

DIGITIZATION OF END-TO-END RETAIL



January 2021

Cox
AUTOMOTIVE™

Research & Market Intelligence

A person wearing a blue button-down shirt is shown from the chest down, working at a desk. They are holding a tablet in their left hand and have their right hand on a laptop keyboard. The laptop is open, and its screen is visible. The background is dark and out of focus. The image is overlaid with several semi-transparent geometric shapes: a large dark blue triangle on the left, a light blue triangle on the right, and a white triangle in the center. The text "DIGITAL REACHES NEW HEIGHTS IN AUTOMOTIVE SHOPPING" is written in white, sans-serif, all-caps font on the left side of the image.

DIGITAL REACHES NEW HEIGHTS IN AUTOMOTIVE SHOPPING



2020 Gave Rise to the Adoption of “Digital Everywhere” ...

Forbes

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EDITORS' PICK | Jul 27, 2020, 10:55am EDT | 9,126 views

More Customers Are Shopping Online Now Than At Height Of Pandemic, Fueling Need For Digital Transformation



Blake Morgan

Senior Contributor

CMO Network

I am a Customer Experience Futurist, Author and Keynote Speaker.



GETTY

Consumers around the country have been sheltering in place for months and taking most of their shopping

CNBC

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TECH

Instacart’s valuation has more than doubled in 2020 to \$17.7 billion following new funding round

PUBLISHED THU, OCT 8 2020-10:00 AM EDT | UPDATED THU, OCT 8 2020-11:18 AM EDT



Deirdre Bosa

@DEE_BOSA

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RETAIL

Curbside pickup at retail stores surges 208% during coronavirus pandemic

PUBLISHED MON, APR 27 2020-5:32 PM EDT
UPDATED MON, APR 27 2020-7:36 PM EDT



McKinsey Digital

The COVID-19 recovery will be digital: A plan for the first 90 days

May 14, 2020 | Article

THE WALL STREET JOURNAL.

TECH

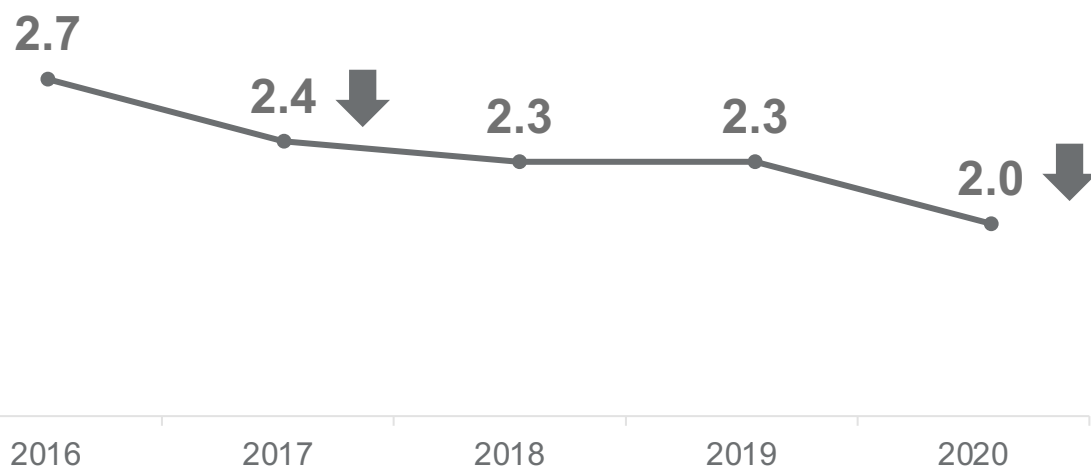
Big Tech Companies Reap Gains as Covid-19 Fuels Shift in Demand

Amazon and Google report strong quarterly sales and profits during debate on market sway



...Changing the Way We Buy Vehicles

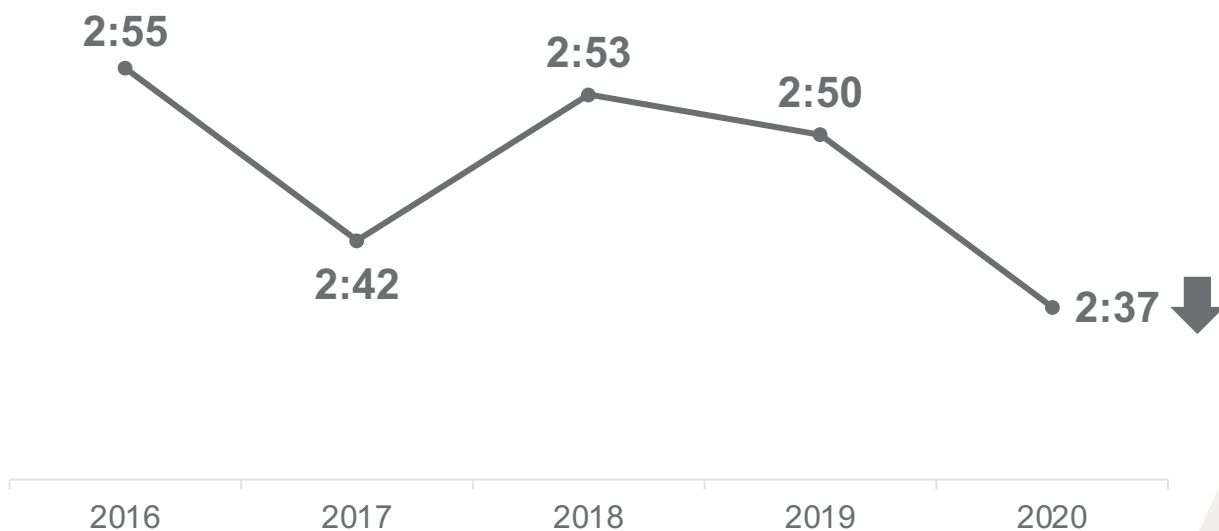
NUMBER OF DEALERSHIPS VISITED AMONG ACTUAL BUYERS



Arrows indicate significant differences from 2019 or previous timeframe at the 95% confidence interval.
Source: Car Buyer Journey

...and How Much Time We Spend at the Dealership

AVERAGE TIME SPENT AT DEALER OF PURCHASE AMONG BUYERS WHO VISITED A DEALERSHIP



Arrows indicate significant differences from 2019 or previous timeframe at the 95% confidence interval.
Source: Car Buyer Journey

As Dealers Adapted How They Do Business...

69% of franchise dealers **added at least one digital step** due to COVID-19

TOP STEPS ADDED DUE TO COVID-19

- Test drive home delivery
- Purchased vehicle home delivery
- Online credit application

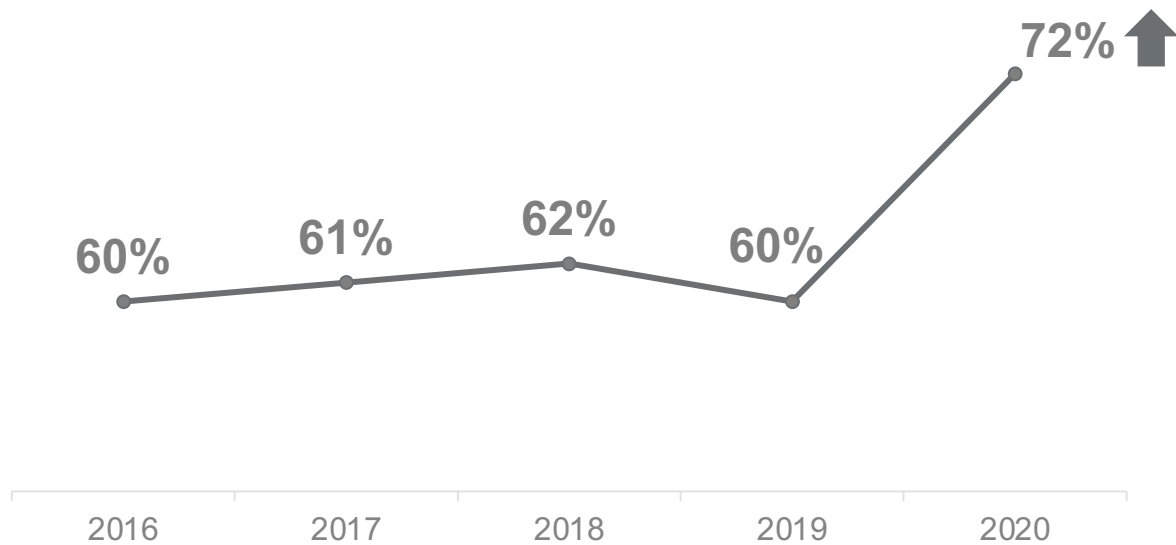
74% of franchise dealers say their **customers have used digital retailing tools more** since COVID-19



Source: 2020 Digitization of End-to-End Retail Study

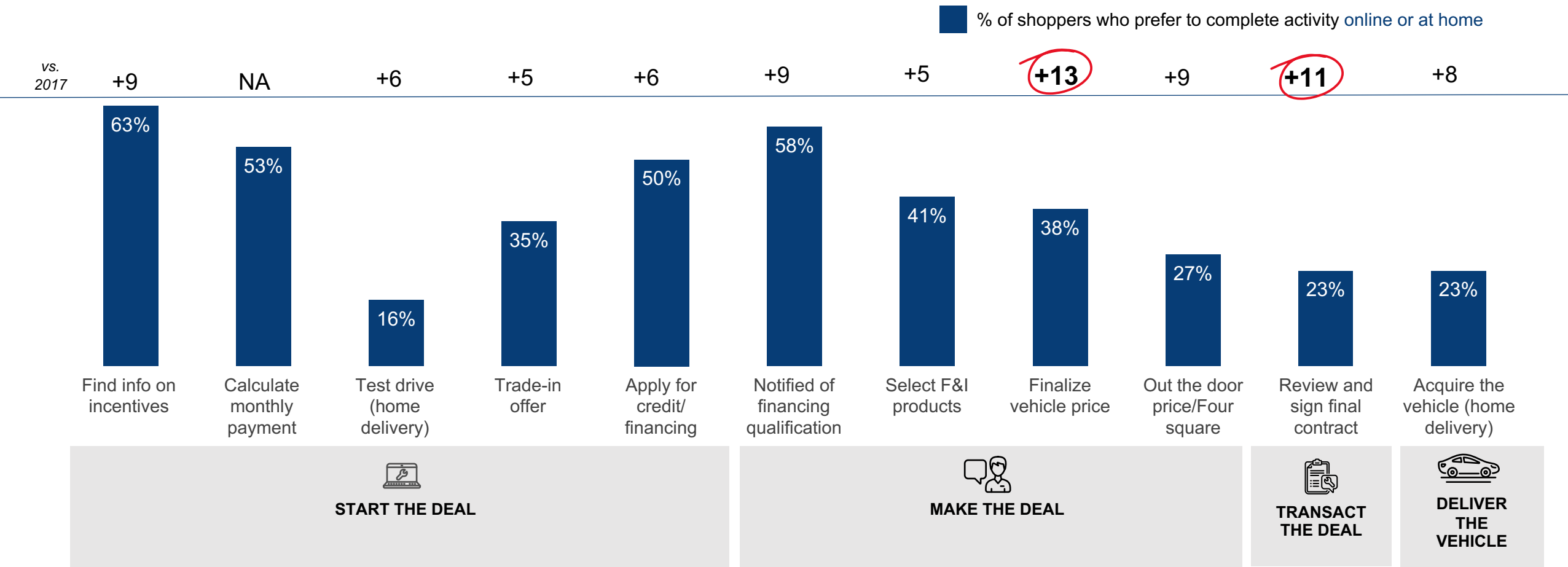
...Buyers' Experiences Rose to New Heights

% OF BUYERS HIGHLY SATISFIED WITH OVERALL SHOPPING EXPERIENCE

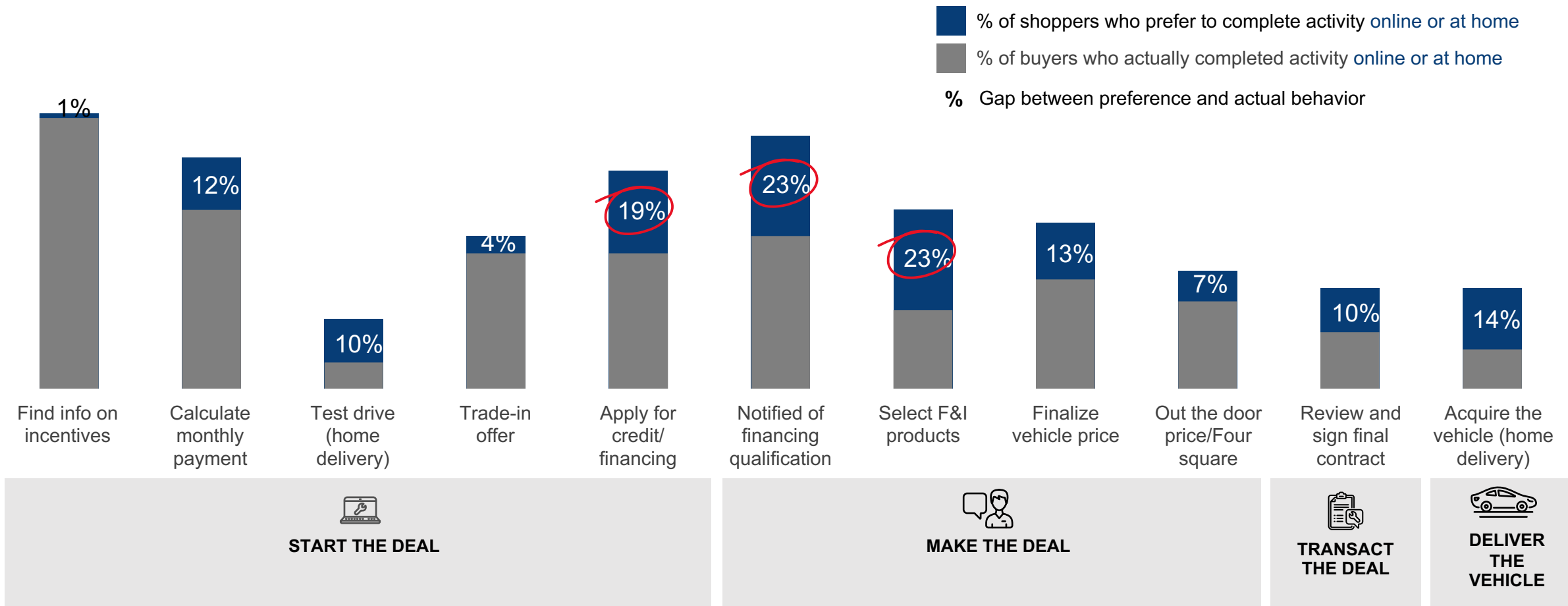


Arrows indicate significant differences from 2019 or previous timeframe at the 95% confidence interval.
Source: Car Buyer Journey

...and While Consumers' Desire to Do More Online Increased in the Last 3 years...



...Current Behavior Points to Opportunities for the Automotive Industry

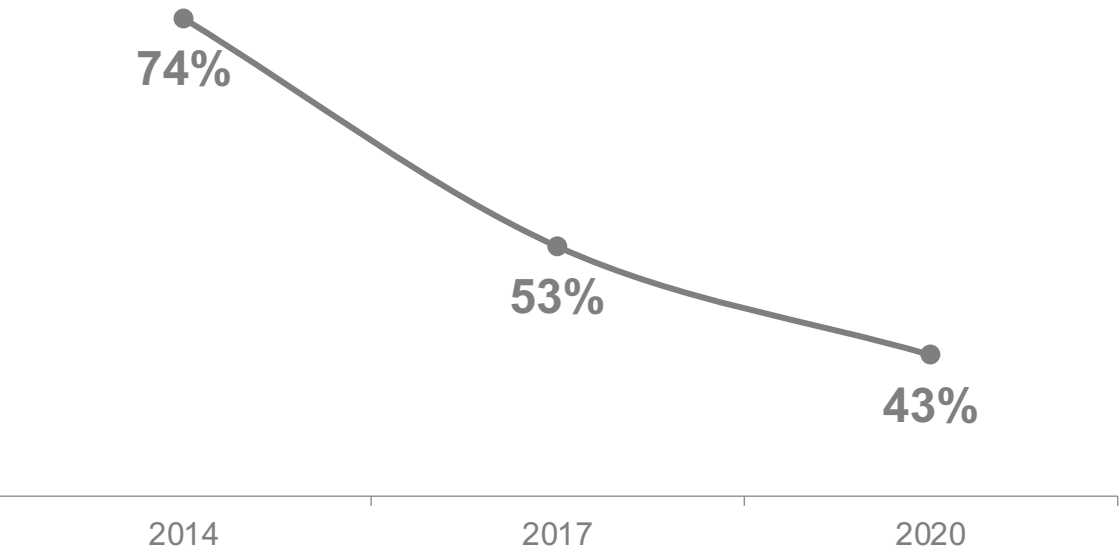


SAVING TIME IS THE
UNIVERSAL DRAW
TO DIGITAL



Consumers Have Long Asked for a Process That Is More Efficient

% OF CONSUMERS WHO SAY “I WANT TO TAKE MY TIME AT THE DEALERSHIP”



Source: 2020 Digitization of End-to-End Retail Study



Expectations Are That Digital Retailing
Will “Save Them Time”...

#1 SHOPPER BENEFIT:

86%

**Saving time in person
at the dealership**



Source: 2020 Digitization of End-to-End Retail Study

...and Actual Experiences Are Delivering on Those Expectations

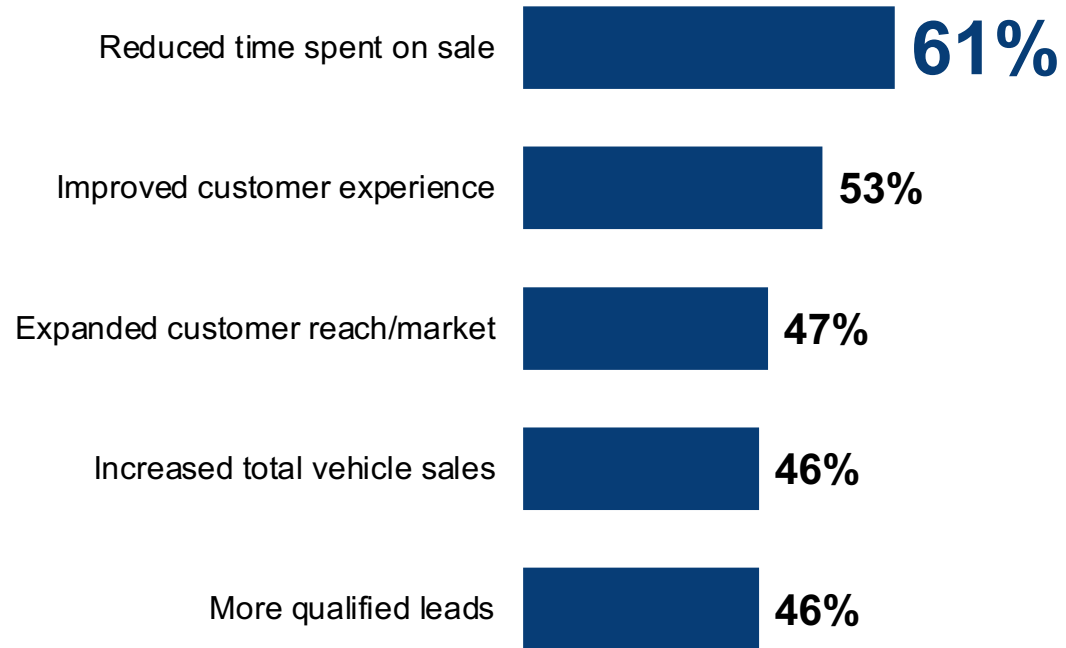
	Heavy Digital Buyer*	Light Digital Buyer*	Impact
Time spent at dealership of purchase	2h 7min	2h 49min	- 42min



*Heavy Digital Buyer = 50%+ activities completed online; Light Digital Buyer = <20% of activities completed online
Source: Car Buyer Journey – 2020

The Same Expectations Hold True for Dealers

BENEFITS OF USING DIGITAL RETAILING AMONG FRANCHISE DEALERS



Source: 2020 Digitization of End-to-End Retail Study

Digital Retailing Also Provides a Platform for Personalizing the Shopper's Desired Experience...

**Shoppers
Feel That...**

77%

**Digital Retailing can
provide them a
more personalized experience**

**And Franchise Dealers
Agree That...**

75%

**Digital Retailing
provides shoppers a
more customized experience**

...and Enables a Smooth Online to In-Person Transition

**Shoppers
Feel That...**

84%

**completing their desired
steps online can provide a
seamless in-store experience**

**And Franchise Dealers
Agree That...**

79%

**digital retailing provides
shoppers with a more
seamless experience**

SHORT-TERM
CHALLENGES DO NOT
LIMIT LONG-TERM
ADOPTION COMMITMENTS



While Shoppers Are Open to the Idea of Buying a Car Completely Online,
the Industry is Not Ready

76%
of shoppers are
open to the **idea**
of buying
completely online

Only...

1 in 3

Franchise dealers offer
ALL the purchase
process steps online

**MOST POPULAR STEPS TO
OFFER ONLINE ARE AT THE
BEGINNING OF THE
SHOPPER'S JOURNEY**

- #1** Apply for credit/financing
- #2** Find info on incentives/rebates
- #3** Schedule a test drive online
- #4** Payment calculator
- #5** Receive a trade-in offer

...as Dealers Fear Losing the Sale
if the Online Price is Too High

#1 BARRIER TO ADOPTION OF DIGITAL RETAILING

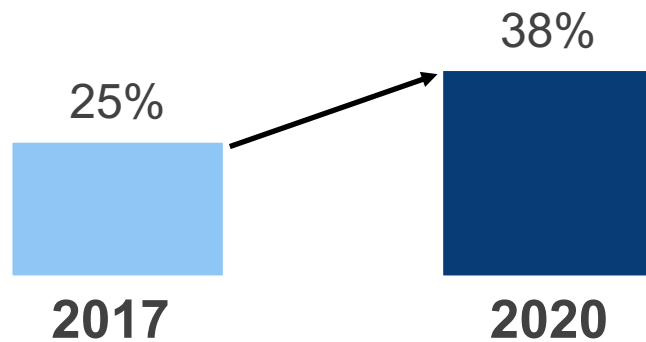
43%

of franchise dealers fear
customers will walk away if
price online is too high



The Reality is That Increasingly More Shoppers Want to Finalize the Purchase Price Online...

SHOPPER PREFERENCE FOR FINALIZING VEHICLE PRICE ONLINE



...and Most Would Still Engage the Dealer
if the Price Were Too High

76%

**of shoppers would
NOT walk away if price
online was too high**

31% would work with same dealer online to
get a lower monthly payment

28% would call or visit the same dealer to
get a lower monthly payment

17% would search for a different vehicle
from the same dealer



Some Shoppers Have Real Concerns
About Buying 100% Online...

SHOPPER CONCERNS ABOUT PURCHASING ONLINE

#1

**Want to see the vehicle
in-person**

#2

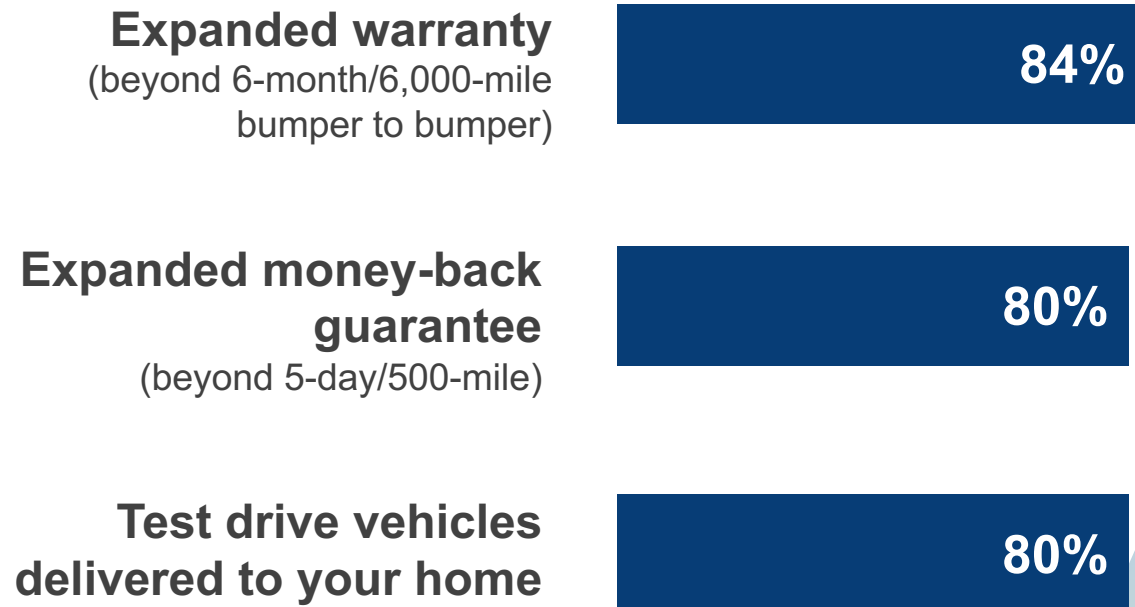
**Want to test drive the
vehicle**



...Which Can Be Mitigated by Offering Warranty,
Guarantees, and At-Home Test Drives

IMPACT OF OPTIONS ON INTEREST

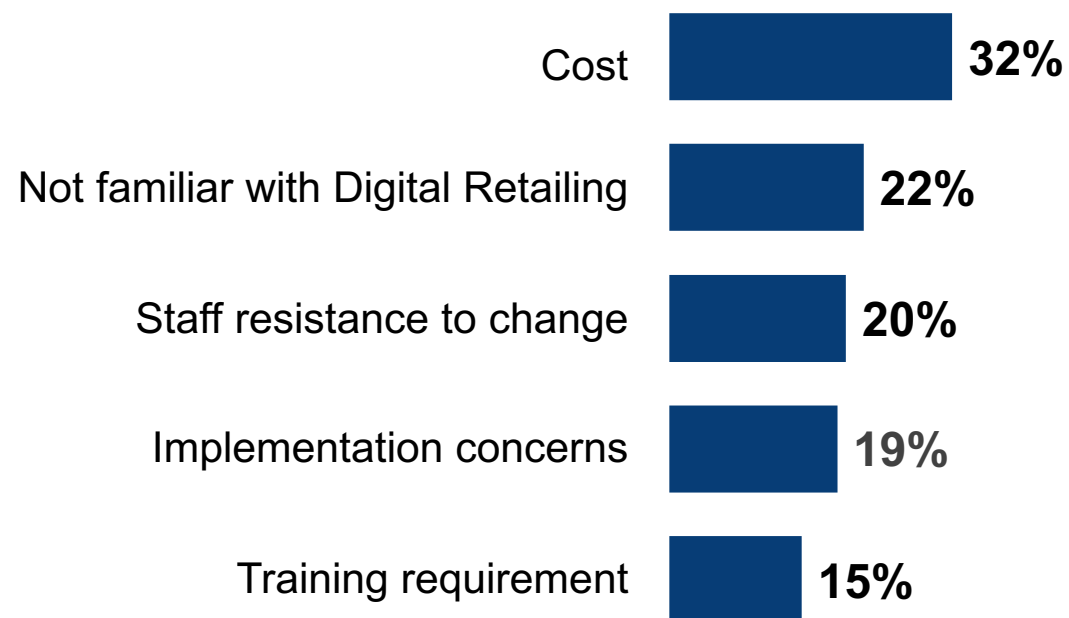
(% who would be more interested)



Source: Digital Retailing Go-to-Market Research

While Franchise Dealers Are Facing Their Own Challenges Adopting Digital Retailing...

DEALER OPERATIONAL BARRIERS TO IMPLEMENTING DIGITAL RETAILING



Source: 2020 Digitization of End-to-End Retail Study

...Most Are Making Substantial Changes...

78%

of franchise dealers are willing to
change dealership processes to meet
consumer expectations

61%

of franchise dealers have or will
likely adjust sales incentives to
encourage staff to adopt DR

52%

of franchise dealers will place
greater emphasis on hiring
digital skill sets in the future



Source: 2020 Cox Automotive COVID-19 Dealer Impact Study (Oct 12-16)
Source: 2020 Digitization of End-to-End Retail Study

...and Are Committed to Delivering
in This New Normal

80%

of franchise dealers plan to offer
more parts of the purchase process
online in the next 1-2 years

MOST POPULAR STEPS TO ADOPT NEXT...

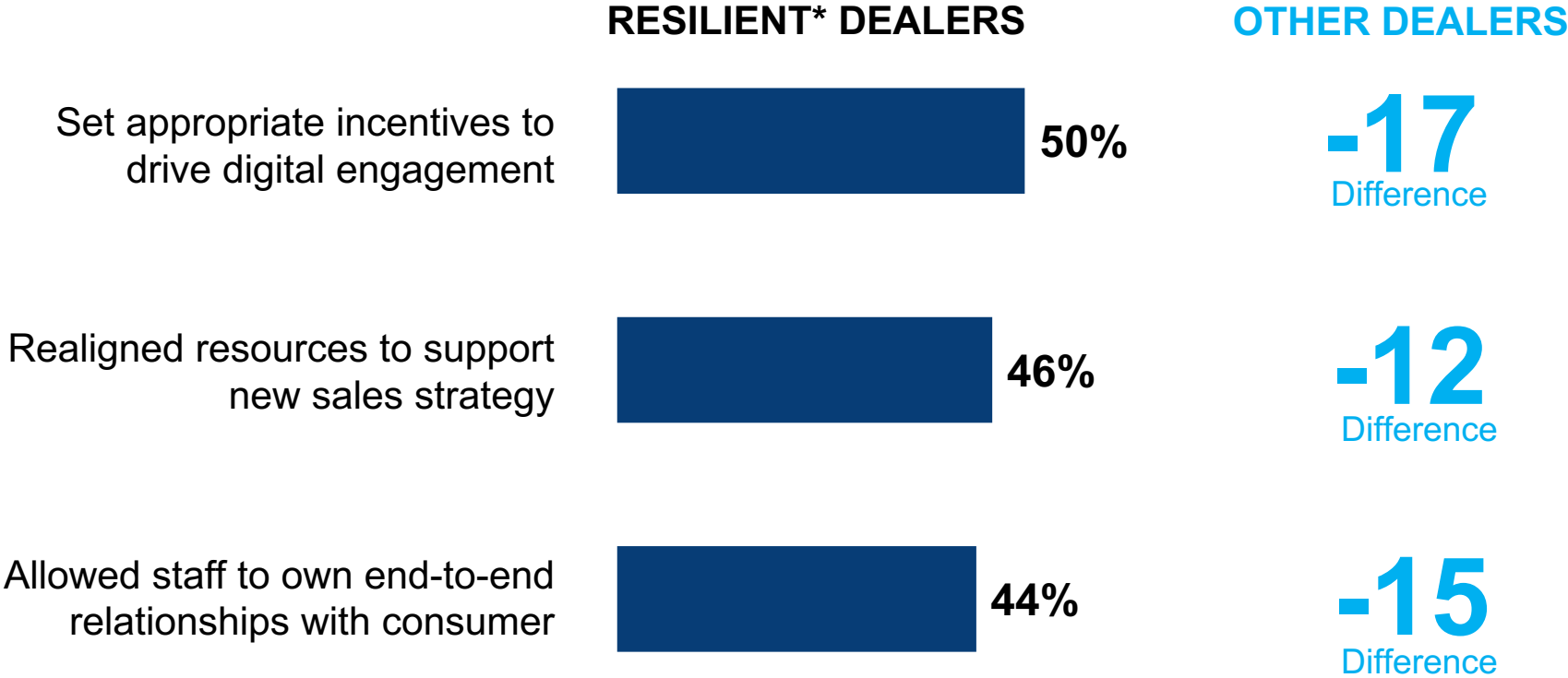
- Payment calculator
- Select add-ons
- Review & sign paperwork



HIGHER COMMITMENT
DRIVES GREATER
REWARDS



Resilient Dealers Are Driving More Changes in Their Stores



*Resilient dealers claim to have achieved higher efficiency and profitability than “other dealers” in the past few months.

Those Who Have Enabled Digital Signatures Are More Satisfied with Their Digital Retailing Solution

FRANCHISE DEALERS SATISFIED WITH DR SOLUTION

77%

Offers Review
& Sign Online
(A)

61%

Does Not Offer Review
& Sign Online
(B)



Dealers Who Outsource Digital Retailing Are Reaping Higher Benefits...

% OF FRANCHISE
DEALERS WHO SAY
**EASE OF COMPLETING
DEAL IMPROVED**

78%
Mostly
Outsource DR

Vs.

65%
Mostly
In-House DR

% OF FRANCHISE
DEALERS **SATISFIED**
WITH **DIGITAL
RETAILING TOOL**

77%
Mostly
Outsource DR

Vs.

64%
Mostly
In-House DR



...and Generating Greater Bottom-Line Results

% OF FRANCHISE
DEALERS WHO SAY
TIME SPENT
IMPROVED

84%

Mostly
Outsource DR

Vs.

66%

Mostly
In-House DR

% OF FRANCHISE
DEALERS WHO
REALIZE
HIGHER PROFITS
WITH DIGITAL VS.
TRADITIONAL SALE

28%

Mostly
Outsource DR

Vs.


16%

Mostly
In-House DR



When Comparing Lead Types, It Is Clear Digital Retailing Leads Drive Higher Gross Profits

	Avg total gross	Avg front gross	Avg back gross
Digital Retailing Leads	\$2,328	\$910	\$1,418
	(24.8% increase)	(25.8% increase)	(24% increase)
Traditional Leads	\$1,865	\$723	\$1,143



THE FUTURE OF
AUTOMOTIVE SALES
HAS REACHED A POINT
OF NO RETURN



Vehicle Shoppers Have No Interest in Resorting to Old Ways

64%

**of shoppers want to do
more of the purchase online
compared to the last time
they purchased a vehicle**



Source: 2020 COVID-19 Consumer Impact Study

With Dealers Acknowledging that
the Future of Vehicle Transacting Is Online...

SALES THAT WILL BE ONLINE ONLY

(Among franchise dealers)

42%

5 years
from now

56%

10 years
from now



Source: 2020 COVID-19 Dealer Impact Study

...It Is Clear That Investing in Digital Retailing
Is a Non-Negotiable

3-in-4

**Franchise dealers agree that
they won't be able to survive
in the long run if they don't
adopt digital retailing**





INDUSTRY IMPLICATIONS



Key Industry Implication for Digital Retailing

DEALERS

- Enhance digital presence with solutions that enable **flexible and efficient** online shopping.
- Propel digital success by **adjusting business operations**; aligning incentives and resources to support a seamless shopping experience.
- Evolve marketing messaging to convey what consumers desire – **saving time**, purchase **confidence** with guarantees, and the ability to engage **on their terms**.

OEM

- Support dealers with **implementation** of digital tools and best practices on processes that ensure success.
- Provide **incentive programs** that drive dealer adoption of digital experiences.
- Maintain **open communication** with dealer network and key partners to capture feedback, address and resolve issues.

LENDERS

- Re-think the **online application process** to enhance the lender-to-consumer connection.
- Enable digital contracting by providing dealers the ability to produce all documents required for **remote signature**.
- Adjust dealer and lender agreements to support the **convenient delivery of vehicles** outside of the dealership.

About the Digitization of End-to-End Retail Study

OBJECTIVES:

- Measure shifts in consumer preference towards a more online purchase experience
- Understand consumer and dealer barriers to adoption
- Quantify the impact of digital retailing on the consumer and dealer
- Identify digital retailing best practices for dealerships

METHOD:

We interviewed:

1,859

**Next 12 Month
Vehicle Intenders**

QUALIFICATIONS

- Age 16-64
- Primary/shared decision maker
- Must be considering purchasing from a dealership (not just private seller)

We interviewed:

462

**Franchise Dealers
With Digital Retailing**

QUALIFICATIONS

- 5+ vehicle sales per month
- Decision maker/influencer over DR
- Job title in management, marketing, sales, or business manager/assistant manager