

The Impact of Lifecycle Marketing & Digital Retailing

EXECUTIVE SUMMARY

As more and more car buyers have turned to online shopping, forward thinking dealerships have pivoted to innovative virtual strategies like Digital Retailing and Lifecycle Marketing.

What impacts have these strategies made and why have so many dealerships transitioned to them?

A comprehensive study conducted on these new online experience strategies revealed a true and lasting impact on automotive dealership sales and service. This whitepaper will cover the following:

1. An explanation of Digital Retailing and Lifecycle Marketing
2. A brief overview of the study - who was involved and how it was conducted
3. A review of the key findings
4. A deep dive into a dealership who was positively impacted by the study

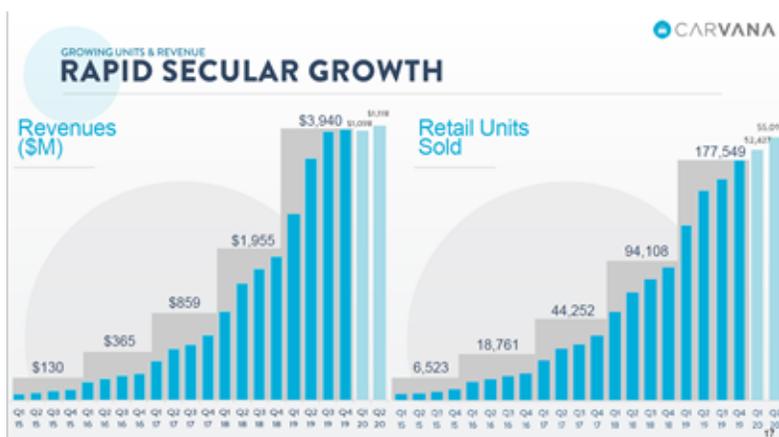
Digital Retailing and Lifecycle Marketing Explained

Digital Retailing is a strategy that enables buyers to purchase a vehicle any way they want, including completely online.

At its most basic level, Digital Retailing is a series of experiences that allow consumers to easily maneuver and engage with a retailer's website at almost all stages of the customer journey.

Digital Retailing in the context of automotive gives consumers the option to engage with the entire car buying process online. As you can see in the sales charts above from Carvana, it's clear Digital Retailing is not a new trend but has been around as a concept for a number of years.

The difference? The trend is picking up and consumers are now expecting a personalized experience and a seamless transition from channel to channel. Because the COVID-19 pandemic has accelerated the use of Digital Retailing, there are dozens of various tools automotive dealers can choose from.



Lifecycle Marketing means marketing to buyers throughout their purchase lifecycle – from research through purchase and maintenance – targeting content to the stage each consumer is in.

Rather than more traditional methods of solely focusing on low-funnel opportunities, Lifecycle Marketing nurtures consumers wherever they are in their unique individual journey. The strategy keeps dealerships top of mind throughout the entire process – whether someone just purchased, is in the discovery phase and looking to purchase, is in an ownership stage, or may be nearing positive equity status.

The power of Lifecycle Marketing has made a significant impact for automotive dealers across the country. According to a 2019 study conducted in partnership with RXA, Experian, and Outsell, Lifecycle Marketing was proven to show 65% higher odds of customer repurchase, a 25% increase in service visits, and a \$427 incremental profit increase per customer.¹

The Study: A Brief Snapshot

The study was conducted in partnership with Outsell, the only Virtual Customer Engagement platform for the automotive industry, and RXA, a leading international artificial intelligence and data science company.

Covering 1,180 automotive dealers across 26 OEM brands and over 7 million consumers, the 18-month long study examined sales history of car buyers to determine what impact Digital Retailing and Lifecycle Marketing has had on auto sales.

1,180 dealerships

26 OEM brands

7 million consumers

Prior sales and service history segmented consumers into cohorts² based on three years of data (2016 – 2018). These cohorts included targeted consumers, prior sale consumers, service only consumers, prospects, engaged consumers, and most valuable consumers.

At the highest level, the Outsell and RXA study aimed to capture the impact of Digital Retailing combined with Lifecycle Marketing on influenced sales to both existing customers and prospects. Here are the key areas the study addressed:

1. Impact of Consumer Engagement
2. Impact to Influenced Car Sales
3. Impact to Sales for both Customers and Prospects
4. Impact to Total Gross Profit

¹<https://www.outsell.com/blog/2019/11/18/outsell-rxa-analysis-18-7-million-vehicle-transactions-finds-ai-driven-lifecycle-marketing-measurably-increases-retention-rates-service-revenue-profitability-dealers/>

²Cohort is defined as a group of subjects who share a defining characteristic (typically subjects who experienced a common event in a selected time period).

Overall Impact of Digital Retailing and Lifecycle Marketing

Digital Retailing and Lifecycle Marketing as standalone strategies and tools are strong ways to increase profit and customer retention, but together their impact is especially noteworthy. Here are some of the key findings that result in marrying a Digital Retailing and Lifecycle Marketing strategy together.

Key Finding: Monthly sales overall dropped by 11% in the last 18 months. To no surprise, most car sales dropped due to the pandemic and uncertainty of the 2020 presidential election.

Key Finding: Despite the drop in monthly sales, total gross profit per vehicle sold increased by 12%. At the start of the study, monthly total gross profit (TGP) sales per dealer was \$1,245. At the end of the study, the monthly total gross profit (TGP) sales per dealer increased to \$1,389.

Key Finding: AI-Driven Consumer Lifecycle marketing outperformed baseline communications by 30%. Sales from customized individual communications dropped 63% less than sales overall.

Key Finding: For consumers who actively engaged with Lifecycle Marketing, there was a 18% increase in influenced sales. The study counted engagements as individuals who clicked on communications that dealers sent to their consumer database.

Key Finding: The total impact of Lifecycle Marketing combined with Digital Retailing showed a 26% increase in influenced sales. To see the difference between those dealers who were implementing Digital Retailing and Lifecycle Marketing strategies to those who were not, the organizers of the study separated and compared the two groups – using the stores without as a control group.

Key Finding: Consumers who engaged with Lifecycle Marketing combined with Digital Retail showed a 45% increase in influenced sales.

Key Finding: The impact of Lifecycle Marketing combined with Digital Retailing showed a 76% increase in influenced sales from prospects. Prospects were defined as a consumer who was not a sale or service customer before the study began. Monthly sales from prospects at the end of the study were averaged by dealer.

Key Finding:

AI-Driven Consumer Lifecycle marketing outperformed baseline communications by 30%.

Newton Motor Group: Digital Retailing and Lifecycle Marketing in Action

Newton Motor Group from Nashville is a prime example of the impact of Digital Retailing and Lifecycle Marketing in action. Before COVID-19 hit, Newton had a Digital Retailing tool called Fastpass (CarNow)TM. However, they did not put FastpassTM in front of their consumers as well as they would have liked.

The team at Newton tried branding campaigns through traditional media channels, promoted over the phone with out-of-state opportunities, and armed salespeople with knowledge and training. Even through all this, they felt a disconnect in the process and were not seeing the results they needed.

To connect this new offering to their audience, Newton pivoted to a Lifecycle Marketing strategy. This strategy ultimately drove higher engagement to their Fastpass™ Digital Retailing tool. By integrating a Lifecycle Marketing strategy into their process, Newton was able to send individualized communications at scale to all their individual prospects and customers. These communications included a video that explained how to use Fastpass™, what Fastpass™ was, and a CTA taking consumers straight to Fastpass™.

Conclusion: Are You Keeping Up?

Dealers that utilize a Digital Retailing tool combined with a Lifecycle Marketing strategy see increased conversions on their engaged consumers, more overall influenced sales from communications, and more sales from both customers and prospects, as well as significant increase in total gross profit.

The data is clear, and the trend is accelerating. The question is, is your dealership keeping up?

Learn how Outsell's Lifecycle Marketing platform paired with your own Digital Retailing tool can help you experience similar results from the study. Contact us to learn more.



“These communications on Digital Retailing won’t be ignored because they’re driven by a Lifecycle Marketing tool. They’re individualized emails based on my consumers’ previous history and interactions with our communications.”

– Katie Rouse, Marketing Manager,
Newton Auto Group



ABOUT OUTSELL

Outsell offers the only Virtual Customer Engagement platform for the automotive industry, creating a personalized consumer experience through AI-driven marketing automation that drives increased profits across sales and service. Our proprietary technology harnesses massive amounts of data creating accurate and powerful consumer profiles that engage your customers and prospects exactly where they are in their individual lifecycles. That's why Outsell is the trusted platform for over 1,500 dealers representing all major automotive brands.

To learn more, visit www.outsell.com or follow us at [@Outsell](https://twitter.com/Outsell).