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## **The changing channel power relationship between customers and dealerships in the retail automotive sector**

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# **Competitive Paper: The Changing Channel Power Relationship Between Customers and Dealerships in the Retail Automotive Sector**

## **INTRODUCTION**

### **Modern Technology & Informed Consumers**

Information search is a critical component of the purchase decision process for most consumer durables and it is a recognised customer behaviour pattern in vehicle purchasing (Punj and Staelin, 1983). Modern technology has now provided consumers with enhanced access to product information, along with new & used vehicle stock choice and price transparency on a scale never encountered before in vehicle retailing. Face to face sales interaction has been substituted by e-mail, mobile telephone and SMS text communication. Consumers can evaluate vehicles, prices, finance examples and products long before they decide to engage with a dealership's sales team.

Smith (2006, p.60) claimed that "gaining information on the internet has allowed customers to avoid the hassles of dealing with sales people and relationships are changing with customers due to the growth of the internet". There was much empirical research undertaken on internet car retailing at the beginning of the millennium when the full impact of the internet was being understood (Morton et al, 2000; Molesworth and Suortti, 2002; Marshall et al, 2000; Kwoka, 2001).

Most of the studies predicted that the internet would eliminate the need for car dealerships and that car purchase would primarily be on line with the development of virtual showrooms. Although there has been a move towards this the speed of the change in buyer behaviour has not been that predicted in the research.

### **Dealership Sales Processes**

Historically the sales process in car dealerships has been highly structured; Moncrief and Marshall (2005) reflecting that little has changed since the turn of the 20<sup>th</sup> Century. Current sales processes although structured vary between dealerships; they are designed to provide traditional controlled sequential and non-sequential interaction with sales executives and prospective purchasers to obtain a sale.

Prior to the growth of the Internet, car dealers held most of the knowledge relating to part exchange prices, finance rates, and stock availability. In that era, research by consumers was limited to physically visiting dealerships and sourcing information in motoring publications to compare products and prices. This reliance on dealers for information and lack of any transparency gave dealers the upper hand during a vehicle transaction, and may have contributed to the inherent lack of trust and poor image of the industry today. In comparison, today the Internet provides prospective purchasers with negotiation tools, transparency of competitive offers, and perceived value, while at the same time removes previous geographical barriers, leading to more equality in the purchase negotiation stages.

### **Future Role of the Sales Executive**

These changes in the way customers gain information has and will continue to challenge the role of the traditional sales person. Individual Sales Executive's performance continues to be measured by traditional methods relating to the number of vehicles and associated products sold, along with the profit retained. However, the change in the balance of power suggests that traditional selling process may not be relevant in the modern day dealership.

Historically, successful sales executives have formed long term relationships with their customers and in most cases if consumers establish trust in the sales executive the future benefits of this are considerable to the company (Winer, 2001; Sashi, 2012). However, the opportunities to build these relationships are becoming fewer due to the increased role of the internet; Cooke, (2012) has established that consumers are visiting car showrooms on less number of occasions before buying. This suggested that traditional sales interactions needed to be investigated to identify changes in the process.

## **LITERATURE REVIEW**

Consumers are now approaching the purchase relationship from a completely different perspective. In the late nineties some 80% of all vehicle sales related enquiries would be visits to a dealership with only 20% enquiring by telephone. Since that time consumers' methods of interaction with a dealer have changed and the Internet has liberated them by providing more freedom of choice. In 2012 only 35% of prospective vehicle purchasers visited a showroom prior to purchase, 45% were telephone enquiries, 15% e-mail and 5% live chat (SMMT, 2013).

### **Consumer Buyer & Bargaining Power**

Goldberg (1996) suggested that uniformed bargaining strategy may not provide any insights into actual vehicle transactions, as people do not act alike and dealers may anticipate demand when creating specific offers. Understanding what influences customer buyer power and purchase behaviour at an early stage could provide a competitive advantage to an organisation in its marketplace.

A Customer Experience is an interaction between an organisation and a customer. It is a blend of an organisation's physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contact (Shaw, 2007). There is much written about "customer experience" and its importance to an organisation's long term viability and profitability especially in the sales function and the interaction of the salesperson with the customer.

### **Customer Relationship Marketing**

Establishing differentiation relating to buyer and seller relationships, Dwyer, Schurr and Oh (1987, p.25) summarised that "Despite the importance generally ascribed to the idea of exchange, marketing research has largely neglected the relationship aspect of buyer seller behaviour while tending to study transactions as discrete events." Marketers who listen to their customers and are able to gain an understanding of shoppers' concerns about the negotiation process, along with their motivations for engaging in particular negotiation-related behaviours will be more successful in engaging consumers. By promoting and researching these areas, it may well establish a competitive advantage over others who fail to understand consumer intentions in a similar manner (Weitz 1978). This research came to fully

understand, from a dealership's perspective, that the Internet and Social Media are impacting and affecting overall sales performance. This subject has been the source of much debate for the last 10 years within the automotive industry. Conversely, little research has been undertaken to establish the validity of this claim.

## **Car Salesmen's Function**

Christ and Anderson (2011, p.189) argue that: "Today sales professionals are products of a long process of invention, creative adoption, and entrepreneurship by their selling predecessors. This evolution continues as astute sales organisations remain alert to evaluating new technologies to improve performance of their current sales roles and perhaps create new ones to better serve customers thereby continuing the long process of sales force evolution and professionalism".

Modern Car Salesmen operate and function at different levels and standards throughout the global motor industry. The role of the vehicle salesmen and sales manager is constantly changing. However, Tanner et al (2008) concluded that the sales profession was in a state of flux and that sales executives are struggling to define the role of the salesperson of the future. The motor industry has a negative reputation and the public have a sense of distrust of car salesmen and the purchase process. Therefore this sense of distrust in the salesperson within the sales process will ultimately impact on the consumer's behaviour during the purchase transaction.

Smith (2006) suggests that in relationship to customer empowerment the experience of purchasing a new car was not a pleasurable task for many buyer; Glendinning (2000) expands on this with the view that within the mind of the public at large, they believe there is a negative stereotype when it comes to the profession of automotive salespeople.

## **Understanding the Sales Process**

The sales process utilised within the motor industry is historical and in most part a triadic method used to interact with the customer, salesman and sales controller during the purchase of a vehicle. Reed et al., (2004, p.19) suggest "The sales process, which is often seen as adversarial, involves a high level of personal interaction and has remained relatively unchanged through the industry's 100 year history."

The basis of most selling techniques linked to dealerships sales process relates to the seven steps of selling which is a basic structure compiled of these following steps in the retail automotive industry: (1) Meet and Greet, (2) Qualification, (3) Appraisal, (4) Demonstration, (5) Features and Benefits, (6) Handling Objections, (7) Close (Moncrief & Marshall, 2005). This framework has hardly changed over the years and is regarded as the sales discipline in many industries. However, the seven steps to a sale are to be regarded as a selling orientation and means to make a sale; Moncrief and Marshall (2005) summarise that the traditional seven steps of selling is perhaps the oldest paradigm in the sales discipline.

Reed et al, (2004) observed that over the past 50 years in automotive retailing, the process of selling a car had remained largely unchanged with a salesperson guiding the customer through an acquisition process that can contain up to 18 stages. A salesperson can be the crucial link between interest in a product and its actual purchase. There are many studies relating to selling, sales techniques, behaviours and personality traits of the salesperson (Goff et al, 1997; Kennedy et al; 2001; Jacob et al, 2011) which all point to the importance of the relationship with the salesperson to the overall retail experience.

Triocchia (2004) researched the specific behaviours that shoppers enact in a vehicle purchase situation along with the methods used to cope with the tension of the process while

interacting with the sales process. Informants routinely expressed distrust for both sales personnel and the dealerships they represent. The advent of the internet has democratised the dissemination of information more than any other medium. This fact has been felt in no uncertain terms by auto dealerships (Glendinning, 2000). Scholars are now beginning to study the impact of technology in the vehicle sales process. Previous research undertaken into Computer Assisted Sales Processes (CASP) in automotive retailing by Taylor West and Saker (2012, p.505) supported earlier views “that technology itself is not of primary importance, but how it is used with the customer is”. The implications are that this has a positive influence on their buying intentions and may contribute to the conversion of successful sales”.

## **Two Way Behaviour During a Vehicle Transaction**

The anxiety and uncertainty associated with traditional car purchasing may potentially be alleviated by the tools that the internet provides to the web enabled customer. However, this can only be achieved if the dealer or manufacturer adapts this as an organisational culture, backed by development and training relating to the salespersons behaviour and interaction with the consumer. To manage the buying process, consumers have knowledge about the goals and actions of salespeople and the actions that they can take to cope with the persuasion process. Some coping tactics are discounting and message elaboration (Sharma, 2001).

Kennedy et al, (2001) indicated that buyer - seller trust results from salesperson competence, low-pressure selling tactics, service quality, manufacturer ethical concern, and a general tendency to trust others. There is a certain amount of comfort that goes with purchasing a product from familiar people, and feeling comfortable leads to the feeling of confidence. Being confident that the right decision has been made is what all consumers are trying to achieve when purchasing such an important item such as an automobile (Smith, 2006).

The fact that consumers still use car dealerships despite their negative experience appears to stem from two factors. The desire to tangibilise the experience and secondly, the need for assistance during a lengthy and complex buying process (Reed, Story and Saker, 2004).

## **Selling Performance & Effectiveness**

There are many variations on the theme used to measure sales force performance in automotive retailing. Marchinton and Wilkinson (2008) were concerned that problems arise because of the different types of performance measure used, particularly when they are objective or subjective assessments. Supervision of day to day sales activities is an important part of leadership, and research indicates that sales management supervision produces significant effects on salesperson job attitudes and outcomes (Ingram et al., 2002).

The IMI (2009) observed that because vehicle sales account for around three quarters of turnover, staff with excellent sales skills are essential for the profitability, and therefore success of the retail automotive sector. However, specific papers on improving sales staff retention in the retail motor industry is elusive; salesmen's attrition rates are also difficult to obtain. This may indicate that salesmen are not recognised as a valuable asset to the organisations they represent.

Schultz and Good (2000) suggested that to maintain long term customer relationships that sales executives' compensation mechanisms should be linked to this for relationship selling

situations. Sharma (2001) gave a different perspective by suggesting a method to motivate salespeople to develop long term relationships is consumer satisfaction – based incentives.

Companies need to refocus on real sales force effectiveness (rather than simply efficiency and labelling it as effectiveness) and analyse this to ensure they are delivering the right messages, to the right target audiences, with the appropriate influencing behaviours (Bates, 2008).

### **Impact of the Internet on the Customer Interaction**

Ramachandaran et al., (2008) observed that over the last few years the growth of the Internet has dramatically increased the availability of information to prospective buyers across a number of markets. Consumers now have access to a wide range of information regarding products and services, as well as alternatives, to make purchase decisions; although Underhill (1999) suggests that nothing can beat the customer experience and highlights three important areas on how this can be improved:

- 1: Touch, trial or any other sensory stimuli
2. Immediate gratification
3. Social interaction

In the pre-digital era, car buyers used to make five or more dealer visits during the buying process, their experience restricted largely to the showroom. Today consumers make only 1.3 visits on average, which means dealers must interact effectively with customers via on line channels - and make the most of that one ‘golden’ chance when they get face to face with the customer” (Cooke 2012, p.67).

Customers’ tolerance for inconsistency and mediocrity is rapidly disappearing. In the past, convenient store locations, aggressive sales forces, and general lack of information shielded companies from the penalties of providing anything less than the best product and service quality; customers were loyal through necessity not choice (Reicheld and Schefter, 2000).

The use and acceptance of the Internet to purchase automobiles online is not to the point where it is the primary source of buying behaviour, but few can argue that this option may be the choice in the near future (Smith, 2006). Therefore, it is surprising that there is a very limited amount of current published research on customer interaction with vehicle sales executives, and their effectiveness in the sales process since the birth of the internet. Empowered, digitally-armed and connected buyers are exerting greater control over buyer /seller conversations and they are engaging less with salespeople (Santucci, 2012). Vistwanathan et al, (2007) observed that on-line access to dealer prices, trade in values and manufacturer incentives has empowered the consumer and potentially levelled the playing field between buyer and seller. Molesworth and Sourtti (2002) indicated that consumers see an advantage in Internet research as they do not trust salespeople to provide impartial advice and want to ‘pre-arm’ themselves with knowledge in order to pre-empt the salespersons traditional ‘sales pitch’.

There is a wide literature on the characteristics of effective salespeople in general, but with the advent of the Internet the traits modern successful salespeople requires technology transference skills as well as the typical traits of credibility and persuasion (Reday et al., 2009). Morita and Nishimura (2006) found that consumers who actively source information,

in particular terms-of-trade negotiation obtain greater discounts on new car prices and higher part-exchange values when trading in their own cars.

## **Impact of Social Media**

The vast majority of dealerships or dealer groups now use some form of social media to promote their business, with only 19% not operational in this area. Facebook and Twitter are by far the leaders with You Tube and LinkedIn also showing a minority uptake (Auto Retail, 2012). Currently there is an explosion of messages and information being transmitted through this type of media, yet there is little research as to the effectiveness of social media in the retail automotive industry and its impact on a dealership from either the consumers or dealerships perspective.

## **RESEARCH QUESTIONS**

Over a number of years a perception has existed towards the negative impact of the Internet on dealer's sales process. These have been hypothetical observations given by the managers and dealership staff with no substance or proof of the statements. Therefore five research questions were proposed as the basis of this research:

- Does consumer Internet and Social media research change influence, attitude and perceptions of vehicle purchase intentions from a conventional purchase perspective?
- Does the knowledge and information gained by consumers from internet research affect their attitude when negotiating and interacting with the sales executive in the sales process?
- Are factors of age and gender an influence on this type of purchasing behaviour?
- Is the sales process and the sales executives role in need of change?
- What role does trust and a dealer's reputation impact on a consumer's vehicle purchase intentions?

## **METHODOLOGY**

To obtain a balanced view two questionnaires were used to gain insights into the perspectives of buyers and sellers. 160 questionnaires were collected from customers over a period of five weeks, at four different franchise locations in the North of Scotland. The self-completed questionnaires were completed by prospective purchasers only after they had interacted with a sales executive at the dealership concerned, and after showing interest in the purchase of a new or used vehicle; participants were male (n112) and female (n48) of mixed age groups. In addition, 44 questionnaires were collected from sales executives across 10 dealerships in the same region; participants were male (n-42) and female (n-2) of all ages and levels of car sales experience.

The research also involved semi-structured in-depth interviews with eight sales executives. In addition a focus group was carried out with four Sales Executives, two Sales Controllers and two Sales Managers; the objective was to gain insights into the overall views relating to the sales process within a sales department. In addition a focus group was carried out with seven



customers to identify aspects of individuals' perceptions, feelings and opinions on the retail sales experience. The survey questions comprised demographics and response item questions that were measured on a 6 point Likert scale.

## RESULTS

### Characteristics of Survey Respondents

Figure 1 provides an overview of the sample respondent's gender, age, distance travelled to the dealership and vehicle type.

Number		%
Gender		
Male	112	70.6%
Female	48	29.4%
Age		
20-35	35	21.9%
36-50	75	46.9%
51-65	40	25.0%
66-80	10	6.3%
80+	0	
Total	160	100%
Distance from Dealership		
1-5 miles	41	25.6%
6-10	33	20.6%
11-25	58	36.3%
26-50	14	8.8%
51-100	4	2.5%
100+	10	6.3%
Total	160	100%
Vehicle Type		
New	79	49.4%
Used	81	50.6%
Total	160	100%

**Figure 1 – Profile of Respondents**

### Level of Consumer Sourced Internet Information - Influence on Negotiation and Purchase Decision.

Three questions relating to the level of the information sourced, influence of data and use of this information in sales transactions were analysed utilising the Spearman's rho correlation. This analysis indicated a statistically significant relationship at the 0.01 level (2 tailed) between the variables. Independent Hypothesis testing of these indicated retention of the null hypothesis for both influence (Sig 0.064) and negotiation (Sig 0.095).

Analysis of the frequency tables for sourced information indicated that 71.3% of the participants source information prior to purchase, with only 13.8% of them never utilising the internet for data. Of the 13.8% of consumers who do not seek Internet information, 11.2% are in the 51 to 65 year old age banding. This clearly indicates a resistance from this age group to

source data, and 60% of the group are female. This in direct contrast to the higher level of Internet usage for information sourcing in the 36 to 50 year old category at 45.7%.

The Internet vehicle information sourcing by age group result is similar to the research outcome reported by Jones and Fox (2009). They found that over half the Internet population is between 18 and 44 years old. But larger percentages of the older generation are on line now than in the past, and they are doing more online activities. Higher levels of Internet information gathering prevailed from individuals who lived 11-25 miles (36.25%) from the dealerships. Cross-tabulation of vehicle type with Internet information sourcing, indicated a higher than average level of activity towards used vehicle information gathering, at the 56.4% level over new vehicle.

### Influences on Consumer Sales Negotiation

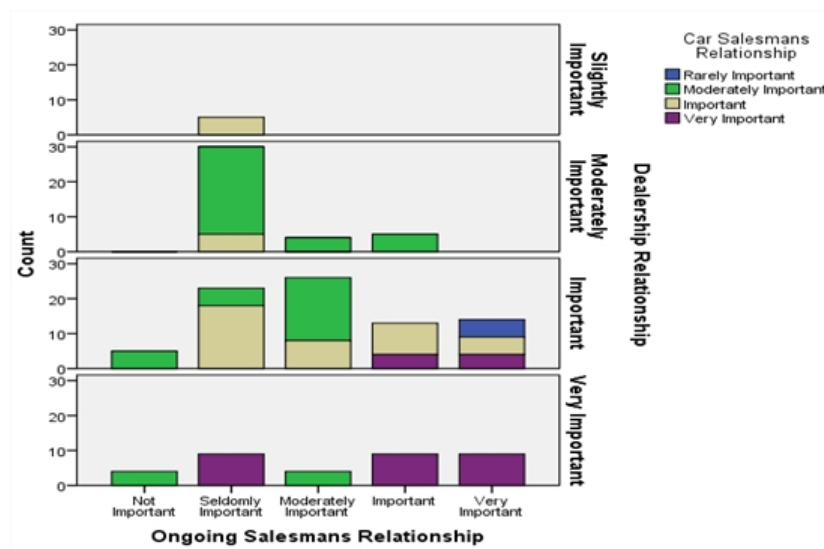
60.1% of respondents reported that they thought sourced data enabled them to affect the outcome of the sales transaction with the dealership. With 80% of the surveyed participants indicating that it did have an influence in their negotiations. Only 13.8% of individuals did not gather any Internet information.

### Social Media Usage and Internet Conversations

Only 16.9% of the survey respondents had ever regularly had an online conversation regarding vehicle purchasing. Of the 20 to 35 age group, 62.2% regularly use Twitter or Facebook. The 51 to 65 age group are not indicated as users of Social Media sites, preferring e-mail and SMS text as the electronic option for communication.

### Importance of Trust, Sales Executives and Dealership Relationships in the Vehicle Purchase Decision Making Process

54.3% of respondents thought it was important to have a long term relationship with a Sales Executive. The importance of having a relationship during the sales process or transaction period, with a Sales Executive was surveyed at 53.2%, In comparison ongoing post purchase relationship with the dealer was significant at 72.5%. Crosstabulation revealed similar outcomes for all the age groups, regardless of new or used vehicle transactions (Figure 2).



## Figure 2: Importance of Relationships

62.2% of female respondents found it more important to have an ongoing relationship with the dealership and sales executive than males during the purchase and ownership period. Trust in the dealerships was important; 74.4% of the participants did trust the organisation, although there was no significant difference between males or females.

## Importance of a Dealerships Reputation and Long Term Relationship in Influencing the Consumers Vehicle Purchase Decision during the Sales Process

It was found that 71.4% of respondents were regularly and frequently influenced by dealership reputation during the purchase transaction. A further 25.7% confirmed that this is always given consideration to at time of purchase. Cross tabulation of the age groups indicated that reputation and relationship were more important in the 36-50 year old category.

## Most Important factor to a consumer in a vehicle purchase transaction

A 5 point rating question in the survey provided the information to establish the most important factor in a vehicle purchase transaction, for the consumer. The result clearly indicates that 51.9 % of the survey intimated that obtaining the best price is the most important to them. Trust was also ranked highly at 35.6%, dealer reputation at 9.4%, followed by salesman's relationship at only 3.1 %.

## Sales Personnel Survey Results

Figure 3 provides an overview of the sample respondent's gender, age, selling experience and franchise location for information purposes from the questionnaire.

	Number	%
<b>Gender</b>		
Male	43	97.7%
Female	1	2.3%
<b>Age</b>		
20-35	11	25%
36-50	26	59.1%
51-65	7	15.9%
Total	44	100%
<b>Sales Experience</b>		
1-3 yrs	4	9.1%
4-8	10	22.7%
9-12	8	18.2%
13-20	12	27.3%
21+	10	22.7%
Total	44	100%
<b>Franchise</b>		
Ford	21	47.7%
Mazda	3	6.8%
Land Rover	4	9.1%
Honda	3	6.8%
Jaguar	2	4.5%
Mini	1	2.3%
BMW	10	22.7%
Total	44	100%

### **Figure 3 - Characteristics of Sales Executive Respondents**

#### **Level of Sales Transaction Difficulty in Selling to Internet and Social Media Informed Consumers**

In order to examine the data relating to informed consumers attitude and how this is reflected during the purchase transaction, three questions relating to consumer interaction in the sales process were averaged. These were measured against the level of difficulty indicated by sales executives in this context. 75% of the sales executives reported only experiencing a slight difficulty, in dealing with these informed consumers. Conversely, although it was not perceived as an issue, 97.7% admitted that they had changed their interaction methods with this type of consumer. Sales Executives with only one to eight years' experience (22.7%), did not indicate having any difficulty in dealing with these consumers.

The survey also revealed that 93.1% of consumers entering the showroom or interacting with a sales executive have become better informed. In this sample correlation, the survey has signposted that the majority of salespeople perceive that they have some degree of difficulty in handling and negotiating with consumers who have electronically sourced information prior to engaging with them in a vehicle transaction.

#### **Level of Consumer Bargaining Power and Sales Executive Interaction**

In relation to consumers bargaining power 43.2% of executives indicated that it was now significant, with only 11.4% specifying that it did not influence the transaction. The accuracy of consumers' information with the Sales Executives reporting a moderate degree of accuracy in the information sourced by the customer as indicated in the following graph. However, the survey revealed that the overall accuracy of consumer sourced information was only 54.5%.

The survey also indicated that 100% of sales executives thought consumers were confused with the information when sourced by them. This subsequently led to some form of perplexity or need for clarification by the consumer during a transaction.

#### **Summary of Sales Executives Additional Information Points from the Questionnaire**

At the end of the end of the questionnaire sales executives were asked to respond to the following question:

“During your vehicle selling experience, and with the recent increase in Internet and Social Media car purchase information available, have you identified any change in the way that customers or prospects interact with you?”

The following are a selection of typical responses:

“The conversion ratio is better from enquiries generated from these sources, due to the fact that customers have done their homework and are further down the purchase process.”

“When prospects eventually come in they now want to touch, sit and drive the car.”

“Customers show more confidence in negotiation and at times display signs of having “the upper hand”- Customers are very open about shopping around.”

“I have not been in the Motor Trade before the Internet so I do not see any change.”

“We must be able to clarify the customer’s information which they usually misinterpret in a polite and diplomatic manner.”

### **Individual Sales Executive Interviews**

Six out of the eight executives interviewed were of the view that the seven steps to a sale model was aged and indeed in need of change. The main area noted for change was in the way they were taught in the control of the sale. This was an overall concern to them all, as they explained that an Internet informed consumer should not be controlled as a conventional purchaser.

On a one to one basis they had differing views on how to handle these informed consumers, but they were not overly concerned and they looked towards these sale types as “challenges”. Five of the group did indicate that they had altered their attitude and identified that things were changing in the retail environment. Of the eight individuals interviewed they all articulated that consumers now thought they had the upper hand in a purchase negotiation.

### **Sales Focus Group**

The following is a summary of the focus groups views on the three topics identified for discussion. This qualitative research dialog was digitally recorded, and the permission was given for this by all the participants

#### **Is the role of the Car Salesmen changing?**

During the discussion that took place on this topic, the group acknowledged that the retail environment was changing and had become more competitive, customers were more informed, but it was debatable if they were “accurately” informed. The group were united in identifying that the job role of the sales executive had changed with regard to administrative complexity, technology and management of data. However, all the participants agreed that the basic structure of the selling role in regards to customer interaction and negotiation had remained very similar.

“ I have been selling vehicles for over thirty years and seen all the changes but it’s a fact if you can establish rapport and trust very quickly the homework the customers bring in is quickly forgotten about” (Mazda Salesman, Aged 51-60)

“When I started selling cars three years ago I found it very strange that customers would log on to the internet on their i -phone and look at similar vehicles for a better deal while sitting across from me at my desk”(Ford Salesman, Aged 20-35)

“We have to spend more time with a customer these days explaining technology linked to the features especially at handovers with alarms, sat nav, phones etc” ( Jaguar, Salesman)

#### **Are the current steps to a sale relevant in to-days vehicle retailing environment?**

Most of the participants agreed that the steps to the sale were still relevant but modernisation of dealing with e-mail or web enquiries at their sales desks would be better than a centralised process. Speed of answering an enquiry was perceived as key and the group emphasised the need to have access to current technology. Qualification of the prospective buyer was perceived by all as a key point and the group emphasised the importance that early face to face engagement was a priority with any customer enquiry.

“We still need to slow the customer down; because of the information overload they eventually become confused” (Sales Controller, Ford)

### **Has the balance of power in the negotiation changed?**

All the participants thought that they may still hold the balance of power within the negotiation process as sourced competitor’s information is rarely fully researched and understood. In most cases the prospect only relates to the headline offer and not the detail or terms and conditions. The group further indicated that customers were even talking about them individually on Facebook and Twitter regarding their experience with them and the dealership during vehicle purchase negotiations.

“It’s more important these days to listen to the customer and establish where they got the information from in the first place” (Ford, Salesman)

“In a lot of cases customers come into the dealership with headline advertising information and literature from our competitors. However, they spend little time on analysing the detail of these offers” (Ford, Sales Controller)

### **Customer Focus Group Research Outcomes**

The participants in this group expressed that they did not want the session to be recorded but gave permission for their views to be expressed independently, as long as they remained anonymous and not accountable for their opinions in this research.

### **In what specific areas do you think that this information assists you during transaction activities with a car salesman?**

The general opinion was that it would be very naive not to be armed with information in order that a fair deal could be concluded prior to entering a showroom. They once more voiced the importance to them collectively of seeking reassurance by gathering this information, so they can establish that they are not being overcharged and getting the best deal.

### **How important is a dealerships reputation and relationship with a sales executive to you in your decision making process?**

The group admitted that although reputation was important they never sourced electronic information about a dealer or sales executive, it was always product related. All the participants indicated that a dealer’s reputation was important to them for peace of mind for any product related issues which may occur in the future and that word of mouth and previous relationships formed their opinion of the dealer’s reputation. Trust was mentioned

frequently especially in dealing with and having a previous purchase relationship with a Sales Executive, was rated very highly by them.

“If you have had a good experience with the dealership and the salesman has been true to his word why would you not give them another opportunity” ( Ford, Male Customer, Aged 36-50)

“Price is important but for the sake of a couple of hundred pounds its better to deal with the devil you know” (Ford, Male Customer, Aged 36-50)

### **Is Social Media a tool with which you would utilise to source information prior to a vehicle purchase?**

Following is a summary of the points that were discussed from the question:

- They all had knowledge about the existence of some forums which gave negative feedback on specific companies along with the products and services they provided.
- Facebook users had conversations on their site which did generalise about lifestyle and they agreed that they were influenced by these conversations.
- The group collectively indicated that they had never thought about using social media to find out information about a car or dealer but did discuss their proposed purchase generally with their friends on Facebook.
- The group were of the opinion that social media communication of information would grow in the future and would form part of the purchase decision especially in regards to the reputation of the dealer.

At the conclusion of this session they expressed an opinion that an aspect of enjoyment was derived in searching new or used vehicle sites in general, this should be recognised as a factor when analysing their activity.

## **CONCLUSIONS**

It was predicted that Electronic Commerce would revolutionise the dealer structure but some two decades on this is more evolutionary in its impact than revolutionary. The forecasted demise of the car dealership and the growth of the virtual dealership have not transpired, although the Internet, Social Media and emerging technology is impacting on the vehicle sales purchasing process.

Some 98% of the consumers surveyed for this report undertook to gather information prior to entering a showroom. This type of activity has produced product transparency and eroded price discrimination across the industry. Consumers no longer have to enter a sales purchase process blind as the marketing lure of attracting prospective purchasers into a showroom by competitive pricing linked to low part exchange pricing is no longer working. The Internet in particular now forearms prospective purchasers with prior knowledge, seen as a means of security and protection prior to entering a car showroom; this research found that consumers perceived this to be very valuable during negotiation with a dealership.

From the seller's perspective, it was established that in most cases when consumers were in possession of “headline” marketing literature from competitors and had spent very little time on comparing the details contained in the information; in comparison others had become confused because they had sourced too much information. Sales executives acknowledged that in some cases this was more beneficial to them in “closing the sale”, even for consumer's

with enhanced knowledge who have pre-qualified the deal themselves actually make the actual selling task somewhat simpler. In the case of the latter the future role of the sales executive would be simply to affirm the decision the consumer has already made having completed their own research.

This research establishes that it is the norm that the balance of power between the buyer and seller has changed because of access to multiple information channels; it has become more equitable and changed from the traditional sales interaction methods. Therefore, the changes identified between buyer - seller interactions have ongoing future implications relating to the industry as it escalates competition, resulting in reduced margins through very competitive pricing. Undoubtedly the balance of power in the negotiation stages of the process has moved towards the consumer and changes must be adopted by sales executives in their ability to interact with this informed purchaser.

Therefore, a revision of the sales process is recommended that takes these new buyer - seller interactions into account during the “steps to a sale”. Sales executives should be trained in order to understand how buyer - seller relationships impact on the vehicle transaction, and be educated in how to take a different approach. In future the “seven steps” sales training relating to meet and greet, may need to include methods of undertaking this remotely with the available technology. Sales executives should be equipped with mobile Internet linked product devices such as tablets in order to interact with consumers, notwithstanding utilising the device for instantly underpinning their product knowledge.

In an effort to improve their sales productivity dealers must give consideration to the most recent vicissitudes to consumers buying patterns as they occur. While at the same time these retailers must recognise any variations that are occurring within the environment of the sales executive. The recommendations do not guarantee that improving buyer - seller interaction will lead to improvement of the overall experience. The compelling evidence from this study confirms that the Internet has and will continue to fragment the current traditional sales process. Consumers’ interaction methods with car dealerships for the buying of vehicles and associated services have altered, and now more than ever companies must recognise these changes in buyer behaviour when taken into context with traditional sales methods.



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