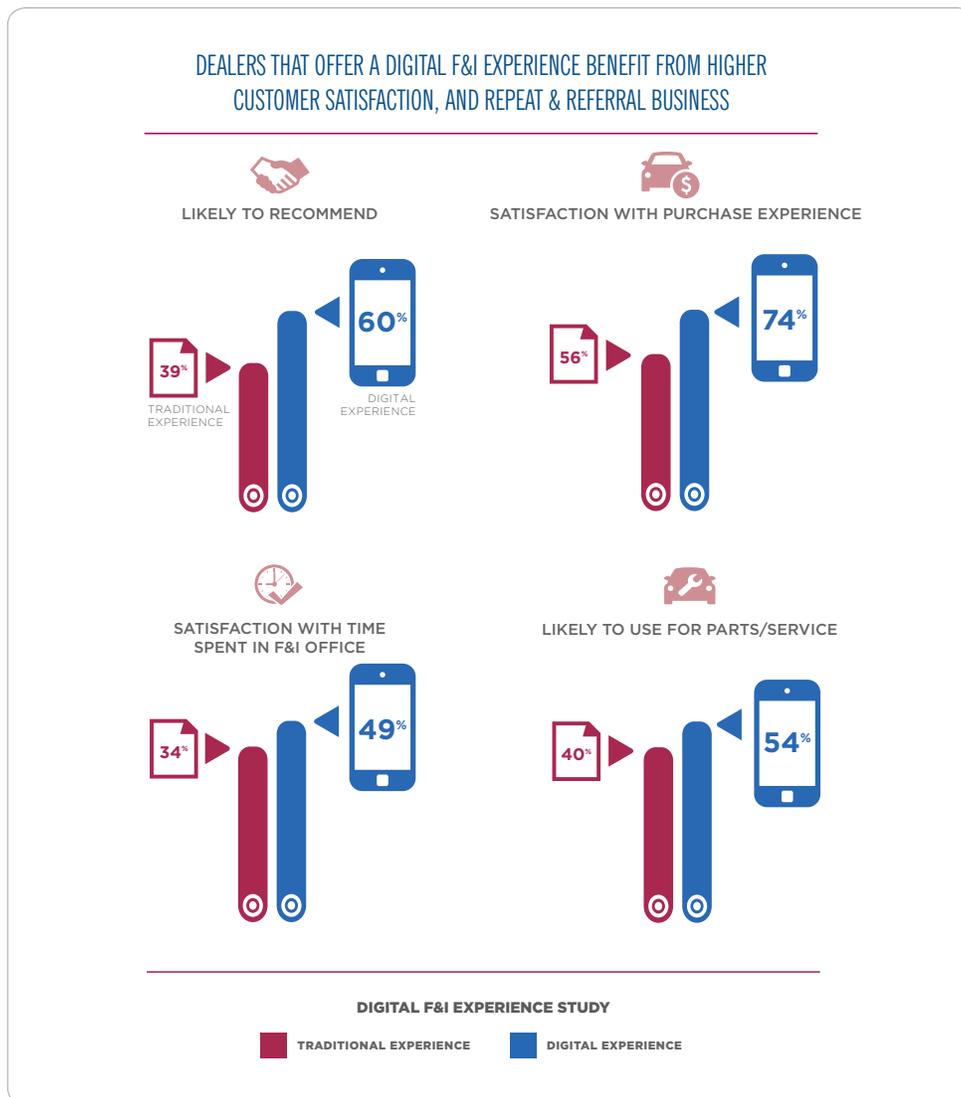


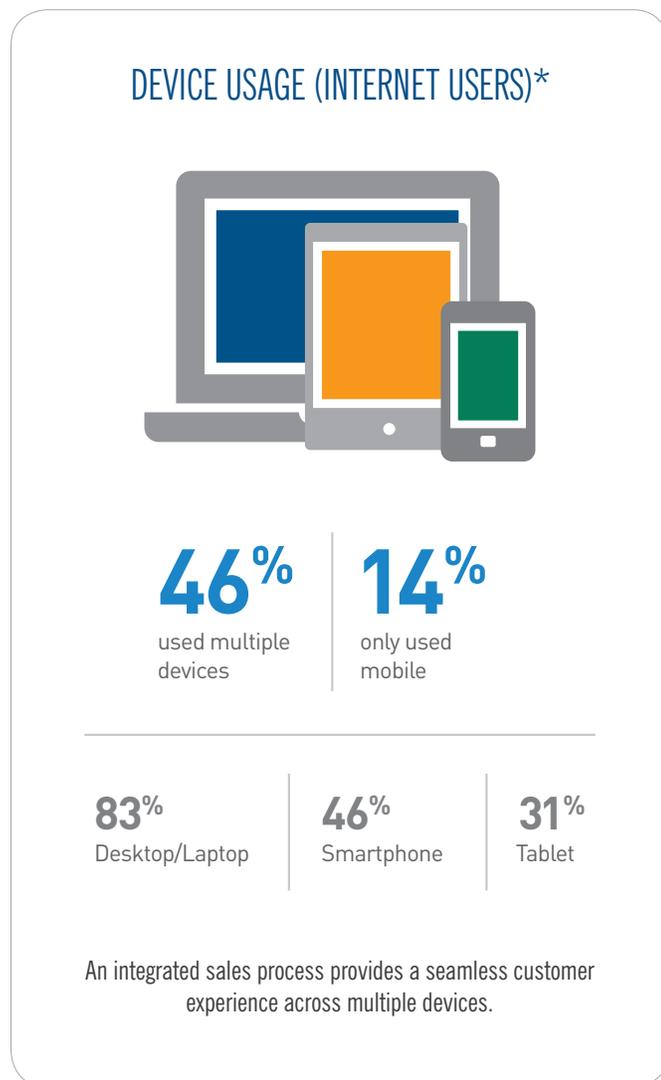
Diagram I<sup>8</sup>



## Multiple Devices = Multiple Opportunities

In order to achieve a truly integrated sales process, the dealership should accommodate the variety of ways that consumers are now using technology to shop. Consumers are now using multiple devices to complete shopping and purchasing activities and are increasingly accustomed to leveraging multiple tools such as texting, chatting and mobile viewing of inventory. It is therefore critical for dealerships to integrate a multi-screen strategy with robust functionality in order to engage today's consumers, especially since nearly half of all car buyers use multiple devices when shopping for a car (see Diagram J).<sup>1</sup> As the capabilities of smartphones and tablets continue to become more robust, Cox Automotive expects that **80%** of all car shopping will be done on multiple devices by 2020.

Diagram J<sup>1</sup>



“[Since switching our focus from volume sales to customer satisfaction], we are more profitable now than we have ever been.”

— Honda Dealer, Atlanta

## “Traditional” Sales Processes vs. “Leading” Sales Processes

According to the research, dealers align to two different types of sales process models: traditional and leading. Traditional sales processes are dealer-led and are based on withholding or hiding information and controlling customer-dealer interactions. All buying activities (negotiating, paperwork, financing, trade-in) take place at the dealership.

By contrast, leading sales processes are consumer-led and are based on transparent information and efficient interactions. Buying activities can be online or in-store, whichever the consumer prefers. Each model is defined by several key factors that are components of a dealer's overall operating philosophy:

Key Factors	Traditional	Leading
Priorities	Selling the Car	Satisfying the Customer
Objectives	Gross and Volume	Volume
Operations	Separate Internet Staff and Processes	Integrated Internet Staff and Process

Each model is also defined by the options that the sales process provides for consumers. A more traditional sales process allows consumers to shop and buy onsite, or shop online and then buy onsite. A leading, or integrated, sales process allows the consumer to complete the purchasing process however they choose — by shopping online and then buying onsite, shopping onsite and then buying online, or by completing the entire transaction online.

Traditional dealerships rely less on technology, strive to conduct their sales process primarily in-store and focus on profit-maximizing sales tactics. Conversely, leading dealerships focus on enhancing the consumer experience by reducing cycle time, fostering transparency and building trust to ensure long-term viability in the marketplace. Embracing technology and implementing a sales process that integrates online and offline activities is key to a successful leading strategy.

## Questions to Ask When Analyzing Your Sales Process for Integration

Developing a sales process that integrates online and offline purchasing activities requires dealers to ask some important questions:

### Which sales activities are ripe for change?

- Which activities are the most inefficient (i.e., increase time)?
- Which activities are the most frustrating (i.e., decrease satisfaction)?

Do I have a more traditional sales process (e.g., requires onsite-only activities; walk-ins shop and buy onsite; Internet leads shop off-site but buy onsite)? If so, which onsite activities can be shifted online or implemented using apps or a system?

- Credit application?
- Appraisal?
- Financing?

Or, do I have a more progressive sales process that allows buying off-site? If so, which onsite activities can be shifted off-site?

- Test drive?
- Documentation?
- Delivery?

Does my sales process allow customers to shop and buy in any way that they prefer?

- Shop onsite then buy off-site (i.e., showrooming)?
- Shop and buy off-site (i.e., e-commerce)?

What technological solutions might facilitate the implementation of an integrated sales process?

- Kelley Blue Book Instant Cash Offer for trade-ins?
- Deal Builder for payment estimates?
- MakeMyDeal for online negotiation?

Which sales process activities can be more transparent to increase customer satisfaction?

## Integrated Sales Process Best Practices

Successful dealerships are shifting away from an emphasis on short-term profitability and toward policies designed to provide long-term sustainability through increased traffic, repeat business, referrals and improved dealership efficiency. In order to implement an integrated sales process, dealers should strive to:

- Maximize consumer online self-discovery options.
- Ensure that major consumer decision points occur as close to the initiation of the sales process as possible.
- Reduce onsite cycle time by automating and streamlining onsite processes instead of using multiple systems and manual forms to transfer information.
- Allow the negotiation process to take place online.
- Have fewer dealership representatives guide the consumer from start to finish as opposed to having the consumer meet with several different people throughout the process.
- Foster a culture of trust and transparency as opposed to maintaining artificial barriers designed to keep dealership information confidential.

Offering an outstanding consumer experience is becoming the biggest differentiator for leading dealerships. A truly integrated sales process is perhaps the biggest component of this strategy.

### Driving Innovation: The Role of Cox Automotive

Cox Automotive is committed to furthering the evolution of dealership operations through analyses/diagnostics, prescriptive recommendations, sharing best practices and benchmarks, and promoting understanding of the relative benefits of specific improvement efforts. Most importantly, Cox Automotive will continue to develop products and platforms that drive dealership systems integration, improve sales process efficiency, enhance dealer profitability and increase the consumer satisfaction on which the industry ultimately depends.

“We’ve surrendered to the fact that what we sell is a commodity and that the market will only bear a certain amount of profit within the normal bounds. The differentiating point... is [customer] treatment.”

— Toyota Dealer, Dallas

## About Cox Automotive

Cox Automotive is a leader in vehicle remarketing services and digital marketing and software solutions for automotive dealers and consumers. Cox Automotive, a subsidiary of Atlanta-based Cox Enterprises, includes Manheim, Autotrader, Kelley Blue Book and a host of global businesses and brands serving customers such as auto dealers, manufacturers and financial institutions. Headquartered in Atlanta, Cox Automotive employs more than 30,000 team members in over 150 locations worldwide. We partner with more than 40,000 dealers and touch over 73% of all car buyers in the U.S. with the most recognized brands in the industry. We unite over 20 brands in this space, providing an end-to-end solution to transform the way people buy and sell cars every day.

<sup>1</sup>2016 Car Buyer Journey Study, IHS Automotive

<sup>2</sup>Autotrader Forecast, 2015

<sup>3</sup>Autotrader: 2015 Car Buyer of the Future Study

<sup>4</sup>Autotrader: 2014 Dealer Time Study

<sup>5</sup>Autotrader: October 2014 Website Data

<sup>6</sup>MakeMyDeal: Customer Survey, December 2014

<sup>7</sup>MakeMyDeal: 2014 Online Retail Finance & Insurance Study

<sup>8</sup>MakeMyDeal: 2015 Digital F&I Experience Study



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