

Digital Retailing Report Card c2020

Dealers are Adopting and Finding Profitability, Yet Integration, Personnel
and Process Continue to Present Challenges

February 2020

Executive Summary / Key Findings

Dealers are Adopting and Finding Profitability, Yet Integration, Personnel and Process Continue to Present Challenges

1. **Adoption:** 74% surveyed have adopted some form of Digital Retailing (DR).
2. **Profitability:** DR is having a positive impact on sales, according to dealers who are using it, while the transparency of DR is no longer a barrier to profits – dealers say DR contributes to profitability.
3. **It's about People and Process:** The survey reveals that people issues (i.e. dealership personnel/lack of training and leadership) and process are the key challenges to Digital Retailing adoption – solve that and DR success should follow.)
4. **Consensus at Last:** After years of confusion about what exactly DR means, the survey indicates that dealers are coalescing around a clear understanding of DR and its potential benefits.

Methodology

Auto dealers across the country participated in this online survey which was fielded by eLEND Solutions in Q4 2019.

Digital Retailing Report Card c2020 | Context

Many in our industry consider Digital Retailing, or DR, to be the holy grail of automotive retailing. In fact, since the very first days of the “automotive internet,” automakers and vendors – and even a few dealers – have been trying to sell cars online. This quest to digitize and modernize car-buying has inspired apocalyptic predictions of the demise of the car dealer, confusion among car dealers, and frustration among consumers. Digital Retailing, the natural heir to ‘online-car-buying-that-never-was’ has proven slightly less controversial, with the industry almost as resistant to sudden adoption as it was in those early internet days. That being said, the needle is definitely moving, slowly but surely (some may say inexorably) towards a digital process that connects the dots from online deal structuring to in-store contracting and delivery.

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In other words: end-to-end DR.

And while there are few who deny that Digital Retailing is the inevitable future of car-selling, agreement appears to end there. Some say that it will destroy profitability, others that there will be 100% adoption by 2030. Still more claim it will be a slower and more incremental process. It's an expansive topic, so at eLEND we decided to drill down to some of the core issues around adoption and implementation, and pose a solution. Hint: it's not just about technology!

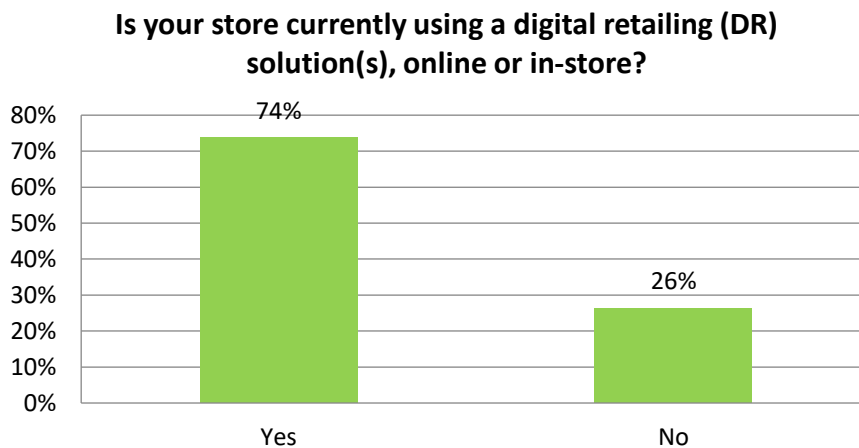
What is Digital Retailing, and who is using it?

Since 2017, we've been asking auto dealers a simple question: what is Digital Retailing? At first, there was a significant amount of confusion. Most defined digital retailing as simply listing inventory online, instead of a process that allows more of the deal to be initiated online/via in-store app. Today, however, a consensus has emerged:

83% of dealers surveyed agree with this definition of DR:

“Digital retailing combines technology and process/workflows to help customers move themselves down funnel online and seamlessly pick up where they left off when they get to your dealership.”

A consensus of adoption is also emerging: *Three in four respondents say that they are using some form of digital retailing solution online or in-store.*



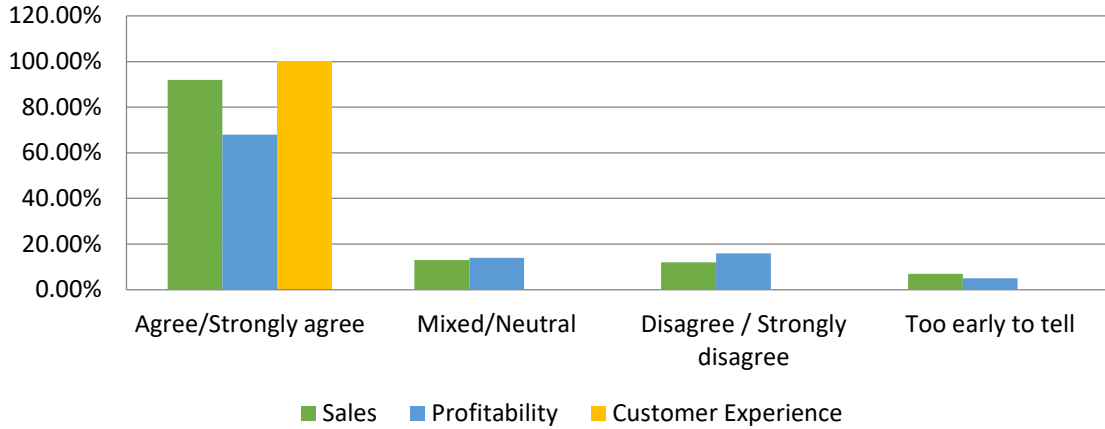
Seventy-four percent is significant DR adoption. On the other hand, are the non-adopters (26%) comparable to dealers in 1998 who did not adopt a website? Digital retailing tools are widely available (although their end-to-end promise is yet to be fulfilled) and all indications are that DR will be key to digital survival. So, we see this finding as both bullish for dealer adoption, and also a sign that barriers still exist.

What is Digital Retailing's Impact on Sales and Profits?

The banner finding here is that **92% of those dealers who say they are actually using DR** agree that it has a **positive impact on sales**. Perhaps more significantly, 68% agree that it also has a **positive impact on profitability**.

This is notable, because conventional wisdom has always been that there is a trade-off between transparency (a DR necessity) and profitability. Are dealers beginning to embrace the reality of transparency? Perhaps. Not surprisingly, **80% agreed that DR has a positive impact on the customer experience**. That being said, it is important to note that 'process change' was linked to this DR success.

How strongly do you agree or disagree with the following statement: DR tools and related process changes have had a positive impact on sales, profitability and the customer experience for our dealership.



What are the Barriers to Adoption of DR Technology?

We asked the 25% of dealers surveyed who are not using DR what their primary concerns regarding digital retailing as a general strategy idea for their stores were:

1. **Integration challenges** (DMS, CRM, Inventory management, etc.) ranked number one for the largest percentage of dealers. Clearly, data integration and vendor cooperation continue to present obstacles to retailing modernization.
2. **Fears about losing of control of the sales process.**
3. **Not being able to make the serious business model and sales process changes required for a successful DR transformation.**
4. **Fear of losing gross profit per vehicle sold** was listed in the top three for more dealers than any other.
5. And finally, **the unknown cost of the technology, implementation and training needed** was a frequently cited concern.

To get a more macro sense of what our dealer respondents, whether they are currently using DR tools or not, perceive as the biggest issues with today's digital retailing tools/technologies, we asked them to rank their top concerns. And it came down to process, people and integration.

What do you see as the biggest challenges with today's digital retailing tools/technologies? (Rank your Top 3, in order)

	1st	2nd	3rd	Total
The Online to In-store Transition: Having the right in-store processes that are aligned with the expectations set online	21%	17%	15%	54%
Missing Integrations: Website-based DR solutions that don't include direct integrations with a deskings tool or the DMS or Showroom -based DR solutions that don't have a widget or an integration on the website	20%	10%	13%	43%
Modernizing Communication Strategies: Moving away from lead capture strategies and engaging consumers while they are on your website via chat and messaging solutions	15%	18%	20%	54%

Note that modernizing communication strategies was ranked as a top three concern by 54% of dealers (tied with Integration). Moving away from lead capture to interaction with consumers on the dealership website is critical for DR to be successful, but in our experience, weaning off lead-gen addiction is the most difficult mindset change for dealers. That leads back to the theme of this report: people and process change will lead the charge to success.

Online to In-store Transition - It's About People and Process, People!

A seamless transition from the online experience to the in-store experience is a big 'missing link' in DR. After all, an excellent online experience for a dealership customer loses all of its power if it does not transition directly into the in-store process. As the survey demonstrates, these barriers are less about technology and more about workflows, personnel and process.

Consider the top answers to **“What are the biggest DR challenges to a seamless online to in-store transition?”** in order of priority for dealership respondents:

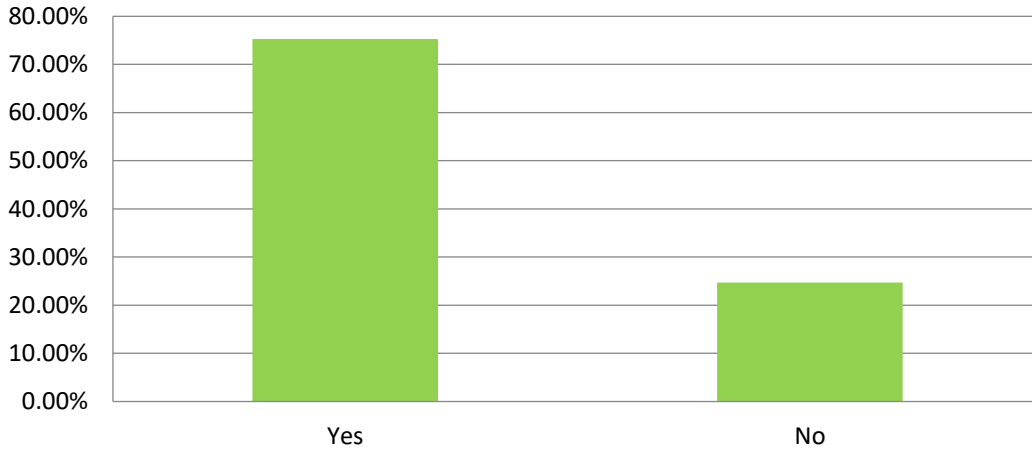
1. **Integrations:** Missing or problematic online to in-store data integrations or workflows.
2. **Leadership:** Making the necessary culture changes.
3. **Training:** Lack of training or training strategy. (This was top three for more dealers than any other challenge).

Again, the challenges are less about the technology and much more about workflow integration, leadership and training – it's people and process, people.

Online Payment Calculator Disconnect: Dealers say YES! to quoting qualified rate/term/payment info online

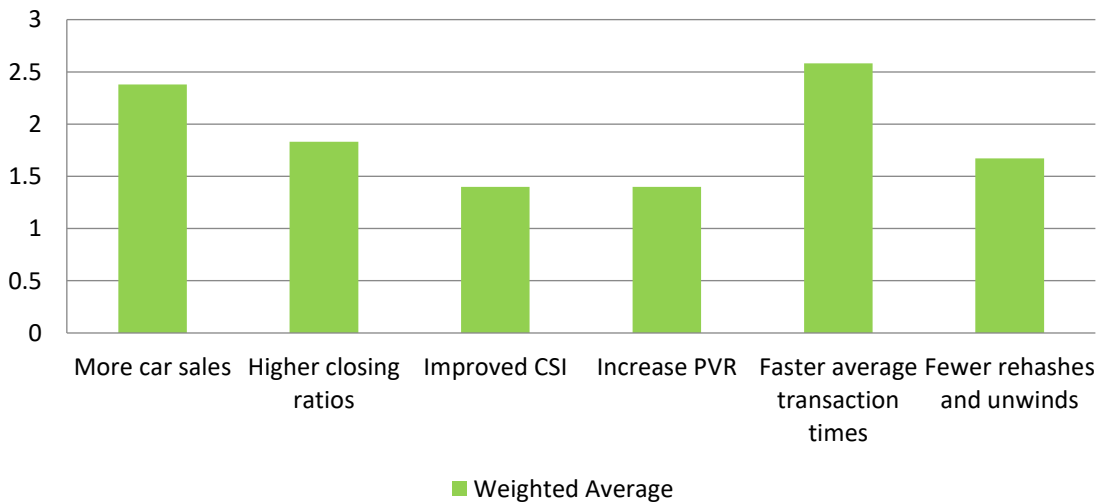
One of the top online to in-store transition challenges is the inconsistency between online calculators and in-store reality when actual consumer/vehicle-specific terms and rates are applied. It was no surprise, then, that **75% of dealers agree** that online payment calculator tools that return **qualified rate, term and payment information** are a desired function of the ideal digital retailing experience.

Are online payment calculator tools that return qualified rate, term and payment information a desired function of your ideal digital retailing experience?



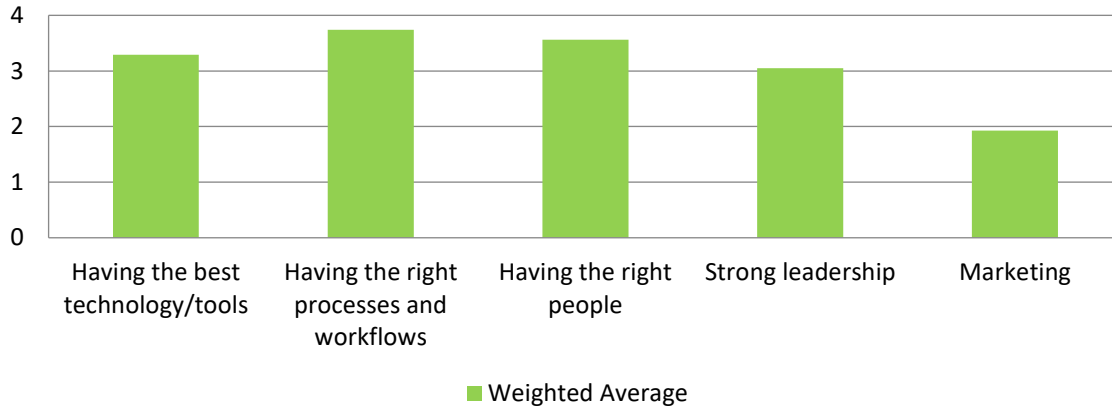
Those dealers already using tools that return qualified rate, term and payment information say that **more car sales, higher closing ratios and faster average transaction times** are the major benefits of these more specific calculators. Perhaps it's time to move away from generic-use calculators that give consumers the wrong idea about vehicle financing and can create friction in-store.

What has been the biggest benefits of making qualified payment information available to your online shoppers? (Pick your Top 3, in order)



So, What Determines DR Success?

In your opinion, what best determines success when implementing a digital retailing strategy to create a more modern experience for consumers? (Rank in order of importance. 1 being most important)



We asked dealers what best determines success when implementing a digital retailing strategy to create a more modern experience for consumers, and a familiar theme returned: **Digital Retailing works best when dealers apply the right processes and people to the work.** For our dealer respondents, having the right process and workflows trumped having the best technology and tools as did having the right people.

And while dealers are providing a better online experience, it doesn't necessarily translate to the in-store CMS or process: they often fail to treat DR customers differently than a cold walk-in – often because Sales people don't have access/visibility to the information provided or the steps completed online. So, the consumer has to start over, frustrated and wondering why a dealership would treat them this way after spending hours doing research and preparing to make the transaction easy. And that's the point: true Digital Retailing with a seamless end-to-end process can make it easy to buy a car. That's something that should be in everyone's best interest.

But change is never easy. And yes, Digital Retailing is changing the roles and responsibilities associated with dealership salespeople, F&I managers and BDC agents. It's change for a better, more profitable future, where customer-facing employees become specialists that guide buyers through the final stages of the purchase and introduce the additional value a dealership offers.

Dealerships, as a result of Digital Retailing, are committing themselves to providing an amazing customer experience as their prime differentiator. Every dealer would prefer a 10- or 15-year relationship with a customer who brings his or her vehicle back for service, is a repeat buyer, refers family, and, thereby, promoting the dealerships reputation in the community.

The faster dealerships embrace Digital Retailing – including the required culture, personnel, workflow and process changes - the less likely other digitally savvy entrants, or emerging competitive business models, will cut them out of the automotive retailing business. Ultimately, "future-proofing" their business means building customer processes around what the majority of customers want: a convenient, frictionless, transparent, and satisfying buying experience.

ABOUT eLEND SOLUTIONS

eLEND Solutions™ (DealerCentric rebranded) is an automotive FinTech company focused on providing a simplified vehicle purchase process for the retail automotive industry. The platform specializes in online and in-store digital credit, identity and finance solutions - enabling a more efficient, faster moving sales and finance workflow that sells more cars at higher profits in less time – benefitting dealers, lenders and consumers.