



THE 2017 DEALER
TRUST & TRANSPARENCY SURVEY

DEALER INSIGHTS

TRUST, VALUE & PROFITS IN TODAY'S DIGITAL AGE

Contact us at **888-841-0884** or visit www.maxdigital.com

We all know the car buying process is changing rapidly with new technologies, evolving buying habits, and a more informed, digitally-connected consumer. Because of this evolution, customers have new expectations about their “experience” and how they want to purchase vehicles. But many dealers are stuck using the same old playbook and aren’t selling the way customers want to buy. As a result, dealers are missing out on the maximum value for their inventory.



MAXDigital, in conjunction with Erickson Research, surveyed automotive dealers across the United States leading up to and during the 2017 National Automobile Dealers Association (NADA) Convention, in order to:

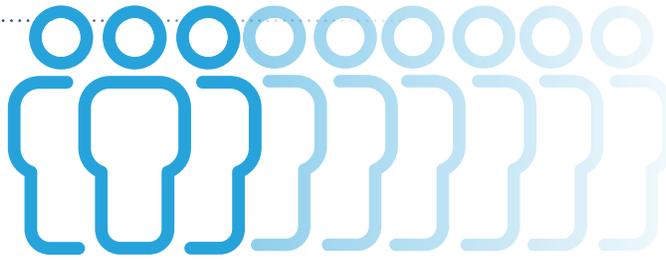
- Understand the degree of trust dealerships believe customers have in them
- Explore key factors related to maximizing profits, including selling for value or price
- Measure dealer salesperson comfort with product knowledge
- Explore possible reasons for a perceived lack of customer trust
- Understand how salespeople provide information during the sales process and what tools they use

The main takeaway? There is too much hiding going on.

Dealers are in denial about the fact that consumers don’t trust car dealerships and are often more informed than salespeople about specific vehicles.

PARTICIPANTS

NEARLY 400 DEALERS
COMPLETED THE ONLINE
OR IN-PERSON SURVEY IN
JANUARY 2017.



USED CAR SALES PER MONTH



DEALERSHIP TYPE

Respondents identified themselves as:

GENERAL
MANAGERS

DEALER
PRINCIPALS

INTERNET
MANAGERS

USED CAR
MANAGERS

Dealers are overestimating their trust by customers.

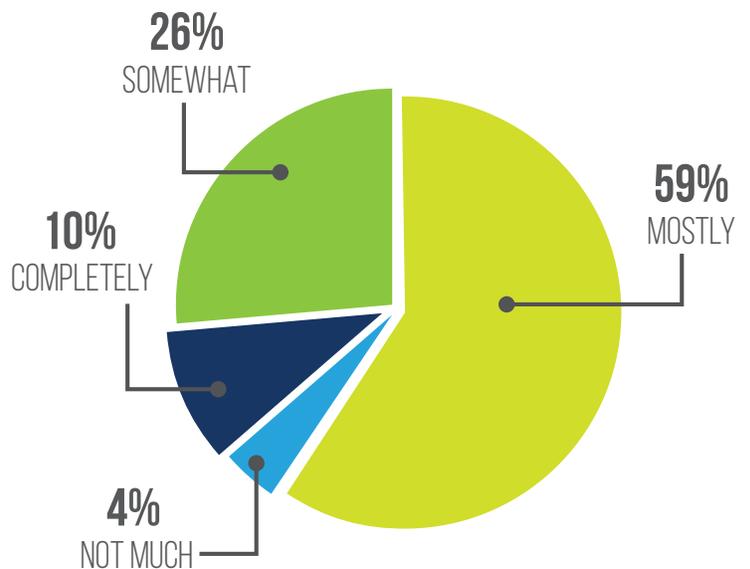
A majority of dealers said their customers have a high level of trust in their salespeople. However, a December 2016 Gallup poll shows that only 9 percent of consumers have a high level of trust in car salespeople, up from just 8 percent the year prior. There's clearly a tremendous disconnect here: dealers are in denial about how much customers actually trust them.

Consumers might not come out and say, "I don't trust you." And they are still buying cars and dealers are still making money. But in many cases, car shoppers see it as a painful process. Dealership customers don't want to be sold to, they want to learn about the vehicle, take a test drive, and either make a purchase, or move on. In other words, they want to interact with product experts, not salespeople.

It's important that dealers first come to terms with this lack of trust in their profession, and then adapt evidence-based sales strategies that deliver transparency and garner trust. Dealers who are stuck doing things the old school way by haggling, negotiating, and not showing evidence, will be left behind.

DEALERS ARE IN DENIAL ABOUT HOW MUCH CUSTOMERS ACTUALLY TRUST THEM.

HOW MUCH DO YOU THINK CUSTOMERS TRUST WHAT A SALESPERSON AT YOUR DEALERSHIP TELLS THEM ABOUT A VEHICLE THEY ARE CONSIDERING?



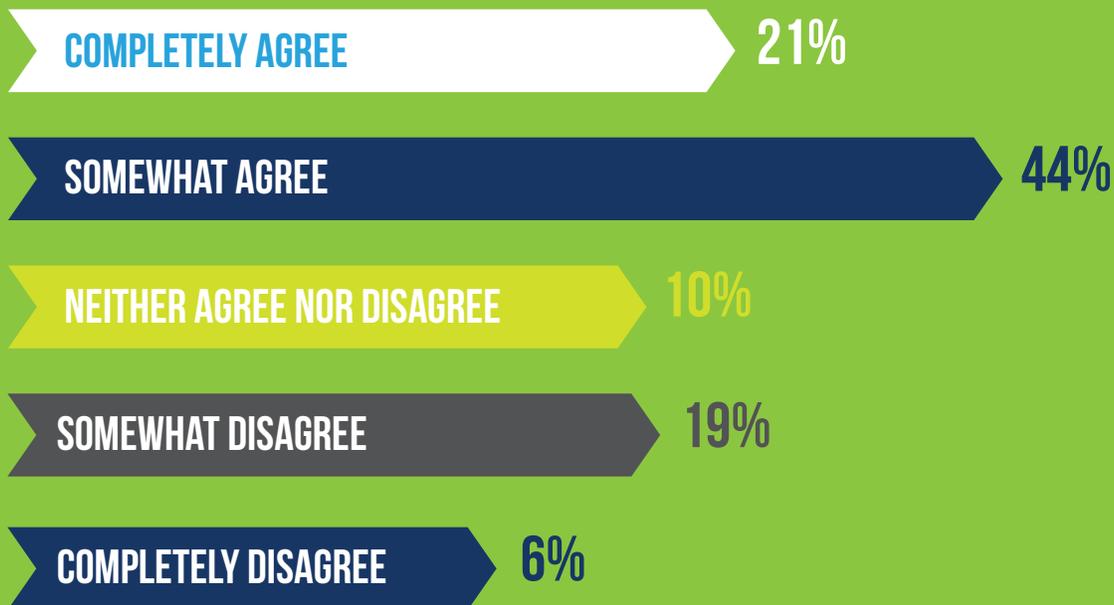
Customers are looking for value, not only driven by price.

Selling based on price alone is no longer enough. Only 21 percent of dealers completely agreed that customers were most concerned about getting the lowest price on a vehicle. This closely aligns with a consumer study that found 79 percent of consumers bought because they were getting quality and value at a fair price, versus only 21 percent that bought on price alone.

Dealers get it. They know customers want to buy based on quality and value, however many haven't adapted their sales processes and are still reverting to traditional tactics—negotiating and dropping price to close the sale.



BUYERS ARE MOST CONCERNED, ABOVE ANYTHING ELSE, ABOUT GETTING THE LOWEST PRICE.



**PRO
TIP** 

The only way to sell vehicles based on quality and value is by using evidence. Salespeople should provide accurate, unbiased pricing proof points during the sale, including:

- ✔ Original OEM Packages (including the package's original MSRP)
- ✔ How the vehicle's price compares to Kelly Blue Book or NADA value
- ✔ Certification and what that includes
- ✔ Vehicle history report
- ✔ J.D. Power Crash Ratings/Reviews

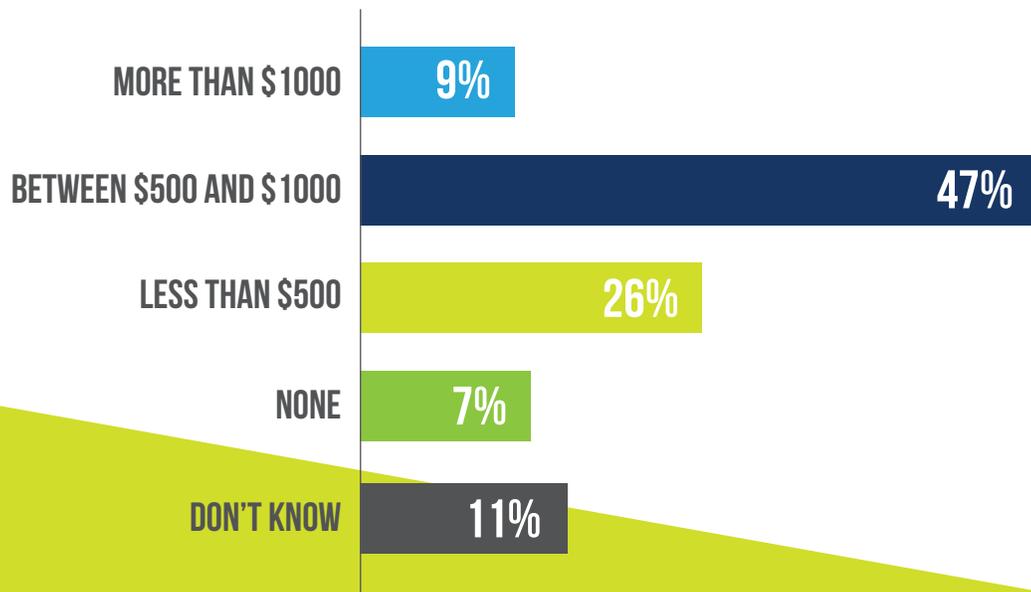
DEALERS KNOW CUSTOMERS WANT TO BUY BASED ON QUALITY AND VALUE, BUT MANY HAVEN'T ADAPTED THEIR SALES PROCESSES AND ARE STILL REVERTING TO TRADITIONAL TACTICS.

Dealers are providing large discounts on price.

A majority of dealers are dropping price \$500 or more per vehicle during the sale. And another 11 percent don't know their average "drop." This is problematic because with market based pricing, profit margins are already skinny. Dealers have evolved their approach on pricing to put their best foot forward in order to compete with everyone else. However, the customer is still conditioned to ask for a discount, and salespeople are conditioned to negotiate to get the deal. But by dropping their internet price, dealers are leaving unnecessary money on the table and seriously eroding their gross profits.

DEALERS ARE LEAVING UNNECESSARY MONEY ON THE TABLE AND SERIOUSLY ERODING THEIR GROSS PROFITS.

ON AVERAGE, HOW MUCH DOES YOUR DEALERSHIP NEGOTIATE DOWN ON THE PRICE OF A USED CAR?



This table illustrates how much profit a dealership lost— **over \$80,000 in 6 months**— by discounting more than their \$500 per vehicle goal.



For dealers not measuring their “drop,” remember “you can’t expect what you don’t inspect.” And you can’t expect to get better.

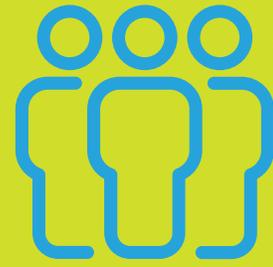
PRO TIP

Here’s how to start measuring and using drop to maximize profits:

- ✓ Include your drop measurement in your current monthly reporting and analyze your current performance
- ✓ Set a goal—decreasing your average drop from \$800 to \$400 per vehicle, for example
- ✓ Put a plan in place with your team to achieve those goals
- ✓ Look at every drop for every vehicle after each sale
- ✓ Compare each salesperson’s drop performance and use it as a coaching mechanism
- ✓ Most importantly, integrate this thinking into your dealership’s culture and vernacular

Dealers who sell based on the quality and value of their vehicles—which we know is how the customer wants to buy anyway— instead of on price, are able to hold their asking price or very close to it.

YOU CAN’T EXPECT WHAT YOU DON’T INSPECT. AND YOU CAN’T EXPECT TO GET BETTER.



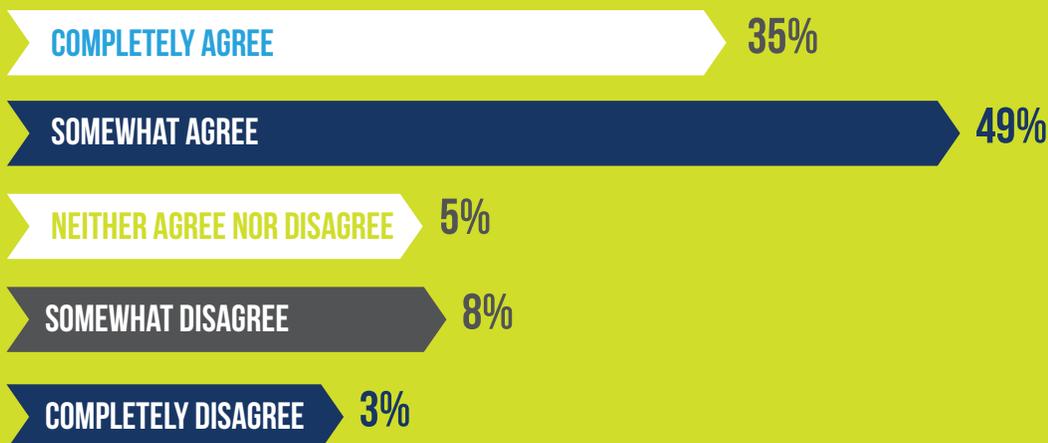
Salespeople are not completely knowledgeable about all the cars they sell.

Only about a third of dealers said their salespeople are completely familiar with all the cars they sell. We understand. The average dealer has 100 cars on their lot that turn every 45 days. That's a lot of vehicles to be an expert on at all times. Especially when you consider off-brand cars and used cars which are all unique "snowflakes."

But customers spend thousands of dollars on a vehicle, so they expect a salesperson to know everything about that vehicle. If not, it may lead to frustration, mistrust and a lost sale. It's frustrating for the salesperson as well, because if they are not knowledgeable, they won't be successful—and may even quit. Salespeople have the highest turnover rate in the industry (67 percent) according to the latest NADA workforce study. This high turnover can have a significant effect on the performance of dealerships. Salespeople are often well-trained on general sales tactics and on the value and reputation of the dealership, but if they don't know about the individual products, they'll struggle. Salespeople who are instant experts on every vehicle on their lot are best positioned for success in today's digital era.

SALESPEOPLE WHO ARE INSTANT EXPERTS ON EVERY VEHICLE ON THEIR LOT ARE BEST POSITIONED FOR SUCCESS IN TODAY'S DIGITAL ERA.

MY SALESPEOPLE ARE VERY FAMILIAR WITH ALL THE CARS THEY SELL.



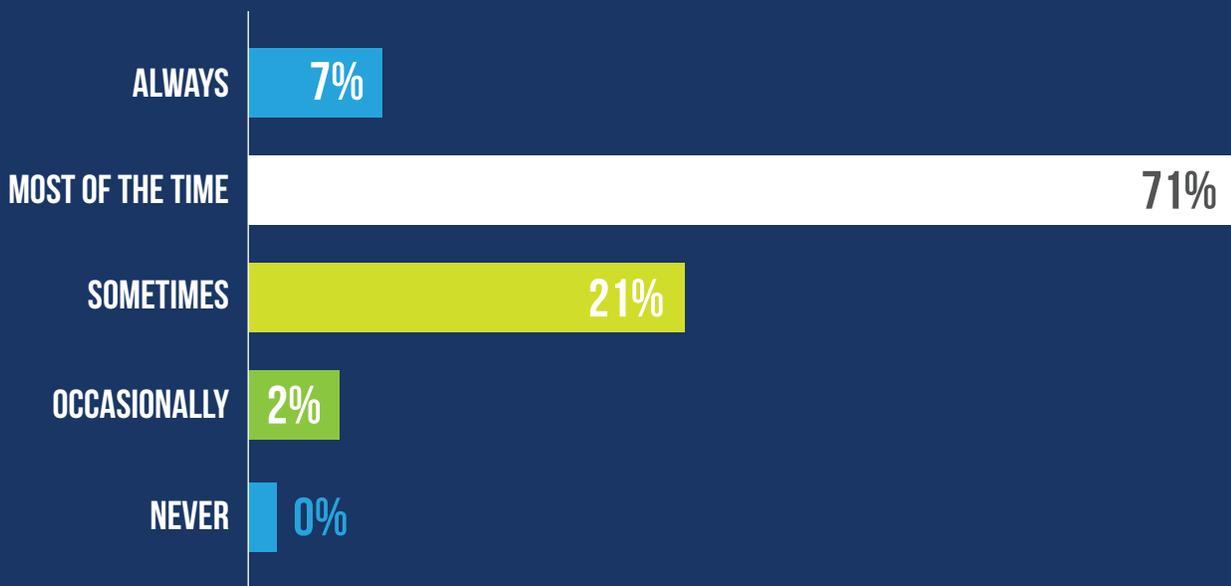
Customers do their research before arriving at the dealership.

No surprises here. Roughly 8 out of 10 dealers said customers arrive at the dealership, either most of the time or always having thoroughly researched car options. This aligns with consumer research showing car buyers conduct an average 12-15 hours of research before purchasing a vehicle. Car buyers are only going to get smarter, so dealers need to keep up.

What happens when you combine a customer who is extremely informed about the vehicle they are looking to purchase and a salesperson who isn't completely knowledgeable about the car they are selling? You get a customer who knows more than the salesperson.

CAR BUYERS ARE ONLY GOING TO GET SMARTER, SO DEALERS NEED TO KEEP UP.

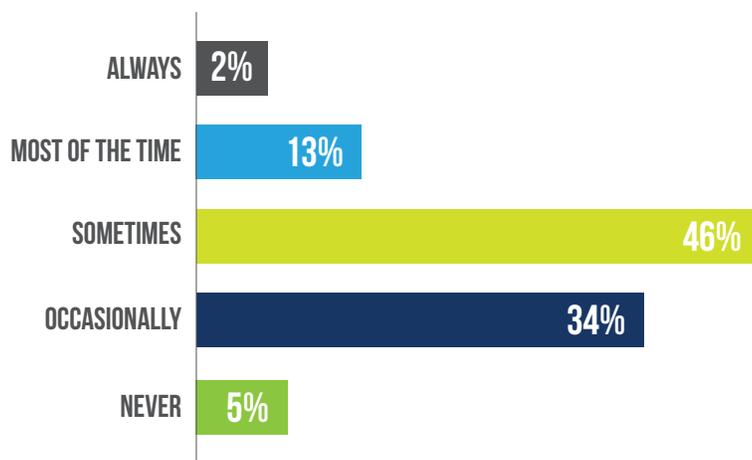
HOW OFTEN DO CUSTOMERS ARRIVE AT THE DEALERSHIP HAVING ALREADY THOROUGHLY RESEARCHED CAR OPTIONS?



Customers sometimes know more than the salesperson.

The majority of dealers said customers (either sometimes, most of the time, or always) know more about a vehicle they are considering than the sales team. This is a major cause for concern because salespeople can't effectively communicate the quality and value of a car they don't know enough about.

HOW OFTEN DOES A CUSTOMER KNOW MORE ABOUT A VEHICLE THEY ARE CONSIDERING THAN YOUR SALES TEAM?



IF 'THE AVERAGE JOE KNOWS MORE THAN THE PRO,' DEALERS ARE AT RISK OF NOT BEING ABLE TO SELL ON VALUE.

PRO TIP

If the customer already distrusts the salesperson, the minute they hear something that contradicts what they already know about the vehicle, they are going to be discouraged and will likely walk away.

That's why it's critical for dealerships to level the playing field and arm their salespeople with the insights that consumers already have. Salespeople need to be instant experts on every car on the lot. For example, they need to demonstrate why the BMW 328i is better than the one a mile down the road that's \$1,200 cheaper, or explain why the 2016 Lexus RX is priced \$500 less than the one the customer looked at online at another dealership.

Conclusion

Buyers are becoming increasingly savvy and have pre-conceived notions that car salespeople are untrustworthy and only care about moving inventory and making the sale. In order to keep up, dealers need to adapt their sales processes, sell based on quality and value, and give salespeople the technology to level the playing field and allow them to become instant experts on every vehicle. As our survey found, 9 out of 10 dealers thought having such a tool would be extremely or very useful. The quicker we can improve this process, the better the experience is going to be, both for the consumer and the dealer team. And as a result, we will see the trust factor go in the opposite direction.

For more information contact us at **888-841-0884**

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About MAXDigital

MAXDigital provides cloud-based software and mobile applications to the automotive industry. As the industry's premium end-to-end software solution for automotive dealers, MAXDigital empowers thousands of dealerships across the U.S. to manage inventory, increase gross profits and sell more cars through digital retailing. Founded in 2001 with the FIRSTLOOK inventory management product, the MAXDigital suite of products now includes the innovative MAX Ad®, a content generation and distribution system, MAX for Website®, a vehicle value and content creator for dealer websites, and MAX Digital Showroom®, a real-time inventory and pricing tool for desktop and mobile that builds trust and transparency with customers.