



BDO Driving Profits
NEWSLETTER

INSIGHTS FROM THE BDO AUTO DEALERSHIPS PRACTICE

THE IMPACT OF THE DIGITALLY DRIVEN BUYING EXPERIENCE ON DEALERSHIPS

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The impact of digital is creating a dramatic shift to a new normal in traditional automotive retailing.



The continued adoption and success of digitally-driven buying experiences for consumers on the things they buy from companies like Amazon, and ecommerce enabled brick and mortar retailers like BestBuy, are having long-term impacts on “other” markets like automotive retailing.

CHANGING CONSUMER BEHAVIORS



As COVID impacted the world, more and more consumers shifted to retailers that enabled them to browse for, select and purchase, goods and services online. Retailers that had established digital retailing tools emerged even more successful as they were able to quickly pivot their business model. As brick-and-mortar locations have opened for on-site selling, and risks of future COVID shutdowns are reduced, revenue growth continues. More importantly, consumers demand that they have a choice to buy things online, including big-ticket items like cars and trucks. To ensure your dealership continues to respond to the new ways consumers want to shop, look past the traditional models and instead at parallel retailing experiences online, in-store, and in a hybrid model (omnichannel).

BUILDING OFF MARKET TRENDS – DATA AS YOUR KEY ENABLER



As companies like Kelly Blue Book changed the way people negotiated the purchase of a vehicle by providing transparent information on dealer cost & MSRP insights, more OEMs and dealers have shifted their traditional sales process to accommodate the online research phenomenon that has become the online research, configuration and payment estimator experience involved in 83% of all vehicle purchases (source: Cox Automotive). The benefit in that shift for every OEM brand and dealership was not only a more educated buyer, but it also provided in most cases a more qualified sales prospect with the embedded lead routing, financing prequalification experience and analytics on how the consumer behaved within the online experience. Data is key to every decision you make as a dealer—from FICO score qualifications, to product costs, to customer needs, to long term ownership requirements. A clear understanding of how you collect, store and use data—that involves model demands, costs, configuration options, market trends, economic trends, interest rates, compliance, competitive and even weather trends—can dramatically improve the experience you procure for customers and how they move through the buying process, into the ownerships process, and well beyond.



THE DIGITAL DEAL



With 2-in-3 car buyers now wanting to purchase their vehicles completely online, according to Statista, dealerships and their OEM's must deeply embrace the complete notion of an electronic purchase experience. Consumer trends often drive the needed change for those businesses willing to differentiate their model and appeal to the needs of the market. By embracing technology, dealers can revise outdated parts of the selling process such as the delivery of loan packages to lenders to ensure all underwriting requirements are met, or to vet digital signatures on contracts against background checking services to prevent fraud. These digital solutions can be used to facilitate discussions as an industry to change state or compliance requirements. The mortgage industry has fully embraced a secure, compliant system-to-system transaction with specific workflows between lenders and correspondent investors, ensuring the delivery of accurate, compliant loan data and documents. Why shouldn't automotive retailers? Yet, this simply isn't about changing one process through technology or adding a robust DMS system. It involves mapping the existing sales (including F&I and delivery), long term ownership, maintenance, and support processes, to understand the technology touchpoints throughout. This exercise will highlight the systems and tools (apps, eCommerce, websites, credit, calculators, inventory management system, and others) used with these typically disconnected processes including reducing the large amounts of paperwork throughout the entire process. Dealers should always be working to accommodate car buyers' needs and concerns by conducting a review of their business and the technology solutions beyond their typical or historical model and the physical locations within which they conduct business. The dealership of tomorrow is being born today.

REIMAGINING YOUR DEALERSHIP OF TOMORROW



As disruptions from the economy, pandemic, competitors, and regulatory agencies present continuous threats to dealership operations, the traditional car buying experience is a thing of the past requiring dealers to quickly embrace new selling alternatives. The future is omnichannel, initially driven digitally as more consumers shop across multiple channels – social media, online search engines, traditional media, mobile, and on-site dealership visits. Understanding the interdependencies between these dynamics both online and in-store requires you to realign your typical models to fit customer preferences. It's these preferences that outpace the traditional automotive retail delivery model. Technology, including Digital Marketing, Customer Experience Tools, CRM, DMS, Digital Content Platforms, ERP, Supply Chain, IoT, Mobile Apps, and Connected Services, enabled through efficient AI and Machine Learning data models, are streamlining other industries and becoming the foundations for recent market announcements from OEMs like Ford Motor Company.

On Jul 31, 2021, Ford Motor Company announced the move to "build to order and away from packed dealer lots", said CEO Jim Farley, acknowledging the changing ways in which people are currently purchasing vehicles. Instead of waiting and reacting to these changes, dealerships need to proactively respond and pave their new role in future sales transactions. Dealers with integrated systems enabling the OEM sales cycle, configuration, and credit approval to be supplemented by a dealer-collected payment and delivery to your office or home becomes the new opportunity and future of the industry.

Digital technology is the key to your success and working with partners that can help demystify and rationalize specific solutions that create your dealership of tomorrow.

BDO's Auto Dealerships Group can help your organization explore and implement digital solutions to address the issues outlined in this article.

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ABOUT BDO'S AUTO DEALERSHIPS PRACTICE

BDO is a valued business advisor for auto dealerships, bringing a wealth of experience on traditional and emerging accounting, tax, and advisory issues. The firm's Auto Dealerships industry practice works with a variety of companies across the dealership sector, including automotive, motorcycle, marine, RV, rental equipment and more. We help dealerships of all sizes achieve their desired business outcomes.

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