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Some Auto Dealers Master Internet, Some Don't

By Steve Finlay
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Fran O'Hagan recalls when his vice president of operations, Miles Stearman, phoned him with a sudden realization about selling cars in the digital age.

"Miles called from a dealership he was visiting and said, 'The Internet is no longer incremental business at dealerships; it is the business,' and that's so true today," says O'Hagan, president and CEO of Pied Piper Management, a firm that consults with dealers on boosting sales.

"Not long ago, most dealerships treated their Internet operations like fleet sales, with a worker or two off in the corner trying to get some extra business," O'Hagan tells *Ward's*. "Those days are gone."

As evidenced by *Ward's e-Dealer 100*, in its 11th year, dealership online efforts have come a long way since the beginning stages of some 15 years ago.

Back then, a few innovative dealers experimented with the Internet in retrospectively modest ways, such as creating static websites that resembled electronic sales brochures and offered little or no functionality for users.

But soon things really took off for digital car dealing.

Websites now are dynamic, interactive and multi-functional. Internet users can look at inventories, obtain prices, get trade-in appraisals and more. Sixty-four percent of car shoppers now check out financing options online, according to a new *Kelley Blue Book* survey.

Dealers also actively use search-engine marketing and search-engine optimization as ways to attract e-shoppers. Many dealerships offer mobile applications for sales and service customers.

And on a booming Internet front, many dealers have joined the online social-networking revolution in an effort to foster closer customer relationships.

Dealers do all these sometimes-complicated things for a simple reason: So many modern consumers head for the Internet when they get the itch to buy a vehicle.

Studies show about 80% of car customers go online to shop, research, chat and exchange emails with sales personnel before ultimately heading for the dealership. Often, with so much of the heavy lifting done online, the dealership visit is short.

"Consumers do everything online they used to do at the dealership, except drive the car and close the deal, and even that may change soon," says Mitch Golub, CEO of Cars.com, an automotive digital marketplace.

He foresees the day when Internet sales proficiency is a job requirement for all car sales people, not just ones assigned to online sales. "Some dealerships already mandate that all their salespersons are Internet savvy. It's the model of the future."

Keeping up with changing technology requires nimble dealers, says Dean Evans, chief marketing officer at Dealer.com, a firm that provides digital marketing services. "Look at the changes," he says. "First we had websites, then emails, then search, then chat and now social media and mobile," he says. "Technology has brought all sorts of channels. The challenge is to get in front of all of them." Dealers display varying skill levels in doing that. Some excel at e-commerce, such as the *Ward's e-Dealer 100*. Others get by.

But others fail to nail the basics, such as responding quickly to Internet leads and maximizing digital marketing. That can be fatal, Evans says.

Early on, many dealers feared the Internet, thinking it might cut them out as middlemen.

"When that didn't happen, people said, 'Well, the Internet didn't put dealers out of business,'" Evans says. "But I'd argue it did, in many cases."

"The casualties are the ones that didn't embrace digital," he says. "They couldn't stay cost-effective or keep up with the competition. They failed to understand the new model of how people bought cars."

That is why the Internet is "a blessing for dealers who know how to use it to their advantage, but a curse for those who don't," Golub says.

The blessed are dealers who prove themselves as "quick learners," says Leo Hillock, executive vice president of FordDirect.com, a lead provider for Ford and Lincoln dealers.

"At first, a lot of people thought it was a fad to use the Internet to sell cars," he tells *Ward's*. "But you must engage customers any way they want, and so many of them want to do it online."

Hillock was something of a pioneer as a Florida dealer using the Internet to increase sales in the 1990s.

"There was just this realization of the power of the Internet when you had people coming across the state to buy a car from you," he says. The irony is that although online initiatives have become essential to auto sales, many dealerships lack "enough qualified, well-trained Internet sales people," Golub says.

He believes an industry-wide training effort would help. "Cars.com last year offered Internet training to 7,000 dealership people. Dealers need to prioritize this. And the National Automobile Dealers Assn. should take a more aggressive role."

Auto makers also offer Internet training, with varying degrees of success from brand to brand, a Pied Piper mystery-shopping study indicates.

In different categories, it measures responsiveness to customer Internet inquiries. Nineteen different lead-effectiveness questions generate composite scores for timeliness of response, dealership and salesperson identification, quality of communication and forwarding the sale.

The bar is higher for how quickly car shoppers expect dealerships to respond to Internet leads, O'Hagan says. "Five years ago, an acceptable response time was four hours. Now, people want responses in 30 minutes or less."

With 61% lead effectiveness, Lexus stores rate highest in the study, followed by Honda (60%) and Toyota (59%).

Ranking lowest with 40% effectiveness are Scion, Suzuki, Mitsubishi and, in last place with 38%, Saab.

The industry average is 50%. "That means there is a lot of room for improvement," O'Hagan says. "No one is close to perfect." As recently as three years ago, only six in 10 dealerships responded in any way to customer Internet inquiries within 24 hours, according to Pied Piper data.

In the firm's latest study, 88% of dealerships replied within 24 hours, "a tremendous jump," O'Hagan says, but noting that includes automated responses of an impersonal nature. "Today, a customer's specific question is answered within 24 hours only 64% of the time."

"A dealer principal would never accept this sort of poor performance in traditional dealership activities," he says. "Imagine ignoring 36% of sales customers who walk through the door."

Here are the study's winners and losers by various categories:

- Answered specific customer question within 24 hours. Best: Mini, Smart, Audi, Toyota, Mercedes-Benz, Acura, Hyundai, Buick, Subaru, GMC. Worst: Scion, Saab, Suzuki, Mitsubishi, Chrysler, Jeep, Chevrolet, Ford, Kia.
- Answered specific customer question within 30 minutes. Best: Lexus, Toyota, Mercedes-Benz, Audi, Smart. Worst: Mini, Mitsubishi, Saab, Suzuki, GMC, Porsche, Scion, Jaguar, Subaru.
- Provided a requested price quote. Best: Honda, Acura, Chevrolet, Infiniti. Worst: Mini, Jeep, Smart, BMW.
- Attempted to contact by telephone. Best: Infiniti, Honda, Toyota, Mercedes-Benz. Worst: Chrysler, Ram, Dodge, Jeep.
- Attempted to set up an appointment to visit the dealership. Best: Honda, Smart, Acura, Toyota, Mercedes-Benz, Lexus, BMW. Worst: Mazda, Chrysler, Jeep, Mini, Ford, Audi, Buick.
- Provided compelling reasons to buy from the dealership. Best: Honda, Lexus, Infiniti, Subaru, Mercedes-Benz. Worst: Dodge, Jeep, Mitsubishi, Ford, Chrysler, Scion.

Problems occur when dealership managers fail to track Internet leads as doggedly as they monitor how well sales people do with walk-in traffic, O'Hagan says.

Compensation plans can come into play, as well. "We discovered commissioned sales people tend to go after hot leads and not necessarily spend an hour selling the dealership and the brand on the hope that the customer might be back someday," O'Hagan says. "It's like that in-person and on the Internet." An irony of the annual Pied Piper online dealership effectiveness study is that Toyota consistently has outperformed Scion, Toyota's off-shoot youth brand. Conventional wisdom is that a brand catering to young people would be on top of its Internet game.

"What hurt Scion is that 29% of the time there were no responses from the dealerships," O'Hagan says.

"That compares with 5% for Toyota. Yet, Toyota dealers own Scion stores and the dealerships usually are next to each other. But they have different sales processes. And the fact that Scions cost less may be a factor."

Internet marketing experts emphasize every lead is a potential sale, not just the hot ones.

"I'd never refuse to return a phone call, email or any other contact from someone who reached out to my business," says Dennis Galbraith, founder of RevenueGuru.com and author of the book *Sales Integration*.

A resourceful salesperson "could make a nice living selling to the many thousands of shoppers who are not responded to," he says. "Dealers need to ask themselves whether they are running a store that works hard for every last sale, or opening the door for a competitor who will."

Dealers should establish a monitoring system to make sure staffers treat online leads seriously, Golub says. "If you are spending money on Internet leads and digital marketing, make sure someone is specifically responsible for leads coming in."

Technology may change, but certain principles do not, he says. "A lot of the basics of today will be the cornerstone for years to come. A car purchase involves a lot of money and consumers will always want to know a lot about the vehicle and about who they're doing business with."

Having an Internet sales process in place and adhering to it often is cited as fundamental for online success.

"You need a process," Golub says, emphasizing the need for timely responses, proper follow-up and management oversight.

At dealerships that scored poorly in the Pied Piper survey, "the processes were broken," O'Hagan says. "In every instance, when we bring a lead-response problem to the attention of a dealership's management, they are incredulous. It's always a surprise."

"In five minutes, I can tell a dealer what to do to get a grade 'A' in Internet effectiveness," he adds. "It's a question of setting up a process and following it. If you do nothing more than respond to questions in an hour, you'll get a 'B' or a 'C.'"

Online success blends the art of salesmanship with the science of modern technology.

"It comes down to who you are and what you are selling," Evans says. "A luxury brand will need sales people to spend more time in person with customers to explain the more-advanced technology of the vehicles."

"In contrast, a mass-market brand selling \$12,000 compacts typically deals online with people that just want the price and a quick delivery of the car."

The Internet has raised car consumers' expectations. They want informative websites, quick responses and transparent pricing. Dealers must give them superior service or risk getting slammed on a social-media website.

Is there a risk the Internet might someday spoil consumers rotten?

"Haven't we done that already?" Evans asks.

stfinlay@wardsauto.com

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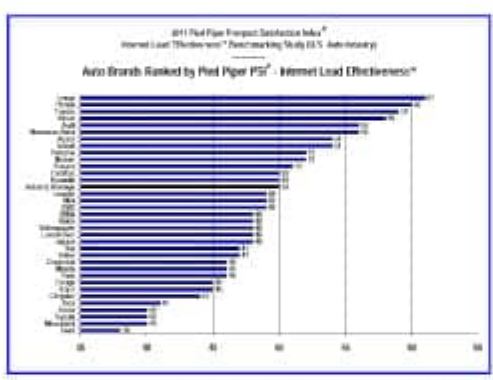
Dealership online effectiveness improved, but not perfect, says Pied Piper CEO Fran O'Hagan.



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