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The Price is Right:

Del Grande Dealer Group Bridges the Online/Offline Shopping Gap by Integrating Kelley Blue Book Price Advisor into DGDG's Evolving Retail Process

CASE STUDY | JANUARY 2016



Case studies from Cox Automotive illustrate how various types of auto dealerships across the country are using tools and technology to transform their businesses. This case study looks at how Del Grande Dealer Group (DGDG) is integrating the Kelley Blue Book Price Advisor into all aspects of its branding and operations. According to DGDG, this integration has helped bridge the gap between online and offline car-shopping activities. This has resulted in dramatically enhanced customer and employee satisfaction, and reduced transaction time while playing a vital role in helping the organization achieve its long-term goals.

In fact, since adopting the Kelley Blue Book Price Advisor and carefully tailoring and executing an implementation strategy, **Del Grande Dealer Group's data from Q4 2014 through Q1 2015 show that organic website traffic increased by 48%, phone call leads increased by 42% and F&I products per contract increased by 31%.** While these outstanding statistics are the result of DGDG's specific strategy, it is evident that using the Price Advisor to display range-based vehicle prices – designed to provide consumers and dealers with realistic pricing expectations – is working for Northern California's largest family-owned dealer group.

About Del Grande Dealer Group

Del Grande Dealer Group (DGDG) serves the San Francisco Bay Area including San Jose, Fremont, Redwood City and Concord. Its 14 locations are new and used dealerships for Volkswagen, Mazda®, Nissan®, Subaru®, Hyundai®, Chevrolet, FIAT®, Kia, Buick, GMC, Chrysler®, Jeep®, Dodge®, Ram® and Ford. The group is owned by Shaun Del Grande, who has been in the business for about 20 years and has grown the business from the two stores his father Kevan Del Grande had in 1996 to 14 in 2015. According to DGDG Vice President Jeremy Beaver, the dealer group's most rapid growth has happened over the last seven years and the organization's philosophy is well-suited to Silicon Valley's upscale, tech-savvy demographic. "We are predicated on repeat and referral business... It's really about having an unbelievable world-class guest experience. We take a very non-car-business approach and focus on the retail experiences that are just like buying anything else, like Amazon,

"Everyone has definitely become a lot more comfortable with our pricing strategy, and how the Kelley Blue Book Price Advisor complements DGDG's PROJECT100 philosophy as a whole. This definitely shows results in happier customers, higher CSI scores, as well as the increased amount of 5-star Yelps. The No-Brainer strategy, together with the Kelley Blue Book Price Advisor, has made positive improvements in our store's sales process. The management likes it, the product specialists like it and the customers definitely love it."

– Earl Buenavente, Online Product Specialist, Capitol Mazda

Snapshot

Dealership	Del Grande Dealer Group (DGDG)
Type	Franchise
Market	Northern California (Bay Area)
Rooftops	14
Average Customer	Above-average income, credit score & education
New Inventory	level 3680
Used Inventory	1061
Employees	900
CRM Tools	VinSolutions
Pricing Tools	Kelley Blue Book Price Advisor, Autotrader's Trade-In Marketplace, vAuto
Average Monthly Sales	1700–2000 New Vehicles ~900 Used Vehicles

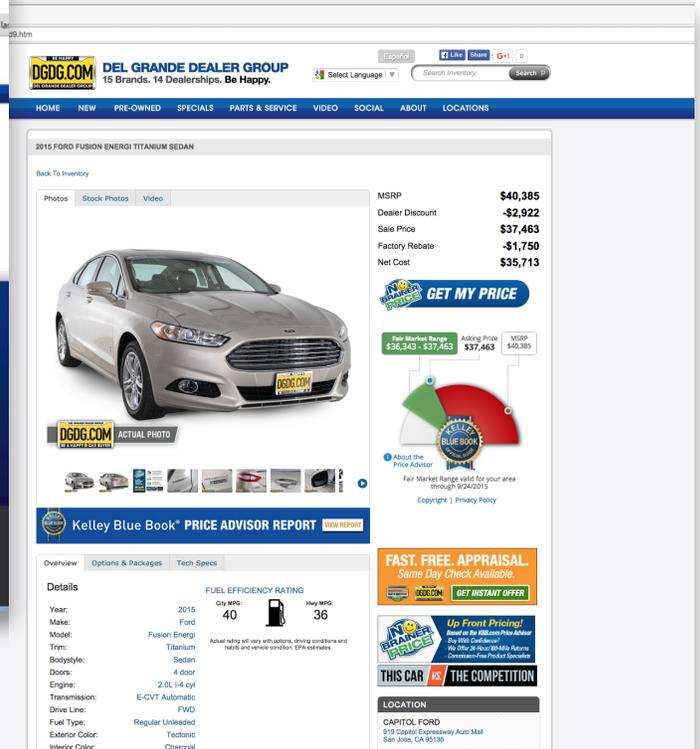
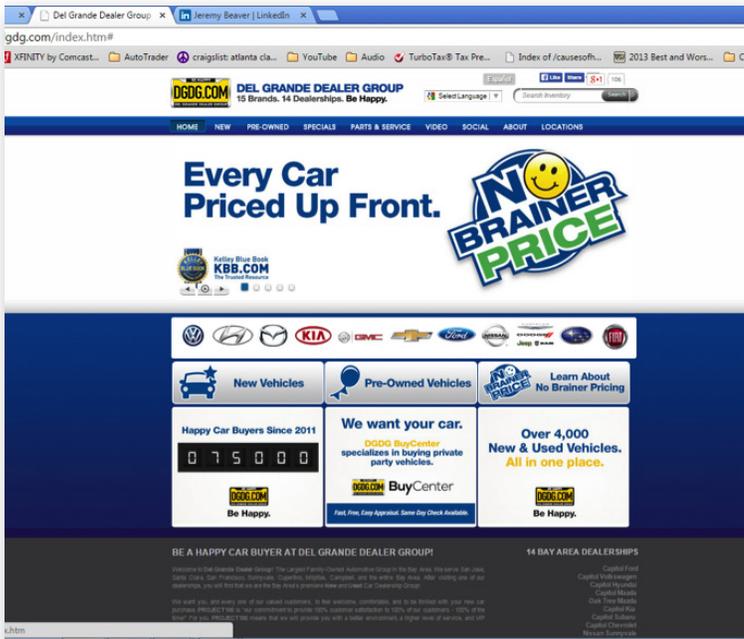
Apple, etc.," says Beaver. Part of that customer experience is PROJECT100, the dealer group's commitment to provide "100% customer satisfaction to 100% of our customers 100% of the time!" by providing them with a better environment, a higher level of service and VIP treatment, including a 24-Hour/100-Mile vehicle return policy. DGDG's website boldly proclaims that "we will go out of our way to exceed your expectations and provide that 'something extra' you won't get from other dealerships." According to Beaver, focusing on employee satisfaction is a vital part of providing that "something extra." That's why DGDG is particularly proud to have received a Bay Area News Group "Top Work Place Award" for the last five years running. "If you have a world-class team, then you can provide this unbelievable customer experience," he says.



*Shaun Del Grande, President,
Del Grande Dealer Group*

DGDG's 900-employee team includes a comprehensive core leadership team for the entire dealer group as well as general managers for each individual store. DGDG also has an extensive e-commerce team with dedicated employees focused on robust merchandising, CRM, SEM and social media. These professionals are a vital part of the data-driven marketing ecosystem tailored to DGDG's sophisticated

demographic, which is largely composed of tech professionals earning around six figures. "I would say our branding focus is definitely scaled younger, to Gen Y and Millennials into YouTube and Pandora. It's about building that next generation of customer," Beaver says. "We are a non-print organization today. The majority of our direct marketing is spent digitally." **A big part of that digitally focused marketing strategy has been the holistic integration**



The “No Brainer Price” and Kelley Blue Book logos are featured prominently throughout Del Grande Dealer Group’s website and associated marketing materials.

All new vehicles on DGDG’s website display the syndicated Price Advisor directly on the VDP, and include a link to a report with additional Kelley Blue Book and third-party information about that car.

of the Kelley Blue Book Price Advisor into all aspects of the group’s brand – from the website and display advertising to the sticker prices on each vehicle for sale.

“No Brainer” Pricing

Visit DGDG.com and you immediately discover that you’ve reached the home of the “No Brainer Deal.” Customers receive a “No Brainer Price” where every car is “Priced Up Front” based on the Kelley Blue Book Price Advisor. The distinctive “No Brainer” smiley face, which ties in seamlessly to their “Don’t just be a car buyer, be a happy car buyer” theme, and Kelley Blue Book logos are prominently featured throughout the site. Abundant links drive visitors to videos and content describing that customers can buy

with confidence because all DGDG vehicle pricing is based on the Kelley Blue Book Price Advisor valuations which are updated weekly.

Each new vehicle on DGDG’s website is linked to a report that can include vehicle options, available warranties, history reports from CARFAX®, customer and industry reviews and ratings, available dealer services and events, and more. The Kelley Blue Book Price Advisor also lists relevant details that affect the vehicle’s value. On any Web-enabled device, the report instantly displays specific insights into the vehicle, the deal and the dealership so that shoppers know exactly how and why it earned its price point.

The Vehicle Details Pages (VDPs) on DGDG’s websites incorporate the Kelley Blue Book Price Advisor next to the photo of the car, which is syndicated from Kelley Blue Book. This provides the dealer and consumer with trusted, third-party pricing information in order to better understand how current market prices compare with the dealer’s asking price. For a deeper dive, consumers can click through to a report that displays relevant content such as Kelley Blue Book Expert Editorial Reviews, Consumer Ratings from KBB.com and other third-party awards, reviews and ratings. Jeff Miller, Director of Strategic Partners for Kelley Blue Book, spearheaded the DGDG integration of the Kelley Blue Book Price Advisor. He stresses that using the Kelley Blue Book

“Our clients seem to be less tense and more open about the car-buying decision when we explain the ‘No Brainer’ concept.”

– Carl Lueng, Product Specialist, Capitol Kia

Price Advisor data to price vehicles to the market average not only helps DGDG ensure that their prices are fair and competitive, it can also help customers feel confident that they are getting a good deal while minimizing complex and time-consuming negotiations. The result is a more transparent sales process that results in increased customer satisfaction.

“Consumers spend the majority of their time online, upwards of 12 hours,” Miller says, adding that 55% of consumers use Kelley Blue Book for car-shopping information – the largest usage of the major well-known third-party sites in the industry.¹ “Pricing research is at the top of the list for things they are researching because pricing for new cars can be all over the board depending upon where you are located.” That’s why the Kelley Blue Book Price Advisor displays three different pricing zones – white, green and red – for a specific make, model and trim combination.

The green zone is the Fair Market Range for new cars. This is Kelley Blue Book’s estimate of what a consumer can reasonably expect to pay this week in their area for a vehicle configured with their selected options, excluding taxes, title, fees and any available rebates or incentives. Each dealer sets and controls its own pricing. The Fair Market Range is derived from a mathematical model that leverages Kelley Blue Book’s 89-year history of pricing vehicles. It is updated weekly and aggregates new car transaction data within the user’s ZIP code and adjusts for local economic conditions.



The Kelley Blue Book Price Advisor is a range-based tool that displays pricing information, including the Kelley Blue Book® Fair Market Range which is based on actual transactions for a specific make, model and trim combination.

actually paid by consumers in their area. The MSRP in the illustration above was supplied by DGDG and excludes service and handling fees, and state and local tax, title and license fees. Destination and freight charges may also be excluded.

The Kelley Blue Book Price Advisor provides vehicle valuations that consistently and closely track real-time pricing and reflect both wholesale and retail transactions to provide a 360-degree view of the market. Data is drawn from a wide variety of sources, including:

- Millions of new and used daily listings from Autotrader;
- Aggregated DMS data that provides vehicle-level transaction information, including retail transaction price at the year, model and trim level;
- Analysis of over 19 million unique visitors’ activity on KBB.com to gain insights into their preferences at the year, model and trim level;²
- OEM-provided vehicle configuration information, new vehicle incentive data, vehicle production levels and MSRP;
- Analyses of over 75,000 auction transactions each week;
- Aggregated forecasts for macroeconomic indicators such as unemployment, fuel prices, gross domestic product and the consumer price index; and
- Weekly statistical models for large and small fluctuations in supply or demand caused by natural disasters, seasonality, regionality and macroeconomic changes.

According to Alec Gutierrez, Kelley Blue Book’s Senior Manager of Valuation Product, the Kelley Blue Book Price Advisor leverages unprecedented troves of data which allow Kelley Blue Book to provide values at a localized level that are relevant to the consumer. “As part of Cox Automotive we have a truly holistic view of the market,” says Gutierrez. “With so much data available, we are able to provide values for 101 geographically distinct areas that encapsulate the largest metro regions in the United States. We know that market conditions vary widely across the U.S. and our valuation engine now has the data to provide prices that are more targeted and relevant than ever before,” says Gutierrez.

And that holistic view helped convince DGDG to buy into the methodology and range-based pricing that Kelley Blue Book has created. “Instead of saying that a car is worth \$20K, the Kelley Blue Book Price Advisor might show a range between \$19K to \$21K. It makes it easier for the dealer to price their cars,” says Kelley Blue Book’s Miller, adding that DGDG’s “No Brainer” market-based pricing – which is based on Kelley Blue Book Values – struck a chord with shoppers throughout the region. “Consumers in the Bay Area were hearing this message and they were taking action to consider Del Grande above and beyond other dealers in the marketplace,” says Miller.

Saying Goodbye to Commissions

Miller says that DGDG was a good choice for the integration of the Kelley Blue Book Price Advisor because of their established brand, technological savvy, demographic focus and the fact that they were “already a transparent dealership.” However, including the Kelley Blue Book brand nevertheless involved extensive reworking of the dealer group’s operations. “We started drilling into some of their operational efficiency, working in the Kelley Blue Book Price Advisor on their vehicle details page and dealership point-of-sale material,” he says.

According to DGDG’s Jeremy Beaver, over the nearly four months that DGDG and Kelley Blue Book collaborated on the integration effort, the

dealer group decided to take a fresh look at their sales compensation philosophy. “We decided we wanted to go away from commissioned salespeople and create product specialists. They are now paid on a flat per-car basis with a kicker for volume bonuses and CSI,” Beaver says. “Consumers don’t like to negotiate and our team doesn’t like to negotiate. They are not master negotiators anymore. People don’t want to spend three to seven hours at a car dealership. Our product specialists are focused on finding the right car that fits our guests’ needs. Our dealer group is not built on one car deal, but on tens of thousands of car deals. This business is built



*Jeremy Beaver, Vice President,
Del Grande Dealer Group*

for a marathon and not a sprint. That is really important. So we looked at our compensation model and the results we were getting, and we asked ourselves how the team could make more money by being more efficient? How does a 12-car person sell 14 cars? How does a 14-car person sell 16 cars? That really came back to ease-of-transaction and speed.”

Beaver says that eliminating commissions, marketing their sales staff as “product specialists” and fully integrating the Kelley Blue Book Price Advisor into a more efficient and laid-back sales process has increased their already high customer and employee satisfaction while supporting DGDG’s long-term strategy. “We are attracting and retaining the types of employees who support our transparent sales process which is geared to our Silicon Valley Gen Y and Millennial demographic,” he says. “When the customer comes on the lot, the product

“It’s best to incorporate the Kelley Blue Book Price Advisor early in the conversation during the intro, needs assessment and vehicle discovery conversations. We can then start building a partnership with discussions on transparency, ease of process and value as we transition from the lot to the test-drive to the Service Department and onto the showroom floor. This way the customer understands that it’s not another dealership gimmick to sell them a car, but rather a value-add.”

– Jay Smith, Product Specialist, Oak Tree Mazda

specialists introduce ‘No Brainer’ pricing early in the conversation. We talk about the Kelley Blue Book Price Advisor and say, ‘All you have to do is pick the right car, and then we will show you what our price is in relation to the Kelley Blue Book Price Advisor market-based pricing tool.’ It’s super easy.”

According to Beaver, the rest of the sales process also leverages the transparency and relaxed attitude established by the “No Brainer Pricing” philosophy. “Later in the process, the product specialist presents the

customer with a warranty and a maintenance package,” he continues. “It’s a very, very soft sell. The customer will say ‘Yes, that sounds good.’ It is designed to offer protection and ease to our customers over the life cycle of their vehicle ownership. We operate on a velocity model. If the customer says no, it’s no big deal. The product specialist says, ‘No problem. Just wanted to let you know it’s our process to make sure that we offer you all of the packages that are available.’ So it is never a hard sell. Our focus is not about trying to make more money on consumers. We focus on a better experience for all and when we focus on our team and guests, the profit comes as a by-product.” Beaver adds that customers now feel safer going into the Finance Department, which has led to increased F&I sales and improved customer retention.

“It was a win-win for everybody,” Jeff Miller adds. “Their salespeople are happier and DGDG is happier. This helps the consumer feel confident about buying a car from them because there is no negotiation, which can reduce the transaction time.”

Orchestrating a Cultural Shift

According to Jeremy Beaver, changing DGDG’s sales process and compensation plan – and encouraging staff adoption of the Kelley Blue Book Price Advisor and the DGDG pricing philosophy – has been a challenging culture shift. “It is not an easy lift. We started this in January and we still had training going on in July,” he says. “When you sell 30,000 cars you have to get 200 product specialists plus 30 sales managers plus 50 finance managers all rowing the boat the same way every time.” Beaver adds that almost zero staffers chose a different path and their new sales process has contributed to a relatively low yearly sales team attrition rate of approximately 30%, mostly by their design.

Overall, while Beaver is pleased to report that 80% to 85% of DGDG’s staff is properly using the Kelley Blue Book Price Advisor as part of their sales process, some consumers still need to be familiarized with the concept. “You still have people who want to negotiate or want to say, ‘Well, I’m used to getting \$3,000 off a car priced online.’ There are so many different variables,” he says. “The Kelley Blue Book Price Advisor is on every car today. The process is there for every customer. It is just a matter of how the product specialists go about it each time,” says Beaver, who stresses that honing their procedures is an iterative process. “We continue to learn. We continue to make training videos and conduct in-person training – especially as you hire new people. They don’t have any clue about ‘No Brainer Pricing’ or DGDG pricing in relation to Kelley Blue Book. So it is really an ongoing process, but today it is better than it was yesterday and

“When I started here nearly a year ago, Concord Mazda was a 50-car store. These past three months we have seen a glimpse of our potential. We have exceeded 100 cars all three months of our ‘No Brainer’ launch.”

– Brian Hutka, Online Product Specialist, Concord Mazda

tomorrow it is going to be better than it is today. At the end of the day, it requires the right people,” he adds. “If everyone doesn’t have the same philosophy – is not of like mind or not trained well – even if it is the best product in the world, the process could fail at any time.”

Jeff Miller agrees. “It’s not just a product, it’s really a philosophy and a strategy,” he says, stressing that achieving synergy between in-store processes and the total integration effort has been critical to the success of the program. “Literally what we did was open up their marketing calendar and say ‘let’s look at every single thing you are doing and let’s figure out how to leverage the Kelley Blue Book Price Advisor with how you market DGDG to consumers,’ including DGDG display advertising. After we prominently featured the ‘No Brainer Price based on Kelley Blue Book Price Advisor’ messaging everywhere we could, particularly on the Web, DGDG’s data showed increased website engagement. That message is resonating with consumers. And when you reinforce that consumer promise in the showroom, you have a sales operation that is yielding improved performance through the entire sales process.”

According to DGDG’s Jeremy Beaver, advance planning and working together have been key to achieving that improved performance. “Have a game plan early. If Jeff and the team were not as engaged or did not have a plan or communicate as well, we would still be in launch mode. Jeff and the team provided early data that moved us through the system quickly,” he says, adding that Web development expertise and marketing savvy are all critical to successfully integrating the Kelley Blue Book Price Advisor into dealership operations. “First, dealers need to make sure they have their data right. So where do the fields feed from? How do you truly put up a live API? I also believe that look and feel is really important. You can’t have Kelley Blue Book in an environment where it is not impactful. You can’t call your website vendor and say ‘Hey, just plug this in at the bottom of the VDP.’”

Beaver also says that DGDG’s pre-existing philosophy was a big contributor to the success of the Kelley Blue Book Price Advisor integration effort. “If we were not focused on taking care of customers this wouldn’t work. If the dealer group wasn’t focused on finding a different way to pay product specialists, if we weren’t focused on F&I products and training our finance managers the right way, then it wouldn’t have worked. For us it all starts at the top with the leadership and guidance from Shaun Del Grande.” Beaver also noted that the dealer group’s established practice of using data-driven, industry-specific tools, such as VinSolutions, Autotrader’s Trade-In Marketplace and vAuto, made it easier to integrate the Kelley Blue Book Price Advisor. DGDG can use vAuto Conquest, for example, to quickly see how all of their inventory lines up with the Kelley Blue Book® Fair Market Range shown in the Price Advisor.

Brad Prickett, Kelley Blue Book’s Director of Product Management, Web Syndication agrees. “When Kelley Blue Book updated its syndication strategy last year, one of our main goals was to develop new ways to increase pricing transparency and reduce friction at the dealership by better setting expectations with the consumer. We knew the Kelley Blue Book Price Advisor gave consumers the pricing information they wanted for cars they researched on KBB.com, but we wanted to extend that experience to dealer websites on real pieces of inventory,” he said. “Working with DGDG has been terrific because DGDG was also focused on creating a great consumer shopping experience. We worked closely with DGDG to integrate not only the Price Advisor into their VDPs but also to include the Kelley Blue Book brand in their marketing and sales processes.”

Brett Nanigian, Kelley Blue Book’s Senior Director, Product Management, further put DGDG’s integration of the Kelley Blue Book Price Advisor in perspective: “Kelley Blue Book has been reflecting the automobile market for 89 years and allowing the Kelley Blue Book Price Advisor to be embedded into a dealer’s website is just our latest advancement for bringing vehicle-specific context to the market for buyers and sellers. This has been something we have been working on for a few years and getting this off the ground with the Del Grande Dealer Group has been a great experience in every aspect.”

Leveraging Brand Equity

According to Jeremy Beaver and Jeff Miller, the results of including the Kelley Blue Book brand in DGDG marketing and the Price Advisor integration have been successful in nearly every way. After nine months, transaction time is down, customer and employee satisfaction is up, metrics around new car sales performance are up, and F&I sales and website traffic are trending favorably. Harder-to-quantify metrics like sales team efficiency and

“Our sales volume has increased, CSI is at an all-time high, transactions are going faster and smoother, and our clients’ buying experience is positively memorable. We let our customers know that we are on their side; we are non-commission product specialists. At Fremont CDJR and DGDG, we have saved customers time and eliminated the stress of negotiating. This makes a happy car buyer, a 100% satisfied customer! They can now see what other people just like them are paying for their new vehicle, buying with confidence knowing that our dealership and dealer group is all about being fair, making people happy. This program works and is a huge success.”

– Drew Coronel - General Manager, Fremont CDJR

lower staff turnover have also improved considerably. Heightened consumer confidence in DGDG has been another hard-to-quantify yet positive result of integrating the Kelley Blue Book Price Advisor.

Miller says that Kelley Blue Book’s 89-year history as one of the country’s most trusted resources for car shoppers made integrating the Kelley Blue Book Price Advisor a particularly attractive option for a well-established and progressive dealership like Del Grande Dealer Group: “We still want the dealership’s brand to be central, but we can help them tell a story around pricing, which is hard for dealers to do on their own given past perceptions about their business practices.”

Jeremy Beaver agrees that the brand equity of DGDG and the integration of the Kelley Blue Book Price Advisor has been particularly effective in their market. “So you get DGDG, which



really has a powerful brand, and then you show the No-Brainer pricing in relation to the Kelley Blue Book Price Advisor. When you put those two together, it's really a competitive advantage."

About Cox Automotive

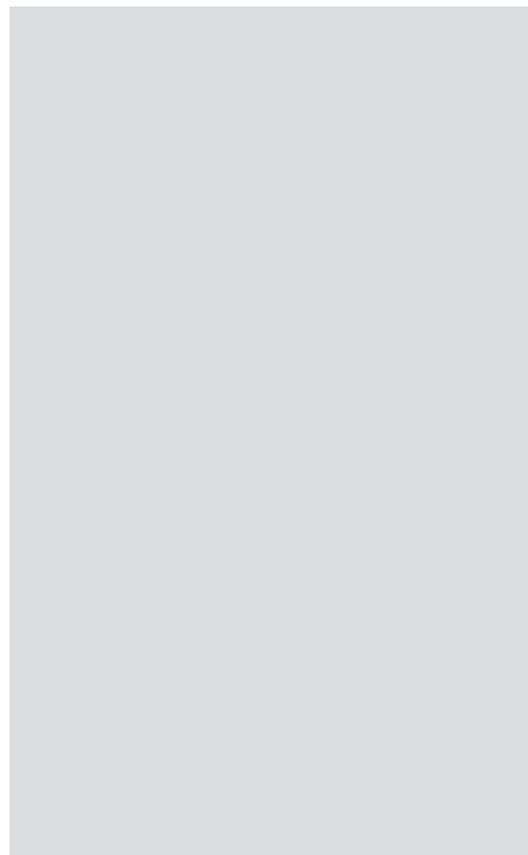
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About Kelley Blue Book

Founded in 1926, Kelley Blue Book, The Trusted Resource®, is the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry. Each week the company provides the most market-reflective values in the industry on its top rated website KBB.com, including its famous Blue Book® Trade-In Values and Fair Purchase Price, which reports what others are paying for new and used cars this week. The company also provides vehicle pricing and values through various products and services available to

car dealers, auto manufacturers, finance and insurance companies, and governmental agencies. Kelley Blue Book's KBB.com was ranked highest in its category for brand equity by the 2015 Harris Poll EquiTrend® study, and has been named Online Auto Shopping Brand of the Year for four consecutive years. Kelley Blue Book Co., Inc. is a Cox Automotive company.

¹Polk/IHS 2015 Automotive Buyer Influence Study
²Omniture Q1 2015 Average



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