

Create a Blueprint: Thrive in Today's Digital World



Paul Whitworth

*Vice President, Business Operations,
Software Group*

Cox Automotive

Atlanta, Georgia

(650) 248-6951

paul.whitworth@coxautoinc.com



#NADA2016

The views and opinions presented in this educational program and any accompanying handout material are those of the speakers, and do not necessarily represent the views or opinions of NADA. The speakers are not NADA representatives, and their presence on the program is not a NADA endorsement or sponsorship of the speaker or the speaker's company, product, or services.

Nothing that is presented during this educational program is intended as legal advice, and this program may not address all federal, state, or local regulatory or other legal issues raised by the subject matter it addresses. The purpose of the program is to help dealers improve the effectiveness of their business practices. The information presented is also not intended to urge or suggest that dealers adopt any specific practices or policies for their dealerships, nor is it intended to encourage concerted action among competitors or any other action on the part of dealers that would in any manner fix or stabilize the price or any element of the price of any good or service.



#NADA2016

Today's Blueprint

The Digital Future

A Digital Dealership in Action

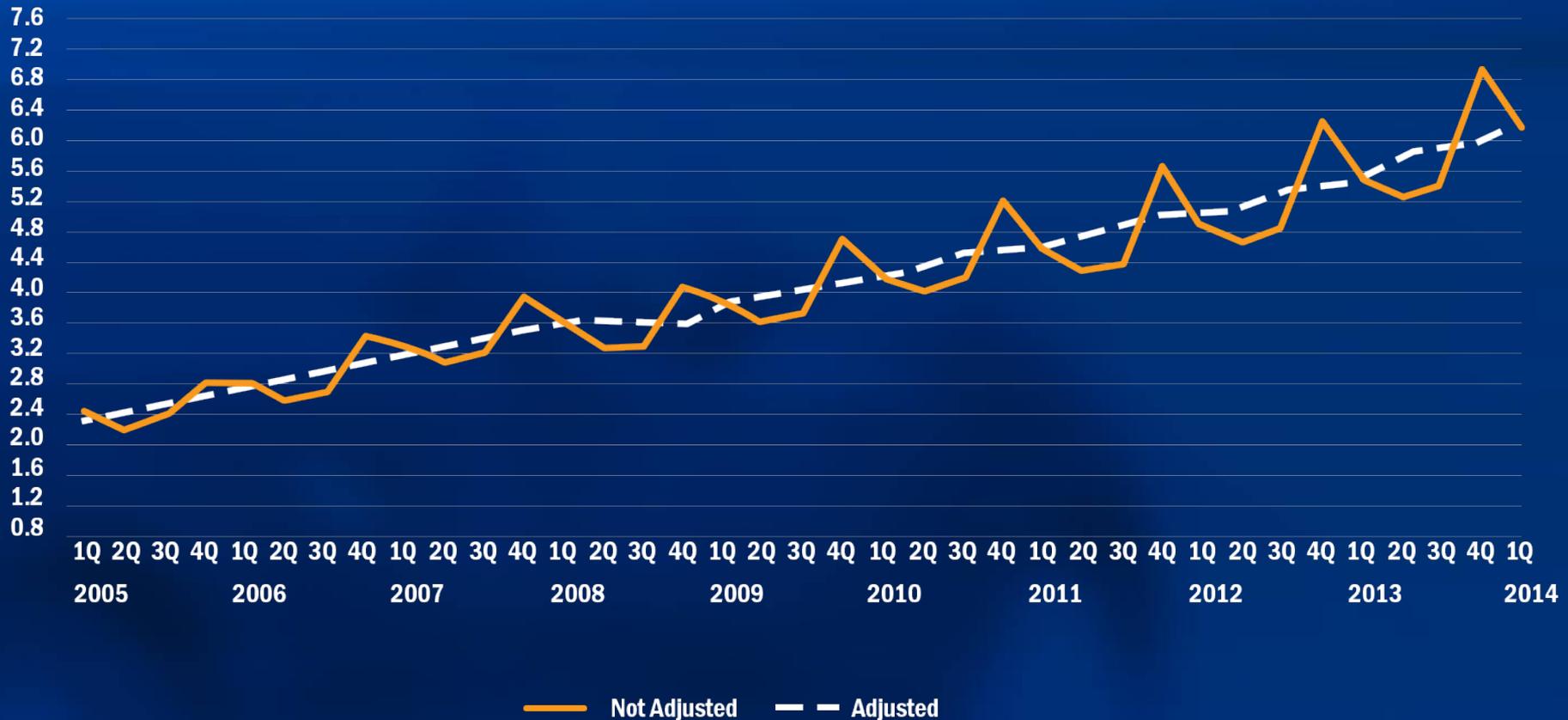
Six Steps for Success

The Digital Future

A data-driven perspective

e-Commerce is coming!

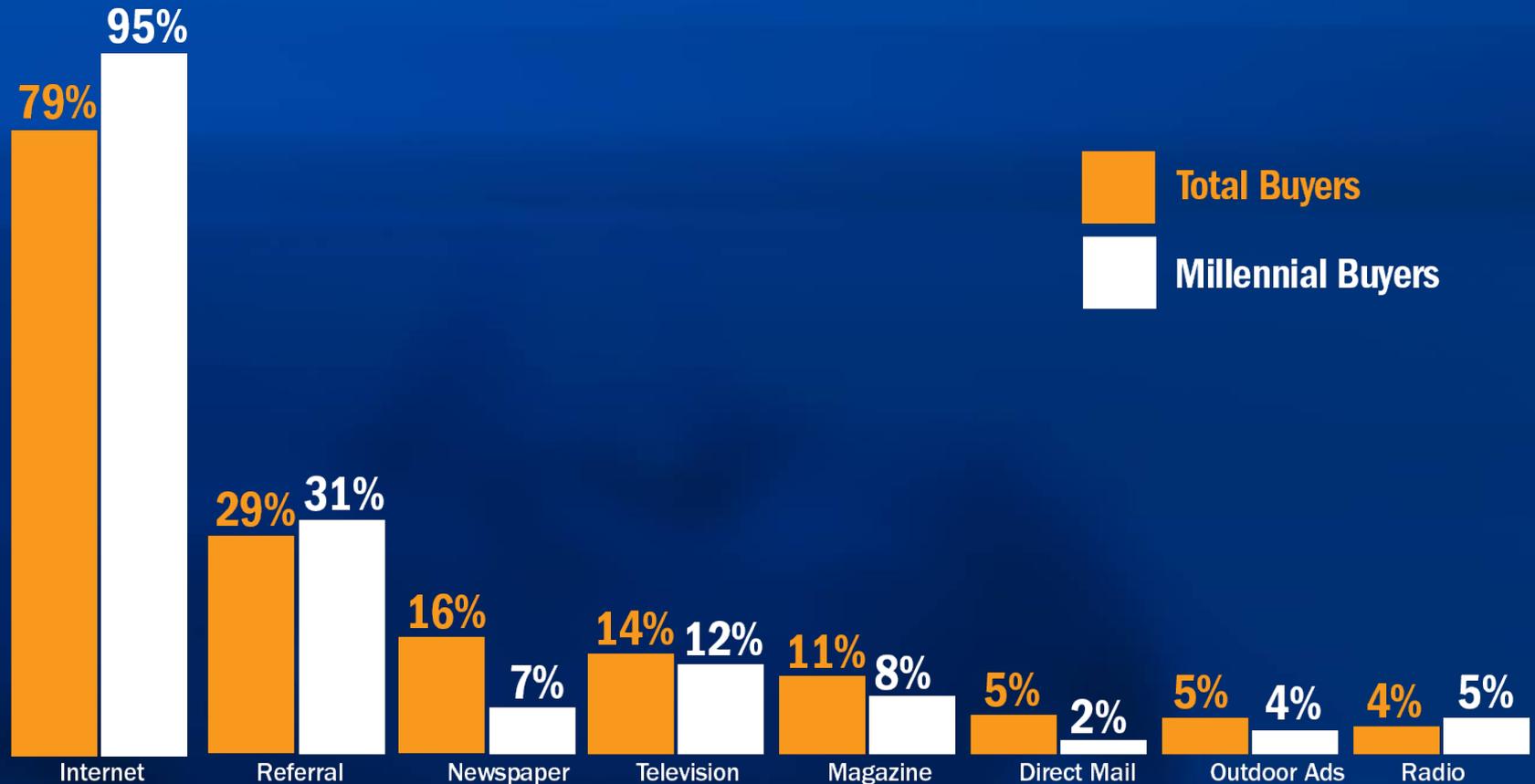
Estimated Quarterly U.S. Retail e-Commerce Sales (% of Total Quarterly Retail Sales)
Q1 2005-Q1 2014



Source: US Census, Q1 eCommerce Report

#NADA2016

Traditional channels don't matter anymore



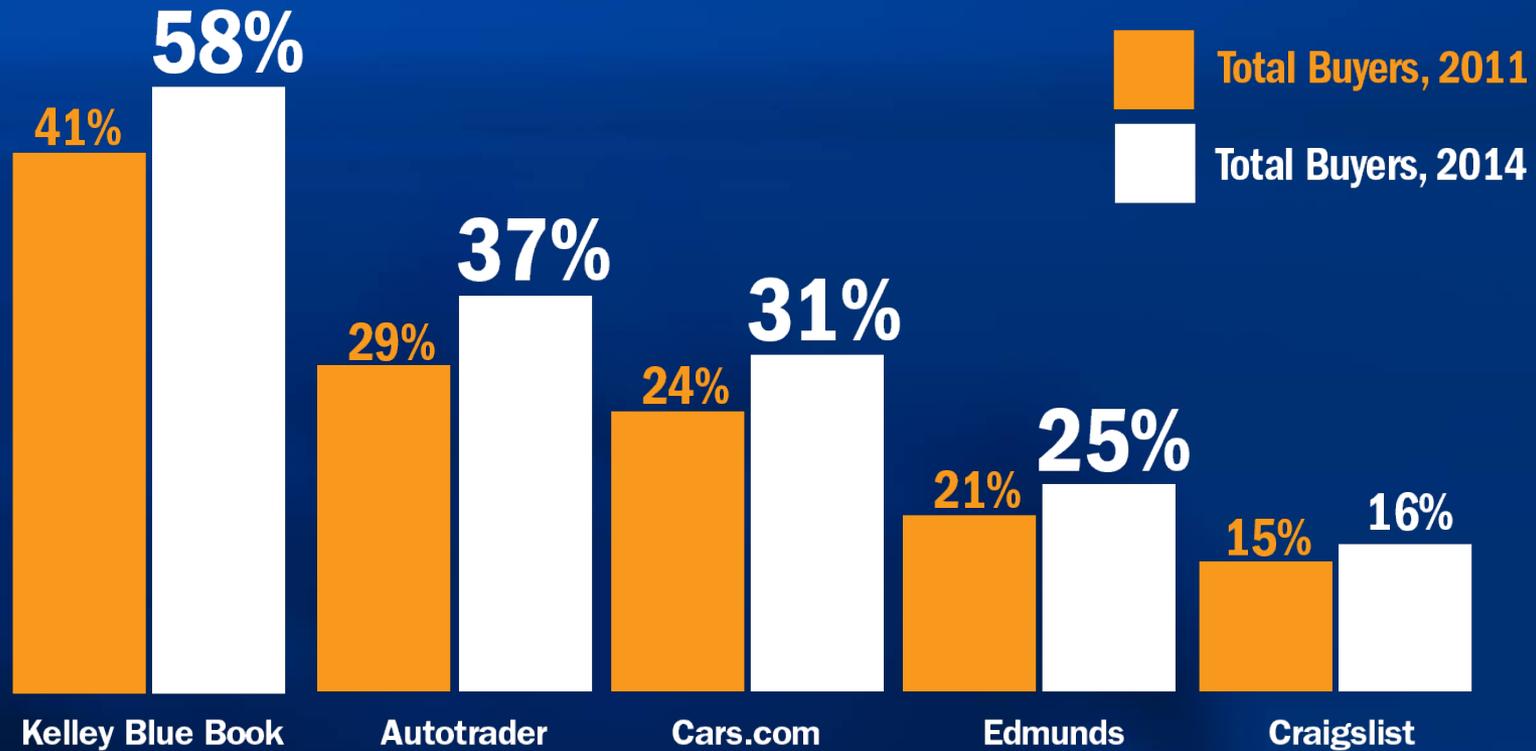
Source: 2014 IHS Automotive Buyer Influence Study, in partnership with Autotrader.com

Sources Used to Shop - Total Buyers, Millennial Buyers

Q1: Did you use this source while vehicle shopping?

Q2: Did you use the Internet in any way to help you shop for your most recently purchased vehicle?

Third-party sites are critical

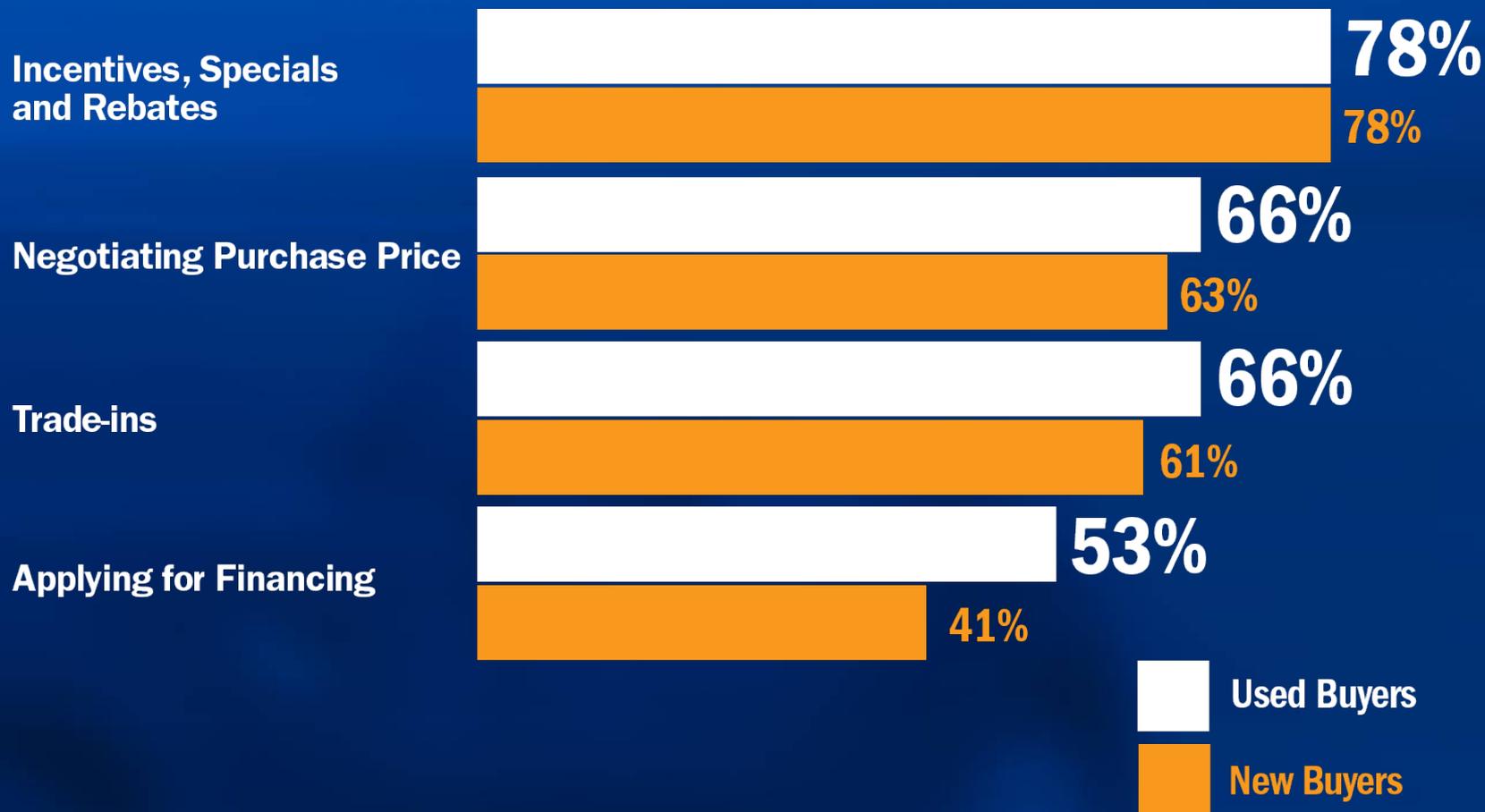


Source: 2014 IHS Automotive Buyer Influence Study, in partnership with Autotrader.com

Base: AIUs (2014= 1577, 2011= 2834, 2014 Millennials=269)

Q6a: You mentioned using the Internet while shopping for your vehicle. Please tell me if you used any of the following websites?

Shoppers are browsing AND buying online

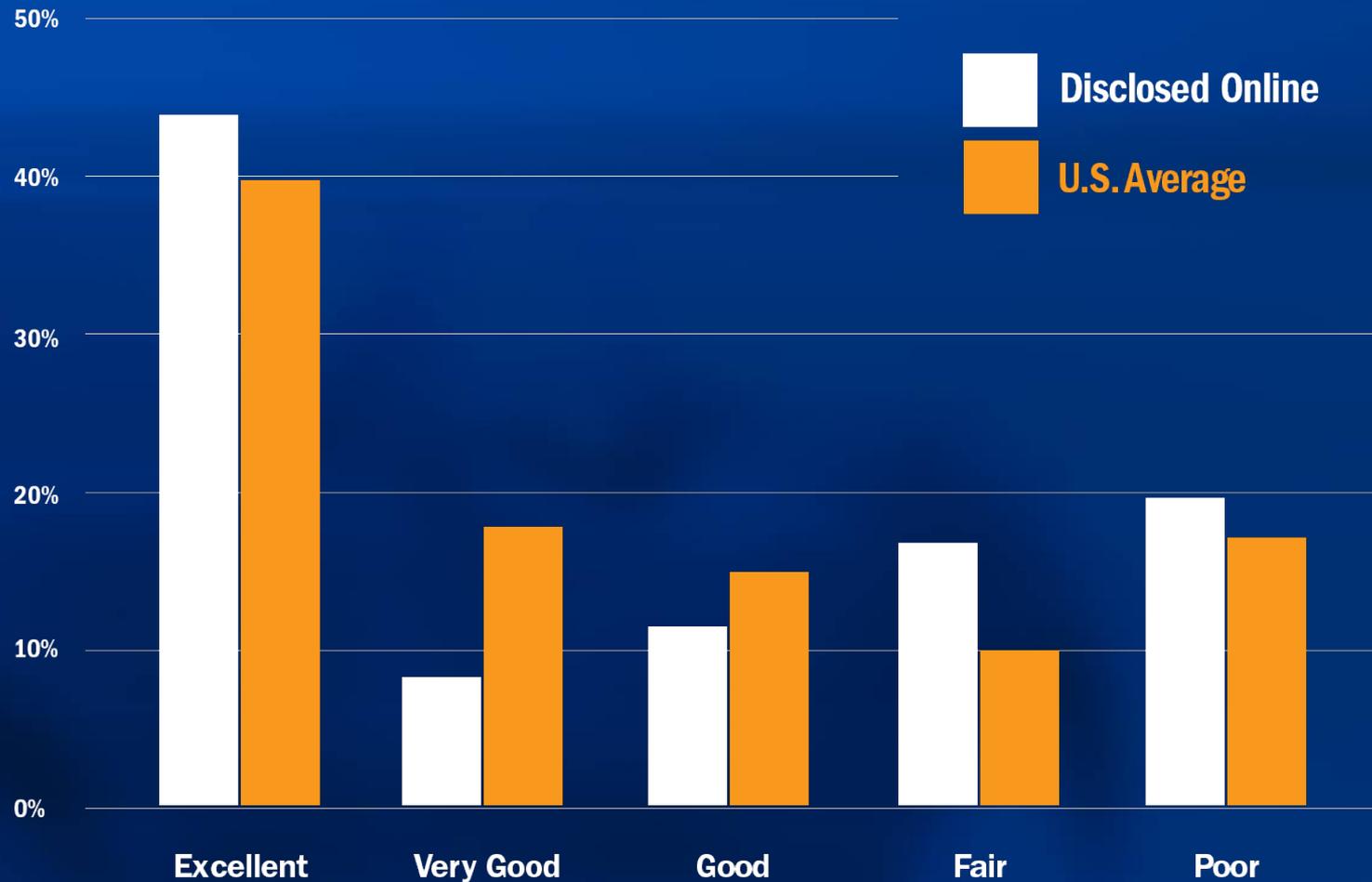


Base: Vehicle Buyers

Source: 2012 Autotrader.com Dealership Experience Study

#NADA2016

Online works: Shoppers disclose real credit scores online ...



... and realistic trade-in values, too



A dark-colored car is shown inside a metal shopping cart, set against a solid blue background. The cart is positioned diagonally, with the car's front end towards the top right. The text "Is this really the future of our industry?" is overlaid in large white font across the center of the image.

**Is this really
the future of
our industry?**

Personalized, value-added experiences **ARE STILL IMPORTANT**

49%
OF MILLENNIALS
rely heavily on salesperson
for information

(41% Gen X, 38% Boomers)

37%
OF SHOPPERS
said product expertise is the
most important element of
the dealership visit

Source: Autotrader Millennial Research, 2013
McKinsey & Company, 2013 Retail Innovation Consumer Survey

#NADA2016

Positive owner experiences **DRIVE FUTURE SALES** and repeat the cycle

Factors influencing next vehicle purchase:



66%
fuel costs



52%
dealer communications



62%
customer service



51%
convenience of location



61%
maintenance costs



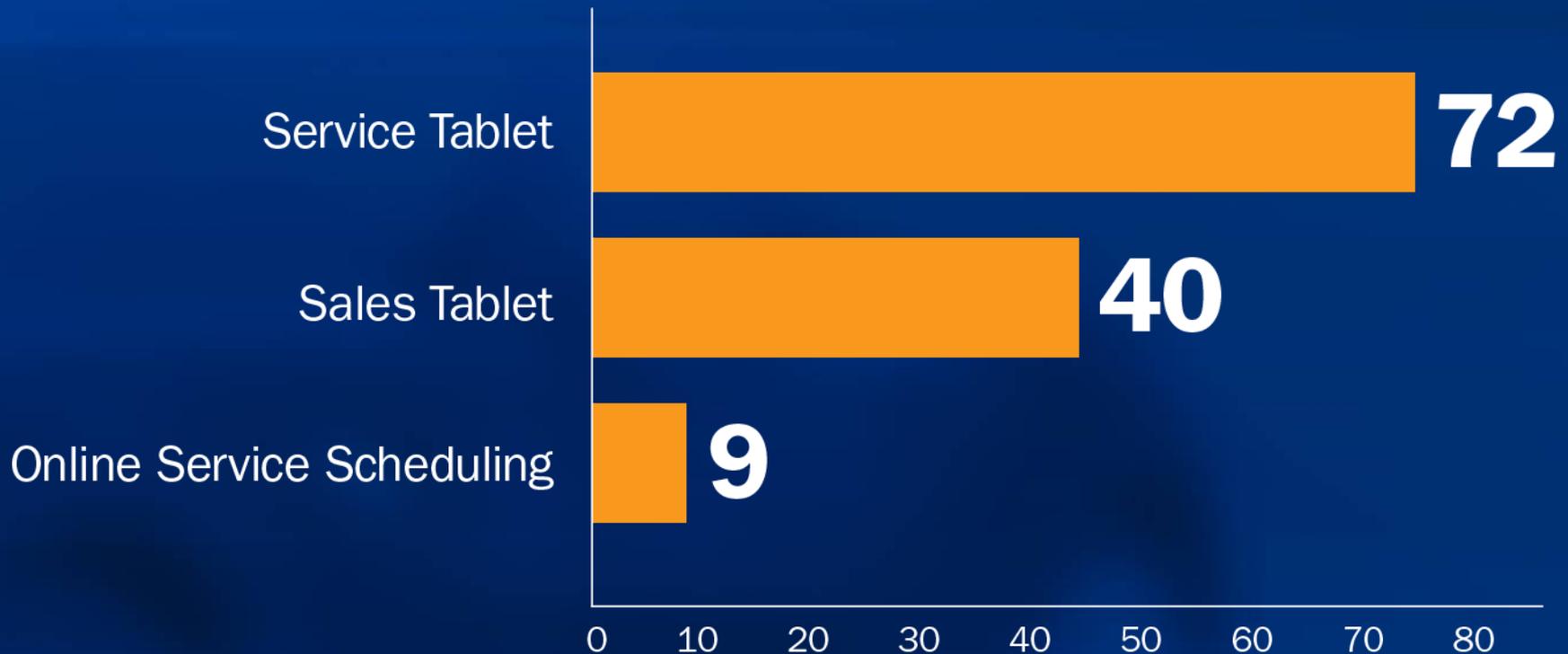
48%
ease of scheduling
maintenance

Source: Google Consumer Study, September 2013

#NADA2016

Technology can help make you **MORE EFFECTIVE**

Improvement in CSI/SSI from use of technology



Source: J.D. Power 2014 SSI and CSI Studies

#NADA2016

More than just a job. More customers.



STEVE

Used Car Manager

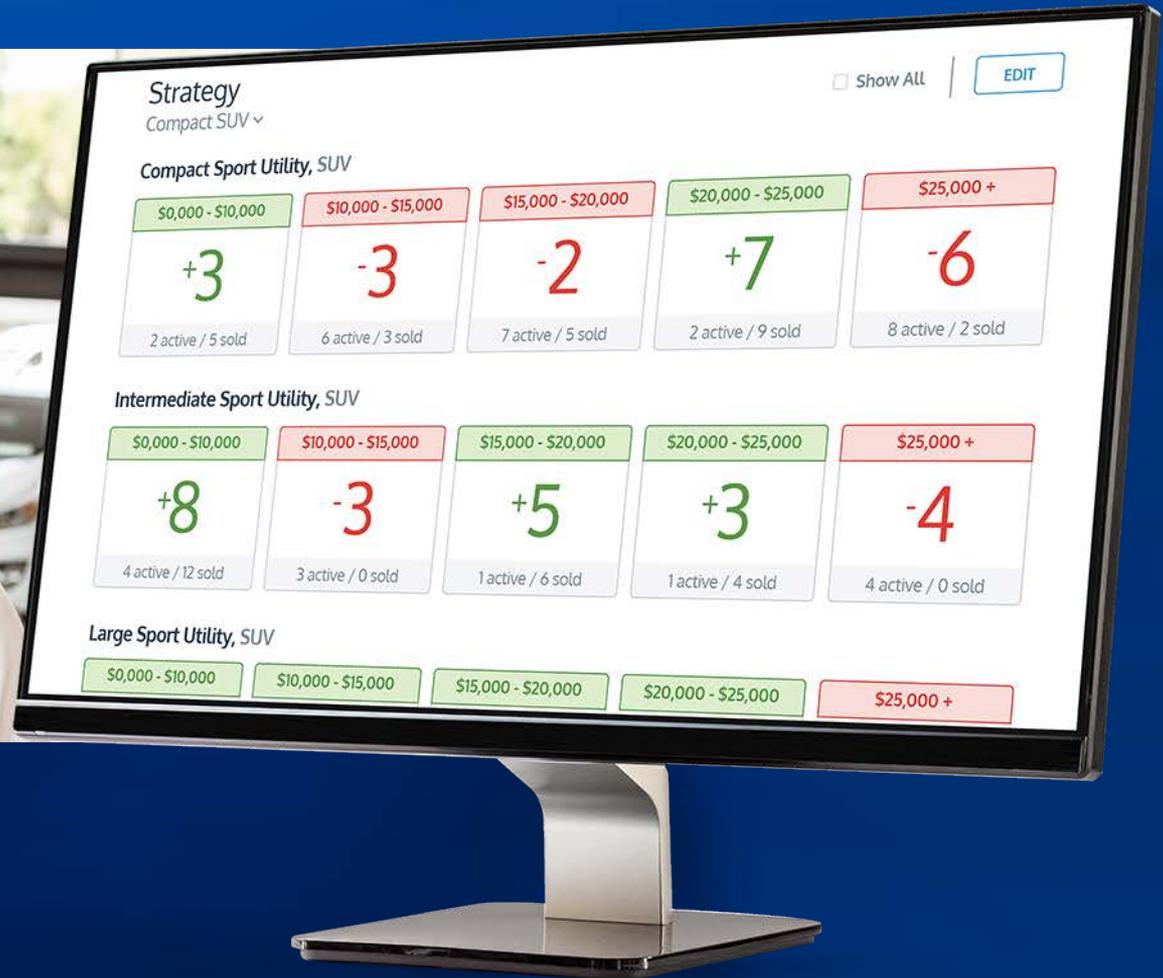
LENDAY

Repeat Customer Manager

HECTOR

Salesperson

Steve begins by sourcing the right cars online



STEVE
Used Car Manager

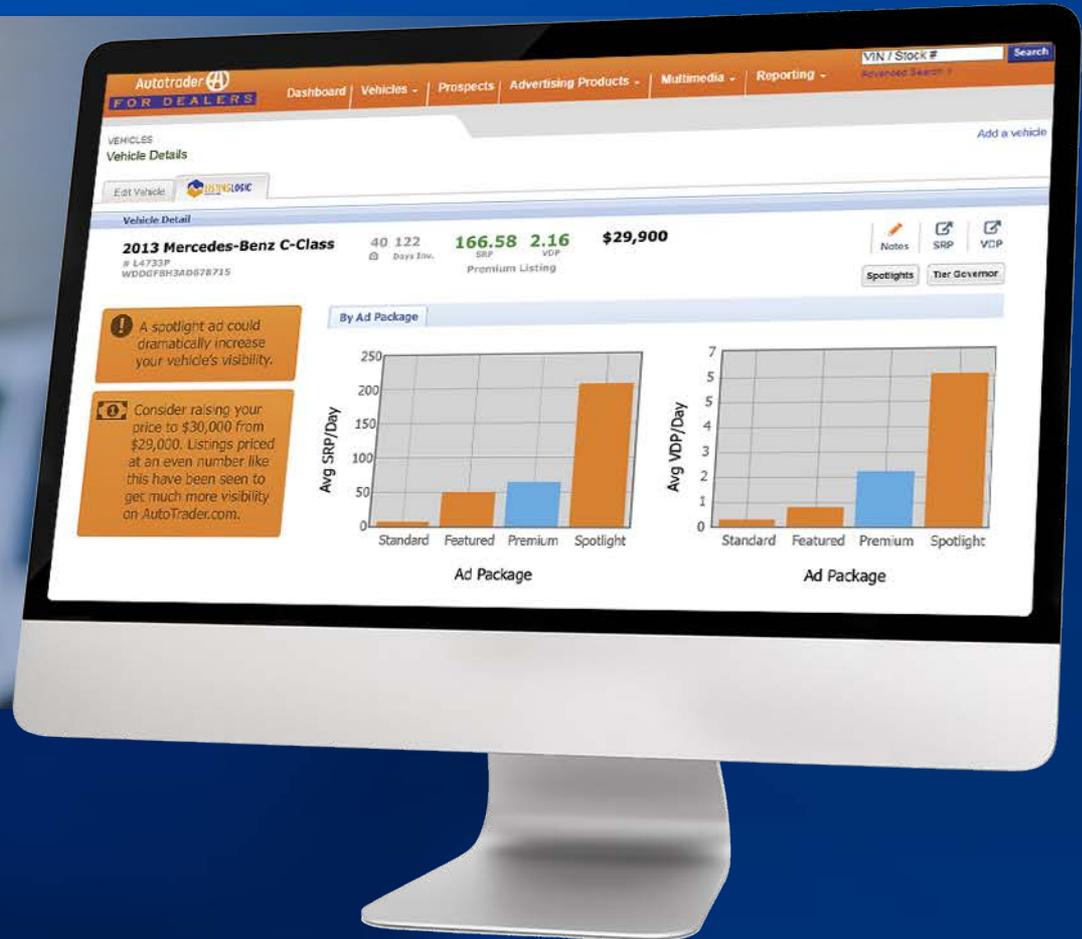
Online Wholesale Buying Tools

Purchased vehicles are broadcast online immediately



#NADA2016

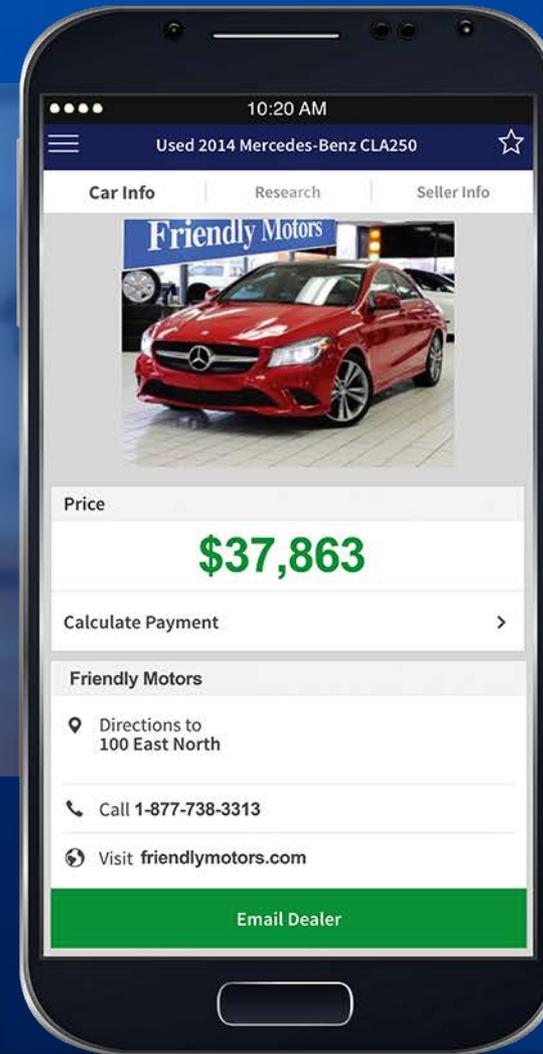
Lindsay optimizes marketing spend by vehicle



LINDSAY
Marketing Manager

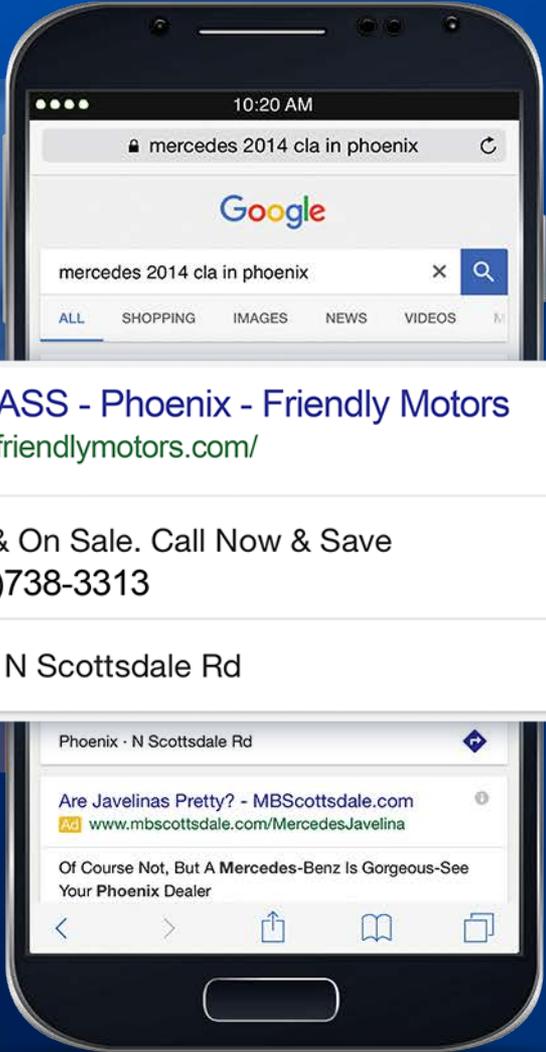
Marketing Analytics

Emma receives mobile alerts for her vehicles of interest



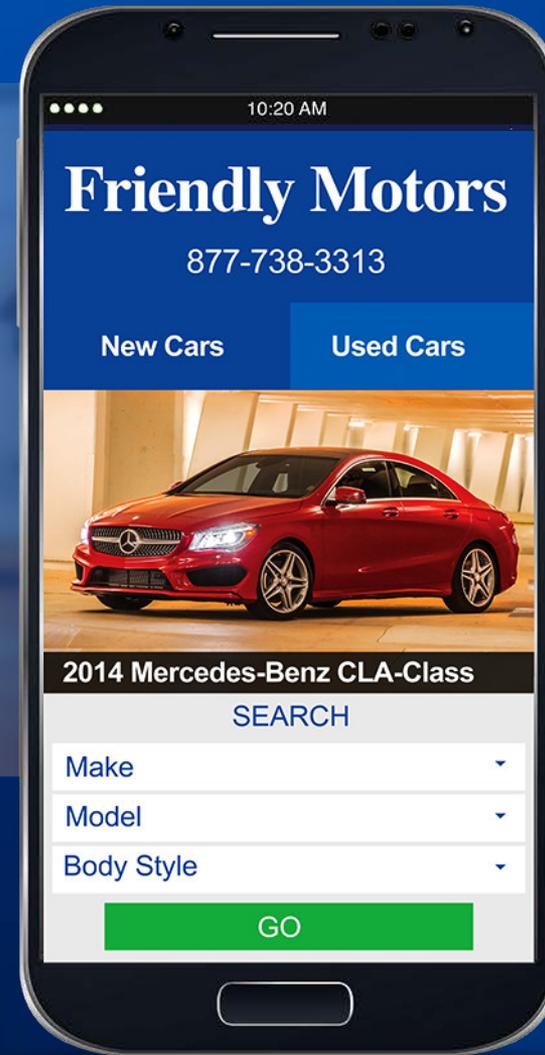
EMMA
Repeat Customer

Her results are personalized to her recent searches



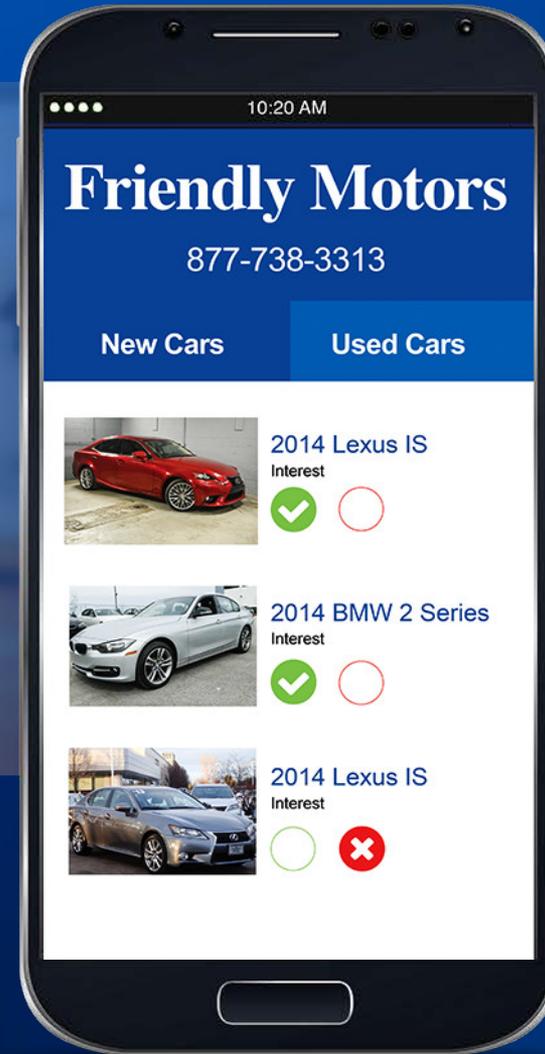
EMMA
Repeat Customer

The Friendly Motors website is personalized for her interests



EMMA
Repeat Customer

And it tracks her vehicle preferences



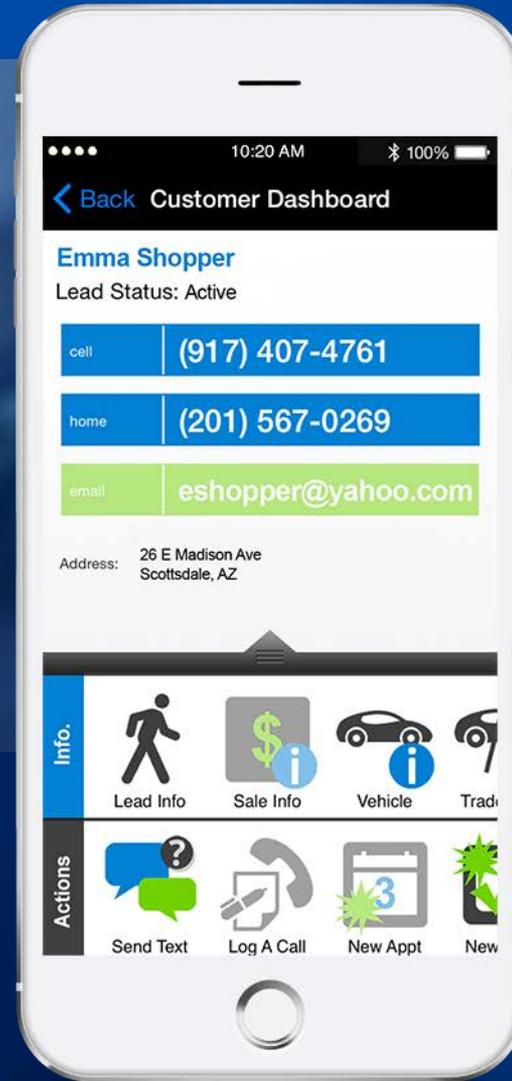
EMMA
Repeat Customer

#NADA2016

The CRM notifies Hector of Emma's behavior



HECTOR
Salesperson

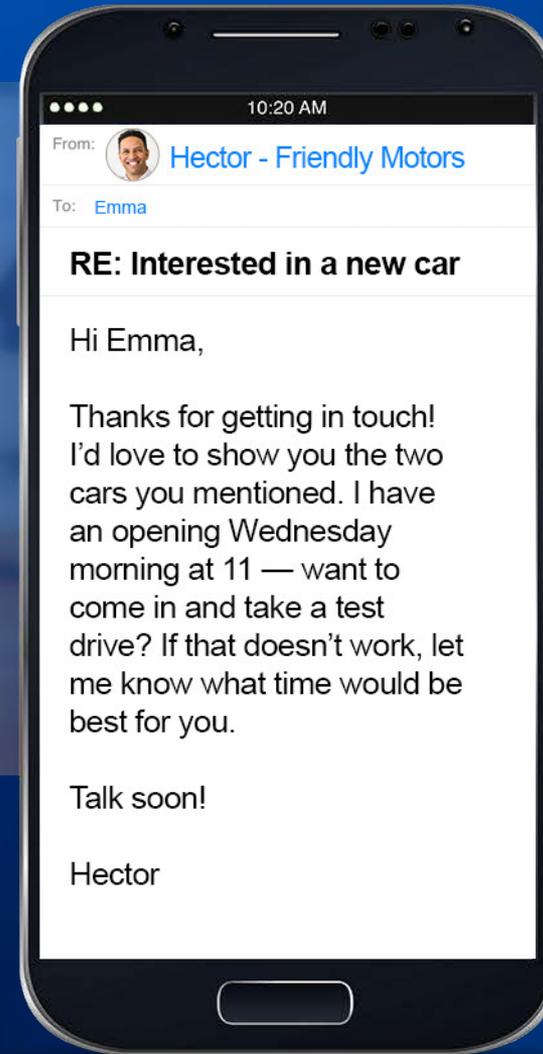
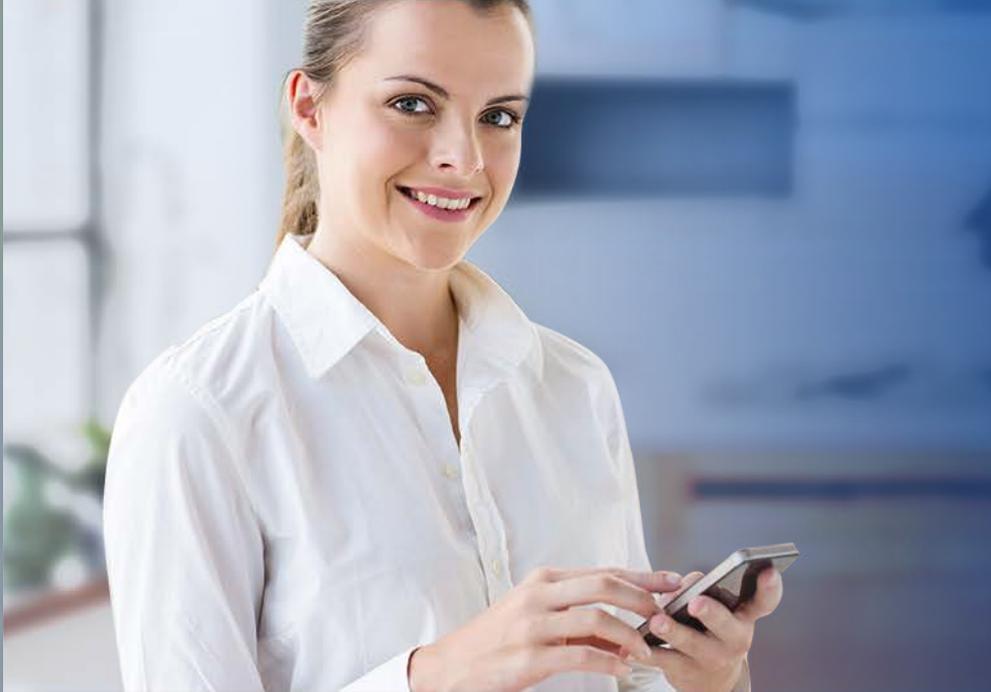


Emma can start penciling the deal online



EMMA
Repeat Customer

Emma emails Hector, who quickly responds from his mobile phone



EMMA
Repeat Customer

#NADA2016

Hector has Emma's test drive ready: the car she asked for and another she showed interest in



EMMA

Repeat Customer

HECTOR

Salesperson

Tablets make closing the deal effortless: Emma can see her options with easy-to-read proposal formats



The tablet screen shows the EMMA software interface. At the top, it displays '2014 CLA-Class Base' and 'Summary 1 P48'. The interface includes a sidebar with navigation icons, a main content area with a financial summary, and a table of options.

	1	2	3
D1	965.72	791.01	694.69
D2	942.69	772.14	678.12
D3	919.65	753.28	661.55

The financial summary on the left includes:

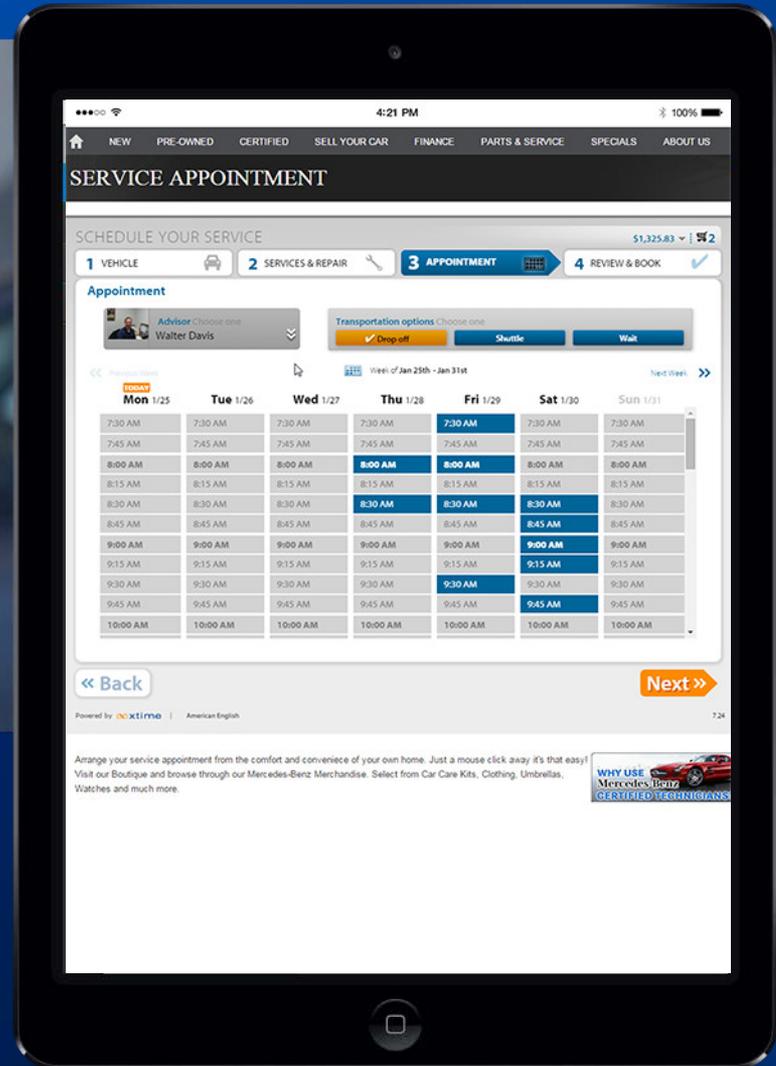
- Retail Price: 37863
- Selling Price: 36628
- Total Add-ons: 3,195
- Sub Total: 39,723
- Total Taxes: 3,206.60
- Purchase Price: 42,929.60
- Rebate: 0
- Net Trade: 0
- Cash Down: 1,000
- Balance Due: 41,929.60
- Interest Rate 4.9%: 4,425.10
- Total Payment: 46,354.70
- Loan Term: 48
- Tot. Mth. Pmt: 965.72
- Days to 1st Payment: 45

Other Info includes links for Scenario History, Print Trade Evaluation, and Fuel Savings Analysis.

EMMA
Repeat Customer

#NADA2016

Hector helps Emma schedule her first service appointment on her mobile device



HECTOR
Salesperson

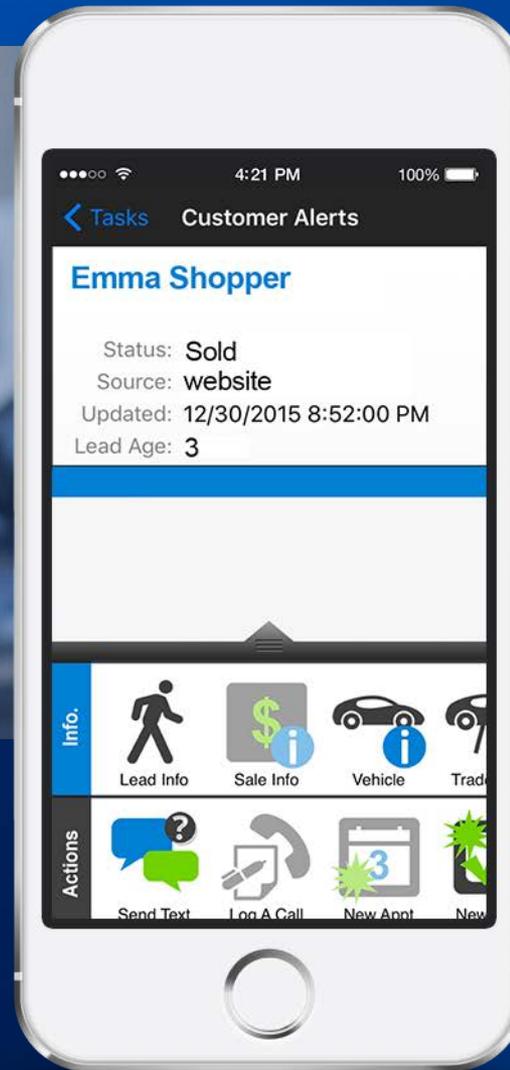
EMMA
Repeat Customer

#NADA2016

As time passes, Hector is alerted when Emma begins to research new vehicles



HECTOR
Salesperson



#NADA2016

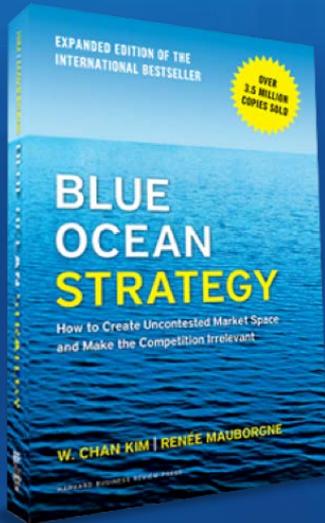
6 STEPS FOR SUCCESS

How to Stay Ahead in a Digital World

1

FIND YOUR BLUE OCEAN

What niche CAN YOU DOMINATE?



Assortment “The largest inventory in the Bay Area”

Sales process “One simple price, experience the difference”

Customer segment “Proud to serve you in 10 languages”

Product specialty “World’s largest Chrysler Ram Jeep Dealer”

For many dealers, this means focusing more seriously on **YOUR LOCAL MARKET**

Your best customers drive profitability

Top 20% customer are responsible for 79% of store gross profit

66% RO volume and 58% service gross

78% segment loyal (remain loyal if stay in segment) and 44% more loyal overall

Have 0.4 more vehicles in their fleet, gross \$420 higher and trade 20% more frequently

BEST CUSTOMERS LOCATION

Distance from Dealership	Best Customers	Average Customers
<15 miles	65%	49%
15-35 miles	20%	24%
>35 miles	15%	27%

YOUR BEST CUSTOMERS ...

Are local

Focus on value over price

Buy better selection

(multi-vehicle households)

Are high-mileage drivers

Look for expertise

2

**SOURCE, STOCK AND MERCHANDISE
THE RIGHT CARS AT THE RIGHT PRICES**

Online traffic makes **MARKET-BASED PRICING NECESSARY ...**

... creating the need and opportunity to **DRIVE MARGIN THROUGH OTHER LEVERS**

Impact of Online Price on Detailed Page Views



Identify unique product differentiators that create small advantages

Use market data to recognize opportunities for pricing leverage

Ensure merchandising highlights most valued features

Use technology to broaden search and improve matching

Price to market to create traffic and create right buying dynamics

Discount to realize strategic customer value

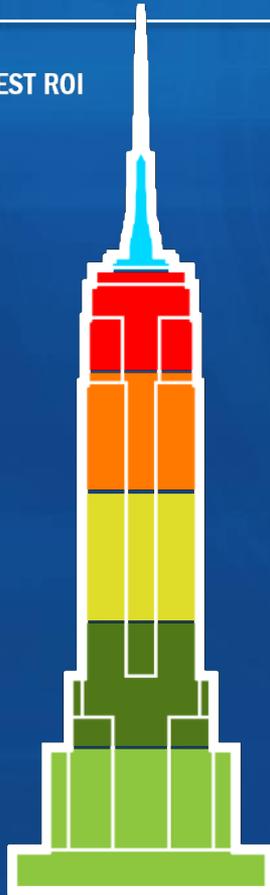
3

**BE THE MOST EFFECTIVE DIGITAL
MARKETER IN YOUR NICHE**

#NADA2016

BE THE MOST EFFECTIVE digital marketer in your niche

LOWEST ROI



HIGHEST ROI

Measure: Know your metrics and use analytics

Experiment with social

Invest in radio, TV and print only once you have maximized your digital spend

Expand into paid search, display and video

Maximize your investment in third-party classifieds

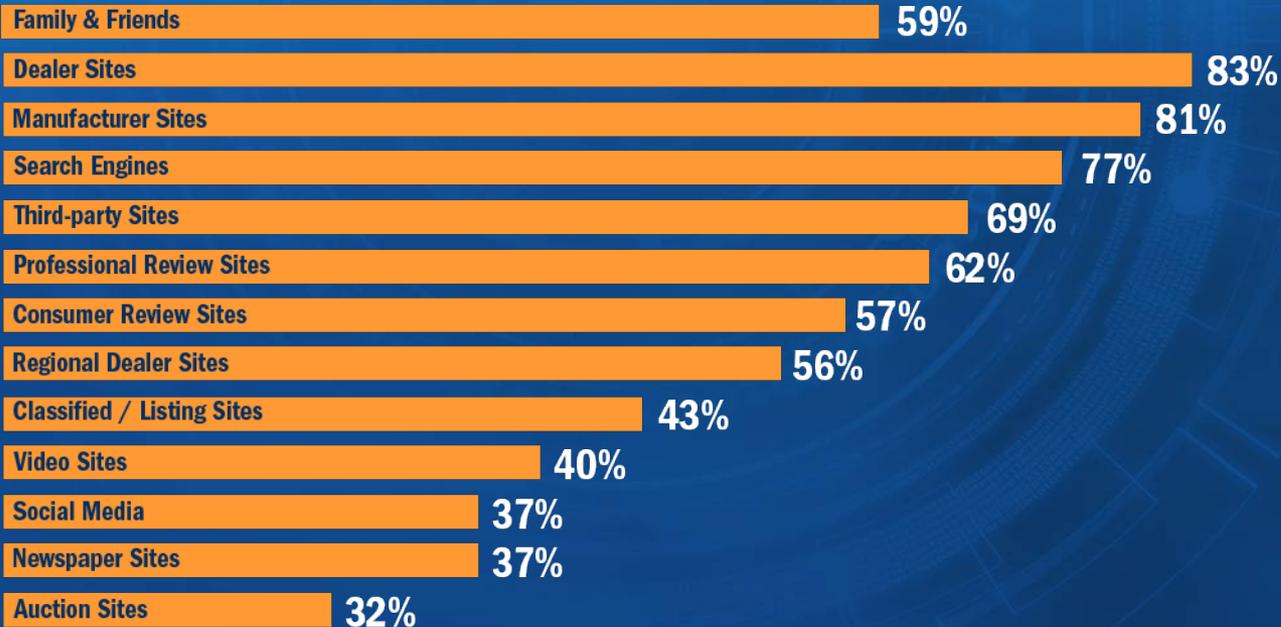
Fully invest in websites, CRM, chat

DIGITAL BEATS TRADITIONAL

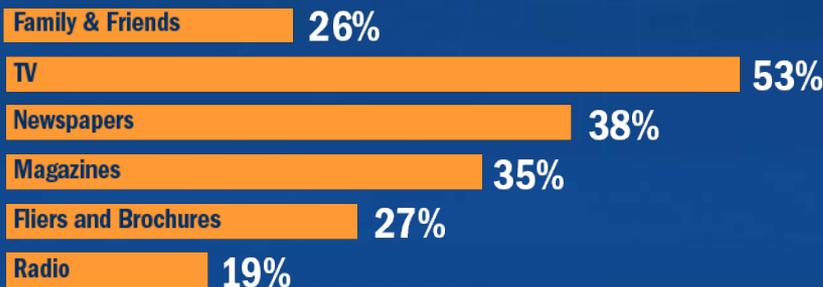
Sources used when shopping for vehicles:
IN PERSON



Sources used when shopping for vehicles:
ONLINE



Sources used when shopping for vehicles:
OFFLINE



Source: Goodie/ iMillward Brown Shopping Study

#NADA2016

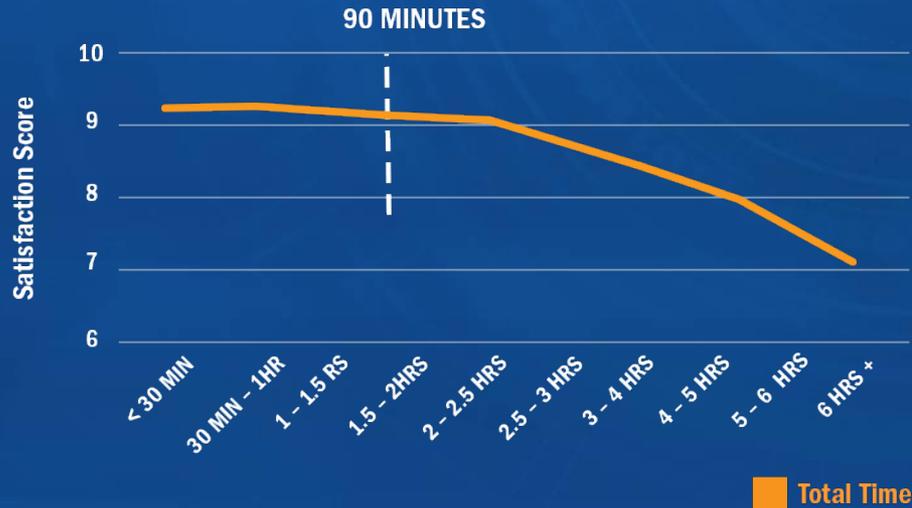
4

BUILD A DISCIPLINED, ADAPTABLE SALES PROCESS

Consumers want a quick, hassle-free purchase experience ...

... but every sale is unique

Average Satisfaction with Dealer vs. Time Spent at Dealership



Sales Process Cycle Time: Three-Dealer Study



Source: <http://www.weworkforyou.com/files/insights/pdf/TimeStudyWhitePaperFINAL11-7-14.pdf>

Have a disciplined, adaptable **SALES PROCESS**

The funnel is dead

Need flexibility, but also
disciplined processes

Multichannel
communication is critical

Sales process must tightly
integrate with your digital
marketing presence

Does your **CRM:**

Tightly integrate with
your website?

Enable multichannel
communication?

Include desking?

Have rich mobile
functionality?

Integrate with your
inventory management?

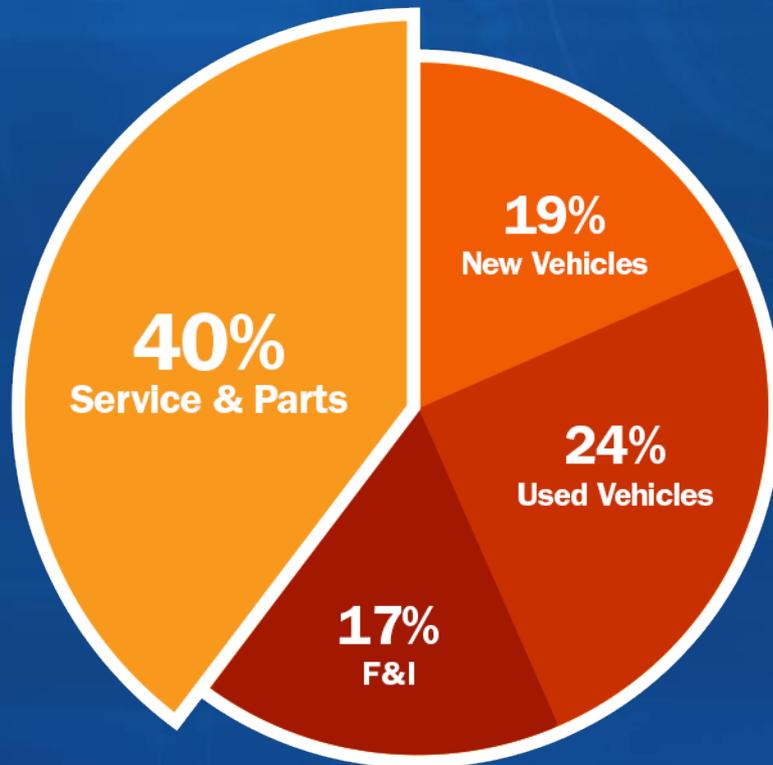
5

FOCUS ON RETENTION AND REPURCHASE

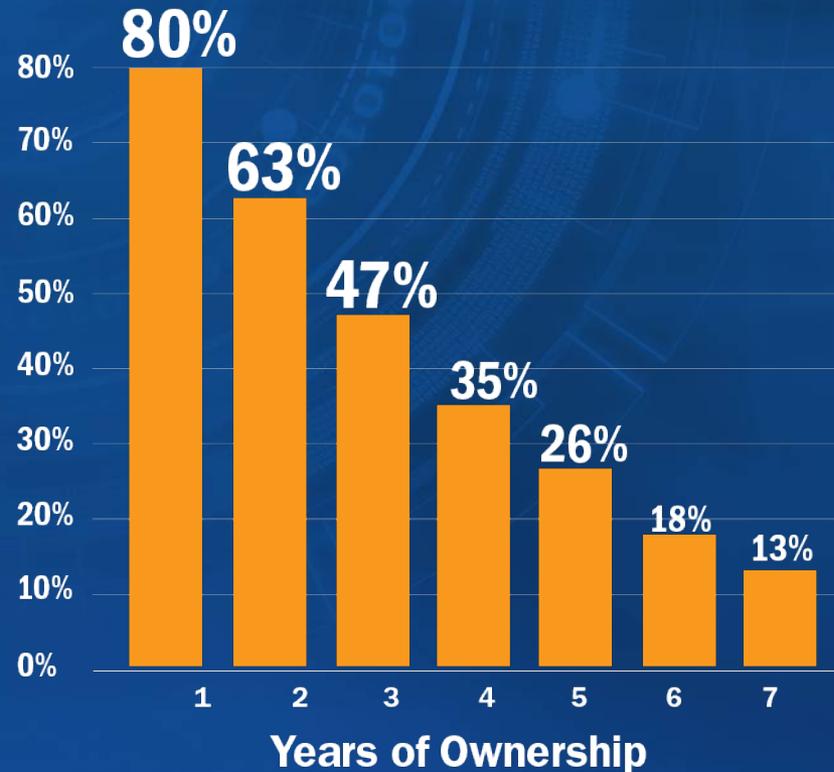
#NADA2016

Service retention drives dealer profits, but **WE DON'T FOCUS ENOUGH HERE**

Sources of Dealer Gross Margin



Service Retention



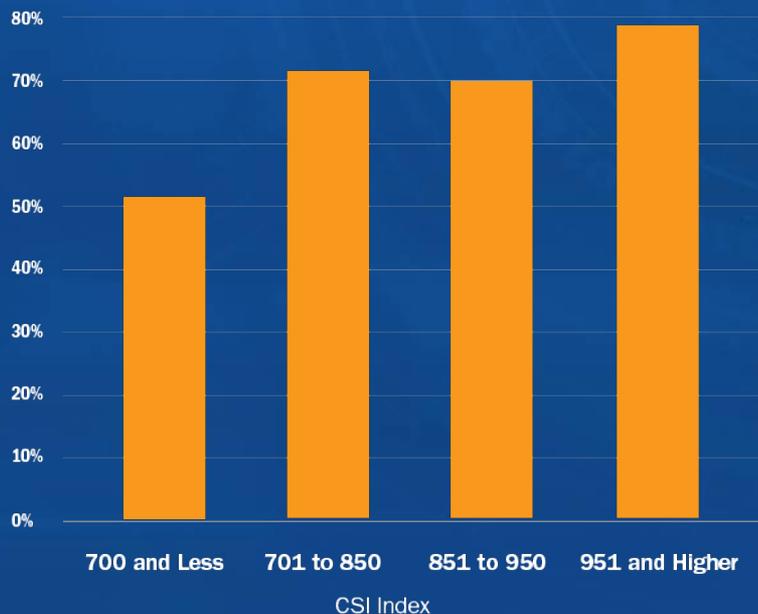
Source: Xtime, Source: 2013 NADA Data Book

#NADA2016

Positive service experience has the HIGHEST ROI FOR FUTURE SALES

J.D. Power Satisfaction Study

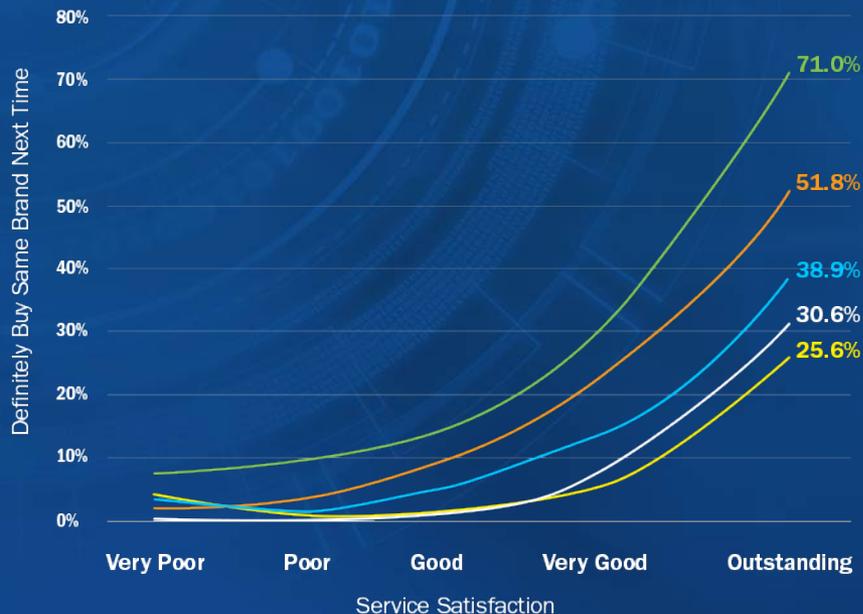
Brand Loyalty by CSI Index
(Non-premium Average)



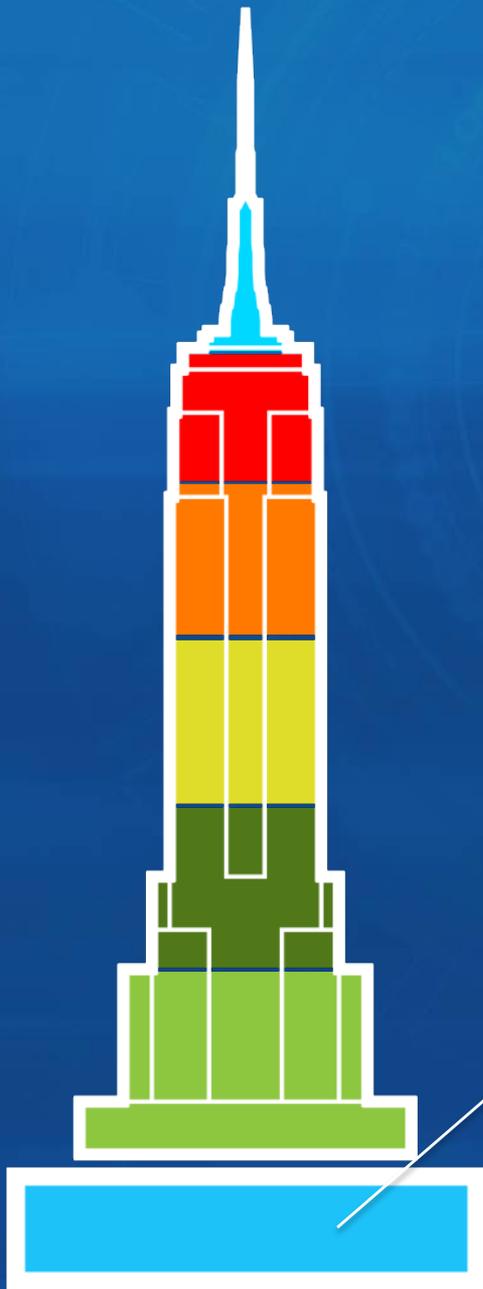
Source: J.D. Power and Associates 2014 Customer Service Index (CSI) Study (CSI Index Scores are based on 1-3 years owners)
J.D. Power and Associates Power Information Network (PIN) trade-in VIN data matched to 2014 CSI Study

Proprietary OEM Study

How Product and Service Satisfaction Influences the Customer's
Willingness to "Definitely Buy Same Brand Next Time"



— Car – Outstanding — Car – Poor
— Car – Very Good — Car – Very Poor
— Car – Good



RETENTION AND REPURCHASE IS THE FOUNDATION OF YOUR DIGITAL MARKETING STRATEGY

6

EMBRACE TECHNOLOGY AS A SOURCE OF COMPETITIVE ADVANTAGE

#NADA2016

Core versus context framework



Reshape your process

Buy the best

Design a custom suite

Choose a proven solution

It's a business decision

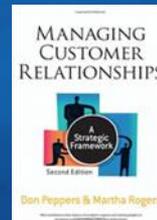
Where can you learn more?



FIND YOUR NICHE

Blue Ocean Strategy

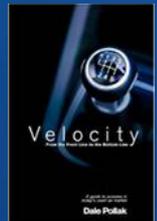
W. Chan Kim and Renée Mauborgne



BUILD A DISCIPLINED ADAPTABLE SALES PROCESS

Managing Customer Relationships: A Strategic Framework

Don Peppers and Martha Rogers



SELL THE RIGHT CARS AT THE RIGHT PRICE

Velocity

Dale Pollak



FOCUS ON RETENTION

The Service Profit Chain

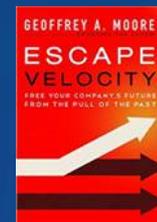
James Heskett and W. Earl Sasser



DOMINATE DIGITAL MARKETING

Mastering Automotive Digital Marketing

Brian Pasch



MAKE TECHNOLOGY YOUR COMPETITIVE ADVANTAGE

Escape Velocity

Geoffrey Moore

Questions ?

Create a Blueprint: Thrive in Today's Digital World



Paul Whitworth

*Vice President, Business Operations,
Software Group*

Cox Automotive

Atlanta, Georgia

(650) 248-6951

paul.whitworth@coxautoinc.com



Please visit the **NADA Pavilion** in the Expo Hall for information on accessing electronic versions of this presentation and the accompanying handout materials, and to order the workshop video recording.

#NADA2016