RIDE IT OUT: Navigating the Chip Shortage into 2022 and Beyond

The global computer chip shortage continues to impact the automotive industry, causing significant supply chain disruptions and inventory shortages. Experts now believe the global computer chip shortage will extend well into 2022, with potential repercussions extending even further. As these experts continue to adjust their projections, OEMs and dealers need to do the same in order to be successful during this ongoing disruption.

This playbook will provide an overview of consumer perceptions, based on Cox Automotive data from August 2021, strategies to stay focused and levers you can pull in order to reach customers and meet their needs today and down the road.

HOW THE CHIP SHORTAGE IS IMPACTING CONSUMER BEHAVIOR

People are still willing to pay above MSRP.

More car buyers are delaying their vehicle purchase.

Car buyers are willing to drive outside of their local area for a vehicle.

Most car buyers still anticipate negative impacts because of the chip shortage.
35% of in-market shoppers are willing to pay above MSRP and many of them are willing to pay a 13% premium. Suggested retail prices aren’t driving the price today; demand is.

48% of in-market shoppers are likely to postpone their vehicle purchase due to the chip shortage. Among those who are likely to postpone their purchase, about half would delay their purchase by six months or less. More of those who are not postponing are likely to switch brands, categories or from a new to a used vehicle.

3/4 of shoppers are willing to drive 50-200 miles for the right vehicle, but less likely to drive more than 200 miles away from home. As consumers are willing to travel more, DMA lines become blurred. It’s less about geography and more about matching the right person to the right car — for the right price.

From increased prices to inventory shortages and longer delivery times, most consumer recognize the effects of the chip shortage on the car buying process — and expect that the trends will continue.

76% believe that all vehicle brands will be impacted, and 61% expect less favorable deals or incentives from dealers.
WHERE DEALERS AND OEMS SHOULD FOCUS

AS THE SAYING GOES:
When times are good, advertise. When times are bad, advertise.

Although some consumers are delaying purchases due to limited availability and increased prices, they won’t be able to for long. Now is the time to stay focused on advertising and evolve your marketing and messaging strategies to increase market share by:

FINDING AND REACHING THE RIGHT AUDIENCE.

“READY-TO-BUY” SHOPPERS ARE

>15x

MORE LIKELY TO BUY THAN THE AVERAGE PERSON

Understand your leads and inventory with nVision. Our analytics platform, nVision, connects the dots between all of our online websites, measuring consumer behavior down to the page, search and click. Because we have so much data, and the intelligence layered on that data to connect behaviors to intent to buy, we’re able to identify “ready-to-buy” shoppers who are 15 times more likely to buy than the average person. This proprietary and industry-leading platform is designed to help dealers optimize their daily operations, delivering reports and insights on inventory and interest in a dealer’s market every day.

And on Autotrader, dealers can feel confident that their listings are being seen by the highest quality audience.

FOR OEMS

For CAMP 360 clients, consider shifting your campaign audiences to reach shoppers who are earlier in their purchase journey. Focus on paused shopping consumers, who are likely to delay their purchase in the short term. You can also target shoppers in the Owners and Research/Editorial section, as these shoppers tend to be in the early consideration phase. This is a great time to target non-considerers who are open to changing brands, and shore up your owner loyalty by targeting defectors. Shift marketing dollars into home page and “first impression” sponsorship opportunities to create more long-term brand awareness.

68% HIGHER CLOSE RATES* THAN OUR NEAREST COMPETITOR
FOCUSING ON THE MESSAGE AND THE MERCHANDISING STRATEGY

Meet consumers where they are and create a great listing. With our At Home tools, we help dealers connect with the buyers that want — and expect — to do more online. 60% of consumers say they’ll use an at-home service during the car buying journey — and when they do, they’re reporting higher satisfaction with the overall process. We’ve seen increased shopper satisfaction with features like At Home video walkaround, At Home Delivery, At Home Test Drive and At Home paperwork. As shoppers are having a harder time finding their desired vehicles in their market, offerings like Market Extension allow you to reach highly qualified shoppers outside your DMA.

AND HAVING A AN ACCURATE AND BEST-IN-CLASS VEHICLE DETAIL PAGE (VDP) CAN MAKE OR BREAK YOU.

67% of shoppers want to see payments while shopping, and most new vehicle shoppers say they’ll provide more information online if it results in a more personalized offer and less time at the dealership. With Autotrader’s free My Wallet tool, shoppers enter personal information (like credit score, monthly payment, trade-in value, etc) earlier in the shopping process to drive more qualified leads; dealers can also include your preferred lenders so shoppers get an even more accurate picture of the deal. Then you can review enhanced data shared in leads and confirm selections with shoppers.

FOR OEMS
With 18 hours as the average time spent watching online videos each week, CAMP clients can meet customers where they are to share in-depth vehicle reviews by experts. Use video as a strategy to share this engaging content for early consideration.

Vehicle listings checklist:

- Several custom photos (interior, exterior, damage hot spots, etc.)
- Videos and 360-degree spins
- Comprehensive vehicle descriptions and features
- Accurate and transparent pricing
- Digital retailing options

At home video walkaround
Home test drive
Home paperwork
With most shoppers willing to drive outside their market (or get vehicles delivered from out-of-market), there’s an opportunity to look outside your backyard and reach new customers. Autotrader’s Market Extension allows dealers to strategically show listing in multiple DMAs, without having a physical location in that market. Online-only dealerships can’t corner the market; Market Extension Dealers can offer the same end-to-end benefits and services to win more customers now, when it matters most. This product is an ideal solution for dealerships receiving 20-25% sales from outside markets.

And with Market Extension Essential, you can display relevant inventory to shoppers in surrounding areas when their searches on Autotrader and KBB.com produce limited results.

For dealers looking to understand their virtual reach and find untapped sales opportunities, use the data at your fingertips.

Check out your Google Analytics audience location data to see where shoppers on your dealership website are.

Analyze the zip codes of your recent sales to see if trends are changing.

If you’re an Autotrader dealer, use Analyze Live within nVision reporting to see real-time data that could reveal market opportunities in seconds. The Traffic Activity Map will reveal where your Autotrader and KBB.com shoppers are located, and you’ll also get data on what those shoppers are doing right now on your site, e.g., the VDPs they’re viewing and the vehicles they’re saving.
CREATE COMPELLING CONTENT

CAMP360 helps influence sales in the long term — especially for the early consideration set of shoppers — so now is the time to advertise. Over half of new vehicle shoppers are undecided at the start of their car shopping process. In fact, 66% of shoppers make their car buying decision more than three months after they first engaged with CAMP360 content.

Data also shows us that even as consumers get closer to purchase, they’re still open to other brands. Win them early on; even if they’re not ready to purchase for several months, you’ll have already made a meaningful impression through CAMP360.

Shoppers trust Cox Automotive sites’ transparency and compelling content, actively seeking out information with us to make the right decision. And we can accurately predict which make a shopper will purchase approximately 91% of the time through Cox Automotive’s data ecosystem, precisely targeting the right consumer with the right message. And that’s exactly what customers want. 60% of new-vehicle shoppers favor this type of personal, timely and relevant experience to help them make an informed decision.

CAMP 360’s intent-to-buy signals and impartial automotive content layered with an OEM client’s shopper data creates a bridge from consideration to purchase that is essential in both today’s volatile market and in the future, as inventory levels and the industry level out in the next year or more.

>50% OF BUYERS ARE UNDECIDED AT THE START OF THEIR SEARCH

>60% OF SHOPPERS PREFER A PERSONAL EXPERIENCE

MAKE SURE YOUR DIGITAL RETAILING CAPABILITIES ARE BEST IN CLASS

As you land potential buyers on your digital storefront, it’s critical to make that experience as relevant and seamless as possible. Site visitors who have personalized experiences show four times as many deal pencils and are more likely to initiate a trade in. Leveraging tools like My Wallet, which surfaces your preferred lenders and allow shoppers to enter their personal information earlier in the deal, is essential to a successful digital car-buying experience.
And when you connect My Wallet with Accelerate My Deal to offer a complete digital retailing solution, you’re putting the customer in the decision-making driver’s seat, letting them choose how far down the path to purchase they want to go digitally before coming into a physical store (if at all!). Customers are five times more likely to submit a deal when you have Accelerate My Deal. And 9 out of 10 consumers are more likely to buy from a dealership that offers at least one component of digital retailing.

**THESE CUSTOMERS ARE ALSO MORE PROFITABLE AND DELIVER A SHORTER CUSTOMER EXPERIENCE.**

**MARKET ICO AND SERVICE AND REPAIR**

For most dealerships with service bays, fixed ops makes up more than half of your overall profits, yet only about one-tenth of your marketing investment and probably about one-fifth of your focus for growth. But because of the global chip shortage’s effect on new and used car inventory and prices, the time for fixed ops to shine is right now.

There were 22 million vehicles recalled in 2020 and overwhelmingly people are putting more miles in their car in 2021 compared to last year and people are getting back into their maintenance routines after a pandemic hiatus from service.

This part of your business has a ton of growth opportunity; it’s a stable, long-term revenue stream for your business.

Customers are on the hunt for vehicle service centers, and they are looking at trusted resources like KBB.com’s Service & Repair Guide. In 2021 alone, we’ve seen over 20 million visitors to the guide.

**MAKE SURE YOU’RE MARKETING WHERE YOUR CUSTOMERS ARE, SO THEY FIND YOU AND NOT YOUR COMPETITOR.**
**Instant Cash Offer**

Acquiring new inventory (even when it’s scarce) is essential and there are tools that can help dealers get new inventory easily — and take the friction out of the trade-in discussion during a sale. Kelley Blue Book Instant Cash Offer (ICO) is an online inventory and trade-in offer solution that allows dealerships to acquire inventory directly from transaction-ready consumers, lowering dealer acquisition costs and improving the bottom line. Dealers save on typical fees, transportation costs and time spent at auction.

**WHAT DOES THE FUTURE HOLD?**

Things may get worse before they get better. Constraints on global supply chain, labor shortages and inflation will continue through the end of 2021 at least, impacting every industry including the automotive industry.

Cox Automotive forecasts mild supply improvements in Q4, and continued improvement throughout 2022, but no return to “normal” until 2023 — if ever.

The vehicle sales pace in the U.S. market has fallen every month since reaching a peak of 18.3 million in April. According to Cox Automotive Senior Economist Charlie Chesbrough: "After a strong spring selling season, the supply situation has worsened precipitously and is dragging sales down with it. The monthly declines have been large — the sales pace has declined by more than a million units in each of the past five months. Available supply on dealer lots is now 58% lower than last September, down nearly 1.4 million units."

**THERE ARE 1.4 MILLION FEWER NEW VEHICLES THAN IN 2020 AND OVER 2.5 MILLION FEWER THAN 2019.**
Inventory challenges are here to stay — at least for a while.
And consumers are more aware of the chip shortage’s impact on vehicle inventory now than they were early in 2021; they’re willing to pay more, drive farther and expect to see the effects well into 2022 and beyond. Most won’t delay their purchase, so they’re open to your message.

Focus on advertising.
Evolve your marketing and messaging strategies to increase market share; make sure you are using all the tools in your belt to find and reach the right audience. Once you know who you’re talking to, meet them where they are with a strong messaging and merchandising strategy. Make your vehicles stand out with videos, At Home services, best-in-class digital retailing offerings and accurate VDPs.

Find untapped opportunities.
Dealers should look outside their backyard to find car buyers, leveraging products like Market Extension and Market Extension Essential to reach car buyers willing to do more of the car-buying process online. Inventory acquisition strategies like ICO can provide several cost- and time-saving benefits, and fixed operations is an opportunity for stable and long-term revenue during volatile market conditions.

For OEMs, now is the time to win early consideration with CAMP 360.
CAMP 360’s intent-to-buy signals and impartial automotive content layered with an OEM client’s shopper data creates a bridge from consideration to purchase that is essential in both today’s volatile market and in the future, as inventory levels and the industry level out. Create compelling content, with in-depth and engaging video reviews, to win early consideration and leverage the trusted brand power of Autotrader and Kelley Blue Book.
AUTOMAKERS ARE IMPROVING THEIR ABILITY TO REDIRECT EXISTING CHIPS TO THE MOST IMPORTANT VEHICLES IN THEIR PORTFOLIOS.

For OEMs and dealers, 2022 will be about ensuring that the inventory they do have is marketed and merchandised effectively to reach the right customers, and digital retailing options are not only available but also best-in-class.

To learn more about how to use the power of Cox Automotive to move your business forward, contact your Dealer Success Consultant or Client Solutions Manager.

VISIT ONE OF OUR SITES TO LEARN MORE:

Autotrader
B2B.Autotrader.com

Kelley Blue Book
B2B.KBB.com

Kbb-autotrader-oem.com

Statistics and data based on the following sources and studies:

- Cox Automotive Wave 2 Chip Shortage Research – August 2021
- Cox Automotive Digitization of End-to-End Retail Study
- Autotrader site data 2021
- Automotive COVID-19 Consumer Impact Study
- NTSHA Recall Annual Report 2020
- HA Recall Annual Report 2020
- Buying Signals predictions validated against VinSolutions CRM sales records: Aug 2019 – Jan 2020
- KBB.com Adobe Analytics data, total unique visitor count Jan – Oct 2021