



Friction Points Study 2024

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Overview

The past few years have been a roller coaster for the automotive retail industry. Yet, at the tail end of 2023, semblances of normalcy returned for most dealerships. Inventories were generally healthy, credit loosened slightly and interest rates started to decline from highs that kept price-sensitive shoppers away.

When CDK fielded this year's Friction Points report of car buyers and dealer respondents, the market had already started on a new trajectory. While there were improvements in many areas, overall, the car-buying process is taking just as long as it did in previous studies, and customer satisfaction continues to fall as time ticks at the dealership.

Dealers told us they've made a number of changes to their operations, including commission structures and balanced headcount, and have seen

improvement almost across the board. Yet, again, the car buyer isn't getting into their new car any faster than they have in the past.

The results also show pain points across the store are improving, and more modern tools are being used during the sale but still by only a fraction of stores.

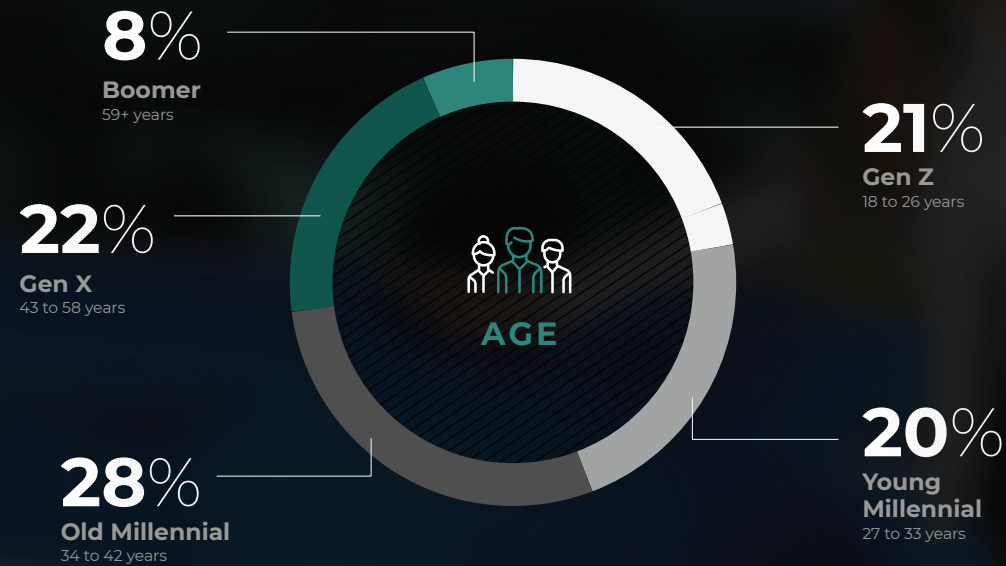


DEMOGRAPHICS

CONSUMERS

1,277

**BUYERS WHO PURCHASED
IN THE PAST SIX MONTHS**
(October - November, 2023)



GENDER

Male	56%
Female	44%



HOUSEHOLD INCOME

Less than \$25,000	6%
\$25,000 to \$50,000	2%
\$50,000 to \$100,000	40%
\$100,000 to \$200,000	26%
\$200,000 to \$300,000	5%

DEALERS

352

DEALER PARTICIPANTS
(October - November, 2023)



DEALERSHIP ROLE

Associate	25%
Department Head	53%
Store Leadership	22%



DEALERSHIP DEPARTMENT

BDC	8%
F&I	16%
Sales Department	22%
Sales Management	28%
Store Leadership	25%



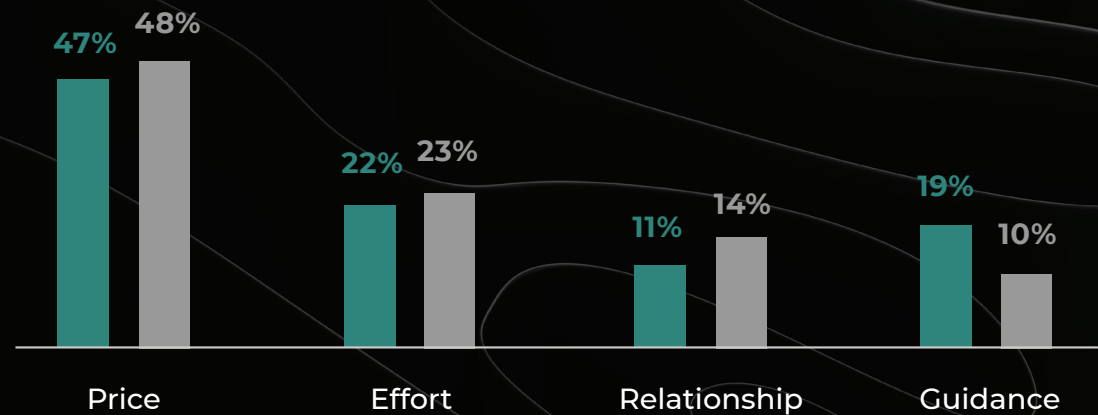
YEARS OF EXPERIENCE

2 to 5 Years	14%
6 to 10 Years	18%
11 to 15 Years	16%
16 to 20 Years	12%
21 Years+	38%

A Look at Today's Car Buyer

TOP DECISION FACTORS IN VEHICLE SHOPPING

■ 2023 ■ 2022



Price is the biggest factor motivating car buyers. And that barely changed this year, falling from 48% to 47%. Other considerations didn't change much either, but one element that did see a big jump — from 10% to 19% — was the number of respondents who said the top factor was the need for guidance through the process.

This trend isn't new and has been a trendline across CDK research in recent months and years. **Today's car buyers, especially the youngest among them, want to learn during their purchase journey.** A number of Gen Z respondents used the word "knowledgeable" to describe their interactions with dealership staff and one specifically appreciated being treated with respect despite their age.

Time Stands Still

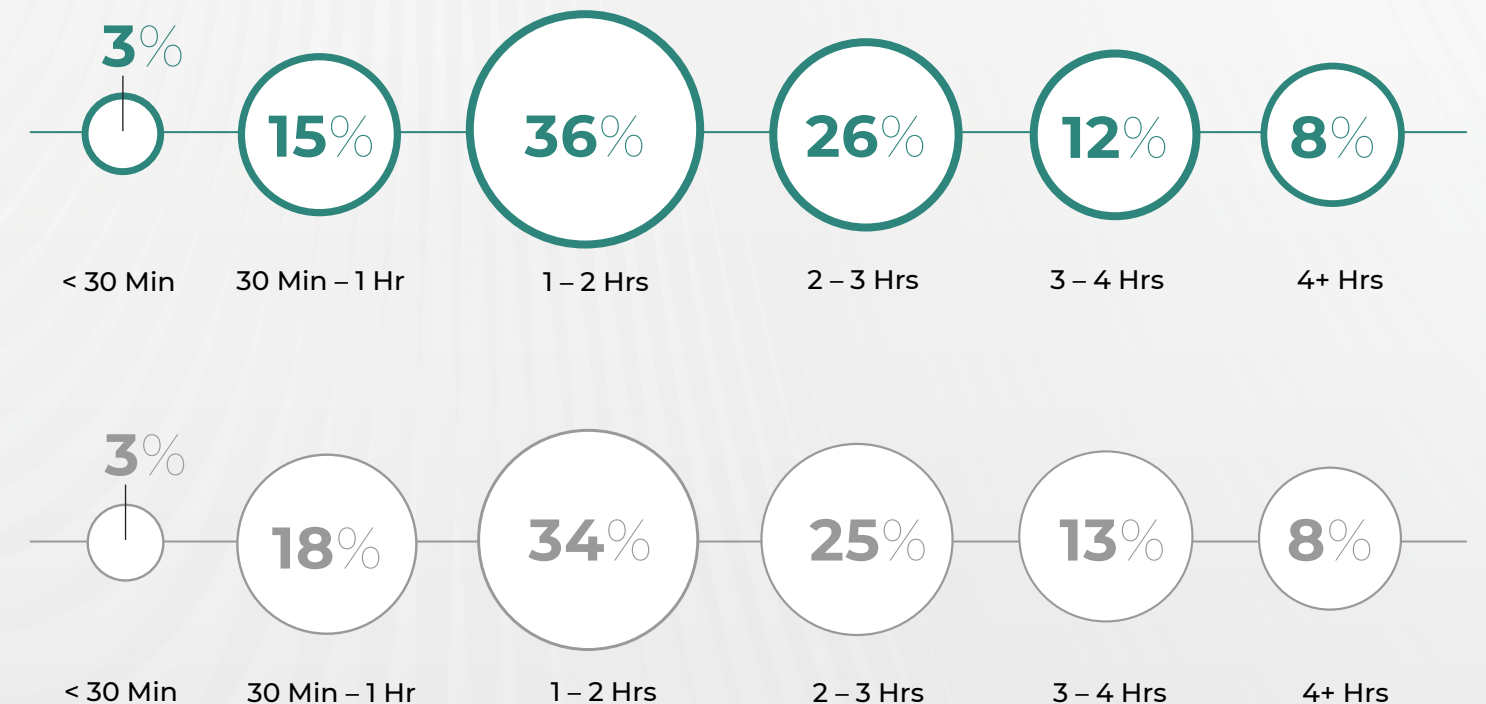
One of the fundamental metrics for this study is time. You can't make more of it or buy it. And the more time a car purchase takes to complete, the lower a dealer's net promoter score (NPS).

This has been established in previous studies, and while dealers did make changes to their operations and saw improvements in certain areas, the time it took didn't improve. Last year, 55% of buyers said they spent under two hours at the dealer. This year, that number retreated slightly to 54%. Forty-six percent of buyers said it took longer than two hours, which was the same as last year.

We asked dealers the same question. Even though there's still a great disparity between dealers who think it takes over three hours to complete a sale, the overall results were almost identical to last year as well.

TIME SHOPPERS SPENT AT THE DEALERSHIP

○ 2023 ○ 2022



NPS Scores and Satisfaction on the Move

There was a dynamic change when it came to how the amount of time spent buying a car impacted customer satisfaction and the NPS score compared to last year.

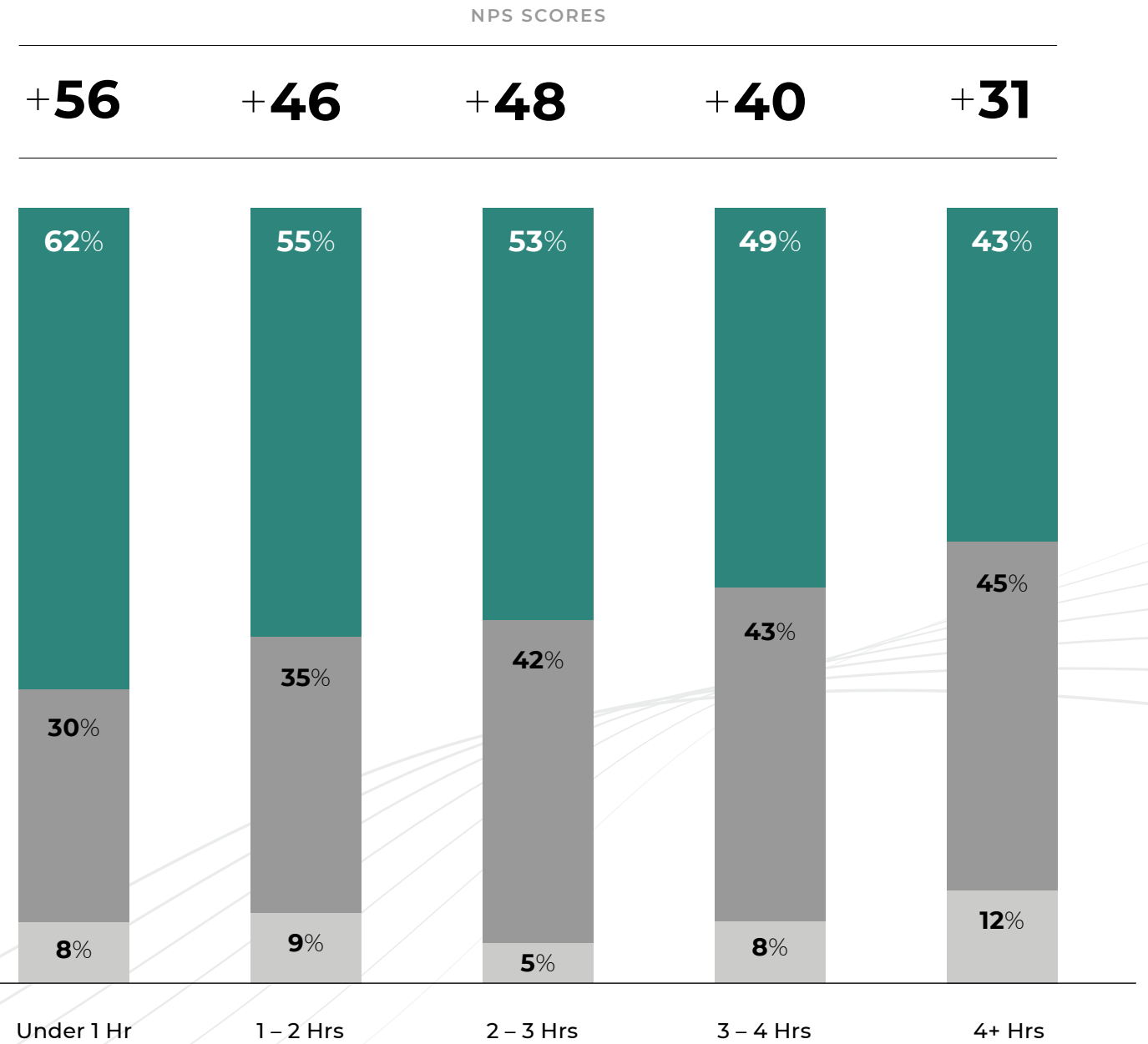
While dealers were still rewarded with higher satisfaction and NPS scores the faster a deal was completed, these numbers changed significantly from last year. If the total time spent was between one to two hours last year, 63% of buyers considered themselves promoters of the dealership and the NPS score was +54. This year, those numbers fell to 55% and +46 respectively.

While shoppers didn't reward for a faster turnaround as much as last year, they also didn't inflict as much damage on the dealers who took the longest. Last year, taking more than four hours would've led to only 31% of buyers saying they'd promote the dealership and an NPS score of just +3. This year, those numbers significantly improved to 43% and +31.

“While shoppers didn't reward for a faster turnaround as much as last year, they also didn't inflict as much damage on the dealers who took the longest.”

SHOPPER RECOMMENDATION AND NET PROMOTER SCORE Based on Total Time Spent at the Dealership

■ Promoters ■ Passives ■ Detractors



Where Dealers Improved

Shoppers report improvements in reducing salesperson wait time for almost all the steps of the buying process other than credit application.

One of the most significant pain points for car buyers is simply waiting for the next step of the process. They have to wait to take a test drive. Then they have to wait for price and trade-in negotiations and, of course, the F&I Manager before finally taking delivery. Add it all up and you understand why the total time hasn't changed much.

However, when asked about each point separately, buyers said they waited less time in a number of areas compared to last year. Not surprisingly, one of the biggest drops was the amount of time waiting around vehicle selection, falling from 37% last year to 29% this year. Clearly, the availability of more cars in inventory helped move that number.

There was an even larger drop in the number of people who waited to sign contracts, falling from 39% to 24% this year. The addition of digital signing tools likely had an impact there, which becomes evident later in this report.

And while the trend of improved inventory availability helped on vehicle selection, the tighter credit market had the opposite effect on applying for credit. This year, 35% of buyers had to wait on the credit application process, up from just 25% last year.



24%

The number of people who waited to sign contracts in 2023



39%

The number of people who waited to sign contracts in 2022

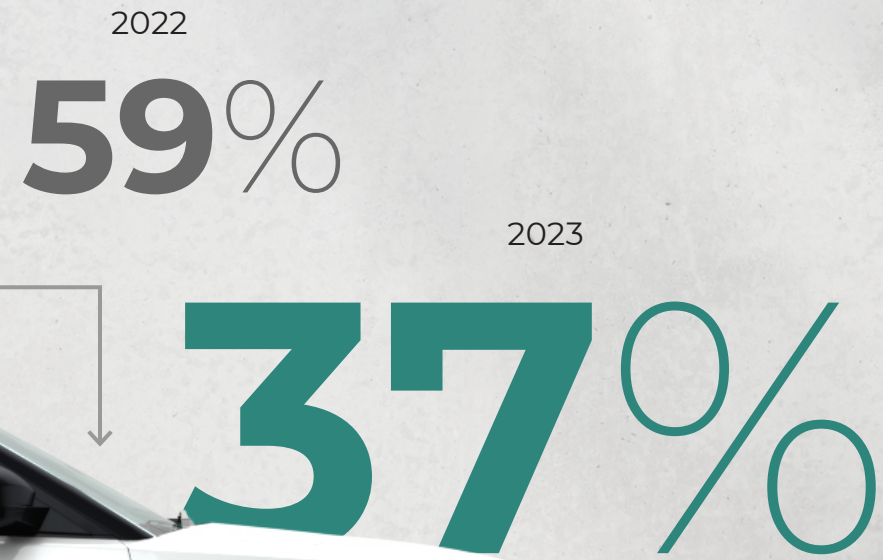
POINTS IN THE SALES JOURNEY WHERE THE SHOPPER WAITED FOR THE SALESPERSON

	PRICE NEGOTIATION	VEHICLE SELECTION	FINANCING	CONTRACT SIGNING AND TITLING	INCENTIVE AND REBATES	TEST DRIVE	CREDIT APPLICATION	TRADE-IN
2023	39% 	29% 	27% 	24% 	22% 	41% 	35% 	21%
2022	48% 	37% 	33% 	39% 	24% 	40% 	25% 	20%

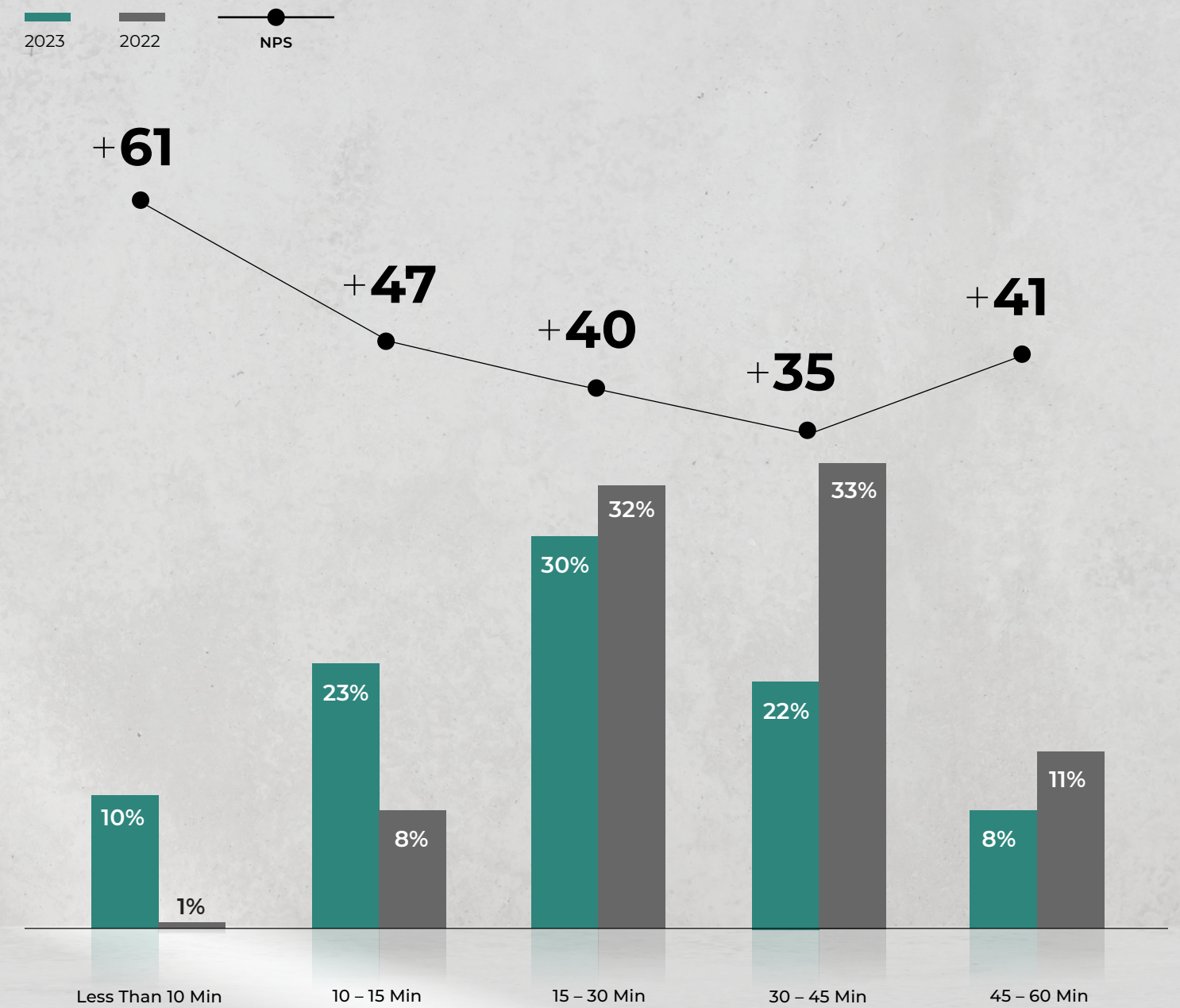
F&I Waits See Massive Improvement

This year, buyers also spent significantly less time waiting to see the F&I Manager. The number of people who had to wait more than 30 minutes fell from 59% last year to 37% this year. And that was with a significant reduction in F&I headcount from 4.4 employees to 2.2 employees per store.

HOW MANY BUYERS WAITED 30+ MINUTES FOR THE F&I MANAGER



TIME SPENT WAITING FOR THE F&I MANAGER



There was a surge in the number of people who waited less than 10 minutes, which is where NPS scores remain high at +61. Even if a buyer's wait is between 10 and 15 minutes, that NPS score drops to +47. Just this one factor can dramatically impact overall NPS scores. However, in a separate CDK study on the F&I department, buyers didn't have a negative view of the F&I process based on longer wait times. It seems buyers aren't blaming F&I but they're dinging the entire store.

Dealers' Strategic Focus

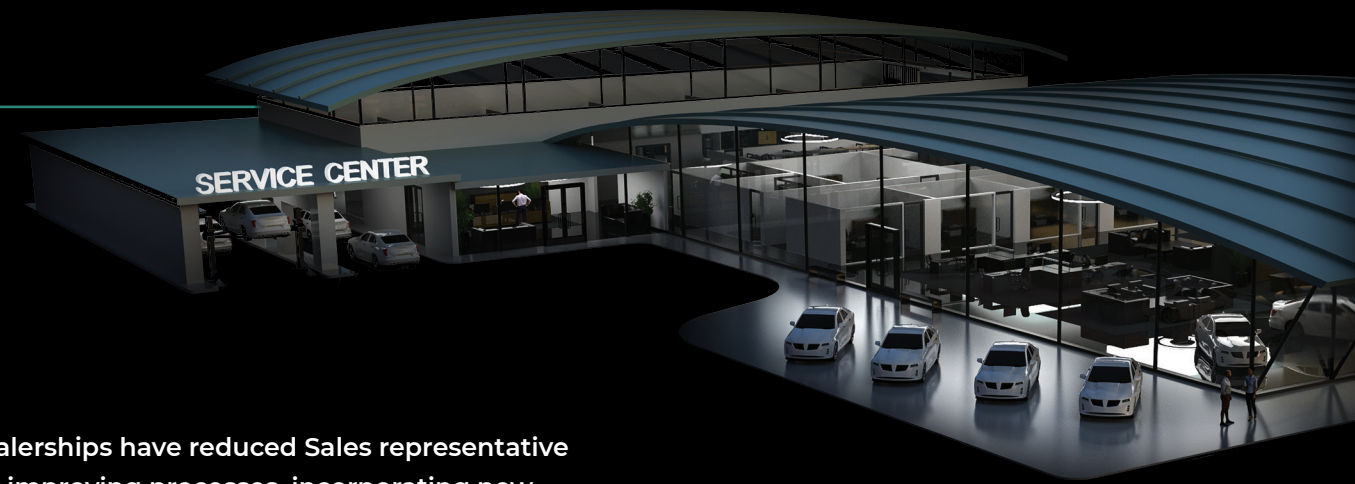
Delivering a positive customer experience is a talking point across the automotive retail industry, and dealer respondents continue to rank it as their top strategy, yet again, moving forward in 2024.

However, the numbers are slightly weaker this year.

There were drops both in terms of total responses, which fell from 89% to 84% this year, and in those who rank customer experience as their most important focus, which fell from 77% to 74% this year.

Other areas all seemed to fall more significantly than customer experience, especially those related to inventory acquisition and reduced staffing.

In fact, this year, dealership headcount and alignment are nearly identical to what each were in 2019 before the pandemic.



Over time, dealerships have reduced Sales representative headcount by improving processes, incorporating new technologies and responding to a high-demand market.

The reduction in Sales staff has only slightly reduced sales per headcount and a majority of dealers say there's the same time spent on sales activities as last year. Only 14% say there's less time to sell than last year, up slightly from 11% in 2022.

WHAT STRATEGIES DEALERS PLAN TO IMPLEMENT IN 2024

○ 2023 ○ 2022



DEALERSHIP HEADCOUNT RETURNS TO NORMAL

	INTERNET/BDC	SALES REPRESENTATIVE	SALES MANAGER	F&I MANAGER
Before COVID	2.4	10.1	2.9	2.1
2022	4.5	11.3	5.2	4.4
Current	2.4	9.3	2.9	2.2



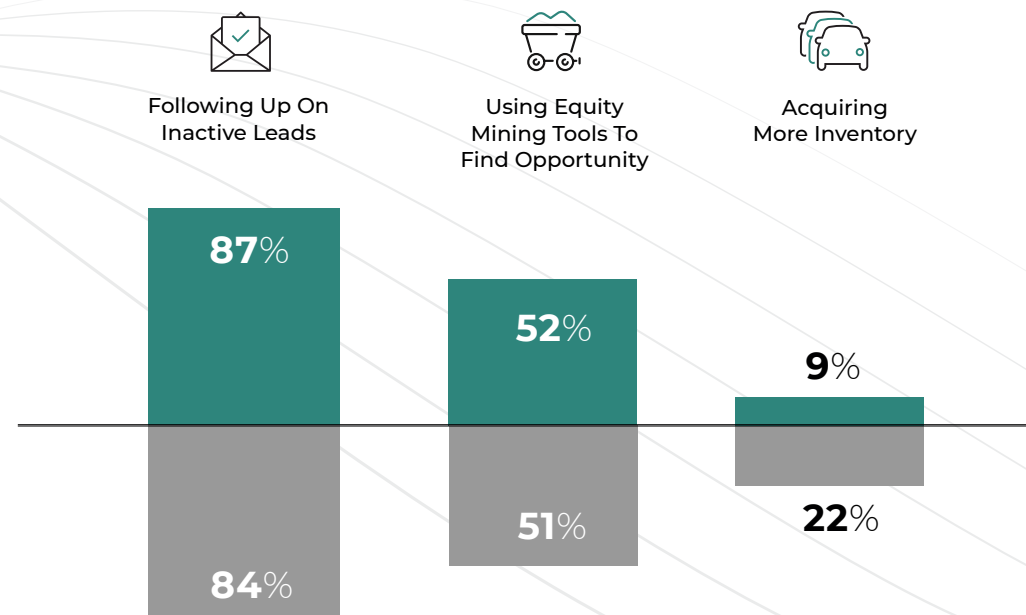
Renewed Focus on Leads

With gradual improvement in inventory supply, Sales is putting less emphasis than they did in 2022 on finding inventory they could sell and spending more time following up on inactive leads. The return of more normal inventory levels has shifted how Sales teams spend their time when not actively selling. They're now following up on leads more and using equity mining tools more frequently.

The staff itself has also seen changes, especially to their commission structure. None of these shifts seem to be outwardly positive for salespeople but are most likely a return to previous norms.

WHAT ARE DEALER SALES TEAMS DOING WHEN NOT SELLING CARS?

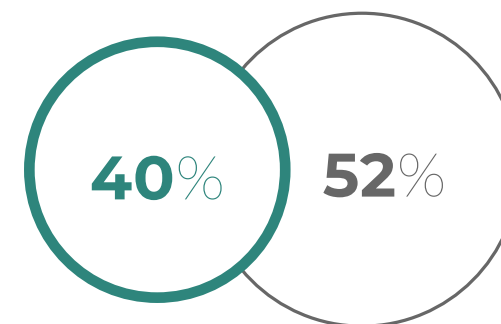
■ 2023 ■ 2022



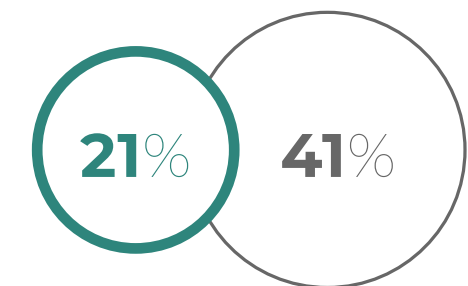
Spending on technology has dropped and sales is spending more time at the dealership as conditions begin to return to pre-COVID operations.

CHANGES MADE TO IMPROVE STAFF PRODUCTIVITY

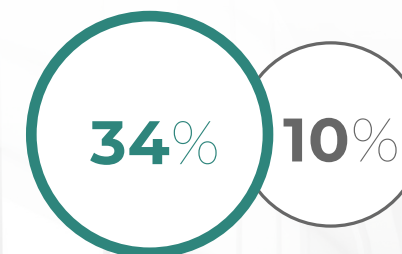
○ 2023 ○ 2022



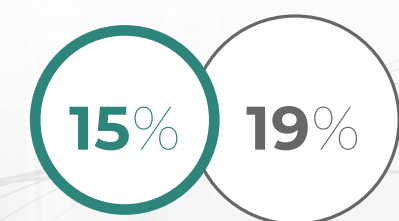
We Have Brought In More Technology To Improve Productivity



Front-Line Staff Is Spending Fewer Hours at the Dealership Than Before To Improve Work/Life Balance



We Have Made Changes To Our Commission Plans



We Have Improved Our Benefits Plans

Modern Retail's Impact

Similar to some of the gains car buyers saw in this year's report, dealers also reported a number of improvements in terms of pain points across their Sales, Internet and Business Development Center (BDC) teams and in the F&I office.

This is despite fewer dealers saying they're using digital retailing tools to support sales falling from 84% to 77% this year. **But far more dealers are bringing their digital retailing tools directly into the showroom, and not just relegating them to their website only.** More than a third (36%) now say they're using these tools for deal presentations, which is up from 30% last year.

Technology can often become a roadblock instead of an advantage when it comes to the day-to-day sales operations of a dealership. This year, there were also far fewer reports of issues when it came to these systems from managers or sales agents.

In fact, every pain point saw an improvement compared to last year. **This year's study did include a new pain point around reliability of systems.** And while it doesn't allow for a comparison, it did rank near the back of the pack for managers.

36%



of dealers say they're now using digital retail tools in the showroom.

The F&I Manager's role also isn't immune from technological roadblocks. And while this improved to 37% this year, there are still those who say a lack of full systems integration remains a pain point for them. There's considerably less worry about the availability of documents for e-signature, which dropped to 13% this year from 45%, but nearly a third (31%) say coordination across multiple signing systems is still an issue and is up from 27% last year. In fact, 61% of F&I Managers say they use more than four systems to complete their jobs. That's more than any other part of variable operations.

TOP PAIN POINTS FOR DEALERSHIP EMPLOYEES



SALES MANAGER

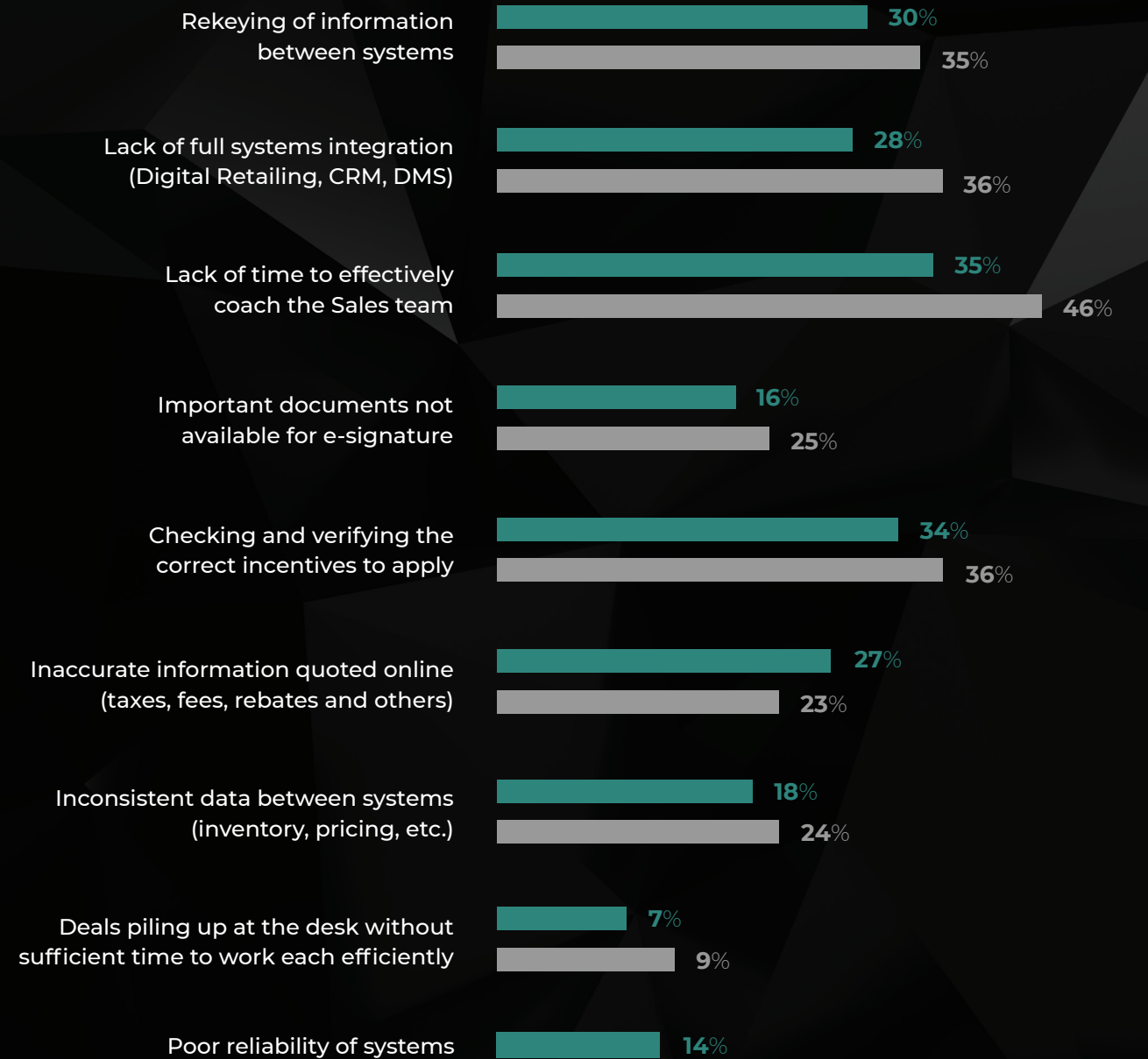
SALES REPRESENTATIVE

F&I MANAGER



SALES MANAGER PAIN POINTS

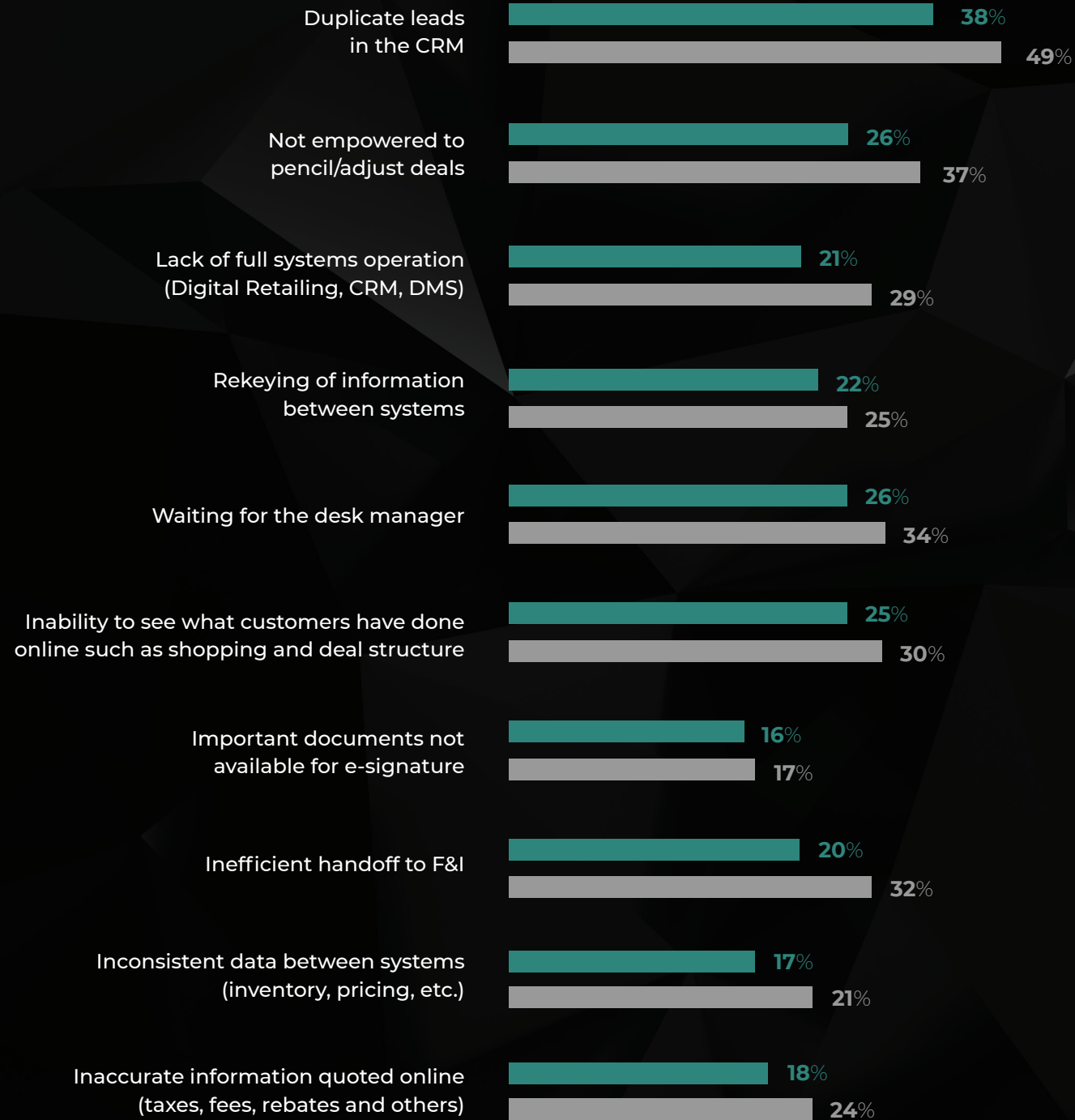
2023 2022





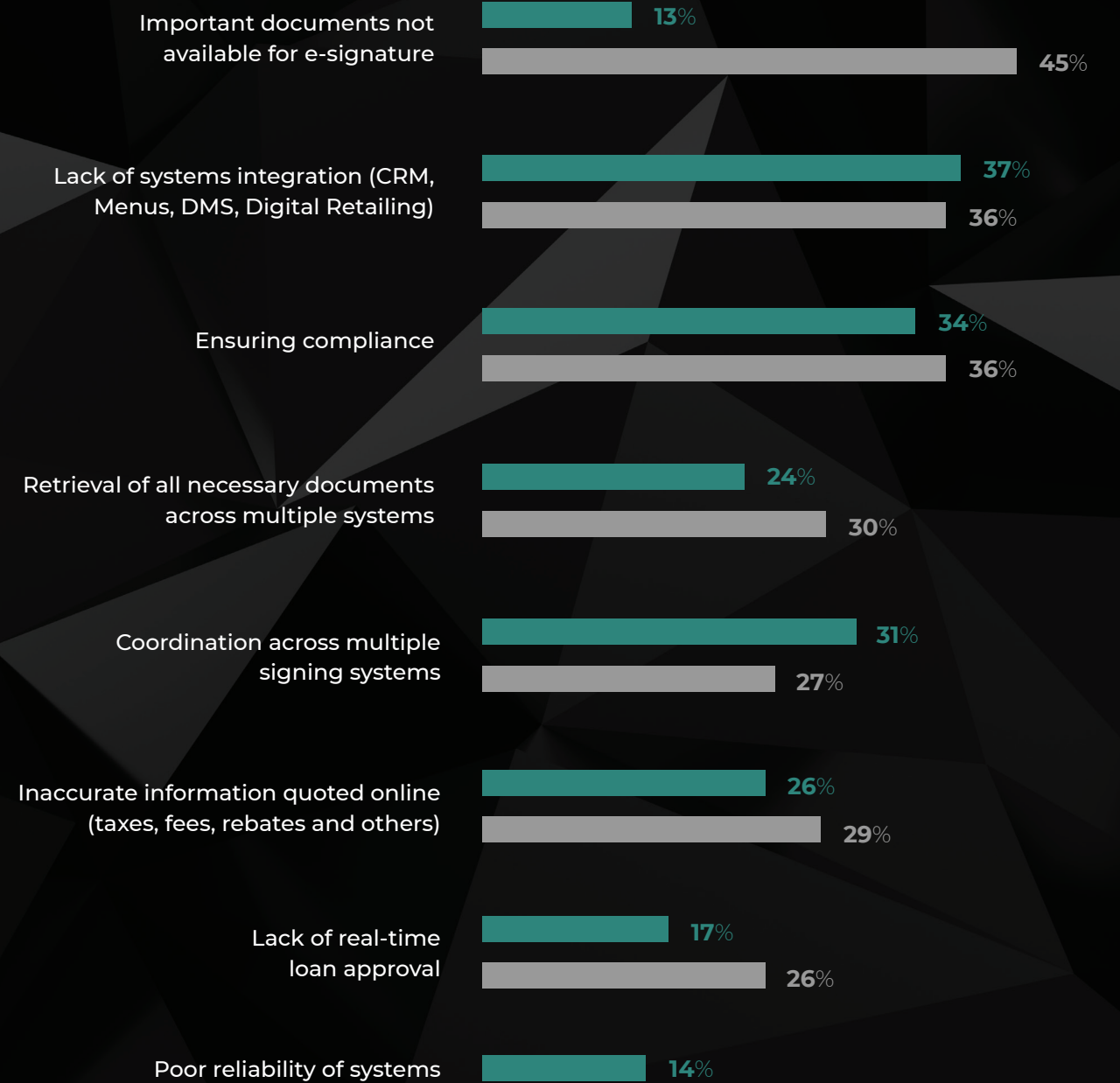
SALES REPRESENTATIVE PAIN POINTS

2023 2022



F&I MANAGER PAIN POINTS

2023 2022



What's Next

The results in this report are generally very encouraging, especially as the industry braces for what could be elevated robust sales in 2024. As the volume of sales goes up, dealers can identify some of the pain points in this report that exist in their own stores and develop strategies to address them.

1

TIME IS TRICKY

If the industry knows that time is detrimental to the customer experience, why hasn't there been an improvement in total time despite specific gains across multiple functions of the process? Could seemingly simple steps, like the test drive and taking delivery, really be dragging down all the hard work put in during a deal? And if so, shouldn't these be an easy fix? The answer at each store is likely unique, but this shows that every part of the car buying journey is an important one.

2

STAFFING FOCUS

Every part of the car buying process relies on people. Technology can certainly make their work more efficient, but if the right person with the right training isn't in the right place at the right time for the customer, it can impact their experience. Today's strong economy makes hiring and retention difficult for any business. And this study's results regarding changes to commission structure, less focus on work-life balance and even a dip in improving benefits highlight how the dealership might be less attractive to employees and potential hires.

ABOUT THIS STUDY

CDK is focused on connecting dealers with their customers to continuously improve this pivotal relationship. The Friction Points study is our guiding light each year that highlights the success and setbacks in the car buying process and establishes the landscape for much of the exploration produced by our research and content teams throughout the year.



PETER KAHN

CDK Head of Research

With over 20 years of experience in researching all aspects of the automotive retail industry, Peter's work is focused mainly on how dealerships and brands can improve efficiencies and meet the changing needs of the vehicle buyer and service consumer.

As the Senior Director of the CDK Research and Insights group since 2015, Peter has produced work that covers a range of topics, such as Artificial Intelligence in the Dealership, Women in Automotive, the State of the Automotive Retail Industry, Job Seekers in Automotive Retail and many more that help inform decision-makers in our industry.



ROHINI TRIPATHI

Study Lead Researcher

Rohini Tripathi is a Senior Market Research Analyst at CDK. She has nearly 10 years of experience in research with global organizations spanning different industries such as media and entertainment, CPG and automotive retail. At CDK, Rohini works on various research initiatives for the Product, Technology and Marketing teams and provides insights and analysis to help make business-related decisions.

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