

Analyst Briefing

2017 U.S. Sales Satisfaction Index (SSI) Study



J.D. POWER

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Welcome

Welcome to the *J.D. Power 2017 U.S. Sales Satisfaction Index (SSI) Study*,SM which provides automakers with an objective measure of the overall sales satisfaction levels among new-vehicle buyers in the United States. The annual U.S. SSI study was redesigned for 2017.

The study provides a numerical index ranking of the highest-performing automotive brands, which is based on the combined index scores of measures that comprise the vehicle buyer and rejecter purchase experience. The buyer measures are: Dealer Personnel (28%); Delivery Process (21%); Working Out the Deal (18%); Paperwork Completion (16%); Dealership Facility (13%); and Dealership Website (4%).

From the rejecter's perspective, they include: Experience Working with the Salesperson (40%); Fairness of Price (15%); Experience Negotiating (15%);

Variety of Inventory (15%); and Dealership Facility (14%). Scores for each measure are reflected in an index based on a 1,000-point scale developed by J.D. Power.

With retail sales in 2017 forecast to decline slightly vs. 2016, automakers must fully understand satisfaction drivers of the purchase experience, with improved close rates and customer retention as the goal.

This year, we're excited to introduce a Net Promoter Score® (NPS) component to our suite of J.D Power syndicated studies. We look forward to sharing that information with you.

I hope you find the insights in this study valuable. Please contact me for any assistance or feedback.



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U.S. Automotive Market Conditions

Light-vehicle sales in the United States are forecast to reach 13.93 million units in 2017, down 1.5% from the record 14.13 million units sold in 2016, according to data gathered in the *Power Information Network® (PIN)* from J.D. Power.

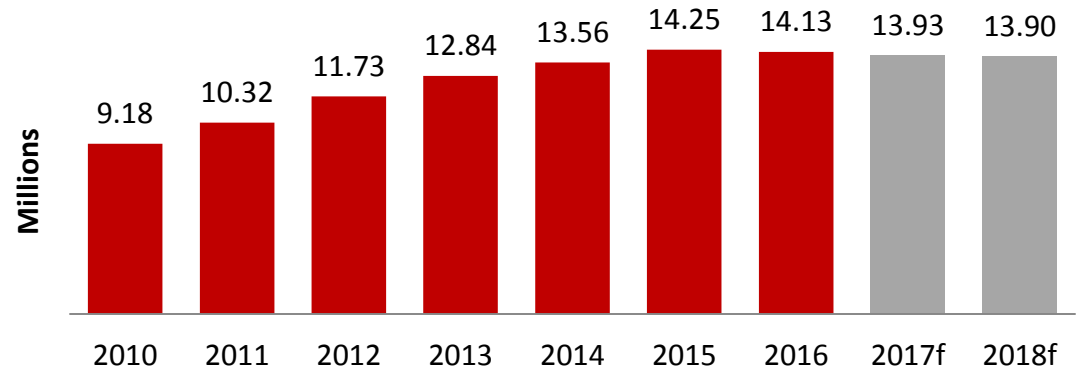
Slower sales have meant that dealer car and truck inventory positions have grown in 2017, compared with 2016.

Due to the decrease in sales volumes, there has been downward pressure on new-vehicle margins, which in turn has placed more pressure on the F&I departments and the F&I experience.

Projected sales suggest further declines in 2018 and 2019 amid increasing market headwinds, one being the Federal Reserve's potential decision to increase interest rates.

Passenger Cars	2012	2013	2014	2015	2016	2017
Days to Turn	47	59	70	70	74	81
Profit Margin	2.3%	1.8%	1.4%	1.0%	0.8%	0.7%
F&I Profit Margin	\$625	\$652	\$689	\$734	\$756	\$784
Vehicle Gross	\$617	\$501	\$401	\$288	\$242	\$197
Light Trucks	2012	2013	2014	2015	2016	2017
Days to Turn	53	56	55	54	60	65
Profit Margin	2.7%	2.6%	2.5%	2.2%	1.9%	1.7%
F&I Profit Margin	\$ 734	\$ 777	\$ 803	\$ 853	\$ 855	\$886
Vehicle Gross	\$ 950	\$ 916	\$ 899	\$ 815	\$ 721	\$667

U.S. Light-Vehicle Retail Sales Forecast



Source: *Power Information Network® (PIN)* from J.D. Power

This analyst briefing examines topics that are important to delivering high levels of sales satisfaction in the United States and to driving customer loyalty and advocacy.

1. Dealer Website Photos, Promotion, and Chatting
2. Customers Who Use a Third-Party Buying Program
3. Customers Who Perform Pre-Purchase Research
4. Delivering Satisfaction During the Delivery Process
5. How Customers Prefer to Learn about Features/Controls
6. Post-Vehicle Delivery Contact by Selling Dealer
7. Important Dealer Staff Processes During Vehicle Delivery
8. Vehicle Condition on Delivery and Impact on Satisfaction
9. Types of Digital Devices Used by Sales Consultants
10. Price Presentation to Customers
11. Key Performance Indicators

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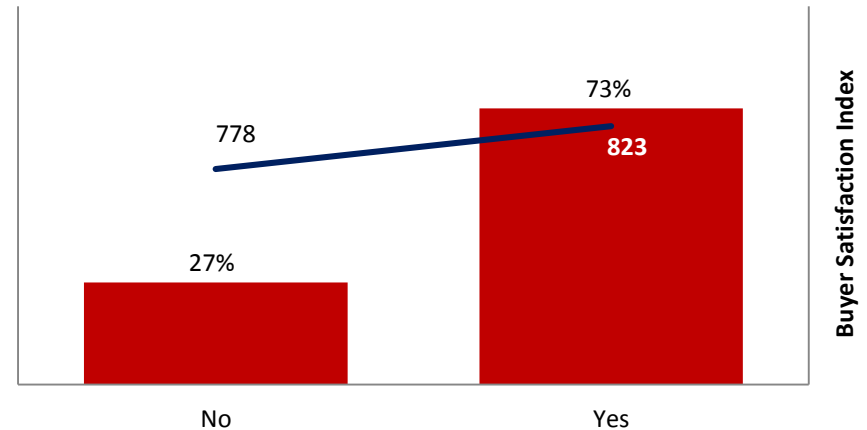
Dealer Website Photos, Promotion, and Chatting

Actual inventory photos and promotions have greatest impact on satisfaction

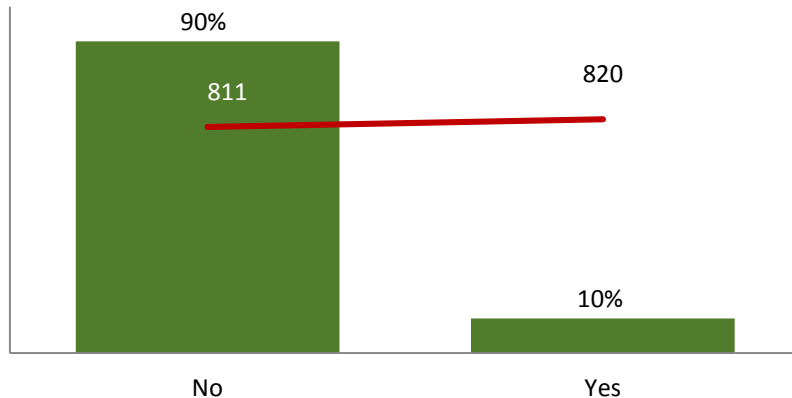
Type of Photos on Dealer Website



Were there promotions on the dealer website?



Did you do any chatting on the dealer website?



- Providing actual photos of vehicles in inventory provides a large increase in satisfaction score (+33 points) compared with stock vehicle photos.
- Offering promotions on the dealer website increases satisfaction (+45 points) compared with not offering them. Promotions should be displayed prominently, with a minimum of clicks to access, and promotions must remain current.
- Only 10% of customers use the online chat function, and these customers only experience a slight increase in sales satisfaction (+9 points).

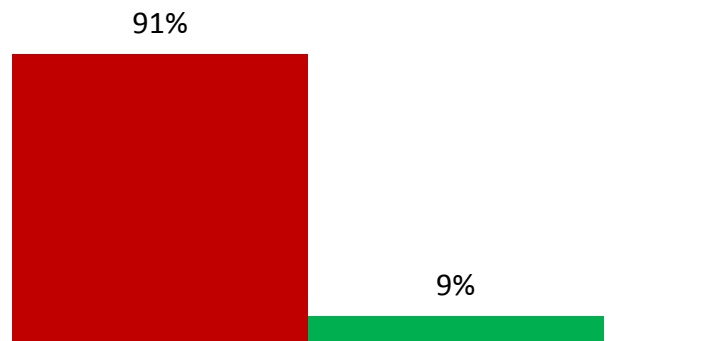
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Customers Who Use a Third-Party Buying Program

Dealers need to be aware that third-party transactions tend to diminish satisfaction

Used a Third-Party Buying Program

■ No ■ Yes



Used a Third-Party Buying Program

■ No ■ Yes



- Nearly one in 10 new retail vehicle sales are made through a third-party buying program; while such programs are ostensibly designed to provide a more efficient purchase experience for customers, research shows that buyers feel the opposite is true in every measure index score in the study.
- Overall satisfaction among customers who use a third-party buying program is 26 index points lower than among those who do not, and the widest gaps occur in the Dealership Facility (-39 points); Paperwork Completion (-37); and Dealership Website (-30) measures.
- In terms of attributes, third-party program users rate their experience lower (on a 10-point scale) compared to those who do not use a third party in: *Ease of looking at dealer's inventory* (7.69 vs. 8.22, respectively); *Variety of online inventory* (7.46 vs. 7.91); and *Timeliness of completing the paperwork process* (7.29 vs. 7.73).
- There is little difference among generations about the frequency of using third-party buying programs.

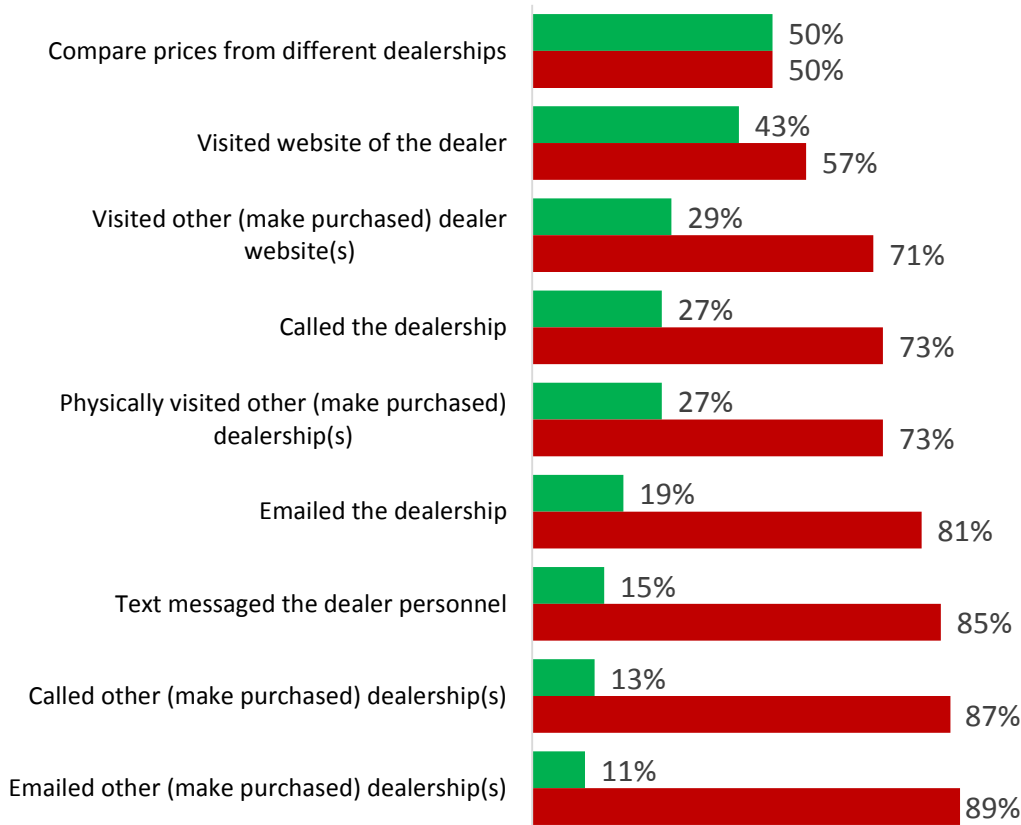
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Customers Who Perform Pre-Purchase Research

Visiting the dealership—and the dealer’s and brand’s websites—are most frequent

Pre-Purchase Activities Performed by Customers

■ Yes ■ No



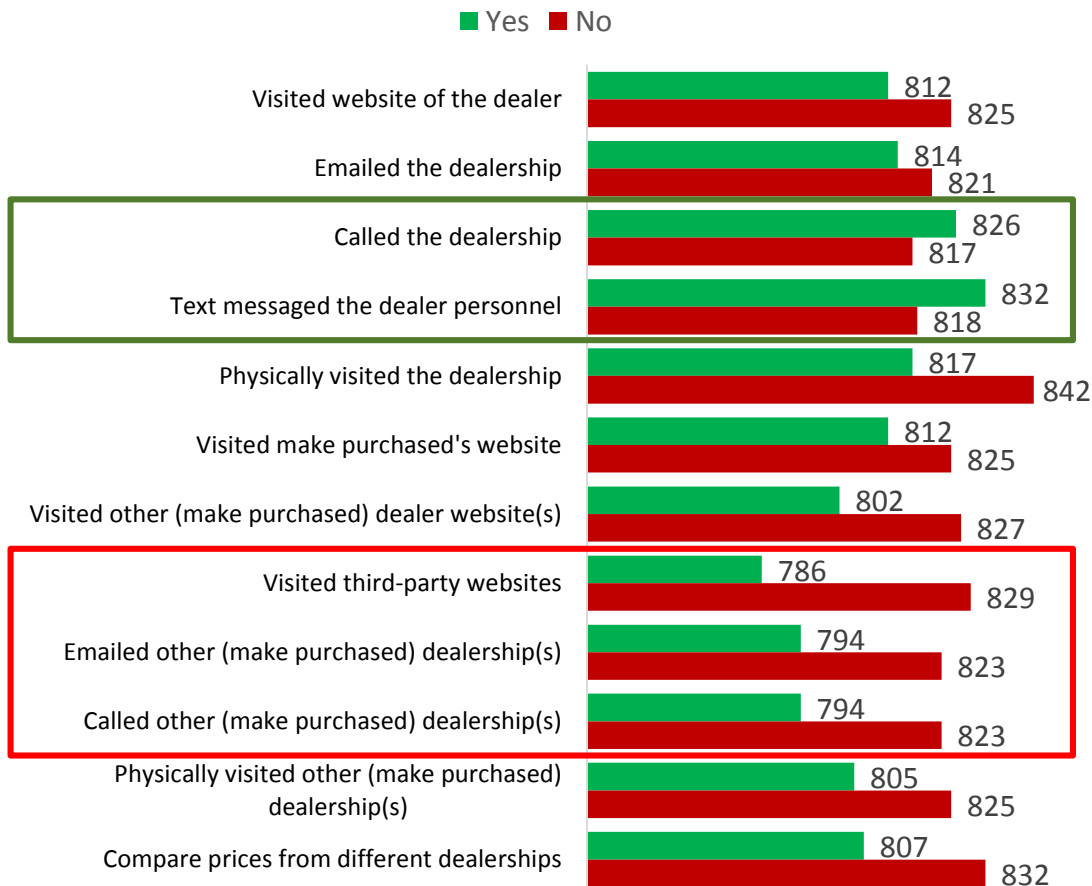
- The most common methods of pre-purchase research are comparing prices from different dealerships (50%) and visiting the dealer website and/or brand website from which they buy (which both occur 43% of the time).
- While calling the dealership and/or texting dealership personnel are the most likely to have a positive impact on sales satisfaction, these occur only 27% and 15% of the time, respectively.

3-2

Customers Who Perform Pre-Purchase Research

Research shows that more informed customers tend to have lower sales satisfaction

Pre-Dealer Visit Activities Performed by Customers



- Satisfaction is substantially lower among customers who perform pre-purchase research in 10 of the 12 visit activities identified in the 2017 SSI Study.
- The three pre-purchase research activities that have the greatest negative impact on sales satisfaction include visiting third-party websites (-43 points); emailed other same-make purchased dealerships (-29); and called other same-make purchased dealerships (-29).
- Conversely, the two customer pre-purchase activities that have a positive impact on sales satisfaction include text messaged dealer personnel (+14 points) and called the dealership (+9).
- While dealers cannot control for the majority of pre-purchase activities, being prepared in the areas that can make a positive difference in satisfaction can be important to earning a sale.

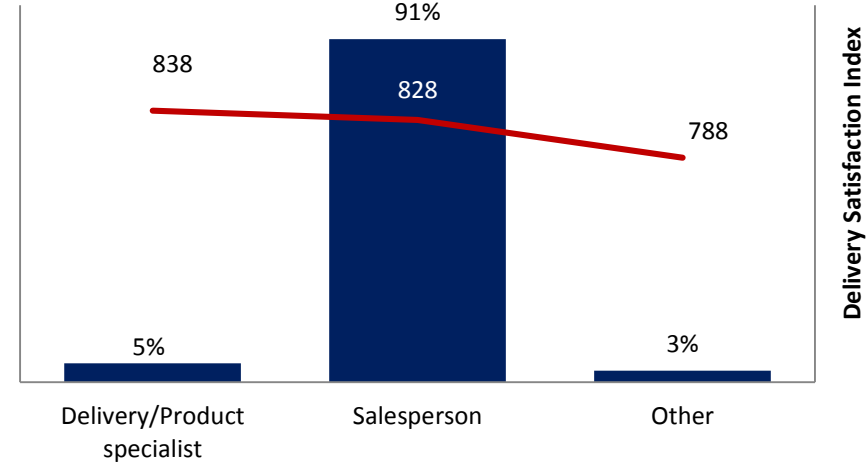
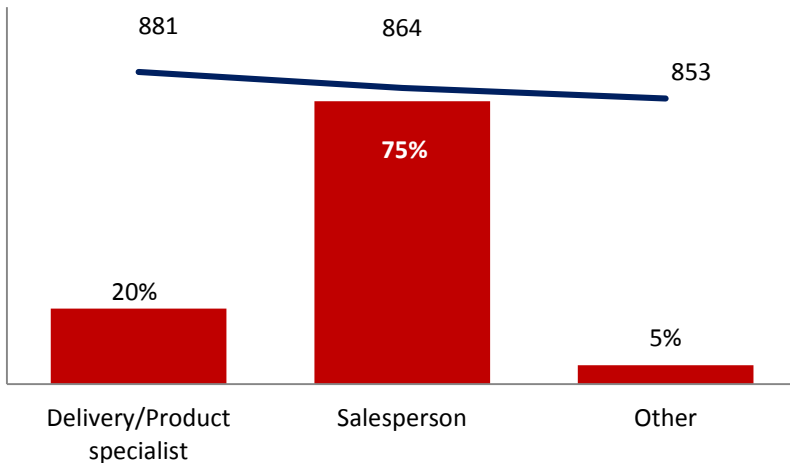
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Delivering Satisfaction During the Delivery Process

Delivery/Product Specialists add substantially to vehicle delivery satisfaction

Who was primarily responsible for delivering your vehicle to you and explaining the vehicle's features?
(Premium)

Who was primarily responsible for delivering your vehicle to you and explaining the vehicle's features?
(Non-Premium)



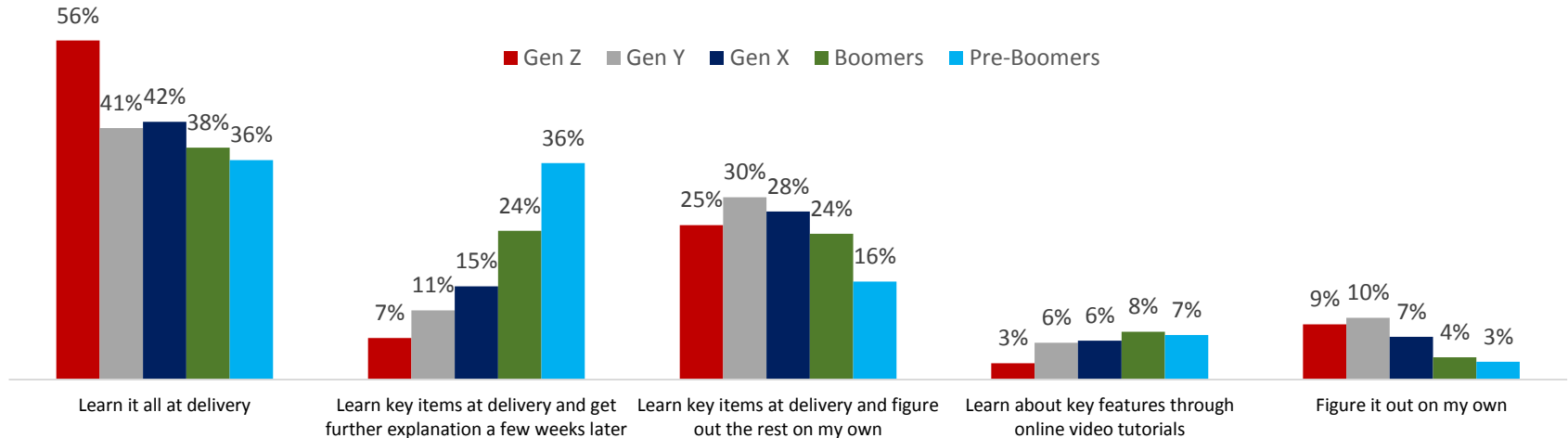
- Among Non-Premium brands, a Delivery/Product Specialist is the primary person responsible for vehicle delivery just 5% of the time, and customers who have a Delivery/Product Specialist have a Delivery index score that is 10 index points higher than having a Salesperson deliver a new vehicle.
- Among Premium brands, a Delivery/Product Specialist is the primary person responsible for vehicle delivery just 20% of the time, and customers who have a Delivery/Product Specialist have a Delivery index score that is 17 index points higher than having a Salesperson deliver a new vehicle.
- As vehicle technology continues to become more complex, the need for dealerships to have expert personnel available to explain this technology will only become more important.

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How Customers Prefer to Learn about Features/Controls

As vehicles become more complex, different customers prefer to learn in different ways

Learning about Features/Controls, by Generation



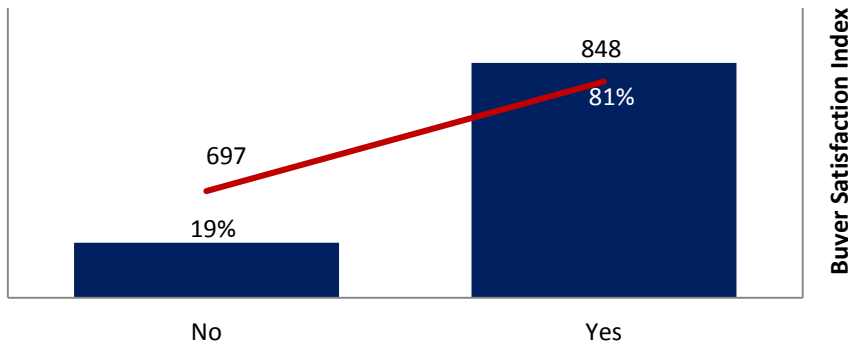
- As in-vehicle technology continues to become more complex, a key issue for dealers is how to ensure buyers can understand and get the most of their new vehicle's features. The proliferation of technology has made it difficult to offer a timely, but effective, vehicle delivery. When buyers are asked how they prefer to learn about their new vehicle's features, the most common response is to learn it all at the vehicle delivery.
- Older customers are more willing to learn about key items at delivery and get further explanation at a later date. However, this option is progressively less appealing as the age of the customer declines—younger customers are more likely to want to learn key items at delivery and figure the rest out on their own.
- However, a key finding of the *J.D. Power 2017 Technology Experience Index (TXI) Study* is that customer satisfaction with using vehicle technologies is always higher when they learn from the dealer. Even with younger customers who desire to learn on their own, dealers should ensure that these customers are provided with enough guidance and take-home materials and resources to maximize their vehicle satisfaction by decreasing their frustration with the difficulty of usage.

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Post Vehicle-Delivery Contact by Selling Dealer

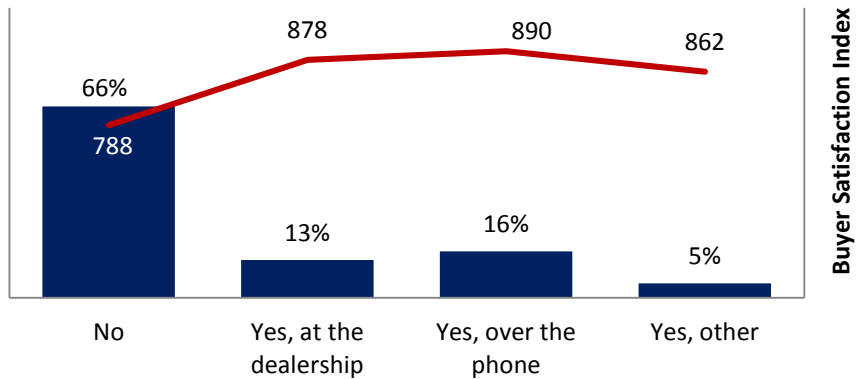
Second follow-up explanation over the phone yields highest satisfaction

Dealer Contacted You to Ensure Everything Was Satisfactory

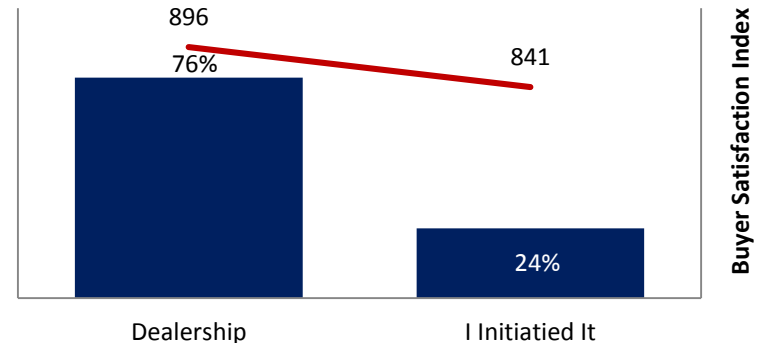


- Dealers that proactively contact customers after delivery see a substantial increase in satisfaction scores. Additionally, follow-up calls are a powerful tool to help solve the problem of vehicle technology explanations.
- Customers who receive a second explanation over the phone are particularly satisfied. Based on demographic differences in how customers prefer to learn about vehicle features, it's important for dealers to understand their individual customers and follow up accordingly.

Received Second Follow-Up Explanation of Vehicle Features



Who initiated the explanation?

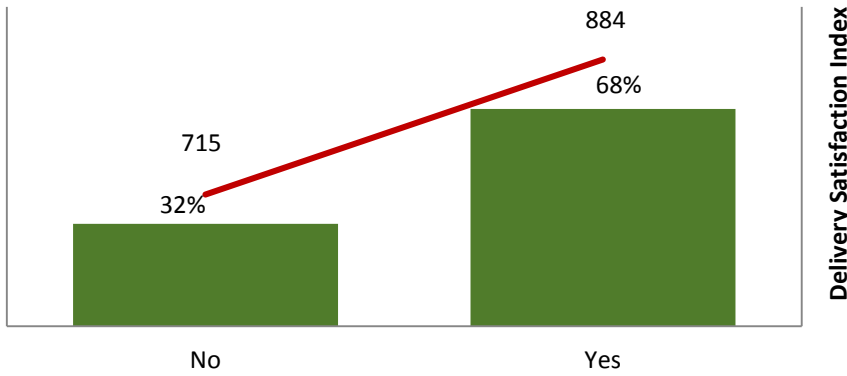


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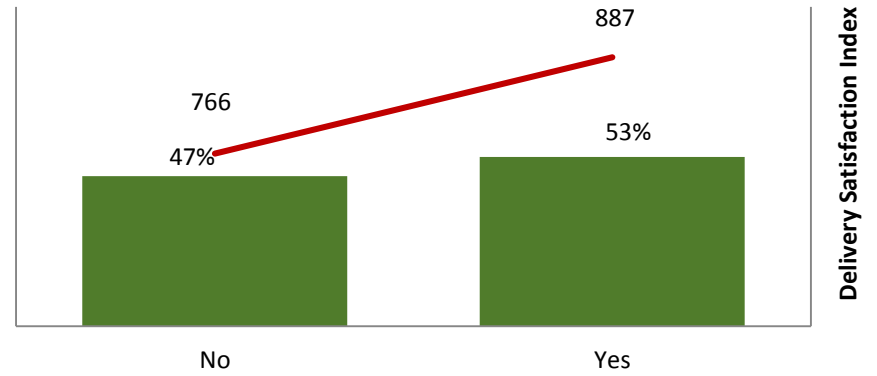
Important Dealer Staff Processes During Vehicle Delivery

Many simple but important staff processes are still not being performed

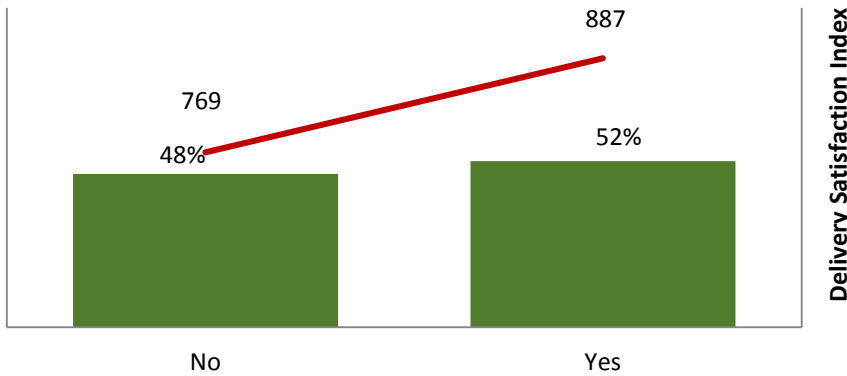
Dealer Staff Reviewed the Vehicle's Quick Reference Guide (Total Industry)



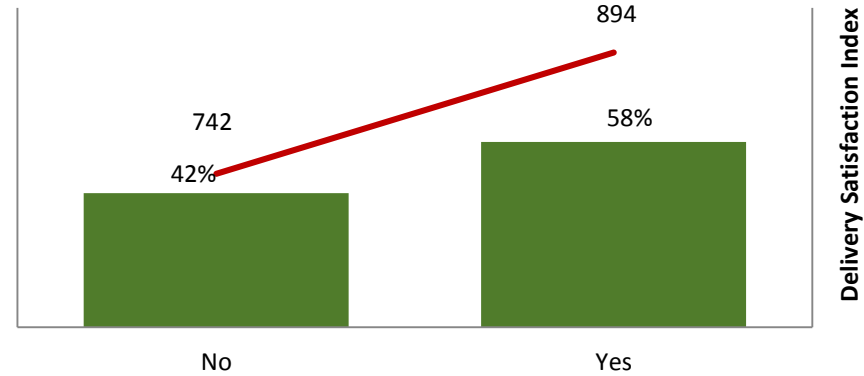
Dealer Staff Gave Overview/Introduction to the Service Department (Total Industry)



Dealer Staff Offered to Set Up First Visit (Total Industry)



Dealer Staff Reviewed Factory-Recommended Maintenance Schedule (Total Industry)

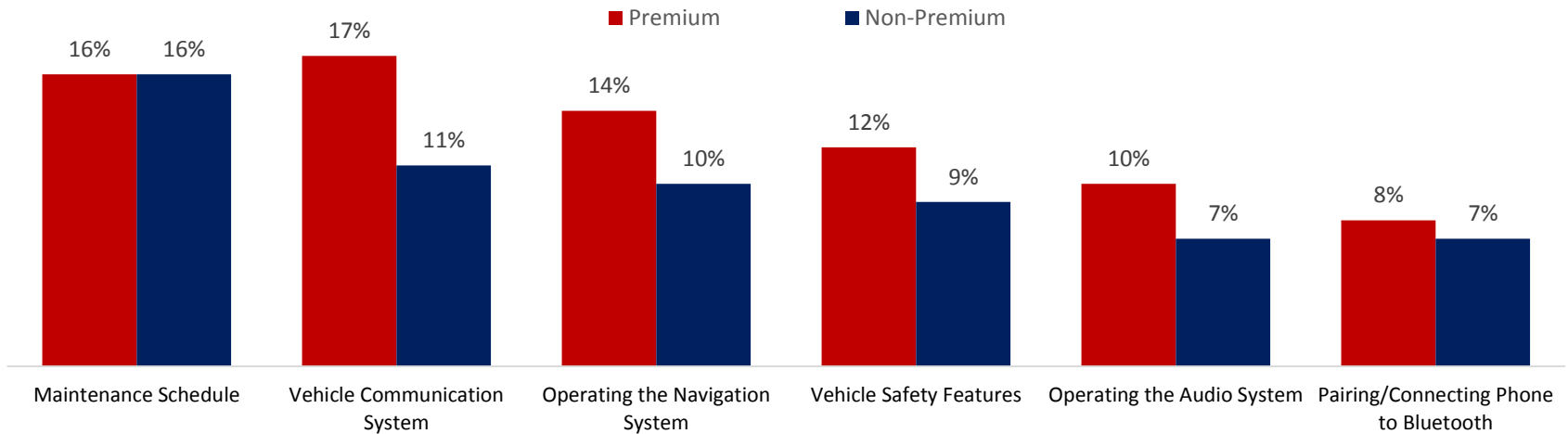


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Important Dealer Staff Processes During Vehicle Delivery

One in six customers want further explanation on maintenance schedules

Customer Would Like Additional Explanation On...



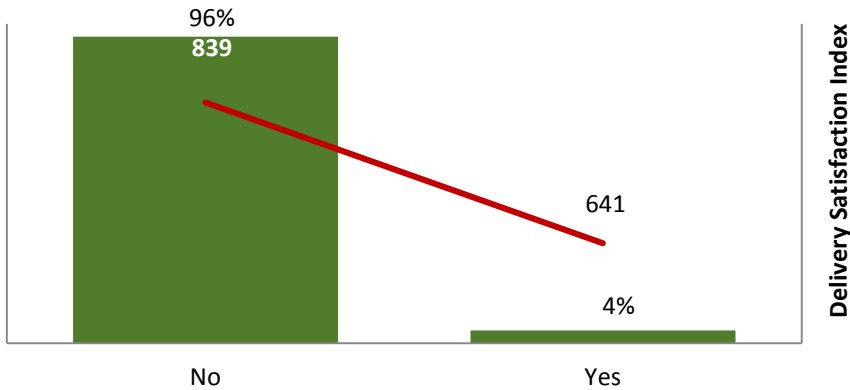
- The study finds that a fair number of new-vehicle owners would like further explanation about their vehicle’s technology and safety features, particularly Premium make owners. However, among the total industry, the vehicle’s maintenance schedule is most commonly cited as the item that owners would like additional explanations on.
- Only 58% of owners indicated the dealer reviewed the maintenance schedule with them. Only 10% of owners whose dealer reviewed the maintenance schedule would like further explanation, while 25% of those who did not receive an explanation at delivery would like further explanation.
- As the industry appears to be entering a period of stagnating sales, dealers will need to focus more on service to make up for lost sales revenue and profits. Making a more concerted effort to inform customers about service and maintenance schedules at delivery remains an opportunity for improvement for many dealers.

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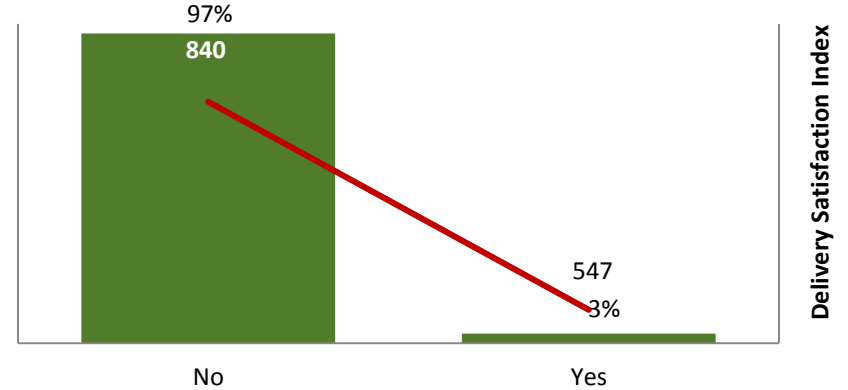
Vehicle Condition on Delivery and Impact on Satisfaction

A minority of vehicles have problems, but these have a large negative impact

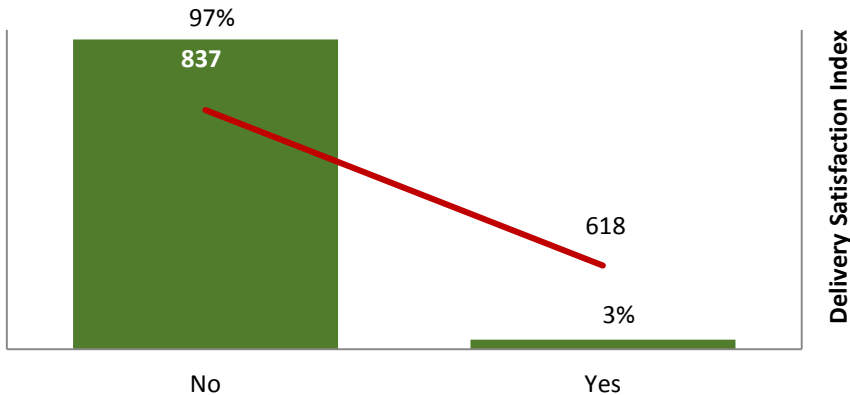
My Vehicle Had Dings/Dents/Scratches (Total Industry)



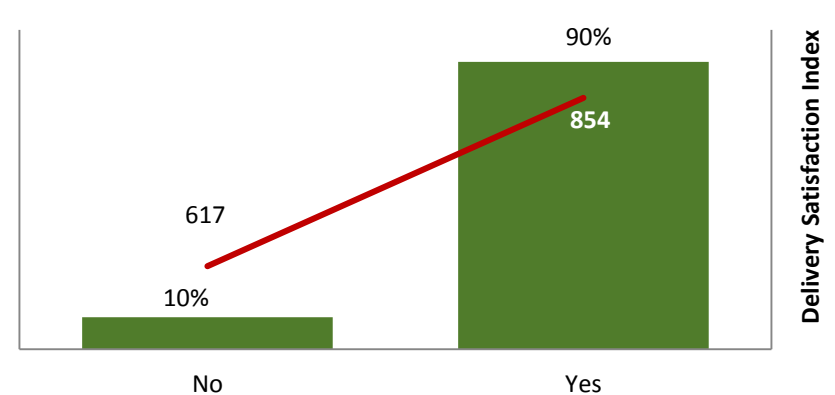
My Vehicle Was Not Washed/Clean (Total Industry)



My Vehicle Was Missing Some of the Features that Were Promised (Total Industry)



Vehicle Was Delivered to Me with No Issues (Total Industry)

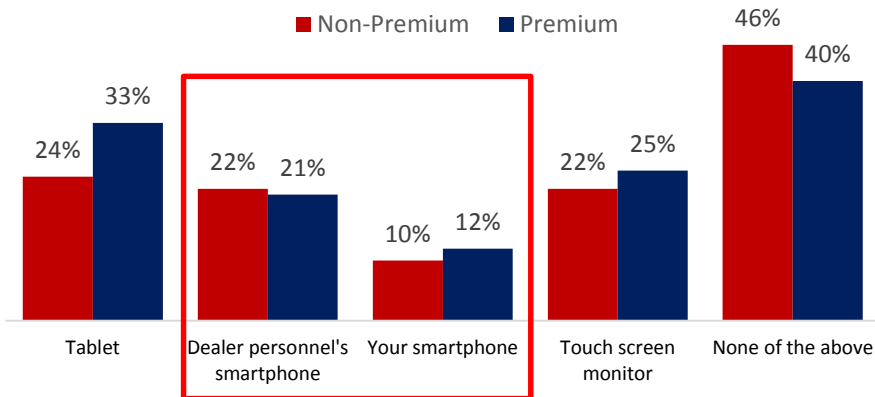


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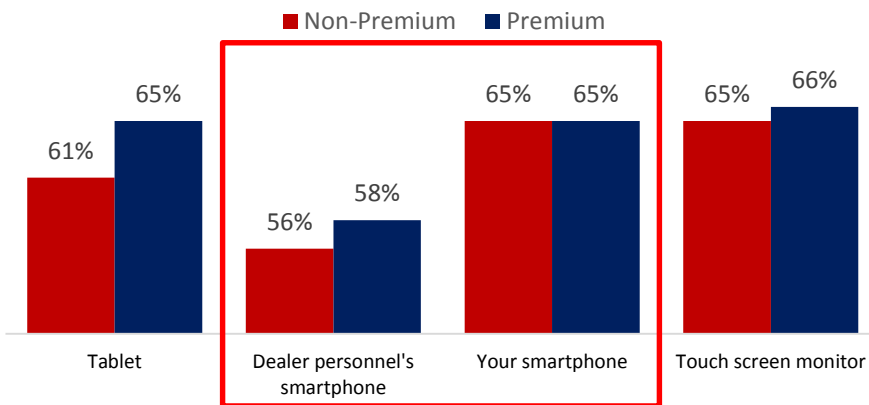
Types of Digital Devices Used by Sales Consultants

While some devices are used more often, others are considered to be more effective

Which types of devices did the sales consultant use during your time in the dealership?



How effective was the dealer's use of this device? (Answered: Very Effective)



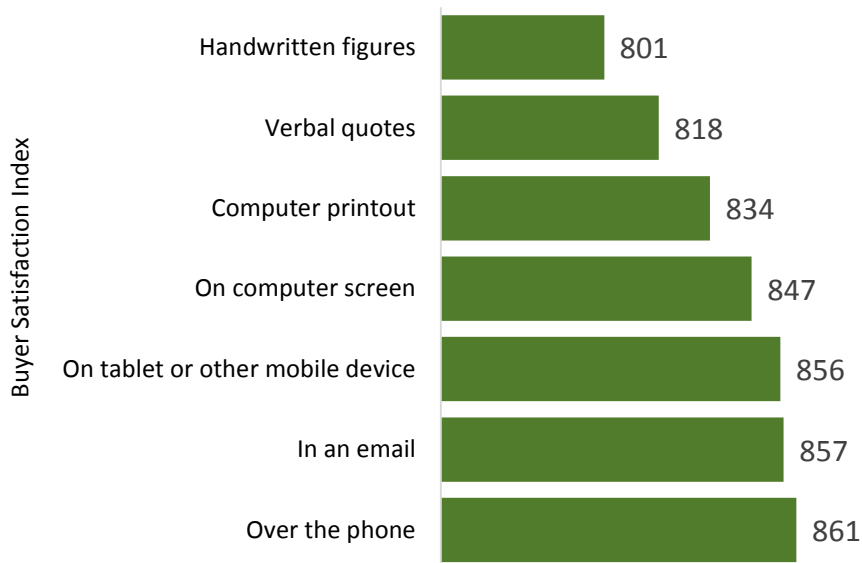
- For both Non-Premium and Premium brand vehicle buyers, between 40%-46% of customers say that no digital device was used by a sales consultant during their sales process.
- Of those cases where a digital device is used, the most frequently used are tablets and touch screen monitors; both of these devices were used with more frequency among Premium vehicle buyers.
- Of note, 22% of all sales experiences involved the use of a sales consultant's own personal smartphone, while a customer's smartphone was used only 10% of the time.
- That said, 65% of all customers say they felt that the use of their own personal smartphone was "very effective," while only 56% of customers say that they felt the use of the sales consultant's smartphone was "very effective."
- As a result, when possible, sales consultants should try to share information with customers on the customer's personal smartphone, rather than on the sales consultant's personal smartphone.

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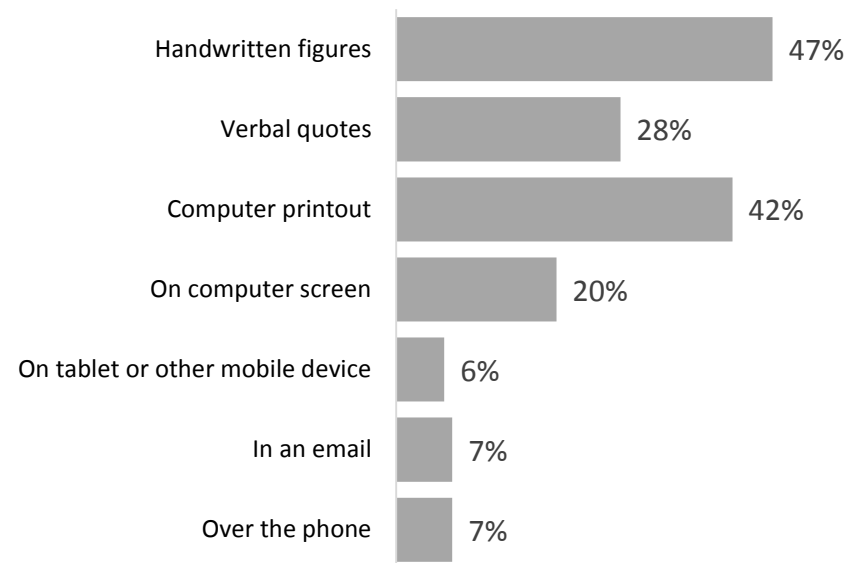
Price Presentation to Customers

There appears to be a disconnect between price presentation method and satisfaction

How did the dealership present price/ payment options? (Total Industry)



How did the dealership present price/ payment options? (Total Industry)



- When dealership personnel present price and payment options to potential customers, different methods produce different levels of satisfaction.
- Not surprisingly, satisfaction is lowest among buyers who receive handwritten figures and verbal quotes, even though these two methods are used among the most frequently.

The vast majority of the most impactful KPIs are completed $\geq 80\%$ of the time

- Key Performance Indicators (KPIs) are dealership processes that have the greatest impact on the sales experience and overall Sales Satisfaction Index scores.
- Based on the *2017 U.S. Sales Satisfaction Index Study*, nine of the 10 the most impactful KPIs are completed more than 80% of the time.
- The one exception is the “very effective” use of a digital device by the sales consultant during the sales process, which occurs just 59% of the time.
- While the successful completion of most of these KPIs is high, dealer staff will need to remain vigilant on executing these processes in order to drive high customer satisfaction.

Top 10 Key Performance Indicators in the 2017 U.S. Sales Satisfaction Index

No.	Sales Process Measure	Key Performance Indicators	Frequency that KPI is met	Impact on SSI score
1	Dealer Personnel	Sales consultant completely understood the customer’s needs	87%	+94
2	Working Out the Deal	No difficulty getting a straight answer to: “At what price will you sell me the vehicle?”	90%	+56
3	Delivery Process	Customer’s vehicle was delivered without any issues about the condition of the vehicle	90%	+52
4	Working Out the Deal	Dealer was not pushy in trying to sell a vehicle to the customer	93%	+50
5	Paperwork Completion	Dealer did not attempt to add items to the paperwork that were not agreed to	95%	+41
6	Paperwork Completion	Finance staff was not too pushy in trying to sell additional products	90%	+39
7	Delivery Process	Dealership contacted the customer post-sale to ensure that everything was satisfactory	81%	+38
8	Working Out the Deal	Dealer did not promise (or advertise) one price, and try to change it later	92%	+35
9	Paperwork Completion	Customer did not have to return to the dealership to fix problem(s) with the paperwork	90%	+31
10	Dealer Personnel	The digital device used by the sales consultant during the sales process was “very effective”	59%	+30

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