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How to get digital retailing up and running in just a few days

These are some of the most difficult times our industry has ever seen, but we are “car people” and we always survive because we can adapt to the ever-changing landscape of our industry. I can remember the buzz when the internet was going to destroy our business and now look, it’s become our trusted friend.

I am sure you cannot think of anyone in our business today that doesn’t have a website supporting their business. The same goes for Digital retailing. Now is the time to embrace this as a tool for our people to make deals with people who still want and need to buy cars from us. Here is a quick and easy approach that will yield great results:

A Right Now Success Story

As reported in March 30th issue of Automotive News:

Mastria Auto Group launched its end-to-end digital retailing process in the fourth quarter of 2019. Little did they know that this process was finalized mere weeks before a global pandemic would make in-store sales next to impossible in many states.

As concerns over the novel coronavirus sink vehicle sales and prompt retailers nationwide to cut employee hours and close their doors, Mastria Auto Group CEO Ruddy Brito can't help but marvel at the group's timing in launching its fully digital process. Late last year, the Massachusetts-based group launched an end-to-end digital retailing process after a rigorous seven months spent vetting vendors and research by a task force formed by Brito.

The goal? Keep the store open 24/7 — all online. Along the way, Mastria opted for an additional step that not all dealerships are willing to take — putting finance and insurance products online and leveraging its vendor relationship with Darwin Automotive to finalize deals entirely through digital channels Mastria calls Fast Lane. "Fast Lane could not have come at a better time," Brito told Automotive News. One or two deals went through Fast Lane a week in the days before COVID-19. On March 14, the store sold an unprecedented 11 cars online.

The next day, the store sold five more. March 14 "blew me away with the number of people who went online," Brito said. "They just wanted less interaction. The car was going to be ready, wiped down with Clorox and Lysol wipes. The deal was pretty much done."

Save Time by Choosing the Right Partner

Mastria took seven months to find the right partner. You can do it in less than an hour.

If you had time, you could do due diligence on a ton of companies who say they are digital retailing— don't be fooled by manufacturer endorsements or “free” applications. Before making a mistake that can significantly hurt you right now and in the long run, you should consider questions like these (Hint: Darwin has the right answers to all these questions right now).

- 1- ***How long have you been in business?*** – Staying power is critical, avoid startups that need to always raise money over and over as they might not be here down the road. Asking a question like “how much debt does your company have” or “how many outside investors do you have” will be eye opening.

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- 2- ***How many employees do you have?*** – Support is critical as this is an ongoing item that needs to be adjusted with the market trends – support hours that coincide with your business are also critical. Do they have employees with dealership knowledge and or experience?
- 3- ***How many dealership customers do you have?*** – Get a list to choose from for referrals ... randomly select customers, checkout their website and call the GM for real clarity on the success or failures
- 4- ***Will you allow me to apply dealer cash?*** – For example, if you're a VW/ AUDI dealer or any other dealership that has active dealer cash programs that the consumer doesn't see make sure the provider allows you to apply the dealer cash as you see fit such as 75% on Jettas 100% on Tiguan. Give them a vin number to test with you online to see the results ... don't let them choose a vehicle.
- 5- ***Can you deliver up real deals online?*** – Do they have credible data for all incentives and all rates and residuals for all lenders and do they guarantee accuracy?
- 6- ***Do you own all of the system calculations and tax information?*** – Or are they reliant on some third party which could cause a costly screw up? Chose a partner that owns the complete system so they can handle all situations that may come up. Think about what happens if they lose their tax vendor because they didn't pay the bill?
- 7- ***Do you allow me to do deals in all 50 states?*** – You need to have accurate tax and calculation capability state by state. This is critical since you have no idea where someone might live who will buy a car from you online. You must be prepared and accurate.
- 8- ***Does it have real time, personalized F&I?*** This is critical to your profitability strategy. They need to be able to differentiate products online to products in store and have different markups. They need to also have educational tools which include video education and education tools that contain third party data for the consumer to make intelligent choices. This cannot and should not be an endless list of all of your available options.
- 9- ***Does it have Truth in Lending disclosure, Reg Z and Reg M compliance built in?***
This can be an issue at some point if a consumer files a consumer fraud complaint with the state.
- 10- ***Does it have accurate payments that match my DMS?*** This is a critical point that most dealers miss and will become a huge liability as more customers start to transact business online. The number of cases that will emerge from this will be devastating if not handled upfront. You cannot think that oversight will never happen in digital retailing.
- 11- ***Do you have the ability to accept deposits and full payment of the vehicle for cash purchases?*** If yes, are all the types available such as credit card, bank wire, bank ach, PayPal?
- 12- ***Do you have the ability to do E-sign on F&I products?*** – As well as *purchase and sale documents and any other non "wet" signature required documents for your state?*

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- 13- **Can your system handle multiple trade-ins on the same deal?** – Including the potential of multiple upside-down trade-ins? Can they handle a deal where the trade-in exceeds the purchase price of the car? Have them show you that they can handle these real-world scenarios.
- 14- **Do you support multi languages in the application?** This is also a compliance and consumer fraud issue for most states.
- 15- **Do you have the ability to show my customer the true fees involved?** – In the transaction such as documentary fees etc that are a part of the transaction?
- 16- **Do you have the ability to offer multiple payment / lease/ cash options?** – Your customers often shop by payment so your solution must solve for best payment for each scenario.
- 17- **Do you have integrated chat capability?** – To completely engage the customer.
- 18- **Do you have integration into the F&I office including menu systems?** – Critical to actually completing deals from online customers and having accurate payments and programs.
- 19- **Do you have the ability to remotely desk the customer in real time?** – Critical to actually closing deals with customers.
- 20- **Do you have the ability to “markup” buy rates at different credit scores levels?** This is critical to profitability, selling cars with zero back end is problematic long term.
- 21- **Do you have a trade only feature where consumers can sell their trade to you without buying a car?** Super important right now as Carvana and Vroom steal trades every day from dealerships.
- 22- **Will you take 50% off in this industry critical time?** – Not just for a couple of months, but for the life of the agreement.
- 23- **Will you provide free services?** – FREE installation, FREE integration and FREE training.
- 24- **Will you get me up and running in 1 to 7 business days?** – You need a partner with expert, dedicated quick-response teams to get your dealership selling again

With 25 years' experience, nearly 100 employees and more than 5200 dealers nationwide, Darwin has the answers you need. Darwin's answer to all the rest of these questions is: YES. We have the capabilities and the team you need to get back on your feet as quickly as possible.

Do it now marketing

The key here is the dealership didn't just buy a tool, they bought a tool and then marketed the tool the same way you market a car. Too many dealerships forget this vital step in the process. Dealers are great marketers and need to use their knowledge to market this new tool.

Create a slogan, or tagline around the tool that drives excitement and utilization, but costs you zero!

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People have used “make it mine” ... “buy now” ... “show me the real deal” etc and have been successful. Creating a marketing concept around the tool starts with these simple steps:

1- Come up with and design a simple campaign around your call to action button. “Fastlane” “Buy Now” ... on your website and promote the following:

- a- Ease of use, just like “Amazon”
- b- Home Delivery = save time and money!
- c- Get the car of your choice from the comfort of your own home
- d- Personalize your car
- e- Easy to do business with your dealership
- f- Transparent pricing
- g- Contactless sales process
- h- Best pricing and lowest payments
- i- Easy approval process

2- Monitor and adjust your messaging based on real metrics about customer utilization.

3- Use multiple call to action buttons. – like “express payments” “Buy Now” “Sell your ride” – this gets consumers to be more likely to click and the more clicks the more opportunities for your stores.

4- Create a team approach to this just like Mastria did ... be a good leader and listen to your people and their input:

As reported in Automotive News, Mastria Auto Group CEO Ruddy Brito asked management at each of his six stores in Raynham, Mass., to nominate an employee who would be willing to fully engage in the process. The group, which sells about 6,700 new and used vehicles annually, represents Subaru, Nissan, Buick, Cadillac, GMC, Mazda, Kia and Volkswagen brands. The team consisted of an F&I manager, a customer relations manager, the business development center director, a general sales manager, a sales manager and an operations manager.

Most of us forget we already have good people who are just using an older process in the dealership today. Our people can help us shape the new process with the new tool and be successful. Always remember, no matter what a vendor tells you, no one knows your customers better than you and your existing team!

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5- **Price your cars aggressively.** This is not the time to get cute on pricing. Consumers will leave your website quickly if they feel your vehicles aren't priced right in the market. Remember customers are on your website because they feel you have a vehicle they want, and they need to figure out if they can actually afford it.

6-**Decide where and when to ask your customer for information** – name, email phone number etc. This is a critical piece of the puzzle around why consumers abandon websites. Put yourself in the customers shoes and ask yourself "when am I willing to give up personal information"? Its needs to be at a point in the process where its compelling for the consumer. This will need to be monitored and adjusted to improve results.

Develop a long-term Profitability Plan

OK here is some data to help you with this process:

- 80% of all new car buyers financed or leased a vehicle so the number one thing consumers want online is an accurate payment. – **NADA market data report**
- 58% of all new car customers financed with the captive lender– **NADA market data report**
- Consumers are generally happier when they're in control, when they're managing their time and their processes, and they're doing it on their terms. I think a happy customer and an engaged customer is a good one." - **Auto News**
- On average, F&I accounted for 39.6 percent of gross profit for new- and used-vehicle departments combined in 2019, up from 38.8 percent in 2018, according to the **NADA Data** released by the National Automobile Dealers Association last week
- As much as 10 percent of vehicle purchases were online in 2019. But to make digital retailing viable, dealers must learn how to sell the entire deal online, including F&I products **Automotive news**

Again, as reported in the March 30th issue of **Automotive News**:

Remote F&I menu presentation was a feature that attracted Mastria to Darwin. When the F&I process could be completed digitally — from product selection to finalizing financing — all that remained were a few wet signatures at the time of delivery. The store designated a Fast Lane spot for customers to pick up the cars they purchased online if they chose to take delivery at the store.

The store's business development center is available to help customers who have questions about the process. Brito said store managers were excited to open their emails every morning to see how many deals were completed overnight. Back-end profits are steady, Brito said, with no noticeable change to F&I product penetration.

OK, so what can we decipher from all the data? Well margin compression is going to continue and get worse so if we listen to the data, we need F&I to survive. The goal is to provide the consumer the process and experience they want so we can sell them a car and do it in a way that lets us be profitable.

Here are the steps to a long-term profitability approach:

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1. **Start with pricing your new vehicles at market pricing.** Its easy to weekly scan all your local competitors' websites and see how they are pricing cars etc. in your market. Don't rely on some expensive "service" to do this for you, with what's going on with the virus right now your people have ample time to do this.
2. **Used and pre-owned vehicles are not commodities to the online consumer.** So, they will do more on these types of cars then they will on new cars. Make sure you price according to Kelly Blue Book or Edmunds as that's where most customers will look to value these vehicles. The key here is to market these vehicles as "unique" due to mileage, options, color, production quantities etc. Done right you should see 20%-40% of the consumers willing to leave a deposit or if they are paying cash pay for it online as the "uniqueness" is important to them!
3. **Know what your average credit score of your customers are.** That way you can design rate markups to support back end reserve based upon credit scores. Its critical to not give away the rate, just like in the dealership unless it's a nationally advertised special promotion.
4. **Setup personalized F&I products with education and margins that make sense.** If in dealership you sell zero deductible service contracts at cost plus \$1500 online you should sell service contracts at cost plus \$750.00 with a hundred dollar deductible. This is the best approach to differentiate online sales and in store. Make sure you keep it simple, no more than 3 products offered in a personalized way with multiple education types. Take rate here can be as good or better than in the traditional store / office environment if you do it right.

Never, ever offer the entire rate book of options as it just confuses customers who then will not purchase them. Could you imagine doing a traditional F&I presentation with a customer and opening the rate book up for them and showing them 50 options to choose from? That's the difference between dealing with car people as opposed to software people.

5. **Make sure your offer accessories as part of the process for customers.** This can a vital way to make gross on your triple net deal. Its helpful again to keep the selection to the top accessories for their particular vehicle as opposed to information overload. One thing to always remember is the online consumer loves personalization and wants to be in charge so anytime you can personalize an approach to a customer you will get positive results.
6. **Provide multiple payment options regardless of what the consumer selects.** We know that 80% of the consumers are still payment buyers but what you and I don't know is when that customer is online at 2am on their couch are they a lease customer or a finance customer or maybe they would consider paying cash? Staying profitable means providing options.

Online consumers want to know they can afford the vehicle (it's their number one objective on your website) so our job is to show them there is a variety of ways to afford the vehicle. Always show your finance customer at least one extra lease payment and a cash option as well so they can process it.

I like always showing two retail and two lease options plus a cash option as it gives me so much to talk about with the customer and my chances of them shopping me go way down. It's called "working a deal" you may have heard about that before but the folks in Silicon Valley are still

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figuring that out so be “car guys” and work the deal. Don’t get sucked into believing that just because customers want to interact with your website they cannot be “worked” they can be, and you can be really successful doing so with quality information.

7. **Accuracy counts and it counts in a big way.** I spoke to a dealer two weeks ago and his comment was “my tool is close and it’s OK” – Not today – it’s not OK. Short term you may get away with it but in the world of consumer fraud accuracy counts, deceptive trade practices matter, truth in lending (TILA) matters and if you don’t focus on accuracy, you will have a problem at some point – it’s just a matter of when.

Outside of the legal aspect is the consumer trust factor – your credibility. The minute that is gone you lose the deal, so why not be accurate? This is, in my opinion, how dealers will get in trouble by being lazy and sloppy and not caring if their leases and taxes and payments actually match. Accuracy matters.

8. **If you have “dealer cash” don’t give it all away upfront.** – you may need it in the deal to remain profitable. Consider a percentage of dealer cash such as 60% or 70%, and keep some in reserve so when you are working the deal you still have some room to negotiate as you may need it to help you get the customer down the road.

One thing for sure is we don’t know what the future will bring, but I doubt it will be the way it used to be. Thanks for reading and don’t delay in getting your virtual showroom started today!

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Chief Executive Officer

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