

Why Should Auto Dealers Use the Internet to Sell More Cars?

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Why Should Automobile Dealers Utilize the Internet to Increase Car Sales?

The first place serious buyers go when shopping for a new vehicle is the Internet. A new study by JD Power and Associates found that of the 64% of new-vehicle buyers use the Internet while shopping for a car¹, 88% will visit automotive Web sites before going into a dealership for a test drive.²

According to Julie Ask of Jupiter Media Metrix (JMM): "Nearly one in three new car purchases in the U.S. will be an Internet-generated sale by 2006," representing approximately 5.7 million cars, or 32% of all new car deals.

Paul Taylor, chief economist with the National Automobile Dealers Association (NADA), agrees that Internet sales are here to stay. "The Internet will continue to gain popularity as a device for consumers to educate themselves about new cars and trucks," Taylor said. "Overall customer satisfaction with the new car buying experience is up over the last two years and the Internet is part of that achievement."³

In fact, the top dealers in the nation have demonstrated that Internet leads have enabled them to continue growing and gaining market share, even in challenging economic times. The *Ward's Dealer Business* top 100 e-dealers, those dealers that best utilize the Internet to sell cars, sold 22% more vehicles in 2002 than 2001 and sold 33% more vehicles in 2001 than 2000.

Local auto dealers, like Bill Frysinger of Gettel SuperCenter in Sarasota, Florida, agree that car buyers are going online when they want to buy cars, "The volume of Internet sales is continuing to increase. As the younger people get of buying age, I'd expect them to buy more and more things online, including automobiles."

¹<http://subscribers.wardsauto.com/Microsites/index.asp?pageid=6675&srid=11524&magazineid=43&siteid=26>

² <http://www.roadandtravel.com/newsworthy/Newsworthy2002/jdpowerautosites.htm>

³ <http://www.macon.com/mld/macon/business/5674432.htm>

Offline Auto Dealers Partner with Automotive Internet Companies

In the recent past, some believed that Internet retailers posed a threat to their brick and mortar counterparts, as some Internet-based automotive companies poised themselves to take over the offline retail auto industry. After the dotcom meltdown, however, retail dealerships still stand, and the Internet serves as a fundamental channel that enhances, rather than erodes, the way offline dealers do business. For automotive dealers and manufacturers, the Internet serves as a tool that provides access to consumers who are essentially waving their hands and saying, "Hey, I am interested in this car. I want to know more!"

According to the study by J.D. Power, an automotive Internet user visits an average of seven different Web sites before making a purchase.⁴ Julie Ask of JMM confirms, "Consumers still perceive third-party auto sites to be more impartial and innovative, offering tools, chat rooms, and a breadth of links to services that were only recently adopted by some manufacturers."

Today, brick and mortar retail dealerships work in tandem with automotive Internet companies to sell more cars. While the Internet is the first place consumers go when they want to buy a car, their final step takes place in the showroom, when they get to take it out for a test drive.

Get a Higher Return on Your Advertising Investment Using Internet Sales Leads

While auto dealers spend hundreds of thousands of dollars on traditional advertising, they still have no precise way of measuring whether consumers are actually paying attention. On average, auto dealers spend \$550 on traditional advertising per one car sold, while the average cost per car sold using Internet advertising is only \$200.

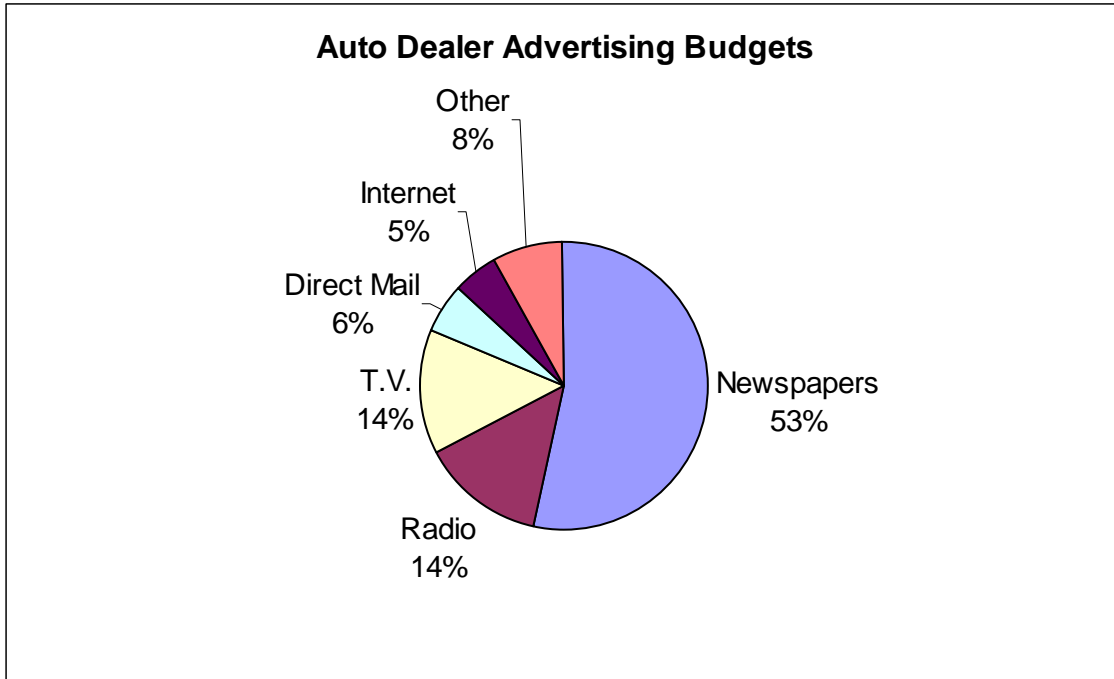
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| <p>Average Advertising Cost per Car Sold:</p> |
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| <p>Traditional Advertising - \$600</p> |
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| <p>Internet - \$200</p> |
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⁴ <http://www.roadandtravel.com/newsworthy/Newsworthy2002/jdpowerautosites.htm>

Despite these resounding numbers, many auto dealers still dedicate only a fraction of their advertising budgets to Internet-generated leads. According to NADA, in 2001, the average dealership generated 13% of new car sales from Internet leads, but dedicated only 5% of its advertising budget to Internet marketing and advertising.⁵ However, investments in Internet marketing have been steadily increasing over the past few years. According to research firm Competitive Media Reporting, since 1996, the auto industry has been increasing its expenditures on Internet advertising and marketing on average by 53% per year.⁶



⁵ http://www.nada.org/Content/NavigationMenu/MediaCenter/NADADData/NADA_Data.htm

⁶ <http://www.autonews.com/article.cms?articleId=43216>

Dave Kalmus, Internet Sales Manager (ISM) at Trans Ocean Volkswagen in Pasadena, California, recognizes the Internet as a cost-effective lead producer: "To be honest with you, we don't do a lot of newspaper advertising," said Kalmus. "It's very costly. We do pull a lot of the local people regardless if we advertise in the paper or not. With the Internet, however, it does bring people from greater distances. These people might never have dreamed of coming to our dealership."

Utilizing the Internet as a marketing tool allows offline dealers access to savvy, serious car shoppers – not just a passive audience watching a television commercial or listening to a radio ad. "These shoppers are a lot more knowledgeable. They know more about cars than I do. They have all the time in the world to study every car online," said Jim Povio of Redwood City Dodge in Redwood City, California.

In addition, unlike broadcast and offline print ads, Internet leads provide precise information about consumers and their preferences. The automotive Internet company can then filter and verify this data so dealerships receive a higher quality lead with a greater probability of ending in a sale. It's clear that Internet-generated sales leads are the efficient means for dealers to gain access to interested customers. While traditional ads require up-front payment with no guarantee of customer response, the Internet lead model is a performance-based system: you pay for the leads, not just the advertisement.

Dealerships Expand Their Sales Territories with Internet Leads

Internet leads generate sales revenue that would not otherwise be captured on the showroom floor. Some customers simply live too far away from dealerships, while others may be unaware of a particular store without being referred by a lead provider.

"I definitely saw that we could expand our range of business from 10 to 30 miles," said Tom Stall of Bob Stall Chevrolet in La Mesa, California. Stall confirms the Internet has allowed him to triple the size of his typical sales territory: "People who won't shop in person will shop electronically." His Internet sales team currently handles 500 leads per month, representing 15% of Bob Stall Chevrolet's customers. "We're definitely getting people who normally wouldn't shop us," said Stall.

Bill Frysinger of Gettel SuperCenter in Sarasota, Florida agrees, "We're attempting to reach out beyond our normal market to get some incremental business. That's why the radius that we use with Dealix is beyond our normal market." In addition to the Sarasota market, Frysinger requests leads from a 50-mile radius beyond Sarasota: car shoppers from Tampa in the north to Fort Myers in the south.

By the same token, auto dealers can utilize Internet leads to defend their existing sales territories. Because the Internet has liberated consumers from being geographical captives, dealers should avoid the unrealistic belief that locals will automatically shop at their dealerships. Just as Internet leads can enable dealers to expand their sales territories, they also give dealers information on the vehicle buyers who are in their own back yards. Equipped with this information, dealers can provide relevant incentives to attract and maintain local clientele.

Internet Speed and Dealer Response Increase Closing Ratios

The speed at which Internet-based service companies generate leads keeps dealers on their toes. A study by Aston Martin Jaguar Land Rover of North America (AMJLR) attests to how critical it is for dealers to launch a quick response to hot Internet sales leads. AMJLR reported that user-friendly Web sites and an immediate response to sales leads directly influenced undecided car shoppers to buy AMJLR cars instead of other luxury vehicles. The study concluded, "An incremental sale may be generated when a superior online shopping experience is combined with a seamless transition to the offline retail purchase arena."

Dealers Are Catching On

"The Internet is here to stay. There's no doubt about that in my mind," said Scott Smith, Internet Sales Manager at Findlay-Nolte Honda in Kingman, Arizona. "Dealers don't have to reinvent the wheel when they pursue Internet leads; they simply have to find the right online partner."

Given the latest trends in online car shopper behavior, it is essential that dealers re-evaluate their advertising budgets to justify spending hundreds of thousands of dollars on print, broadcast, and direct mail advertising channels while Internet leads, by comparison, are a bargain in terms of price and conversion rates.

It's clear that all signs point to the Internet as the premier starting point for serious car shoppers. Smart dealers will want to catch them at the starting line.