DIGITAL REACHES NEW HEIGHTS IN AUTOMOTIVE SHOPPING
2020 Gave Rise to the Adoption of “Digital Everywhere”...

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Time (24h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2:55</td>
</tr>
<tr>
<td>2017</td>
<td>2:42</td>
</tr>
<tr>
<td>2018</td>
<td>2:53</td>
</tr>
<tr>
<td>2019</td>
<td>2:50</td>
</tr>
<tr>
<td>2020</td>
<td>2:37</td>
</tr>
</tbody>
</table>

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

60% 61% 62% 60% 72%  

2016 2017 2018 2019 2020

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…

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Shoppers Prefer Online/At Home</th>
<th>vs. 2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find info on incentives</td>
<td>63%</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Calculate monthly payment</td>
<td>53%</td>
<td>NA</td>
<td>6</td>
</tr>
<tr>
<td>Test drive (home delivery)</td>
<td>16%</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Trade-in offer</td>
<td>35%</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Apply for credit/financing</td>
<td>50%</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Notified of financing qualification</td>
<td>58%</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Select F&amp;I products</td>
<td>41%</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Finalize vehicle price</td>
<td>38%</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Out the door price/Four square</td>
<td>27%</td>
<td>+11</td>
<td>+11</td>
</tr>
<tr>
<td>Review and sign final contract</td>
<td>23%</td>
<td>+8</td>
<td>+8</td>
</tr>
<tr>
<td>Acquire the vehicle (home delivery)</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: 2020 Digitization of End-to-End Retail Study
...Current Behavior Points to Opportunities for the Automotive Industry

Source: 2020 Digitization of End-to-End Retail Study // Car Buyer Journey
SAVING TIME IS THE UNIVERSEAL 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”

74% 53% 43%

2014 2017 2020

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

<table>
<thead>
<tr>
<th></th>
<th>Heavy Digital Buyer*</th>
<th>Light Digital Buyer*</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time spent at dealership of purchase</td>
<td>2h 7min</td>
<td>2h 49min</td>
<td>- 42min</td>
</tr>
</tbody>
</table>

*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

- Reduced time spent on sale: 61%
- Improved customer experience: 53%
- Expanded customer reach/market: 47%
- Increased total vehicle sales: 46%
- More qualified leads: 46%

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

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

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

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

Source: 2020 Digitization of End-to-End Retail Study
The Reality is That Increasingly More Shoppers Want to Finalize the Purchase Price Online…

SHOPPER PREFERENCE FOR FINALIZING VEHICLE PRICE ONLINE

2017: 25%
2020: 38%

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

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

- **Expanded warranty**
  (beyond 6-month/6,000-mile bumper to bumper)
  - 84%

- **Expanded money-back guarantee**
  (beyond 5-day/500-mile)
  - 80%

- **Test drive vehicles delivered to your home**
  - 80%

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

- Cost: 32%
- Not familiar with Digital Retailing: 22%
- Staff resistance to change: 20%
- Implementation concerns: 19%
- Training requirement: 15%

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

Source: 2020 Digitization of End-to-End Retail Study
HIGHER COMMITMENT DRIVES GREATER REWARDS
Resilient Dealers Are Driving More Changes in Their Stores

**RESILIENT* DEALERS**

- Set appropriate incentives to drive digital engagement: 50% (50% - 17% = 33%)
- Realigned resources to support new sales strategy: 46% (46% - 12% = 34%)
- Allowed staff to own end-to-end relationships with consumer: 44% (44% - 15% = 29%)

**OTHER DEALERS**

- Set appropriate incentives to drive digital engagement: 33%
- Realigned resources to support new sales strategy: 34%
- Allowed staff to own end-to-end relationships with consumer: 29%

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

Source: 2021 CAI Operational Insights Study
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)

Source: 2020 Digitization of End-to-End Retail Study
Dealers Who Outsource Digital Retailing Are Reaping Higher Benefits…

<table>
<thead>
<tr>
<th>% of Franchise Dealers Who Say</th>
<th>78%</th>
<th>65%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Completing Deal Improved</td>
<td>Mostly Outsource DR</td>
<td>Mostly In-House DR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Franchise Dealers Satisfied With Digital Retailing Tool</th>
<th>77%</th>
<th>64%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mostly Outsource DR</td>
<td>Vs.</td>
<td>Mostly In-House DR</td>
</tr>
</tbody>
</table>

Source: 2020 Digitization of End-to-End Retail Study
% of franchise dealers who say time spent improved

84% Mostly Outsource DR

66% Mostly In-House DR

% of franchise dealers who realize higher profits with digital vs. traditional sale

28% Mostly Outsource DR

16% Mostly In-House DR

Source: 2020 Digitization of End-to-End Retail Study
### When Comparing Lead Types, It Is Clear Digital Retailing Leads Drive Higher Gross Profits

<table>
<thead>
<tr>
<th></th>
<th>Avg total gross</th>
<th>Avg front gross</th>
<th>Avg back gross</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Digital Retailing Leads</strong></td>
<td>$2,328</td>
<td>$910</td>
<td>$1,418</td>
</tr>
<tr>
<td></td>
<td>(24.8% increase)</td>
<td>(25.8% increase)</td>
<td>(24% increase)</td>
</tr>
<tr>
<td><strong>Traditional Leads</strong></td>
<td>$1,865</td>
<td>$723</td>
<td>$1,143</td>
</tr>
</tbody>
</table>

Source: Digital Leads Data: Cox Automotive Accelerate Analytics (1/1/20-12/1/20)
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.

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

QUALIFICATIONS

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

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)

462
Franchise Dealers With Digital Retailing

QUALIFICATIONS

- Age 16-64
- Primary/shared decision maker
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