

Panel: Navigate Compliance for a Better Customer Experience



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Today's Customers

- Want buying experience tailored to their preferences



What Don't They Like?

- Takes too long
- Can be confusing and difficult to understand
- Not enough information available up front



Why Change?

- The automotive industry is often slow to evolve
- What can happen if customers' changing demands are ignored?
 - Remember Blockbuster, Blackberry



- Customers compare the car buying experience to every retail experience
 - The bar is set by companies like Apple



What is Driving Change?

- Customer age demographics are changing
- Baby Boomers are aging and buying fewer vehicles
- Gen Y and Gen Z represent the best opportunity for maintaining and growing your business



Gen Y & Gen Z

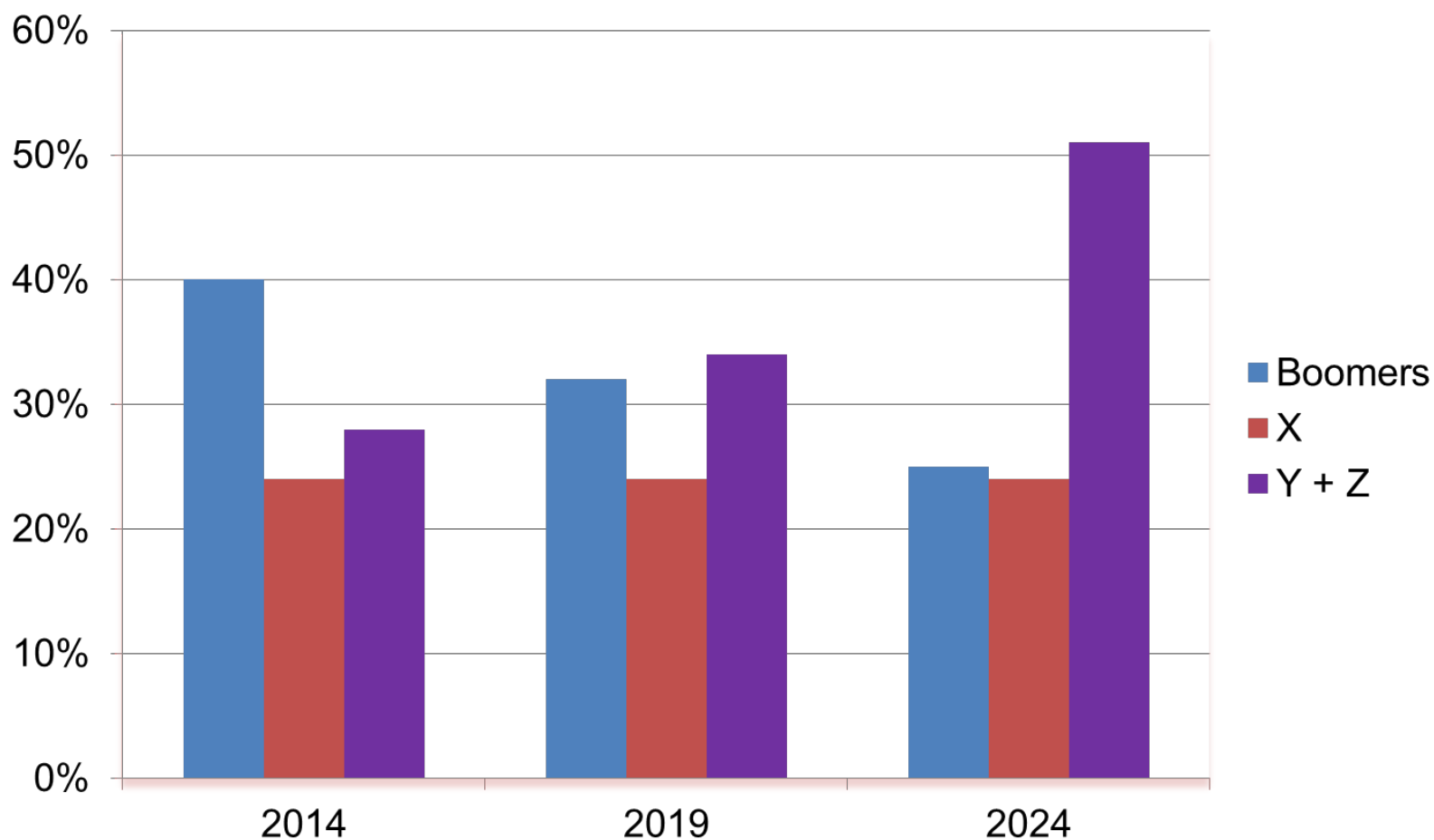
They are the two biggest generational cohorts ever and will soon be the largest buyer of cars.....and they don't like the way we sell.



The coming generation of Millennials is
“setting up a whole new consumer model”.
Diane Swonk, Chief Economist at Mesirow Financial

Changing Age Demographics and Its Impact

Market share by age



What do Today's Customers Want at the Dealership?

- Options
 - A streamlined, customer driven experience
 - An expedited process at the dealership
 - Access to information in advance of arriving at the dealership
 - Opportunity to consider alternatives to the standard buying process
 - Service Department
 - Online

What do Today's Customers Want at the Dealership?

Technology:

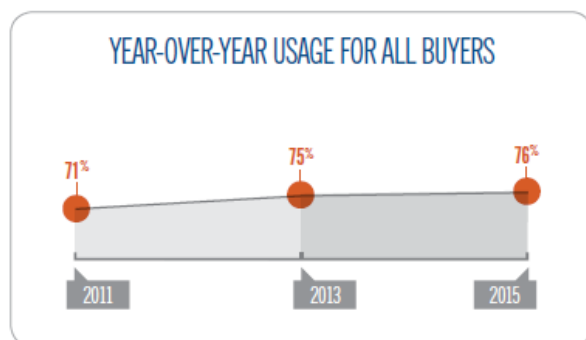


- When you use mobile technology to show a video during the sales process, you exponentially increase your opportunities for sale success. – 2014 Deloitte Gen Y Survey
- A Burst Media study found that Gen Y reacted to multimedia presentations even more than the general population (64 percent versus 55 percent)

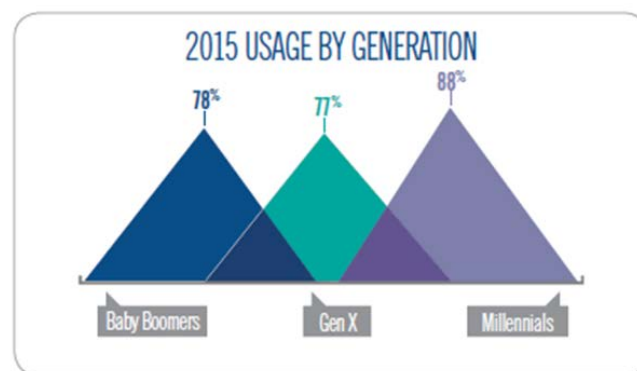
What Do Today's Customers Want?

Access to information online:

Regardless of generation, car buyers cited the Internet as the most influential source leading them to the dealership – more than 20 times that of any other media source cited in the 2015 Automotive Buyer Influence study.



76% of all car buyers (New and Used) use the Internet to shop, up from 71% in 2011 and 75% in 2013.



The Millennial generation (born after 1980) is leading the way in this growth, with nearly 9 out of 10 of Millennial car buyers using the Internet during the shopping process, compared to 77% of Gen X car shoppers and 78% of Baby Boomers.

What Do Today's Customers Want Online?

- Vehicle make, model and pricing information
- Trade Value
- Deal Structure
- Negotiate
- Begin F&I process including credit application, review paperwork
- F&I product information



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Some Customers Don't Want to Come to the Dealership

75% of survey respondents would consider completing car selection, price negotiation, financing, and transaction paperwork online

The virtual dealer model is taking off for companies like Carvana, Vroom, and Beepi

Is this a viable option traditional dealerships should consider?



What Positive Outcomes Can be Expected From Improving the Buying Experience?

- 66% of customers surveyed will be much more likely to buy from a dealership with their preferred experience
- 72% will visit dealerships more often
- 53% will buy a vehicle more often



Practical Steps to Improve

- Consider less paper and more technology, explore tablet applications to make process more interactive and customer driven
- Provide information to your customers through your website so they can conduct research before coming to the dealership
- Keep customers informed at the dealership
- Be transparent in all phases of the transaction
- Develop your people to meet customer needs
- Avoid compliance pitfalls

Ancillary Products

- Payment Packing
 - Long-held “No-No”
- Inconsistent Product Pricing
- Marketing and Sale of ancillary products
 - What do the materials say
 - What do salespersons and F&I persons say
- Paying provider and enrolling customers to ensure product benefits to consumer



Ancillary Products

- Marketing & Promotions
 - Clear, ***prominent*** and timely disclosures
 - Disclosure of all material conditions, benefits, and restrictions
 - Clear communication of the optional nature of product (*i.e.*, not required to purchase to obtain credit)



Finance Source Affairs

- Fair credit/dealer participation is one example
- Treating customers inconsistently (*e.g.*, charging different doc prep fees/processing fees)
- CFPB is putting pressure on finance sources whenever there is a discretion involved



Miscellaneous

- Hidden Finance Charges
 - Truth in Lending Act
 - Discount fees or other finance source charges when selling a RISC
 - UDAP
- Electronic Documentation



Complaints

- IFTC
- CFPB
- State AGs
- BBB
- Complaint websites
- Ripoff report www.ripoffreport.com
 - “Private label” customer complaint websites
- Social media outlets



Complaints

- Regulators use complaints to “inform” their work
- Signals or warning signs of violations of law
- Complaints involving Service members
- A large number of complaints
- Even “onesie,” “twosie” complaints



Practical Tips on Avoiding Regulatory Pitfalls

- Put in place a CMS
 - Have a “real” compliance officer
 - Manage your complaints
 - Train, Train, Train!
- Actively seek out UDAPs
- Put in place specific parameters around the marketing & sale of ancillary products



Practical Tips on Avoiding Regulatory Pitfalls

- Review your consumer-facing forms for legal compliance
- Review and update policies & procedures
- Videotape????
 - Pluses &
 - Minuses
- Prepare a company risk profile
- Conduct a UDAP review



Practical Tips on Avoiding Regulatory Pitfalls



- Prepare as if your dealership were to receive a civil investigative demand or subpoena
 - Focus on, and stay current on, regulator priorities
 - Know and understand your data
 - Know and understand your “state of” compliance
- Look at your practices and issues from the perspective of the consumer

Questions?

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