



NADA 2019 REVIEW

FEBRUARY 2019

CONTENTS

- 01 INTRODUCTION
- 02 AMAZON PROOFING YOUR SALES PROCESS
- 04 RUN AN OPERATIONALLY EFFICIENT DEALERSHIP GROUP INSIDE AND OUT
- 06 OCCUPATIONAL FRAUD IN MODERN DEALERSHIPS
- 07 MAKE PRE-OWNED GREAT AGAIN!
- 09 DRIVE IT HOME: FIVE WAYS TO REDUCE EXPENSES FOR HIGHER PROFITS
- 11 MILLENNIAL PROBLEM SOLVERS : HOW TO LEAD THE NEW GENERATION
- 12 CONSTRUCT POWERFUL PAY PLANS THAT DRIVE PROFITABILITY
- 13 FROM CLICKS TO BRICKS: MEASURING THE VALUE OF DIGITAL
- 14 PREPARING TODAY FOR TOMORROW'S AUTO RETAIL EVOLUTION



INTRODUCTION

The question we were most asked by Americans and other Europeans attending this year's conference was "What is happening with Brexit?"

There would appear to be genuine concern or interest outside the UK as to how Brexit will be resolved and the impact on the automotive sector. Certainly, the recent announcement by Nissan to move the manufacture of the new X-Trail to Japan from Sunderland will not have helped matters.

With the conference being in San Francisco, the home to the biggest names in technology, creative strategies were key to the workshops. Top executives from the three digital dynamos were part of the super session "Disrupting your market with Google, Facebook and Twitter."

NADA sees its role as providing innovative solutions that help dealers not only survive but thrive in these ever-changing times. It continues to lobby Capitol Hill on legislative and regulatory points and this year has developed a new Workforce Initiative. Staffing, both retention and recruiting, continues to be a struggle in the US, as it is in the UK, and there is a technician shortage facing virtually every dealership in the US. They estimate there is a shortage of 37,000 service technicians and this new initiative is designed to vigorously promote dealership jobs.

The general mood from the US was not as upbeat as in previous years and although sales had increased it was evident that they were slowing down and margins were falling.

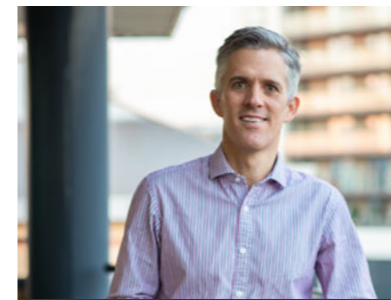
One commentator painted a bleak picture stating that the increase in car sales came mostly from low margin fleet sales, margins on used cars were abysmal and floorplan interest rates were increasing along with many other costs. He pointed out that his dealer group was starting to concentrate on exactly the same things as they did in 2009.

Many workshops stated that dealers need to focus on the after-sales opportunities over the next couple of years to drive profits up.

In our update we have included the key points and learnings obtained from the best of the seminars we attended during the conference. If you would like to discuss any of the material raised in the document, please do not hesitate to contact us.



MALCOLM THIXTON
PARTNER – MOTOR RETAIL



STEVE LE BAS
PARTNER – MOTOR RETAIL



A DATE FOR THE DIARY:

The 2020 NADA conference is to be held in Las Vegas from the 14th February to the 17th February.

THE 2019 NATIONAL AUTOMOTIVE DEALERS ASSOCIATION WAS HOSTED IN SAN FRANCISCO.

This annual event continues to be the largest dealer convention in the world with over 25,000 people attending from over 53 different countries. This is the largest attendee number in the convention history.

This year there were over 60 different seminars that dealers could attend and the most one person could attend was seven. These seminars were across 6 different areas:

- Dealer/executive
- Aftersales
- Human resources
- Legal and regulatory
- Marketing including digital
- New and used vehicle operations.



AMAZON PROOFING YOUR SALES PROCESS

MIKE TAMAS | AMERICAN FINANCIAL & AUTOMOTOIVE INC



There are a lot more disruptors than ever before and a lot of these are internet driven.

These disruptors offer a very transparent service, which increases trust. They gain more engagement from the customer as they are driving their own experience ie click here to arrange a test drive etc.

They offer increased speed and ease – it's well documented that the number one priority for customers is now to save time not money.

TODAY'S CONSUMERS



88%

of all consumers use **internet** to shop for their next vehicle – easy!



85%

trust **online reviews** as much as personal recommendations



71%

use **mobile devices** at some point in the purchase process



48%

of millennials are "**mobile first**" consumers.

Amazon now accounts for 44% of all ecommerce sales in US and 4% of all retail sales. They did it primarily through one click shopping – so convenient for the consumer. In theory Amazon are one click away from being in the retail automotive space.

However, the dealer's key differentiator is that they offer a personalised service throughout not only the vehicle purchase but the entire ownership cycle and dealers need to play on this.

HOW DO DEALERS CREATE AND AMAZON-LIKE EXPERIENCE ONLINE?

- Dealers need to understand what the consumer wants, does your website allow the research, test drive, provide comparisons, online buying processes, schedule test drive etc.
- The information online needs to be readily available ie trade values, payment tools, available options
- Add F&I product information to your website
- Use customer reviews
- Incorporate "those who purchased this also considered this".

The one thing dealers do not have is a 'buy it now' button. However, Mike challenged dealers to take a deposit through the website. He asked would that not increase sales?

Play to your strengths – highlight what people like about your dealership.

- Listen to what they are saying and act on it
- Let your customers tell your story
- Let social media do the hard work
- Look for key words in your review.

How else can you compete against these disruptors?

BE AN AUTOMOTIVE GENIUS

How often do we use it to our advantage? Big data can be used to target customers.

- Be your customer's best source for information
- Be open and share this knowledge to give advice rather than sell
- Automate as much as possible
- Create a concierge style experience

ANALYTICS ADVANTAGE

How often do we use it to our advantage? Big data can be used to target customers.

- 63% of your customers shopped online whilst they are in your dealership.
- Geo-fencing and geo-targeting can help convert customers from prospects to buyers.
- Consider using predictive analytics in your business to increase product penetration.

Mike then posed a final question. **Are you ready to be a disruptor or carry on being disrupted?**



RUN AN OPERATIONALLY EFFICIENT DEALERSHIP GROUP INSIDE AND OUT

TIM ZIERDEN | COX AUTOMOTIVE

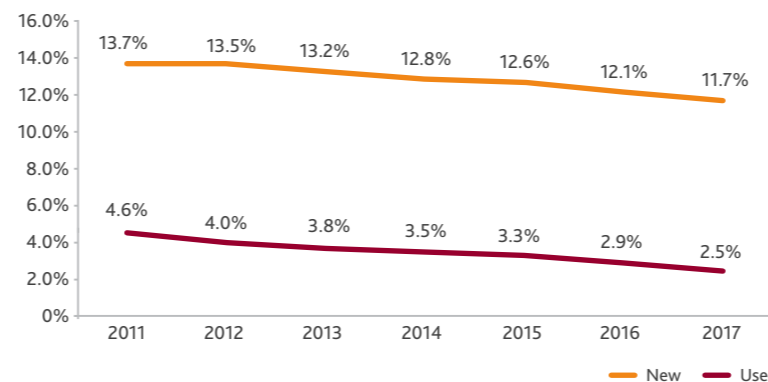


Tim started the seminar by noting that 2018 in the US had been a profitable year, however with vehicle sales showing little growth this profit has been due to efficiency and careful use of technology.

He stated the speed of technology adoption has only increased and will continue to do so. He reminded us that it took 46 years for 25% of the US population to have electricity from when it was “invented” yet it took only 5 years for the same percentage to have social media.


Pace of change is upon us, currently we think solely about the consumer. However, in the future, cars will speak directly from the consumer to the OEM. Toyota have announced that all their cars by 2022 will send data back to Toyota. Dealers need to be ready for this change.


DEALERS ARE MAKING LESS PROFIT PER VEHICLE THAN EVER BEFORE: GROSS PROFIT AS % OF SELLING PRICE



Prices going up but margins are going down. So Tim noted that dealers who are embracing technology and efficiency are making more money.

TECHNOLOGY IS IMPORTANT TO YOUR WORKFORCE

 **93%** Of Millennial workers say that a business having **up to date technology** is an important factor when choosing a workplace with non-sales roles

 **42%** Say they would **leave a company** due to “substandard technology.”

By 2020, 35% of your employees will be millennial and 25% will be Generation Z - they expect great technology that works. They expect the tools they use to make them more efficient.

SO WHAT ARE THESE EFFICIENCIES?

01 MASTER AFTERSALES TECHNOLOGIES

Aftersales accounts for 49% of dealership GP and Tim stated that everything should be done to free up the service advisor. They are the most important and potentially profitable member of staff in your dealership.

Tim stated third parties serviced 82% of registered cars in the last 12 months, and dealerships only capture 33% of the service visits. Why is this?

Service is a local business, 66% of vehicles purchased from your dealership will have a first service from you, however this drops to 30% at 3 years and 25% at 5 years. Why is this?

Aftersales is critical for retaining and driving future sales and Tim stated that 74% return to buy a car from where they have a car serviced compared to 35% who do not.

Dealers need to master key operational tools such as:

- Online scheduling
- Transparent pricing
- Text communication incl pictures – technicians obtaining instant approval
- Digital payments.

Tim stated dealers who adopt digital strategies have on average 40+ more RO's a month and 9.5% increase in retention.

02 ADVANCED SCHEDULING

Fill your dealership during slow periods by offering incentives during these time slots.

Loan cars utilisation – get the customer to use an app so they can flip the car into a rental if required. This app will also help charge the customer for fuel if required.

Tim noted that for the top performers – 85% of all service visits are via appointments, >30% are scheduled online.

03 OPTIMISE SERVICE LANE TOOLS FOR CONSISTENT PROCESSES

Top performers:

- 90-100% vehicles inspected
- Greater than 60% identified opportunities
- Greater than 50% of these purchased by the customer
- 15% reduction in one line RO

33% of customers want their cars valued whilst they are in for service use real time communication while the vehicle is in the shop.

Tim concluded that increasing profitability will be due to aftersales activity. The new and used car market is as good as it currently gets and Cox Automotive do not believe there will be any growth over the next three years. So in a steady market you need to be more efficient.

04 LEVERAGE DATA AND EFFICIENT PROCESSES TO OPTIMISE NEW AND USED STOCK ACQUISITION AND SPEED TO MARKET

Used inventory turn rate:

GOOD

12

GREAT

16

Used to New Ratio:

GOOD

1:1

GREAT

1.25:1

Aged inventory: OVER **55%** under 30 days old

05 EMBRACE DIGITAL RETAILING

Start the deal-making and financing process online and pick up where they left off when they come to the dealership to finish all aspects of the deal. In this way consumers are in control of the journey.

83% Prefer to do at least one of the purchase steps online

85% are more likely to buy from a dealership who offers at least some of the process online

Tim stated if dealers embraced this type of retailing then in theory a dealer doing 50 deals a week who saved 10 minutes per deal, would save 8 hours a week to allow the staff to generate more leads.

It is important to consider how you are doing the right things vs doing things right. Leveraging these processes and technologies will positively affect profit and the customer experience but will also be key in employee satisfaction, retention and acquiring great talent.

OCCUPATIONAL FRAUD IN MODERN DEALERSHIPS

EDIE WINES | CERTIFIED FRAUD EXAMINER, NADA

Edie began with some sobering facts about the amount of fraud that occurs across the world and across all industries, this equates to 5% of annual revenues with a median loss of \$130,000 per known case. There is not much specific information for automotive but a study in 2013 of 550 cases identified that 70 (13%) were motor related and the average loss was \$1m.

Edie then went on to run through a number of real examples she had seen in motor retail dealers.

WHO	HOW MUCH \$	HOW	RECOVERED	LEARNINGS
Financial controller	\$10m – by \$25k transfers a week	Covered transfers by bogus entries	£1m plus £200k from insurance	Split duties and sceptical mind
Office manager	£250k	172 cheques for warranty cancellations with forged signatures to herself	£500 per month over 42 years	Always check supporting documentation
Sales Manager	\$80k	Pocketed vehicle deposits to support gambling addiction	\$350 per month over 20 years	Require two signatures for each deposit and deal checklists
Parts counterperson	\$200k	Stole parts out of hours and sold for cash and covered by stock adjustments	Full recovery by insurance	Detailed review of stock adjustments and stop after hours access
Office manager	\$572k	Hid cheques to self in large piles for dealer to sign and sold cars to husband and wrote off the receivables	Courts agreed with insurance company and limited recovery to \$35k for 1 occurrence	Know your related parties, always require supporting documentation and check the detail of your balance sheet



OVERALL LESSONS FROM THE CASES WERE:

- Most occupational fraudsters are first time offenders
- The perception of being caught is the number 1 deterrent – so have a highly visible whistle blowing policy
- Ensure your controls have a random element and become “predictably unpredictable”
- Only 15% of organisations make a full recovery
- Change your culture and tone at the top to zero tolerance and 100% accountability
- Don't take your eyes off your business – trust your people but verify what they actually do.

MAKE PRE-OWNED GREAT AGAIN!

RANDY BARONE | PEARL TECHNOLOGIES HOLDINGS

Randy started the session by stating that used sales are strong however, there is still further opportunity to be more successful. He stated that profits have dropped by 50% since 2016, and luxury cars lost \$86 per used car in 2018.

SO WHAT IS CAUSING THIS?

- Many dealers following the same pricing and buying models – everyone is using the same data which is driving prices at auction and then forcing dealers to sell at lower prices - focus on buying cars from customers
- Many dealers are buying most cars from auction – This can be expensive as you have the cost of transport being added to the car and dealers might also be buying the wrong car. Why are some cars at auction – because owners don't want them!
- Many dealers are using the same marketing approaches – there is no competitive advantage, just a "race to the bottom"
- Big box players ie Carvana are taking away trade opportunities.

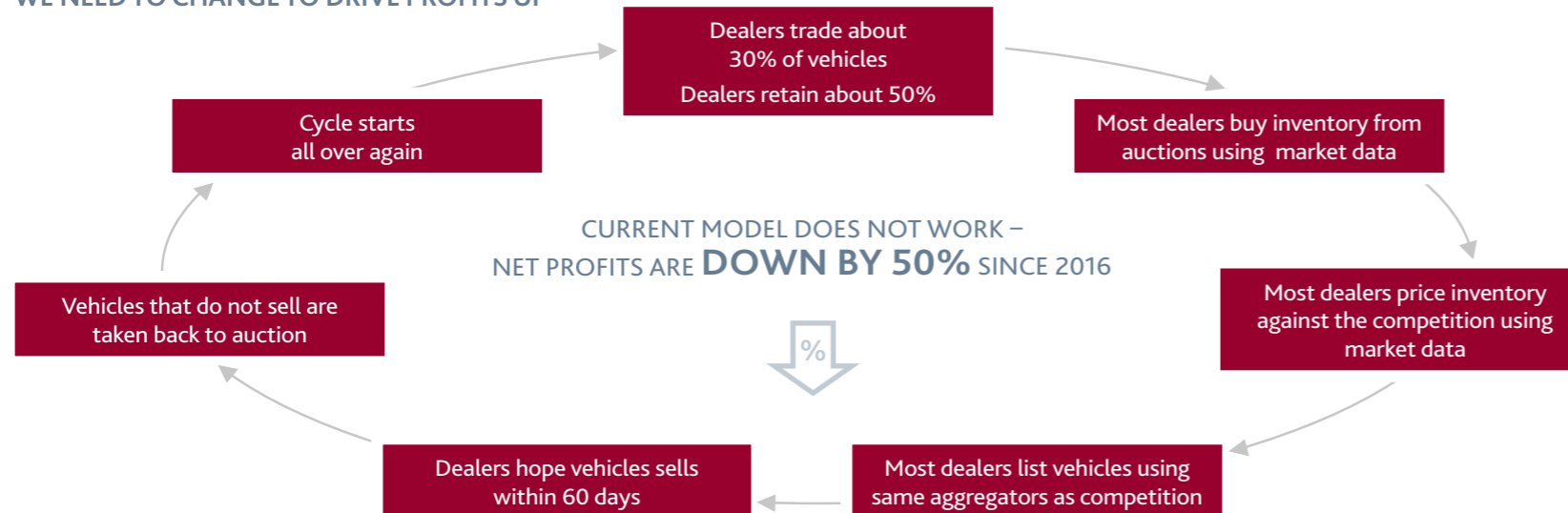
HOW SHOULD DEALERS EVALUATE THEIR USED CAR OPERATION?

- Do not be afraid of change
- Dealers are in this position because they often take a herd mentality – do not use the same methods as other average dealers in your market
- Don't base your sales goals on what you are currently doing – Andy said dealers should raise their level of thinking – if you are selling 100 then you should aim to sell 200, raise expectations rather than settling for the norm. Do things you don't want to do!

RANDY THEN CHALLENGED DEALERS TO CONSIDER THE FOLLOWING QUESTIONS:

- What is your store's retail goal?
- What is your trade goal? It must not be just to break even
- Do you have the right manager?
- Do you have the right number of sales people?
- Do you have the right training/on-boarding process
- How do you know what to stock?
- What are the sources of your inventory?
- What is your trade closing ratio? - if it's not over 50% then it's not good.
- How many vehicles do you buy from auction?
- How fast do your trade cars turn?
- How fast do your auction purchases turn?
- What is the average age of your stock?
- What is the average cost?
- What is your wholesale policy? Who is making the decision to trade them?
- Do you get alerted on under-appraisals and over-appraisals?
- Do you know if the competition is stealing your trade?
- How long does it take for cars to come out of service?
- What is your average recon amount?
- What is your average time to the web? a vehicle should be listed the same day you buy it
- Is your CRM proactive or reactive? Currently most are reactive, you need a CRM that drives opportunities.

WE NEED TO CHANGE TO DRIVE PROFITS UP



RANDY NOTED THAT DEALERS SHOULD REVIEW THEIR SOURCES OF INVENTORY

You should own your market on buying vehicles from consumers:

- Have a simple tool that enables customers to sell their vehicle to you
- Market to your DMS customers based on their propensity to buy.

Get boots on the ground

- Have a mobile unit that will go to customer homes or work if needed
- Pay sales people for finding customers that will sell you their vehicle
- Market to expiring lease customers for them to turn in their lease vehicle at your dealership.

Better in-store processes

- Get back to selling
- Make your dealership stand out
- Ensure salespeople are trained on what makes buying from you a better deal.

Consider targeting for marketing campaigns

- Airport valets
- Carwashes
- Geo-targeting
- Think out of the box.

Auctions

- Use new stock data methods of knowing what to buy
- Monitor buyer performance.

Randy finished by stating that the dealership Holy Grail is:

RIGHT PEOPLE + RIGHT STOCK + RIGHT PROCESS + RIGHT OPPORTUNITIES

In the sale process you need to be different. Dealers need to: out-recon, out-process, out-warranty, out-selection, out-present the competition and dealers need to get the sales people off the hope system and into the opportunity system.

Randy concluded the seminar by stating that dealers need to get back to the art of selling and they need to become better retailers!

There is good money to be made in the used car department however dealers need to be brave.

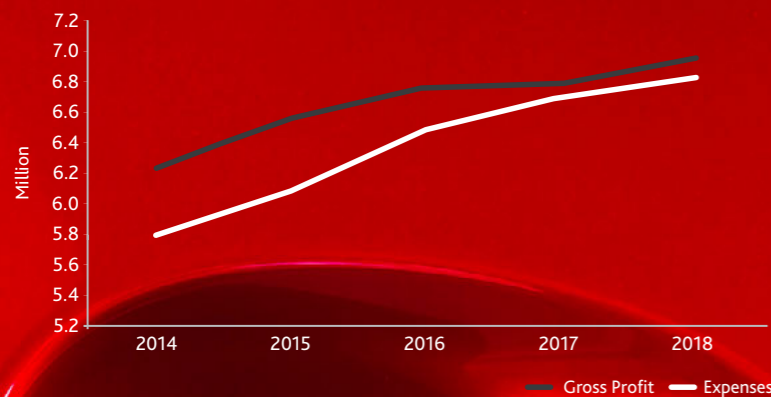


DRIVE IT HOME: FIVE WAYS TO REDUCE EXPENSES FOR HIGHER PROFITS

STEVE WOJCICKI | CROWE LLP

Dealership profitability is now harder to achieve, the market has slowed and margins are reducing - expenses are getting closer to gross profit.

AVERAGE DEALERSHIP PROFILE



The following five areas incur more than 50% of total expenses and so Steve noted the following opportunities to reduce costs:

01 PERSONNEL

The largest expense to a dealership. Median cost is around 52.5% and for the best performing dealerships 43.9%. But where should dealers look to review their personnel costs.

They should review:

- Structure and productivity – staff costs have increased (partly due to manufacturer requirements) however dealers should review each department and consider reductions
- Workflow and processes – how long do customers spend in your dealership – dealers should aim for less than one hour per customer
- Support personnel
- Number of service advisers – Steve noted dealers should aim to have enough service advisers to cover 2 hours per repair order.

Staff turnover continues to be high in the sector and employee turnover is becoming more and more costly. This includes lost productivity, loss of repeat sales, distraction to manager focus/time, hiring costs ie Advertising, interview time and finally training costs.

All pay plans must be aligned to operating results and managers' target salaries should be based on forecasted profits.

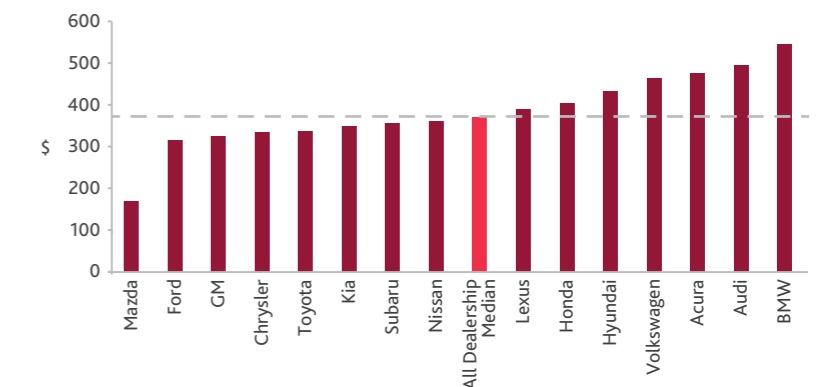
02 FINANCING

- Dealers need to understand the market and the basis for reductions. Are your rates competitive?
- Quantitative factors – dealers should look to drive down their stock days as this will lead to lower interest costs. In addition, dealers should review their sales and contract funding process and analyse how many days the financial institutions are taking to pay the credit. If you use a number of financing companies, why do some take longer to pay than others?
- Consider a cash management programme – dealers could carry out a frozen cash analysis ie work out how much is tied up and when it will be released.

03 ADVERTISING

More and more is carried out through digital channels but how clearly are we monitoring its effectiveness? Dealers need a process to establish monthly goals and monitor actual expenditure. Click through rate, cost per click, cost per conversion – should be monitoring digital effectiveness

ADVERTISING COST PER UNIT SOLD



04 DATA PROCESSING

A significant cost to dealers and an area that is sometimes just accepted as being right.

However, dealers should review DMS monthly invoices and review wider vendor contracts— are you paying for too much memory, being billed for old computers, printers? Dealers should not be scared to challenge this.

Steve noted that some dealers have seen savings of \$500 to \$1,000 per month once they closely reviewed their contracts and invoices. Dealers should start a review of contracts early, it appears to be a buyers' market at present and therefore they should be on the front foot.

05 INSURANCE

Dealers should look to improve the overall risk management.

- Are you taking all necessary steps to improve this?
- Are employees adequately trained?
- Are you insuring the right assets to the correct levels?

POTENTIAL OTHER AREAS TO CONSIDER:

- Loan cars – use data to review these cars ie utilisation rates, turn rates, use of fuel etc. Some dealer group have or are considering using Uber instead of loan cars etc. This has led to some significant levels of savings
- Credit cards - ensure appropriate limits are used and reduce processing fees
- Utilities – are you using best technology (LED) and best management tools ie timers, movement sensors etc
- Miscellaneous expenses – can hide a myriad of costs. What is included in there?
- Accounting office/personnel – is it fit for purpose?

Finally, Steve noted that dealers should understand their buying power. They should have effective purchasing programmes, reduce number of vendors, analyse expenses by category and vendor and have a preferred vendor list. This will help reduce the overall cost base. Managers should be empowered to reduce expenses. They are focussed on gross profit and not always on expenses. Their pay plans should align to the dealership's financial goals.

THE KEY POINTS FROM THE SEMINAR:

- Conduct a self-assessment and evaluation
- Focus on common expense reduction
- Dig deeper into expenses often overlooked
- Capitalise on your buying power
- Set and monitor performance goals.



MILLENNIAL PROBLEM SOLVERS : HOW TO LEAD THE NEW GENERATION

NICOLLE LAMB | VP PROCUION DEALER INSPIRE

BIGGEST DEALERSHIP CHALLENGES

Hiring and keeping quality employees is the biggest headache for dealers currently and Nicolle stated that turnover of staff has the biggest impact on profits.



WHAT YOU HEAR OF THE NEW GENERATION

- Lack of drive
- Lack of loyalty
- Fickle nature.



HOWEVER, WHAT DO THEY BRING TO YOUR TEAM?

- Strong desire to make a difference
- Outstanding problem solving skills
- Trusted to believe in the mission of the company.

We need to foster and use these traits for the benefit of the business.

START WITH A CULTURE

Tenets, principles, purpose, mission and vision. What does your business stand for?

Nicolle said every company has a culture whether or not you have built it, someone in the business will have done.

CREATE A CLEAR 'GROWTH FOR GROWTH' OBJECTIVE

- Outline their current position
- Identify the next level/opportunity, mentor and coach
- Review the steps to get there
- Do this on day one, review on day 30 and regularly thereafter.

We need to be able to tell people how they are going to grow and develop.

HIRE THE RIGHT PEOPLE

A skill can be trained so do not pass people up if they do not have the skill as this can be coached. However, a trait is more important, hire for traits not skills. Look for overachievers, the seekers ie people who will look for answers.

GET FEEDBACK

- Listen
- They are used to giving feedback so want opportunity to give feedback
- They will be vocal; they will tell you what will make them loyal
- Listen to what they say
- Measure anonymous feedback through software.

Give them the question not the answer

- It is a strength not a weakness
- Listen to their thought process
- Implement and support their vision.

Trust them, encourage them and support them

- This cannot be words on a page
- Encourage them when they have done something right
- Trust them will go a long way to building a success story.



NICOLLE SAID BEWARE OF THE PITFALLS, DON'T:

- Treat them like a rookie
- Boss them around
- Give them the answers not the questions
- Tell them just to do their job
- Label them millennials!

CONSTRUCT POWERFUL PAY PLANS THAT DRIVE PROFITABILITY

ANDY CHURCH | CEO, DEALER SOLUTIONS

Andy began by explaining that pay plans are important to attract talented candidates, retain great employees, motivate behaviour and provide managers with greater control.

THERE ARE 4 MAIN GOALS THAT A PAY PLAN SHOULD BE DESIGNED TO ACHIEVE. THEY ARE:

INCENTIVISE

The pay plan should have an element that provides the employee with an incentive to show up and do their job. This could be in the form of a base salary, a commission, a bonus or other forms. Not all incentives are monetary and of course you can be creative as well.

MOTIVATE

Defined as stimulating someone's interest or enthusiasm for doing something. That is an essential goal of a powerful pay plan. If there is no self driving interest to perform, either positive or negative, then we will not achieve enthusiasm.

REWARD

Defined as a thing given in recognition of one's service, effort or achievement. The goal of the reward is to recognise current efforts and ultimately encourage more of the same behaviour in future.

DRIVE PROFITABILITY

This is the one that is often not discussed or even mentioned. Why? Everyone should know and understand that the reason the business exists is to make a profit. This is the very reason we are able to employ people and keep them employed! So, don't sweep this under the carpet, talk about it, explain it and make the employees part of the team driving profitability!

DESIGNING A SUCCESSFUL PAY PLAN

- **Position not person** – In other words, just because Bob looks good on paper don't give him a "special" technician pay plan to do the same job as your other technicians with the same skill
- **Define success** – If we don't know what success looks like in monetary compensation, performance achievement, and any other areas we expect, how can we know if the person achieved success or if the pay plan had any impact on performance?
- **Recognise activity** – In the automotive industry this may be the most overlooked item. Commission based pay plans don't reward or even recognise the activities required to achieve success. For example we only pay if you sell the vehicle, but we know if the sales person were to do more prospecting and more training on how to conduct a proper test drive, the dealership would sell more vehicles. But instead we place our fate in their hands to want to put the work in needed, that's insanity!
- **Win = Win** – A successful pay plan will result in a win for both parties involved. So the dealership gets a win and the employee gets a win. If the employee earns more money than ever yet the dealership is far less profitable, you can bet that the pay plan will be out with the rubbish in no time!

KEYS TO A SUCCESSFUL PAY PLAN

- Give the employee stability – with a dependable wage, leadership vision and a sense of team
- Give the manager an element of control:
 - With activity components – training, prospecting or service walk a rounds for example
 - Subjective components – based on manager's observations such as attitude, timeliness, clean working stations
- Employee path – to give a clear direction to increasing their income or forwarding their career
- Linked to the dealer's budget – for a win win, set targets and communicate, make it aggressive but achievable, have tiers – don't give away the bank in one go.

FROM CLICKS TO BRICKS: MEASURING THE VALUE OF DIGITAL

KELLY MCNEARNEY | SENIOR AUTOMOTIVE STRATEGIST, GOOGLE



“Exponentially more people will see your mobile site than your bricks and mortar”

Kelly described this as a “fundamentals” session rather than one for the experts and started by describing today’s auto consumers as:



Curious – searches relating to “best vehicle for pets” has grown nearly 80%



Demanding – the overall volume of local searches without ‘near me’ has outgrown those that include ‘near me’



Impatient – there are 2X as many test drives on YouTube as there are in dealerships

Your challenge (and that of Google!) is the need to understand exactly what people want and assist them, bearing in mind that of the average 24 touch points in researching for a car, 19 of them are digital.

You need to establish the right metrics, understanding that 65% of all search traffic now takes place on mobile, but only 26% of people who purchased a vehicle in the last 6 months filled out an online form. The important interaction metrics (for customers with ‘purchase intent’) according to Kelly were phone calls, VDP page views, time on site, chats/text messages, contact us/appointments/test drives and those asking for directions to your dealership.

An absolute must is to gain insight into performance With ‘Conversion Tracking’ a free tool available from Google.

IN SUMMARY YOUR PLAN TO DRIVE MORE VALUE FROM YOUR MARKETING SHOULD INCLUDE:

- Capture the right metrics – identify the most valuable actions on your website
- Measure where your sales come from – Test an attribution model to see if you’re making an impact earlier in the car buying journey
- Amplify Local – Expand your local presence to shoppers who are ready and looking to visit your dealership.

In addition, look at different attribution models beyond ‘last click’:

- **Linear** – credit distributed equally across all keywords
- **Position based** – first and last clicked keywords each receive 40% of credit; 20% is distributed across all other keywords
- **Time Decay** – recent clicks are valued higher than older clicks (using 7-day half life).

Google can run a simulation model based on your last google ads campaign to see what would be the most effective.

Dealers should build a local strategy and measure online advertising impact to traffic in their dealership (97% of vehicle sales still happen at a dealership). You can reach consumers at scale with local ads format across Google properties – Search, Maps, YouTube and Display. Use bid-by-location to bid higher for customers closer to your dealerships (when shoppers within 5 miles of a store clicked on search ad, their store visit was 1.7x more likely to be incremental than shoppers beyond 5 miles.

Kelly gave an example of a Honda dealership that wanted to measure the impact of search and video on driving foot traffic. The approach was to use Google’s store visits measurement to understand the impact of Search and YouTube Truview campaigns on foot traffic. The results were a total Store Visit cost of \$61, however, YouTube video remarketing is driving ROI of 15:1, this delivers a more cost effective average of \$32 per store visit.

If you want to learn more Kelly suggested downloading Google’s Dealer guidebook at www.thinkwithgoogle.com/marketing-resources/auto-digital-retail-trends, and subscribing to Google’s Automotive Newsletter: <https://services.google.com/fb/forms/autonewsletterform/>

PREPARING TODAY FOR TOMORROW'S AUTO RETAIL EVOLUTION

DALE POLLAK | EXECUTIVE VP COX AUTOMOTIVE AND ALAN HAIG – HAIG PARTNERS

This session was one of a number of 'distinguished speaker' sessions and there was a big audience in the room to hear what Dale Pollak had to say.

Dale began by saying that disruption was nothing new, dealers were used to dealing with ever changing manufacturer demands, fast developing online offerings to both dealers and their customers and margin compression (in the USA used PPU was negative with profits and volumes falling) but dealers were at a crossroads.

He said that there were four critical areas to drive efficiencies and opportunities:

- 01 Human capital – the industry faced 70% attrition
- 02 Distressed inventory
- 03 Advertising and promotions moving to the internet
- 04 Vehicle Technology

Future success required embracing the discomfort and disruption that was emerging from autonomous vehicles and ride sharing, which Dale said would converge. There was huge investment going on in autonomous vehicles, driving lower costs and increases in safety and the younger generations were less interested in vehicle ownership and embracing ride sharing for subscription/mobility services that were developing and expanding rapidly.

Cox Automotive were forecasting a reduction in retail sales units in the US from around 14.5m today to 12.9m in 2023 and 8.7m in 2034, this would be partially offset by an increase in fleet sales from around 3.6m to 6.6m over the same timescale. They also forecast fewer dealerships and larger groups which would be required to remain profitable.

Dale concluded that opportunities would remain for those dealer groups with a disciplined approach whilst also continuing to be innovative in the move to online sales and subscription models.



HOW WE CAN HELP YOU

If you would like further information about this publication or our specialist knowledge of the motor retail sector, please contact:

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