



**AUTOMOTIVE
MARKET DATA**

**DIGITAL RETAILING:
THE MISSING PIECE OF THE DATA PUZZLE**

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Technology has transformed car dealerships since the beginning of the Internet. Just name a dealer department and function, and we're likely to find numerous entrepreneurs offering solutions across nearly every aspect of a dealer's business.

There are hundreds of products on the market today that address common car buying and selling pain-points, from website tools that improve traffic and conversions, to in-dealership software and online services that help dealers and consumers buy and sell cars more efficiently.



More recent to emerge are Digital Retail (DR) solution providers. These companies empower dealers to provide a seamless, fully digital car buying experience to their customers - from researching their next vehicle purchase, to searching inventory, securing financing, valuing their trade and processing their paperwork, in-app or online at a dealership's website.

Akin to the economy, the automotive industry is cyclical. For those of us who have spent our careers in automotive, the ebbs and flows are familiar. However, we find ourselves in strange territory in the wake of the pandemic. Stymied new car manufacturing and microchip shortages have led to the scarcest inventory levels and highest used car prices we've seen in decades (if not ever.)

The hyper-acceleration of Digital Retail adoption has altered our industry, too. We live in an economy of convenience now, resulting in vastly different car buyer expectations compared to just 18 months ago.

The Digital Retail Differentiator

With the emergence of automotive technology companies in the mid-1990s came a common debate that still lingers – one that pits customer control against dealership profitability. Despite longstanding concerns, car buyers have indicated that they want a

much better experience than our industry has historically provided, and they're willing to pay more for it.

Consider these pre-pandemic statistics:

36% of consumers were very satisfied with their vehicle dealership¹.



61% said that the shopping experience had not improved since their last vehicle purchase².

Less than half (42%) were satisfied with how long the dealership process takes².

Here is what we've learned.

Customer control and dealership profitability are not mutually exclusive.

In other words, dealerships do not have to control every facet of the car selling and trade-in process (or 'own' every customer) in order to turn a profit. In fact, numerous studies show that dealership profitability increases when consumers are offered convenient technologies to buy, sell, trade and maintain their vehicles.

The best Digital Retailers make it easy for both consumers and dealers to succeed.

Dealers have often found it challenging to choose the best business solutions given that there are hundreds of automotive technology companies on the market, including more than three dozen Digital Retail solution providers. From our perspective, the most effective DR tools simplify the way consumers buy cars on the front-end while making it easier for dealers to manage their customers on the back-end.

Accurate, comprehensive and real-time Digital Retailing data is priority one.

Seemingly overnight, the pandemic caused millions of consumers to turn to a fully digital car buying process and thousands of dealers to lean more heavily on companies that offer these services. The reality is that Digital Retail has been an industry focus for some time, running the gamut from solutions built by dealer groups, to those developed and/or sponsored by OEMs, to those offered by dozens of third-party providers.

While highly valuable, DR data that provides insight into this landscape has been nearly impossible to glean, until now.

According to the latest numbers from Automotive Market Data's Digital Retailing Database³:

- The largest third-party Digital Retailer in the U.S. currently has 2,711 dealer clients.
- Nearly 41% of Ford dealers use one DR platform.
- Forty of 163 stores in one of the nation's largest dealer groups currently use at least two DR tools on their websites.
- Approximately 77 dealers currently use three DR vendors simultaneously.
- Approximately 23 DR providers currently have over 100 dealer clients.



Better Digital Retailing Data Answers Three Key Industry Questions

We know how challenging it is for dealers, OEMs, vendors, investors and acquirers to navigate the ins-and-outs of automotive technology to stay ahead of the curve. Put simply, there are many different companies offering many different products that improve various aspects of a dealer's business.

More reliable, up-to-date information is required to determine the following.

1) The Digital Retailers that provide the best experience for customers and dealers.

It's imperative for dealers to understand which Digital Retailers best serve the needs of their customers while helping them achieve specific business objectives at the same time. What's more, automotive manufacturers must understand which Digital Retailers offer the best solutions to help their dealer partners succeed, particularly in today's marketplace where traditional business rules no longer apply.

2) The Digital Retail business models that work best (e.g., Independents vs. Conglomerates)

If you've worked in the automotive industry for any length of time, take a moment and think about the technology companies with which you are familiar. How many are still operating independently, how many were acquired, and how many have shut their doors altogether?



Now, think about the latest high-profile developments, such as CDK Global's purchase of Roadster, Reynolds and Reynolds' acquisition of Gubagoo and J.D. Power's purchase of Darwin Automotive. As an FYI, these major acquisitions happened within the last three months alone!

Ask yourself why these companies were purchased? What advantage, if any, do their acquisitions bring? Do independents versus conglomerates stand a better chance of survival?

What forecasts exist for future acquisitions, and which emerging technologies look promising?

Do you know, and are you willing to speculate, when millions upon millions of dollars are at stake?

Without question, vendor consolidation in our industry has always been complicated. In answer, quality data means less confusion and ultimately, better business decisions.

3) The Digital Retailers with the best chance of survival.

M&A activity in the automotive space is bustling. While there are plenty of dollars to be spent, the downside risks have never been higher. As an example, just 10 DR providers gained market share three months ago, and only two gained more than 10 dealer clients³. Investors and acquirers need reliable, up-to-the-minute analysis to help them make the most informed decisions possible. Dealers, OEMs and vendors require this decision-making data, too.

The Time for Digital Retailing Data is Now

As we stated before, the automotive industry is cyclical. Just because we're in the midst of a boom doesn't necessarily mean this boom will last forever. Simply because inventory is at a premium doesn't necessarily mean demand will last.

It has never been more important for dealers, OEMs, vendors, investors and acquirers to have access to meaningful and timely DR data for two primary reasons.

- 1) Today's consumers expect a much more convenient car buying and ownership experience than they have ever been provided.
- 2) Today's automotive marketplace is nothing like we've ever seen.

We simply can't afford mere speculation or knee jerk reactions when it comes to Digital Retailing and its importance in driving business, increasing efficiencies, optimizing profitability and improving CSI.



Our multi-billion-dollar industry, and the digital solutions that help drive it, requires hard data and real numbers - in real-time.

1 Cox Automotive, Reimagining the Automotive Consumer Experience, February 2020

2 Cox Automotive, Car Buyer Journey Study, April 2019

3 Automotive Market Data Digital Retailing Database Data, September 2021