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Friction Points Study 2023

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Overview

Economic winds are swirling, taking the uncertainty that the COVID-19 pandemic delivered and handing us the more recognizable pain of inflation and potential recession. These factors shadowed our recent survey of both shoppers and dealers to determine what points in the car buying process were crucial to deliver a positive experience. Just as importantly, we discovered what needs improvement.

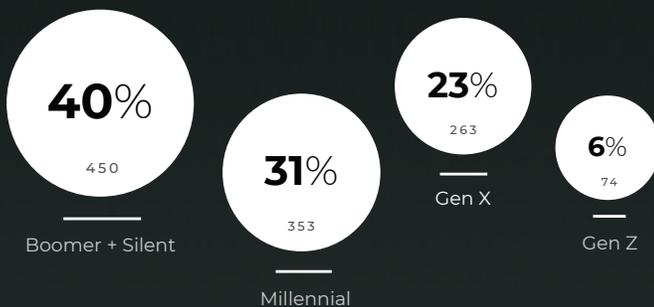
Dealers overwhelmingly told us that providing a terrific customer experience was their top focus for 2023. It was chosen as the top issue 5X more than the next, managing inventory to maximize profits.

Unfortunately, this devotion to the customer ideal is not meeting the reality of today's car buyer. They spent more time at the dealer in 2022 than they did in 2021 — and what they had to wait on is surprising. And while these shoppers gave a slightly higher NPS score in 2022, we found specific actions that should boost that number.

ABOUT THIS STUDY

OF RESPONDENTS: 1,150

Shopper Age Groups



Acquisition Method





Dealers chose providing a terrific customer experience as the top issue **5X more** than managing inventory to maximize profits.

A Snapshot of the Shopper

TYPE OF SHOPPER

○ 2021 ○ 2022

Price Sensitive

46%

48%

Easy, Fast and Convenience Oriented

28%

23%

Study after study has shown that people believe time is more important than money. Yet, as headline after headline predicts dire financial strain on the horizon, car buyers did **focus more on price in 2022**.

While only 10% described themselves as a buyer looking for expert guidance, when asked separately, a significant number of people said they wanted to take their time to understand their options than last year.

I want to take my time and understand my options.



2022

76%

2021

67%

Time's Impact on the Shopper

The amount of time shoppers spent at the dealer, or on a different aspect of the purchase process, significantly impacted their experience — despite a desire to understand their options.

While 55% of those surveyed said it took under two hours to complete their purchase, those who took more than two hours rose from 43% to 46%. In nearly every way of measuring the customer feedback, breaching that two-hour mark **lead to diminished scores**.

Overall, longer times spent at the dealership significantly and negatively impacts the shopper's likelihood to recommend the store to others thus impacting customer satisfaction.

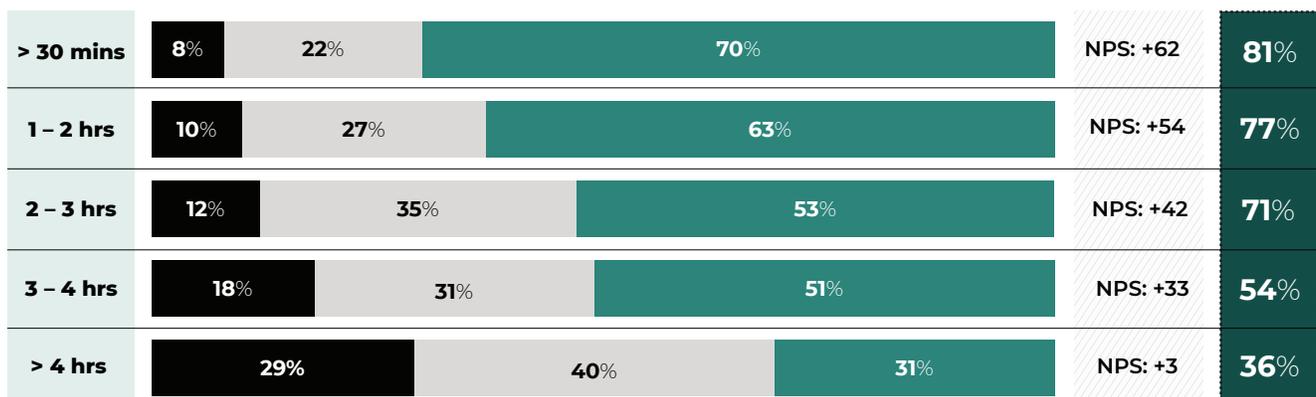


46%

of those surveyed said it took them **more than two hours** to complete their purchase, compared to 43% in 2021.

SHOPPER RECOMMENDATION AND SATISFACTION BASED ON TOTAL TIME SPENT AT THE DEALERSHIP

■ Detractors ■ Passives ■ Promoters ■ % Extremely Satisfied



Average NPS: 46

Dealers need to focus on the areas that can move shoppers through the process faster while still ensuring they feel like they had all of their questions answered and **feel confident** in the purchase.

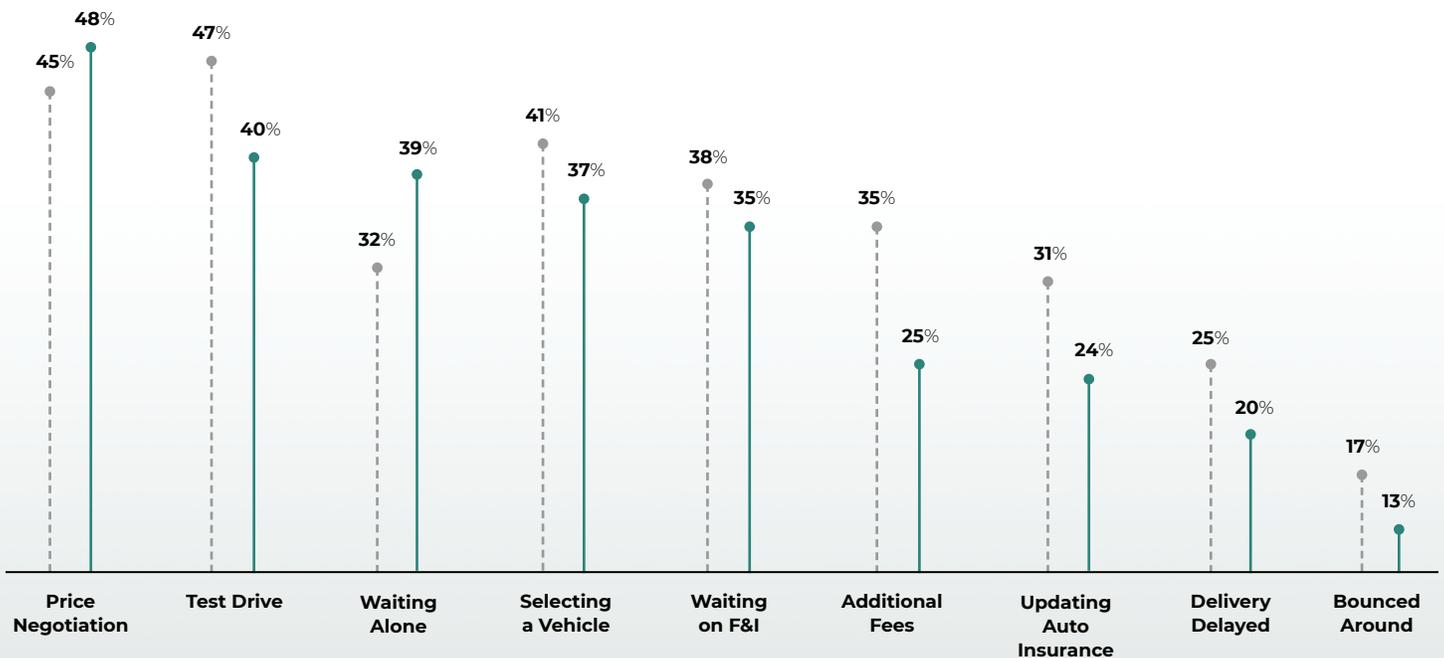


The Tasks Causing the Most Pain

To find out where the time issues start, we asked what tasks took the most waiting time. The results were crystal clear. **Customers waited the most for the Salesperson during the negotiation process.** Price negotiation was not only rated as taking the most time, it was also one of only two tasks that saw an increase over 2021's survey.

WHERE SHOPPERS WAITED MOST

● 2021 ● 2022



MOST TROUBLESOME TASKS



A positive take from this year's research was that far fewer respondents classify specific steps in the process as "troublesome." Additional fees, waiting for a salesperson and simply waiting alone all saw significant drops with every other task seeing a decline of some kind as well.

The low inventories of 2021 and 2022 created a general understanding that dealers had less room to negotiate a price. This lack of wiggle room seemed to be common knowledge for those in the industry. And many savvy shoppers understood low inventory and high demand meant **fewer incentives and higher transaction prices**. But not every shopper reads the business section or watches CNBC, and they certainly don't read automotive trades.

18%



of respondents were **first-time car buyers** in 2022.

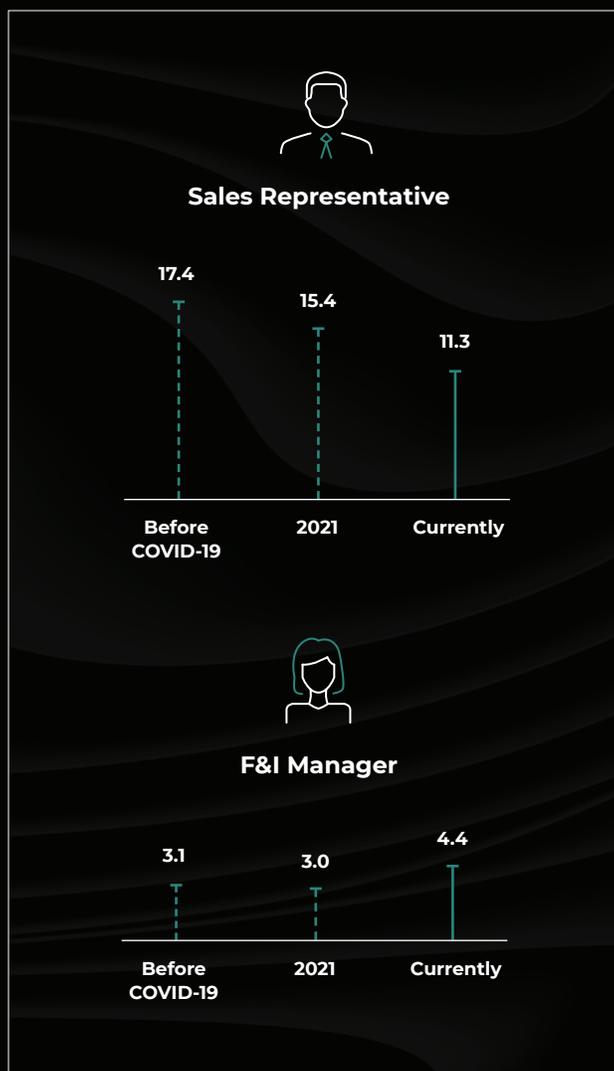
These shoppers, who likely hadn't purchased a car since before the pandemic, expected an out-the-door price far removed from the MSRP and may not have taken 2022 price quotes seriously. The fact that the number of **first-time purchasers fell 10 percentage points** between 2021 and 2022 supports this sticker shock hypothesis.

Staffing and Technology Are Pivotal in 2023

Knowing what tasks held customers up and understanding the impact of long waits on customers requires a close look at what dealers plan to focus on in 2023.

The makeup of a dealership's staff has radically changed since before COVID-19 and even more so between 2021 and 2022. Dealers have reduced Sales Representative headcount by improving processes, incorporating new technologies and moving personnel to improve other areas of Variable Operations.

Since COVID-19, overall headcount fell **9%**; however, the number of Sales Reps fell **35%**.



As technology makes operations more efficient, fewer Sales Representatives are needed. Prior to the pandemic, Sales Representatives outnumbered other roles four to one. Now that ratio is closer to two to one. With that significant reduction, units sold per headcount has shifted slightly from **12.6 in 2021 to 12.9 in 2022**.

And while one in three dealers said that reducing Sales headcount will continue in 2023, **the strategy was ranked last in terms of importance.** That could suggest that future reductions won't be as severe as what we saw in 2022.

Dealers have shifted more headcount to other areas, including BDC and F&I. These moves, especially on the F&I side, are crucial to answering the pain points customers experienced. Waiting on F&I was ranked the second most troublesome task of all shoppers. And if a shopper had to wait more than 30 minutes for F&I their **NPS dropped nearly in half.** Shockingly, 59% of customers said they waited more than 30 minutes for an F&I Manager.

NPS BASED ON TIME SPENT WAITING FOR F&I MANAGER



65%

of car shoppers spent between **15 to 45 minutes** waiting for the F&I Manager. But the difference in NPS scores after 30 minutes is stark.

This staff rebalancing could be put to the test in 2023, if inventories continue to rise and more shoppers get off the sideline. A lack of front-line bodies in that scenario could lead to even more time spent waiting on activities that saw declines in 2022, like waiting on a test drive or vehicle selection. **However, if Sales levels remain flat, the attention put on F&I will likely provide the biggest customer service benefits.**

84%

of dealers use **digital retailing** but only ...

The focus on efficiency doesn't end with the size of the staff. The large number of dealers that use a digital retailing solution remains nearly the same as in 2021 at 84%. But only 30% of dealers are leveraging digital retailing in a way that incorporates shopper preferences once they're in the showroom. **Capturing and keeping the customer's journey updated before and after they enter the store is key to moving customers more quickly to a sale.**

30%

leverage technology into the dealership.

In terms of understanding the 2023 strategy, dealers rank the use of digital retailing third, with improving customer experience and less inventory on the lot ranking higher.

TOP THREE MOST IMPORTANT 2023 STRATEGIES FOR DEALERS

1st

Improving Customer Experience

77%

2nd

Less Inventory on the Lot

15%

3rd

Use of Digital Retailing

9%

When asked what they use to improve efficiency and reduce burnout, **bringing in more technology remains first.** Not surprisingly, pandemic-era options such as working from home and fewer hours at the dealership have remained important. Despite this, dealers have still chosen to increase their benefit plans. This seems to be an expected response and in line with other retail industries.



Technology is the **lead choice** to improve efficiency and decrease staff burnout.

The Dealership Advantage

Even though shoppers have issues with the amount of time spent at the dealership, they are indeed still coming through the front doors. Online retailers had a difficult 2022 and the metaverse didn't seem to take hold either. That's why we saw online sales remain almost flat compared to 2021.



 **91%** of shoppers bought **from a dealer.**

More importantly, the 9% who completed most of the purchase process online didn't rate their experience highly. And somewhat surprisingly, Gen Z had the most negative experience with the online experience with a **58 point swing to -20.**

+46

Dealership NPS

+25

Online Purchase NPS

This evidence of a strong consumer attachment to the dealership should help reinforce strategies that are being put in place for 2023 and beyond. That doesn't mean existing and unforeseen threats aren't important, but that concentrating on and addressing the friction points we know exist can **cement the bond between the dealer and customer.**

ABOUT CDK GLOBAL

CDK Global is a leading provider of retail technology and software as a service (SaaS) solutions that help dealers and auto manufacturers run their businesses more efficiently, drive improved profitability and create frictionless purchasing and ownership experiences for consumers. Today, CDK serves nearly 15,000 retail locations in North America. Discover how we can help you succeed at cdkglobal.com.

ABOUT NADA ACADEMY

NADA Academy programs prepare current and future dealership leaders to improve each department's profitability, while examining how new technology and innovations reshape the industry. For more information, visit nada.org/academy.

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