Affinitiv

Predictive Personalization

The Evolution of the Customer Experience

Consumer expectations are rapidly changing, driven by the increasingly intelligent shopping experience on non-automotive retailer websites. To attract and retain the modern car buyer, the auto industry needs to break away from traditional thinking and adopt a new approach.

Many automotive companies are stuck in cruise control, utilizing unsophisticated technologies built on an antiquated notion of how consumers buy cars. The harsh reality is that a good—or even great—customer experience is not enough to wow today's modern consumer. Customers demand much more from auto retailers.

Expectations about the car buying experience have changed due to several factors.

Gap Between Auto & Non-Auto Retailers

Consumers interact with non-auto retailers every day who provide highly personalized experiences online and in-store. Affinitiv's past studies identified Amazon, Nordstrom, and Apple as leaders in customer experience and role models that consumers expect dealers to follow.

Rise of Digital Retailing

Consumers now have the option to initiate their purchase process on dealer websites using digital retailing tools. These tools give consumers the ability to define their own buying process while interacting less with sales associates, who have traditionally been the source of expertise in the buying process.

Buying Power of Millennials

Dealers must adapt to a new generation of buyers who have purchased virtually anything they ever needed online. Millennials are more likely to utilize a variety of online sources to make a purchase decision and expect more than past generations from every type of retailer.

These trends challenge the current focus of many automotive retailers, which is to drive showroom traffic and force everyone through the same buying process.

As this process moves online, every interaction leads a customer in a new direction, sparks new questions, introduces new content and leads to a different course of action. Along the way, customers leave a digital footprint, which provides subtle clues about what matters most to them and ultimately, the vehicle they are likely to buy.

Fortunately, Artificial Intelligence (AI) systems have evolved to the point where dealers can learn from online interactions and draw insights about buying preferences that were previously impossible to ascertain.

In other words, with smarter technology, auto dealers now have the potential to understand the likely purchase decision of any consumer and to put themselves in the best position to capture the sale.

Rise of Personalization

Given the unique path each customer takes to make a purchase decision, automotive companies need to reshape the experience or risk losing market share and alienating the next generation of car buyers.

This gives rise to the next evolution of the customer experience era. Today's top companies succeed using personalization to engage customers, rather than providing a consistent, shared experience to all of their customers.

To help dealers navigate this new world of hyper personalization, Affinitiv recently completed an automotive personalization study, where we surveyed 1,000 auto consumers. We also analyzed a sample of 100 dealer websites to better understand the current level of personalization provided by dealers.
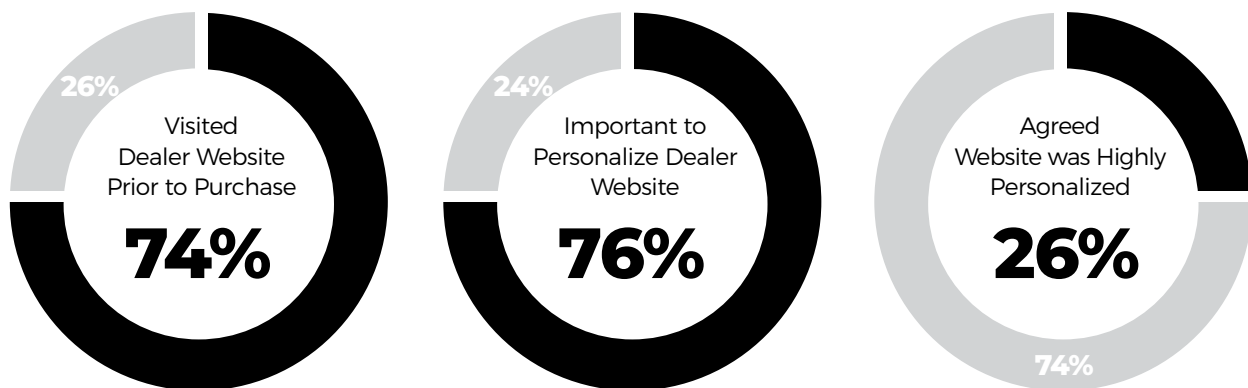
Digital Personalization Gap

Most customers assess a dealership long before they first show up on the lot to search for a new car. Approximately 3/4 of customers said they visited a dealer's website prior to making their last vehicle purchase.

This should come as no surprise to most dealers as they continue to shift their marketing dollars to online advertising, thereby driving more customers to their digital storefront. However, many dealers may be surprised to learn the majority of auto shoppers are disappointed in the experience on dealer websites due to the lack of personalization.

76%

of recent car buyers said it was important for the dealer website experience to be personalized.

Our study revealed that 76% of recent car buyers said it was important for the dealer website experience to be personalized. To understand how well dealers were delivering on these expectations, we asked shoppers to tell us about their recent experience on a dealer's website.

Unfortunately for dealers, consumers were less than enthused. Only 26% of consumers agreed dealers provide a highly personalized experience on their website.

Visited Dealer Website Prior to Purchase	Important to Personalize Dealer Website	Agreed Website was Highly Personalized
74%	76%	26%

This personalization gap will only grow over time due to the demands of younger consumers. When we compared the results between Millennials and non-Millennials, we found Millennials were 12% more likely to visit a dealer's website during their vehicle purchase process and 13% more likely to say a dealer's website needed to be personalized. Dealers who fail to enhance the level of personalization on their website risk losing future sales from digitally savvy Millennials.

Creating a More Personalized Online Experience

Personalization is not as simple as remembering a customer's name or giving customers the flexibility to search for vehicles with specific characteristics. Personalization requires a deeper understanding of customer preferences and an online experience tailored to each individual customer.

A key first step for dealers is to understand the specific aspects of the website that need to be customized. We asked customers what part of the website experience they wanted dealers to personalize and the top items were vehicles of interest, vehicle features and vehicles within my budget.

47%

of dealer websites proactively recommend vehicles of interest based on a customer's browsing behavior and NOT a single dealer website recommended vehicles based on specific features of interest.

Website Personalization Expectations
% of Customers

Category	
Vehicles of Interest	
Vehicle Features	
Vehicles within Budget	
Financing Options	
Payments	
Trade Appraisal	

0%   20%   40%   60%   80%

Despite these expectations, our analysis of dealer websites shows they are falling short in many areas. For example, only 47% of dealer websites proactively recommend vehicles of interest based on a customer's browsing behavior and NOT a single dealer website recommended vehicles based on specific features of interest.

While some websites recommend "similar vehicles" to consumers when viewing a vehicle detail page, the recommendations typically related to only the last vehicle viewed and did not reflect a consumer's complete shopping history on the site or specific vehicle features they clicked on.

Considering its high importance, recommending vehicles with relevant features is one of the single greatest opportunities for dealer websites to increase conversion rates and better meet the expectations of online shoppers.

Personalization Based on Budgets

Personalizing the shopping experience based on a consumer's budget is critical to customizing the online experience, since 52% of consumers expect a dealer's website to help them find affordable vehicles.

For most consumers, finding a vehicle with a specific monthly payment is more important than finding a vehicle within a specific price range. In our study, 62% of consumers said the monthly payment had the same or greater importance than the total price of the vehicle.

52%
of consumers expect a dealer's website to help them find affordable vehicles.

62%
of consumers said the monthly payment had the same or greater importance than the total price of the vehicle.

However, our analysis of 100 dealer websites found significant gaps when it comes to payments and the vehicle search.

We analyzed a national sample of dealer websites from luxury, domestic and import brands. Most websites fall short in meeting a consumer's needs when it comes to price. Our findings include:

9%
**of websites allow customers to search by payment range**

55%
of websites allow customers to estimate payments based on their true buying power, which includes the current equity position in their vehicle

11%
of the websites we tested incorporated the credit score in the payment estimate, making it difficult for customers with low credit scores to get an accurate price

If websites aren't dramatically improved to elevate the shopping experience and make personalized recommendations based on a consumer's browsing behavior, dealers risk alienating most potential buyers before they ever visit a showroom.
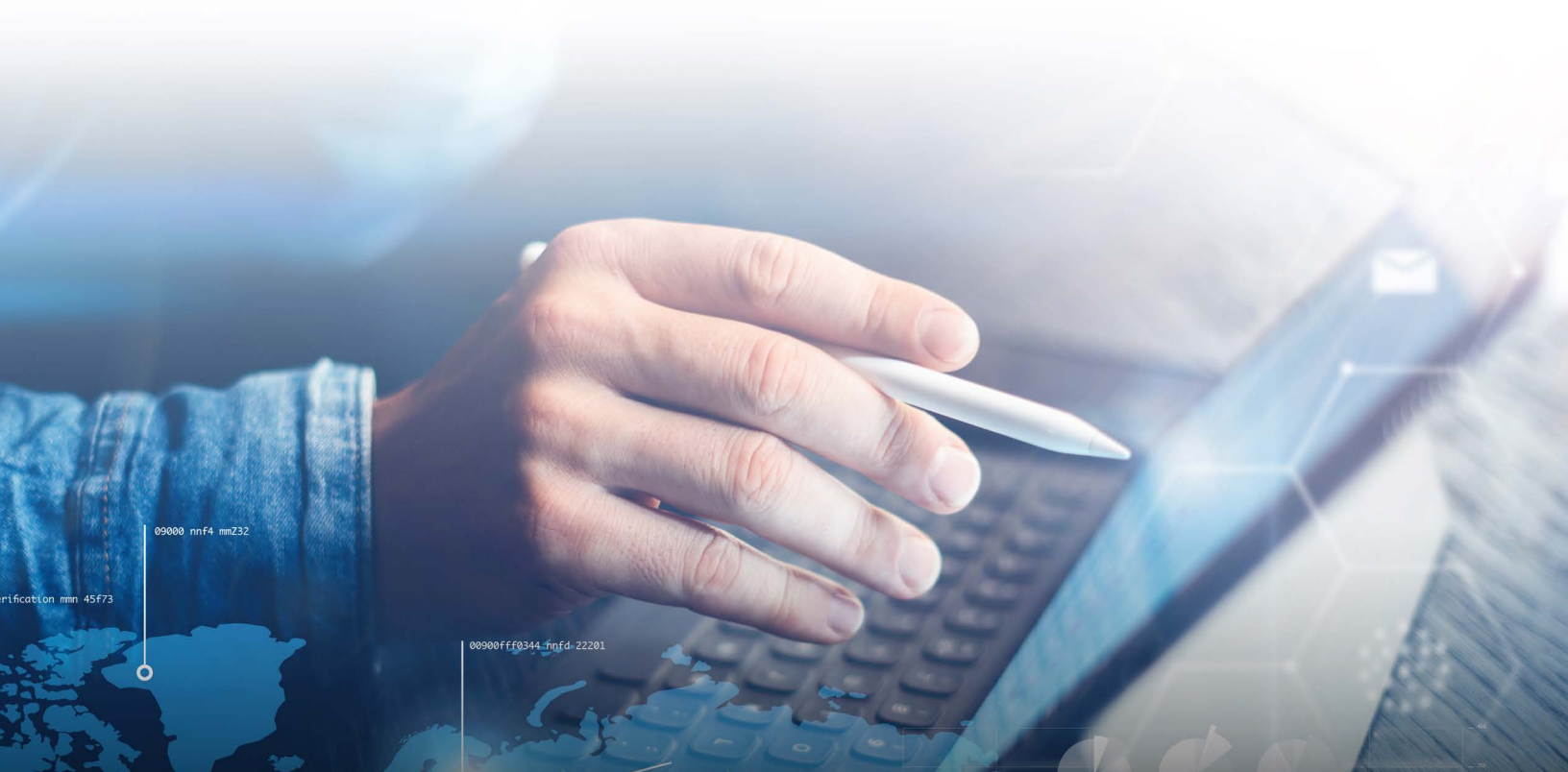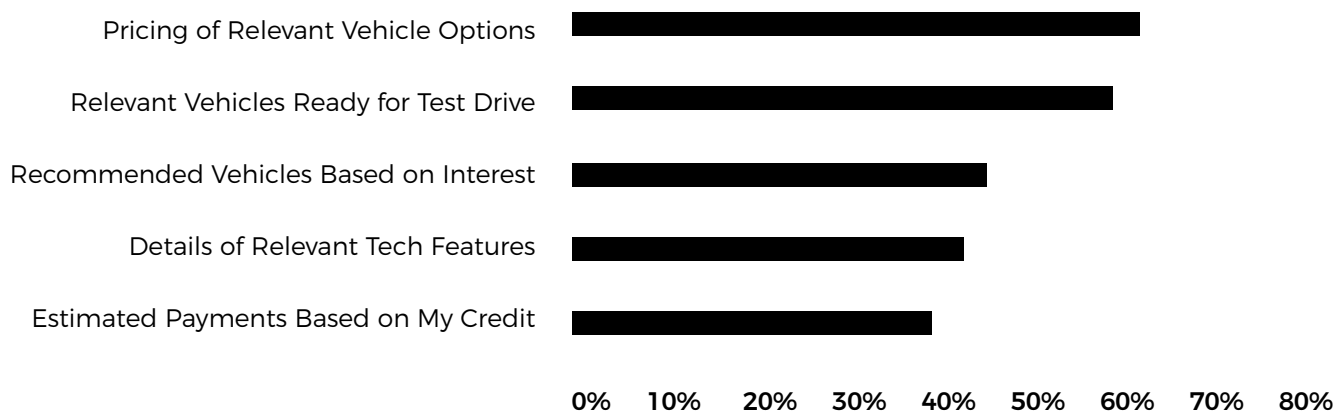
Over the past decade, dealer websites have done well to add more buying tools and automate key parts of the buying process. The next challenge for dealers is adding intelligence to the automated solutions and incorporating the same level of expertise used by car salespeople when helping consumers on the lot.

Dealers need to utilize smart technology that learns from each user interaction and then uses that information to improve the buying process.

In-store Experience Needs the Personalized Touch

The demand for personalization doesn't stop with the online shopping experience. Consumers expect an even greater level of personalization when they visit the store. 88% of consumers said personalization is important when they visit a dealer in person. The specific parts of the experience consumers expect to be personalized are: vehicle pricing options, vehicles ready to test drive, and vehicle recommendations based on interest.

Store Personalization Expectations

Pricing of Relevant Vehicle Options	
Relevant Vehicles Ready for Test Drive	
Recommended Vehicles Based on Interest	
Details of Relevant Tech Features	
Estimated Payments Based on My Credit	

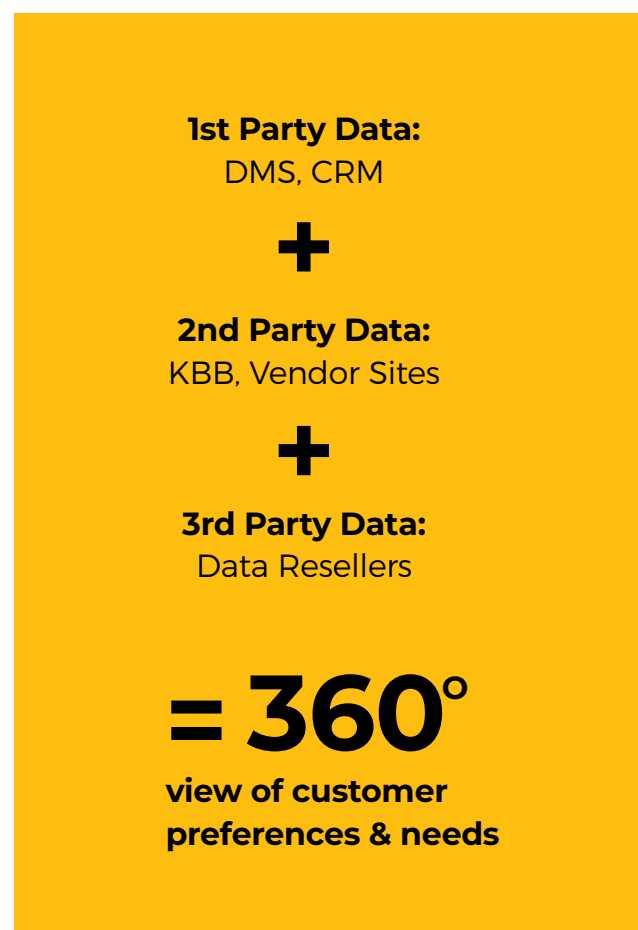0% 10% 20% 30% 40% 50% 60% 70% 80%

Unfortunately, dealers often fail to provide the level of personalized experience customers expect when they visit a store. A significant part of the issue lies in the lack of information available about a consumer when they enter the showroom for the first time.

To achieve a higher level of personalization in the store, dealers need to synthesize their knowledge about a customer and make it readily available to salespeople who can tailor the conversation to a customer's needs.

The first step is to centralize the knowledge about current and prospective customers using all available data sources. Customer data you capture directly is known as 1st party data and is far more valuable and predictive than other sources.

However, for prospective customers you may only have access to 2nd party data, which is captured by another party such as a trade-in valuation company. You can also acquire 3rd party data, which is typically provided by a reseller of data. Dealers need to combine all data sources to develop a 360° view of each customer to understand preferences and anticipate likely needs.

Once you have reliable profiles of customers, associates need to be empowered with digital tools that give them key information on the spot. The typical approach of starting from scratch, e.g. sitting a customer down and asking probing questions, may be helpful to your sales associates but ultimately wastes the customer's time and prolongs their visit.

1st Party Data:
DMS, CRM

+

2nd Party Data:
KBB, Vendor Sites

+

3rd Party Data:
Data Resellers

= 360°

view of customer preferences & needs

Sales associates need to understand most customers don't want to spend hours doing a test drive. Optimizing the test drive experience is one of the biggest opportunity areas for dealers. Of all of the information sources used to make a purchase decision, including digital, in-store, and offline, the test drive experience is the single greatest factor in a customer's decision to buy a vehicle.

AI Fuels Personalization

Using technology to automate dealer processes is no longer a sustainable point of differentiation. To take the car-shopping experience to the next level, dealers need to utilize smart technology fueled by artificial intelligence (AI).

Perhaps the biggest difficulty in delivering a personalized experience is inferring customer preferences based on partial knowledge. Consider the challenge of creating relevant ads for your existing customers. They want you to deliver vehicles of interest with relevant features within their budget. However, the majority of consumers will never fill out a form to give you this information directly. Your only option is to infer it from their behavior. Fortunately, with machine learning algorithms, we can infer what vehicles will interest a customer based on the behavior of similar customers.

Machine learning algorithms use data analysis to draw relationships in your data that are virtually impossible for a human to derive. Predictive models easily process thousands of data points about each customer to derive unique preferences and details about their next likely purchase.

> **"**
>
> *Machine learning algorithms use data analysis to draw relationships in your data that are virtually impossible for a human to derive*

To ensure you get the most out of your machine learning investment, be sure to work with companies that employ integrated platforms that incorporate all of the data available about a particular customer in their AI algorithms.

Having better insights about customers is only the starting point of personalization. To customize the experience, customer-facing applications such as digital retailing technologies need to use predictive insights in every interaction with a customer.

For example, when a customer is ready to calculate payments for a specific vehicle of interest, predictive intelligence can provide estimated payments based on a customer's likely financing choice and finance term. This personalized experience creates a smoother experience for customers, saving them keystrokes, time and most important of all, the mental effort of one more decision.

Moving Forward with Personalization

To remain competitive, dealers need to move beyond traditional approaches that attempt to optimize the same experience for every customer. Embracing the paradigm shift to customer personalization requires a commitment to adopt smarter technologies that can transform the customer experience.

Dealers who are ready to make this change should focus on improving both their online and their in-store experience. Our research highlighted several key areas of opportunity dealers need to improve:

Online Shopping Experience
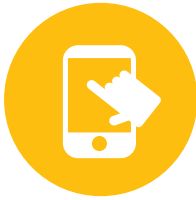
Screen website vendors for personalization features and challenge vendors to demonstrate how their websites react to browsing behavior to deliver relevant vehicles with the right mix of features within a customer's budget

In-Store Experience

Consolidate customer data to create a 360-degree view of every customer and prospect. This requires an investment in integrated platforms and third-party data.

AI Applications

Invest in technology with built-in AI to ensure integrated platforms and customer data deliver the highest ROI. Current digital retailing tools are limited in this capacity and fail to bridge the personalization gap with non-auto retailers.

About Affinitiv:

Fueled by smart data, Affinitiv uses innovative solutions to build marketing & customer experience strategies that support a dealership's individual goals while increasing revenue. Learn more at affinitiv.com.

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Doug's insights have helped drive digital and multi-channel acquisition, retention, and loyalty programs across leading OEMs and dealer groups. As a customer retention thought-leader, he has also been a featured speaker at industry-leading conferences and authored articles for many industry publications.