

# Selling to Stealth Shoppers

Increasing Sales To Shoppers Who Will Not Reveal Themselves



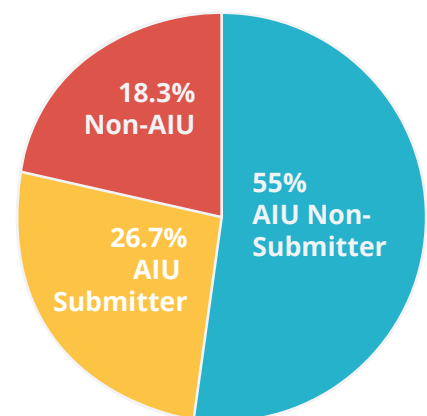
## EXECUTIVE SUMMARY

According to a June 2011 JD Power and Associates Whitepaper, "Online Auto Shoppers: Who Are They and How Do You Meet Their Needs?" only 27% of new car buyers were serviced by the dealer's Internet Sales Department.

18% were considered "traditional shoppers," being influenced by TV, print and newspaper without relying on the Internet for research. The remaining 55% of people who bought new cars did all of their research and shopping online while failing to complete any lead form. These are the "stealth shoppers."

An even more dramatic demonstration of the consumer's desire to remain anonymous is reflected in the statistics regarding online shoppers visiting dealership websites. The national average shows that fully 98% of dealership website visitors leave the site without taking any action.

All indicators show that the population of stealth shoppers is increasing dramatically every year. There are fewer and fewer traditional shoppers while current statistics indicate that over 90% of all buyers rely on internet research. Yet, the percentage of buyers going through the Internet department has remained relatively constant.



AIU = Automotive Internet User

Dealerships are making significant investments in their internet departments while obtaining diminishing returns. Failing to embrace the principles of modern consumer e-commerce, traditional internet departments continue the practice of focusing on “setting the appointment,” while consumers demonstrate increasing discontent with the approach.

The majority of today's car buyers no longer believe that they should be required to “pay” for pricing, availability or other details regarding a car with their name, phone number and email address – the price demanded by the clearly outdated “new car lead” model and by BDCs and - most importantly - internet departments.

This whitepaper focuses on the reasons behind the emergence of this new majority of car buyers; the stealth shoppers, current approaches to influencing this troublesome group of consumers and best practices for embracing and influencing while providing the anonymity they demand. Dealerships that adapt to this new consumer will demonstrate measureable and sustained success.

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## WHY STEALTH IS THE NEW MAJORITY?

There are three dominant factors driving the majority of car buyers to become stealth shoppers who refuse to complete a standard lead form.

### ■ ENGAGING WITH CAR DEALERS

Both anecdotal and statistical evidence abounds demonstrating that consumers would prefer never to engage with a car dealer. The nagging perception of having to deal with a “slick salesman” is still prevalent among many consumers.

*Fewer people gave members of Congress high “honesty and ethical standards” ratings than almost any other profession surveyed in a new Gallup poll released Monday. In ranking 22 occupations, respondents put only car salespeople lower than members of Congress. And while a slightly greater percentage of representatives got a “very high/high” honesty rating (10 percent) than did salespeople (8 percent), five percent more respondents scored Congress very low/low (54 percent) on the honesty scale than they did salespeople (49 percent).*

*The Washington Post, Dec. 3, 2012*

The different attitudes presented by millennial buyers have been repeatedly, even exhaustively documented. This rapidly increasing segment of consumers who now represent over 25% of all new car buyers, expect to be treated differently and share a distaste for engaging with dealers.

Millennials would, by a wide margin, prefer to go to the dentist than negotiate with a car salesman.

Moreover, millennials have grown up with access to vast amounts of available and anonymous information. They rarely are required to communicate personally in order to gather the insight they require during the research or purchase phase of a new product. One study shows that millennials would prefer to complete the entire car purchase online, forgoing the need to ever visit a dealership.

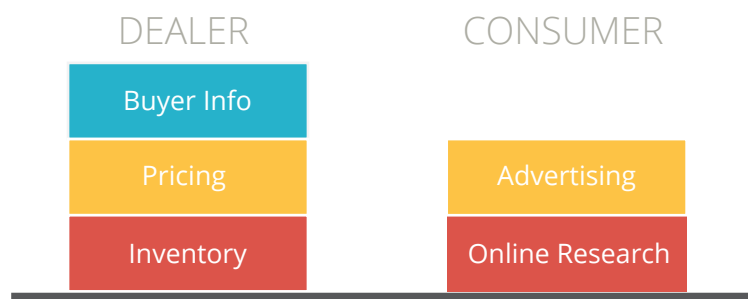
## ■ PERVASIVE CONSUMER E-COMMERCE

The post-Amazon emergence of consumer e-commerce has changed the attitudes of young and old alike as to what the online shopping experience should be. The following highlights the consumer's current expectations:

- **Convenience** – Anytime, anywhere availability
- **Speed** – Complete answers right now
- **Visibility** – The ability to get information on all competitive products
- **Transparency** – Accuracy, honesty and full-disclosure online
- **Anonymity** – Privacy with no disclosure of personal information until the consumer is ready

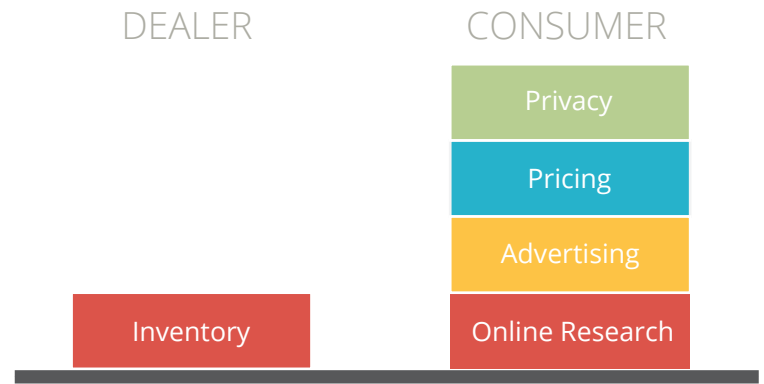
When these expectations are combined with millennial desires and general prevailing attitudes about engaging with car dealers, it is easy to understand why stealth shopping is the new norm. The magnitude of this attitudinal and behavioral shift in such a relatively short period of time presents a great challenge for car dealers.

Just a few years ago, consumers had little choice but to visit or at least call dealers. Dealers, after all, had not only the inventory, but also all the information.



As the “internet age” emerged, with the promise of new leads, greater speed and availability, and more access to a larger pool of consumers, some of the power began to shift to the consumer. Dealers still maintained a level of dominance through their ability to exert control over information; requiring the consumer's name, phone number and email address in exchange for vehicle details, pricing and availability.

Today, the majority of consumers that walk into the dealership have completed all of their research, price gathering and comparison online, without any opportunity for the dealer to engage or influence. Due to their e-commerce mentality, the consumer has independently drawn their conclusions and established their boundaries; the dealer just has to “deal with it” when they show up. This often yields unsatisfactory results for both sides, resulting in reduced margins, lower CSI scores, frustrated sales people and general discontent.



## TODAY'S STANDARD APPROACH TO THE STEALTH SHOPPER

Most dealerships that we have reviewed approach stealth shoppers in one of three ways with varying degrees of failure.

### ■ IGNORE THE PROBLEM

Some dealerships have elected to “wait it out” and do nothing new or different. This strategy is especially prevalent among dealers in rural areas where the more captive audience has caused a delayed impact of stealth shoppers. They have not yet recognized diminishing sales from their small local markets. Time is not on their side, however. Data analyzed from the CarWoo! MarketPlace reveals an increasing propensity for rural shoppers to dramatically increase their shopping radius in order to receive better and more complete information from a larger competitive set.

These dealers are already experiencing a decrease in margin as consumers arrive at the dealership with lower discounts from more distant dealerships. This issue is even more pronounced for dealerships in competitive markets who have chosen the “ignore the problem” approach.

Shopping behavior is the same for both the rural and urban shopper. Information is being gathered from dealerships willing to assist. By failing to connect and engage with shoppers while they are anonymous, a dealership is essentially conceding that the only value they provide is locality.

If the only reason that a consumer should buy from a dealership is location, then “ignoring the problem” may be an appropriate response. Our observation is that this is rarely the case. Most dealerships can and do offer specific advantages that more than justify a higher price. When the consumer makes their buying decision in the absence of personal influence by their local dealership, their minds are made up before the influence can be exerted.

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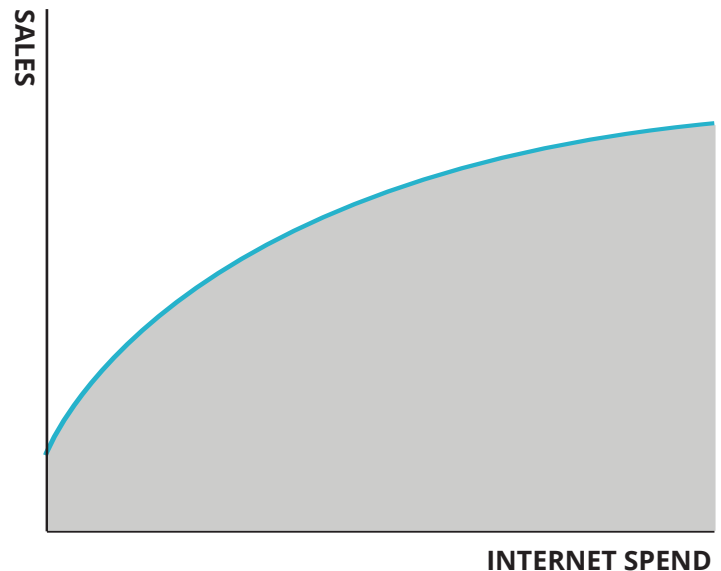
## INCREASING INTERNET SPENDING

The most common approach to influencing stealth shoppers is to spend more on the dealership web presence. This is generally accomplished in three ways (all with the same anticipated results):

- **Participate in more 3rd party lead programs** – This is simply an effort to drive more traffic to the internet department in the face of declining conversion rates
- **Increase the SEO/SEM budgets** – Increase traffic to the dealership website traffic in the hope that greater volume on the same conversion statistics will yield constant sales results
- **Enhance VDP (Vehicle Detail Page) views** – Typically this results from either shifting or increasing marketing dollars to organizations like AutoTrader or Cars.com with the expectation that this will result in either direct leads or more website traffic

All of these strategies can result in at least sustaining the absolute sales results for the dealership. There are two distinct issues with this approach. First, the relationship between increased spend and increased sales is rarely linearly related, resulting in the cost per sale of a vehicle increasing while margins go down. Second, these are the same approaches that most dealerships are using. No individual dealership actually distinguishes themselves or their unique value proposition.

Increasing web spending will, in the near term, allow dealerships to sustain their positions in the market. Over the longer term, these strategies will simply lead to increased marketing budgets and decreased margins.



## ALTERNATIVE APPROACHES TO CAPTURING CONTACT INFORMATION

Increasingly, dealerships are accepting the fact that consumers are not willing to fill out lead forms directly and are using alternative approaches to capturing information. The key to this approach is that, no matter what form it takes, the primary objective is to gain the personal information of the consumer before giving out information they are requesting.

The single most common method in use today is the “live chat” product. These products are placed on the dealership site and ostensibly promise the consumer an interaction where they can get information without picking up the phone or visiting the dealership. The reality is that, in most cases, the primary objective of “live chat” is to gain the personal information of the consumer through a more gradual process.

Today's e-commerce savvy shoppers are astute and aware. Consumers captured through an increase in traditional online marketing expense will continue to be part of the dwindling audience of shoppers who will eventually submit their contact info through a quote request process. Therefore, increasing traditional online marketing spend does nothing to address the growing majority of stealth shoppers.

There is no evidence that these approaches increase influence over the true stealth shoppers. They certainly enhance the effectiveness of traditional internet leads. There is only one way to genuinely gain a direct connection with stealth shoppers.

## EMBRACE ANONYMITY

Perhaps the single most important data point reveals that stealth shoppers are serious shoppers: Over four years, 68% of consumers who have participated in the CarWoo! MarketPlace have purchased cars. Despite their concern over identity protection, the stealth shopper buys cars and typically will do so from the dealer most willing to respect their request for privacy.

A survey of CarWoo! consumers shows that 77% have never completed a lead form throughout their car buying process. These consumers stated that they preferred anonymity and their behavior mirrored their preference.

Even though only 77% stated that they had not completed a lead form, this admission appears to expose a kind of brutal honesty on their part. Detailed comparisons of CRM data at participating CarWoo! dealerships matched with CarWoo! buyers shows less than a 7% overlap.

Less than 7% of all CarWoo! buyers appeared in the surveyed dealership's CRM. If the CarWoo! consumers had completed a lead form, it was clearly not reaching the dealerships.

Embracing anonymity allows a new process to emerge in the dealership.

Less than  
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### OLD PROCESS



### NEW PROCESS



Embracing anonymity results in direct influence over these shoppers well before they become a lead and a significant personal connection with the shopper once they do become a "Super Lead."

A review of dealerships success in dealing with stealth shoppers shows that when they do respect the privacy requirements engendered by consumer e-commerce they are able to close these stealth connections at between 12% and 18% on average.

“*Respect the shopper's privacy and you could close 12% to 18% of stealth generated leads.*”

## SUMMARY

It is clear that there is no going back. Consumer expectations have changed and just as the Internet isn't a fad, neither is consumer e-commerce a passing fancy.

Dealerships today have distinct choices. They can ignore stealth shoppers, they can increase their web spend to influence them or they can try alternative approaches to try to capture personal information. All of these approaches are ultimately destined to result in increased costs and reduced margins.

*For information on CarWoo! and our full complement of services please contact us at [dealersales@carwoo.com](mailto:dealersales@carwoo.com) or call (650) 273-6180*

**carWoo!**