

SERIES DEBUT: HOW THE RETAIL REVOLUTION IMPACTS DEALERS

# canadian auto dealer

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## WHAT YOU **SEE** IS WHAT YOU GET

Consumers want more transparency.  
How are dealers responding?



# What you see is what you get





# More dealers are coming around on transparency, and are taking the time to invest in initiatives to make the auto industry more transparent

BY HEATHER HUDSON

**W**hat can the auto retail industry learn from wildly successful companies such as Uber, Airbnb and Zipcar?

A lot, according to Chris Afonso, Vice-President of Dealer Sales at CARPROOF. He says the rise of companies like Uber, which put the consumer in control of business transactions, provide a cautionary tale the auto industry would be wise to observe.

"The taxi industry was around forever. It was this old, stalwart way of doing things. Then somebody in their living room came up with an app [Uber] and completely disrupted a whole industry. The auto industry is ripe for somebody to do something similar."

There's no question that the consumer has never been more informed or demanding. With the flick of a finger, they can find everything from new vehicle specs to book values to which dealer is offering the best price within 20 km of their house.

Though we're not quite at the point of buying a car from our smartphones, Afonso believes it's only a matter of time. So how do dealers stay relevant and adapt to the buying habits of today's savvy consumers?

In a word: transparency.

Josh Bailey, Vice-President, Research and Editorial, at Canadian Black Book, says consumers are already taking their car buying experience into their own hands.

"Around half a million consumers a month are coming to our website to look at trade-in values or research what we call the average asking price. I think that's evidence that people are curious and serious. They want to go into [a dealership] with a genuine understanding of what they can expect in terms of value."

While the rumble of change has been heard in the distance for a while, formal measures to ensure transparency in the industry were ushered in with legislation like Ontario's Motor Vehicle Dealer Act in 2010. British Columbia had already passed a similar law.

The rumble is getting louder. Earlier this year, CARPROOF invested \$1-million into the Transparency Advantage, an industry-led think tank comprised of representatives from dealer groups and

OEMs across the country. Through research, it's focusing on "driving innovation to take transparency in the auto industry to the next level."

By researching and surveying the experiences of consumers and dealers, the initiative is gaining insights into how consumers want to buy vehicles and how dealers need to adapt to accommodate the new marketplace. Underpinning everything is the concept of transparency.

## WHAT DOES TRANSPARENCY LOOK LIKE?

- Transparent business practices include:
- Responding to customers' email inquiries about prices and specs quickly and fully;
  - Volunteering detailed information about previous vehicle damages as a result of an accident;
  - Educating the consumer about why the price is the price, which eliminates — or greatly reduces — the act of haggling;
  - Building trusting relationships with customers, thereby creating opportunities in the warranty, maintenance and service departments;
  - Providing online services, i.e. service appointment bookings, for 24/7 customer service; and
  - Knowing more about your cars than your customer; expecting and respecting the fact that the customer may have done up to 18 hours of research before walking onto the lot.

For Bailey, transparency goes beyond simply sharing honest information about a vehicle. It's the foundation on which to develop a potential long-term relationship. "Transparency simply makes it easier for people to trust doing business with you... [The salesperson] tells you the price. They don't say, 'let's talk about power window switches first.' They don't give you the run around," said Bailey.

"Dealers are coming around. They're willing to do business online and by email. The good ones will respond in minutes, sending an electronic brochure in the first email, letting the customer know how many of the vehicles they're interested in are in stock and reassuring them that if they

don't have it they can get what the customer is looking for," he added.

Afonso agrees. He believes dealers who are unwilling to adapt to the changing way consumers expect to be served will miss out, creating natural consequences in the form of lower sales.

"I still hear anecdotes of dealers who won't disclose monthly payments on the phone or by email. They want the customer to come into the dealership to talk about it. The response will be, 'I asked how much the vehicle was and you won't tell me — I'm going to the next dealer.'"

Steve Chipman, President and CEO of Birchwood Automotive Group in Winnipeg, Man., has been in the business for 52 years. When you talk to him about transparency, he'll tell you it's just one more way the industry has evolved over the years. Adapting is part of the business.

"The world has changed. The days of marking the price up to mark it down are gone; the price is the price. What we used to have is information that the customer didn't have. When you have information, it gives you power. Now we have to let go of that. We're in the business of giving customers what they want," said Chipman.

A member of the Transparency Advantage, Chipman points out that, as informed as consumers may be, a good relationship with a dealer goes beyond hammering out a good price on the car.

"We'll give customers the information they want over email, but they still have to see it to make sure they like the car. The test drive is still an important aspect of buying. Our sales managers want to make sure you get a good car that operates properly and efficiently because a happy customer will come back again and refer people to us."

Afonso says the majority of dealers in Canada are in line with the way Birchwood Auto Group conducts their business with transparency.

"I give our industry a pat on the back. We're doing a good job and going in the right direction. The discussions we're having with dealers and dealer groups across the country are telling us that this is only going to get better. Dealers who are taking a risk on transparency recognize that they're winning."



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