

The Blurry Line

The New Realities of the Digital Marketplace and Ultra-Informed Customers Are Making Marketing/Advertising a Critical Part of the Sales Process

By Chuck Bonanno

It's incredible how much the automotive business has progressed in the past five years – and in so many ways.

Marketing/advertising is certainly a large direct (or variable) expense for most dealers. The channels used to advertise today and those we'll be using in the future are not only employing different media via digital marketing but also continue to have a dramatic ripple effect on the sales floor.

Unfortunately, there are dealers searching for ways to plug their previous advertising strategies into that hyper-evolution and continuing to use outdated practices.

If – and it's a big if – those dealers are not already feeling the stress of lost lead generation and difficulty controlling the sales process, it will certainly catch up to them.

So we're going to highlight managing your advertising strategy with the very important intersection of your physical ups, phone calls and interaction with the sales floor itself.

Let's start with advertising strategies that work.

First, take a strong look in the mirror and be honest with yourself. Are you measuring advertising results or are you not?

It's OK if you're not. Many dealers feel drowned in the chaotic environment of the car business, and finding the right data and making sense of it can often feel like a taking on a second full-time job.

Step one is to review your operational budget for the year and determine your advertising budget. The 2019 NIADA Dealer 20 Group benchmark for that number is roughly \$250 per car sold.

Once you have a budget set, step two is to determine how you are going to invest that money.

As mentioned in past Retail Ready articles, dealers selling vehicles for less than \$15,000 should be using Facebook Marketplace through an approved automotive Facebook Marketplace inventory provider.

It's currently the retail dealer's best ROI in advertising by a mile, mainly because it's so cheap – generally \$199 a month or less, depending on your provider.

Based on your budget, talk with some of the top advertising providers in the space. Your options are TV, radio, digital, traditional print, guerilla marketing and repeat and referrals, to name the most popular.

Connect with those service providers, demo their services and collect quotes. Ask them to provide estimated results and begin to allocate your budget.

Step three is often missed. You must measure the productivity of your ads.

For the sake of brevity, I'll key on measuring digital service providers.

Over the past several years, digital providers have been likely to want to show you large numbers for impressions, click-throughs and viewed inventory performance.

Yes, it's impressive that your Chevy Malibu had 1,435,893 impressions – but did it sell?

The main three metrics you need access to on a regular basis are VDPs, leads and conversions per advertising source.

VDPs can indicate how much attention specific vehicles are getting from Internet browsers and vehicle shoppers.

That's a relatively new ingredient to pricing strategy. For example, if you have a vehicle that's getting a tremendous number of looks online and is a bit rare, use that data to consider a slower price reduction as the vehicle ages.

Same with leads. Are your advertising service providers generating leads or not? And how many at what cost?

That's a new metric we're measuring in NIADA Dealer 20 Groups starting in 2020 with all retail members.

We've known for a long time what advertising costs per car sold, but we are now watching how much we're spending per lead and correlating those results with conversions and ROI.

Lead generation on vehicles is another relatively new pricing strategy ingredient that is still somewhat subjective.

Again, if you have many leads coming in on your Chevy Malibu, that should be a consideration in your price/aging decisions.

And last, we are finally seeing the emergence of advertising ROI data. Facebook took the lead on that by providing Facebook marketing metrics, including offline conversions.

In a nutshell, if you spent \$2,000 on Facebook ads and uploaded your sales list at the end of the month, Facebook could tell you your return on that advertising investment with specificity. No other digital service providers have traditionally offered that data.

Data, CRM and advertising providers continue to close the gap, creating meaningful conversion data. Nothing could be better for independent dealers than an easy tool that illustrates ROI by advertising source, because that's where real decisions can be made.

There is one final step – making decisions based on that information.

If you have allocated a portion of your ad budget to a source that is not returning, spotlight that source. Investigate why it's not returning and consider making a change for better results.

Maybe use the source in a different way, or drop it altogether and pick up a service provider in a similar or different category.

With the table set, let's look at how advertising is connecting to the sales process.

More than ever, prospects are seeing your inventory and pricing online, and when they engage with you through digital channels, over the phone or physically on the lot, they are very different than the traditional prospect.

They have now found a vehicle of high interest and they already know the price – and *they* are contacting *you*.

That is extremely critical to grasp.

Customers today engage with you, and we know they have weeded through countless vehicles online (both local and national) and arrived at your vehicle and price.

I understand they might have other vehicles of interest and they might not be sold on the price or might still have an expectation of negotiation, but this is practically changing the entire sales process.

The skilled sales professionals of yesteryear were best at meeting a new prospect on the lot, creating common ground, becoming a trusted advisor and truly selling cars on the lot.

When I say “selling cars on the lot,” I'm talking about *real* selling, like features and benefits, walk-arounds, presentations, demonstration drives, trial closes, objection handling and other social selling skills and talents. Dealers (including myself) paid a lot of money on commissionable gross profit pay plans for those producers.

In contrast, many of today's customers are using the power of technology to locate a vehicle they already want to buy. Not only is it the right vehicle, it's the right motor, the right options, the right color, the right location and in the ballpark on price.

That removes from the process the critical sales talents once needed to close deals since customers are able to find what they want by themselves, with ease. We aren't dragging customers all over the lot for three hours carrying the burden to sell them a vehicle that is not *quite* what they are looking for.

Certainly I'm being a bit general here. There are nuances between prime, subprime, deep subprime, Buy Here-Pay Here and niche lots. But I'm speaking to the gravity of the climate change in the automotive buying experience.

In many ways, your current advertising efforts are becoming the new “road to the sale.” If you have the inventory (and sales force) and properly get it in front of buyers online, you are going to win.

Winning equals lead generation, though we still have to handle leads properly. Start assuming prospects have already decided on a car when they call, end up on your lot and/or send you a digital lead.

What remains is less sales skill and more customer service and excellence in creating a customer experience.

Think about when you walk into a nice restaurant with an energetic hostess at the front door who seamlessly transitions you to a table and a server while she asks if this is your first time dining at the restaurant or a repeat visit.

Not only that, but she's able to relay that information to the next team member so they know how to handle your table.

It's all experience-based.

Your sales team is in the midst of a paradigm shift, in which the road to the sale has been chopped off by a third because prospects today walk through the door knowing what car they're coming to look at and having already seen the price.

You could almost venture so far as to say once you capture a solid lead the sale is yours to lose in 2020 (and beyond), simply because customers are so educated.

In many ways, that can be more leverage than a disadvantage.

As more and more retail independents shift sales professionals' pay plans from commissionable gross profit to flat fees, the question becomes: Are Saturday spiffs, F&I product spiffs to the sales force, old-age unit spiffs and any other tiered volume spiffs still relevant?

Are those cash sprays to the customer service reps on your sales force not just costing more money?

On the other hand, there's the overachiever who continues to sell 20-30 vehicles a month. That person still needs a pay plan that retains him or her on the team – but to what end?

What is the balance? What is the transition to a customer service team that provides the experience the consumer desires and doesn't cost you unnecessary spiffs simply because "that's what we've always done"?

Temper those progressive changes in our industry with the historical wisdom to be slow and methodical before changing pay plans.

In fact, this isn't about changing pay plans. It's truly about understanding your advertising investments in today's market and the blurring lines between marketing and sales.

Technology is empowering you to carry some of the sales load. Because of that, the burden on your sales team's ability to persuade is actually *decreasing* while the customer experience at your dealership and the designed processes to enhance the visit are actually *more* relevant.

Those brutal facts require a good business owner to take into consideration shifting the sales force's processes and pay to advertising and marketing.

The winds truly continue to change. Be cautious in assuming the advertising strategies of yesteryear will continue to be profitable.

On a parting note, remember this: Through all the technological changes our industry is going through, the independent dealer remains in the best position to respond to the market demands – hands down.



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