



DEALIX NADA Roundtable

Perfecting the Lead Mix: The Key to Growing Sales in Your Dealership

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Overview

Dealers receive leads from their own websites; their OEM's site; and independent Internet sites, which can include large portals as well as auto research, buying, and enthusiast sites. Each source represents different types of investments and different types of buyers – and no two dealers will have the same formula for how much of their lead mix should be allotted for each source. To explore the question of lead mix, Dealix hosted a moderated panel discussion at the 2010 NADA convention. The panel, attended by 50 invited guests representing dealerships of all sizes, resulted in a robust information exchange and debate. In response to requests for transcripts of the discussion, Dealix compiled this edited transcript of the event.

Agreement and Controversy

The panelists agreed on certain important points. For instance, all stated that dealers should have leads from each source in their business mix, and all agreed that evaluation of results should be based, not on lead close rate, but on gross profit per vehicle sold. Certain items, however, produced controversy. Most notably, the question posed by John Holt, CEO of The Cobalt Group and moderator of the discussion, produced different opinions from the panelists: "Which type of lead do you assign to your top salespeople?"

*Discussion Moderator
John Holt
CEO of the Cobalt Group*



The Set Up

Three industry experts were asked to present and advocate for each type of lead (see speaker bios on page 15.) David Kain spoke of the value of leads from the OEM sites, Brian Pasch addressed the contribution of leads from dealers' own websites, and Anna Zornosa represented the value of leads from independent Internet sites. Note, Zornosa explained that she purposely avoided the term "third party lead" – a term she felt was confusing; instead using the term "independent Internet leads" to refer to leads from independent sites.

What Value Do Leads of Each Type Deliver to Dealerships?

John Holt: Dealers today can take advantage of a substantial and broad digital marketing mix. Let's start by asking - What value do leads from the OEM site, the dealership website, and independent Internet sites contribute to the dealer's business?

David Kain: My family has been in the automotive industry, and in particular selling Fords, since 1960. From an OEM's perspective, what is critical is that a 'lead' be an opportunity to talk to a consumer at a personal level about why a car is designed the way it is, how it fits that consumer's lifestyle, how it provides safety and security, and what they can expect from owning it. Whether it's a Honda, Hyundai, Toyota, Ford, Chrysler, or Chevrolet, it's about what that brand represents, and consumers can best get that information and feel from the OEM website.

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— David Kain



The moment you start passing a concept from person to person, it gets diluted. So when a car buyer goes into the OEM's environment, they're getting the purest branded experience. This depth of experience is difficult to replicate at the dealership website level, and it's certainly more challenging in an independent site environment.

Brian Pasch: From a dealer's perspective, the leads that come from his own website are often the most profitable because they represent the investment the dealer has made in his brand and his reputation. They convert at twice the rate as OEM or independent site leads. I work with dealers who are closing 20 to 25% of their own site leads and 10 to 12% of their independent site leads.

Anna Zornosa: All three types of leads are important and need to be in the mix. But leads from independent Internet sites uniquely represent an opportunity for a dealer to expand market share. What independent Internet sites represent to the dealer is the broad spectrum of auto shoppers. Also, independent Internet sites represent volume – the opportunity to talk with millions of buyers. According to J.D. Power and Associates, 73% of new car shoppers prefer independent sites, and that number is almost as high for used car buyers.

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Buyers at these sites are great prospects for dealers as they tend to be very low funnel. They are asking themselves, ‘What model should I buy? What price should I pay?’ And these are, very likely, consumers who may not go to a dealer’s site or to the OEM site. Accessing these customers gives dealers the opportunity for market expansion - to reach someone who doesn’t already know about their dealership, who may be totally new to that make and model.

As with traditional advertising, you can also build a lot of consideration online. Ninety percent of the leads that Dealix sources, come from the large sites like Yahoo! Autos, MSN Autos, AOL Autos, etc. And so every time someone gets a quote, they’re getting information about what dealers exist in their area and whom they should work with. Where before a lot of digital spending was very direct in nature, we are starting to see that now it’s also hitting on this critical objective of providing general information to the customer about the dealership, and building up consideration.

Consumers Have Choices Online

STEP 3
Select dealer(s)

Select All

- Anderson Honda**
1766 Embarcadero Road
Palo Alto, CA 94303
Distance: 5 miles
- Honda of Serramonte**
485 Serramonte Blvd.
Daly City, CA 94014
Distance: 19 miles
- Anderson Honda**
1766 Embarcadero Road
Palo Alto, CA 94303
Distance: 5 miles
- Honda of Serramonte**
485 Serramonte Blvd.
Daly City, CA 94014
Distance: 19 miles

Pasch: I agree with Anna that it's not a matter of excluding one source over another, but dealers need to understand the role of each, and how to handle them.

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– Brian Pasch



Kain: Just to build on this, the Internet world is quick, quick, quick. If the dealer hasn't built any brand, then when that screen comes up, the consumer will pick any dealership. This is unfortunately what's happening – too many dealers are missing out on loyalty.

Types of Buyers Who Create Leads at Each Site

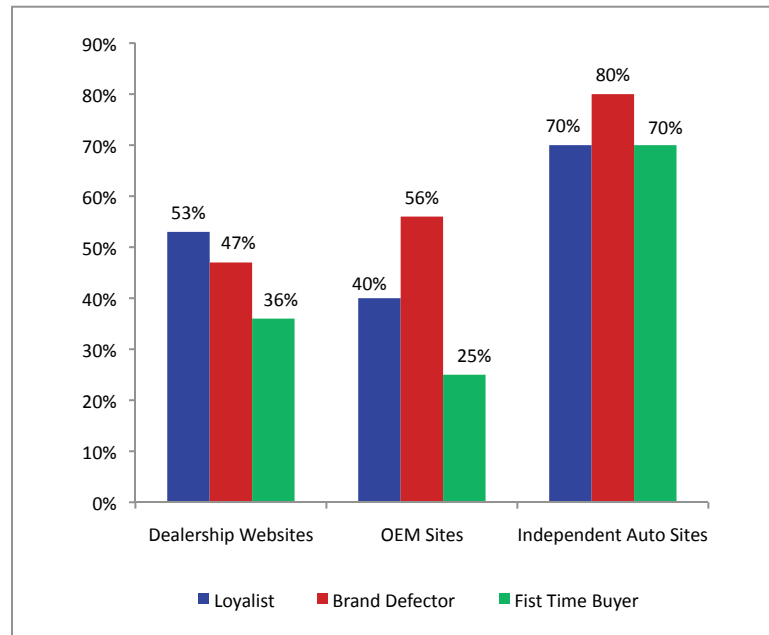
Holt: Let's look at three key subsets of buyers: the loyalists, the brand defectors, and the first time buyers. Are they more or less likely to go through each of the different paths – OEM site, independent sites, or dealership website? And do the consumers have different expectations?

Kain: OEM sites are generally oriented more towards a mature audience and the loyalist. When you look at branding, they almost exclusively focus on their unique demographic. I think this can be troubling for the first time buyer.

I think the manufacturers are trying to sweep down into social media to try address some of their deficiencies with other types of buyers, but they're slow to do this. I can appreciate that brand managers have identified through a lot research who's interested in their brand, and they try to serve that up. But a one size fits all model just doesn't work anymore.

Zornosa: Because so many buyers, over 70% as I said before, use independent sites, these leads represent all types of buyers. But the independent sites are uniquely able to deliver to the dealer the first time buyer. This buyer is seeking independent, objective research and wants to know what other people are buying. A first time buyer is harder for a dealer to close, but they are uniquely valuable to the dealership because of the lifetime value and market share they represent to the dealer.

Where Different Kinds of Buyers Submitted Leads Percentage of Respondents



Source: R.L. Polk & Co. Consumer Expectations for Internet Lead Shopping Study, May 2008.

(Editor's Note: Zornosa referred to research by R. L. Polk & Co., which looked at cars purchased through lead submission and tracked each lead back to its source and the type of buyer represented. This chart above is from this study.)

Pasch: It's always amazing when someone who is already a customer of the dealership comes to the site via pay per click. They say 40% of these consumers are actually for service calls, and you have to ask, "Why would somebody you know click on a link selling a car if they just need service?" Well, they know your brand, and the fastest way for them to get to your website is to type your name in a search.

As far as brand defectors go, I think it needs to be market-driven. I have seen many micro sites popping up and I'm seeing some new things there. For example, Toyota dealers are displaying videos on how they stack up against Honda; and Chevy dealers how they stack up against Dodge. Dealers who want to win the cross-over buyer need the tools to make the buyer feel comfortable: "My boys own a Honda, but now I'm considering a Toyota. Mr. Dealer, please make me feel good about that decision."

As far as first time buyers go, I think it's about blocking and tackling. When a first time buyer comes to your site, and they need to finance a car, what do they see? Do they see a photo of a stiff guy behind a desk who looks intimidating? Or, do you have a video with someone friendly saying, "If you're looking to buy a car, you can talk to me. My name is Brian. Here's my number and extension. Give me a call."

“When a first time buyer comes to your site, and they need to finance a car, what do they see? Do they see a photo of a stiff guy behind a desk who looks intimidating? Or, do you have a video with someone friendly saying, “If you’re looking to buy a car, you can talk to me. My name is Brian. Here’s my number and extension. Give me a call.”

— Brian Pasch

A video of a friendly person humanizes your website. Add customer testimonials. Have them on YouTube from a variety of people. People will click on videos of people who look like them. If they’re a young buyer, they’ll click on a video with a young person. For first time buyers, it’s about making them feel comfortable. Use testimonials and engagement videos to make them feel comfortable.

Holt: So, it’s not so much a question of which type of buyer is more or less likely to come to a certain site, but rather being flexible enough with content to appeal to the different audiences.

Pasch. Absolutely.

Kain: When it comes to loyalists, many go to the OEM site, which goes without saying. But, as Brian pointed out, the influence on first time buyers is not what it used to be. I’d like to say that my children do what I recommend; but far from it. They like to read what other people think, those who may not have such a personal interest in them driving a certain kind of car, for safety or mileage or something.

With social media, we’re moving into an environment where the consumer wants to go where they get those other opinions.

As Brian pointed out, we need to be ready to meet all segments on the dealership website. It would be great if OEMs did the same, and independent sites need to do it also. We need to be chameleon-like to sell cars. Use behavioral targeting, behavioral traffic, and change the dynamics.

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The Right Mix of Leads from Each Source

Holt: Let’s discuss how dealers want to allocate their lead mix. So, if a dealer needs to make a decision among different lead sources, how do you counsel him or her to optimize their mix?

Zornosa: I think many dealers start out asking, “I’ve got a pool of money to spend. How do I spend it?” I recommend another approach, and that is to ask the question: ‘What am I paying to actually get a sale?’ If a source represents the investment the dealership wants to make in selling a car, if it can deliver the

buyer at the target price, the dealer should direct dollars there until that source is no longer an efficient buy. Usually, that first source is the dealer's website; but of course, no dealer should turn away an OEM lead. The next question to ask is, "What source is going to help me gain market share?" That's where the investment in independent Internet leads, if the cost per car sold is the target, should remain open-ended.

Kain: Dealers also have to consider the dynamics of their dealership and their market when considering their lead mix. Dealers have an obligation to their franchise, and also to cover their market. In our market, if Ford's market share is 15%. If we get down to 14%, we're in trouble. So, we must pay attention to operating metrics that help us survive as a franchised dealer. Dealers want as many leads as possible to come from their own website, but within their set financial parameters. Search engine marketing can bring leads to your website, but if those leads are not converting, it's like throwing water into a clogged drain. We've tried to impress upon our clients that for every dollar you spend, you should get five back.

What we look for is 40 to 50% of leads coming from the dealership site, and in the 30% range coming from the OEM. However, there can be geographical limitations that preclude a dealer from being able to do that. If you're in a small community, your OEM may not generate a percentage of leads that is acceptable. The OEM is only going to bring you leads from your immediate geographical market area. So, if you hope to conquest, you're going to have to go out and get the leads another way. A lot of dealers just do not have the wherewithal or skill set to do everything to get leads, and this is why third party leads should be part of their mix.

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Pasch: To add to what David said about OEM-provided leads: If dealers really wants to grow their reach, they need to turn to folks whose full-time business is to build a better mousetrap for getting leads.

If a lead generated at a dealership website can convert twice as much as a lead from another source, and content increases traffic to their website, dealers would be well-advised to invest some of their 2010 spend on having someone internal or out-sourced build content on the cars the dealership is selling.

Now, most car dealer sites are 85% inventory, which turns every few weeks, and only 10 to 15% content. Dealers need to move that mix over time to having a majority of their website being content and lead generation pages. That is probably the most valuable spend for a dealer in 2010.

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Measuring Performance and Return on Investment

Holt: Now let's tackle the measurements of success. How does a dealer decide if a lead is valuable?

Kain: It's actually very easy in our environment. We look through three windows every month, and every month I have Anna asking me how our dealers are doing with their Dealix leads, where are the statistics? We look through a close rate window, which is a kind of a quick brush. We look through the gross per vehicle sold window, which is really valuable. And then, we look at overall cost per vehicle sold. And we always tell our clients – Don't put anybody out the door for missing one of those metrics because the deal has to pencil.

So, for example, if I'm working with OEM leads and my expectation is a 10 to 12% close rate, that deal's potential is pretty good because those leads are free.

However, let's say I have a third party lead with a close rate of 5%. That's not as high, but what if my cost per vehicle sold and my gross are good? I should keep that lead because that deal pencils.

I like to take it down to the gross average and cost per vehicle sold, and I think that's a website's sign of quality. It's a no brainer if those leads coming from the dealer website always have extraordinary close rates, solid gross averages, and typically, very, very low costs per vehicle sold. But I think you need to tie it back to – “Did I expand my market? Did I protect my brand in the market? And, did I make money at the end of the day?”

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Zornosa: I agree. It has to be gross per vehicle sold. Dealers will ask me, “What are the close rates going to be on third party leads?” And I'll say it's a very hard question to answer because as soon as we see a dealer who is getting a 10% close rate, that dealer does the logical thing – they expand their radius in order to get more leads.

What I've observed is that my dealer community actually drives towards a 5 to 6% close rate, and they continually expand their radius to get as many profitable sales as they can. They stop at about \$350 per vehicle sold, which usually corresponds to a close rate of 5 to 6%.

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So, an Internet sales rep shouldn't have to choose between telling their boss to have expectations of a certain close rate or selling more cars more profitably. That's a choice they shouldn't have to make. We have to help our dealers set expectations that work towards the overall health of their dealership.

Pasch: I'm a big fan of tracking. I can't guide a dealer to decisions if we're not collecting data. Once the data is clear, we see that independent leads are converting at costs that are very affordable for their margins. Then the next question I logically ask is, "What happens if we double or triple that spend?"

Lead Handling for Optimal Results

Holt: Once dealers have a clear understanding of the different lead sources available to them, and also how to allocate their budgets among these sources to get the best results, the next logical question is – How should leads from different sources be handled? Are they handled the same or should the approach be different?

Pasch: It's extremely important for dealers to realize that if they have someone who comes to their site and fills out a form or calls the dealership – they've already indicated some advanced shopping decisions. This is a high quality prospect. But also, they're probably thinking, I'm expecting this dealer to earn my business.

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If we know that consumers who come to a dealer's own site are converting twice as much as other sources, then there needs to be serious discussion about how that lead is handled. Would you put this high value, high converting lead into the hands of someone you just hired or a seasoned veteran?

Zornosa: When it comes to consumers who reach the dealer after starting at an independent Internet site, dealers should assume the lead represents someone who doesn't know their dealership. They need to make sure that the person who is responding to that lead is going to sell the value of the dealership. When we look at our leads, 20% of those consumers submitted leads to two different dealerships. With these leads, dealers really need to sell their dealership first, even before the car.

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Holt: When it comes to who handles the leads, what do you do? Do you put your experts on OEM-generated leads, on your own site leads, or those from the independent sites? And what leads do you give to your rookies?

Pasch: Well, in a perfect world, you wouldn't put someone in front of a customer who could blow up a possible sale. I would go by my gut instincts – have my most seasoned people touch my most valuable leads. If I throw a rookie sales person at a long-time valuable customer, that customer may be insulted. But of course, above all, a good sales process minimizes your risks.

Zornosa: For leads from independent sites, I'd say you've most likely got a first time buyer or a brand defector who's gone to an independent site because they want the comfort of objective information and independence.

So, whoever that sales person is, or however experienced they are, they have to be able to make the buyer feel smart about their decision to go to an independent site and empathize with their cognitive processes, and how they went from research on the independent site to the dealership.

Kain: I don't mean to be controversial, but if you give your seasoned sales people the easiest-closing leads - the loyalists, the people who've come directly to your website, they could get very lazy while taking home big paychecks.

Your rookies need to have a mix of all the leads, just as your veterans need to work with defectors who may not be quite ready to buy, and they need to bring them in. We advocate a good mix of leads for all, invest in and build talent, and don't let your veterans get away from having to work leads that may not have even selected the model or equipment they want yet. We like to call it being an offensive coordinator. Look at it not to save a deal but to make a deal. Huddle, call the right play, and then send out the teammates to go close the deal.

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Question from the Audience: Can you outline the most important lead follow-up steps? Specifically, what are the activities after the lead comes in to properly work it?

Kain: Sure. In most cases, the consumer filled out a form online. And in the interest of saving time, the consumer selected four dealers because they had that option on the form. I want to be the first person to have a conversation with that consumer. So I’m going to call them immediately and, if I get their voicemail, I’m going to arouse them with a very good, commercial-type voice mail. Then I’m time-stamped, and I will call throughout the day as well. As soon as I hang up the phone, I will send them a very targeted, mirrored email with some video elements, brochure elements, things of that nature, that are on my website.

From that point, I will follow up for a couple days. Then, I’ll have my manager get involved on the third day, in more of a lead nurturing facilitation to start the dialogue. And then if we don’t connect, we keep trying forever.

We’re looking for a 50% connection rate within the first 30 days. There are a lot of variables in lead handling, but we find that making that immediate phone call gives us the highest probability of connecting. But never give up.

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Audience Member: It sounds like it’s a lengthy follow-up process. Is there an industry standard cost per lead and cost per follow-up in that process?

Kain: A lot has to do with how electronically-oriented your team is. Do you have good email templates? Are you sending good auto-responders and getting reminder alerts to contact your lead from your CRM tool?

We did a study on this with one of our large dealer groups. They represent 12 brands. And the dollar amount came to an average \$20 cost of handling per lead over the long haul. And this is a group that has

standard close rates of about 14% across all their leads. So, it's a very good question and one to pay attention to – that your overall cost per sale is a combination of the cost you're paying for the lead and also the cost of handling that lead until you close the deal.

Holt: When I look back to events like this several years ago, there was still much discussion about digital vs. traditional advertising. It's great to see that the discussion is no longer centered around whether or not we need Internet leads, but instead, how we optimize the variety of online opportunities that are available, and how best to handle them for optimal results.

What we've learned today from our panelists is that dealers have great options now, and there is tremendous benefit in connecting with consumers who are coming from all of the three main online sources – the OEM site, the dealer's own website, and independent sites.

And how we interact with these consumers is both an art and an athletic pursuit. Not only do you have to respond quickly and respond well; you also need to be creative enough and flexible enough to adapt your response to where the consumer is coming from, what their expectations may be, and where they are in the buying funnel. And you also need to practice – you get better by using a good process over and over again.

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Another key point that we all agree on is how absolutely fundamental tracking and measuring is, and how this will help you direct your money towards what is working best for your store. The beauty of this digital environment that we're in is that it's very easy to track and measure performance. And this affords us the ability to experiment and to adapt in a very dynamic market.

SPEAKER BIOS

John Holt is CEO of The Cobalt Group, which he co-founded in 1995 based on his belief that the Internet would bring significant change to the way people advertised and bought and sold goods and services. Under Holt's guidance, Cobalt has become a major partner to the North American automotive industry, providing marketing services to more than half the auto dealers in North America and nearly 30 automobile manufacturers. Holt has helped Cobalt raise more than \$100 million from some of the world's leading private equity firms, including Warburg Pincus, ABS Capital Partners, and Oak Investment Capital. He holds a master's degree from the Yale School of Organization and Management and a bachelor's degree from Bowdoin College.

David Kain is the president and founder of Kain Automotive, one of the leading Internet sales and business development training firms in the country. David has helped hundreds of dealerships nationwide to improve their sales processes, save money, and grow their profits by refining their sales skills and through the efficient use of digital marketing technologies and the Internet. An auto industry veteran, David was one of the founders of FordDirect, where he served as COO, playing a key role in creating one of the leading automotive Internet companies. David is also a dealer principal and partner in the Jack Kain Ford Family dealerships.

Brian Pasch is the founder and CEO of PCG Digital Marketing and an 18-year veteran of the direct marketing industry. Brian's specialty is in digital marketing and search engine optimization strategies, which he has used to help countless dealerships nationwide access more buyers and boost sales. PCG is at the forefront of digital marketing, continually innovating to discover new and efficient ways to enhance business advertising and lead generation for their clients.

Anna Zornosa is EVP of The Cobalt Group and general manager of its Dealix division. At the helm of the most successful provider of sales leads to auto dealers, Zornosa is responsible for the management and strategic direction at Dealix. Anna spearheaded and created the Dealix Quality Pledge™, a key feature of Dealix's product offerings and, in 2009, was recognized by TARGUS*Info*, which awarded her its Market Leadership award for her work in improving Internet lead quality. Prior to Cobalt, Zornosa was vice president and general manager for Yahoo! Personals where she was responsible for overall management and strategic direction. She also served as CMO at Knight-Ridder Digital, a unit of newspaper giant Knight-Ridder, Inc., and as CEO of Topica, Inc. Zornosa has also held senior positions at Women.com and PointCast, Inc. She received her BA and MA from the University of Wisconsin.