



Consumer Shopping Behavior in the Auto Industry

Advances in Bridging the Gap Between the Online and On-Lot Experience

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A Growing Challenge within the Retail Automotive Industry: The Intelligent Allocation of Advertising Resources

While the automotive industry has experienced significant challenges throughout the past decade, dealers have capitalized on low interest rates, high demand, and competitive pricing to turn steep declines in the industry into a growth trajectory. Forecasts by both NADA and Urban Science indicate that industry growth will continue through this year. Yet industry growth statistics do not summarize the increasing competitive pressures that individual dealers face. Further, they do not speak at all to the problem of the increasing number of choices dealers are confronted with regarding the intelligent allocation of advertising funds.

The question of how to best allocate advertising resources across today's current and emerging avenues for message delivery can only be answered by taking a close look at consumer behavior. Research clearly indicates that during the severe decline and recovery in the automotive industry, car buyer behavior was changing dramatically. Today, car buyers average around 18 hours of shopping time prior to making a purchase, and the majority of car buyers spend a significant portion of that time shopping on the internet (approximately 11 hours, or 60% of total shopping time), prior to visiting a dealership (Polk, 2011). **See Figure 1.**

Based on this summary data, an increasing proportion of the \$6.37 billion dollars allocated to advertising by franchised auto dealerships is now being devoted to internet media venues (NADA, 2012). However, just as summary statistics of growth in the automotive industry do not speak to the challenges that individual automotive dealers face, further exploration of the role of the internet in a consumer's vehicle purchase process indicates that the effects of internet shopping may be counterintuitive. For example, the 2011 Polk/Autotrader study of internet use in the car buying process clearly points out that internet shopping is information driven, with a focus on product comparison and price discovery.

A closer look across a number of research studies suggests that, in fact, today's automotive shopping process involves 3 distinct and progressive stages, each involving a different focus/opportunity for influence on the buyer (Internet Dealer Marketing, 2011).

In the initial product research and comparison stage, shoppers engage in online activity on automotive information resource websites such as Edmunds.com and KBB.com, as well as on OEM websites. Next comes the price discovery and availability stage, in which online activity is primarily directed toward websites such as Autotrader.com and Cars.com, as well as dealer websites.

The third and final stage of the process is the transaction, which always occurs at the dealership. In fact, despite heavy internet usage, the conclusions of the Polk study reveal that fully 67% of used vehicle buyers and 69% of new vehicle buyers initiate their first contact with the individual dealer by walking onto the dealership lot. Thus, the majority of automobile buyers do not communicate with a dealer in any way - not through an internet link, via email, or over the phone, prior to visiting the dealership. **See Figure 2.**

Figure 1: Time Spent by Consumers Shopping for Vehicles

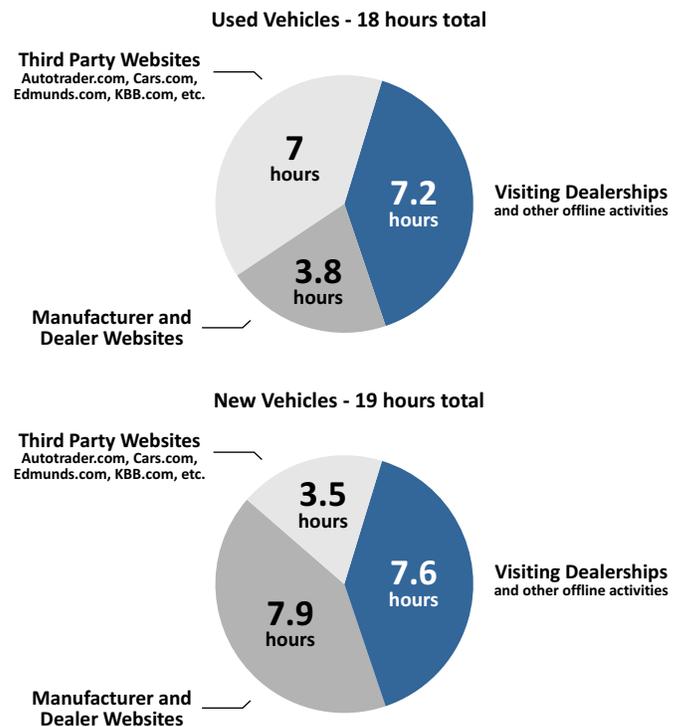
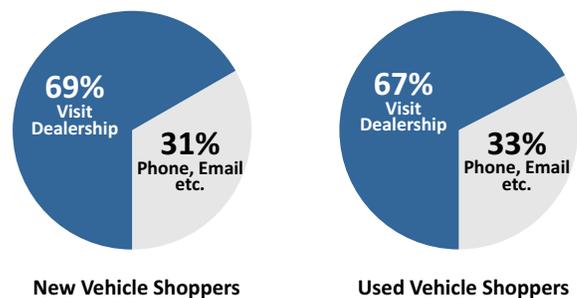


Figure 2: Car Buyers' First Contact with Dealers



Research Online, Purchase Offline: The Dealership Experience and the Disconnect with the Internet Experience

The key piece of overlooked data is as follows: While car buyers are now spending roughly 60% of their shopping time online, this time is not devoted to an individual dealership – it is spent researching vehicles and comparing prices via third party websites, websites which do not have the goals of an individual dealership as a priority. Further, it is in the final 40% of the car buying process (approximately 7 hours), which occurs offline, where potential car buyers visit dealerships and actually become buyers.

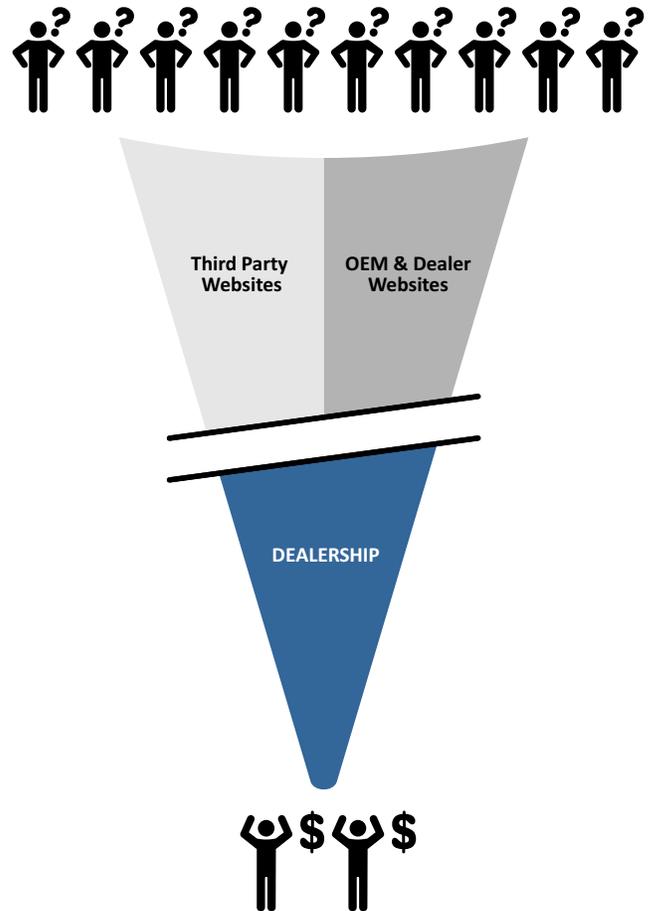
Foresight Research expounds on the importance of this third, dealership based stage of the car buying process in a comprehensive 2010 study of consumer behavior in the automotive industry. According to this study, the dealership experience ranks higher for consumers than any other form of communication in the purchase process, including the internet. In fact, 67% of customers reported that providing an “inviting, modern, and well-organized dealership” is key to influencing the sale.

This data clearly supports the fact that “no single aspect of the automotive sales and marketing spectrum is more influential than what happens at the dealership” (Wards Dealer Business, 2011). Further, the Foresight researchers conclude that “customers are won, and brand equity is built, at the level of the dealership experience.”

In short, the primary challenge to today’s automotive retailer is one of logical, yet misguided, focus. With the internet playing an increasingly prominent role in the car shopping process, it follows that dealer allocations of advertising budgets should be increasingly devoted to internet based marketing. A closer look at the finer details of today’s car shopping process, however, indicates that dealers would be well served by also investing significantly more energy into bridging the gap between the online and on-lot shopping experience.

“Dealers would be well served by also investing significantly more energy into bridging the gap between the online and on-lot shopping experience.”

Figure 3: The Evolving Automotive Sales Funnel



While most statistical data is relatively abstract, numerous industry sources indicate that the average dealership sales conversion rate is approximately 20% - suggesting that for the majority of dealers just 2 out of every 10 shoppers are actually converted into buyers.

The Solution: In-Store Visual Merchandising

Other retail industries and the advertising trade press are abuzz with new concepts such as "shopper marketing" and "customer-centric environments." As such, retailer investment in in-store visual merchandising continues to rise, more than doubling since 2004 (Forbes, 2007). In fact, research shows that the actual offline purchase decision is most heavily influenced by in-store visual merchandising and the ability of the sales staff to assist customers in navigating the purchase (EMEA, 2011).

Visual merchandising involves the presentation of products and services in a retail environment that encourages customer purchases. It is a merger of art and science, involving an understanding of retail design and marketing, as well as a strategic focus on creating an environment centered around the customer. In parallel with online merchandising, successful visual merchandising engages customers in the shopping process and influences their buying decisions by providing a cohesive environment that is easy to navigate and enjoyable to shop. **See Figure 4.**

OnSight Solutions brings the power of in-store visual merchandising to the retail automotive industry - helping to bridge the gap between the online and on-lot shopping experience. OnSight focuses on using a research based, strategic visual merchandising system to influence the customer experience at the final and most accessible stage in the car buying process – the dealership. The overarching goal is to turn the specific dealership that a potential car buyer visits into the transaction point in the car buying process.

The OnSight system has been shown to influence the unconscious motivation and perceptions of consumers regarding both the dealership and the shopping process – from beliefs that the dealer is trustworthy and professional, to the desire to approach a salesperson, to a feeling of certainty that they will "get a good deal" at the dealership (OnSight, 2008-2011). **See Figure 5.**

OnSight Solutions allows dealers to set themselves apart in a saturated market, to further establish a unique dealership identity using a distinct and differentiated approach to the retail environment, and to maintain consistency in the dealership/corporate branding process. Further, the OnSight system enables dealers to highlight important vehicle specific information, offers, and incentives that customers have come to expect based on current and emerging shopping channels. That is, OnSight focuses on influencing the customer's consideration set by helping dealers organize and present strategic information in an easily accessible format, informing selection through deliberate messaging choices, and employing call to action merchandising at strategic positions throughout the dealership environment.

Figure 4: The Bridge Between the Online and On-Lot Experience

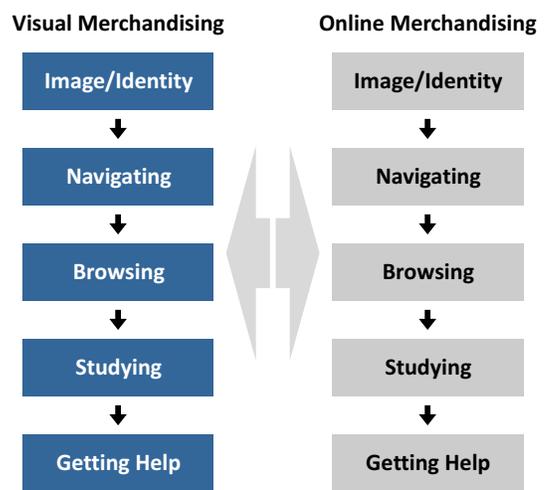
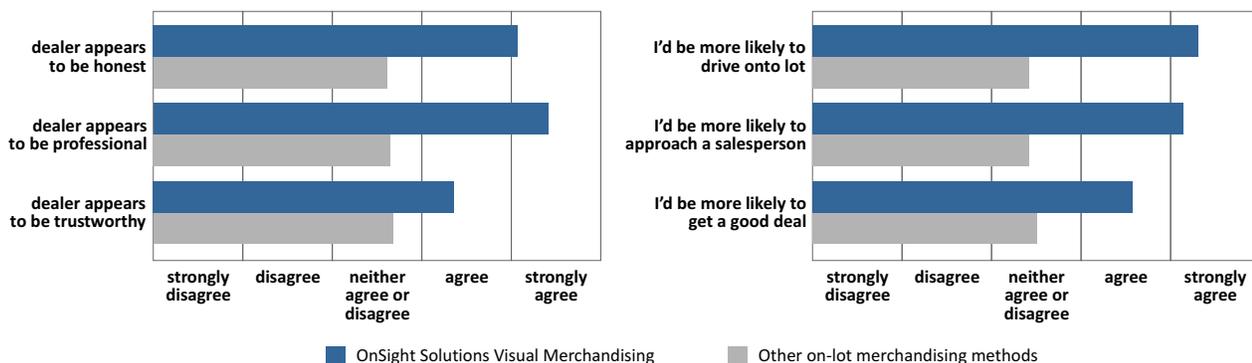


Figure 5: OnSight Solutions Influence on Consumer Perceptions



Contracted R&D Study 2008-2011.



About OnSight Solutions: The Retail Automotive Industry's Visual Merchandising Professionals

OnSight Solutions is the pioneer in providing expert in-store visual merchandising services to the retail automotive industry.

The OnSight Solutions mission is to strategically influence the customer experience at the final stage in the car buying process – the individual dealership.

The company helps dealers leverage important dealership specific content, using organized visual communication to create a customer-centric shopping environment on the dealership lot. Founded in 2005, the company serves nearly 1,500 dealers nationwide, delivering expert visual merchandising planning, order management with enhanced dealer control, and rapid turnaround time for visual merchandising assets.

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