



# **MOBILE DEVICE USE AT THE DEALERSHIP:** HOW SMARTPHONE SHOPPING IS IMPACTING AUTOMOTIVE RETAILING

**JANUARY, 2014**

## INTRODUCTION

Mobile device use is changing the way consumers shop for vehicles. Shoppers are researching vehicles whenever and wherever they are, and arriving to dealer lots better informed than ever before. To complicate the vehicle sale, consumers are using mobile devices while at the dealership to simultaneously shop competitive inventory, a practice commonly referred to as **showrooming** in other retail environments where shoppers can competitively shop and buy online while in a brick and mortar retail outlet.

To better understand the impact of mobile adoption for automotive retailers, Cars.com partnered with Placed Inc., the leader in location-driven insights and mobile ad intelligence. In this independent study commissioned by Cars.com, Placed used its location based panel to survey shoppers who were visiting a dealer lot, and to understand the role mobile devices played while shopping for a car.

The findings hold valuable insight for automotive retailers, who must quickly adapt to rapid adoption of smartphones as part of the car buying research journey, especially on the lot.

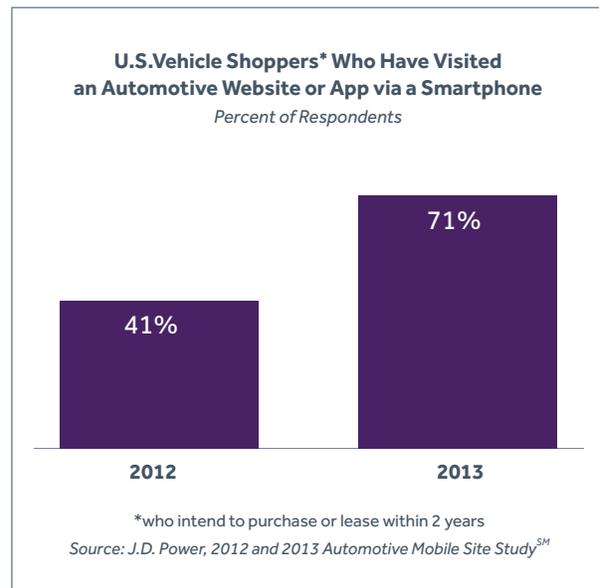
## SMARTPHONE ADOPTION IS DRIVING CHANGES IN AUTOMOTIVE SHOPPING

According to comScore, nearly 148 million Americans (aged 13+) own a smartphone and almost half of that, nearly 72 million, own tablets, with year-over-year growth rates of 25% and 60%, respectively.<sup>1</sup> Not surprisingly, the proliferation of Web-enabled mobile devices has also led to another dynamic affecting consumer behavior, the growth of the multiplatform (i.e., desktop and mobile) user. As of 2013, more than half, **54%, of the U.S. digital population now uses multiple devices to access the Web.**<sup>2</sup>

In the past four years the number of Americans accessing the Internet on their cell phones has more than doubled, going from 25% to 60%.<sup>2</sup> This can be attributed to any number of well-documented factors, including the growth of mobile broadband, smartphone penetration and increasingly affordable data plans.

U.S. consumers are using their smartphones and tablets as shopping companions too. In fact, Nielsen reports more than three-quarters, 79%, of smartphone and tablet users

have performed some type of shopping behavior on their mobile device.<sup>3</sup> Mobile shoppers are using their devices to locate stores, check prices, do additional research prior to purchase and read reviews of a recent or intended purchase. The power of mobile as a shopping companion is not limited to big-box, grocery and other retail categories that have been forced to cope with the showrooming dynamic, however. J.D. Power reports that **U.S. vehicle shoppers using an automotive website or app on a smartphone grew by a staggering 73% between 2012 and 2013.**



As shoppers continue to grow more comfortable with and increasingly leverage mobile as a companion on their automotive retail journey, manufacturers and local dealers must ensure they are prepared for this new type of digitally empowered and constantly connected consumer, tailoring their marketing and in-store processes to align with new mobile shopping behaviors, or risk losing opportunities to competitors who quickly take a mobile-first approach to their business.

<sup>1</sup> Eli Goodman, The Multi-Platform Majority: How Mobile is Changing the Way We Experience the Web, comScore, Dec. 9, 2013

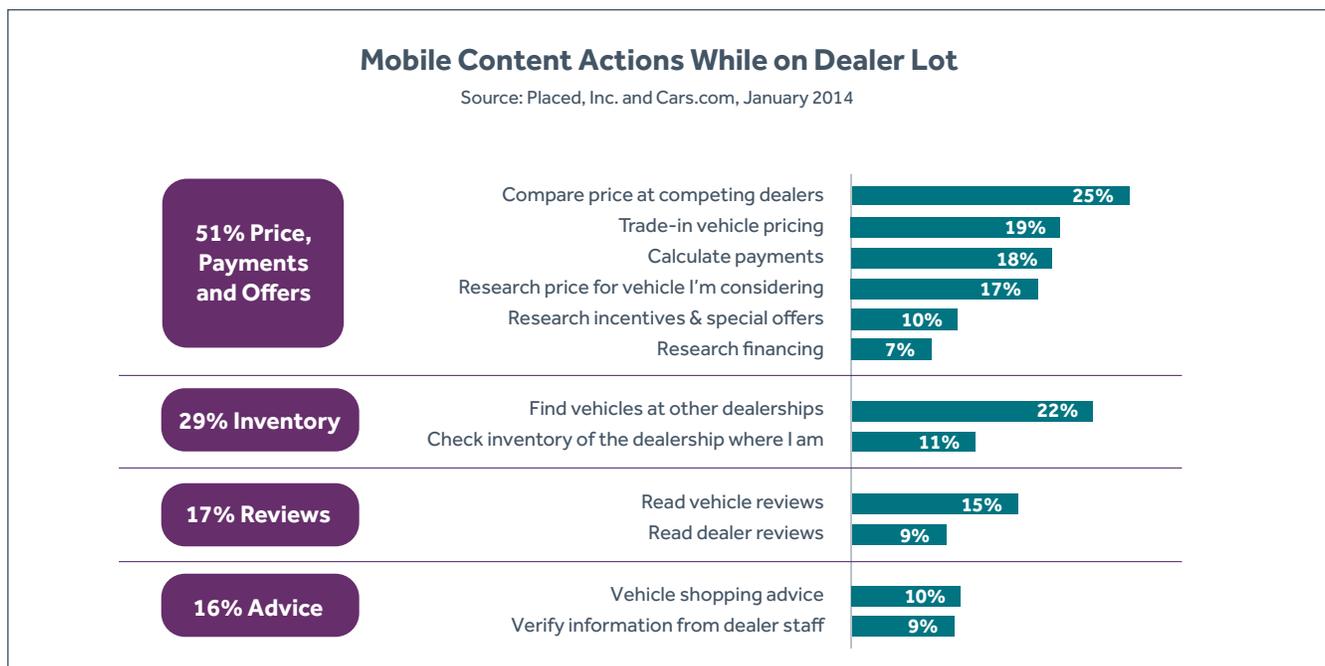
<sup>2</sup> Maeve Duggan & Aaron Smith, Cell Internet Use 2013, Pew Internet & American Life Project, Sept. 16, 2013

<sup>3</sup> Nielsen, How U.S. Smartphone and Tablet Owners Use Their Devices For Shopping.

## MOBILE DEVICE USE ON THE DEALER LOT

Smartphones in particular, and Internet-enabled mobile devices overall, are changing the dealership visit, providing shoppers with real-time access to information to actively continue their online research without ever leaving the dealer lot. This new study completed by Placed Inc. revealed that **63% of auto shoppers researched and shopped online while at a dealership** using their mobile device. Shoppers are making decisions in real time about which vehicle to buy, how much to pay and which dealer to do business with, making showrooming the new reality of car sales.

While the practice is relatively newer among vehicle shoppers, retailers in other industries have dealt with showrooming for more than a decade. And while automotive is protected from shoppers completing a purchase online from another retailer while in store, the purest definition of showrooming, mobile info-seeking on the lot is indeed having a big impact on buying decisions. While at a dealership and evaluating a vehicle, Placed found that shoppers are using their mobile device to compare price and inventory at other stores.



Mobile is a game changer, as shoppers actively seek out content on the lot. **Fifty-one percent of auto shoppers used a mobile device to** seek information related to price, payments and offers, while 29% checked inventory and 17% read vehicle or dealer reviews. Others used their device to build confidence by getting online advice or verifying information from their dealer sales person.

Most frequently, shoppers on a dealer lot are comparing pricing and inventory on a competitor's lot – 25% and 22%, respectively. Smartphones are enabling these shoppers to quickly discover a nearby vehicle that better matches their needs or is priced more competitively.

This has important implications for dealerships. Retailers that understand this behavior can work to retain mobile shoppers on their lot by presenting alternative inventory options, price-matching and proactively communicating reasons for price variables, such as added features. Selling the dealership's unique value and working transparently with shoppers who engage with their smartphones is critical. For competing dealerships, a strong mobile presence with well-merchandised inventory and special offers drives opportunity to conquest showroom visitors.

Shoppers are also being influenced by reviews about the vehicle (15%) and dealership (9%), providing an opportunity for manufacturers and dealers to differentiate their products and stores from competitors. The data also shows mobile's role in keeping shoppers in the showroom for late-stage research. Shoppers turn to their mobile device as a consultant to help close

the deal, a trend that can speed the sales cycle, as shoppers may have left the dealership in the past to complete research at home. But this can now be done in-store to give the buyer peace of mind. Eighteen percent used their device to calculate payments, 7% did research on their financing options and 19% evaluated their trade-in vehicle price. By keeping shoppers on the lot for these activities, dealers can keep shoppers engaged and moving toward a sale, rather than “be-backs.”

## MOBILE DRIVES ADDITIONAL DEALER VISITS

The study found distinct differences in the behavior of shoppers who used their mobile device on the lot. As mobile device use is quickly becoming the norm when shopping for a car, it’s imperative that automotive retailers understand these behaviors.

According to study findings, the influence of mobile device use is most evident when comparing the number of dealerships visited. **Automotive shoppers using a mobile device on the lot are 72% more likely to visit additional dealerships.**

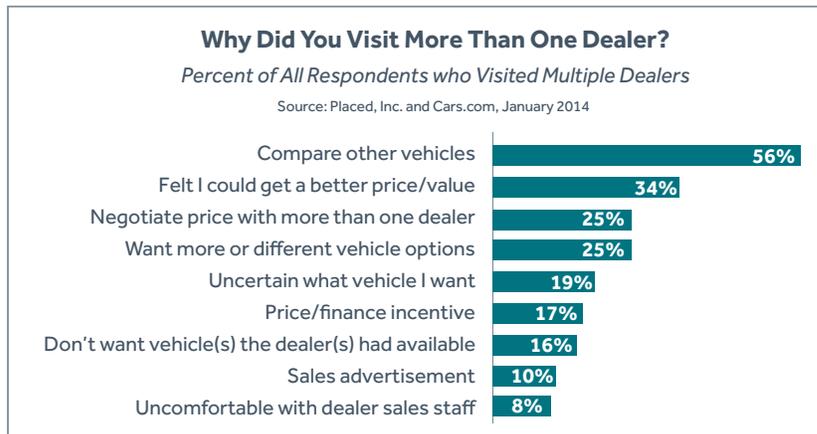
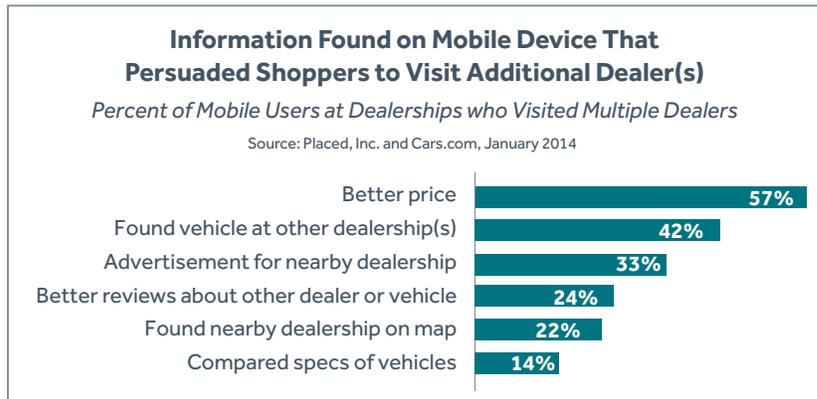
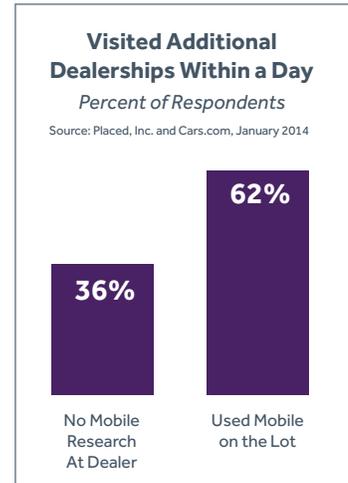
Nearly two-thirds (62%) of mobile on the lot users visited additional dealers within a day, while only 36% of those not using mobile on the lot moved on to other dealers. **The data is clear: Getting a shopper to the showroom is a good indicator they are ready to buy, but closing the sale requires going a step further.**

Information found on mobile devices is a key driver of this trend and speaks to mobile’s impact on the purchase path. Among those who accessed automotive content while at a dealership, **52% visited additional dealerships due to information found on their mobile device** while considering a vehicle right in front of them. Advertising played a key role in influencing these shoppers, as **online advertisements lured 33% of shoppers to competing dealerships.**

This makes online merchandising and messaging essential. Retailers must be sure their information is easily accessed across digital platforms, both on third-party advertising sites and their own websites where shoppers are conducting research.

## WHY SHOPPERS VISIT ADDITIONAL DEALERS

Understanding what drives shoppers to visit an additional dealership may help dealers retain showroom traffic and even conquest customers already at competitive lots. Among those who visited an additional dealership as a result of information found on their phone during a showroom visit, price was a key factor. While dealers should not engage in a race to the bottom when it comes to price, embracing a mobile-friendly showroom may help retailers curtail the impact. Offering customers free wi-fi access and encouraging sales staff to go online alongside shoppers can build trust. A level of transparency can help shoppers to feel like they are getting a



fair deal. Given 24% of shoppers were lured by better reviews of other vehicles or dealerships, it is also critical that retailers provide excellent customer service – and showcase that with a strong online reviews presence. This provides manufacturers and dealerships with an opportunity to compete on more than just price and to sell the full value of their products and the experience the dealership provides.

Among all respondents, reasons for choosing to visit additional dealers were largely motivated by inventory, underscoring the importance of keeping inventory in line with market trends, up to date and well-merchandised across platforms to make it easy for shoppers to find vehicles on a lot. Fifty-six percent of shoppers who visited multiple dealerships did so to compare vehicles and 25% wanted additional vehicle options.

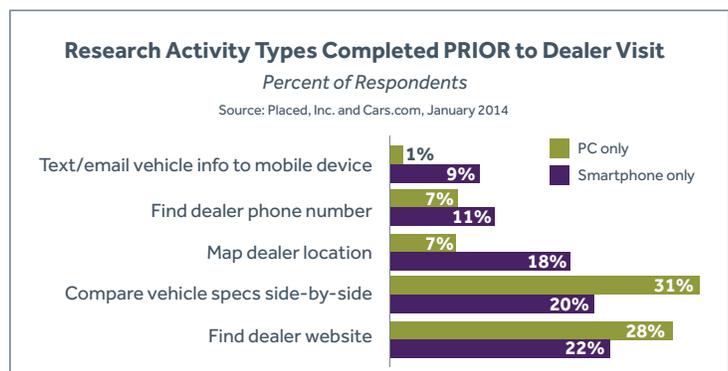
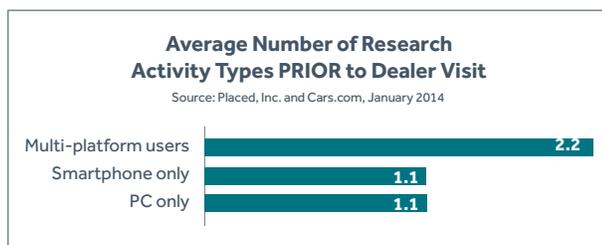
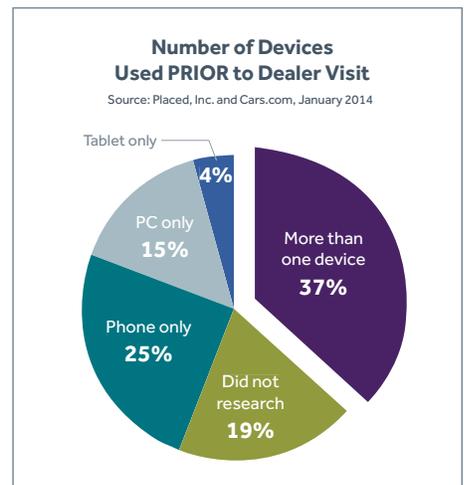
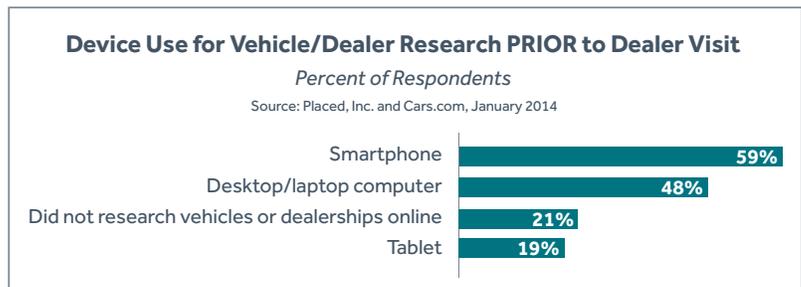
## CROSS-PLATFORM MARKETING KEY TO REACHING SHOPPERS PRIOR TO DEALER VISIT

Automotive shoppers arrive to dealer lots more informed and prepared than ever. Eight out of 10 panelists researched the vehicle and/or dealership before visiting that dealer. Only about half (48%) of respondents used a desktop or laptop for that research, as mobile devices are replacing the need for a traditional personal computer.

**Marketers, advertisers and dealers need to have an online presence across multiple platforms.** Smartphones were used by the broadest number of panelists for research, but the majority used them along with other devices. While 59% of panelists used a smartphone for research prior to the in-store visit, a **quarter (25%) used only a smartphone**. Of those who used a smartphone for research, half (51%) also used a desktop or laptop. Overall, 37% of panelists used multiple devices for research before visiting the dealership.

Smartphones provide a channel for reaching an incremental audience, but also for reinforcing messaging to an audience across channels. Among those who researched a dealer or vehicle while on the lot with a mobile device, 73% also used a smartphone to conduct research before visiting the dealer, while only 54% used a desktop/laptop.

**Auto shoppers who use multiple devices research more and arrive to the dealership better prepared.** Multi-platform users reported completing twice as many research activity types identified in the survey, compared to those using one device to complete their research prior to visiting the dealership.



There were few reported differences in types of research activity completed between devices. Multi-device users completed actions at a higher frequency, and users on PC only or smartphone only were more likely to complete actions that align with device features. For example, PC users were more likely to complete actions that tend to need screen real estate, such as comparing vehicle specs side-by-side, or looking up the dealer website. Conversely, smartphone users were more likely to map the dealer location or text/email the vehicle information to a phone.

## MOBILE SHOPPERS TURN TO THIRD-PARTY RESEARCH TO BUILD CONFIDENCE

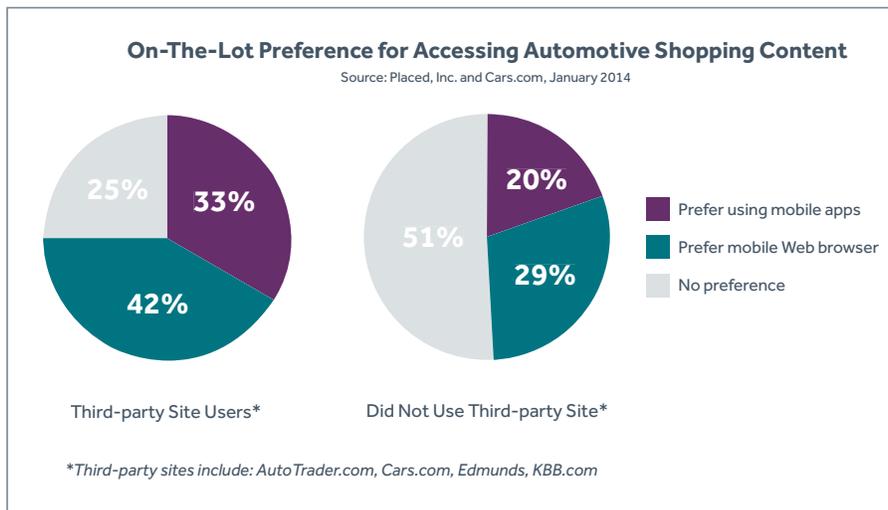
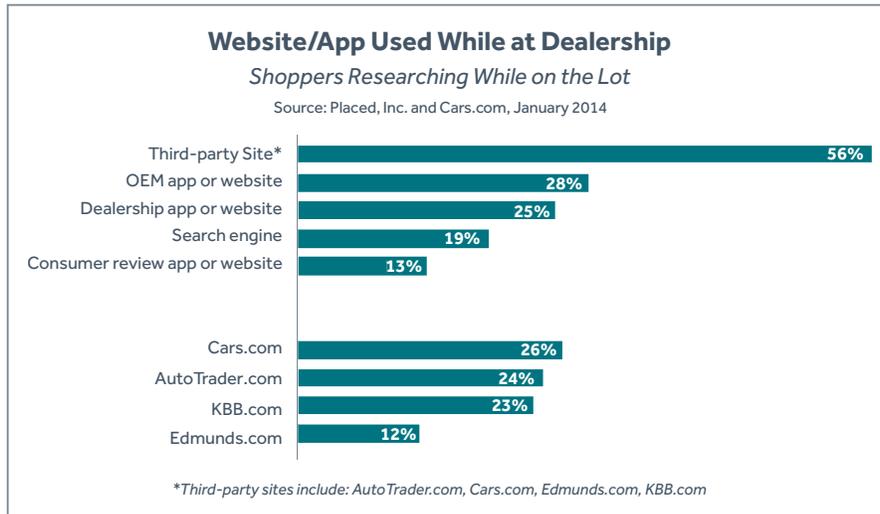
Vehicle shoppers have easy access to more information than those shopping in any other retail industry. Consumers use multiple information sources throughout the research process to learn about the vehicles, shopping process, what price to pay and even dealer invoice cost. But shoppers only refer to a few key sources when at the dealership. At least one of the **top four third-party, in-market shopping sites (Cars.com, AutoTrader.com, KBB.com, Edmunds.com) were used by 56% of on-the-lot mobile researchers** in the study, far surpassing use of the brand or dealer sites. This signals a need for unbiased third-party information while on the lot to confirm and build confidence in buying decisions.

Among the top third-party sources used on the lot, **Cars.com was used most (26%) by auto shoppers**, while AutoTrader.com (24%) and KBB.com (23%) were also used by a strong contingent.

## MOBILE INFORMATION PREFERENCES

Vehicle shoppers want quick, easy access to information while on the dealer lot. Marketers and developers are on the hook for developing a mobile experience that delivers similar content to the website experience, with less screen real estate and a plethora of related challenges.

Connecting with people on a mobile device is a very personal experience, and more than half (58%) of shoppers in the study indicated a preference for either a mobile site or app to access automotive content. Three quarters of third-party site users had an opinion on how to access content, demonstrating even greater engagement with the device and information. **Third-party site users indicated a stronger preference for the mobile site experience**, while half (51%) of those not using third-party sites had no preference between a mobile site vs. app. Overall, 24% of auto shoppers on the lot prefer content via an app, while 33% of third-party site users prefer apps.



Messaging consistency remains crucial, regardless of when, where or how auto shoppers are using the Internet as a part of the shopping process. Having a digital marketing strategy that extends web presence onto the dealer lot is key. It's no coincidence that shoppers relied on these information sources while on the dealer lot. On average, **six out of 10 shoppers used the same Internet source before visiting the dealer as was used on the dealer lot.** Just as the Internet disrupted automotive retailing in the nineties, mobile

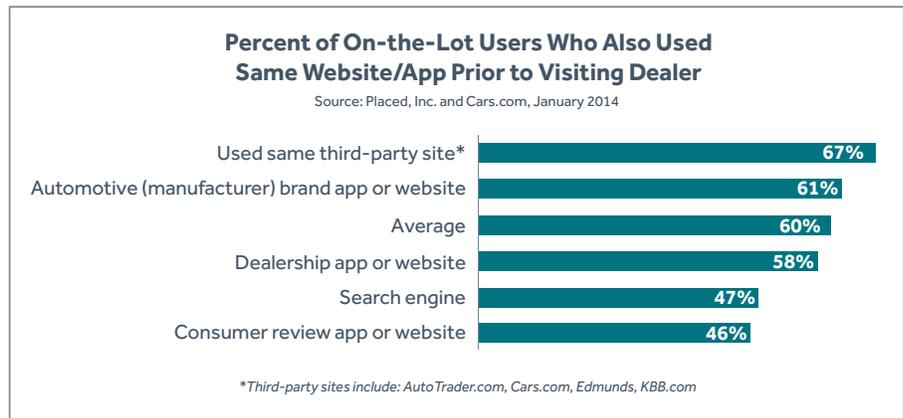
proliferation is once again changing consumer behavior and driving the need for retailers to adapt their business accordingly. With staggering growth in the number of shoppers using their devices to shop for a car and the clear influence mobile research has on both the dealership and vehicle selection, retailers must embrace a mobile-first business approach.

By effectively marketing to mobile shoppers, retailers can reach a unique mobile audience, reinforce their brand and offers across platforms and conquest shoppers from competitors while they are actively in the buying process on the lot.

Conversely, to overcome the potential impact of showrooming on floor traffic conversion, dealers can implement in-store processes to win over smartphone shoppers. Instead of burying their heads in the sand and hoping showrooming won't affect their sales, retailers must work to engage mobile shoppers on the lot, identify their needs and build their trust to keep them in the showroom and moving toward a purchase.

## METHODOLOGY

Cars.com partnered with Placed, Inc., to investigate the role of mobile devices on the vehicle shopping process. Placed uncovers actionable intelligence and behaviors of people, by measuring location from more than 125,000 opt-in research panelists, via smartphone app. Using location data of panelists, Placed surveyed 1,170 panelists who visited a dealership during the study timeframe; 510 of those panelists indicated they were vehicle shopping. Insights were collected October 4 – November 30, 2013. Insights reported include survey responses, layered with insights about physical location behavior.





## ABOUT CARS.COM

Cars.com is an award-winning online destination for car shoppers that offers information from consumers and experts to help buyers formulate opinions on what to buy, where to buy and how much to pay for a car. Cars.com offers thousands of new and used vehicle listings, consumer reviews, side-by-side comparison tools, photo galleries, videos, unbiased editorial content and many other tools. Cars.com puts millions of car buyers in control of their shopping process with the information they need to make confident buying decisions. Launched in June 1998, Cars.com is a division of Classified Ventures LLC, which is owned by leading media companies, including A.H. Belo (NYSE: AHC), Gannett Co., Inc. (NYSE: GCI), The McClatchy Company (NYSE: MNI), Tribune Company and The Washington Post Company (NYSE: WPO).

## ABOUT PLACED INC.

Placed is the leader in location-driven insights and mobile ad intelligence. Measuring billions of locations across the world's largest opt-in mobile location panel, Placed provides the most complete understanding of consumers' offline behaviors.

Connecting the physical and digital worlds, Placed gives brands, agencies, publishers and ad networks the ability to target location at scale, measure the offline impact of mobile ads, and deliver actionable insights into consumer behavior. Founded in January 2011, Placed is headquartered in Seattle and is backed by Madrona Venture Group.