



MAX DIGITAL

DEALER INSIGHTS:

DIGITAL RETAILING AND KEEPING PROFITS UP

2021 MAX DIGITAL DEALER STUDY



For auto dealerships, 2020 was a rollercoaster year. At the start, COVID-19 forced many car dealerships to close, causing sales to plummet 47 percent in the U.S.¹ More than ever before, dealers were under pressure to ramp up their digital presence. But then the summer months saw a significant rebound with dealers witnessing historical profits.



What role did the pandemic play in digital retailing? How much of the sales process is happening online? Are dealers planning to change their process? MAX Digital took the initiative to find out.

MAX Digital, in conjunction with Erickson Research, surveyed automotive dealers across the United States in order to:

- ① Explore digital retailing:
 - How it connects with the in-dealership experience
 - How COVID-19 influenced digital efforts
- ② Understand what, if any, changes to the sales process are being considered
- ③ Measure the level of profitability for dealerships

WHAT'S AHEAD: DIGITAL SUCCESS

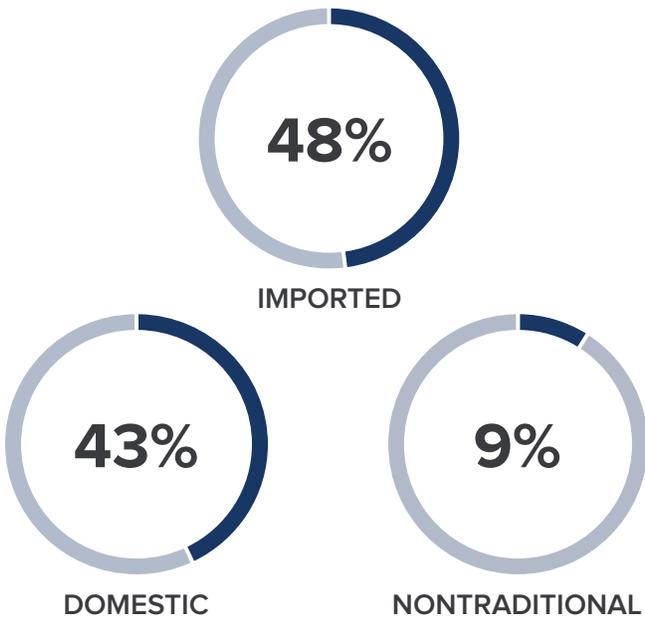
Our survey uncovered that digital retailing can be done — profitably.

METHODOLOGY

Online survey, November 2020



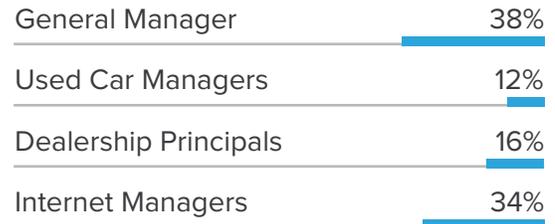
Dealership type



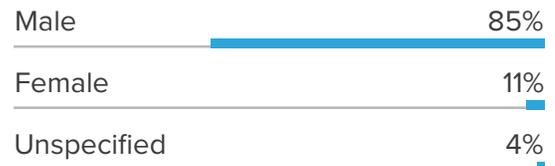
Sales per month



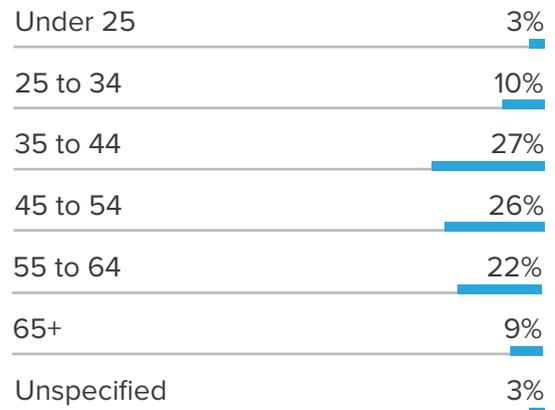
Respondent job titles



Gender



Age



PROFITS ARE UP

With COVID-19, no one would have predicted 2020 to be a banner year. However, the pandemic forced consumers to shift the way they travel — from airplanes, public transportation, and Ubers — to private vehicles. If people didn't have a car before, they needed one now. In our study, new car profits increased by \$251 per vehicle compared to 2019. Seventeen percent of dealers saw an increase of more than \$2,000 per new car, compared to just 9 percent in 2019.

The coronavirus also caused manufacturing shutdowns. Limited inventory sent buyers to purchase pre-owned. According to Edmunds.com, August and September posted the fastest rate of used car inventory turnover in the past six years.² In our study, the average profit increased by \$217 per vehicle for used cars. Thirty-seven percent of dealers saw an increase of more than \$2,000 per used car, compared to 29 percent in 2019.



COVID-19 ACCELERATED DIGITAL

Many dealers have been shifting toward digital for years, but the pandemic accelerated the move even further. In our study, 85 percent of dealers said there was an increase in their online process in 2020. However, younger managers (under 44) said the pandemic was only part of the reason. While 53 percent of managers, 45 and older, attributed the online increase to COVID-19. Regardless of the motivation, all groups agree they won't be going back to the way things were.

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The preowned car business has changed 180 degrees from 6 or 7 years ago. Today when customers come in, they have a stock number, they know the VIN and how many miles the car has.”

Dori Dado, General Sales Manager
BMW of Freehold

ACTUAL ONLINE SALES ARE RARE

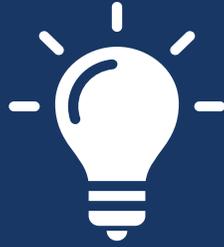
Car sales completed 100 percent online are still few and far between for the dealers in our survey. Of the dealers who said they sold cars completely online, the majority stated it made up only 1–9 percent of their overall sales. Our survey found two major hurdles. First, dealers said they don’t have the technology to complete the entire sales transaction online. Second, many states require an in-person signature.

CAR BUYING IS NOT ONLINE OR ON-SITE — IT’S BOTH

Today’s car buyers typically switch four times between online and offline channels and want to move seamlessly among them.³ Dealers in our survey reported that earlier steps in the process were completed online (vehicle selection, payment calculation, etc.). While later steps, which included contracting, vehicle delivery, F&I, were done at the dealership. Car buyers still want to visit the dealership to check out the vehicle and take a test drive.⁴ According to 2020 MAX Digital Consumer Research, 84 percent of new car shoppers, and 87 percent of used car shoppers, plan to visit a dealership to test drive the car before buying, versus buying online without visiting the dealership.⁵ Because car buying is a hybrid of online and in-store, dealers must create a seamless experience between the two.

OMNICHANNEL IS IMPROVING

In our study, 81 percent of dealers said they had an online to offline process. This was up 5 percent from 2019. However, 88 percent of dealers said their process needs some changes to work seamlessly with digital retailing.



PRO TIP:
**4 WAYS TO ELEVATE
CUSTOMER EXPERIENCE**

Car buyers are all different. But they all expect a great experience. When you exceed customer expectations, you'll build more confidence, get more sales, and hold onto more gross.

① **Create a strong online impression:** Most consumers are digital-first shoppers, so make sure your online presence is clear, professional, and easy to navigate.

② **Make it seamless:** Remember, customers like to go back and forth between online and in-store, so invest in tools that help make the experience cohesive.

③ **Anticipate needs:** Arm your salespeople with data so they can answer customer questions. Doing so will build trust with buyers.

④ **Reduce the hassle:** Customers perceive car buying to be a hassle. Create a signature process that takes away some of the burden, e.g. zero-wait times, or a no-haggle policy. This will also give you a competitive advantage.



Dealers predict half of all vehicles will be **delivered offsite** in 10 years.

ONLINE WILL ONLY INCREASE OVER TIME

Dealers in our study predicted half of all vehicles will be delivered offsite in 10 years. However, car buyers may desire that day to come sooner. A McKinsey study showed that most consumers would prefer to finance and pay for a car digitally. And 60 percent of buyers perceive booking, paying and reviewing additional services online appealing.⁵ Dealers may be apprehensive to do this, however, as they believe they will get more gross during the back-end steps (trade-in, F&I, etc.) when customers are physically in the dealership. Still, industry pioneers are making it work. Carvana pushes its “CarvanaCare.” Tesla now offers its own insurance. OEMs like Hyundai, Ford/GM require their dealers to have a “buy now” button and dealer accelerator tools on their sites. Bottom line? Online car buying is the future. Dealers should take this time to experiment with digital retailing tactics that capture more gross.

Car Buying Process: Which Steps Consumers Prefer to Do Online⁴

■ Online preferred ■ In-person preferred





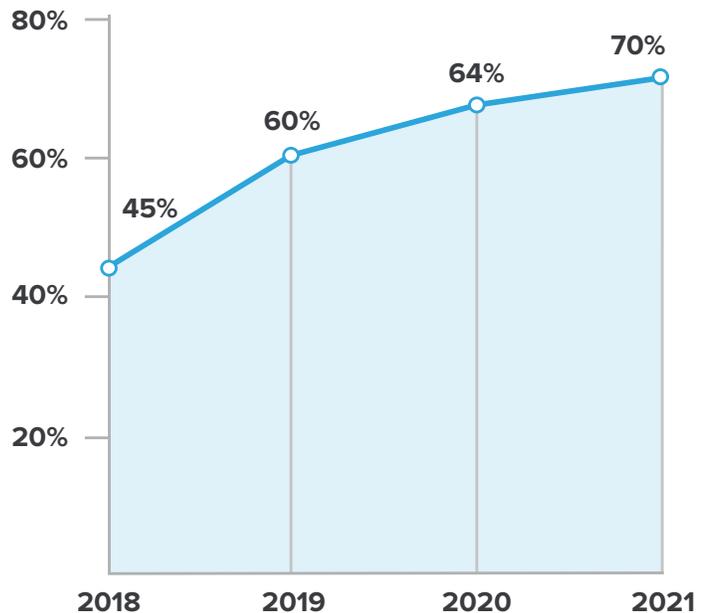
The automotive industry can't keep doing things the same ways if it isn't working. We are constantly looking for ways to better serve our customers and our team.

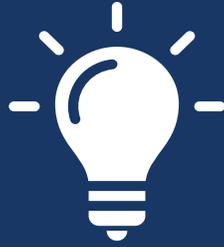
Tim Porter, Director of Customer Care,
Zimbrick Automotive, WI

SALES PROCESS MUST CHANGE

Dealers recognize the need to change their sales process to meet today's modern buyer. This has been a growing theme in our research. In 2018, 45 percent of dealers said they plan to change their sales process to work better with digital retailing.⁶ In 2019, that rose to 60 percent.⁷ And in 2020, plans to go digital climbed to 64 percent⁸ — with 70 percent of dealers planning to change in 2021.

Year Over Year, Dealers Desire Sales Process Change





PRO TIP:
**5 WAYS TO CHANGE
YOUR SALES PROCESS**

- 1 Identify a brand promise:**
Be committed to doing business a special way, such as total transparency or a low- no-haggle policy.
- 2 Offer a unique path to purchase:**
Add a fast lane for customers who've started the process online. Use your BDC staff to set up a streamlined process.
- 3 Create a dedicated team and leader:**
Success of any new process relies on team commitment. Any deviation, heading back to traditional ways of selling, will diminish credibility.
- 4 Crawl, walk, run:** Change can't happen overnight. Develop a plan and rollout the new process in phases, over time.
- 5 Build a process that works for you:**
Keep it simple, make adjustments as needed and stay committed.



CONCLUSION: 2020 PROVED THAT DIGITAL RETAILING CAN BE DONE, AND PROFITABLY.

With a little — okay, big — nudge from the coronavirus pandemic, dealers finally embraced digital retailing, while also enjoying a historically profitable year. Now what? It might be tempting to be blinded by the profits and assume everything is status quo. But the fact is, there's more work to do. As long as consumers continue to straddle online and in-store car-buying approaches, dealers will have their work cut out for them. It will become apparent where gaps in the process appear.

Here are 3 tips for ensuring 2021 is just as successful.

- ① **Continue the digital movement:** Don't fall into the old way of doing things. Smart dealerships will use 2020 as a springboard to get even better.
- ② **Meet customers where they are:** Use digital retailing solutions that help attract customers and lead them through a well-integrated buying experience.
- ③ **Empower your sales team:** Give them quality data, so customers view sales people as trusted consultants.

ABOUT MAXDIGITAL

MAX Digital creates experiences that drive success. From award-winning inventory management to people-friendly digital retail solutions, MAX provides deep consumer understanding, advanced analytics, and superior experiences designed to delight customers, empower teams and maximize profits. MAX Digital was named Dealers' Choice top inventory management system for 2019 in Auto Dealer Today.

For more information:

(888) 841-0884 | maxdigital.com

Resources

- ¹ Thomas Furcher, Bastian Grünh, Isabel Huber, and Andreas Tschiesner. "How Consumers' behavior in Car Buying and Mobility is Changing Amid COVID-19." McKinsey & Company 22 July 2020.
- ² The used car boom is one of the hottest, and trickiest, coronavirus markets for consumers. CNBC October 2020
- ³ Eric Rosenbaum. "The Used Car Boom is One of the Hottest, and Trickiest Coronavirus Markets for Consumers." CNBC 15 October 2020
- ⁴ Ryan Morrissey, Klaus Stricker, Raymond Tsang and Eric Zayer. "The Future of Car Sales is Omnichannel." Bain & Company 13 September 2017.
- ⁵ Niels Dau, Thomas Furcher, Jan-Christoph Köstring, and Philipp Maximilian Lühr. "A Future Beyond Brick and Mortar: Disruption in Automotive Retail." McKinsey & Company 3 November 2020.
- ⁶ "MAX Digital Consumer Insights: COVID-19 Impact on Consumers." 16 May 2020
- ⁷ "MAX Digital Dealer Insights: Salesperson Turnover Causing Dealers to Rethink Sales." 2018
- ⁸ MAX Digital Dealer Insights: Uncover Missing Profit Opportunities." 2019