



Note: This is the copy from a B2B professional services firm's blog post. The full page was originally published at <https://www.gpstrategies.com/blog/automotive-dealers-let-your-customers-out-of-the-box>.

Automotive Dealers: Let Your Customers Out of the Box!

The days of forcing auto buyers into the dealership to sit across the table from a separate finance and insurance (F&I) manager (colloquially known as putting them “in the box”) are over.

Customers have repeatedly demonstrated they want the power to buy products without dealer intervention. In fact, US car buyers who completed most of their deals online were 35 points more satisfied in the J.D. Power 2020 Sales Satisfaction Index study than those who didn't do any paperwork online. More specifically, research from Cox Automotive shows that 41% of shoppers prefer to select F&I products online or at home.

But American dealers, almost all of whom have added digital retailing (DR) capabilities to their online presence, have been slow to adopt the available tools when it comes to the F&I function. Even when we look at the significant findings from 2020—surely the most closely watched and quantified year in automotive history—dealers are reluctant to let go of traditional F&I approaches for fear of leaving money on the table at one of the last profit centers in variable operations.

My recommendations to dealers are simple:

- Recognize the power of DR systems and embrace them
- Let the DR tools sensitize customers to the available F&I products
- Be proactive and transparent with digital tools—even in the dealership

Why should dealers follow this advice? Simply put, they'll make more money this way. Dealerships who support customer self-service when it comes to F&I see higher back-end gross profits and higher product penetration. According to research from Roadster and NADA, only 61% of in-dealership-only customers buy F&I products. “However, when customers complete the entire purchase online, F&I penetration increases to 90%.” When buyers have the time and space to virtually test products through online payment calculators or other configurators, they'll opt into the products they can use.

Just as important, those buyers will be happier as a result. Customer and sales satisfaction numbers rise in tandem with the amount of the deal customers conduct online. J.D. Power's SSI Study points out that, “the take rate among buyers who reviewed [F&I] products online is higher compared with those who reviewed products in the showroom, especially for extended warranty (36% vs. 28%); prepaid maintenance (23% vs. 16%); and tire protection (18% vs. 12%).”

In-dealership use of DR tools is also speeding and simplifying deals for both the dealer and the customer. Cox found that 61% of dealers said using DR tools reduced their time spent per sale, and 84% of shoppers say completing steps online gives them a “seamless in-store experience.” Another often-overlooked benefit to DR in F&I is the data-driven opportunity to upsell. Just like Amazon, which can see what products we put in our carts and don't buy, digital retail adopters can see which

products car shoppers consider and abandon. They can then prepare subtly convincing selling points to present to the customer if they come to the dealership to sign.

We're also seeing customers increasingly look online for financing origination. The 2020 J.D. Power US Consumer Financing Satisfaction Study showed the satisfaction score among buyers who applied for their loan online was 45 points higher than those who applied in-dealership. Patrick Roosenberg, the director of automotive finance intelligence said, "To improve satisfaction and lower the cost to serve ... providers need to build a robust digital platform that addresses borrower needs, from research and origination through account management and billing."

One more benefit to digital F&I: more opportunities to educate customers and give them the opportunity to buy. Increasing transparency through DR tools means products can be shared with shoppers early in the deal process—with the intent to inform—and again at the end to reinforce the benefits of buying. In a 2020 Automotive News article, Modal founder and CEO Aaron Krane said it perfectly: "Every moment is a good moment to offer F&I products. The key is simply offering them while the buyer feels like they're in control." Give buyers the ability to close their own deal. Let them fully execute their transactions, and accept their choices. They'll be happier, and that will reflect positively in the dealership's bottom line.

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