Cobalt™

2008 AUTOMOTIVE ESHOPPER EXPERIENCE STUDY

INTRODUCTION

Since 2004, Cobalt has conducted the industry's largest and most comprehensive Internet-based mystery shops through its eMystery Shop™ service, evaluating response rates and response quality for online new vehicle lead submitters.

The 2008 National Automotive eShopper Experience Study™ includes trending from the last four years of research, including the recently completed 2008 study. The 2008 National Automotive eShopper Experience Study introduces the Automotive eShopper Index™ [ASI], an integrated score of the overall effectiveness of dealership lead handling practices, which can be tracked by brand and trended over time. The components and weighting of the ASI evolve over time as new research identifies which elements of the consumer experience most directly drive the conversion rate from leads-to-sales.

Dealership performance was determined by evaluating lead responsiveness, response time, and the quality of the response in addressing shoppers' key questions such as: "Do you have the vehicle I'm interested in?" and "How much will you sell it to me for?" Detailed reports at the brand level can inform and guide automotive manufacturers and dealership management on the current state of their lead handling process and guide them toward actions that will improve their shopper's experience.

Research by Cobalt and others has demonstrated a strong correlation between the dealership's lead handling effectiveness, as measured by the ASI, and the rate at which the consumers submitting leads purchase vehicles at that dealership. An increased focus on the quality of the consumer experience can more than triple the rate at which leads convert to sales, and potentially make the difference between a successful and unsuccessful dealership and brand.*

**Source: The 2007 Dealer eBusiness Study, conducted by Cobalt, in partnership with Yahoo! and R. L. Polk & Co.*

EXECUTIVE SUMMARY

The 2008 Automotive eShopper Experience Study includes trending from the last four years of research. For the 2008 study, eMystery shops were conducted at dealerships across thirty brands, with 122 unique vehicle configurations.

To simulate actual shopper behavior, leads were manually submitted through forms found on the dealer's website by unique mystery shoppers with personal information that placed them within driving distance of the actual showroom.

KEY INDUSTRY FINDINGS

Between 2005 and 2008, dealers became more diligent after initial contact in lead follow-up: Results showed that 70% of responding dealers will follow up compared to 49% in 2005; in addition the average number of follow-ups received has gone from 2.0 to 3.1 over the four-year period from 2005 to 2008.

Dealers do not respond, by email or phone, to one in four shoppers submitting leads.

Dealerships call less than half of the Internet leads they receive, responding to the remainder in email alone.

If a shopper asks for the price of a new vehicle, they will be given this information less than twenty-five percent of the time.

Only 13% or responding dealerships provide the shopper with information about the benefits of their particular brand or vehicle.

THE IMPACT

Tough times have made dealers more responsive to shoppers than ever before, but there is still a long way to go. The Automotive eShopper Index™ for all brands improved from 30.5 to 39.0 on a 100 point scale from 2007 to 2008, driven primarily by an uptick in dealers responding to a higher percentage of leads.

BRAND RANKINGS

2007	2008
Lexus	Lexus
Infiniti	Chevrolet
Saturn	VW
Subaru	Honda
Toyota	Audi

At the top of the brand rankings, Lexus dealers hold the top spot based on the timeliness of their responses. However, the big news for 2008 is Chevrolet's leap from its 2007 ranking at 15th place, to its second place overall ranking in 2008 with an index score of nearly 50. Chevrolet dealers delivered major improvements across the board in response rate and response quality. VW took a third-place ranking overall based on a combination of lead response time and relevant lead response content.

Rankings were based on the Automotive eShopper Index™, an integrated score of the overall effectiveness of dealership lead handling practices. Dealers were rated on the speed of their response and the content of their first email response to the Internet lead. Message content was judged on how completely the dealer answered the shopper's questions, as well as their professionalism in the initial contact.

AUTOMOTIVE ESHOPPER EXPERIENCE STUDY METHODOLOGY

For the purposes of an eMystery Shop™, dealerships are randomly sampled. Each dealer selected to be shopped receives one new vehicle lead through the "Quick Quote" or "Inventory" form found on their website from a shopper who is ready to buy and requests the price and the availability of a specific new vehicle.

All leads are sent during regular working weekday hours and the dealerships contacted have up to 48 hours to respond. Response is inclusive of a phone call and/ or an email from the dealership. The first email response sent by the dealer is scored for both speed and message content and is used to create the dealership's ASI score. In addition, email and phone follow-ups from the dealership are tracked for ten days from the time the email lead is sent to the dealership.

2008 SPECIFIC SHOP METHODOLOGY

In 2008, 3,320 dealerships across thirty brands were eMystery shopped by Cobalt for inclusion in the 2008 Automotive eShopper Experience Study. In order to best mirror real shopper activity, leads were manually submitted through forms found on the dealer's website by unique mystery shoppers with personal information that placed them within driving distance of the actual showroom. The information on the leads submitted was consistent with information commonly provided by highly qualified, highly motivated automotive lead submitters.

SCORING

Rankings were based on an ASI score, which is a single composite numeric score that represents how well the dealership performed against a standard set in each area. Dealers were rated on the response speed and message content of their first email response to the Internet lead. Message content is judged by whether or not the dealer answered the shopper's questions, and demonstrated sales and professional skills. Dealers are then measured on their continued lead follow-up handling skills.

2008
Dealership and Branding Sampling

PREMIUM SEGMENT		VOLUME SEGMENT			
Brand	Number of Dealers Shopped	Brand	Number of Dealers Shopped	Brand	Number of Dealers Shopped
Audi	120	Buick	125	Mazda	111
Acura	107	Chevrolet	119	MINI	70
BMW	117	Chrysler	112	Mitsubishi	104
Cadillac	109	Dodge	100	Nissan	106
HUMMER	100	Ford	141	Saturn	111
Infiniti	108	GMC	96	Scion	113
Jaguar	107	Honda	116	Subaru	102
Lexus	114	Hyundai	112	Toyota	132
Lincoln	106	Jeep	110	VW	142
Mercedes-Benz	106	Kia	106		
Volvo	100				
Total	**1,192**	**Total**			**2,128**

STUDY FINDINGS

Tough times in the automotive industry have made dealers more responsive to shoppers than ever before, but there is still a long way to go. The ASI for all brands improved from 30.5 to 39.0 on a 100 point scale from 2007 to 2008, driven primarily by an uptick in dealers responding to a higher percentage of Internet leads.

The broad patterns Cobalt has seen over the last four years of data included in this study show that dealers have made some improvements in their overall response rate and timeliness of responses, however they are still failing to respond at all to nearly 25% of highly qualified leads and the average response takes over 5 hours. Neither measure meets consumer expectations. While, dealerships are focusing more on Internet opportunities due to reduced number of “traditional” opportunities, the trend data shows that there are still problems in overall lead handling execution.

The highest performing dealers have conquered the basics of responding to leads quickly and are now turning their attention to the quality of their response to the consumer by answering pricing and availability issues adequately, highlighting the value of their products and their dealership, while remaining responsive to the shopper if their shopping timeframe is extended. While, the bulk of dealerships are focused on response time, they may in fact, be responding quickly at the cost of response quality. High performers are not only responding quickly, they are also improving the quality of their response. Only a small percentage of dealerships can be classified as high performers, with most dealerships still under performing relative to customer expectations.

RESPONSIVENESS

With a continued increase in the number of shoppers turning to the Internet for new vehicle shopping, the automotive industry continues to keep pace in respect to overall lead response rates. Yet, there is still work to be done. One out of four of these highly qualified leads (25%) went unanswered in 2008, only a 5% improvement from 2005.

Better lead handling techniques and productivity tools such as lead management systems have allowed dealers to be more diligent in lead follow up. The 2008 shop results showed that 70% of responding dealers will follow up compared to 49% in 2005; in addition the average number of follow-ups received has gone from 2.0 to 3.1 over the four-year period from 2005 to 2008.

However, it is important to note that a deficit still exists with regard to ongoing lead follow-up. In fact, even if a dealer does send an initial email response to the lead, 30% of the customers who did get a response will not hear from the dealer again.

MATCHING THE CONSUMER’S PURCHASE TIMELINE

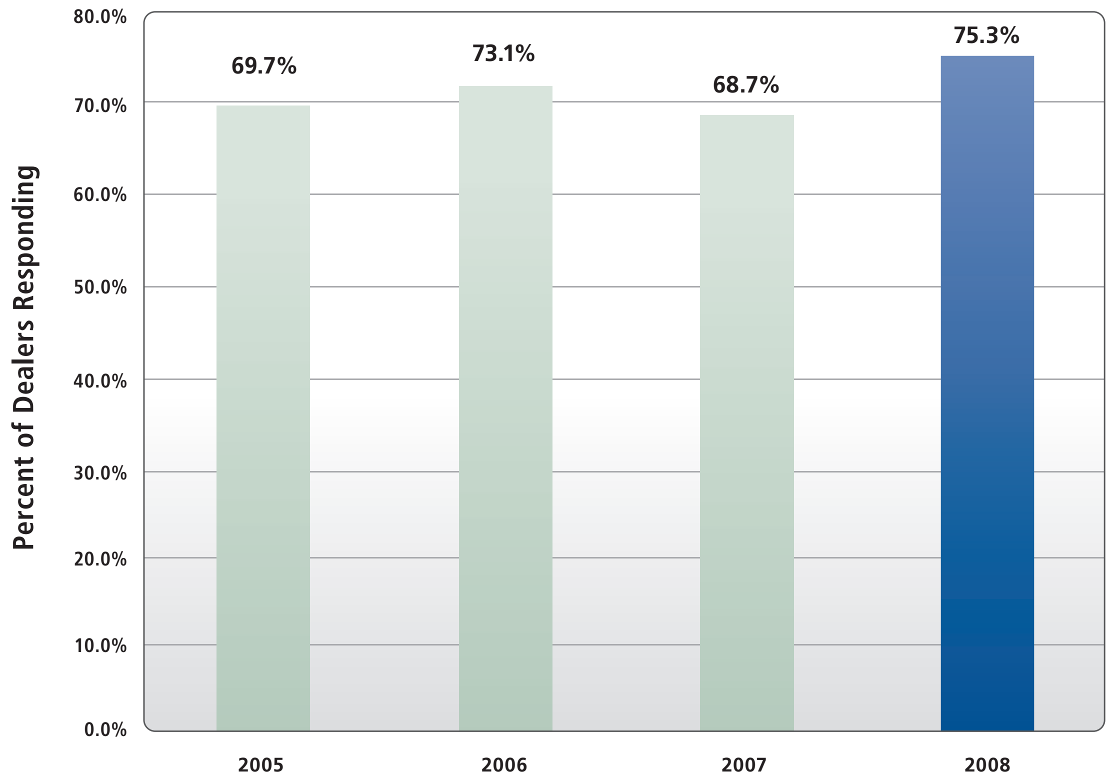
The “traditional” dealership sales process assumes the prospect will remain “in market” for approximately 3 days. Studies reflects that a high number of dealerships are pushing prospects through a process built around customer contact for a period of 72 hours with no plan or intention to follow up longer. The dealership assumes that the prospect is out of market and gives up well before the prospect completes their purchase process.

The 2008 J.D. Power and Associates New Autoshopper.com Study found that on average AUIs (Automotive Internet Users) report that they first decide to buy a new vehicle 15.4 weeks before they actually purchase one. Three weeks later they begin using the Internet to find information, which is approximately 12. 4 weeks prior

2005 to 2008
Responded to the Lead

OVERALL RESPONSIVENESS

Dealer Sent an Email or Called the Shopper



Sample Size:
2005 = 3,576 **2006** = 1,150 **2007** = 2,110 **2008** = 3,320

to purchase. By the time they have narrowed their vehicle selection down to one vehicle they are typically 5 weeks away from purchase. This information is key to both understanding the best time to target and market to Internet shoppers and to understanding that shoppers may be in-market for different periods of time.

The 2005 Industry and Dealership eBusiness Performance Study, conducted by Cobalt and its Dealix division, analyzed sales conversion within 30, 60, 90 and 91+ day increments. In order to gain a greater understanding of how quickly leads are

	2005	2006	2007	2008
Response Rate	69.7%	73.1%	68.7%	75.3%
Follow-Up Rate	48.8%	56.5%	58.9%	70.0%
Average Number	2.0	2.6	2.7	3.1

converting, additional increments were added within the 30-day purchase window as part of the 2007 Dealer eBusiness Performance study. Results showed of the leads that closed, 24% did so within ten days of lead submission. Forty-three percent closed within 30 days and 68% closed within the first 90 days. Thirty-two percent closed after 90 days.

Taking a closer look at conversion over time, 43% purchased a new vehicle of the intended make within the first 30 days of lead submission. After that, new vehicle of intended make conversion dropped more than half to 21% within 60 days while used vehicle sales of any make more than doubled during the same time period — from 22% within 30 days to 50% within 60 days. After 90 days, new vehicle of intended make conversion dropped to 13% while used vehicle sales of any make increased slightly to 53%. The longer a lead remains unsold, the more likely it is to convert to a used vehicle. Dealers should respond promptly to leads and have systems in place to market to car shoppers in a way that addresses what the consumer is likely to purchase based on the age of the lead. Suggesting a used vehicle alternative to a new vehicle lead as the lead ages could help convert the lead to a sale. Additionally, with a third of leads converting after 90 days, dealers who continue to market to consumers will benefit by selling to those with purchase timeframes beyond a three month period.

RESPONSE METHODS

Increasingly dealerships are using the phone to contact the shopper. The results from the shops over the last four years show that almost twice as many dealers placed a phone call in 2008 compared to 2005.

The corresponding table shows that most of the growth in phone usage comes from dealers that send an email response and call the customer, rather than attempting just one method of follow-up. High performing dealerships attempt to reach the customer using several approaches.

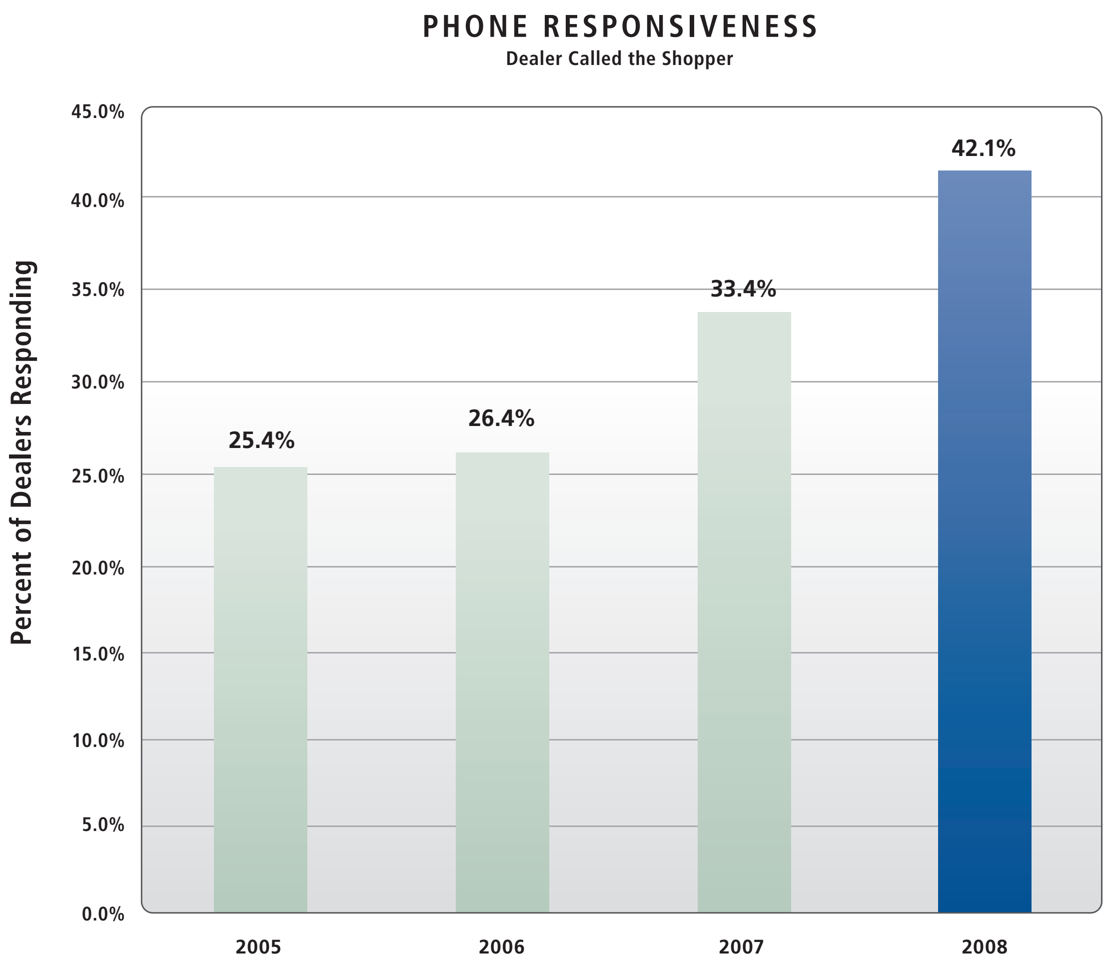
	2005	2006	2007	2008
Sent Email and Called the Shopper	18.6%	19.7%	25.4%	31.8%
Only Sent an Email	44.3%	46.6%	35.2%	33.2%
Only Called the Shopper	6.8%	6.7%	8.0%	10.3%

RESPONSE TIME

Understanding that the Internet shopper is looking for quick answers, dealers are responding faster. The average email response rate improved from 6.4 hours in 2004 to 5.1 hours this year with close to half responding in less than one hour. However, if a lead does get a phone call, it most likely won't be until the following day.

Despite improvements around response time, the fact remains that faster response time is needed overall in the industry. According to the 2007 Dealer eBusiness Performance Study, performed by Cobalt, Yahoo! and R. L. Polk & Co., 20% of consumers will go somewhere else if they do not receive a response within 4 hours or less.

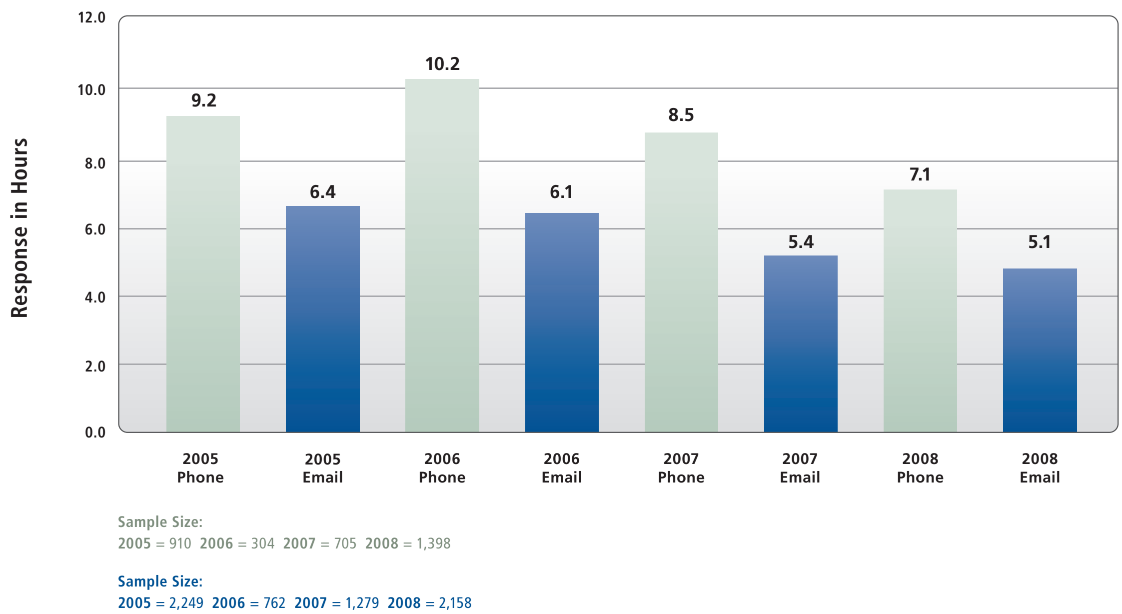
2005 to 2008
Made a Phone Call to the Shopper



Sample Size:
2005 = 3,576 **2006** = 1,150 **2007** = 2,110 **2008** = 3,320

2005 to 2008
Average Email &
Phone Response Time

PHONE & EMAIL RESPONSIVENESS
Average Email and Phone Response Time



The core challenge remains with dealerships not responding to or recognizing Internet opportunities with the same sense of urgency as they would traditional floor and telephone opportunities. There is not foreseeable change in this behavior until middle "desk" management understand the importance of Internet leads and implement training on lead execution.

RESPONSE QUALITY AND CONTENT

While a shopper can be very specific in requesting the price and in-stock availability of a specific vehicle, they have only a one in four (25%) chance of getting their questions answered in the first email response back from the dealership, a stat that is unchanged over the four year study period.

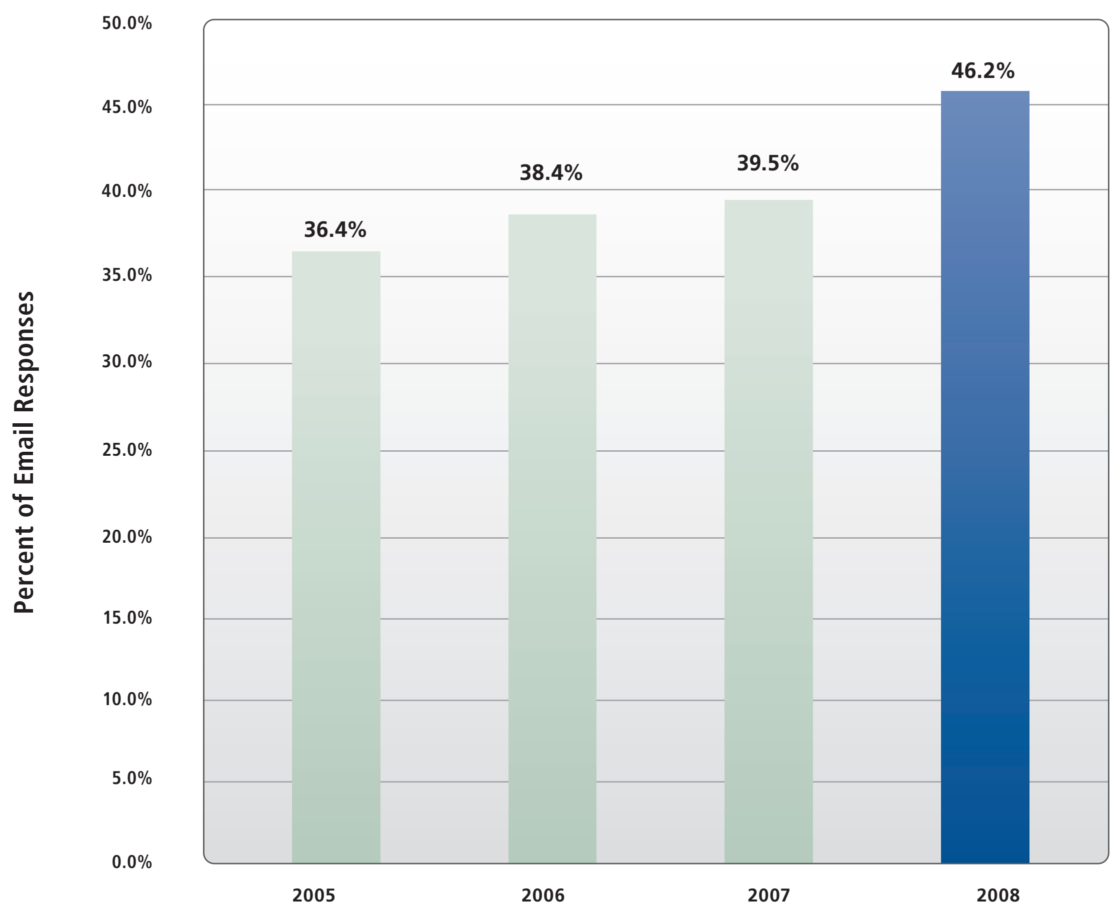
Only one in three shoppers are likely to get a price quote emailed to them, and less than 50% of responding dealers will address the shopper's inventory question. Dealerships continue to push Internet leads through a "traditional" sales process. Trying to control the sales process by withholding information is a common practice as sales consultants attempt to gain "control" of the customer.

And, interestingly, only 13% of responding dealerships provide the shopper any information as to the value of the brand or product they are inquiring about.

Dealerships are becoming conscious of the correlation between a rapid response and lead execution. However, by focusing on timeliness, dealers are not addressing the shopper's needs through completely answering their questions or highlighting the value of the brand, product, and dealership.

2005 to 2008
Percent Sending an Email Response in less than one hour

EMAIL RESPONSE SPEED
Responded with Email in Less Than An Hour



Sample Size:
2005 = 2,249 **2006** = 762 **2007** = 1,279 **2008** = 2,158

2005 to 2008
Breakdown of Quoted Price and Availability

	2005	2006	2007	2008
Quoted Price	35.3%	32.6%	35.4%	36.2%
Addressed Availability	45.1%	48.5%	44.1%	43.8%

As shown by results from the 2007 Dealer eBusiness Performance Study, poor lead handling directly contributes to brand defection. In fact, of those that switched brands, 23% did so because of poor dealer interaction. Poor dealer interaction may be lack of response or a response that doesn't satisfy the customer's request.

CONCLUSIONS

Current market conditions have made dealers more responsive to shoppers than ever before, but there is still a long way to go. The Automotive eShopper Index™ for all brands improved from 30.5 to 39.0 on a 100 point scale from 2007 to 2008, driven primarily by an uptick in dealers responding to a higher percentage of leads.

Dealers are keeping pace with the growth in consumer demand for information on new vehicles but still leave significant opportunity untouched. Additionally, the study shows a significant percentage of dealers are abandoning the opportunity after their initial response. Most dealers are not actively pursuing the lead on a daily basis.

While dealers are responding faster, and are again turning to the phone in addition to email to reach the customer, most in-market shoppers aren't getting their questions answered. This can result in the shopper going elsewhere. Dealers who do not answer the shopper's questions lose the opportunity to engage in moving the shopper toward a sale as the shopper goes elsewhere for the information they need to make their purchase decision.

Delivering a consistent shopper experience in dealerships that experience high turnover is a major management challenge. At the OEM brand level, moving the dial across a channel of hundreds or thousands of independent franchised businesses would appear to be a herculean task. One of the encouraging findings in this year's report is that consistent OEM focus on effective lead handling can achieve significant progress in as little as 12 months, as evidenced by GM's—and especially Chevrolet's—improvement in this year's study.

Over time, industry investment in meeting increased lead volume with a timely response has improved but the opportunity to improve lead productivity is lost by not answering the shopper's questions. The game has moved from just responding to responding quickly and providing meaningful information that the shopper seeks.

LEARN MORE

OEMs can learn more about the performance of their dealer network and Cobalt's eMystery Shop℠ service by visiting www.cobalt.com/emystery or contacting Cobalt at: emystery@cobalt.com.

COBALT RESEARCH

Cobalt is dedicated to research and thought leadership in the digital automotive marketing space. Cobalt is committed to partnerships that enhance the power and effectiveness of its offerings for dealers, OEMs and dealer groups. With that in mind, Cobalt has created deep partnerships with automotive digital marketing leaders such as Google, Yahoo!, J.D. Power and Associates and R.L. Polk. Together with these partners, Cobalt conducts research around the trends in consumer behavior, dealer behavior and dealer marketing practices. This helps Cobalt identify and enable clients to capitalize on evolving automotive shopper behavior.

OTHER RESEARCH PROJECTS INCLUDE THE FOLLOWING:

2007 Dealer eBusiness Performance Study: The New Buying Influences
Presented by Cobalt, in partnership with Yahoo!, and R. L. Polk & Co.

Cobalt, together with Yahoo! and R. L. Polk & Co. present the 2007 Dealer eBusiness Performance Study, the most comprehensive research initiative in the automotive industry. A sequel to Cobalt's 2005 Industry and Dealership eBusiness Performance Study, this study takes a closer look at car shopping from the consumers' perspective to understand the new buying influences. The study covers the following:

- How consumers use search and consumer generated media to pre-shop and select a dealership
- The amount of lost opportunity that occurs at the dealership level and the leading reasons why
- What factors lead to brand defection and how OEMs can help increase brand loyalty
- The impact of dealership reputation, sales staff and vehicle pricing on consumer purchase decisions
- Best practices of the most successful dealerships at converting online leads into sales

Local Automotive Dealerships
The Role of Interactive Media in the Local Car Shopping Process
Presented by Cobalt and Yahoo!

First released in July 2007, this study set out to answer the following:

- How consumers use the Internet and search to shop for a dealership
- How a dealer can engage with their customers before they walk on the lot
- The impact of social networks on the car shopping process
- The impact of quoting price
- The role of brand advocates and how they impact their networks

To learn more about Cobalt's additional research please visit www.cobalt.com/research.