



the way we see it

Inside the Customer/Dealer Relationship

**A Qualitative Study Examining the Shift of
Power and the Influence of the Internet on
the Vehicle Buying Process in Dealerships**



Contents

Introduction	1
<hr/>	
Executive Summary	3
<hr/>	
The Initial Search for Information	7
<hr/>	
Key Dimensions of the Buying Process	11
<hr/>	
What Happens Inside the Dealership	14
<hr/>	
Conclusion: Rethinking the Customer/Dealer Relationship	27

Acknowledgments

The survey data used in producing this document was collected by the Car Internet Research Program (CIRP). All analysis and interpretation of the research and data has been made by CIRP in collaboration with Capgemini. The research and writing of this study was led by Magdalena Jarvin and was completed as a post-doctoral research project financed by CIRP. Translated from the original French by Karen Twidle.

The Car Internet Research Program is sponsored by: Capgemini, Ontario Research Network for E-Commerce (ORNEC), PSA Peugeot Citroën, Renault SA and The University of Ottawa.

Introduction

“The web is making the consumer much more aware of how the motor industry works and all the tricks of the trade, so companies have to clean up their act and become more transparent, more accountable.”

“You can access incredibly specific information in a [web] forum. For example, I was able to find out, in the case of car electronics, which systems to avoid because of the bugs they contain.”

As these comments from consumers confirm, the vehicle buying process has changed considerably over the last few years. The increasingly pervasive presence of the Internet in people’s daily lives has allowed consumers to obtain more information on products before choosing which one to buy and therefore become less dependent on the car salesperson. In the case of a car purchase, the Internet has had an impact on a number of levels.

For one thing, using the Internet delays the moment when a customer actually visits the dealership. Many customers today prefer to acquire initial information on their own. When those customers visit the dealership, they have a tendency to refuse the dealer’s help. This puts salespeople at a disadvantage, since the faster direct contact can be established with the customer, the better the chance of influencing the customer’s final decision.

Furthermore, during final negotiations, a well-informed customer is likely to be more demanding and less flexible. Indeed, using the Internet reduces the customer’s list of car choices and increases their chances of obtaining a better price than if they did not use the Internet.¹

It has been established that the process of buying a new car lasts, on average, six months.² During this time, customers do their homework, narrow down their choices to a small selection of potential purchases, based on information from word-of-mouth, traditional media sources (specialized written press, television, advertising) and the Internet. However, it is usually only during the last few weeks of the buying process that customers actually visit a dealership to see the final two models (on average) that have remained in their consideration set.

Thus by the time many customers walk into a dealership, they will have decided on the price bracket within which they are willing to negotiate, selected their preferred options, determined the trade-in price they want for their old vehicle, as well as the terms of payment and the acceptable delivery date for the new vehicle. In other words, the dealer is faced with customers who, to a large extent, already know what they want.³

¹ For a detailed analysis of the gains to be made through prior consultation of the web, see “Consumer Information and Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities?” Fiona Scott Morton, Florian Zettelmeyer and Jorge Silva-Risso, 2003.

² CNW Marketing Research, Inc. and Capgemini’s Cars Online 05/06.

³ Clearly, there are also customers who visit a dealership during the initial stages of the decision-making process. One of the issues for the dealer is to distinguish between those who are at the beginning of the process and those who, in contrast, visit the dealership at the end of the process, and who are essentially hunting for the best deal. The former need to be addressed according to their needs, the brand they are looking for, and so on.

Clearly, the traditional asymmetrical relationship between the dealer and the customer has been reversed. Customers are now capable of acquiring the knowledge that can give them the upper hand in the power struggle that is played out in the dealer showroom. Dealers can react to this change of circumstances in two ways. They can increase and refine their own knowledge base, thus upping the stakes; or they can adopt a different tack and provide added value to the customer rather than added information. Key to this is establishing a relationship based on trust, thereby improving sales and building customer loyalty—perhaps the most important key to success in today's highly competitive automotive industry.

This study provides a close-up look at this relationship, examines the shift of power, and aims to help dealers and vehicle manufacturers better respond to the changing market dynamics. The study was conducted by the Car Internet Research Program (CIRP) and sponsored by Capgemini, Ontario Research Network for E-Commerce (ORNEC), PSA Peugeot Citroën, Renault SA and The University of Ottawa. The qualitative research, consisting of observations and interviews with consumers and dealers, was undertaken in both North America (U.S., Canada) and Europe (France, UK) at car dealerships representing 12 North American, European and Asian mid-market brands.

The research demonstrates that while the industry acknowledges this shift of power and recognizes the need to change, and while many dealers are in

fact adjusting their practices accordingly, there remains significant work to be done. During the course of this study, we observed numerous examples of negative interactions between customers and dealers, reinforcing traditional stereotypes. *“There’s a breed of car salesmen who you just don’t feel terribly comfortable doing business with, and this is an almost universal experience. The research that has been done says that many people hate going to dealerships; it can be one of the worst buying experiences anyone ever has,”* said one buyer, who was not alone in expressing this type of sentiment.

It’s clear that many dealers have not kept up with the pace of consumer change, which has accelerated rapidly due to consumers’ increasingly sophisticated buying behavior and the availability of information on the Internet, which is helping to delay their moment of entry into the dealership. It’s critical that the dealer role changes to adapt to this new world.

We hope the findings of our research will provide dealers and manufacturers with insight into these changing consumer dynamics and will lead them to gain a better understanding of how to improve the customer/dealer relationship and in the process drive increased sales and strengthen brand and dealer loyalty.



Executive Summary

Examining the customer/dealer relationship in a new light.

It is essential that dealers and manufacturers learn to understand the consumer's universe, the tools at their disposal, and the state of mind they are in when deciding to buy a car in a dealership.

Market relations between buyers and sellers have often been analyzed by academics through the prism of game theory. This approach looks at the strategic rationale of players whose aim is to maximize their own satisfaction by anticipating their opponent's possible choices, as well as anticipating the anticipations (the famous "prisoner's dilemma"). However, in a lengthy and complex decision-making process such as the purchase of a new vehicle, what factors ultimately affect the customer's actions?

Reducing this process to simple arithmetic seems incomplete, and that is why, in this context, the "human" aspect needs to be highlighted. This is particularly true given the fact that the Internet has taken much of the control away from the dealer and put it into the consumer's hands, resulting in new power dynamics. In addition to factors such as financial calculations, brand perception, discounts and vehicle availability, companies must also consider the nature of the relationship between customer and dealer. The focus here is on the notion of trust: In which context and in relation to whom does it appear?

On the one hand, trust can be construed as compensation for lack of information. In this sense, "giving trust" stems from recognizing one's own lack of information and a willingness to leave a matter in the hands of someone who is seen as possessing that information. This represents the traditional relationship

model between dealer and customer. It's a risk behavior in the sense that there exists an imbalance or asymmetry of information. In other words, all the information resides with the dealer.

Building a Symmetrical Relationship

The new customer/dealer relationship model can be conceptualized as the result of an interaction between two equal parties. In this case, there is transparency of information, with the same or similar information residing with both players. Trust is granted after an exchange, comments, words and gestures, in some contexts and not others, to some people more than others. Trust is viewed as the result of a construction, a dynamic process, in which both parties feel confident of the other's intentions. By identifying those intentions, and ensuring that they do not go against self-interest, this attitude encourages power sharing and the establishment of an egalitarian relationship.

Approaching the relationship between customer and dealer in this way makes it possible to go beyond traditional stereotypes. Furthermore, this approach widens the scope of possibilities for the dealer, by encouraging the use of personality and human qualities to win the customer's trust.

The final purchase decision will only be made when both customer and dealer consider they have established a relationship based on trust; when both feel they are in a sufficiently balanced or symmetrical relationship.

To achieve a balanced relationship, the dealer must not sell; he must instead enable the consumer to buy. It's a subtle but critical difference.

This does not imply that a situation of absolute transparency is always possible; rather, this is the ideal situation for which to aim.

To achieve this balanced relationship, the dealer must not *sell*; he must instead enable the consumer to *buy*. It's a subtle but critical difference as reinforced by our research. As one customer commented, *"I felt no pressure at all. The sales rep would say 'We believe this is a good car' but he didn't try to sell it. And he wouldn't say 'These cars are going away fast, you better buy it today.'"*

Of course, the approach to the relationship will vary depending on whether the buyer is a new customer, where the aim must be to build trust from scratch and enable the purchase, or an existing customer, where the aim is to strengthen brand and dealer loyalty in order to enable a re-purchase. In either case, however, the goal should be a more balanced interaction.

In response to changes in the automotive industry, including heightened competition, declining loyalty, more sophisticated consumers and the importance of the Internet in the buying process, dealers must make corresponding changes in their

relationship with customers in order to build this more symmetrical relationship. While in some cases these changes are being made, they are not keeping up with the pace of consumer change.

Understanding the New Dynamics

Our research identified a number of key findings that can be instrumental in helping automotive companies better understand and respond to the shifting dynamics of the customer/dealer relationship:

- **Greater transparency is essential to improving the customer/dealer relationship.** The Internet, as a kind of bottomless well of information, has encouraged consumers to demand higher levels of transparency. And this trend shows no sign of dissipating. In this new era, where customers can get nearly all the information they need without even having to visit a dealership, dealer salespeople must view customers as partners on an equal footing. Their collaboration should be based on a transparent attitude and information sharing—in other words, a relationship based on trust. Their interaction should turn into a co-production, where both can obtain satisfaction.



The move toward greater personalization and customization is an increasingly important element in the entire vehicle buying process.

- **The more knowledgeable consumers become about the vehicle buying process, the more the balance of power shifts in their favor.** Although the Internet does not exclude traditional dealership visits, the salesperson is justified in evaluating the growing use of this tool in the information-gathering process. Our research made it clear that the Internet has an impact on the overall approach of the consumer. During individual research, customers can build up sound background knowledge, which can make them more nimble and strategic in their interaction with salespeople. This ultimately reduces the latter's influence.
- **Consumers increasingly demand a personalized and customized approach during the vehicle buying process.** In today's world, customers want to be seen as individuals, as people in their own right who cannot be reduced to a box in a grid. Success inside the dealer showroom rests in the salesperson's ability to deploy a formal sales method in a personalized fashion. Certainly no easy task. However, it is essential that the salesperson make an effort to learn about the individual customer's vehicle wants and needs and factor that information into their approach. The move toward greater personalization and customization is an increasingly important element in the entire vehicle buying process, from the features offered on



manufacturer and dealer websites, to advertising and promotional programs, to the approach taken by a salesperson inside the showroom. While the industry acknowledges the need for this kind of approach, our research makes it clear that practical application is lacking in many dealerships today.

- **The customer/dealer relationship is not a one-size-fits-all formula.** During our research, several typical scenarios inside the dealership emerged, ranging from one in which both parties bring strong negative preconceptions, to a scenario in which the interaction is more open and collaborative. These differences demonstrate that the customer/dealer relationship can vary considerably depending on a consumer's degree of advance knowledge as well as existing stereotypes on the part of both the customer and dealer. In each scenario, there were critical points where the potential for a breakdown in the relationship was particularly high. Understanding how each of these scenarios can play out is essential to a positive outcome.

■ **Improved customer intelligence is a critical success factor in responding to the changing dynamics of the customer/dealer relationship.** The use of the Internet by customers increases the diversity and complexity of their search for information, making it more difficult for automotive companies to predict their behavior. It is therefore essential that dealers and manufacturers learn to understand

the consumer's universe, the tools at their disposal, and the state of mind they are in when deciding to buy a car in a dealership.

On the pages that follow we take a look inside the vehicle buying process, from the initial search for information through the final negotiation that takes place in the dealership.

About the Study and Methodology

Qualitative research by the Car Internet Research Program (CIRP) into the changing dynamics of the consumer/dealer relationship has been ongoing for several years. This research method draws on ethnological practice, which involves spending prolonged periods of time in the field alongside the individuals under study. In contrast, a quantitative research approach is based on statistics. A qualitative study provides the additional dimension of viewing actual behavior.

Approximately 150 hours were spent at a dozen dealers in Canada, France, the United Kingdom and the United States, representing brands such as Ford, GM/Chevrolet, Honda, Hyundai, Mazda, Nissan, Renault, Subaru, Volvo and VW. Research was conducted using a mixture of direct intervention and mystery shopper techniques. Direct intervention was with the agreement of dealership owners. The research included observations of the exchanges between customers and dealers and their behavior in the showroom. Furthermore, interviews were conducted with customers and dealers, without a predefined structure being imposed upon them. An additional element of the research was a staff training course on sales techniques in a Canadian dealership, which provided a greater understanding of the role of a dealer salesperson.

The advantage of this kind of approach is that it enables the reality of different practices and behavior to be observed in greater detail than is possible with a quantitative survey. Observing consumer and dealer behavior, which can be both consciously and unconsciously played out, reveals attitudes and representations that are difficult, sometimes even impossible, to put into survey responses.

The combination of observation and interviews takes into account both what was said and what was done, thus revealing any discrepancies or contradictions, which are in themselves rich in meaning. Being immersed in the field also makes it possible to decode and understand non-verbal communication. The analysis contained in this report focuses on these "human" elements more than the influence of macro sociological factors like age, gender or employment. The aim was not to determine consumer profiles, but rather to outline behavioral trends and types of practices. From a methodology standpoint, the objective was not to quantify these practices, but to spot their possible range, from the most ordinary to the most unusual, without taking into account the number of times they occurred. Information obtained in this manner is of a different nature than that which a statistical survey can provide.

The Initial Search for Information

In this new era, where customers can get nearly all the information they need without even having to visit a dealership, dealer salespeople must view customers as partners on an equal footing.

How does the decision-making process unfold, from the initial idea of buying a car to going to visit a dealership? Three primary sources of information come into play: word-of-mouth, written and visual marketing material, and the Internet. Customers either focus on one particular source or use them in conjunction.

These sources allow customers to obtain a wide variety of information, including “official” data (for example, options or technical specifications) and “alternative” data, including the real prices that car dealers charge or technical problems that can arise with a particular vehicle. Since traditional media sources and car manufacturers’ websites provide only official information, customers who wish to obtain different types of information will turn to alternative sources, like word-of-mouth and third-party websites (for example, a discussion forum).

Paper-Based vs. Internet-Based Approach

Although websites offer a variety of three-dimensional animation and means of visualizing cars, paper-based brochures and magazines are “more focused on the object itself,” noted one consumer. *“Sometimes, websites are not very well designed, you can’t find all the information. Whereas in a 20-page brochure, you can be sure to have everything. I’m always worried I’ll miss a page on the Internet, because sometimes websites are very nice to look at, but very impractical.”*

Additional reasons were given for preferring a paper-based approach. For example, reading on screen is

perceived as more tiring for the eyes, and a magazine is easier to carry around and therefore to dip into more frequently for information. Lastly, because buying a vehicle can sometimes involve more than one person, an Internet-based approach can be seen as limiting in the sense that it does not allow for simultaneous shared access for all those involved.

Said one vehicle customer, *“A lot of big purchases are made with a wider decision-making unit, such as children and partners, who are interested and who take part in various stages of the buying process. With the Net that’s very difficult to replicate, because if there are two people sitting it doesn’t quite work; what would they do, bring up a chair, and then they will all go pointing at the screen ‘Oh, look at that.’”*

Others point to the amount of information available on the Internet as outweighing any disadvantages. The Internet has encouraged consumers to demand—and automotive companies to provide—higher levels of transparency. Furthermore, the possibility that the Internet offers of accessing third-party information is particularly useful to those who might be at a disadvantage in the negotiating process,⁴ for example women, who may feel less empowered in this traditionally male-dominated arena.

Consider this comment by one web forum manager: *“A few possible reasons why 65% of our visitors are female could include our commitment to being exclusively third party. In addition, we offer a lot of resources that allow you*



⁴ Scott Morton, Zettelmeyer and Silva-Risso.

“Sometimes, websites are not very well designed, you can’t find all the information. Whereas in a 20-page brochure, you can be sure to have everything.”

– Vehicle customer

to take more control in automotive matters such as knowing the ins and outs of buying a vehicle without getting potentially cheated from a salesperson, and maintenance articles that allow the individual to take a more active role in the life of their vehicle. A lot of what we focus on is empowerment within the automotive world, which I believe most women appreciate.”

Furthermore, the Internet enables customers to make the most of other people’s experiences through the use of tools such as web forums and discussion groups. These forums encourage sharing of many kinds of information, including highly technical data, since the participants are often passionate about cars and might also be employees of vehicle manufacturers. The types of themes covered include:

- Technical problems that are rarely dealt with in car magazines. Said one car buyer, *“You can access incredibly specific information in a forum. For example, I was able to find out, in the case of car electronics, which systems to avoid because of the bugs they contain.”*
- Specifications for new car models before they are actually out on the market. *“I was able to decide that it would be better to wait for the next*

version of the car to come out, because the engine seemed to be better,” commented one consumer.

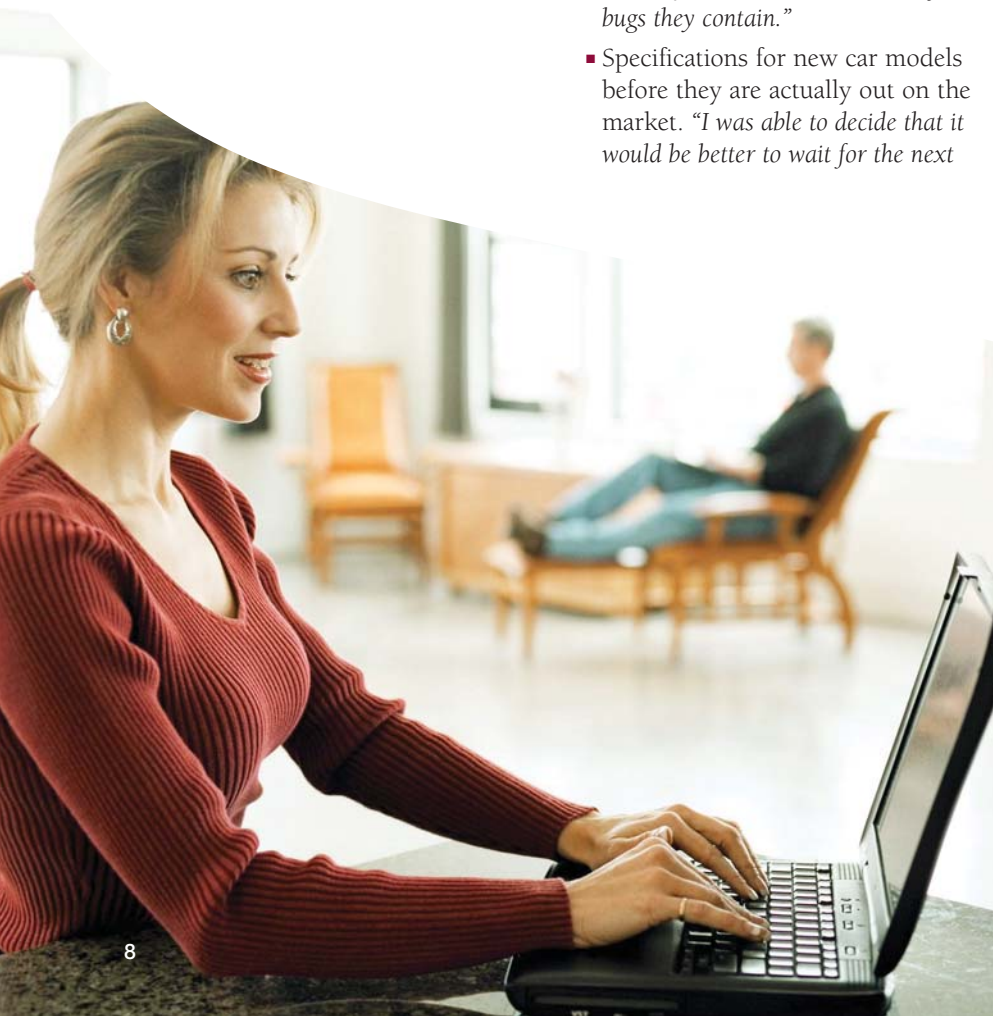
- How much a vehicle price might be reduced, and by which dealership.
- “Tips and tricks” used by salespeople to try to “catch” the customer. Noted one customer, *“The web is making the consumer much more aware of how the motor industry works and all the tricks of the trade, so companies have to clean up their act and become more transparent, more accountable.”*

Stereotypes Prevail Among Consumers and Dealers

Doing research entirely online can help consumers secure the lowest price on a vehicle and save time. Not surprisingly, dealers would rather establish face-to-face contact with customers rather than communicating electronically. Said one dealer salesperson: *“As the product is expensive, we’re there to reassure the customer, who in any case is anxious by nature. You’ve got to pamper and mollycoddle them.”*

A web forum leader had a different perspective: *“I strongly believe that consumers prefer the Internet with regards to the car market due to the non-pressurized environment. There are no salespeople hassling you and you have the freedom of making a more independent decision.”*

For many customers, the golden rule is that the price that is advertised is not the price you end up paying, and some even develop an analysis grid by which to test a given salesperson and measure his flexibility before negotiation. For their part, some salespeople express annoyance regarding customers’ use of the Internet and the new knowledge buyers possess. They now have to deal with customers who sometimes actually have a better technical knowledge of a particular feature or model than that of the dealers.



The Internet's Limitations and the Role of the Salesperson

If consumers can become highly knowledgeable through word-of-mouth, traditional media and the Internet, and if on top of that they prefer avoiding a potentially unpleasant meeting with a salesperson, what could motivate them—during the process of information seeking—to take the next step to visit a dealership?

Two sets of explanatory factors emerged during our research. The first involves customers who go because they do want to interact with a salesperson. For those who do not know how to go about obtaining alternative information, meeting a dealer becomes a critical stage in the research process. Said one buyer: *“You can’t really get a good idea of the prices by visiting a car dealer’s or manufacturer’s website. Also, I wanted to be able to draw up a payment plan and I couldn’t take that any further without a sales rep’s help.”*

Those consumers who get information from alternative sources sometimes wish to cross-cut their data with information provided by a dealer, since they are not able to objectively assess the reliability of their sources.

Some buyers prefer interacting with another human being. The salesperson may be perceived as having the capacity for empathizing with a customer’s needs and being able to answer questions. At best, some customers believe a salesperson may provide personalized advice to buyers that they can’t get on the Internet.



Engaging directly with a person is seen in principle as allowing for more flexibility of interaction than with a machine such as the Internet. For example, if a customer wishes to change an order after it has been transferred to a manufacturer, this could be accomplished more readily by dealing with a person.

The second set of explanatory factors for visiting a dealership is linked directly to the vehicle itself. One of the obvious limitations of the Internet is that you cannot physically appraise a car, let alone try it out.

During the information-gathering stage, some consumers have already developed a “salesperson avoidance strategy.” These buyers typically gather a significant amount of information online and limit their choice to a pre-selection of vehicles to try out at the dealership, even though their intention may be to buy from another dealer. Noted an employee of a sales website: *“I think that people are quite sly. I don’t think anybody would ever say to a dealer ‘I’m not going to buy it through you.’ I think if the dealers realize quite how many people did it, they wouldn’t be so happy. But you can go into a dealership and say ‘I’m really interested in this car’*

and they will court you. They are salespeople so they will try to sell the cars to you. They will give you a lot of information—‘This is how much money you will save if you buy it here’— but obviously the customers have researched it thoroughly and they know that they can buy it cheaper online or at another dealer.”

Moving the Relationship to a Higher Plane

Many dealer salespeople are wary of customers’ increasing independence. Rather than viewing this form of empowerment as a positive development that might enable them to cut down on their work, salespeople feel put to the test.

Indeed, this observation is crucial to this report: The more knowledgeable consumers become about the vehicle buying process, the more the balance of power shifts in their favor.

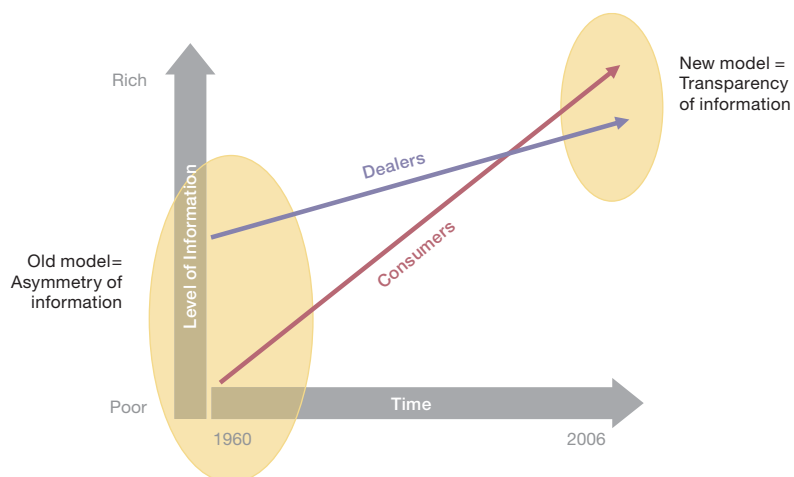
Although the Internet does not exclude traditional dealership visits, the salesperson is justified in evaluating the growing use of this tool in the information-gathering process. Our research made it clear that the Internet has an impact on the overall approach of the consumer. During individual research, customers can build up sound background knowledge, which can make them more nimble and strategic in their interaction with

salespeople. This ultimately reduces the latter’s influence. Often the dealer’s response is to develop counter strategies, thus maintaining the power struggle between the two parties.

However, not all salespeople react in this way. We found that in some cases, the customer’s higher degree of self-reliance is seen as being beneficial to both parties, moving their interaction to a higher plane. This requires that dealer salespeople hone new interpersonal skills to improve their relationship with customers.

In this new era, where customers can get nearly all the information they need without even having to visit a dealership, dealer salespeople must view customers as partners on an equal footing. Their collaboration should be based on a transparent attitude and information sharing—in other words, a relationship based on trust. Their interaction should turn into a co-production, where both can obtain satisfaction.

Figure 1. Rethinking the Customer/Dealer Relationship



Source: CIRP, Caggemini

Thanks to the Internet, some customers today may have greater technical knowledge than the dealer about the car they’re interested in buying. This has led to a shift in the balance of power, with customers demanding higher levels of transparency. Thus, the new customer/dealer relationship model should be viewed as the result of an interaction between two equal parties. In this case, there is transparency of information, with the same or similar information residing with both players.

Key Dimensions of the Buying Process

Each prospective customer who enters the showroom is the “product” of a long history that must be understood.

Why and how do consumers decide to buy a certain car of a certain brand at a certain dealer? Which steps, which buying process does the prospect follow? What is the length of this process? At which moment do they choose to eliminate one model of a given brand? Using what criteria? Which of its product attributes can an automotive company use to influence the decision-making process in its favor? These questions are at the heart of every marketing decision made by automotive dealers and manufacturers. They are also at the heart of many research projects.⁵

The qualitative research data presented in this report were obtained in the dealer showroom. However, the majority of visits to the showroom occur during the final two weeks of a six-month purchasing process. In short, by the time prospective customers enter the showroom, their mood, intention, willingness to negotiate and feelings for a vehicle have largely been determined already, *outside* the showroom. Each prospective customer who enters the showroom is thus the “product” of a long history that must be understood.

Research has found that the vehicle purchasing process progresses over a period of approximately six months. Even compared with the purchase of expensive equipment such as a TV (about two weeks), it is one of the longest, most stressful and riskiest purchasing processes. Throughout the

process, prospects engage in many activities (gathering information, choosing, negotiating, establishing the resale value of and reselling the used vehicle if necessary, financing, insurance, delivery, etc.) to choose, by successive eliminations, among the subset of vehicles potentially satisfying their expectations and needs, the vehicle that best suits them.

Figure 2 on page 13 (from CNW Marketing Research, Inc.) shows five variables essential to understanding the buying process. The table is constructed as follows:

Line 1. The sequence, in months and weeks, of the purchasing period of a vehicle (in this case, in Canada and the U.S.), of all brands and all models. CNW established that the buying process lasts an average of six months. The Internet acts as an accelerator, and intensive Internet users sweep through this process in three to four months.

Line 2. The number of models considered by a prospective buyer at different points in the buying sequence (shopping list). It is well confirmed that this shopping list is reduced throughout the six-month process. The profile of this funnel will vary by brand. For example, Mercedes has a flat funnel: Six months before purchasing a Mercedes (2003, U.S.), the customer only considers approximately two vehicles in their shopping list, whereas a Nissan buyer considers slightly over four.



⁵ In North America (U.S. and Canada), the automotive buying process was the object of a major research study by CNW Marketing Research, Inc. (<http://www.cnwbyweb.net/>). The collected data, gathered from customers who had actually purchased a vehicle of a given brand, make it possible to determine, for each brand and type of vehicle, the number of vehicles taken into account at various points in the purchase process over a six-month period. Since the summer of 2003, these data are available for Canada. The data are regularly updated. CIRP (<http://www.cirp.uottawa.ca>) has also carried out numerous surveys of consumers and dealers (in the United States, Canada, United Kingdom, France and Spain), which supplement the results of CNW.

Line 3. The proportion of prospective customers who visit the showroom.

It is observed that the trip to the dealer generally occurs very late in the buying process, most often during the last two weeks. It has also been established that Internet users, at least in North America, are willing to travel up to 100 km/62 miles (in Canada, see CIRP study) to buy the car that exactly corresponds to their expectations, with the consequence of transforming the limits of exclusive dealer territories.

Lines 4 to 9. The focus of the consumer at various points of the buying process is described.

It is observed that, during the first three months, consumers clarify their needs and choose the type and style of the vehicle. They then reduce the size of the shopping list to examine a small number of vehicles in detail, studying their features. During the last month and especially during the final weeks, consumers concentrate on the prices of the vehicles that remain on the shopping list, which has now become very short, not even two vehicles long on average.

Lines 10 to end. The primary sources of information used by the prospective customer are described. Word-of-mouth is observed to be a permanent source of information present throughout the process. Prospective customers view advertising (from six months to two months prior to purchase) to choose and configure their vehicle, read specialized magazines, talk to their friends from the very beginning to the end, consult the Internet, and read ads in local newspapers to negotiate prices during the final two weeks. In short, for four to five months the sale of a car progresses mainly outside the showroom, and to some extent in the realm of advertising, representations and word-of-mouth—essentially, in a virtual space as opposed to the very real world of the showroom.

On the whole, today the actual function of the showroom is to be visited during the last two to three weeks of the purchasing process for negotiating the price of the almost-chosen vehicle and for putting into competition dealers of the same brand. The showroom is thus a battlefield for price.

A prospective customer at the end of the buying process is already well equipped to negotiate, probably better than many sales representatives.⁶ Faced with such a prospective customer, salespeople (often inadequately compensated with commission) have to:

1. Sort through the customers in the showroom—those who are in the beginning of the process and to whom, in principle, they would have to deliver a speech centered on their needs, the brand, etc., an exercise often perceived as a waste of time—from those who are at the end of the process and are essentially seeking the best price and, overall, the best deal.
2. Lead the negotiation to its conclusion, according to a script narrowly controlled by the supervisor. However, two times out of three, this negotiation will fail (calculation is based on the average closing ratio calculated by CNW for the United States). Moreover, negotiating through the Internet gives significant power to the consumer, as we'll see in the next section of this report.



⁶ In the U.S., prospective customers may even obtain the knowledge, if they want, of the price paid by the dealer to the producer, including hold-backs.

Figure 2. Key Dimensions of the Buying Process

Steps of the buying process	6 months	5 months	4 months	3 months	2 months	1 month	2 weeks
Number of models considered in the shopping list							
Canada (2002)	3.8	3.6	3.1	3.4	2.5	1.3	1.2
U.S. (2003)	4.1	3.8	3.5	3.3	2.9	2.3	1.9
Dealer visits by planned time of acquisition (visited a dealership within past 2 weeks)							
Canada (2002)	6.1%	6.5%	7.2%	11.1%	18.3%	29.8%	32.9% (93.5%, last week)
U.S. (2003)	1.9%	4.2%	4.8%	6.8%	14.3%	19.7%	19.6% (85.4%, last week)
Question: At this time, what is most important to you when deciding to purchase/lease a new vehicle? (scale: 1-5, 1=lowest, 5=highest)							
My needs							
Canada (2002)	4.6	4.5	3.9	3.1	2.5	1.9	1.7
U.S. (2003)	4.3	4.2	3.7	3.2	2.6	2.0	1.6
Models available							
Canada (2002)	3.2	3.5	3.8	3.7	3.3	2.4	1.5
U.S. (2003)	3.7	4.0	4.3	3.9	3.3	2.5	1.9
Styling							
Canada (2002)	3.1	3.3	3.5	3.2	3.1	1.9	1.3
U.S. (2003)	3.6	3.3	3.5	3.1	2.3	1.9	1.4
Features							
Canada (2002)	2.1	2.2	3.1	3.6	4.0	4.1	3.5
U.S. (2003)	1.9	2.4	3.0	3.8	4.2	4.0	3.2
Price							
Canada (2002)	2.4	2.6	3.1	3.2	3.2	4.5	4.8
U.S. (2003)	2.6	2.9	3.2	3.4	2.8	4.3	4.5
Primary Source of Auto Information by Intended Purchase Date Sources of Information All Intenders—Canada and U.S. (%)							
TV ad							
Canada (2002)	16.6	17.1	18.2	14.6	10.4	8.4	6.9
U.S. (2003)	16.7	17.2	17.9	13.1	8.9	7.6	6.1
Consumer magazine ad							
Canada (2002)	15.0	19.0	19.2	18.6	15.7	10.7	8.6
U.S. (2003)	13.8	18.7	18.4	17.7	12.4	8.4	5.9
Friend/relative							
Canada (2002)	14.5	10.8	8.3	8.2	10.0	12.9	6.9
U.S. (2003)	13.6	11.9	8.4	5.5	10.3	13.8	4.2
Business associate							
Canada (2002)	10.0	9.2	7.6	7.0	7.5	8.4	8.3
U.S. (2003)	11.7	8.8	6.5	6.4	5.7	6.5	8.2
Dealer brochure							
Canada (2002)	7.8	7.4	7.6	7.6	7.7	7.3	6.6
U.S. (2003)	7.1	6.7	7.2	7.1	7.4	6.4	6.2
Consumer Rpt/lemon aide							
Canada (2002)	6.0	6.3	6.9	8.3	9.2	8.7	6.7
U.S. (2003)	6.9	6.8	7.4	11.1	11.4	10.3	8.3
Newspaper ad (local)							
Canada (2002)	4.5	4.8	5.3	5.9	7.3	8.7	19.0
U.S. (2003)	3.9	4.1	4.9	6.6	6.9	8.8	18.4
Auto article (any source)							
Canada (2002)	3.4	3.4	3.3	3.9	4.5	5.6	6.0
U.S. (2003)	4.1	3.7	4.2	5.5	4.9	7.6	7.9
Radio ad							
Canada (2002)	1.6	1.8	2.0	2.2	2.5	2.6	3.5
U.S. (2003)	1.1	1.5	1.7	1.8	2.1	2.1	3.4
Internet							
Canada (2002)	8.9	9.2	1.1	11.2	12.0	13.0	13.5
U.S. (2003)	8.5	8.9	9.1	9.6	10.9	10.2	12.3
Auto magazine ad							
Canada (2002)	1.4	1.5	1.5	1.7	1.8	1.7	1.7
U.S. (2003)	1.7	1.5	1.7	2.5	2.4	2.1	1.8
Auto buyers' guide							
Canada (2002)	4.4	4.4	4.3	4.4	4.5	4.8	5.3
U.S. (2003)	4.9	5.1	5.8	5.1	6.2	6.1	7.3
Company store/mall display							
Canada (2002)	0.1	0.1	0.2	0.1	0.1	0.1	0.2
U.S. (2003)	0.2	0.2	0.4	0.3	0.2	0.3	0.2
Auto show							
Canada (2002)	2.0	2.1	2.0	2.4	2.7	2.7	2.6
National newspapers							
U.S. (2003)	2.6	2.8	3.5	3.7	4.4	4.9	4.8
Other							
Canada (2002)	3.6	2.9	3.4	4.1	4.3	4.3	4.3
U.S. (2003)	2.6	1.6	2.3	3.2	4.7	3.7	4.1

Source: Adapted from CNW Marketing Research, Inc. (<http://www.cnwrm.com/>) (1) Purchase Path Wave VIII—U.S. 2003 and (2) Purchase Path Study—Canada 2002

What Happens Inside the Dealership

The customer/dealer relationship varies considerably depending on a consumer's degree of advance knowledge as well as existing preconceptions on the part of both the customer and dealer.

The more dealers can demonstrate that they are trying to build a relationship based on trust, the better their chances of staying in the consideration set as customers narrow down their vehicle choices. What happens once the customer is inside the dealer showroom is critical to ensuring a positive outcome.

We identified three key stages of a customer's visit:

- **Stage 1:** entering the dealership and initial interaction with on-site personnel (receptionist, salespeople)
- **Stage 2:** interaction with a salesperson over a particular vehicle (request for information, examining the car, potential test drive)

- **Stage 3:** negotiation in the salesperson's office (vehicle availability, extra options, delivery, terms of payment)

Throughout these stages, the customer/salesperson relationship is put to the test, with the possibility that it could break down completely at any time. All it takes is the wrong move or a clumsy word, and the fragile edifice of trust, which has been slowly built, can collapse entirely. A substantial challenge for those who wish to see a sale through to the end.

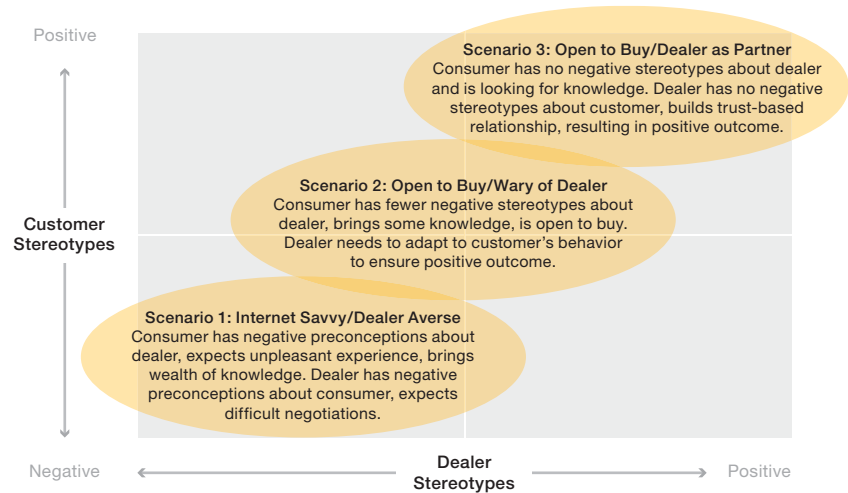
In general, certain practices should be maintained regardless of the customer's stage during the showroom visit. For example, we found that customers



Figure 3. Do's and Don'ts in the Showroom

	Bad Practices	Best Practices
Stage 1: entering the dealership and initial interaction	<ul style="list-style-type: none"> ▪ Walk up to customers as soon as they enter the showroom. ▪ Use standard tricks such as “happening to walk by” just as the customer enters. ▪ Ask too quickly how to help the customer. ▪ Insist, even when the customer answers “No thank you, just browsing.” 	<ul style="list-style-type: none"> ▪ Let the customer walk around on their own for five to 10 minutes. ▪ Then walk straight up to welcome the customer—possibly introduce oneself by name (but not necessarily)—and simply say “If you need me/if I can do anything for you I’m over there at my desk” (indicating where that is). ▪ Unless they have questions, leave customers alone.
Stage 2: interaction with a salesperson over a particular vehicle	<ul style="list-style-type: none"> ▪ <i>If the customer expresses the desire to be left alone:</i> Stick to them and keep asking questions; follow them around the showroom; don't respect the personal “bubble” they might try to establish inside a vehicle. ▪ <i>If the customer accepts the presence of the salesperson:</i> Block the space between the customer and the vehicle by standing in between, by showing the vehicle off, by encouraging the customer to have a seat. 	<ul style="list-style-type: none"> ▪ <i>If the customer expresses the desire to be left alone:</i> Walk away after having reminded them that you are available to help if needed. Come back 10 to 15 minutes later (at least) to ask if everything is all right. ▪ <i>If the customer accepts the presence of the salesperson:</i> Open up the space between the customer and the vehicle, respect the customer's attempts to examine the vehicle. Maintain an attitude of politeness, allowing the customer to go first.
Stage 3: negotiation in the salesperson's office	<ul style="list-style-type: none"> ▪ <i>If the situation is tense:</i> Show that one is suspicious, in a defensive mode, answer the customer's attacks. Use sales tricks such as pretending to make very special offers. ▪ <i>If the situation is easy-going:</i> Adopt a cool attitude and behave as if customer and seller were “pals.” 	<ul style="list-style-type: none"> ▪ <i>If the situation is tense:</i> Do “the little things” that reassure the customer (suggest a cup of coffee, adapt a soothing tone, in some cases take a seat next to the customer). Establish transparency, lay cards on the table when the negotiation starts. ▪ <i>If the situation is easy-going:</i> Keep some distance without becoming formal; do not mix up statuses.

Figure 4. Scenarios Inside the Showroom



Source: CIRP, Capgemini

During our research, several typical showroom scenarios emerged, demonstrating that the customer/dealer relationship varies considerably depending on a consumer's degree of advance knowledge as well as existing preconceptions on the part of both the customer and dealer. We found that these scenarios can exist on their own or as phases in a continuum, moving ultimately toward the third scenario.

responded better to less aggressive behavior on the part of salespeople whether they had just entered the showroom or had been inside for a period of time. However, some practices were more critical to maintaining the relationship during a specific stage (see Figure 3).

Personalized Approach is Critical to Success

In our research, a variety of behaviors were observed. Salespeople tend to use certain tried-and-true sales techniques in their approach to dealing with customers. Although these methods are empirically developed and produce a degree of success, they are more often than not insufficient to satisfy today's demanding customers and do not always lead to the desired outcome.

Customers who realize they are being subjected to standardized treatment, that they are perceived by the salesperson as "the average customer," are often put off. Success inside the dealer showroom rests on the salesperson's ability to deploy a formal sales method in a personalized fashion. However, it is essential that the salesperson make an effort to learn about the individual customer's vehicle wants and needs and factor that information into their approach. The move toward greater personalization and customization is an increasingly important element in the entire vehicle buying process, from the features offered on manufacturer and dealer websites, to advertising and promotional programs,⁷ to the approach taken by a salesperson inside the showroom.

⁷ Capgemini's Cars Online 05/06 research found that targeted, relevant, personalized direct-mail offers from manufacturers and dealers were influential in the vehicle selection process. Nearly 80% of consumers said they would respond immediately or consider the offer for the future.

“We’re real human beings. You have to remain polite, you never insult. But we’re not prostitutes either.”

– Dealer salesperson

During our research, several typical scenarios emerged, demonstrating that the customer/dealer relationship varies considerably depending on a consumer’s degree of advance knowledge as well as existing preconceptions on the part of both the customer and dealer (see Figure 4). We found that these scenarios can exist on their own or as phases in a continuum, moving ultimately toward the third scenario. However, in each scenario, there were critical points where the potential for a breakdown in the relationship was particularly high.

Scenario 1

Internet Savvy/Dealer Averse

This scenario typically features customers who have an extremely negative preconception about car dealers. Their expectation is that the experience will be unpleasant, during which they will be accosted by an overbearing, potentially arrogant salesperson who won’t listen to what they want. This type of customer is likely to avoid the visit to the dealership as long as possible and will arrive with a wealth of knowledge, knowing exactly what they want in order to limit any significant interaction with the salesperson.

“There’s a breed of car salesmen who you just don’t feel terribly comfortable doing business with, and this is an almost universal experience. The research that has been done says that most people hate going to dealerships, it’s one of the worst buying experiences anyone ever has,” said one buyer who fits this scenario.

In this situation, the customer prepares for the fight ahead by developing a two-fold arsenal made up of relatively precise technical information on the chosen model and a firm decision on the maximum price they are prepared to pay and choice of options. Armor polished and arrows sharpened, the customer feels able to counter any potential attacks by the salesperson and has also prepared a number of strategies to avoid being “duped.”

Meanwhile, in the dealership, the salesperson eagerly awaits a customer—but often with mixed feelings. On the one hand, a dealer needs customers in order to make a living. However, customers also represent potential “nightmares” in the words of some dealers and can turn out to be a waste of their time. With the aim of maximizing efficiency and turnover, salespeople will try to determine as quickly as possible whether they are dealing with a “hot dog” customer, a “window-shopper,” “a tire kicker” or, in contrast, a “lead” or “prospect.”

The Cat-and-Mouse Game Begins

Inside the dealership salespeople are standing watch, closely monitoring from their office the comings and goings of customers. The receptionist is on the frontline, welcoming visitors as they step over the threshold, immediately asking how she may be of service to them. The customer is also on the lookout as he walks into the battlefield, wary and ready to counter an attack. The cat-and-mouse game has begun.



In this scenario we observed certain variances in behavior. Some customers walk straight past the reception area and refuse a salesperson's offer of assistance. In so doing, they are clearly stating that they would rather be left alone to make their own assessment of a car. Customers who avoid contact in this manner are perceived in two different ways by the dealer. On the one hand, they may be visitors who have come to "take a first look at a car," in which case there is a chance that the person has previously consulted the web.

On the other, they may be potential buyers but do not wish to be perceived as such. Within this category, there are some who make sure they do not touch the car of their choice too much in case it attracts a dealer's attention. Indeed, customers who do not engage with the vehicles in a tactile way are seen by the dealers as "tourists" or "passing faces." Salespeople often feel that it's fruitless to devote time to these consumers. In contrast, other customers stay very close to a particular car, even going so far as to "hide" inside it, thereby keeping out of sight of the dealer's gaze.

The Negative Impact of a Forced Relationship

When a customer is difficult to "pull in," dealers, frustrated at being kept at arm's length, will frequently redouble their efforts. For example, in the United States, we often found that as soon as customers entered a dealership, they would "happen to run into"



a salesperson who "just happened to be near the door." Yet it was clear that the salesperson had spotted the customer as soon as they drove into the parking lot. This kind of approach often provoked irritation on the part of customers.

In some cases, the salesperson stayed stubbornly at the customer's side even after they had declined the offer of help. Tired of resisting, the customer sometimes would end up following the salesperson into their office "to sit down and talk about it." After this usually fruitless exchange, and considering their defensive state, the customer would try to wrest free and take their leave. At this point, some American dealers would bring out a form to take down the customer's contact details.

In one case, after the customer refused to leave a phone number, the salesperson threw an accusatory "Don't you trust me?" at the customer. He then told the customer that he needed the phone number so he could call the customer back if "something comes up." However, the customer had already told him that they didn't really have any idea

In some cases, we found that customers who had initially felt empowered, believing themselves to hold reliable information, lost their confidence, and a feeling of doubt ensued.

yet which model they were looking for, making the customer wonder how the dealer would know if “something” came up. It was clear, in this case, that the customer simply did not trust the dealer, bringing us back once again to the importance of building a relationship based on trust.

This kind of example reinforces the preconceptions a consumer may have of the dealer as stifling, insistent, disrespectful and verging on the hypocritical. This sort of salesperson is bent on pushing through a relationship with their customer at all costs. During the course of our research over the past several years, we saw little improvement in this type of behavior on the part of many dealer salespeople.

The Importance of Leaving Customers Alone

Why is it that some visitors would rather be left alone? One reason is that a salesperson in their midst can waste precious time and be a source of irritation. Other consumers say they want to be free to control the space around a particular vehicle. They will approach the car via its exterior, looking at and sometimes touching the bodywork, opening a door and sometimes the hatch. They

might then get into the car to see how the seats feel, looking more closely at the dashboard, checking out the pedals, opening the glove compartment.

If visitors choose to spend more time inside the car, they might start to imagine they are driving. We observed many examples of typical driving gestures like placing their hands on the steering wheel, leaning back against the headrest and lowering the visor—perhaps imagining what it would be like to drive, or ride in, their future car. To reach this critical stage in testing the car, the visitor must be able to temporarily forget their immediate surroundings, which is easier to do if the dealer is not hovering nearby.

Getting close to a car for the first time is a delicate moment, and a salesperson can inadvertently make a mistake by trying to step in between the customer and the car. In our research, it appeared that more often than not, the dealer “finds himself” closest to the car. In reaction, customers stand face to face with the dealer, and by extension, facing the car. In this context, customers often adopt a passive attitude, standing with their hands in their pockets, for example. While the dealer may think this position affords the customer an overall view of the car, the customer tends to view it as blocking their access to the vehicle.

Dealers often reinforce this behavior by being the ones who touch the car, opening and closing doors or the hatch. In so doing, the dealer shows off the car, keeping the customer at arm’s length, not allowing the latter to take control. Again, the dealer’s behavior in this case can reinforce the negative image of salespeople as being cold and calculating, and inattentive to a customer’s needs or expectations.



The Potential for a Breakdown to Occur

It is difficult for two individuals who are wary of one another to create a climate of trust, which is necessary for a smooth negotiation. *“In the customer’s eyes, the dealer is a thief. He’s there to sell, and puts the interests of the company first,”* noted one dealer salesperson.

Indeed, customers often suspect a salesperson of wanting to “con” them and so feel compelled to test the dealer. Said one buyer, *“You always have to make a personal decision ‘Do I like this guy, do I think he’s trustworthy.’ In that particular case, I thought yes, everything that we asked for he was able to produce immediately, there was nothing dubious about the origin of the car, all the papers were perfect, he was very willing to provide us everything right there. It didn’t seem like he was afraid of any aspects concerning the car.”*

A critical point in the negotiation occurs when price is discussed. *“If dealers say ‘That’s my best offer,’ and you leave, and two days later they have still not called you, then that means it really is their lowest price,”* commented one customer. *“If they call back, it’s the customer who has the upper hand. But if it’s the customer who comes back, then the dealer has the advantage.”*

These dynamics highlight the tricky nature of negotiation, with each player trying to put off the moment when they have to lay their cards on the table. Well-informed customers know what they are looking for, seemingly giving the dealer less room to make a counter-offer. However, sometimes having prior access to the Internet can



become an obstacle to the negotiation, since prices listed on the Internet are often only an indication, and may be lower than those offered by the dealer. In some cases, we found that customers who had initially felt empowered, believing themselves to hold reliable information (since they had obtained it from an “objective” source), lost their confidence, and a feeling of doubt ensued. The salesperson, who has to deal with this shift as it takes place, often seeks justification. *“It’s frustrating to explain to the customer; you have to break down the barriers. You come across as a bad guy,”* said one dealer. The result? The tentative and fragile relationship of trust takes a blow.

We found that many customers became suspicious of dealers when the negotiations turned to price. *“You have to negotiate and be patient with the dealer. He’s never going to give you the best price at the outset. He’ll shamelessly try to add extras. Then he’ll pretend he got the price wrong,”* said one customer. *“Dealers like to take a gamble. Yesterday, I got annoyed because the price that he suggested was higher than what I’d seen on the Internet, so I picked up my things and left. This morning at 9 a.m., he phoned me to say he could give me the price that I’d asked for. So I returned and then he just did the same thing all over again, exactly like the day before.”*

According to one buyer, dealers are “expert manipulators.”

According to one buyer, dealers are “expert manipulators.” However, in a difficult negotiating situation, a dealer can also reach a moment of “desperation.” *“If you still haven’t made any headway after half an hour of negotiation, you know that whatever you do, the customer won’t be happy,”* noted one dealer. The dealer’s difficulty lies in trying to make the customer aware of his constraints, the point at which the price cannot be lowered further. According to a dealer who has been in the job for 15 years, there is an implicit rule that cannot be broken in these situations: *“There’s nothing worse than a young dealer saying ‘Honestly, I can’t go any lower than that,’ as that would mean that the rest of the time, he was simply not telling the truth.”*

In this type of scenario negotiations do not always come to a satisfying close. Said one dealer, *“Some customers are just there to gripe, you can tell, it’s pure provocation.”* After prolonged negotiation, another dealer wondered, *“Should I throw in the wife and tie too?”* as a way of saying they’ve had it and can do no more.

Some dealers said they feel threatened in their role. Indeed, the line between the professional and the personal is occasionally blurred, pointing once again to the importance of the “human” aspect of the vehicle buying and negotiation process. *“We’re real human beings. You have to remain polite, you never insult. But we’re not prostitutes either,”* noted one dealer.

When the level of interaction reaches this degree of tension, the purchase is jeopardized: *“Occasionally, after an hour’s negotiation, the customer can have irritated the dealer so much that the latter ends up saying ‘That’s it. I’m no longer selling you the car,’”* said a dealer salesperson. *“It has to be said that dealers are subjected to intense psychological pressure and that there comes a time when they’ve simply had enough. So then we say ‘I don’t even feel like selling you the car, it doesn’t make me happy anymore.”*

We identified two critical breaking points after which a dealer no longer wants to sell: when the sale would amount to a loss, and when the dealer

‘Give Me Some Space’

In the first scenario (Internet Savvy/Dealer Averse), customer and salesperson cannot break away from their reciprocal negative stereotypes. The behavior of the one serves only to confirm the negative stereotype of the other. The customer stays on their guard, the salesperson tries to break through but only succeeds in appearing invasive and tactless. This impression is worsened when the customer realizes that the salesperson is using ready-made sales techniques. The interaction is destined to be disagreeable to both parties. This does not always preclude a sale, but it will not leave a feeling of satisfaction in its wake. Furthermore, in this scenario, the chances that a customer will be made loyal to the dealership are minimal.

To break out of this downward spiral, the dealer must give the customer some space. Any attempt on the part of the dealer to control the situation will likely increase the customer’s feeling of being stifled. The chances of creating a trusting and open environment decrease in proportion. The customer does not feel as if they are being treated as an individual with particular vehicle desires and needs; their wishes are neither heard, nor respected. The best thing a salesperson can do in these circumstances is to stand back and let the customer return in their own time. Should they return at a later date to the same dealership, the salesperson is then placed in a stronger position.

feels like he is overly pandering to the whims of a customer in order to get the contract signed. When this happens, all the efforts that went into building a relationship are wasted.

Scenario 2

Open to Buy/Wary of Dealer

In this second scenario the customer has been reticent in deciding to visit a dealership. However, unlike in the first scenario, no avoidance strategy or plan of attack has been conceived and fewer negative preconceptions exist. The customer is open to buy, but stays on their guard and is likely to bring with them some degree of knowledge acquired in advance of the dealer visit.

A dealer who meets a customer in this frame of mind must quickly pinpoint the barriers and begin work on removing them. The first scenario underlined the importance of giving a customer space. However, this tactic alone is not always enough. To make the customer feel relaxed, the salesperson must be able to discern and adapt to the customer's behavior. Their relationship is vulnerable, and a single word could lead to a dead end. Salespeople who can empathize and adapt will increase their chances of softening a wary visitor.

Getting Personal, Without Overstepping the Mark

To make a good first impression, the salesperson must “invest himself fully.” But that can mean different things in different markets. We found that in Canada, the United States and the United Kingdom this translates into shaking the visitor's hand and



introducing himself on a first-name basis. In France, by contrast, the first exchange usually begins with a mere “Hello.”

After these introductory exchanges, dealers must emphasize their personality, with the aim of showing a customer who they are as a person. It's not always possible, however, to identify tangible best practices in this regard. Noted one dealer, *“You have to be really personal, you have to get into the customer's bubble. I can't quite explain; it's a question of personality, of commitment to your job, you have to keep trying to serve the customer, respond to their needs, go beyond their needs, convince a customer that the suggested price is the best. You have to sell yourself more than the product.”*

These remarks underscore the importance of taking a personalized, customized approach rather than standard sales techniques learned during a training seminar. The key is for the salesperson to provide an environment and atmosphere in which a customer is enabled to *buy* a car, rather than the dealer *selling* it. Dealers in France repeatedly mentioned the importance of “proximity” in customer relations, of providing “customized service”

“Depending on the customer, you’ll either take out your Mont Blanc or your plain Bic.”

– Dealer salesperson

by not treating the customer as an anonymous face among many. Success requires a delicate balance, since the bonds of trust can be broken if a salesperson becomes too personal (for example, by broaching controversial topics).

So how can dealers prevent making blunders? The most successful technique consists of observing how a customer behaves and adapting their behavior accordingly. Said one dealer, *“Depending on the customer, you’ll either take out your Mont Blanc [fountain pen] or your plain Bic biro.”*

Success in this scenario also hinges on responding appropriately to non-verbal communication, where body language can convey a customer’s state of mind. If a dealer succeeds in making a customer feel comfortable, “the sale’s halfway there,” noted one dealer. The objective is to learn what a customer is looking for (car features, customer service, opening hours, car replacement in case of repairs, and so on). This enables the dealer to pinpoint and then press these “hot buttons,” increasing the chances of closing a deal.

But for customers to confide, dealers have to inspire trust, which they can do by having an open, transparent attitude. *“Customers have to know that what you’re saying is true,”* said one dealer.

Adapting to a Customer’s Profile

For a dealer to earn a customer’s trust, he must also provide clear answers, paying attention to the explicit and implicit demands of a customer. One mistake that was observed on numerous occasions consisted of a salesperson mechanically listing a series of points (of a technical, or worse, a general nature) that had no bearing on a customer’s expressed demands or desires. This kind of rote approach does not provide customers with the kind of personalized experience they are looking for. They may find themselves trapped in an irrelevant discourse and may begin to take on a stereotypical view of the dealer, even if they did not arrive in the showroom with that kind of preconception.

The successful salesperson must know how to listen to customers, not inundate them with an incessant flow of technical terms that do not relate to any of their queries. In trying to adapt, the first rule is to listen rather than speak. It sounds simple enough, but our research makes it clear that practical application is lacking in many dealerships today.



As in the first scenario, allowing the customer some space is a key to success. In many cases, a dealer approached a customer trying out a car, but without ever getting too close, choosing to speak with them through the window or the open door of the car. In this way, the customer's personal space, or bubble, is maintained. In other situations, the salesperson sat next to the customer in the car, placing them on equal footing.

This symmetry is also reflected in the way in which dealer and customer converse. An important best practice for dealers is to adjust their approach to that of the customer. For example, if the customer is discreet and speaks very little, the dealer should respond in the same way. With a more open and verbal customer, a dealer can likewise express their views more openly. By adapting their attitude and approach to the customer's profile (self-confident or retiring, open or discreet), dealers can provide the sense of a customized, non-standardized atmosphere.

Little Things Make a Difference

Even in this less contentious scenario, an initially calm and smooth discussion can turn sour. A salesperson who bends down to whisper in a conspiratorial tone, "I shouldn't tell you this, but..." or one who promises "a very special price, just for you" can repel, rather than pull in, a customer. Today's sophisticated consumers know better than to believe they are being given special treatment in terms of the deal they are negotiating. If this approach is used at a crucial point like the negotiation itself, there is a risk that the trust that had been developed can be damaged, sometimes right through to the end of the interaction.

To avoid this, best-practice dealers recognize that little things can make a difference, from offering a cup of coffee to the customer to sitting on the same side of the table. The dealer can also contribute to a positive atmosphere through the kind of language used or the subject matter touched upon.

'Read My Thoughts'

In the second scenario (Open to Buy/Wary of Dealer), once contact has been made, the salesperson must understand the customer's state of mind and expectations, and then seek to satisfy them. These factors are not always as apparent as in the first scenario, where it's clear that the customer has come into the showroom with negative preconceptions about the dealer.

In this scenario, the customer is likely to respond well to a personalized approach. The answers a salesperson provides must indicate that he has paid particular attention to the customer's specific demands. The dealer is not answering any old question, but a question asked by this customer concerning this subject at this time. A key to success also lies in the salesperson's capacity to show empathy towards a customer and adapt to the particular situation. A sale carried out in this context will provide satisfaction to both parties, and the salesperson increases his chances of having customers return if they need advice or have a query, which can help cement a long-term relationship.

But the road to this kind of interaction can be long and ridden with obstacles. A gesture that does not follow the organic pace of the interaction, or a word that does not correspond to the tone of the conversation can upset the rhythm, break the spell, weaken the bond of trust that was being established. How a salesperson speaks and behaves is essential to the successful outcome of an interaction. There are some comments that are spontaneous and "come from the heart," and some that are spoken by convention, as a "matter of form," and customers today can tell the difference.

“I felt no pressure at all. The sales rep would say ‘We believe this is a good car’ but he didn’t try to sell it. And he wouldn’t say ‘These cars are going away fast, you better buy it today.’”

– Vehicle customer

Again, we found some cultural differences. Canadian and American dealers, for example, were more comfortable referring to personal topics (talking about their background, travels to Europe, or comments about their family or pet). In most cases, this approach led to reciprocal comments by the customer who seemed comfortable discussing more personal issues (for example, talking about their finances, essential to obtaining a loan). In the Canadian training session this strategy was referred to as “mirroring.”

Scenario 3

Open to Buy/Dealer as Partner

In our third scenario customers enjoy going to the dealership, are impatient to get near the car of their choice and do not have any negative stereotypes regarding the dealer. This does not mean that these customers necessarily have a clearer picture of what they are looking for. They are there to gain knowledge, but are also confident and their attitude is neither defensive nor offensive.

The absence of reciprocal negative representations means both players can interact in a relatively relaxed manner. Their words and gestures are comfortable and easy, unlike those used in interactions where a power struggle is being played out.

Maintaining a Safe Distance

Even in this type of scenario, the salesperson must pay attention to how he comes across. It is important not to misconstrue the situation; the dealer and customer are not friends, and as a result, theirs remains a potentially fragile, touch-and-go interaction. At the heart of this interaction is a need that must be fulfilled, and it is always up to the dealer to spot and respond to it. Despite a customer’s open attitude, the salesperson must remain vigilant, as his biggest mistake would be to trust in the apparently laid-back character of the interaction, or feeling like he intuitively understands the customer. The customer is about to invest a large sum of money and needs reassurance that the right choices have been made. A salesperson who does not recognize the serious nature of the interaction can lose credibility. Indeed, customers who are given too warm a welcome may take offense and feel that their status as “Customer” is being downplayed.

A happy medium between distance and familiarity was often observed in British dealerships. The key is to strive for an equal footing with the customer, so that the interaction becomes one of two equals sharing the same aim: to close a deal.



Establishing Equality Through Gestures and Words

Dealers are there to respond to questions put forward by the customer. Yet they are also there to act as a “thinking aide,” as one French dealer put it. However, the request for help is not always clearly stated by a customer, and may not in fact be desired, even in this third scenario. Salespeople must therefore be cautious when making an offer to help.

A typical example is when a salesperson immediately hands a catalog to a customer, rather than taking the time to first exchange a few words. Customers may see this gesture as a form of dismissal. For customers to feel comfortable, they must be able to engage with a salesperson and almost forget that they are in a dealership. At one U.S. dealership we observed a typical initial exchange between a customer and salesperson, where the conversation moved onto topics of a general nature. The salesperson did not at any point try to “bait” the customer by asking too many questions about the desired model or by asking the customer to fill out any forms. This was a conversation between two equal individuals, not a formulaic, status-based interaction between a customer and salesperson.



In this scenario (the most positive of the three), a more equal balance of power is also established by the way in which the customer and salesperson move around the vehicle. There is no attempt to establish one's territory and then defend it. Customers in this context can go near the car if they wish without the salesperson getting in the way. The dealer will not try to burst the bubble that customers may create around themselves. Indeed, some salespeople will actually encourage this process, and if the dealership allows it, may deploy the “puppy dog sales strategy,” which involves lending customers the car over a weekend. Noted one dealer, *“When the customer wakes up in the morning and sees the car out in the drive, she already feels like she owns it; all that's left to do is to come back and sign for it at the dealership.”*

The attitude that customers most appreciate is when a sales rep takes on the role of counselor, rather than salesman. Said a buyer, *“I felt no pressure at all. The sales rep would say ‘We believe this is a good car’ but he didn't try to sell it. And he wouldn't say ‘These cars are going away fast, you better buy it today.’”*

A Customer-Oriented Approach

Ideally, a negotiation takes place between people who see each other as partners. They collaborate to try to come to an agreement together. Of course, this portrayal of the final negotiation does not preclude the fact that both parties have certain interests to defend. Indeed, the more these interests are made explicit and taken on board, the higher the likelihood of developing a climate of trust.

Indeed, greater transparency tends to show that dealers are not just in the business for personal gain. *“There are bad dealers, who are just there to make money, but they leave after six months,”* said one dealer. *“And then there are dealers who focus on quality, developing loyalty, seeking a win-win-win situation. That is, benefits for the customer, for the company and for the dealer. Because what you give on one side, you get back on the other.”*

The aim is for both parties to gain maximum satisfaction from the final transaction (return of the old vehicle, options that are paid for as extras and those that are thrown in for free, terms of payment, and so on) and feel reassured (lack of pressure and no suspicion of hidden motives). This objective is achieved in part through a customer-oriented discourse, such as when an American salesperson pointed out the deadline on a special offer, or when a British dealer reminded a customer that a small model is not only cheaper to buy, but also to insure.

Transparency is also critical when discussing price. The clearer and more specific the explanation, the less a customer is likely to suspect that there is a nasty surprise hiding behind a price that is lower than expected. A dealer who makes a point of specifying prices at the outset will inspire more confidence than one who promises cheap prices that are simply not realistic.

‘Let’s Do Business’

In the third scenario (Open to Buy/Dealer as Partner), the customer is likely to be responsive to a positive interaction with the dealer. The first thing a salesperson must do is identify a customer’s expectations and respond to these in a way that is appropriate and adapted to the situation. He must use the right tone and style so as to adapt to his customer’s profile. He must find the right balance between professional distance and personal proximity.

The salesperson must be able to spot when a need arises for him to be potentially helpful to the customer. It is not enough, therefore, to be a good listener; dealers must also know when to be proactive. A customer who wants help and finds none will feel let down, not recognized as an individual with specific needs.

In this scenario, it is quite possible for dealers to earn a customer’s trust by laying their cards on the table. By doing so, the salesperson invites the customer to do likewise, and the discussion can be pursued on a clear premise. In a situation of openness and transparency, the players involved do not have to manage uncertainties, unmask stratagems, discover nasty surprises. Customer and dealer become partners in a joint collaboration pursuing the same aims.

Conclusion: Rethinking the Customer/Dealer Relationship

The world of vehicle sales must move to a new plane, where the relationship with the customer is established along a continuum—before, during and after the purchase.

The automotive industry was the first to extensively develop functional specialization and minute divisions of labor through increased mechanization. Gone were the days of craft production, and a new era began: that of mass production and assembly lines. The values traditionally epitomizing this process are increased efficiency through systemization, and rational organization through standardization. These notions are long-lived and continue to influence the automotive industry today.

The sales techniques used in many dealerships are a powerful example of this, being at times formulaic and industrialized. Our research found considerable evidence that this approach to the customer/dealer interaction is still quite widespread in the automotive industry. This points to the need to rethink this relationship and move toward a process that is far more related to “softer” measures.

Customer Intelligence: Keeping a Finger on the Pulse

Currently, sales training seminars in the automotive industry tend to cover two main areas. The first concerns the brand itself and the different models, new releases and their technical specifications. The other is more general in nature, dealing with the do’s and don’ts of verbal and non-verbal communication.

Based on our research, we recommend a third area, focusing on customer intelligence. In our comprehensive study of customer behavior, the elements that came to the fore were the customer’s creativity, capacity to dig out “good deals” and to search for information off the beaten track. The use of the Internet by customers

increases the diversity and complexity of their search for information, making it more difficult for automotive companies to predict their behavior. It is therefore essential that dealers and manufacturers learn to understand the consumer’s universe, the tools at their disposal, and the state of mind they are in when deciding to buy a car in a dealership.

Current training sessions do broach subjects such as empathy, and underline the importance of proximity, but they do so in a purely theoretical, abstract manner. What is lacking is an empirical understanding:

- How do consumers do their research before visiting a dealership?
- How do they use the Internet?
- What do they look for on the web?
- What do they find—and what don’t they find—on the web?
- What kinds of websites are consulted and what do consumers think of these sites?
- What other tools and activities do they use to gather information?
- How do they behave inside the dealer showroom?

Since customer intelligence, and in fact customer behavior, evolves, it’s critical that automotive companies always keep their finger on the pulse. Best practices include sales training seminars that incorporate intelligence about customer research tactics, as well as careful and constant observation of consumer behavior through the entire vehicle buying process.

Moreover, the buying process should not be approached as a one-time activity. Automotive companies must view it as a lifetime relationship—before, during



Automotive companies must capture customer intelligence coming from new tools like web forums as well as the information traditionally gathered in the showroom.

and after the purchase. In the case of existing customers, building loyalty doesn't start when an existing customer enters the showroom to re-purchase. Customer intelligence from transactions during the lifecycle of the car should be available, and this information should be used by the salespeople.

In addition, automotive companies must capture customer intelligence coming from new tools like web forums as well as the information traditionally gathered in the showroom. This valuable insight should be used to constantly refine products and services in a continuous improvement process.

Establishing Proximity in the Virtual Domain

The ideal relationship between customer and dealer is that of joint collaboration, based on listening, adaptation, empathy, customization, transparency, honesty and respect, all of which further the development of trust. However, our research demonstrated that this objective is not always easy to achieve.

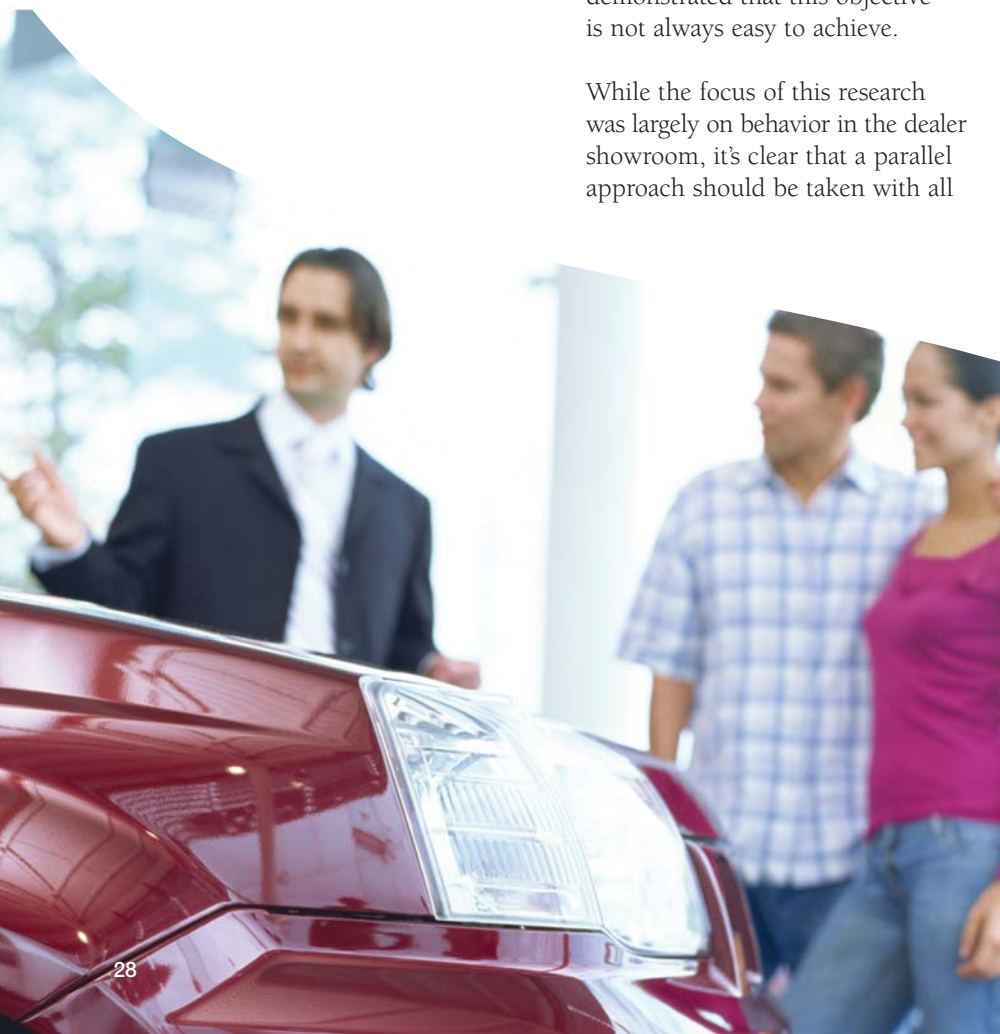
While the focus of this research was largely on behavior in the dealer showroom, it's clear that a parallel approach should be taken with all

consumer contact points—advertising, promotion, direct-mail, the Internet. In every communication with consumers, the relationship should be presented as one of partnering and collaboration.

For example, currently most manufacturer and dealer websites do not place enough emphasis on the notion of proximity. Some sites succeed in providing a degree of customization by enabling customers to configure a virtual version of their desired car, an important option for many consumers.⁸ But most sites suffer from a lack of personal touches, and it is difficult for the user to feel the presence of real people behind the digital interface. Improved direct, person-to-person contact between the manufacturer/dealer and consumer through the use of blogs, free discussion forums and post-sale e-mail communications, for example, is one approach to filling this gap.

Initiatives like these can improve transparency by making processes more visible to customers. In so doing, companies have an opportunity to right balance the customer/dealer relationship and adapt to the new reality brought about by the increasing sophistication of today's automotive customer. While the vehicle buying process will not likely return to the asymmetrical model where most of the power and information rested with the dealer, it is possible to achieve a more balanced, symmetrical relationship.

The world of vehicle sales must move to this new plane, where the relationship with the customer is established along a continuum, which would grant equal importance to all the stages of purchase (before, during and after). Interaction with consumers must be carried out on a multidimensional basis, one that takes into account the full complexity of their own nature, their level of knowledge and information, and the changing dynamics of the vehicle buying process.



⁸ Capgemini's Cars Online 05/06.

About Us

About the Car Internet Research Program (CIRP)

The Car Internet Research Program (CIRP) is an industry, government and academic-sponsored automotive research program directed at understanding how new information and communication technology will impact the automobile industry. Administered through the University of Ottawa, CIRP is sponsored by a variety of industry stakeholders that include: Capgemini, Ontario Research Network for Electronic Commerce (ORNEC), PSA Peugeot Citroën, Renault SA and The University of Ottawa.

About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6,954 million euros. More information about our services, offices and research is available at www.capgemini.com.



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