MARCH 2023

ARE CAR DEALERS REALLY SET UP FOR AN OMNICHANNEL FUTURE?

CONSUMER AND DEALER RESEARCH FINDINGS

FOREWORD

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Automotive retail is changing. From the agency model and online-only retailers with disruptive visions (and budgets!), to the rise of EV and the imminent demise of some of the nation's best-selling models, and on to a revolution in consumer behaviours and expectations fuelled by technological and cultural change. These are busy – and fascinating – times for everyone involved in the motor trade.

In this report, we consider just one of these factors: digital retail. Digital retail isn't new of course, but in automotive it's fair to say we've experienced a faster pace of change in the last four years than we have the previous forty. The influence of digital channels and tools on how consumers find and choose cars, and how retailers interact with their customers, is undeniable.

But just how important do consumers regard digital? And how are retailers meeting their needs? And, how connected is the buyer journey today? Is omnichannel just a buzzword or is it something tangible that's already happening?

To find out, we surveyed over 3,000 car owning consumers and used car dealers.

We asked consumers (over three quarters of whom have recent experience buying a used car) what they want when it comes to researching and buying a used car. Our thanks go to **Regit** for supporting this survey.

Our panel of used car dealers was made up of franchised dealers (53% of the sample) and independents (47%).

Over the next eight pages, we share the findings and our initial thoughts. We'll be diving deeper into the data and considering what we can learn from the sentiment shared (and asking some further questions) over the coming weeks and months. The outputs of these musings will be posted in the **content hub** at coxautoinc.eu.

I hope you find this report not only interesting, but useful too. We'd love to hear your view, so please let us know via our social channels. And finally, if this report sparks an interest you'd like support exploring further, **email me** and I'll connect you with one of my retail solutions colleagues.

Thanks for reading,

Philip

WHAT DO USED CAR BUYERS WANT?

THEY SEARCH FAR AND WIDE

53% research via a search engine

67% make use of a used car marketplace

e.g. Auto Trader, eBay Motors

31% visit a manufacturer or retailer's website

62% physically visit a dealership

We think this feels low. What's your view?

THEY EXPECT A SIMPLE AND JOINED UP EXPERIENCE

94% expect their interactions with a dealer to be joined up and simple

Two-thirds think this is very important

80% expect details provided online to be available instore

THEY EXPECT A 'QUALITY' WEBSITE

75% say it has an influence on their decision to buy

35% say it's a major influence but 10% say they're indifferent

PART-EX IS IMPORTANT TO THEM AND THEY'RE HAPPY TO PUT SOME EFFORT IN TO GET A MORE ACCURATE VALUATION

63% expect to be able to get a part-ex valuation on a retailer's website

84% will happily give additional information to get a more accurate valuation

Over a third have already done this

THEY EXPECT AN ARRAY OF DIGITAL TOOLS TO HELP THEIR SEARCH & DECISION MAKING

92% search available stock

73% quality photos

63% part-exchange valuation

46% video walkaround

29% ability to purchase and complete

Of those in the market for finance, 14% say they've applied via a dealer's website before, and 27% would consider it

BUYING 'UNSEEN' IS NO PROBLEM FOR A QUARTER OF USED CAR BUYERS

18% have already bought a used car without having first seen it

7% can imagine doing this

Though **66%** say they can't see themselves doing this

Cox Automotive

With thanks to Regit for supporting this survey. Regit

KEY THEMES AND LEARNINGS

We've crunched the numbers and read between the lines and identified six themes that sum up consumer and dealer sentiment about digital retail today.

Quick links – tap number to go to section

01

Dealers are exceeding expectations when it comes to digital functionality.

02

A slick part-ex process is key – and a missed opportunity for some dealers.

03

Demand for a simple and joined up experience is universal – and dealers are on the way.

04

Online engagement is commonplace – and demand is rising.

05

Dealers are investing in their websites and online capabilities – and they see the benefits.

06

There is demand for an entirely online sales capability – and it's growing.

01 DEALERS ARE EXCEEDING EXPECTATIONS WHEN IT COMES TO DIGITAL FUNCTIONALITY

Used car buyers are demanding when it comes to what they expect from retailers, particularly when it comes to the tools they want to find when on their websites. As you'd expect, the majority think the ability to search available stock and quality photography is a given, but almost two-thirds expect to able to get a part-ex valuation too, and for almost half video has become an expectation, not a nice to have.

Just shy of half of the dealers we spoke to said demand for online services and resources had increased in the last year. So it should come as no surprise to find that dealers are, broadly speaking, exceeding customer expectations when it comes to website functionality, as the chart clearly shows. Independents are trailing behind their franchised counterparts in a handful of respects, but it's just video where they need to catch up with consumer expectations.

WHAT THE DATA TELLS US...

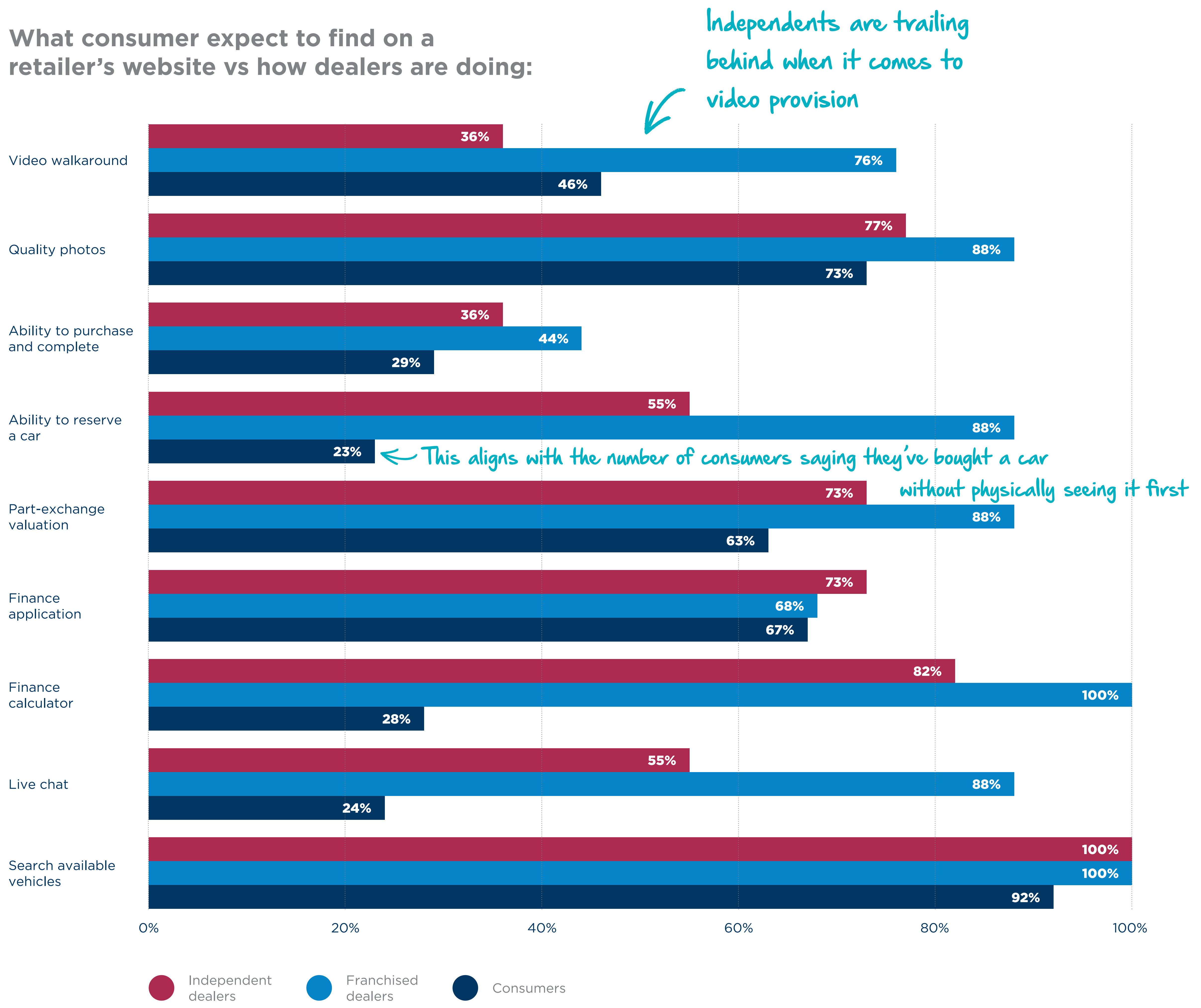
47% dealers say demand for online services and resources has increased in the last year

29% consumers expect to be able to complete a purchase online

67% consumers indicate they want finance

But 52% of those indicating they want finance say they wouldn't want it via a dealer's website

What consumer expect to find on a retailer's website vs how dealers are doing:



Quick links – tap to go to key themes

02 A SLICK PART-EX PROCESS IS KEY
AND A MISSED OPPORTUNITY FOR SOME DEALERS

It's generally thought around half of new or used car transactions involve a part-exchange, and as many as a third of potential deals fail due to a disagreement on the value. We therefore weren't at all surprised to see that 63% of consumers expect to be able to get a part-exchange valuation on a retailer's website, and the majority of dealers are catering for this need.

But drill into the data a little deeper and we can quickly see that independents are lagging behind their franchised dealer peers: 'just' 73% independents can provide a valuation online vs 88% of franchised dealers. We're also encouraged to see that 70% of dealers can connect their digital and physical part-ex processes.

Consumers hate repetition and consistency breeds trust, so this gets a thumbs up from us. Note the opportunity gap though: while 11% of our sample blame a lack of connected functionality on technical issues, 15% could join up the process, they just haven't.

	Franchised	Independent
Website can provide a part-ex valuation	88%	73%

WHAT THE DATA TELLS US...

63% of consumers expect to be able to get a part-exchange valuation a retailer's website

84% of consumers will give additional information to get a more accurate valuation

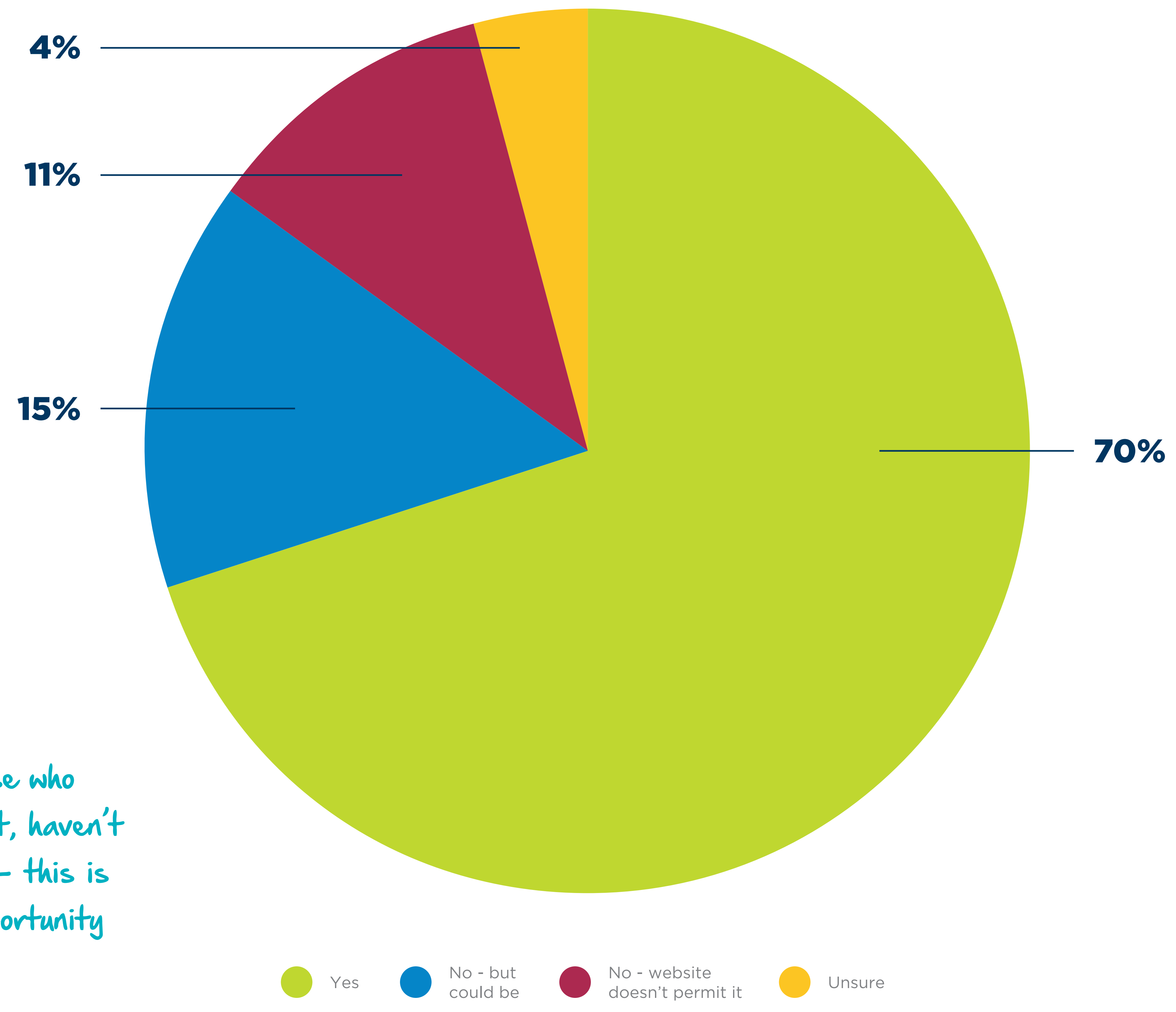
81% of dealers can provide a part-ex valuation on their website

70% of dealers can connect their on- and offline part-ex process

15% of those who could connect, haven't yet done it – this is a missed opportunity

Important when you consider how part-ex can be a great stock source

Are your on- and offline part-ex processes joined up to save repetition?



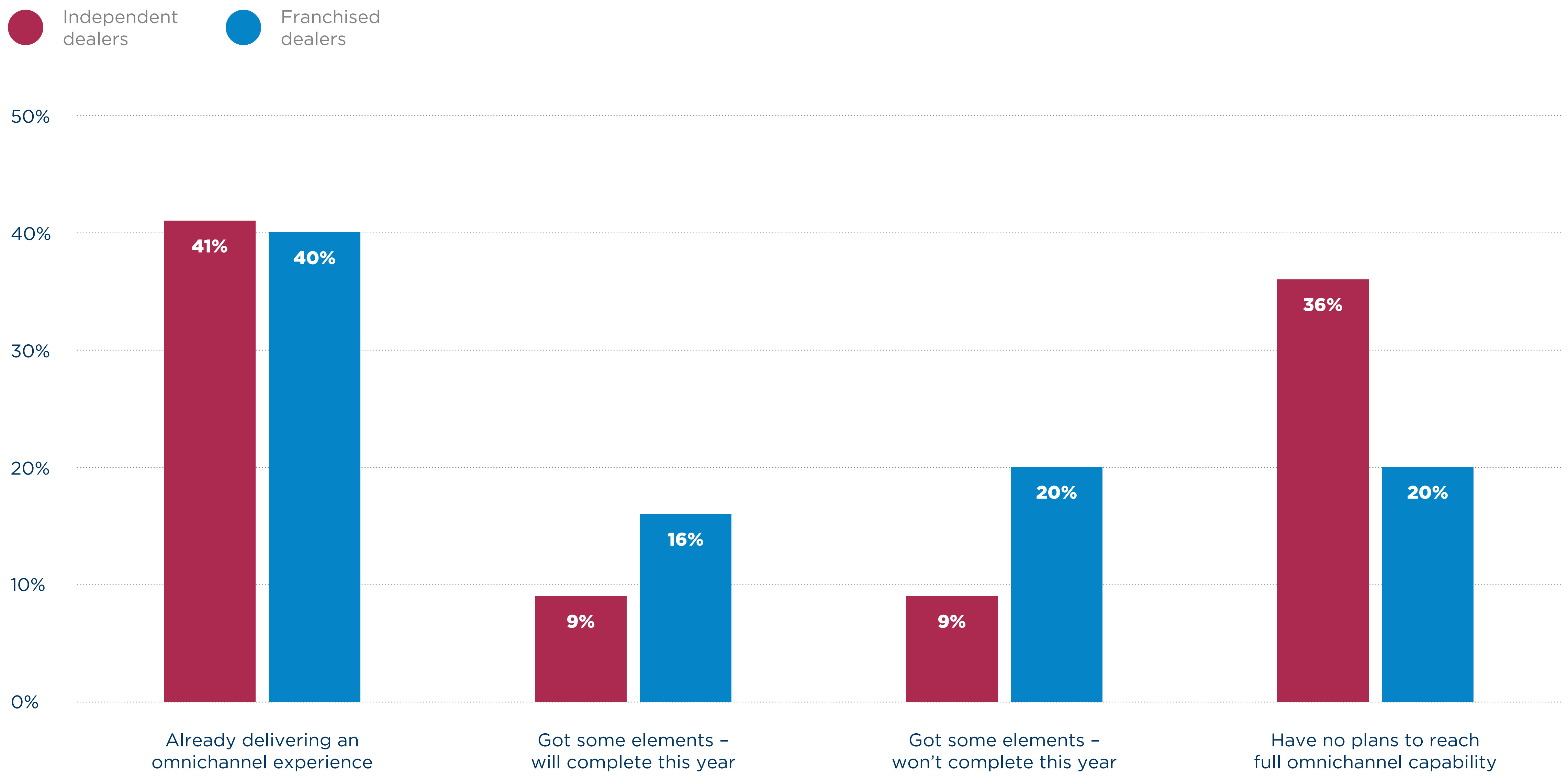
Quick links – tap number to go to section

03 DEMAND FOR A SIMPLE AND JOINED UP EXPERIENCE IS UNIVERSAL AND DEALERS ARE ON THE WAY

No one enjoys repetition of processes, it's frustrating and inefficient. Car buying consumers are crystal clear about this: 94% say they expect their interactions with a dealer to be simple and joined up (66% say this is very important). Eight in every ten say they expect details provided online to be available instore. Ultimately, isn't this what omnichannel is all about?

Our dealer sample indicates they're well on their way to meeting this expectation. Two-thirds say they're already 'delivering an omnichannel experience' (this applies to both franchised and independent dealers); while 13% say they'll get there this year. This is positive.

But dealers are not universal in their belief this direction of travel is entirely necessary, as the stats on the right show. Yet there's a contradiction in the data; despite 82% of dealers saying omnichannel offers customer and business benefits, 28% say they've no intention of reaching a full omnichannel capability...



WHAT THE DATA TELLS US...

Of those not saying they're 'already omnichannel'...

This isn't a typo – opinions really are split this evenly!

35% say there's not enough demand from their customer base

35% don't see it as being necessary for their business

35% say their web and/or IT infrastructure can't accommodate it

16% say the cost is too high

Of those with no intention to create a full omnichannel capability...

30% don't believe there's sufficient demand from their customers

40% don't think it's necessary for their business

70% admit it can drive additional sales

There's a contradiction in these responses we'd like to explore further

04 ONLINE ENGAGEMENT IS COMMONPLACE AND DEMAND IS RISING

It comes as no surprise that most consumers are engaging with online channels, tools and resources as a part of their car buying journey. Nevertheless, the data from this survey reveals some interesting detail.

A quarter of dealers say between 90-100% of their sales involve at least one online interaction; in fact, franchised dealers say every sale has at least one online engagement. Two-fifths estimate over 75% of their customers click, tap or swipe at some point before signing on the dotted line.

This level of engagement is reflected in two stats already referenced elsewhere in this report: 47% of dealers say demand for online services and resources has increased in the last year, and 75% consumers say a quality website has an influence on their decision to buy.

Read on to **section 05** to see how this momentum is influencing investment decisions.

WHAT THE DATA TELLS US...

26% of dealers say between 90-100% of sales involve at least one online interaction

43% of dealers say over 75% of sales are preceded with a digital dealing

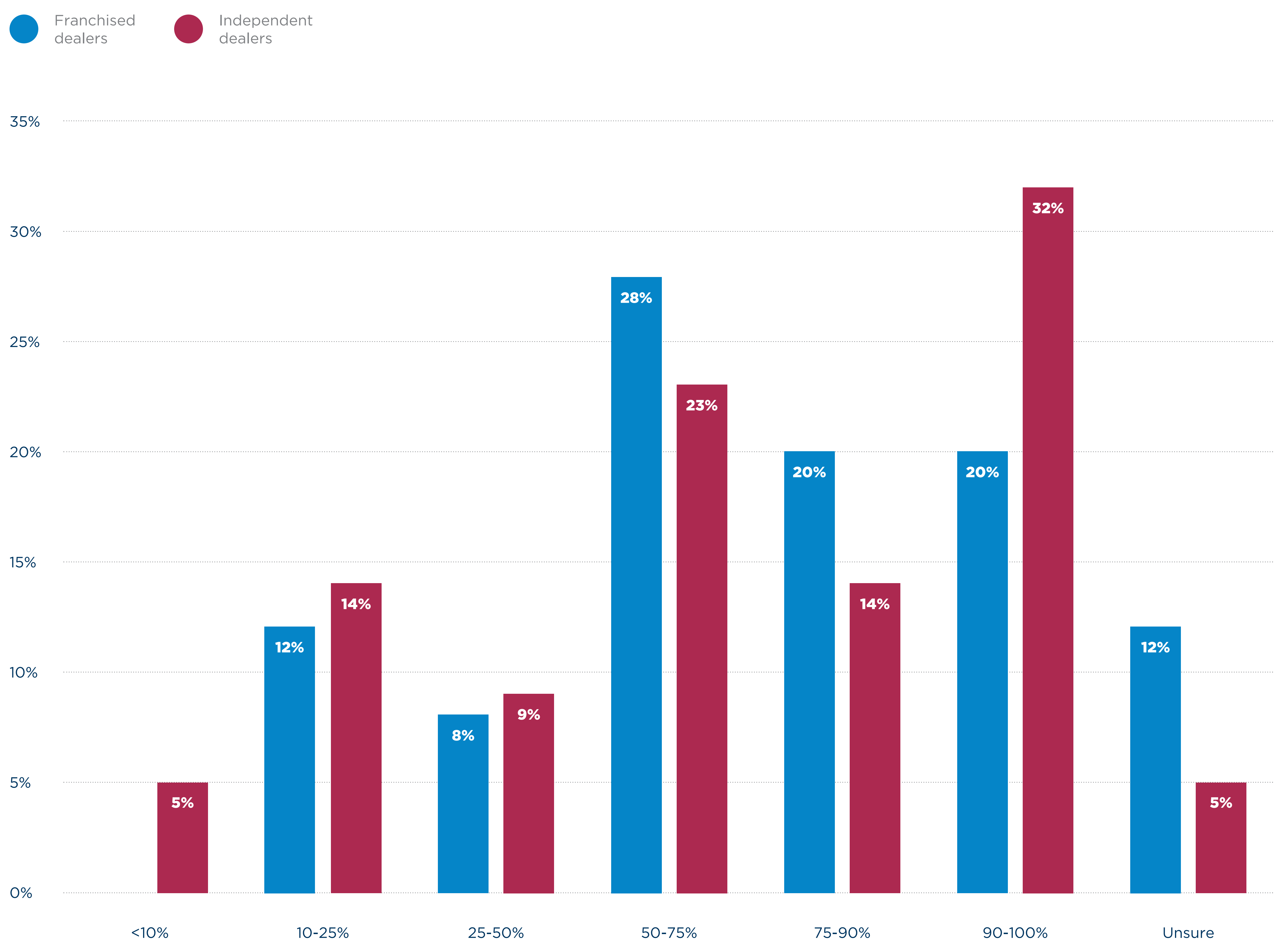
68% of dealers estimate over 50% of sales involve a click, tap or swipe

47% of dealers say demand for online services and resources has increased in the last year

2% of dealers reckon fewer than 10% of sales attract an online interaction first

Only independent dealers share this view

Approximately what percentage of your sales involves at least one online interaction?



05 DEALERS ARE INVESTING IN THEIR WEBSITES AND ONLINE CAPABILITIES AND THEY SEE THE BENEFITS

Understanding where a business is choosing to invest is a good indicator of what it sees as being important. So according to this survey, dealers must see their websites as being very important, as just over four-fifths invested in them in 2022.

What's motivating this spend? Two-fifths say they did so because of increased competition from the so-called digital disrupters (franchised to a greater degree than independents). Just under a third cited the consequences of the pandemic as a motivator, but a desire to improve the customer experience trumps all as the key motivator for investment.

We also asked dealers what benefits (perceived or otherwise) they thought an omnichannel experience bought customers. Pleasingly, 'improves customer service' was the number one reason (connecting very nicely with the key reason for investment cited). But it's worth noting, two of the top five benefits are efficiency and opportunity gains for the dealer.

What motivated your website investments in 2022?

Of those investing...	All dealers	Franchised	Independent
Ambition to enhance customer experience	68%	76%	58%
Changing customer habits/behaviours	57%	52%	63%
Increased competition from digital disrupters	38%	48%	26%
Consequence of pandemic and lockdown	30%	29%	32%

Franchised dealers are more motivated by competition from digital disrupters than independents

WHAT THE DATA TELLS US...

83% RESPONDENTS INVESTED IN THEIR WEBSITES DURING 2022

Of those who invested...

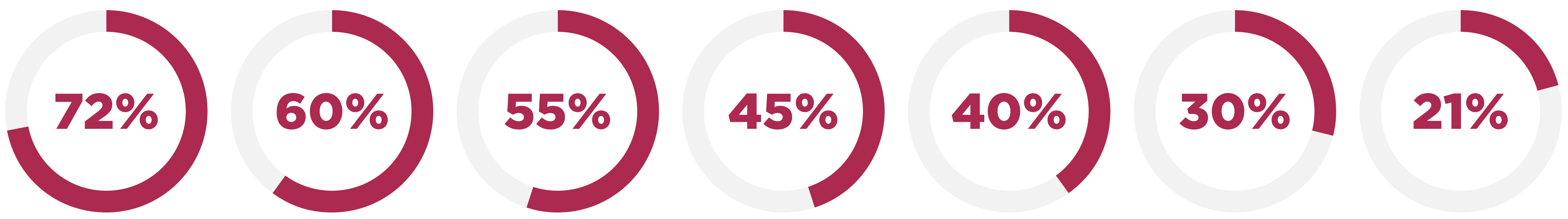
Franchised dealers are more motivated by customer experience than independents

68% did so to improve the customer experience

57% were reacting to changing customer habits/behaviours

38% did so because of increased competition from digital disrupters

What do dealers think the benefits of omnichannel are?



- 72% improves customer service
- 60% drives additional sales
- 55% improves business efficiency
- 45% reduces price negotiation
- 40% improves brand experience
- 30% drives additional revenue
- 21% reduces odds of customer dropping out of the sales process

06 THERE IS DEMAND FOR AN ENTIRELY ONLINE SALES CAPABILITY AND IT'S GROWING

And finally, to the big question of the day: do consumers want to buy cars online without any physical interaction?

Well, yes, they do. A quarter of our consumer sample either have or could imagine buying a car without physically seeing it, and 92% of the dealers responding think there is demand to at least some degree. Just 4% said 'no, not in my lifetime' when asked if there is or will be sufficient demand.

And while 26% of our dealer sample experienced no demand for online-only sales last year, 70% say they sold at least one car this way and 15% sold between 20-50% of their 2022 volume online.

Where will the market go from here? We found three distinct but evenly balanced camps: 36% who think there is demand but it will remain a niche choice and overall volumes will remain low; 30% who think demand will grow quickly from here; and 26% think demand will grow but more slowly.

WHAT THE DATA TELLS US...

25% of consumers either have or could imagine buying a car without physically buying

18% have done this already

29% of consumers expect to be able to buy and complete direct from a website

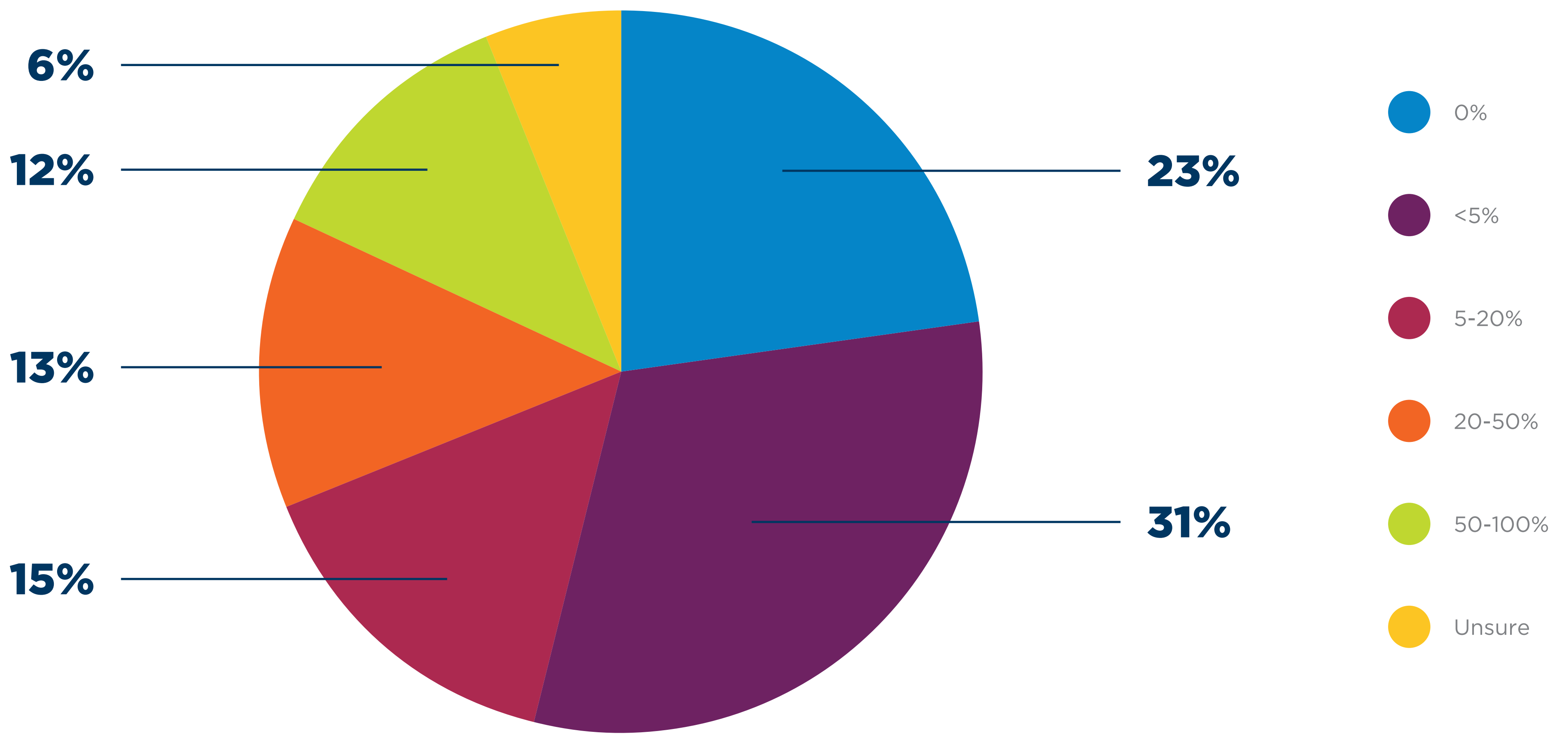
70% of dealers sold at least one vehicle via an entirely online process in 2022

36% of dealers think it will remain a niche choice and overall volumes will remain low

30% of dealers think demand will grow quickly from here

26% of dealers think demand will grow but more slowly

Approximately what percentage of the vehicles you sold in 2022 were sold entirely via an online process?



Do you believe there is sufficient demand from consumers to be able to buy a used car entirely online (without any physical interaction)?

Of those investing...	Franchised	Independent
Unsure	4%	5%
No, not in my lifetime	0%	9%
No, not today but demand will grow over the next few years	28%	23%
Yes, and demand will continue to grow quickly from here	24%	36%
Yes, but it will remain a niche choice and overall volumes will be low	44%	27%

Independents as a rule seem to think online will grow faster than their franchised colleagues

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