

Selling Plug-in Vehicles: Lessons from the California Market

Eric Cahill – Ph.D. Candidate, Transportation Technology & Policy
(Lead Researcher)

Jamie Davies – Consumer Research Analyst, PH&EV Research Center

Dr. Tom Turrentine – Director, Plug-in Hybrid & EV Research Center
(Principal Investigator)



June 4, 2014

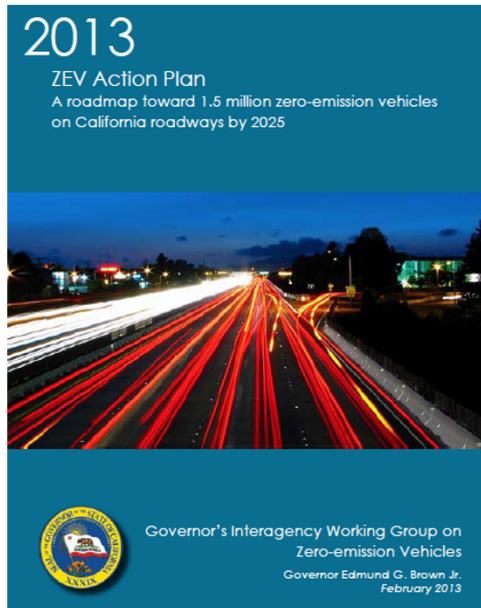
Why have we brought you all here today?

- To share preliminary data and initial insights
- To share best practices
- To foster dialogue and build networks
- To solve key retail-level challenges

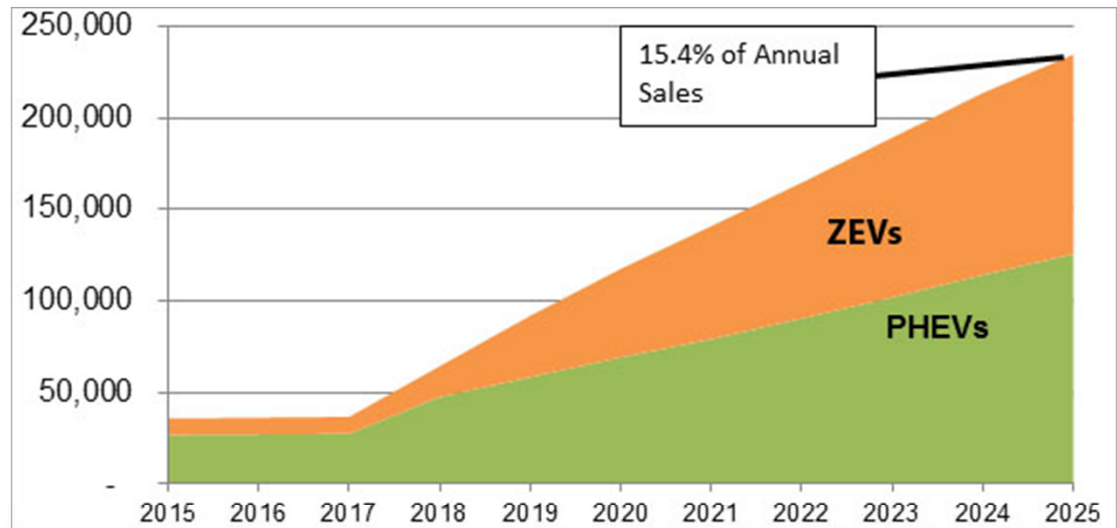
The study is led by the UC Davis PH&EV Center

- Under a grant from the California Energy Commission
- With support from...





“Encourage and support auto dealers to increase sales and leases of ZEVs.” (p. 15)



Dealers not always plugged in about electric cars, Consumer Reports’ study reveals

Also, not all staff seemed enthusiastic about making EV sales; a few outright discouraged it

Published: April 22, 2014 08:00 AM

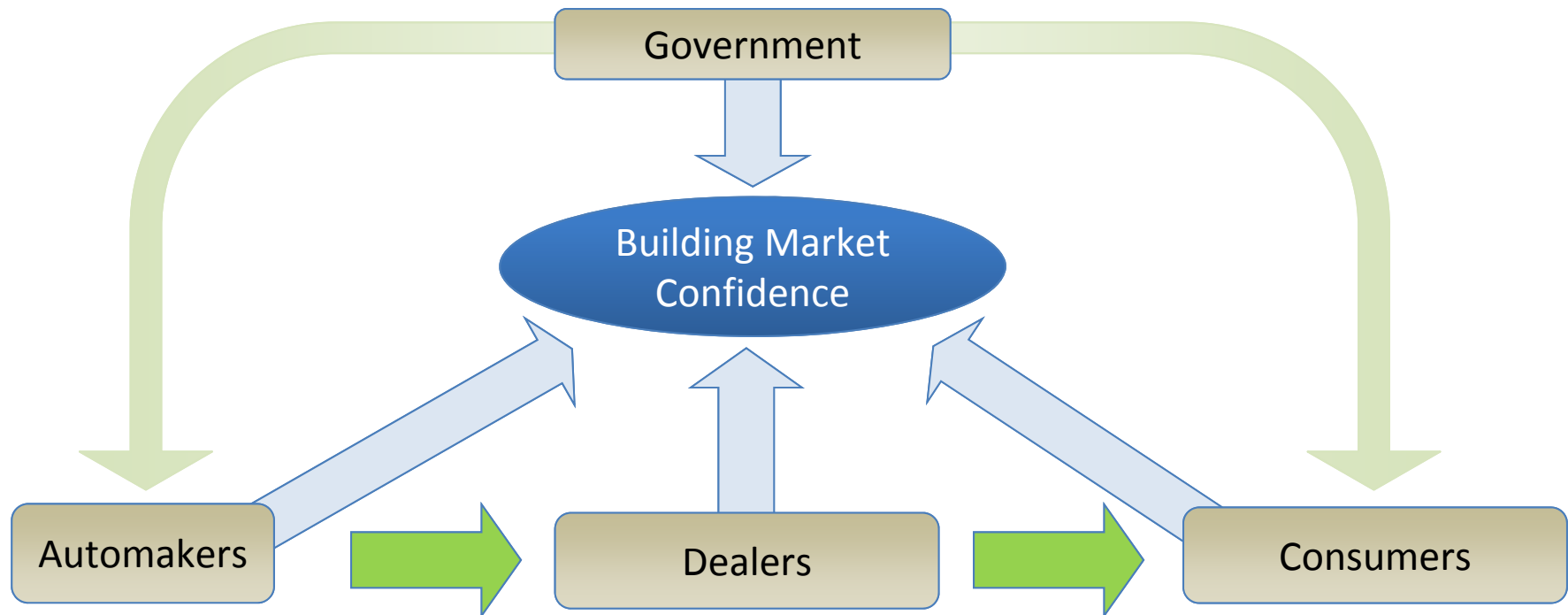
In general, I found that the customer service experience to be lacking at most of the dealerships I contacted-

I’m used to car lots being shark tanks but suddenly I felt like the least appetizing fish in the sea.

Automaker-dealer relations have a long history

- The preferred model for selling new cars is through independent dealers
- Emerged during automobile's early history
- Matured around liquid-fueled vehicles
- **Franchise laws emerged to protect dealers**
 - Established to protect dealers from automakers with greater bargaining power
 - Vary by state
 - Prohibits automakers from bypassing dealer networks
- **Arms-length relationship**
 - Automakers have no direct control over dealer activities

We suspected that dealers are a link in the chain that might have been overlooked



Different products require different sales approaches

Differentiators	Hybrids	Plug-ins
Customer Segments	Different	Different
Fueling Source	Same	Different
Fueling Method	Same	Different
Fueling Availability	Same	Different
Fueling Time	Same	Very Different
Fueling Cost	Same	Very Different
Value Equation	Same	Different
Range between "fills"	Same or Better	Same to Very Different
Range Variation	Slightly Different	Very Different
Human-Machine Interfaces	Same	Different
Skill-base of Service Techs	Different	Very Different
Service Delivery	Same	Same to Very Different

What are the main questions we are trying to answer?

1. Is the purchase experience better or worse for PEV buyers?
2. What barriers and drivers affect dealer participation and performance?
3. What resources do dealers need to sell more PEVs?
4. What are the implications for policy?

We obtained two sources of quantitative data

Clean Vehicle Rebate Program (CVRP) Survey

- **Inserted questions about the customer experience with dealer or product specialist**
- **Collected between Oct 2013 and Jan 2014**
- **17.5% response rate yielding 7K+ responses**

J.D. Power & Associates 2013 Sales Satisfaction Index (SSI) Study

- Measures new car buyer satisfaction with the dealer
 - National random-sample survey
 - Rationale for visiting/buying from selling dealer
 - Time spent during each phase of purchase
 - Key salesperson/dealer performance metrics
 - Future purchase intentions
- 29,040 total records; 13.5% response rate
- Some limitations



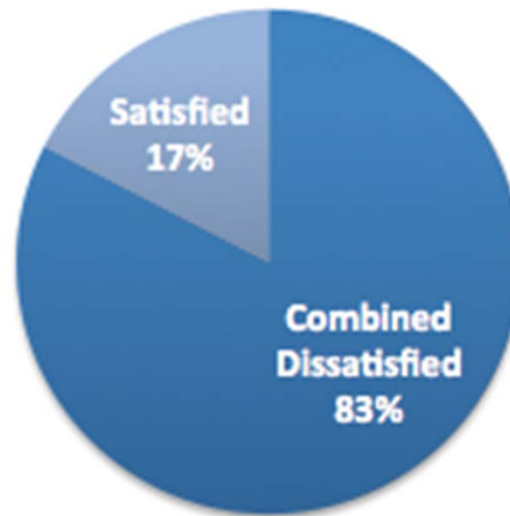
The data is informed by dozens of interviews in four primary PEV markets

- **Exploratory focus group with consumers**
- **New car dealers**
 - Sampled based on breadth of make and PEV sales volume
 - Dealer principals and sales staff
- **Automakers**
- **Stakeholders (utilities, governments, others)**
- **60+ interviews and over 80 hours recorded**
 - Site tours
 - Photos
 - Collected collateral



Preliminary data confirms large gap between customer expectations and dealer performance

Satisfaction with dealer purchase experience reported by PEV buyers

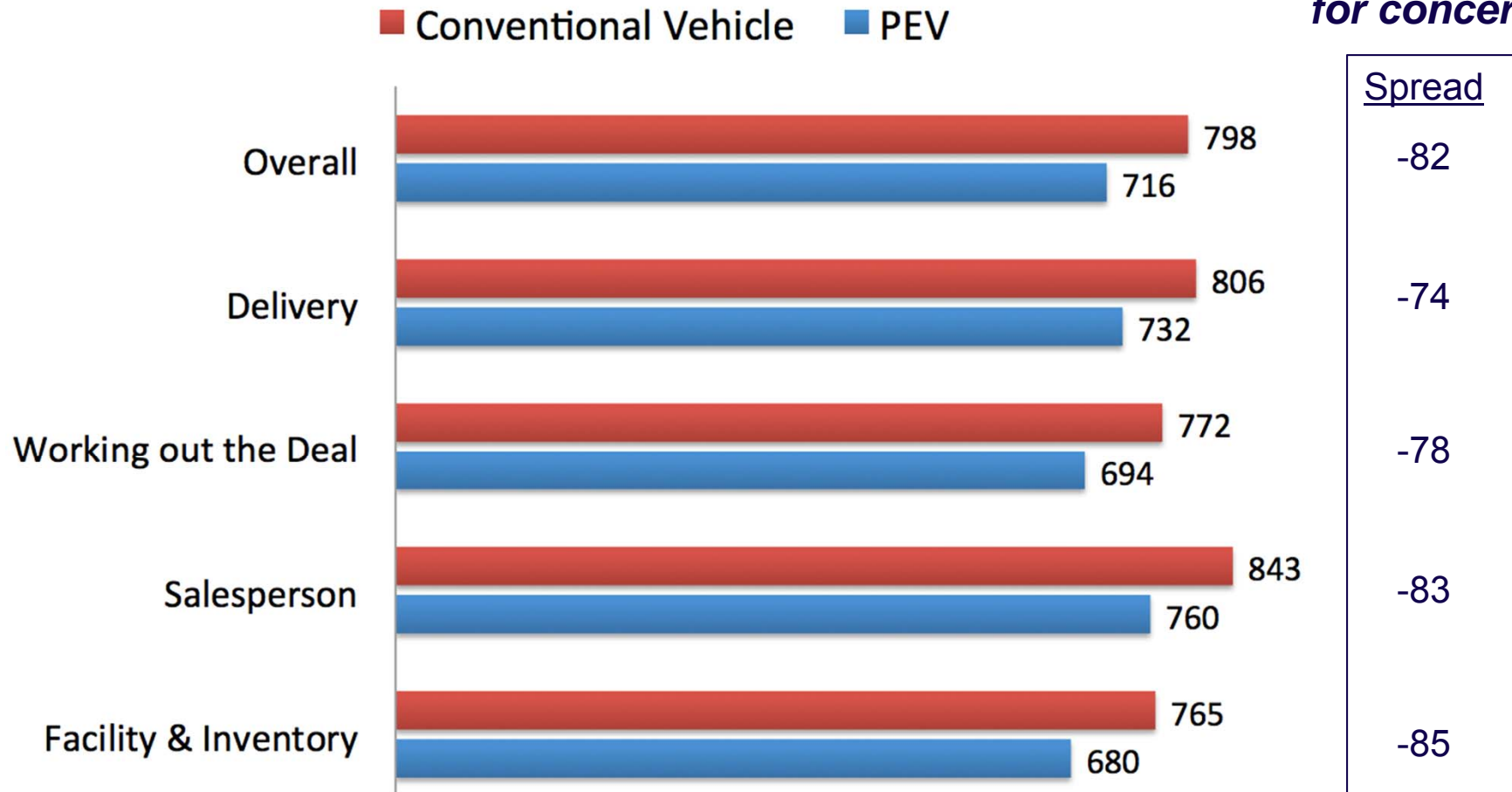


Source: 2013-2014 ARB CVRP Survey

25% of new car buyers are dissatisfied with the sales experience – *2013 McKinsey & Co. Study*

Customer Sales Satisfaction Index (SSI) Score of Dealer Experience (1,000 point scale, mass market)

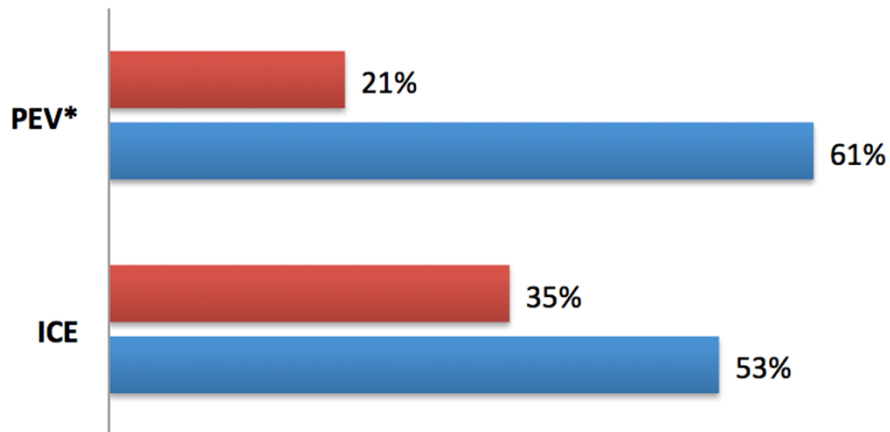
** Note: 10-20 point differential is cause for concern*



Poor purchase experience can have real consequences for automakers and dealers

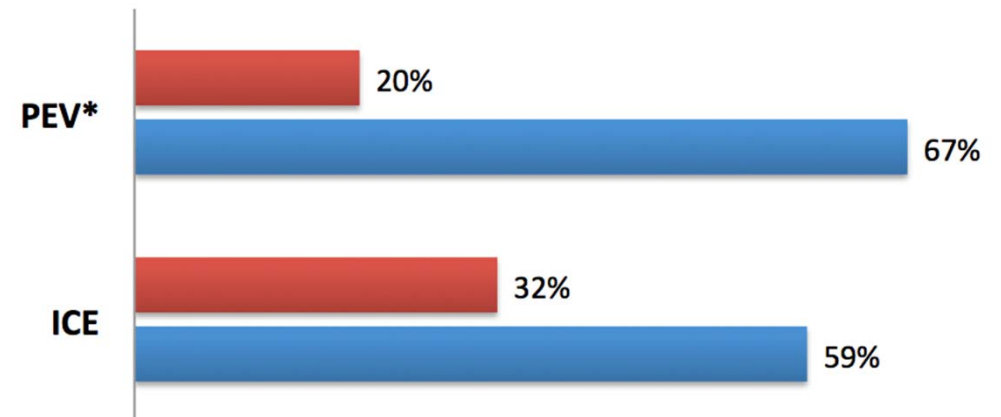
How likely are you to purchase from the same dealer again?

■ Definitely will ■ Probably will



How likely are you to purchase from the same make again?

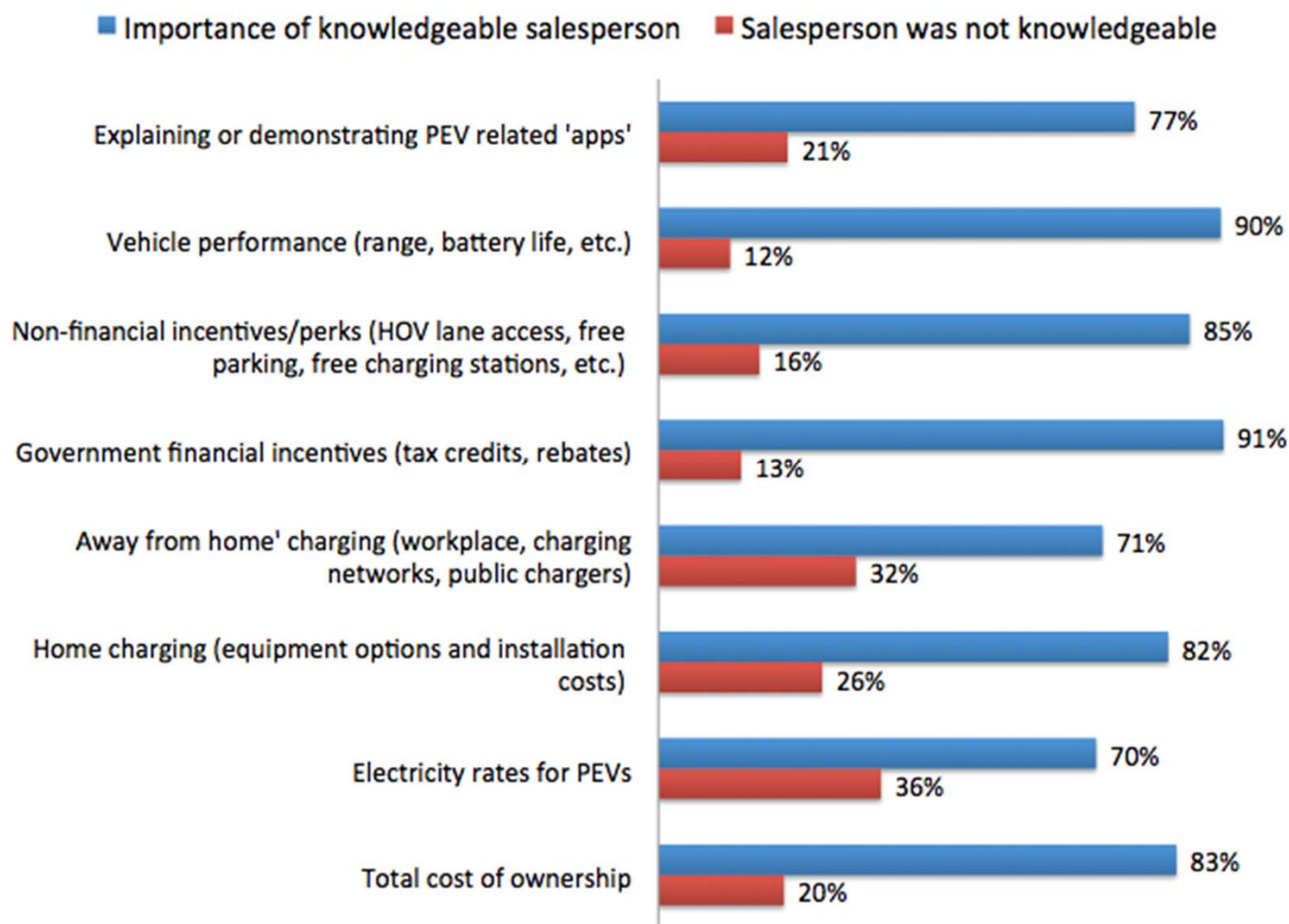
■ Definitely will ■ Probably will



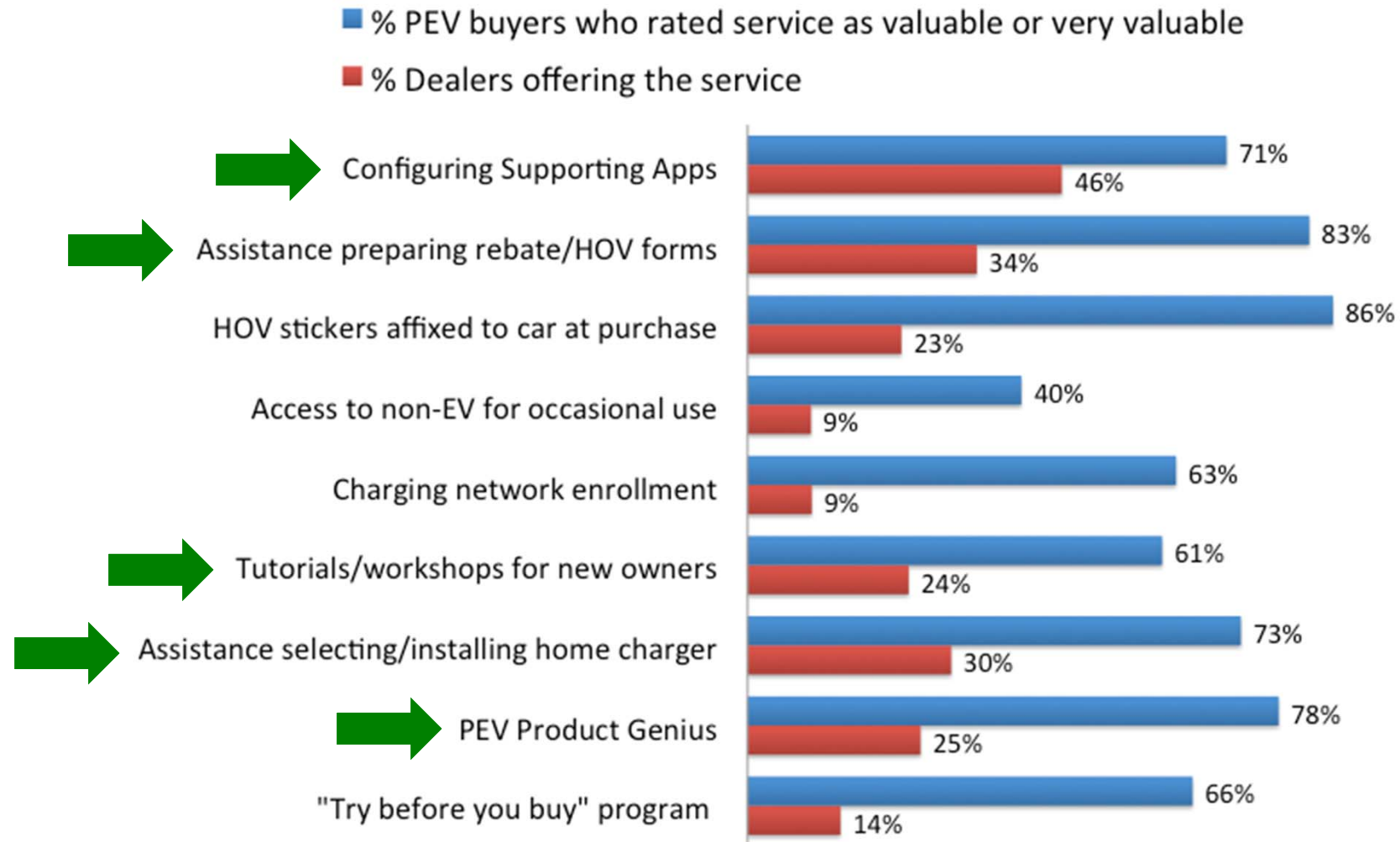
Source: 2013 J.D. Power & Associates Sales Satisfaction Index (SSI) Study

* PEVs are weighted to the US sales mix of PEVs

Customers expect dealers to know more about PEVs

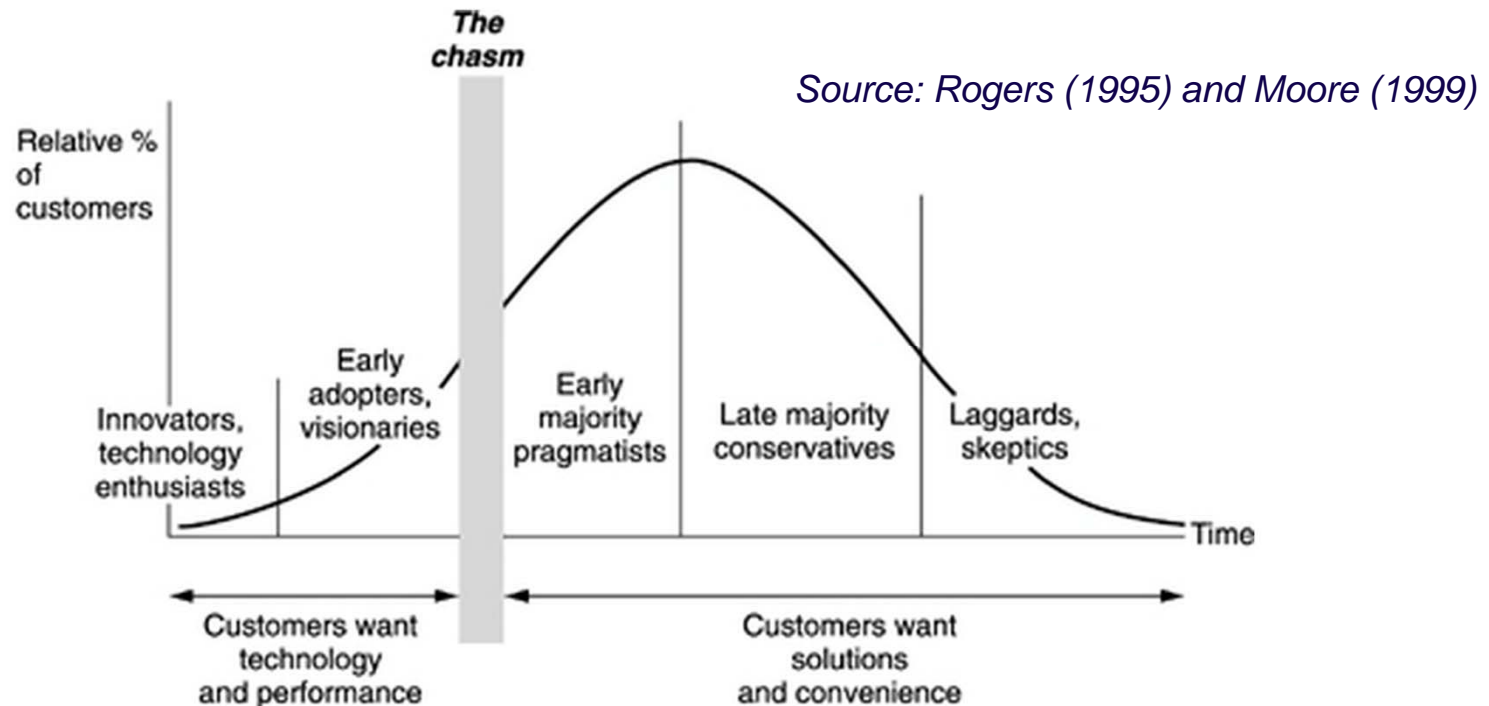


Customers also value services that help them navigate these 'beyond the sheet metal' items



We can view this as a technology adoption problem

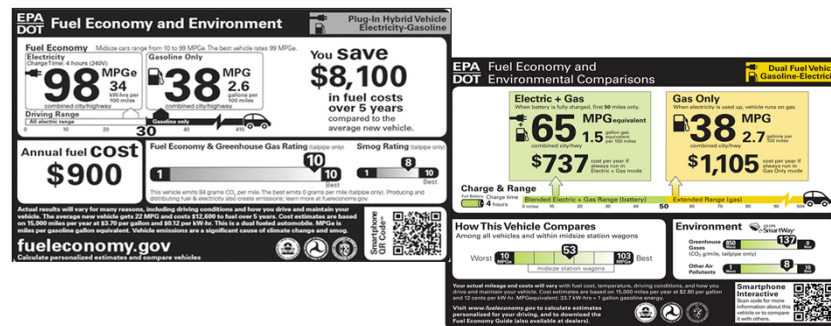
Technology Adoption Lifecycle Model



For high-tech innovations, delivering an ecosystem of support products and services is a key component of success

For PEVs, many dealer activities take on added importance

- Mobilizing resources and raising awareness
- Legitimizing the technology
- Understanding customer needs
- Assuring the customer is a good fit for the car
- Relating technology to lifestyle
- Re-framing vehicle price and value proposition

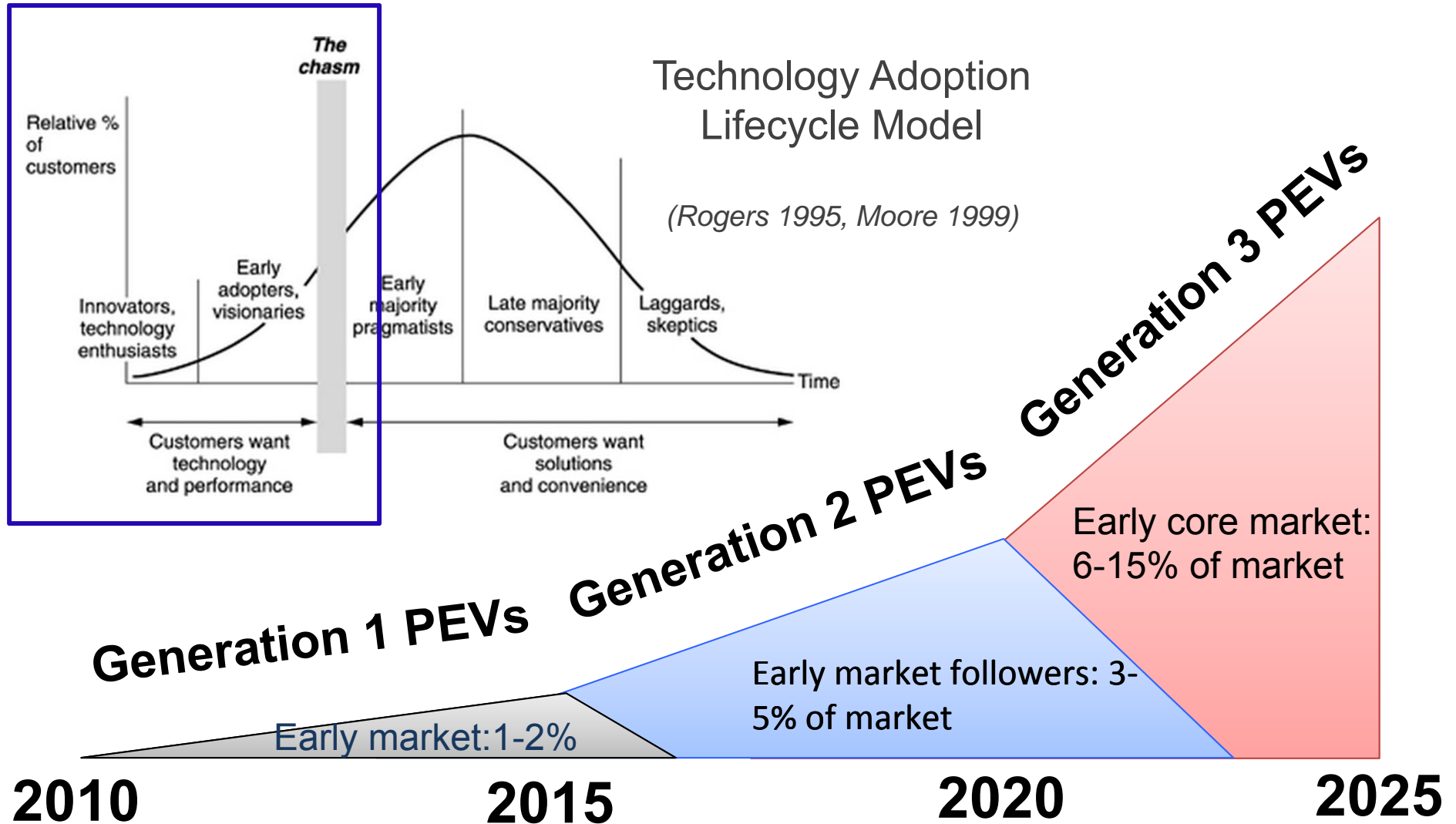


Leading dealers stand apart from their peers

- See PEVs as an opportunity to position the brand
- Top-down support from dealer principals
- Designate motivated employees as 'product geniuses'
- PEVs as daily drivers → "Drive what you sell"
- Market government incentives
- Robust online presence
- Develop collateral for customers
- Emphasize customer experience



The dealer adoption curve



PEV dealers tell us...

Most of their revenue for PEVs comes from...

- Volume bonuses
- Trade-ins
- Warranty

Little to no revenue on...

- Up-front profit ("the front end")
- Financing
- Service & maintenance

For pragmatist dealer principals, PEVs can appear to be a tough proposition

Some PEV dealers tell us...

- Profitability remains questionable
- PEVs represent an insignificant portion of the business
- They contend with high sales staff turnover
- No new revenue sources appear to be on the horizon
- Price pressure

These can appear to make for a more difficult sell to pragmatist dealers in the early majority

Sales people have a different calculus from dealer principals

- Many receive no set base pay
- Percent of the “front end” profit (or “mini” absent profits)
- Trade-in and/or option package bonus
- Per-unit bonus (OEM)
- Volume-based bonuses
- Contingent upon meeting customer satisfaction targets

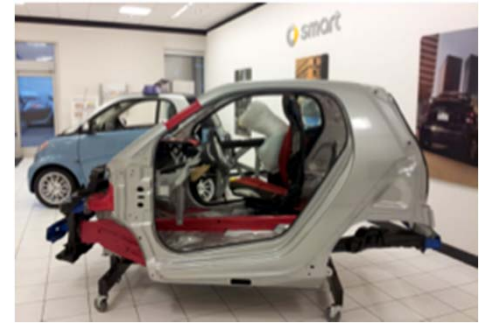
PEVs are a tough proposition for many dealer sales representatives

- Little 'front end' profit
- Unfamiliarity
- Government incentives
- Greater time commitment

Key retail-level considerations

- **Learning processes matter more for PEVs**

- 'Beyond the sheet metal' topics
- How to sell to PEV customers
- Knowledge retention can be challenging



- **Sales momentum**

'Dealers are never more confident about selling a car than the day they sold one.'

- Knowledge reinforcement and confidence-building
- Detractors: Turnover; supply and incentive uncertainty

- **'Free riding'**

- Price-based competition can punish innovation
- But dealer responses differ

Emerging retail industry trends could give dealers the tools they need to sell PEVs more effectively

- **Use of specialists**
 - E.g. 'product geniuses' and 'delivery techs'
 - Salary-based compensation
- **No-haggle pricing**
 - Reduces uncertainty around price
 - Sales staff can devote more time to product knowledge and calibrating effective sales approaches for PEVs
- **Tablets & apps**
 - Streamlines transactions to reduce time at dealer
 - Improves the customer experience
 - Gives sales staff ready access to multi-source information

Automakers support dealers in a variety of ways for PEVs, but is this enough?

- Product launch training
- Certification programs
- Online resources and tutorials

Newer innovations include...

- Visits from teams of PEV trainers
- 24/7 dealer hotlines

But...

- Metrics are undifferentiated for PEVs
- Knowledge retention and reinforcement may need more attention



Government incentives help but uncertainty undermines dealers

- Incentives are uniformly welcome
- Process is well streamlined (so we've heard?)

But...

- Complex and fragmented information
- Uncertainty in program status 'pulls the rug out' from dealers
- Discourages evangelizing of benefits to customers
 - Impacts to satisfaction scores
 - Legal liability

Leading dealers offer a few ideas for aligning dealer-level incentives with increasing PEV sales...

- 1. Establish confidence in availability of incentives**
- 2. Reduce minimum state rebate term to 24 months**
 - Magnifies impact of federal tax credit
 - Increases exposure to more customers
 - Returns traffic to dealers sooner
- 3. Allow dealers to reserve the state rebate upon delivery from OEM**
 - Release rebate upon receipt of bill of sale
 - Provides certainty for dealers
- 4. Consider modest dealer incentives**
 - Per-unit sale bonus of \$100 - \$200 sufficient
 - Tie dealer incentives to performance



Thank you!

QUESTIONS?

Please contact Eric Cahill (eccahill@ucdavis.edu) for more information

UCDAVIS

SUSTAINABLE TRANSPORTATION ENERGY PATHWAYS

An Institute of Transportation Studies Program

Back-up Slides



www.steps.ucdavis.edu