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Knowledge is Power, Timing is Everything



Shorten the Trade Cycle to Sell More Vehicles

AutoAlert reveals key findings from new Study



Disrupt the Trade Cycle and Take Control of Your Sales Growth

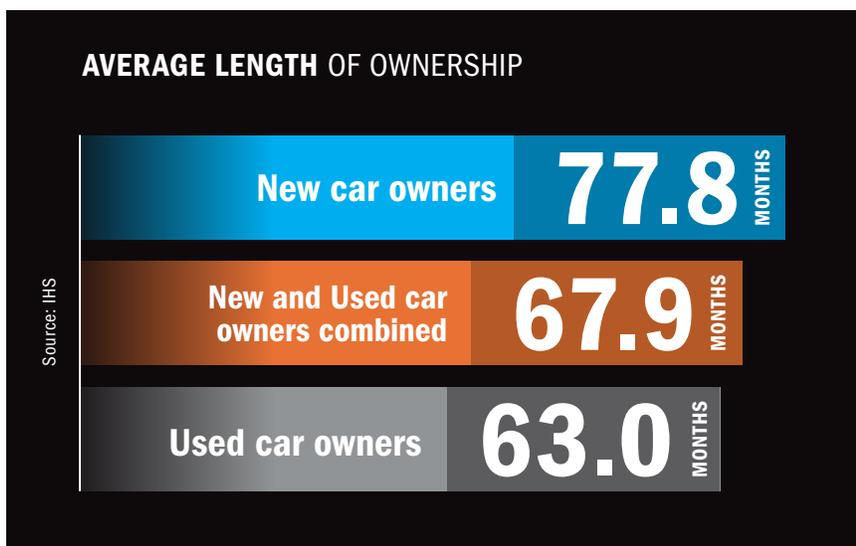
According to the latest U.S. vehicle registration data analysis by global market intelligence firm IHS, length of vehicle ownership continues to increase, hitting another all-time high average of 67.9 months – nearly 78 months for new cars and 63 months for used cars.¹

These long ownership periods may keep consumers out of the market, out of your store – and not contributing to Seasonally Adjusted and Annualized Rate (SAAR) growth.

To put this in context, the lengthening ownership lifecycle is resulting in consumers buying fewer vehicles over their lifetime giving you fewer opportunities to sell them cars if you wait for them to come to you.

The AutoAlert Study reveals that auto dealers have the power to shorten their customer trade-in cycle by half to sell even more vehicles. The data shows that new sales opportunities await dealers who can identify trade cycle disruption prospects. Many dealers practicing trade-cycle disruption through data mining have reported increasing their sales up to 20%.²

Practiced on a national level, shortening the trade cycle bodes well for the health of the auto industry. This is because today's increasing length of ownership places limits on future Seasonally Adjusted and Annualized Rate (SAAR) growth.



SAAR and You

For 2015, SAAR is expected to peak above 17.2 million units, the greatest run since 2000's 17.4 million unit sales. The SAAR trajectory in 2015 has been favorable to the original expectations. For instance, NADA's original 2015 SAAR estimate was 16.9 million vehicles, which it adjusted to 17.2 million units by late spring. At the time, it had estimated 2016 new car and light truck sales at 17.6 million units.³

According to Steven Szakaly, NADA chief economist, vehicle SAAR should continue this growth trajectory and set a new record in 2016. However, he expects sales are likely to decrease after 2016. Some of the drivers of this forecasted decrease in vehicle SAAR include a rise in interest rates, used car pricing becoming more attractive and the increasing length of ownership.⁴

Since increasing length of ownership is impacting vehicles sales, it is important for dealers and manufacturers to understand what are the drivers of the increased length of ownership and what can be done to shorten the trade cycle.

Length of ownership drivers

Many factors have been cited as drivers of the increasing trade cycle – longer finance terms, the aftermath of the economic downturn, improved reliability of vehicles, and generous warranty periods. We see this reflected in the increasing age of passenger cars and light trucks on American roads, which is now 11.5 years up from 11.2 years in 2012, according to IHS.⁵

While these drivers are certainly influencing consumers to hold onto purchasers longer, there might be more to the story.

In order to gain direct insight from consumers, AutoAlert conducted an online study surveying over 400 vehicle owners to better understand why they are holding on to their vehicles for longer periods. Some key findings from the AutoAlert Study are:⁶

75%

of consumers would be very likely or somewhat likely to trade in their vehicle today if their monthly payment would remain about the same.

49%

Despite this, almost half (49%) were not aware they were able to upgrade their current vehicle before their loan or lease is at end-of-term.

63%

Regardless of how long they have owned their current vehicle, 63% of consumers would like to upgrade their cars every three years or less.

This Study suggests that new sales opportunities await dealers who can identify these customers in their database that are in a position to upgrade before the end of their contract. Seldom will these opportunities come to a dealer's attention through traditional sales channels.

More than half want to be notified about key points in their ownership lifecycle (e.g. warranty is expiring, trade-in value is about to decrease rapidly, before incurring mileage overages on lease, end of contract).

57%

Dealerships need to keep their service customers coming back because 57% are very likely or somewhat likely to purchase a new car from the dealership where they service their car.

69%

69% of consumer respondents felt it was very important or somewhat important for the place they bought their vehicle to proactively notify them when they are in a position to upgrade their vehicle if it wouldn't negatively impact their monthly car payment.

**SURVEY
OF 400
VEHICLE
OWNERS**

Disruption Opportunities

Waiting for showroom ups, in-bound phone calls and Internet leads surrenders control of the sales function to consumers. And while these traffic drivers will remain valuable to dealers, they are not nearly as valuable as your current customer who has not begun the shopping process. Here are some of the reasons why these customers are more valuable:

- **Protects your customers from conquest:** Customer retention is at risk when periods of ownership are above 36 months.⁷
- **Improves customer satisfaction:** Empowers your customers to drive a new vehicle with the similar payment or gives them flexibility to drive a different model based on change in lifestyle or need.
- **Delivers a lower marketing cost of sales:** Existing customers need minimal marketing because the customers can be identified through data-mining software and either called or emailed to begin the trade disruption process.
- **Sell at higher margin:** 21% more margin than sales driven by traditional marketing channels.⁸

Control Your Sales Cycle

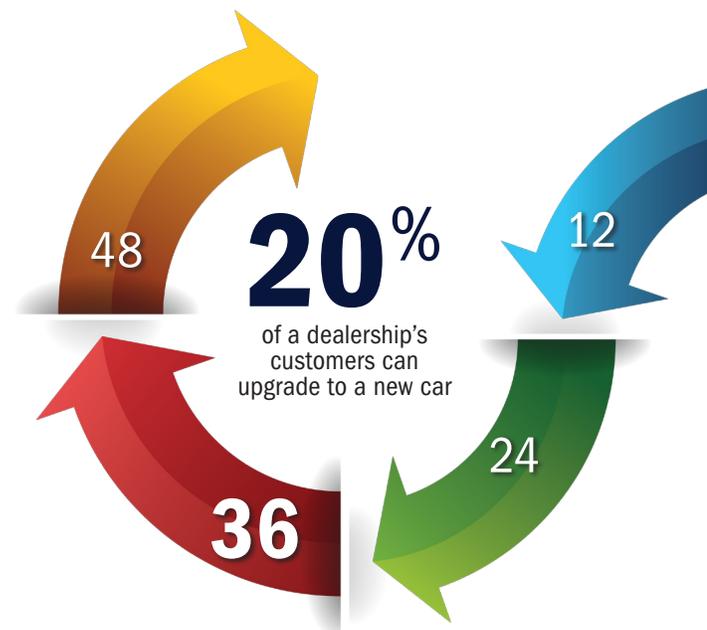
In order to take advantage of these opportunities, dealers will require unique knowledge about their customers to be effective at disrupting the trade cycle. This special consumer knowledge is made available today through the use of data mining. Data mining analyzes the customer database to identify the profiles of existing customer most likely to respond now to offers to buy their current vehicle and move them into a new model for about the same monthly payment. Dealers using this strategy disrupt these customers' trade cycle at 36 months or less.⁸

On average, 20% of customers in a dealer's dealer management system (DMS) are in a position to move into a new vehicle earlier than the customer – and often the dealer -- believed possible in their purchase cycle.⁸

A trade cycle disruption strategy involves active engagement with these owners, either via telephone, via email or in many cases when they arrive for service with a structured non-selling approach in the service drive.

Keys to successful results is foreknowledge of the customer's financial situation, including such insider data as remaining length of finance or lease term, current monthly payment, vehicle equity position, current interest rates, and OEM incentives.

By making consumers aware of how you can meet their interest in buying again sooner, often within 36 months⁸ much lower than the 79 months of new ownership – the dealer improves turn, retains customers, drives quality trade-in volume, and adds profits to F&I.



Conclusion

The speed of your customers' trade cycle is a dealer's key performance indicator. This new AutoAlert Study reveals important strategic advantages for dealers who implement this sales and customer retention strategy. In addition to increasing sales at a higher margin that results in better customer retention, data-mining also:

- ***Builds lifelong customers by creating opportunity to engage with them more frequently***
- ***Matures the selling process, moving from a single-sale mentality to a lifecycle mentality***
- ***Increases repeat business opportunities and customer lifetime value for dealers***

A dealer can wait for consumers to decide when it's time for them to return to market, or they can influence that decision through a trade cycle disruption strategy that addresses their needs. This type of data-driven engagement with consumers is where dealerships are finding a great return on investment.

As a leader in data-mining and trade cycle management, AutoAlert is sharing these findings to inform the automotive industry about current length of ownership levels and to better equip dealers on how to improve sales and retention.



Request additional insights and information on how your dealership or manufacturer can shorten the trade cycle at

www.autoalert.com/tradecycle

888-998-8575

About the Study

AutoAlert conducted an online survey with Survey Sampling International of over 400 vehicle owners in September 2015. The purpose of the study was to:

- Understand why consumers are holding on to their vehicles for longer periods
- Determine what motivates consumers to trade-in their vehicle
- Measure consumer awareness on their ability to trade-in to a new car before contract end
- Learn how consumers want to be notified when they are able to upgrade to a newer vehicle
- Evaluate what services would increase customer retention
- Analyze differences in responses between generations, gender, length of ownership and location

Survey participants were vehicle owners. Out of the over 400 participants, 35% were Millennials, 31% were Gen X and 34% were Baby Boomers.

About AutoAlert

AutoAlert is the automotive industry's leading data mining and trade-cycle management platform helping dealerships identify high-quality sales opportunities, increase volume of retail trade-ins and improve customer retention. With AutoAlert, dealerships build long-term client relationships that compound sales opportunities, provide better customer service, and make more informed marketing decisions. Founded in 2002, AutoAlert pioneered the equity-mining campaign and a new client engagement methodology through innovative software, marketing and training solutions.

References

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5. IHS analysis, 2015
6. AutoAlert Length of Ownership Study, 2015
7. "Americans are holding their vehicles longer...is it good for loyalty?," December 17, 2012, IHS Blog
8. AutoAlert research, 2015

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