
Auto finance is going digital—*are you ready?*

91%

of dealers believe a strong digital presence is important to their overall sales strategy, but 83% do not have a dedicated digital strategy¹

Consumers are pushing for a digital world

Consumers are shifting the location of where they make major financial decisions. As younger, tech-savvy buyers gain the market share, they expect to manage their finances remotely on a mobile device or computer. To the consumer, the traditional office model can easily be replaced with access to a laptop.

With technology paving the way for the future of consumer finance, the push to go ‘digital’ can be felt across the financial services industry and is met with a need to implement a digital strategy to remain competitive. Dealers know they need to go digital but foresee a number of roadblocks to success. Partnering with Cox Automotive, PwC surveyed 300 Cox Automotive dealer clients to get their current perceptions about the challenges and opportunities associated with digital auto finance.

What will be the future of auto finance?

Financial services institutions are implementing digital solutions at a faster pace to remain competitive. What was once considered innovative has now become commonplace, and as the financial services industry embraces digital processes, consumers will expect

increased digital capabilities at their fingertips when they look to purchase and finance a car. Last year alone, dealers reported a 25% increase of mobile device usage by consumers *at the dealership*, but only 45% of dealerships can offer the same capabilities.²

Virtual showrooms are necessary for the modern consumer, as a majority of buyers seeking to purchase a new vehicle use digital technology for research. In most cases, this happens long before these shoppers actually pull into the dealership parking lot.

Traditional dealers can’t afford to ignore digital tactics any longer. That isn’t to say old-school dealerships will fade away in the near term, but it could be quicker than most think: an overwhelming majority of drivers would consider conducting the entire car-buying process online.

In the meantime, dealers can ensure they’re covering their bases and reaching online-first car shoppers by investing in an all-encompassing digital marketing solution that leverages mobile, location, and social. Dealers are wise to invest in geo-location advertising technologies, targeting shoppers’ mobile behaviours even further by sending them alerts and updates when they pass by a dealership to create a sense of urgency, earning returning customers.

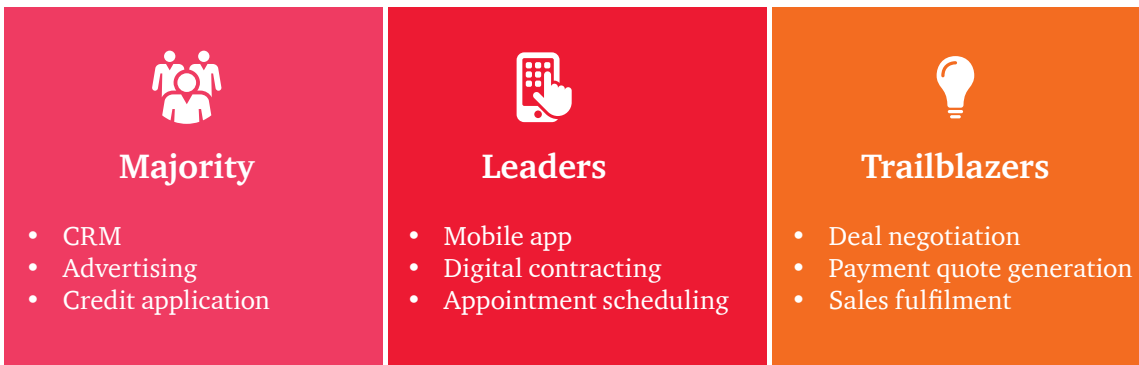
Keeping customer experience and efficiency at the center, dealerships are realizing the importance of adopting enhanced digital capabilities across various areas that deliver benefits for all parties involved. In the near future, leaders in the auto industry will be able to offer an entirely digital customer lifecycle, from advertising to purchase to servicing. Social networks aren't just for gaining likes and posting pictures. These outlets present an untapped opportunity for dealers to engage with buyers. In fact, nearly a fourth of prospective car buyers use Facebook to conduct research before making an auto purchase.³

The shift to millennial consumers and their growing need to connect through social media goes beyond creating a Facebook page or

Twitter handle. The dealer must understand this growing demographic by deploying specified and personal advertisements. This allows an indirect and personal connection with the customer that is not invasive. Done correctly, the dealer can use these outlets as understated reminders for their customer base.

Digitalization can both empower the customer to make purchases that best suit their needs as well as to improve operational efficiency at the dealership. This fosters, grows, and maintains the relationship between the customer and dealer.

What digital initiatives are majority, leading, and trailblazing amongst dealers?



What is preventing dealers from going digital?

While digitalization results in a simplified future state, the process to get there is anything but – many hurdles stand in the way when any organization wants to go digital. Traditional financing relies heavily on face to face interaction, creating a pattern of ease and routine for most dealers. But as consumer needs shift towards digital, so do the dealers'. Recent polls suggest that nearly 64% of dealers do not offer customers the option to structure a deal online, stating the biggest impediment to

driving a higher adoption rate of online financing capabilities is not being able to negotiate the deal in person.⁴

Dealers are aware of these challenges and are looking to lenders, many of whom have undergone the digitalization process in other areas of their business, for expertise and leadership.

While there are concerns, many dealers see that the benefits of a digital business model outweigh the costs, and would like to incorporate technology into the backbone of their goals to embrace the digital future, and will look to lenders and captives to assist them.

“Going primarily paperless would be a huge convenience for both employees and the customers.”⁵

3, 4, 5. PwC/Cox Automotive—National Dealer Survey, August 30, 2017, New York, NY

What is preventing dealers from going digital and how can lenders help?

Budget	Compliance	Profitability
Concerns		
Small dealer groups do not have the budget to staff dedicated digital strategy leaders or build in-house solutions	50% of dealers fear a robust digital retail experience will increase non-compliance penalties and find comfort in their tried-and-true processes ⁶	40% of dealers believe an fully digital sales process will toughen negotiations and decrease their margins ⁷
Solutions		
Lenders have the resources to develop end-to-end digital solutions dealers can integrate into	Lenders have the deep level of knowledge needed to build a compliant digital solution	Lenders can show dealers how digitalization will benefit their business through change management initiatives

Why should lenders help dealers to go digital?

Both dealers and lenders see the writing on the wall: the future is digital, and those who do not adapt will fall behind with the future generation of buyers. Auto lenders will not be able to follow their parent organization or their future customers into the digital age if dealers do not come with them. Therefore, lenders and dealers must become digital together.

Lenders and captives are in a unique position to help dealers embrace the digital future by becoming involved in the digitalization of the dealer, especially in the areas of sales and F&I.

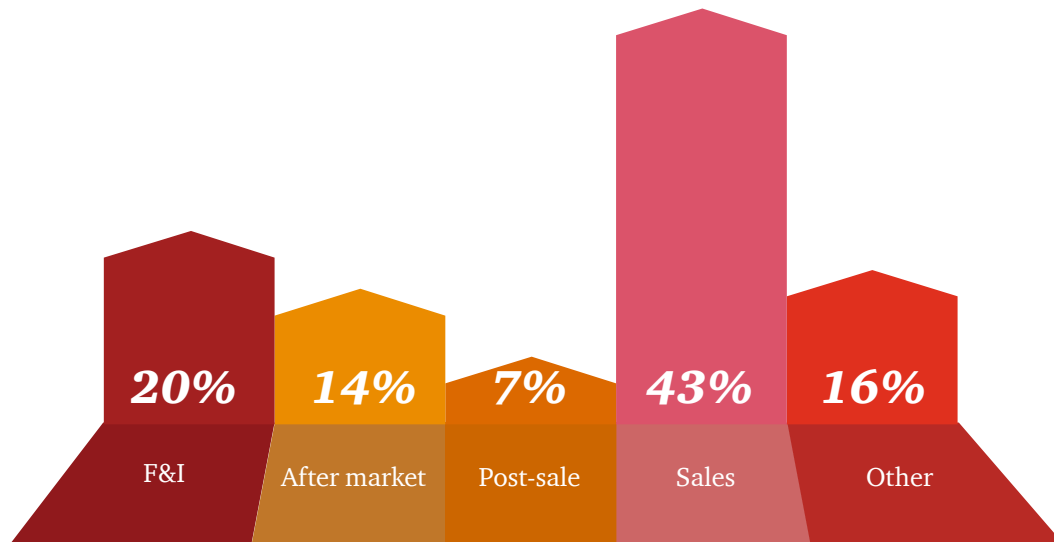
Dealers see opportunities to invest in the sales and F&I process. Online sales shift the uncomfortable pressures of face-to-face price and budget conversations to an environment where the customer feels secure with more options available prior to signing any contract. Digitizing the F&I process can have lasting, positive impacts on customer satisfaction, reduce errors in data entry, simplify record keeping and increase profits for automotive retailers

63% of dealers see the biggest ROI in digitizing the sales and F&I process⁸

“Customers that interact with helpful technology feel like they are making a more informed decision. ... and makes them more likely to buy from [that dealer].”⁹

6, 7, 8, 9. PwC/Cox Automotive—National Dealer Survey, August 30, 2017, New York, NY

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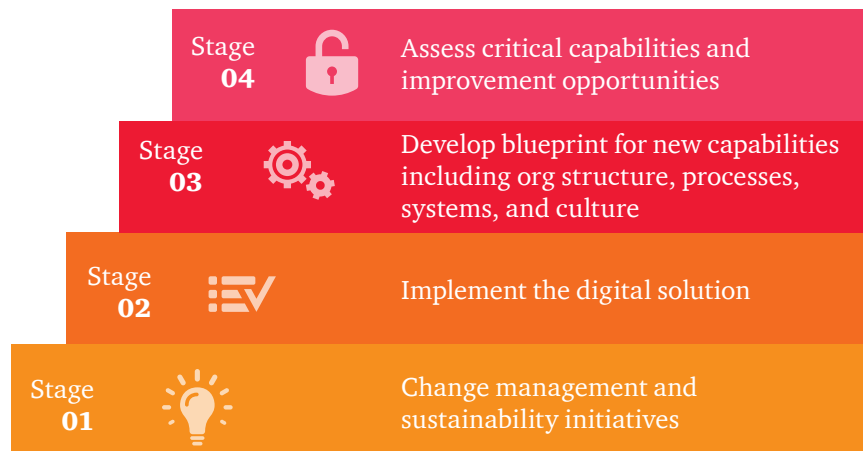
PwC/Cox Automotive—National Dealer Survey, August 30, 2017, New York, NY

Are you prepared for a digital transformation?

Digital transformations require a significant time and resource investment, so you want to make sure you do it right. People, processes, and resources must be structured to present a seamless end-to-end process for the consumer—what works in a paper world may not in a digital one.

Dealers and lenders undergoing a digital transformation will undergo several milestones before and after the solution itself is implemented in order to ensure the success of their efforts.

Where are you on the road to digital transformation?



PwC/Cox Automotive—National Dealer Survey, August 30, 2017, New York, NY

Digitalization starts at the source

End-to-end transformations cannot start in the middle -- digital processes at the lender need to be in place before downstream processes can be digitized at dealers. Lenders and dealers can work together to meet the needs and expectations of the ever-growing number of pro-digital consumers.

For further conversation, please contact Bryan Ignozzi, PwC's Automotive Lending and Leasing Leader, at bryan.ignozzi@pwc.com

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