

## **Inventory and Merchandising Best Practices for an eCommerce Future**

### ***Prepare your business for the evolution of automotive retailing***

For years, consumers have done hours of research online before buying a vehicle. But today they are increasingly comfortable completing a purchase on the web, with 76% of car buyers open to buying completely online.<sup>1</sup>

In 2021, U.S. eCommerce sales totaled \$933 billion and are projected to grow 23.6% by 2025.<sup>2</sup> This is helping to drive an increase in consumer expectations of being able to transact digitally, from anywhere, with rich merchandising, clear pricing, and reliable return and warranty policies.

As the automotive industry shifts to accommodate consumer preferences, inventory and merchandising practices are also shifting. Digital retailing is designed to do some of the purchase steps online and many of these shifts also help to make it more effective, but fully automated eCommerce enables an end-to-end consumer purchase experience that requires no manual intervention from the retailer.

There are key areas of transformation needed for retailers to successfully enable eCommerce. We will explore how retailers need to evolve merchandising and inventory practices to successfully sell fully online.

### **Merchandising mastery enables sight-unseen purchasing**

Much like Uber promotes trust by providing available ride options, pricing, driver photo and rating, car model, and reliable pickup timeframes, eCommerce retailers must anticipate a prospective buyer's questions and objections. This means providing a substantial amount of information, so buyers clearly understand what they are getting. Because an eCommerce shopper can't see, touch, or test drive, they rely on what they can learn and "experience" about the vehicle online.

Retailers can help bring vehicles to life and cultivate trust by providing detailed, high-resolution photos, videos, and descriptions including blemish disclosure and vehicle history reports. Merchandising tools such as ones offered by vAuto let a retailer capture high-resolution interior and exterior 360-degree panoramic views to display the condition of the vehicle. 78% of shoppers surveyed are more likely to consider a vehicle with a 360-degree spin image compared to a vehicle without one.<sup>2</sup>

An eCommerce site should guide the customer through the shopping and purchasing process using words and layout, establish clear and fair warranty and return policies, and show how to request additional vehicle information or personal support.

When setting up search filtering, default selections are paramount. Depending on the retailers' assortment, target consumer segments, and footprint, search defaults help the consumer find what they are looking for. It's also good practice to use rules-based recommendations to suggest other similar vehicles.

Live chats, chatbots, or detailed questionnaires can assist consumers in finding the right vehicle to meet their needs. Retailers can drive a sense of urgency using limited-time promotions or incentives – or by highlighting recently sold vehicles.

Many retailers can build on their local reputation for quality and service and base their eCommerce experience on how they currently establish trust and engage prospective car buyers. They can help bolster that consumer trust with third-party validations like Kelley Blue Book Fair Market Value, vehicle history providers, Google reviews, and Better Business Bureau ratings.

## **Bonafide operations will help mitigate obstacles**

A retailer's inventory management operations require updates now—before shifting to fully online eCommerce. Inventory management starts with establishing standards for which vehicles are appropriate for a fully online eCommerce sale, including parameters for maximum age and/or mileage and condition.

If a retailer plans to share eCommerce inventory with brick and mortar, inventory management must bridge the online and on-lot worlds. Retailers should create new inventory processes that establish clear boundaries for communicating and tagging inventory as sold, removing inventory from online listings to avoid lags that could affect consumer trust, and marking sold inventory unavailable on the physical lot to avoid accidental re-sale. There is no room for error in a fully online selling environment where the consumer does not come to the showroom.

Some retailers are choosing to make test drives the sole in-person aspect of their eCommerce sales process. For maximum car buyer convenience, that may mean establishing a process for bringing a vehicle to the consumer's home or business to enable the test drive. Alternately, it may require a strategy that allows for the consumer to stop by a dealership location to test drive selected vehicles.

Retailers should have a solid "available by" date before listing a vehicle on an eCommerce platform. Consumers will expect to place an order at a firm price and schedule delivery in a predictable timeframe. To help set delivery timing expectations for buyers, a retailer could display detailed tracking of the delivery process.

## **True transparency complements merchandising with simplified pricing**

Pricing transparency and simplicity are critical for online eCommerce because extended negotiation perpetuates sales models of the past and creates challenges for completing eCommerce transactions.

Today, dual pricing strategies are often the norm, but they are not a solid business model for fully online purchases. Instead, a retailer can incentivize eCommerce purchases by offering exclusive benefits to online buyers such as a 7-day return policy or no-charge delivery within a certain radius. Some retailers may worry about committing to an online price, but 76% of shoppers would still engage even if they felt the online price was too high.<sup>3</sup>

Inventory management includes managing trade-ins online and requires a reliable valuation source and a mindset of transparency to build consumer trust. Many retailers establish an acceptable trade amount variance for online and in-store deals that must carry over to eCommerce to eliminate costly hassles and consumer frustration.

## **Get your business ready for what's next**

Preparing for eCommerce success begins now. Completing the necessary merchandising and inventory groundwork today will help make fully automated eCommerce successful and profitable going forward.

## **INVENTORY & MERCHANDISING BEST PRACTICS FOR AN ECOMMERCE FUTURE**

Preparing your business for automotive retailing includes:

- Creating new inventory processes now and working to master them over the next 12-18 months.
- Establishing a real-time inventory management process to track vehicle sold/available status.

- Showcasing vehicles with high-quality photos, videos, 360-degree spins, and detailed descriptions that online buyers expect.
- Offering vehicle history reports to give buyers more confidence.
- Making sure syndicated listings are complete and consistent, with an automated system to track them.
- Allowing buyers to filter searches by distance, price, and detail comparisons.
- Explaining purchase steps in detail and outlining warranty and return policies.
- Providing detailed and transparent pricing information to ensure customers feel they are getting fair-market pricing.
- Incentivizing eCommerce purchases with exclusive benefits such as 7-day return policies or no-charge delivery within a certain radius.
- Establishing trade value parameters to help streamline the trade-in process.
- Working to anticipate questions and eliminating doubts a consumer might have and addressing them in advance via listing information and policies.

*“The car is always the star in retail. The question is, does your star shine as brightly as it should for today’s customers?”* said Dale Pollak, Executive Vice President, Cox Automotive

Explore more eCommerce transformation topics at [coxautoinc.com/transform](https://coxautoinc.com/transform).

Sources:

<sup>1,3</sup>Cox Automotive Digitization of End-to-End Retailing Study (2020)

<sup>2</sup>Cox Automotive HomeNet 360 Spin Research (2021)