MARKET OVERVIEW

June 14, 2004

Auto's Lead Management Landscape

by Mark Dixon Bünger

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Includes Forrester user interview data

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After Nine Years In Infancy, The Auto Lead Market Must Mature

by Mark Dixon Bünger
with Sharyn Leaver, Eric Schmitt, and Esther H. Yuen

EXECUTIVE SUMMARY

Consumers are flocking to the Internet to initiate their carbuying conversations, with 27% requesting a price quote from a dealer online. But the flood of 1.8 million leads monthly results in just a trickle of 165,000 sales, and an appalling lack of control means that this potentially profitable channel instead costs OEMs and dealers hundreds of dollars per vehicle it sells. Automakers and dealers must tighten lead management processes and merge online leads into their overall marketing strategies to boost sales and drive down costs.

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NOTES & RESOURCES

Forrester interviewed 28 vendor and user companies, including: Autobytel, AutoNation, The Cobalt Group, DaimlerChrysler, and Kelley Blue Book.

Related Research Documents

"Left Brain Marketing"
April 6, 2004, Forrester Big Idea

"Making Auto Retail Lean"
December 22, 2003, Report

"Get More From Third-Party Auto Sites"
May 5, 2003, Report

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ONLINE AUTO LEADS ARE A BOOMING BUSINESS

From its beginnings with Autobytel in 1995, the automotive online lead market has been dismissed as a circus sideshow of kids "kicking tires" on dot-com Web sites, shaky startup vendors hawking leads from cheapskate buyers, and dealers praying for the Internet to just go away. But in the past two years, the market has rapidly matured — with real customers who look just like offline buyers, real companies with positive profits, and dealers and OEMs making (and spending) real money on leads. It's safe to call it a boom, as:

- **Consumers submit leads to save thousands on their car purchase.** Most new car buyers check specs and prices online, saying that OEM and independent Web sites are their most important sources of vehicle information.[1] More and more are interested in starting the transaction online as well: 27% of new-car buyers say they use online quote tools, up from 17% a year ago (see Figure 1-1).[2] Even those who don't follow through via the Web are making purchase decisions there: For example, AutoTrader.com found that Web-driven phone leads to their dealers outnumber online leads nine-to-one.

"I don't think lead growth will slow, even if the showroom experience gets better. I believe we'll have double-digit increases as they become more comfortable with the process. No doubt that we're in a growth mode — definitely not near a plateau."

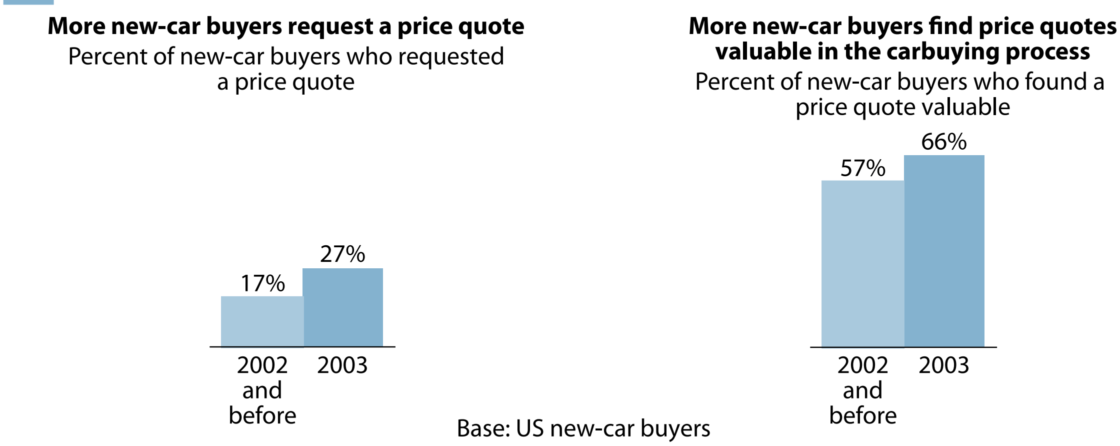
- **Dealers embrace online leads in hopes of driving new sales.** Dealers have made a truce with online leads, attracted by their $20 price tag — which is far lower than the $512 NADA says they spend on average to sell a car.[3] According to *Ward's Dealer Business,* top dealers rushed to third-party lead providers in 2003, increasing the average number of services they use from 5.3 last year to 8.6 this year (see Figure 1-2).[4] And at Forrester's Automotive Workshop this past March, AutoNation announced that it now sells 25% of its new cars and 17% of its used cars online.[5]

"Edmunds.com has doubled the close rate on the leads they send us over the past 18 months, mostly through improving the consumer experience. Getting closing rates from 3% up to 6% is a lot more effective way to sell more cars than getting traffic up from 1 to 2 million unique visitors."

- **OEMs measure online leads to optimize billion-dollar ad budgets.** Mitsubishi ended its Super Bowl cliffhanger racing spot with an admonition for viewers to go to www.seewhathappens.com. Why? So it could capture data about the 290,000 viewers that logged on as leads — and track them through the sales process.[6] For the first time in marketing history, integrated online-offline campaigns make it possible for OEMs to quantify the return they get from the $15 billion or so they spend annually on nonaddressable media from TV to *Time* magazine.[7]

Figure 1 Online Leads Enter The Mainstream

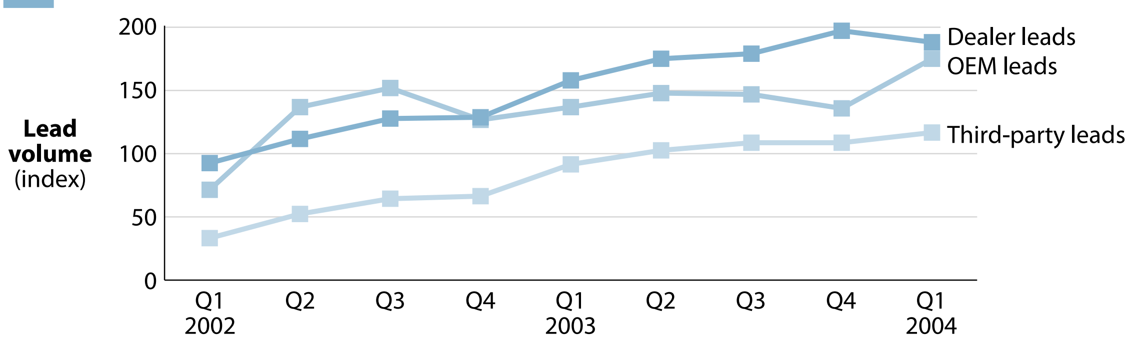
1-1 Twenty-seven percent of new-car buyers requested a price quote in 2003



Base: US new-car buyers

Source: Forrester's Consumer Technographics® Q4 2003 North American Study

1-2 Lead volumes from all sources keep rising



Source: The Cobalt Group

Source: Forrester Research, Inc.

> "OEMs like the measurability. You get numbers you can't get from any other medium."

> "You definitely have high performers, low performers, and nonperformers among your dealers. We now have the quantitative, objective data to convince them that leads are important. The reporting, Web analytics, etc. are making the argument more convincing. It's much better than the anecdotal, subjective info we had before."

The Auto Lead Landscape Is Maturing

The online lead management market is maturing, but there's still confusion about who does what, how much they do, and how much it costs. To map out the landscape for this report, Forrester gathered data from internal reports and 28 interviews with OEMs, dealers, aggregators, and third-party sites; we then corroborated these findings with data from market-spanning sources like The Cobalt Group's Lead Manager and Nielsen//NetRatings.[8] We discovered that the marketplace is settling down as (see Figure 2-1):

- **Consumer sites consolidate, even though there are still too many.** Early on, there were thousands of third-party sites that concentrated either on providing information for customers doing research *or* dealer contacts for those wanting to submit leads. But when the dot-com bubble burst, those two categories consolidated into one: Today there are 24 major third-party sites like CarsDirect.com and Kelley Blue Book and about 300 smaller sites that all provide some degree of research and leads. These independent sites sell 930,000 leads monthly for $20 to $30 directly to dealers and OEMs or $5 to $15 at wholesale to lead aggregators. There are also about 40 OEM sites and 19,000 dealer sites generating an additional 480,000 and 380,000 leads, respectively (see Figure 2-2). OEM sites like GM BuyPower and FordDirect.com pass on leads to dealers from their Web sites, sometimes for free and sometimes for a fee — buying leads in bulk from third parties for $15 and selling them to dealers for $19.

"Certain third parties, notably Kelley Blue Book, are doing better than we are on quality. But our volume is growing — we're generating more leads off of our own Web page than we get from any of the third parties."

- **Lead aggregators emerge to filter — and feed — the flood of leads.** Four companies do most of the dirty work of aggregating leads: They remove incompletes and duplicates, filter out the nonsense names, and generally clean up the raw output from consumer sites. On average, 10% to 30% of leads don't make the cut. Dealix, which pioneered this market, now uses humans to do the final check before passing along leads to dealers. These filtered leads sell at "retail" for $20 to $35.

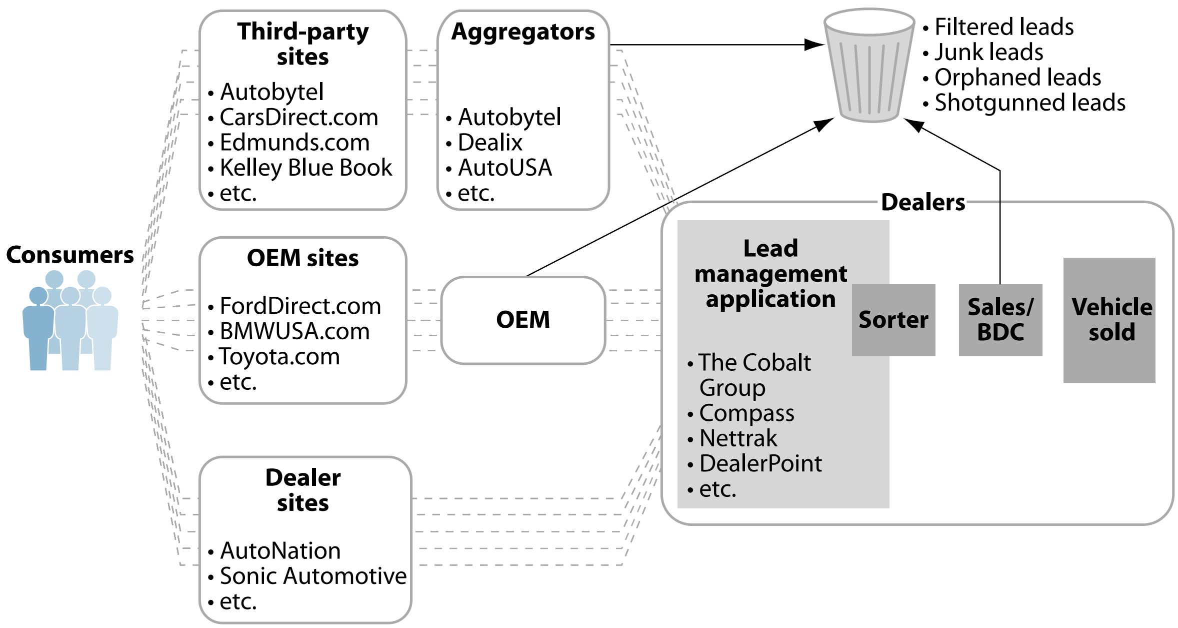
"The aggregators control the market. For the dealers to accept a lead, they demand a certain amount of information. The phone number is the big thing; we can't sell a lead without a phone number. That cuts lead volume down quite a bit."

- **Lead management tools inch toward enterprise-grade.** Dealers put the leads they buy from aggregators and/or get from their OEMs into lead management tools like Nettrak or AutoBase. Some OEMs mandate a certain lead tool, such as AVV at Mazda, so multifranchise dealers are forced to use multiple systems. Other dealers add the online leads to a CRM-based system like The Cobalt Group's Prospector that manages all types of leads, including walkups, phoneups, and existing customer touches. And megadealer AutoNation has its own proprietary tool, Compass. But Forrester estimates that less than 30% of dealers use a true lead management system, while another 40% use rudimentary "tools" like Yahoo! Mail, Excel, and Outlook.[9]

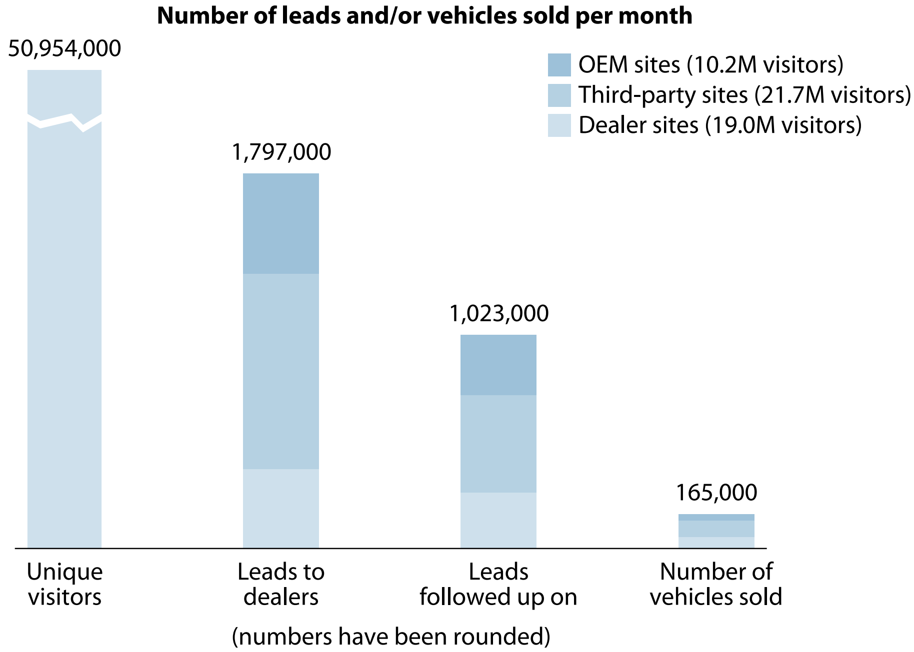
"The best lead tools are the simple ones: AutoBase, The Higher Gear Group, and Cowboy. Process management tools don't work. In fact, we're going to disable some functionality."

Figure 2 The Auto Lead Market Landscape From Consumer To Close

2-1 The lead funnel from consumer sites to cars sold



2-2 Measuring lead funnel volume



Source: Nielsen//NetRatings, *Ward's Dealer Business*, *Automotive News*, and Forrester Research, Inc.

Source: Forrester Research, Inc.

POOR PRACTICES SPOIL LEADS' PROMISE

Online leads could make dealers millions and save carmakers billions by lowering the cost of sales, cutting back wasted ads, and improving the match between supply and demand. But that promise goes largely unfulfilled because today's lackadaisical lead management practices drown out the demand signal in noise. The system breaks down when:

- **Users fail auto Web sites' quote-request tests.** Consumers would use quote request tools even more if OEM Web sites didn't make it so darn hard. In one Forrester study conducted with Vividence, 30% of consumers told us they *wanted* to request a quote at OEM sites, but an average of 48% were unable to figure out how — a higher failure rate than any other task.[10] Look-to-book lead ratios are in the 2% to 5% range on OEM sites. Granted, OEMs don't want every single visitor submitting a lead if they aren't interested in buying the vehicle. But it's not good when poor usability forces a serious buyer to turn to more expensive channels like third-party sites — or to competitors' sites.

- **Lead aggregators use "conquesting" and reselling.** Some aggregators like Dealix "conquest" consumers from OEMs that don't buy their leads, by passing customers looking for a Hyundai Santa Fe to a Ford dealer that sells the competing Escape, for example.[11] Aggregators have also been accused of shady practices, such as selling leads multiple times, buying email lists, and recycling old leads from months past.

"There are some pretty incestuous relationships among the third-party lead providers. We benchmark their close rates so the bad providers get weeded out, eventually."

"This topic of reselling leads is taboo — nobody wants to talk about it because the dealers don't like to hear it. It's very touchy. These practices are going to drive dealers to their own sites and to OEMs' leads."

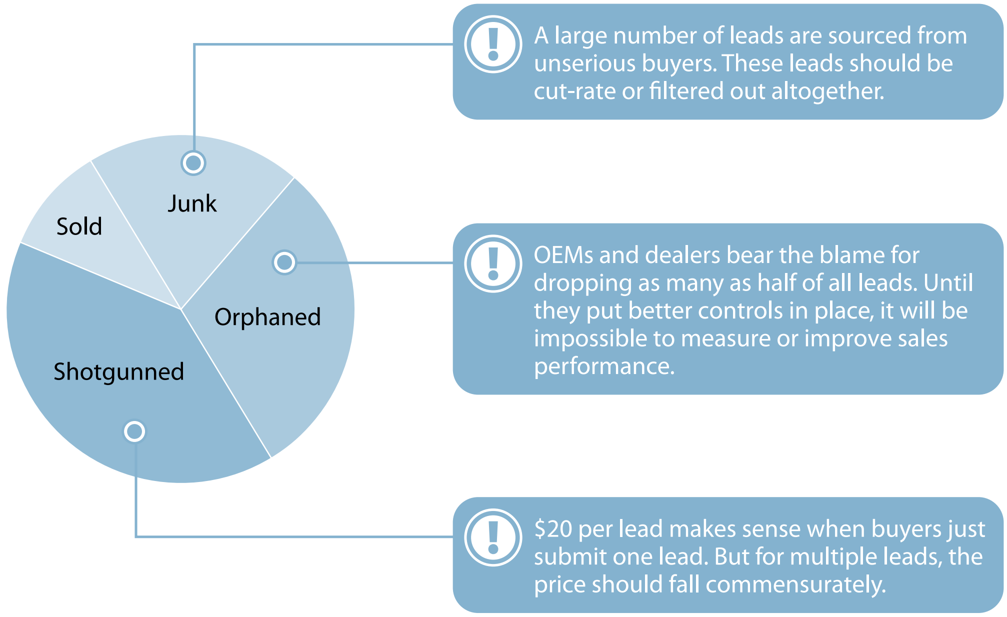
- **Consumers get bad or no response from dealers.** Dealers simply drop as much as 50% of leads — they never respond to them at all. And even when they do, it's frequently several days after the lead was submitted — average lead response time is still more than 48 hours for most OEMs we interviewed.

"Of our dealers, I'd say 10% really 'get it,' and about 30% are kind of trying. But 60% don't even know where to begin — and don't care."

Data Quality And Leakage Issues Equal Lost Opportunity

How much do these poor practices hurt the auto industry? A lot. Of the 1.8 million leads consumers generate each month, dealers only close about 165,000 — meaning that given 10 leads, fewer than one results in a sale (see Figure 3). Of the others:

Figure 3 How $30 Million In Leads Turns Into Just 165,000 Vehicles Monthly



Source: Forrester Research, Inc.

- **Four are orphaned leads that hit dead ends in the system.** Of the valid leads, some are dropped because no dealer owns the territory, the lead is sent to a dead email inbox, or the lead is simply ignored by dealer personnel who are too busy to be bothered. If OEMs and dealers would tighten up processes and accountability, they could sell 40% more cars online and get better demand data to boot.[12]

- **Three are shotgunned leads that shouldn't sell at retail.** Many buyers submit multiple leads through several sites, making the odds that these leads will close much lower. With dealers still paying the $20 per lead price established de facto by Autobytel a decade ago and automakers and dealers spending millions to build and maintain their own sites, the cost of multiple leads per buyer adds up to about $200 for every vehicle sold online. Lead vendors protest that these leads close at a higher rate, but even taking that into consideration, they're twice as expensive as they should be (see Figure 4).

- **Two are junk leads that pollute the demand stream.** Despite filtering technologies, some leads are spurious — double and triple leads, sourced from unserious or even unaware consumers. If leads were priced according to the value they bring, they would cost at most $100 per vehicle sold.

Figure 4 Even With Higher Close Rates, Shotgunned Leads Should Still Cost Less

	Leads per buyer	×	Cost per lead	÷	Close rate	=	Cost per vehicle sold
Single leads	1		$20		20%		$100
Shotgunned leads	3		$20		30%		$200

! OEMs and dealers should either:
- Block multiple leads and only pay for the first one or
- Discount payment for multiple leads to compensate for their lower value

Source: Forrester Research, Inc.

FIRMS MUST SQUEEZE MORE VALUE FROM LEADS

The online channel was supposed to be cheaper to service, but $200 per vehicle is outrageous, especially given the fact that online sales have yet to make a corresponding dent in the auto industry's rising advertising and sales costs (now well over $2,000 per vehicle). To glean more value from online leads, firms must:

1. Turn more leads into sales by eliminating leakage.
2. Lower the cost of online leads by merging lead management and marketing.

Eliminate Lead Leakage Today With Tighter Lead Management Tactics

For most dealers, complex lead management systems are overkill, because even the flood of 1.8 million leads monthly works out to fewer than three leads per dealership per day.[13] So dealers can't be expected to take the lead in improving lead management processes or investing in tools. OEMs must help dealers crawl, walk, and then run by (see Figure 5):

- **Getting dealers off of homegrown tools.** You can't change what you can't measure. And to measure and manage leads, OEMs need to wean dealers off of homegrown tools. At the very least, OEMs should subsidize an ASP-based system, like The Cobalt Group's Lead Manager or AVV's WebControl. For dealers that insist on going their own way, use STAR standards to integrate existing tools with OEMs' in-house CRM systems like Siebel 7.7.

- **Sharing data selectively.** Dealers are stigmatized as being averse to data, but they're not: The majority of dealers are willing to share data about leads, as long as they get data in return.[14] To start the sharing, OEMs should create a dealers' view of their entire demand dashboard and make it available to all dealers that contribute information.[15] As dealers increasingly embrace measurement culture, they'll capture and share data about phoneups and walkups as well, giving OEMs ever-clearer foresight into demand.

- **Making lead management the top process training priority.** Bad news for OEMs that struggle to get their dealers to respond to leads at all: The bar keeps moving higher. Best practice is no longer responding within 24 hours — less than 60 minutes is the current benchmark. Because of dealers' high turnover rates (100% annually is not unusual), OEM trainers struggle to keep a continuous stream of new salespeople up to speed. To school the "green peas" who are hired in between training visits, OEMs should crib notes from the airlines' eLearning strategies, which integrate CD-ROM, Web-based, and other computer-based training with actual work.[16]

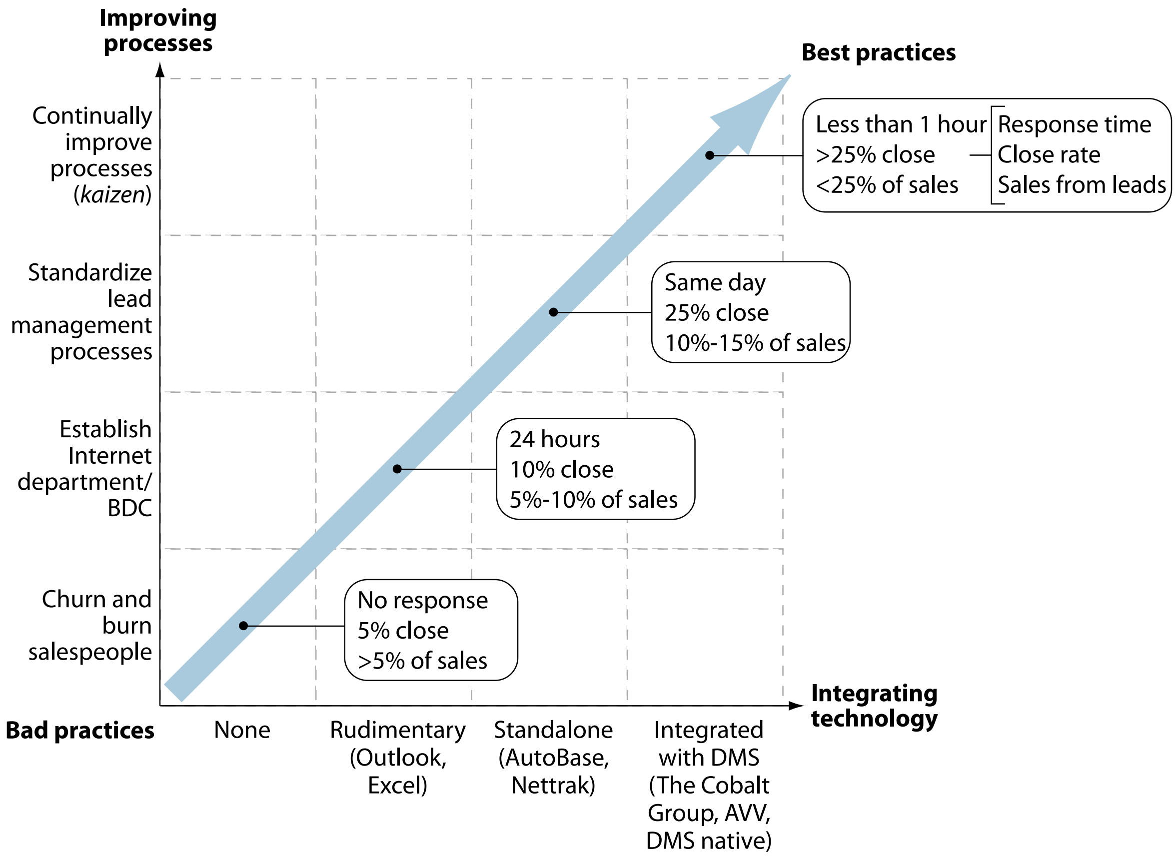
Cut Lead Costs To Size By Merging Lead Management With Marketing

Leads make no sense if dealers and OEMs end up paying $200 extra per car sold. For the industry as a whole to benefit and online leads to fulfill their promise as a better way to buy cars, OEMs and dealers must get the per-car cost below $100 by integrating lead management with three marketing practices:[17]

- **Merge ads and leads — pay for one or the other.** The same way automakers have begun to stratify their third-party site relationships and buy online advertising bundled with leads, they should expand the concept to previously unmeasurable media like TV and print.[18] Rather than pay $2.25 million to reach 90 million Super Bowl viewers with a 30-second spot, OEMs will pay $10 per resulting lead — the equivalent of 225,000 leads. Of course, this makes Mitsubishi's 290,000 registrants look like a bargain — and the ads that didn't direct viewers online like a big mistake.

- **Combine configuration and leads — lose fewer of both.** "New-generation" carmakers like Scion and MINI have made a virtue out of vice: Rather than telling customers they have to wait weeks for their cars, they get them to come online and customize their car with options that can be installed in port or at the dealership. Besides attracting passionate customers, the strategy effectively bypasses third-party sites, because it's hard to pass on a lead for an unbuilt vehicle, and they don't lose sales on the lot because the right car isn't available.[19] By making the OEM site the storefront, MINI USA and Scion capture more leads earlier — for free.

Figure 5 Capture More Lead Value With Tighter Processes And Technology



Source: Forrester Research, Inc.

- **Integrate lead tools with dealer sales systems — cut costs and confusion.** Dealer management systems cost dealers anywhere from hundreds to thousands of dollars monthly. Adding a standalone lead management tool can add hundreds of dollars more — not to mention tens of thousands for installation, integration, and workarounds when the integration falls apart. Few dealers truly need the fancy features of a "best-of-breed" standalone app like Nettrak; it makes more sense to use a less expensive tool that's already integrated with the dealer management system (DMS). For example, later this year, Reynolds and Reynolds is launching a new "lite" version of its contact manager to help new dealers get started with Internet leads only. It's also a standalone app, so OEMs can roll it out to their dealers even if they're not Reynolds and Reynolds dealers.

Lead Management Leaders' Lessons Are Easy To Emulate

Although the industry as a whole is clearly overspending and undermanaging leads, there are a few early leaders that are starting to crack the code. Interestingly, none of today's leaders have an inherent advantage — stellar products, docile dealers, or the like — that makes them uniquely able to capture the online lead opportunity. The one common feature is a willingness to challenge unspoken rules of the car business when those rules get in the way of selling more cars. To copy their success, OEMs should:

- **Push process perfection, like Audi.** OEMs are supposed to keep out of dealers' in-store processes, letting the franchisees run their business the way they see fit. But at Audi of America, insight into the lead process is so critical that the automaker is establishing a consulting group to go in to dealerships to help them get it right. With new processes in place to improve dealer lead follow-up and incentive dollars behind it, they've achieved 82% follow-up — and 62% in less than five hours.

- **Close the lead loop, like Mazda.** Smaller automakers tend to compromise with large, multifranchise dealers on issues of technology and data sharing. But Mazda mandates one lead management tool, AVV's WebControl, and tracks dealers' results with a closed-loop system developed by Harte-Hanks and Proxicom. The new system cuts Mazda's lead costs by only paying for the first lead an individual submits; moreover, it has helped get dealers to respond to 91% of leads within 24 hours. The result? Mazda sells 10% of its vehicles online, despite buying leads from just two third-party sources.

- **Let salespeople be salespeople, like AutoNation.** With shotgunned leads flooding the market, carmakers and dealers are building complex scoring algorithms that get the hottest leads into dealer hands fastest. While this data is invaluable for OEMs and dealer principals, sales staff may be better off without it. Sales purists like Gary Marcotte, VP of New Vehicle and eCommerce Operations at AutoNation, claim that all leads should be passed raw to dealer salespeople — their job, after all, is to sell something to anyone in any situation. He says follow-up is essentially 100%. For the same reason, Infiniti has actually shut off the lead scoring functionality in its systems.

RECOMMENDATIONS

HOW TO TURN LEADS FROM LIABILITIES INTO ASSETS

- **OEMs: Choose simplicity *or* brand-building to increase conversion rates.** Kelley Blue Book presents thousands of current and past models simply and clearly; MINI USA presents just one, in a way that is both true to the brand and easy to use. Most OEM sites try to do both for their entire lineup and fall short of these two leaders in the process. Automakers should choose sides on a model-by-model basis: Create and promote model- and campaign-specific minisites to gather leads for hot cars, while vastly simplifying the overall brand site for bread-and-butter vehicles.
- **Dealers: Get aggressive about lead acquisition.** Today, a dealer successfully managing leads might boast that she gets 25% of her sales online. But our data shows that even this level of success ignores a sea of untapped potential. One vendor we spoke with has a dealer customer who took all of his ad dollars and put them into generating leads; he now buys from 200 sources and sells 70% of his cars online. Leaders with good processes in place should be equally aggressive when acquiring and closing online leads, conquesting outside their territory and outside their brands.
- **Third-party lead providers: Tighten alliances and brace for cost-cutting.** Forrester expects to see a continuation of horizontal mergers and vertical integration, like Autobytel's purchase of AVV and StoneAge (now car.com). To prepare, abandon today's loose Web of flirty alliances and start to strengthen ties to complementary companies. First, align a top-10 consumer site with a lead aggregator, a lead management tool, and a dealer management system (extra credit: an independent financing company like LendingTree). Begin with technical integration of leads, but move quickly to cut costs by sharing noncore functions like call centers and ASP hosting facilities.

WHAT IT MEANS

LEAD MANAGEMENT WILL BECOME AUTO RETAIL TECHNOLOGY'S CORE

If these necessary changes don't happen, the online lead landscape will collapse. But it's more likely that these and even more radical improvements will reform the landscape in ways that are not just beneficial to today's players — they will also significantly improve the performance of automotive retail overall. Leads — whether they are online or sourced elsewhere — will become the *kanban* cards that auto retail follows. Enabled by technology vendors' new offerings, this will happen in three steps:

- **ADP and Reynolds and Reynolds will reorganize the DMS around leads.** DMS systems have historically been accounting systems. But increasingly, CRM sits at the core of a dealer's activities. In the next 36 months, DMS heavyweights ADP and Reynolds and Reynolds will make sales process management their central offering. The risk, however, is that they can't afford this effort while their core business is under attack from half-price, ASP-based startups like Cyclone Commerce and NeoSynergy. Instead of going it alone, they'll pull in software giants that have been unsuccessful reaching down to dealers in the past — look for Reynolds and Reynolds to align with Siebel, and ADP with SAP.

- **Autobytel will build a consumer-to-carmaker superhighway.** Today, leads fall through the cracks as they are passed off from Web site to aggregator to lead management tool to salesperson; accountability and financial control leak out with them. At the same time as in-store tools become better for managing lead flow, external tools will integrate from Web site to showroom floor as well. Autobytel's turnaround was based on "dealer tools" from the beginning, and its acquisition of lead management system AVV last summer was a clear extension of that strategy. Kelley Blue Book is also pursuing vertical integration with its purchase of CDMdata earlier this year. As plummeting lead prices put pressure on Autobytel, look for it to acquire a small DMS vendor and complete the circuit from consumer to dealer to OEM and back.

- **Dealers will get free leads with their DMS, or vice versa.** With both lead prices and DMS fees declining by half or more, the downstream and upstream sides of the business will soon turn on each other. As Autobytel buys a startup and offers completely free DMS service to its paying lead customers, Reynolds and Reynolds will counter with an MSN alliance that provides free leads — further bolstering the strong Microsoft relationship it cemented when it bought Microsoft Navision-based Incadea.[20]

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

ADP

Audi of America

Autobytel

AutoNation

AutoTrader.com

BMW of North America

cars.com

CarsDirect.com

ChannelNet

The Cobalt Group

DaimlerChrysler

Dealix

Edmunds.com

FordDirect.com

iMotors.com

Kelley Blue Book

Land Rover

Mazda North American Operations

Proxicom

Reynolds and Reynolds

Trilogy Software

Volvo Car Corporation

Ward's Dealer Business

ENDNOTES

1 In Forrester's Consumer Technographics® 2003 North American Benchmark Study, 68% of consumers rated independent Web sites as "important" or "very important" in helping make decisions about their vehicle purchase. For OEM Web sites, 59% of consumers said the same thing. Only *Consumer Reports* ranked higher at 74%. See the June 25, 2003, Brief "What Influences New-Car Buyers?"

2 Today, 19% of all buyers and 26% of those younger than 35 say they use online quote tools. More than 60% of those who use these tools find them valuable — about the same value they ascribe to dealership personnel. See the May 26, 2004, Trends "Catching Up To Young New-Car Buyers."

3 According to newly released NADA figures, ad expense rose by 15% in 2003, to $512 per vehicle. Internet advertising made up 5.3% of the total. Source: 2004 NADA Data.

4 Source: *Ward's Dealer Business,* April 1, 2004.

5 The very term "online sale" used to be a matter of debate — after all, cars can't be purchased and paid for online like a book or CD. Today, there is more widespread agreement on what constitutes an online sale: A consumer who requests a price quote online for a specific make, model, and dealer and buys that make and model from that dealer.

6 It's doubtful that other automakers could measure the response to the potty-mouthed kids and flatulent horses that their ad agencies chose to show America's single biggest audience.

[7] The ability to address media to increasingly narrow segments of the population is a prerequisite for measurability. For example, American Express has become so comfortable with measurable marketing techniques that during the past 10 years, it has shrunk TV spending from 80% to 35% of its overall marketing and advertising budget. Integrated campaigns that cross addressable and nonaddressable media are growing in impact and importance. For example, by integrating TV, Web, ITV, email, and mobile phones in 2002, Volvo Cars of North America saw an amount of contest entries, opt-ins, and survey responses two to seven times greater than the year before. In addition, a DynamicLogic branding study showed significant increases in brand awareness and purchase intent. Addressability will become increasingly easier as the proportion of time that consumers spend on addressable media grows. For example, 24% of consumers tell us that since going online, they have decreased their use of television, and another 20% say the same about newspapers and magazines. And TV itself is becoming addressable: By 2007, 38.8 million US households will have uniquely identifiable digital cable boxes. See the April 6, 2004, Forrester Big Idea "Left Brain Marketing" and see the April 1, 2003, Brief "Integrated Marketing Best Practice: Volvo Cars."

[8] For this report, OEMs, third-party sites, and dealers provided us with data about their lead operations in interviews and on data sheets. We also used site traffic data from January to March 2004 from Nielsen//NetRatings, and The Cobalt Group provided anonymous, aggregated data on 8.4 million leads from 132 lead sources. Due to the heterogeneity of the source data, the sources' need for confidentiality, and the potential inaccuracy of the sources, the numbers provided in this section should not be interpreted as exact figures reported from a specific period. Based on our analysis, these figures represent our best estimate of the lead marketplace today.

[9] Although the market is growing, even the 10 largest lead management vendors have just a few hundred dealer customers each today. We estimate that approximately 7,000 of the 22,000 US dealers use packaged lead management systems.

[10] Thirty percent of consumers told us they *wanted* to request a price quote at OEM sites, but an average of 48% were unable to complete the task. Interestingly, just 20% said they would want to use a third-party site to get a quote. See the November 22, 2002, Report "Building A Better Automotive Web Site."

[11] For example, searching for a MINI on CarsDirect.com first produces the message: "We do not have any dealer partners for the make you've chosen . . . our partner, InvoiceDealers, may be able to help you." At the CarsDirect.com-Dealix site (InvoiceDealers is Dealix's consumer-facing site), the shopper is immediately told: "We were unable to match your purchase request for a 2004 MINI Cooper with a local MINI dealership. However, we have found that new car buyers tend to consider several new vehicles in the same price range when buying. If you are also considering one of the following vehicles, we can match you with a local dealer who can provide you with a free price quote."

[12] Of the total of 21 billion demand signals, it's just 0.01% — the 1 million or 2 million contracts for vehicles built to customer order — that directly inform production. The rest are wasted, mangled,

or ignored by an industry structure that misses most of the signals before they can be caught. But over the next three years, the industry will shift away from historic data, such as last year's sales figures, to leading indicators, such as online configurations and requests for price quotes.

[13] The average dealer sees fewer than three leads per day: (1,800,000 leads monthly) / (22,000 dealers in the US) / (30 days in a month) = 2.7 leads per dealer per day. This average masks huge differences among dealerships: While some receive 50 or more leads on a busy day, others — generally smaller, rural dealers — receive just a few per month. (Note: based on responses from 210 Internet managers at dealerships around the country.)

[14] At the 2004 Forrester Automotive Workshop, Forrester presented survey data collected from 210 Internet managers at dealerships around the country with the help of Autobytel. The data shows that more than 54% of dealers would "definitely value" more data about leads, and more than 68% would be willing to share even detailed data about leads (such as what vehicle did the customer buy, when was it purchased, what was the purchase price, etc.). With 22,000 dealers in the US, that's more than 10,000 dealers — more than a critical mass. Integrating systems and processes with even the most cooperative dealers will keep OEMs busy for a few years — enough time to start convincing the skeptics with words and by example. Autobytel fielded the survey to 210 Internet managers at dealerships around the country. See the March 26, 2004, Trends "The Data Dealers Desire — And Will Divulge."

[15] Auto pioneers are starting to correlate consumers' prepurchase demand signals with near-future sales. For these early experiments to become a business process, OEMs must unite all forecasts into demand dashboards. See the July 3, 2003, Report "Auto's First Demand Dashboards."

[16] Like dealership personnel, airline employees who deal with customers on the phone or at the airport need to receive training and updated information online, without leaving their workstation. In addition to CD-ROM and other "traditional" eLearning formats, these may be emails or pop-up job aids that they need to know to do their job. In contrast, many in-dealership, computer-based training systems require the learner to "clock out" of their regular work to do training — which is why compliance and performance are low. See the April 1, 2004, Trends "eLearning Takes Off With The Airlines."

[17] Based on cost per lead and close rate, Autobytel should promise performing dealers a $100 maximum cost per vehicle sold — and back it up with a money-back guarantee. Cost per vehicle sold is the cost of all lead generation divided by the number of leads, regardless of whether the dealer pays per lead or a flat fee. Of course, Autobytel should impose performance minimums for dealers to be eligible for such a guarantee. See the January 25, 2002, Brief "Autobytel's New Driver Needs To Change Direction."

[18] OEMs must select a primary partner and swap media dollars and long-term commitments for highly tailored ad programs, proprietary reporting, and brand-specific analytics. A deep partnership like Volvo's long-standing cooperation with MSN takes effort and trust, but the payoff can be high. See the May 5, 2003, Report "Get More From Third-Party Auto Sites."

[19] MINI USA launched an initiative that combines offline and online interactions to maintain sales momentum and customer satisfaction. A full 25% of prospective buyers have been converted to sales as a result of the effort. See the September 16, 2003, Brief "MINI USA Highlights The Future Of Site Design."

[20] It's significant that Incadea runs on top of Microsoft's small-business ERP app, Navision, and Third Coast Media's WebMakerX is based on Microsoft's .NET development framework, as .NET is behind Reynolds and Reynolds' long-term product strategy, the Generations platform.

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