



LEAD QUALITY AND WHY IT MATTERS MORE THAN EVER

MAY 2021

Like so many industries, the automotive industry was hit hard during the first half of 2020, as COVID-19 wreaked havoc on dealer close rates, sales and, of course, profits. Now that we are seeing close rates up year over year, it's time to focus on how you can come back strong and direct the pent-up demand back to your dealership.

It starts with your leads. And it's not about how many leads you get each day, but whether they're good — and how quickly your sales team can tell the difference. You may think telling good from bad is easy, but with all the robot calls, shoppers who feel excessively optimistic about their finances, people who provide false information, and other types of bad leads, it's not.

LESS TIME CHASING WEAK LEADS MEANS MORE TIME WORKING THE STRONG ONES



CHASING 200 BAD LEADS AT 10 MIN EACH = PER PERSON PER MONTH

Chasing a few bad leads here and there may not seem like a big deal ... until you do the math. Let's say you have two salespeople working on 200 bad leads per month, at 10 minutes per lead making calls, sending emails and texts. Add it up and you've just wasted 16 hours of their time per person, every month.

On top of that, if you've not been able to rehire employees due to COVID-19 cutbacks, and you're trying to accomplish more with less, your team certainly shouldn't be wasting time chasing down bad leads when they could be closing good ones.

HOW MUCH IS ALL THIS WASTED TIME REALLY COSTING YOU?

Suppose you have 226 new cars in inventory and sell an average of 76 new cars per month with an average of \$1,750 gross profit per vehicle retailed. Factor in holding costs of \$40 per day and just 10 of these units going unsold would cost you \$29,500 per month in lost gross plus holding costs (see Diagram A). Making things worse, you are still paying for low quality leads that were never going to close anyway.

BAD LEADS ARE BAD BUSINESS



FOR ILLUSTRATIVE PURPOSES ONLY. EXAMPLE BASED ON AUTOTRADER AND KELLEY BLUE BOOK GROSS PER SALE AVERAGES.

It's not just time and money that you lose. Chasing dead end leads day in and day out can be demoralizing to your team and contribute to employee turnover. And with the average dealership sales staff turnover at a staggering 80% per year, adding more turnover is a surefire way to eat into your profits.

MORE LEADS DOESN'T MEAN MORE SALES

To gain a better understanding of how lead quality affects close rates, Cox Automotive analyzed four of the top third-party automotive listings sites for lead quality using aggregated and anonymized data from VinSolutions (which did not include personally identifiable information). These sites covered thousands of dealers, both franchise and independent. The analysis found car dealerships received millions of leads from these four sites in 2021.

Don't be fooled into thinking that buying cheaper leads by the barrel is better than getting quality leads you can close. Case in point, CarGurus and Cars.com generate more leads than Autotrader and Autotrader's close rate is 68% higher than the nearest competitor.

> 68%
HIGHER
CLOSE RATE

*Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

As a result, Autotrader led the industry with a close rate at 9.1%, 8% higher year over year. This is more proof that Autotrader's higher quality of leads allows dealers to close more sales than any other listing provider.

PROVIDER	CLOSE RATE*
AUTOTRADER	9.1%
AUTOTRADER AND KBB.COM	8.7%
CLOSEST COMPETITOR	5.4%

*Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

When you compare the power of Autotrader and Kelley Blue Book's current combined close rate of 8.7% to the competition at just 5.4%, it becomes clear that volume doesn't correlate to lead quality. Thus, focusing on quality leads significantly increases the chances of converting them into sales.

HIGHER CLOSE RATES MEAN HIGHER SALES

> **24%**
**MORE SALES
PER DEALER**

YEAR OVER YEAR

*Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

Smart dealers know not all site traffic is created equal, and visit count alone isn't a meaningful KPI to measure website performance. Years ago, visit count carried more weight, but now the focus is on quality VDP views, photo engagement, time on site, and other more meaningful behaviors. Dealers learned to peel back the layers to find true insights with website performance. So why do they still measure ROI on a cost-per-lead basis with their CRM?

THE BEST QUALITY TRAFFIC IN THE BUSINESS

> **+21%**
**INCREASE
IN LEADS**

> **13%**
**INCREASE
IN TRAFFIC**

> **17%**
**INCREASE
IN VDPS**

*Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

Not all leads are created equal, either. At the very least you should be measuring the cost of responding/engaging per lead and implementing some quality filters to gain better insights into performance.

QUALITY LEADS ARE A KEY ASPECT IN DRIVING YOUR BUSINESS FORWARD

The real difference in the quality of your leads shows up in the difference in gross revenue per lead. Autotrader's average gross revenue per lead is \$131*; our closet competitor's is \$78. That's \$53 more per lead, and it's how you can gauge the ROI on your digital marketing spending with third-party listings sites.

*Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

> 2/3 OF SHOPPERS WANT TO CONDUCT THEIR PURCHASING TRANSACTION 100% ONLINE.

BRINGING IT ALL HOME

Today, two-thirds of shoppers want to conduct their purchasing transaction 100% online. Having access to digital and virtual tools and resources is more critical than ever, which is why dealers leveraging Autotrader's Display Solutions, Delivery Solutions and Digital Retailing are well-positioned right now and for the future.

Start by maximizing your vehicle exposure both on and offsite with our Display Solutions, backed by exclusive Cox Automotive data to display your most relevant inventory to shoppers. Advanced Ads retargets your shoppers across the web, driving them back to your inventory. All new Alpha Elite gets you in the top search spot in your market and eLot highlights your relevant vehicles beyond the search results page. Dealers utilizing Autotrader's Display Solutions are seeing an incremental increase of 21.5 VDPs per car on average, each.

Then, tap into the opportunity to expand your sales footprint and sell cars without consumers ever having to come to your lot with Delivery Solutions. Dealer Home Services promote your virtual offerings and Market Extension and Market Extension Essential allow you to reach shoppers in outside markets. Dealers utilizing Market Extension Essential are seeing an incremental increase of 27% more leads on average.

Finally, with digital retailing, shoppers can start the buying process online. Within seconds, they'll see estimated rates from banks or financial institutions. If they enter their credit range, monthly payments are instantly personalized to their situation, which can help them decide if they want to pay \$625 a month to finance or \$375 to lease. And if they provide information about their trade-in, they can get a Kelley Blue Book® Trade-In Value to see how it factors into their deal.

After investing time in the process and providing their contact information, these customers are usually ready to move forward. That's why leads that come through digital retailing on Autotrader are most likely high-quality leads with a greater chance of closing. This all makes perfect sense, given that 7 in 10 consumers say they're more likely to buy from a dealership if they can start the process online.



DON'T UNDERESTIMATE THE VALUE OF PROPER MERCHANDISING

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To maximize the performance of your high-quality leads, you need to support your listings with high-quality merchandising. Providing prospective customers with more information about your listings can yield more positive results, and the proof is in the data. Dealers that include a price on their listings on Autotrader get 90% more vehicle detail page (VDP) views per listing.

That's not all: dealers get 91% more VDP views for listings merchandised with multiple custom photos versus stock photos. The truth of the matter is lead quality matters. You are

not just selling cars; you are selling the experience of buying from your dealership. The better the experience is, the better the chances are of developing repeat customers and referrals, which will help your dealership make it through difficult stretches and thrive even more during prosperous times.

METHODOLOGY

Cox Automotive has the most comprehensive view of the automotive industry and is able to offer unmatched data and insights into consumer behavior, automotive trends, and operational best practices. The analysis provided here used VinSolutions CRM data to evaluate lead volumes and close rates across primary third-party classified sites.

The analysis also excluded bad or duplicative leads and known VinSolutions test accounts to ensure the data was accurate. It was assumed that some competitors are generating multiple lead records from a single lead submission. No extra steps were taken in this analysis to verify, isolate, or separate out duplicates in these instances from the competitors.

Total gross profit includes the sum of both front and back gross, but no specific details of these are provided in the data.

ADDITIONAL SOURCES:

Source: Close Rate Report sourced from VIN Solutions Data Q1 2020 vs. Q1 2021

VinSolutions Sales and Data Table via Collibra, Q1 2021

Autotrader site statistics, comparison of VDPs per listing per day, Q1 2021

Cox Automotive COVID-19 Digital Shopping Study 2020

2019 Car Buyer Journey Study

2019 Cox Automotive Dealership Staffing Study

NADA 2018 Dealership Workforce Study 2018