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WHAT'S YOUR RETURN ON CERTAINTY?

Win or Learn, Never Lose:
Using defection insights to improve close rates and grow share

Eric DeMont
Global Product Director, Urban Science
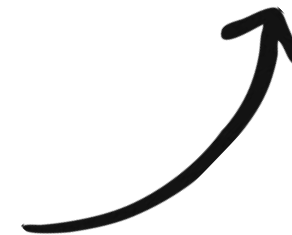
2024 Automotive Buyer & Dealer Survey

Access insights & report

Inflation related topics continue to dominate auto-buyer and dealer concerns

AUTO-BUYERS Biggest Vehicle Purchasing/Leasing Concerns Today

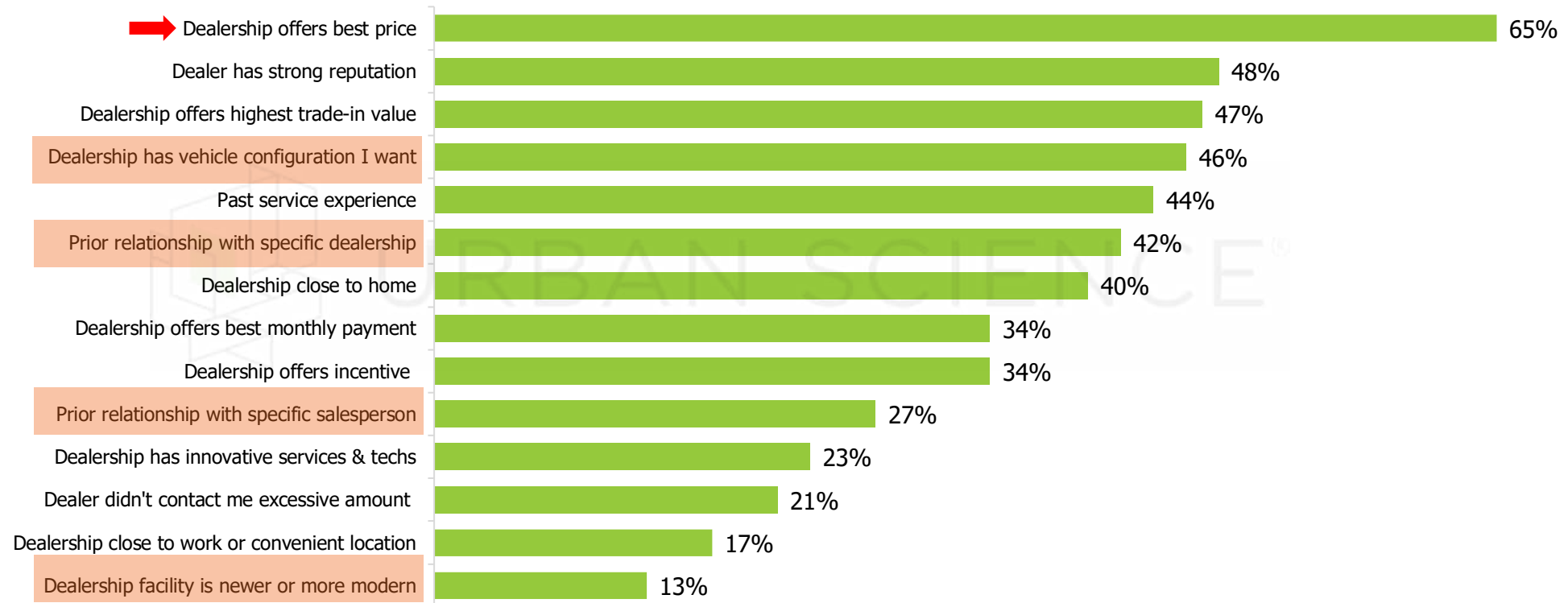| Concern	%
Affordability of vehicles	67%
High gas prices	48%
Cost to service vehicles	48%
Cost of vehicle insurance	48%
Economic factors	45%
Resale value and depreciation of the vehicle	29%
Environmental impact and sustainability	27%
Long wait times when ordering a vehicle	15%
Other	1%
None of the above	3%

DEALERS Biggest Vehicle Selling Concerns Today

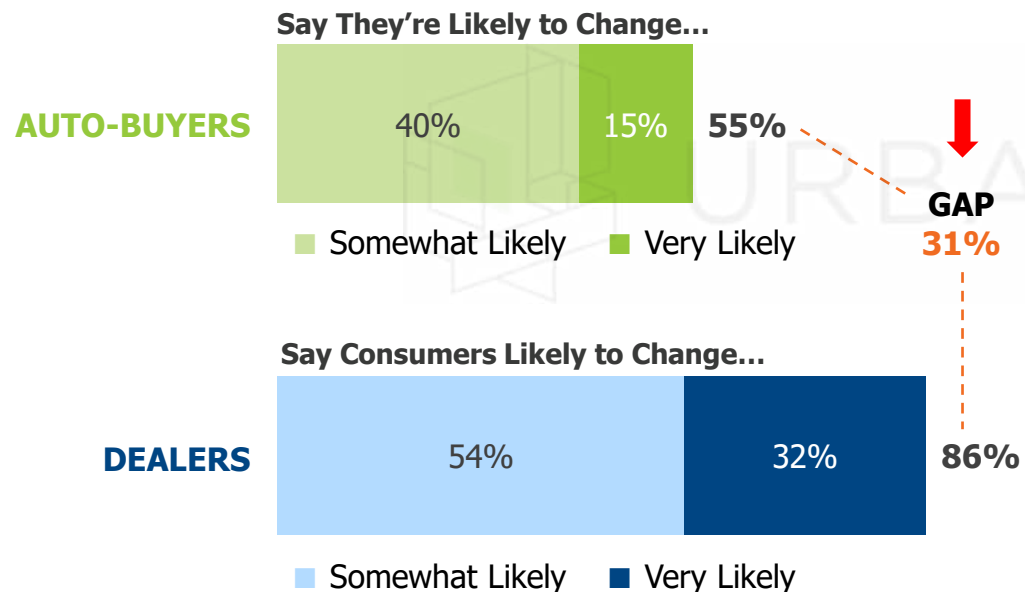| Concern	%
Economic factors	49%
Affordability of vehicles	48%
High gas prices	39%
Maintaining stable inventory levels	31%
Cost of vehicle insurance	28%
Cost to service vehicles	28%
Non-traditional dealers	28%
Excess electric vehicle (EV) inventory	25%
Long wait times when ordering a vehicle	24%
Navigating customer expectations as we shift to build to order	23%
Government policy and legislation	23%
Ride sharing reducing demand for personal vehicles	17%
Inexperienced salespeople	16%
Other	0%
None of the above	0%

Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S. adults aged 18+ and 250 U.S. automotive dealers.

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Price is the paramount to consideration in dealership selection

Which of the following would make you choose one dealership over another?*

Category	Percentage
Dealership offers best price	65%
Dealer has strong reputation	48%
Dealership offers highest trade-in value	47%
Dealership has vehicle configuration I want	46%
Past service experience	44%
Prior relationship with specific dealership	42%
Dealership close to home	40%
Dealership offers best monthly payment	34%
Dealership offers incentive	34%
Prior relationship with specific salesperson	27%
Dealership has innovative services & techs	23%
Dealer didn't contact me excessive amount	21%
Dealership close to work or convenient location	17%
Dealership facility is newer or more modern	13%

1% Other   **2%** None

*List change, trend unavailable

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Despite inflationary headwinds, consumers continue to be more resilient than expected

Likely to Change Vehicle Purchase or Lease Plans Due to Financial Reasons in the Near Future

Say They're Likely to Change...

AUTO-BUYERS

Somewhat Likely	Very Likely	
40%	15%	55%

■ Somewhat Likely ■ Very Likely

GAP 31%

Say Consumers Likely to Change...

DEALERS

Somewhat Likely	Very Likely	
54%	32%	86%

■ Somewhat Likely ■ Very Likely

Specific Changes Buyers May Make

■ AUTO-BUYERS   ■ DEALERS

Change	Auto-Buyers	Dealers
Looking at more budget-friendly vehicle options	52%	60%
Financial strategy changes	48%	54%
Exploring alternative vehicle technologies	41%	53%
Postponing the purchase of a vehicle	39%	47%
Increased use of alternate transportation	26%	45%
Shared ownership and usage options	17%	36%
Other	1%	0%

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How is this inflationary environment affecting your stores?

Are pressures easing? Are consumers starting to back off?

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Trade-in, payment, and inventory continue to be strong points of differentiation. Incentives coming back?

Aspects that Could Change Dealer Consideration*
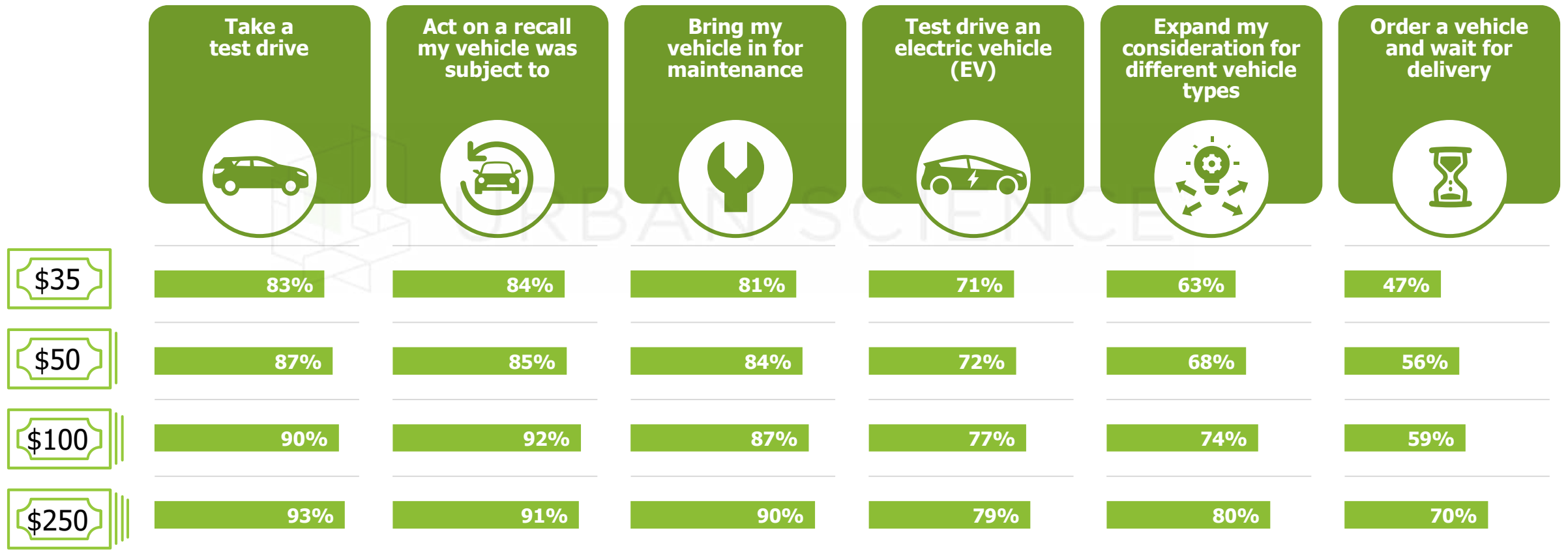*Among owners who submitted >1 quote*
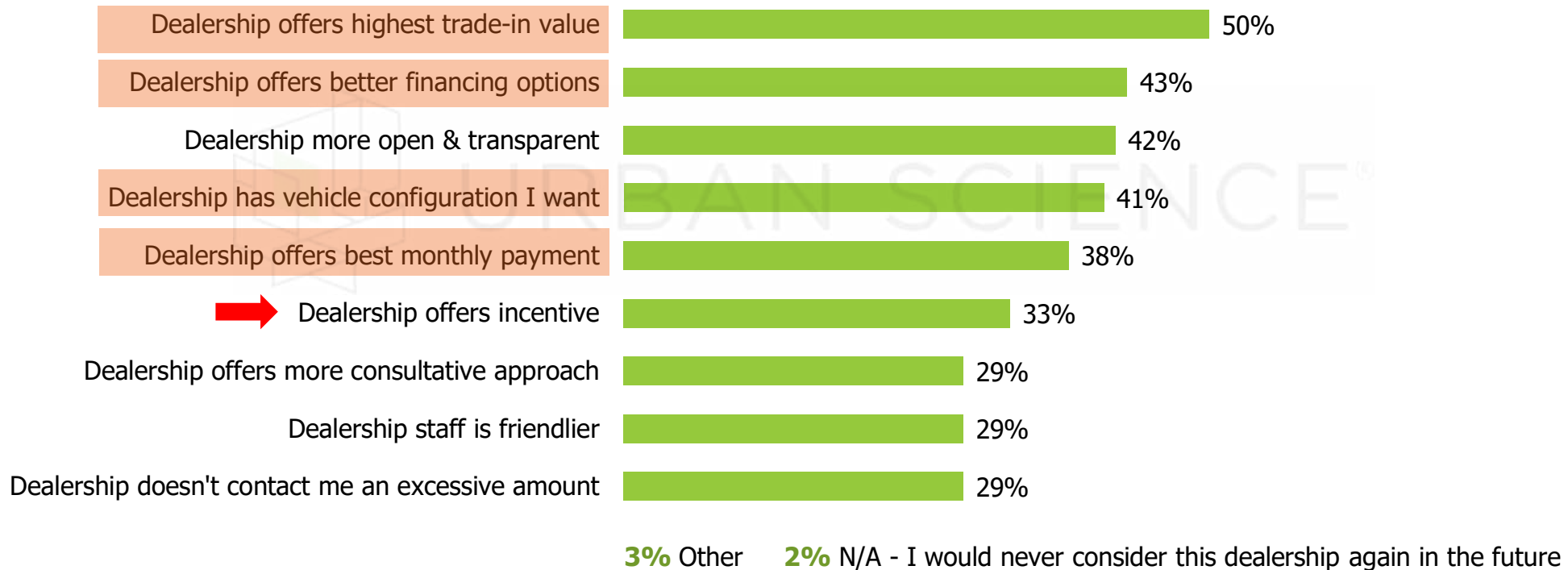
Aspect	Percentage
Dealership offers highest trade-in value	50%
Dealership offers better financing options	43%
Dealership more open & transparent	42%
Dealership has vehicle configuration I want	41%
Dealership offers best monthly payment	38%
→ Dealership offers incentive	33%
Dealership offers more consultative approach	29%
Dealership staff is friendlier	29%
Dealership doesn't contact me an excessive amount	29%

3% Other   **2%** N/A - I would never consider this dealership again in the future

*List change, trend unavailable

Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S. adults aged 18+ and 250 U.S. automotive dealers.

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Even small incentives can help motivate shoppers to engage with a dealer

Auto-Buying Public

% Who Say Motivating Net (Extremely/Somewhat)*

	Take a test drive	Act on a recall my vehicle was subject to	Bring my vehicle in for maintenance	Test drive an electric vehicle (EV)	Expand my consideration for different vehicle types	Order a vehicle and wait for delivery
$35	83%	84%	81%	71%	63%	47%
$50	87%	85%	84%	72%	68%	56%
$100	90%	92%	87%	77%	74%	59%
$250	93%	91%	90%	79%	80%	70%

*No significant changes from 2023

Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S. adults aged 18+ and 250 U.S. automotive dealers.

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How are incentives impacting your business?

Are you teams trained to use them efficiently?
Are shoppers demanding more?

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Consumer shopping behaviors

Auto-Buying Public

Locations Considered

- Manufacturer dealership — **80%**
- Independent used dealerships — 35%
- National used dealerships — 32% **+7% ▲**
- Direct purchase — 19%
- Other — 2%
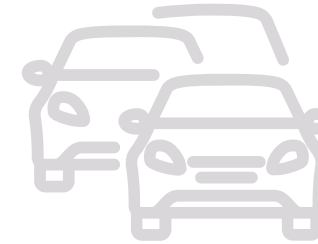
On average, the auto-buying public considers **2.4 brands** ▲ (+0.1) when making a vehicle purchase

48% of auto-buyers submit/plan to submit a quote from a dealer <u>online</u>

QUOTE

2.6 quotes are submitted/planned on average

The top reason for not submitting a quote online is preferring to talk with someone in person and wanting to test drive/see the vehicle first
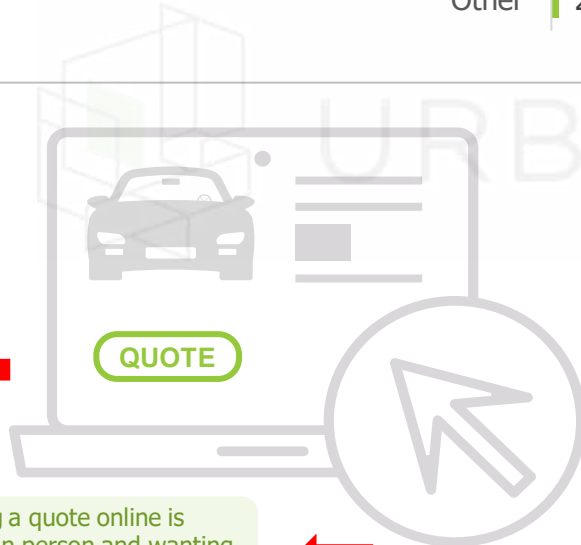
Among those who consider a dealership...

Legend: ■ None ■ 1 ■ 2 ■ 3 ■ 4 ■ 5+

	None	1	2	3	4	5+
Number of Dealerships Considered		25%	37%	23%	7%	7%
Number of Dealerships Visited	5%	38%	33%	16%	4%	3%

Mean* **2.5**

Mean** **1.9**
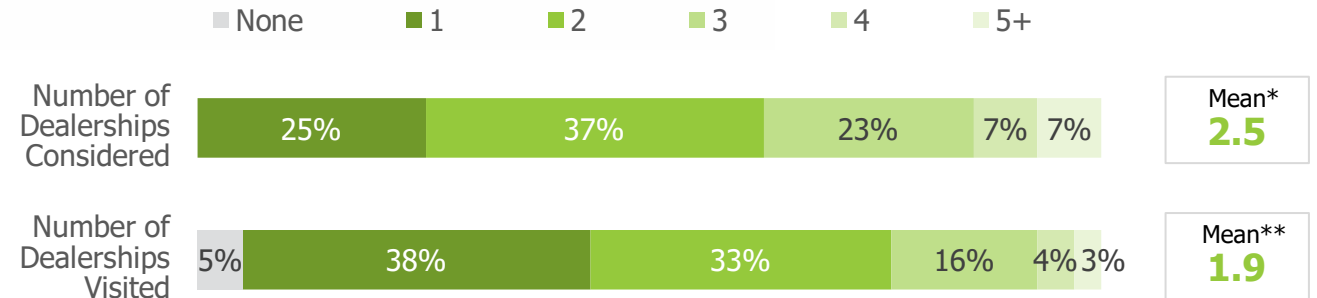
* About how many **dealerships** did you consider/do you expect you might consider?
** And, how many **dealerships** did you actually visit/have you visited/do you expect you might visit?

▼ ▲ Significant increase/decrease compared to 2023 at 95% confidence level

Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S. adults aged 18+ and 250 U.S. automotive dealers.

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Lead generation is still very relevant for modern retailers

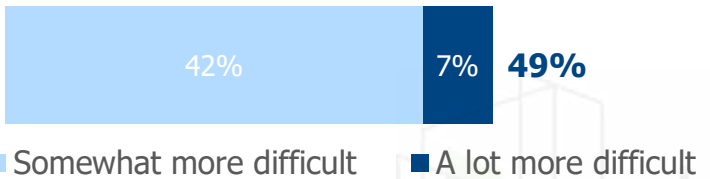Compared to the last five years, how would you rate the importance of leads in your dealership's business today?

3 in 4 (76%) dealers say **leads** are **more important today** compared to the last 5 years

3% Less important

36% Much more important

21% About the same

40% Somewhat more important

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WHAT'S YOUR RETURN ON CERTAINTY?
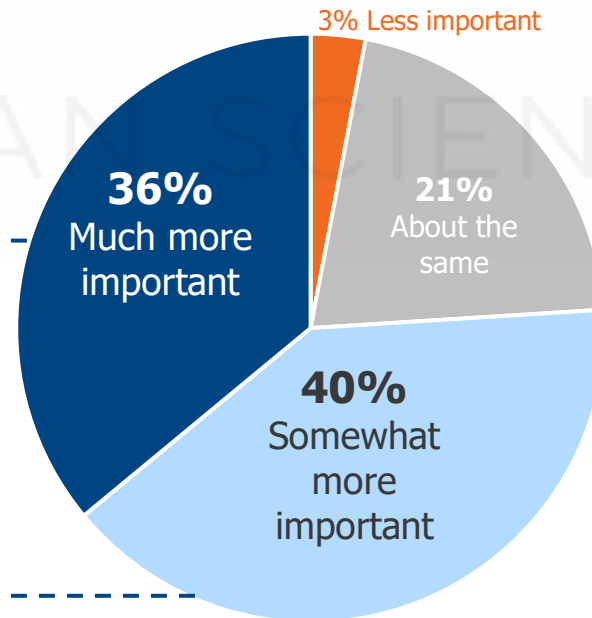
On average, dealers spend 3-5 minutes following up with leads for 2-3 weeks

Dealers

49%
of dealers say it is **more difficult** to close a lead/sale than one year ago

| 42% | 7% | **49%** |

■ Somewhat more difficult   ■ A lot more difficult

3 to 5+ minutes
is how long most dealers spend attempting to follow up with a lead

<1 min	1 to <3 mins	3 to <5 mins	5 mins+
2%	19%	46%	32%

1 week	2 weeks	3 weeks	1 month	2 months	3 months or longer
22%	34%	23%	11%	4%	5%

▼ ▲ Significant increase/decrease compared to 2023 at 95% confidence level

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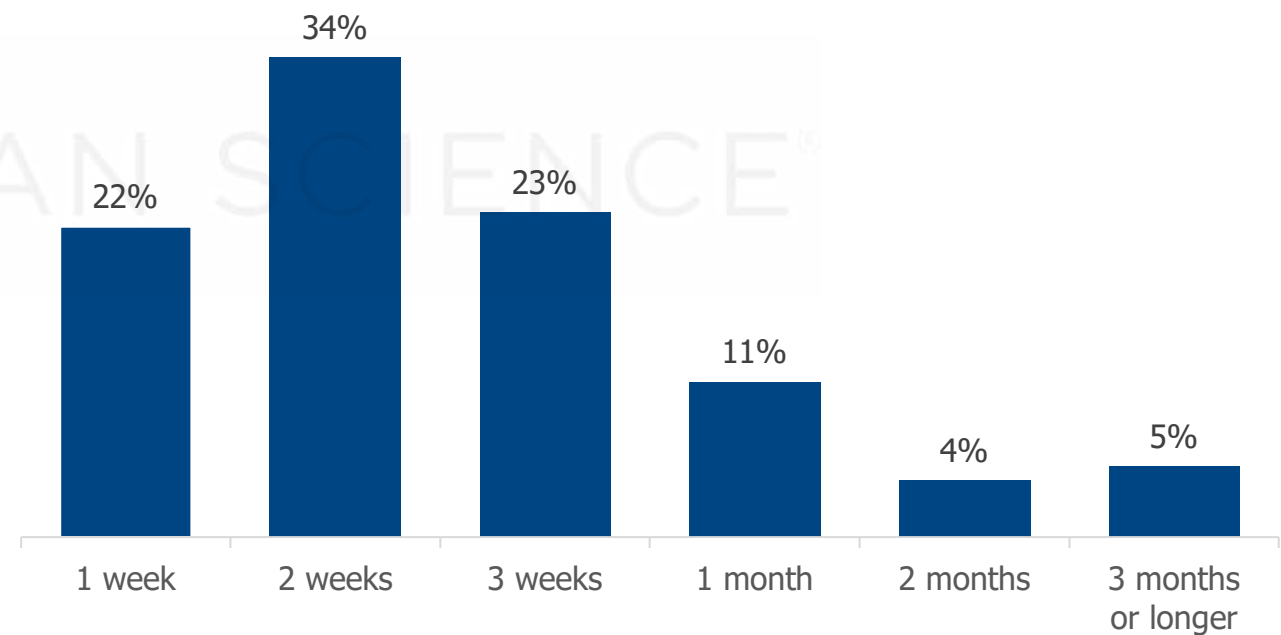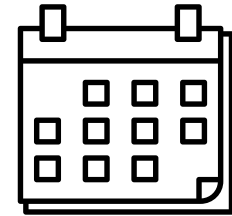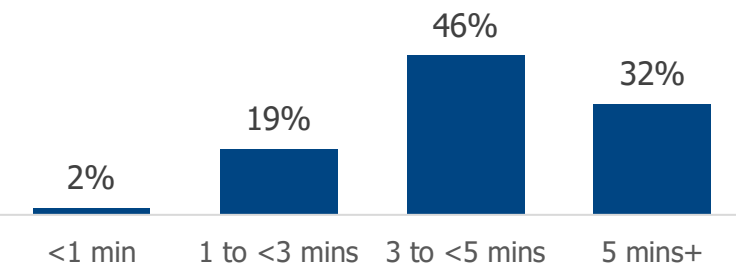
Are you generating enough high-quality leads?

Are you having to spend more money? More time? More focus?

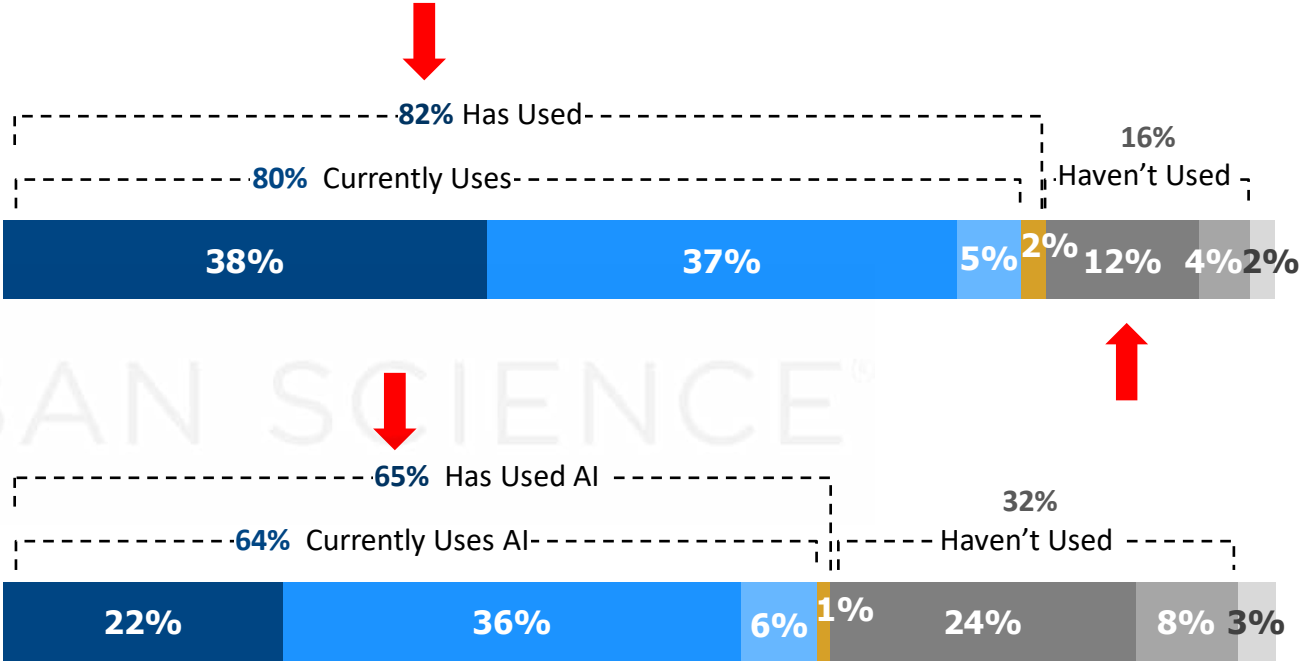URBAN SCIENCE®
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The importance of the lead form isn't going away while AI is expected to improve lead handling

Which of the following best represents your usage of lead forms and incentive pop-ups on your website?

82% Has Used

80% Currently Uses

16% Haven't Used

| 38% | 37% | 5% | 2% | 12% | 4% | 2% |
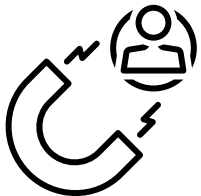
Which of the following best represents your usage of AI for lead handling?

65% Has Used AI

64% Currently Uses AI

32% Haven't Used

| 22% | 36% | 6% | 1% | 24% | 8% | 3% |

■ Currently use
■ Currently use, and plan to increase use
■ Currently use, but plan to remove
■ Used to use, but stopped
■ Haven't used, but intend to start
■ Haven't used, and have no plans to start
■ Not sure

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Specific AI applications for lead management include auto responders, automated texting and chatbots

DEALERS (Sales Operation Process)

83%	Customer data analysis and insights
76%	Sales tracking (e.g., competitive same-brand dealers, industry trends or shifting segments)
75%	Automated lead responding
74%	Post-sales services and maintenance management
72%	Inventory management
70%	Staff training and development
69%	Automated text messaging
58%	Website chatbots

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In S&M, AI has had the biggest impact on lead management and targeting, but concerns exist

Dealers

Benefits

- Better lead management and conversion rates — **62%**
- More effective targeting in marketing campaigns — **61%**
- Enhanced efficiency in sales and marketing processes — **53%**
- Improved customer engagement and satisfaction — **51%**
- Increased sales and revenue — **48%**

Drawbacks

- **50%** Concerns about data privacy and security
- **45%** High implementation and maintenance costs
- **44%** Complexity in integrating AI with existing systems
- **38%** Difficulty in understanding and using AI tools
- **18%** Lack of noticeable improvement in sales or customer engagement

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EV owners are far more aware that dealers use AI

Awareness of AI's Involvement in the Car Shopping Experience
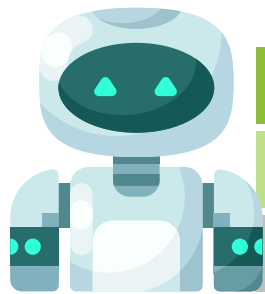
AUTO-BUYERS

Yes, am aware	32%
Somewhat aware	38%
No, was not aware	30%

EV Owner (59%) vs
ICE Only Owner (27%)

Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S. adults aged 18+ and 250 U.S. automotive dealers.

Do you know which of your leads have defected?

What is a defection? What is your defection rate?
Are/how are you measuring this?

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# Lead defection rates have averaged **17%+ over the last 2 years**

Brand	Close Rate	Same OEM Defection Rate	Other OEM Defection Rate	Total Defection Rate	Days to Close	Days to Dealer Defection	Days to Brand Defection
Jun 22 - Aug 22	8.2%	7.8%	9.8%	17.6%	13	15	21
Sep 22 - Nov 22	8.8%	6.8%	9.0%	15.8%	10	14	21
Dec 22 - Feb 23	9.2%	7.3%	9.6%	16.9%	11	13	21
Mar 23 - May 23	9.8%	8.4%	11.0%	19.4%	8	12	19
June 23 - Sep 23	9.6%	8.1%	10.3%	18.4%	8	12	19
Sep 23 - Nov 23	9.9%	7.2%	9.8%	17.0%	8	11	20

*DATA OWNER | Date Range Start – Date Range End

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Lead defection rates are fairly consistent across brands, but outliers do exist

Brand	Closed %	Same Brand Defection %	Different Brand Defection %	Total Defection %	Days to Close	Days to Dealer Defection	Days to Brand Defection
ACUR	12.3	6.8	10.4	17.2	3.0	10.5	17.5
GM	9.7	9.1	7.9	17.0	5.6	13.8	16.0
HOND	15.6	11.0	9.8	20.8	8.2	13.7	19.5
HYUN	9.5	8.7	11.5	20.2	6.2	11.3	19.5
INF	7.1	3.4	10.8	14.1	10.0	13.0	21.0
KIA	10.7	9.0	11.6	20.5	5.3	10.9	19.0
LEX	15.6	7.3	10.0	17.2	10.0	15.0	19.0
MAZD	12.8	12.0	13.6	25.7	7.5	11.8	18.5
MB	7.3	3.3	12.1	15.4	5.8	6.2	17.2
NISS	8.5	3.7	9.7	13.4	5.1	7.6	17.1
Stellantis	8.9	7.6	8.4	16.0	4.0	8.6	13.6
SUBA	12.8	9.9	10.5	20.4	12.2	15.6	21.4
TOY	7.8	8.8	8.1	16.9	9.0	18.6	17.6
	9.7%	**7.7%**	**9.2%**	**17.0%**	**6.7**	**10.7**	**18.5**

*Urban Science|SalesAlert & TrafficView users
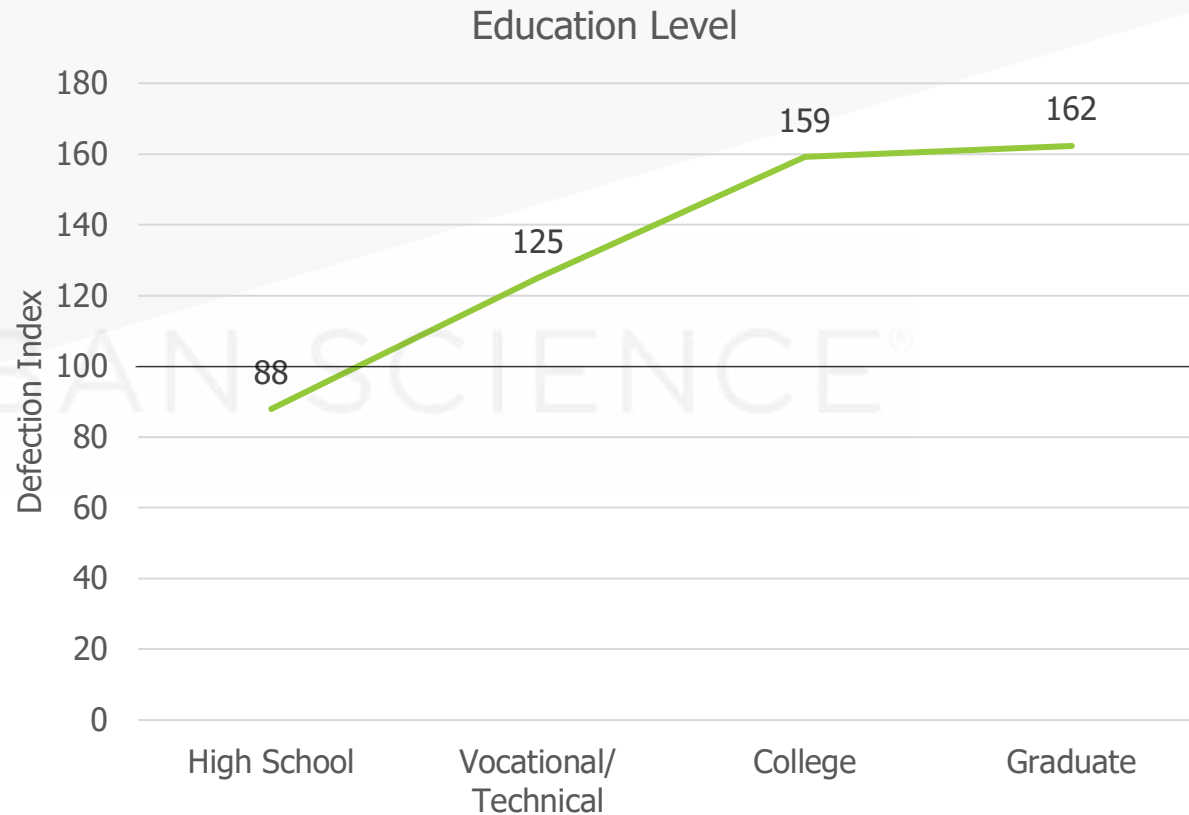
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Defection Insight: income is positively correlated with defection rate

- Leads with income over $75,000/yr tend to have above average defection rates

- Above $50,000/yr, higher income leads tend to have higher defection rates

Income

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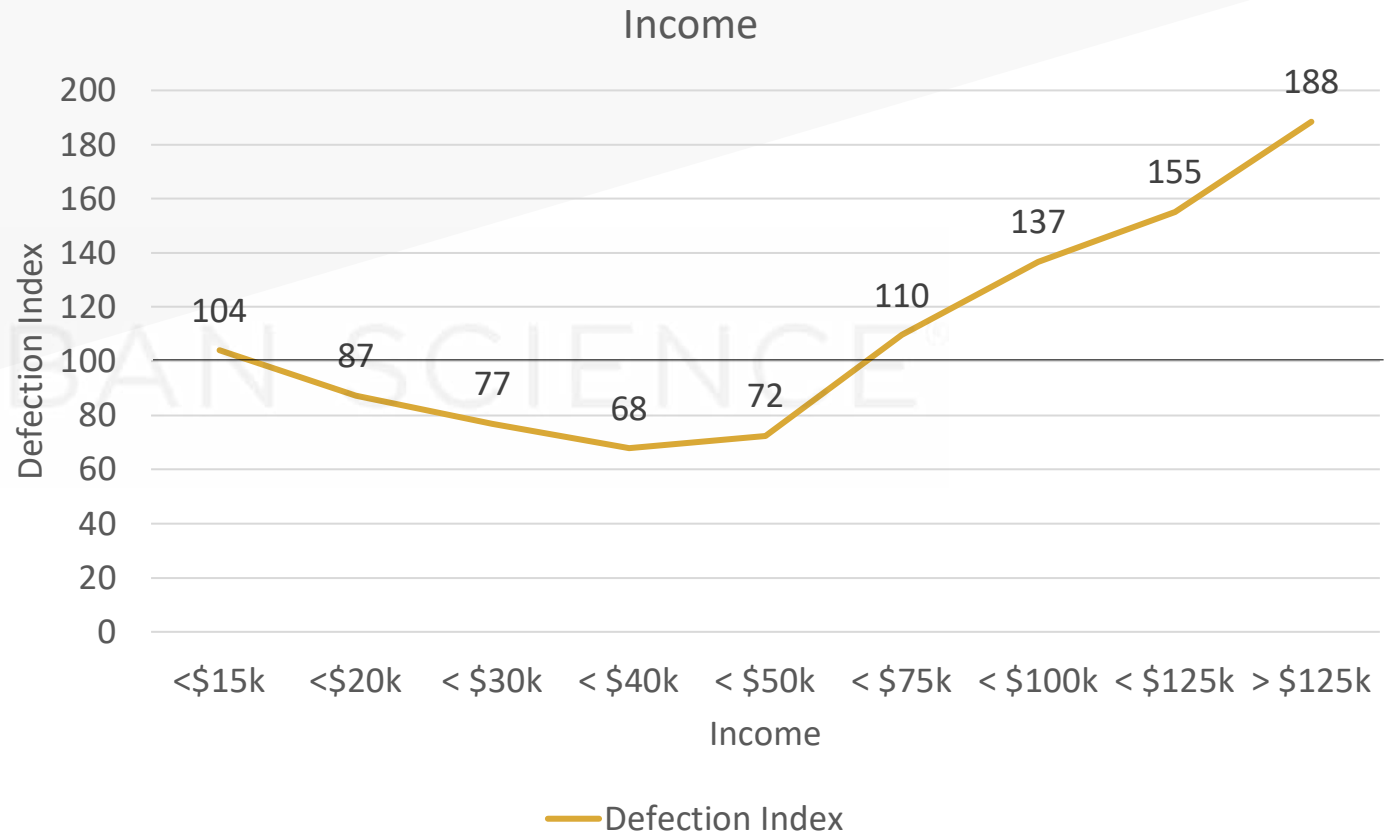
Defection Insight: education is positively correlated with defection rate

- Leads with higher education tend to have higher defection rates

Education Level

88 — High School
125 — Vocational/Technical
159 — College
162 — Graduate

Defection Index

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Defection Insight: home ownership is positively correlated with defection rate

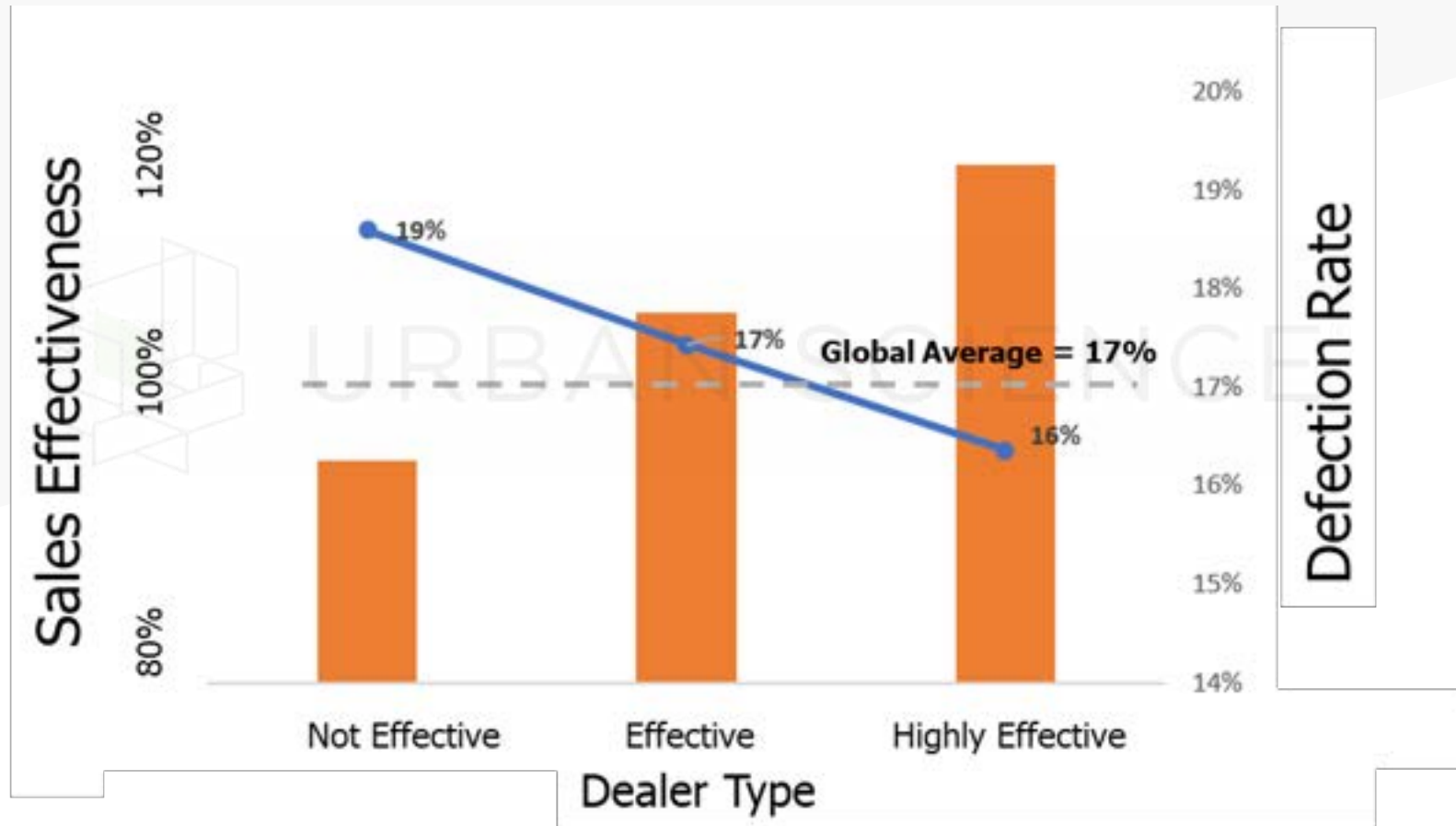- Home owners tend to have higher defection rates than renters

Home Ownership
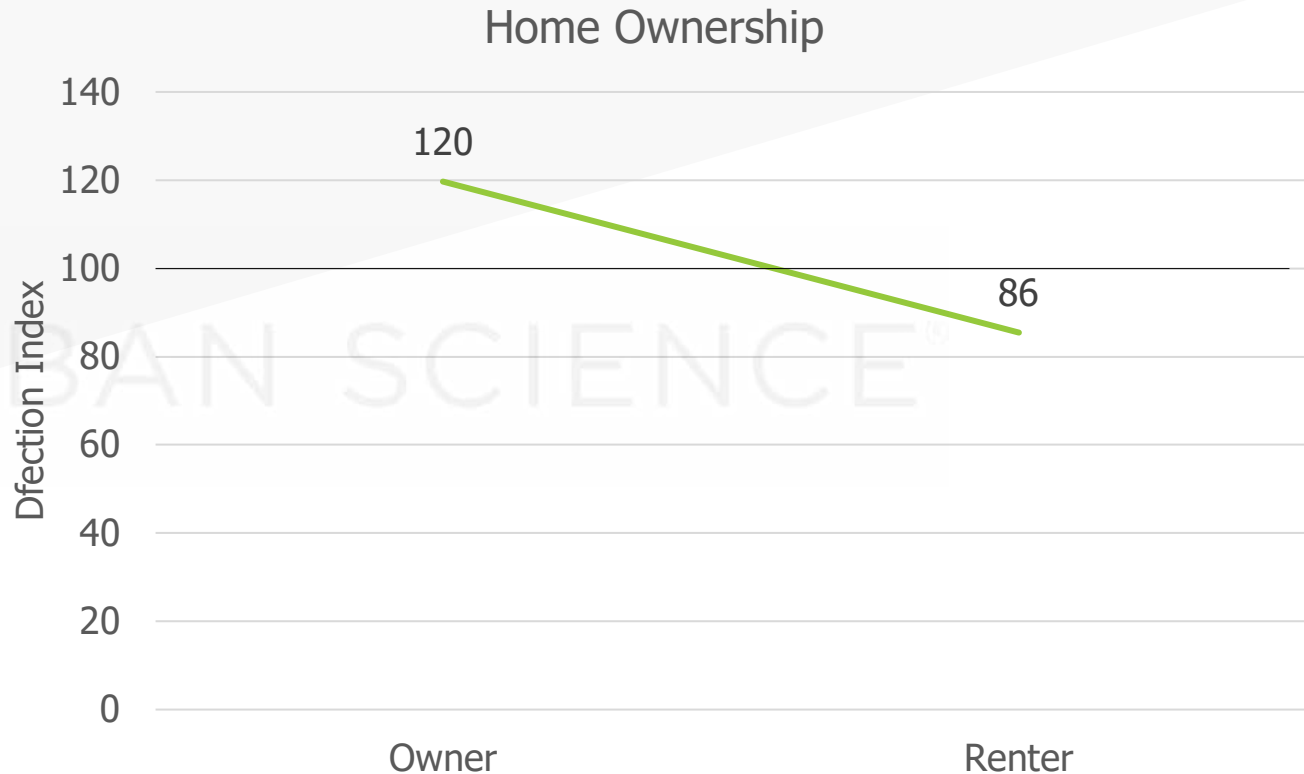
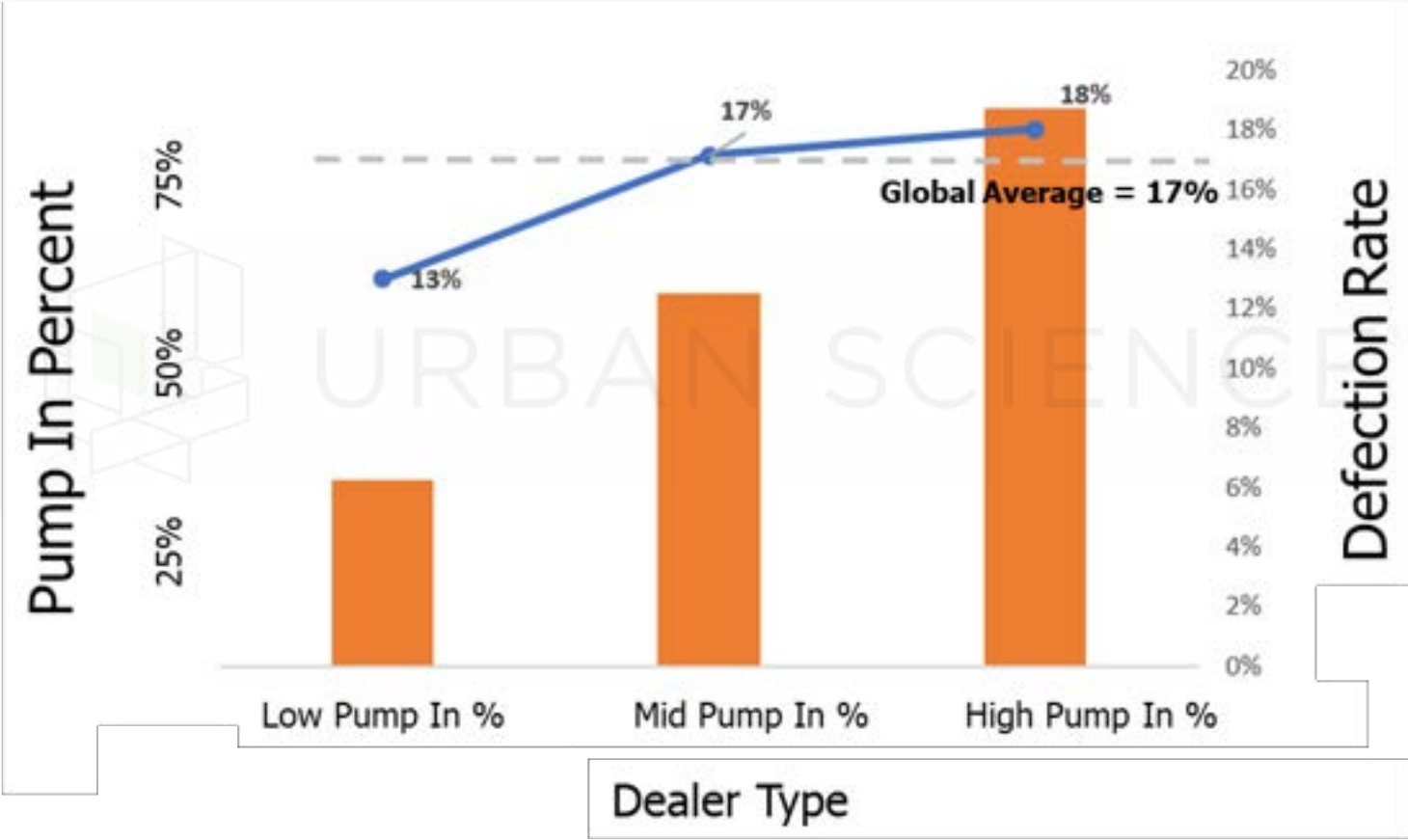# Defection Insight: net worth is positively correlated with defection rate

- Leads with higher net worth tend to have higher defection rates

Net Worth
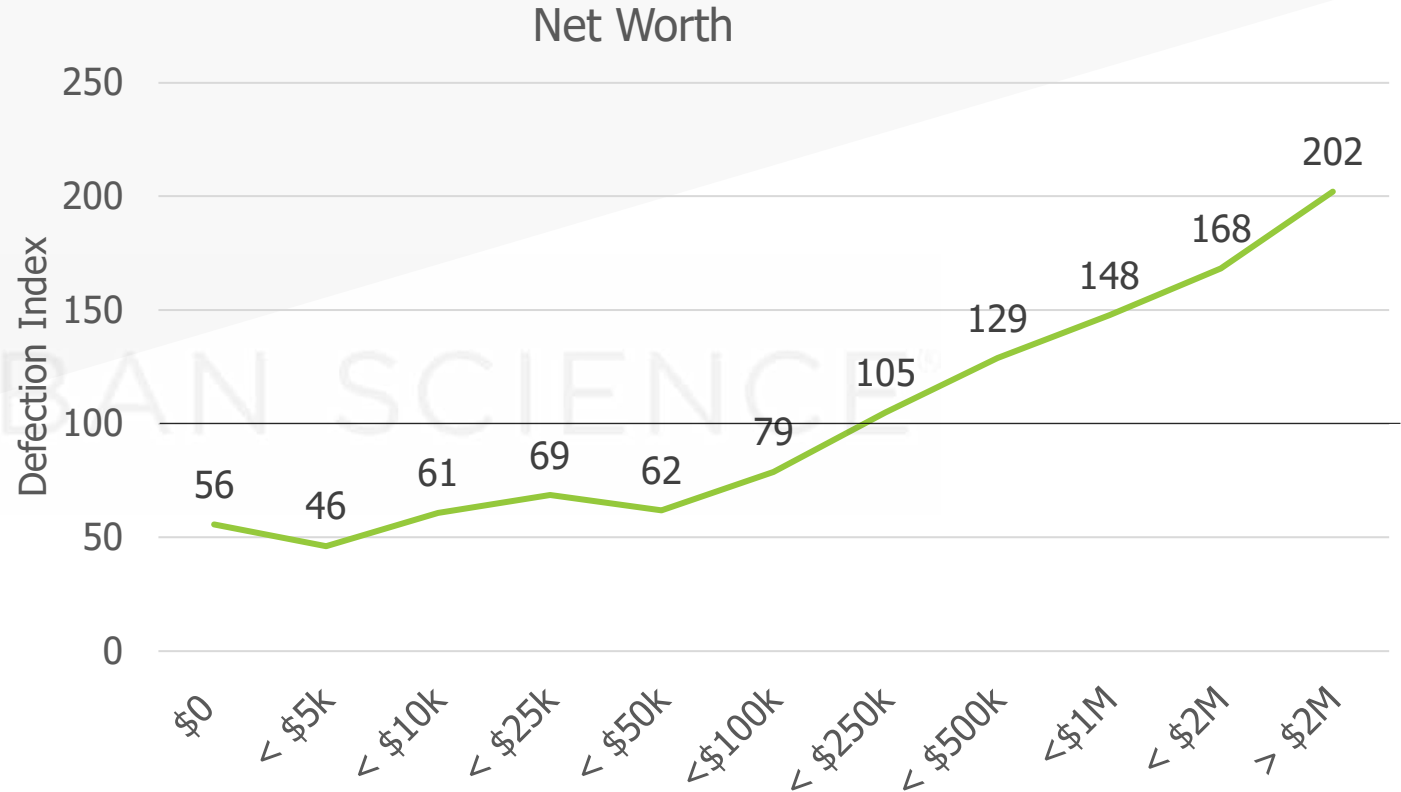
Defection Insight: sales effectiveness is inversely correlated with defection

Defection Insight: pump-in is positively correlated with defection

Is there a desired level of defection?

What's the impact of having defection levels that are too high or too low?

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Defection insights fuel better decisions

What can defection insights do for:

Consumers: more relevant messaging and higher favorable opinion

Dealer Principles: lower defection rates and higher sales effectiveness

GMs: higher conversation rates and lower pump in

GSMs: better training conversations and increased productivity

Marketing Managers: lower media costs by suppressing defectors

IT Directors: more accurate AI and analytic models

BDCs / Sales: higher moral, more energetic follow-up & improved focus

"I've missed more than **9000 shots** in my career. I've lost almost 300 games.

I've failed over and over and over again in my life. And that is why I succeed."

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