



# DEALER VOICE REPORT

CarGurus examines the top challenges  
and priorities for dealers in 2022

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## Foreword by Spencer Scott

EVP, NORTH AMERICAN SALES & SERVICE

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2022 just won't quit. Dealers I've talked to from all across the country report the same situation: inventory shortages caused by supply chain issues, skyrocketing prices, and increasing consumer demand for digital retail all continue to disrupt dealers' day-to-day operations. But **things are starting to change**, and dealers are shifting their focus back to more familiar challenges like shopper demand and profit margins.

To understand how dealers are counteracting these business pressures and learn how CarGurus can better support them, we surveyed 300 franchise and independent dealers nationwide. This report analyzes their opinions on hot topics in the industry, including inventory sourcing, digital marketing, and digital retail, and examines the key issues you and your peers are facing in the new and used car market as we enter the second half of 2022.

Overall, the research found that **dealers are increasingly turning to digital** to help them adapt to industry challenges and maximize profits. As a result, most have a broadly positive view of the current state of the automotive industry – margins are up, inventory continues to improve, and digital retail tools provide higher ROI and faster closing rates.

As the EVP of North American Sales and Service at CarGurus, I'm proud of how my team continues to help our dealer partners navigate the changing industry. We're helping our dealers reach the right buyers, accelerate turn, and boost preowned profits – and I look forward to hearing from you how we can better support your dealership day to day.

A handwritten signature in white ink that reads "Spencer Scott". The signature is fluid and cursive.

**Spencer Scott**

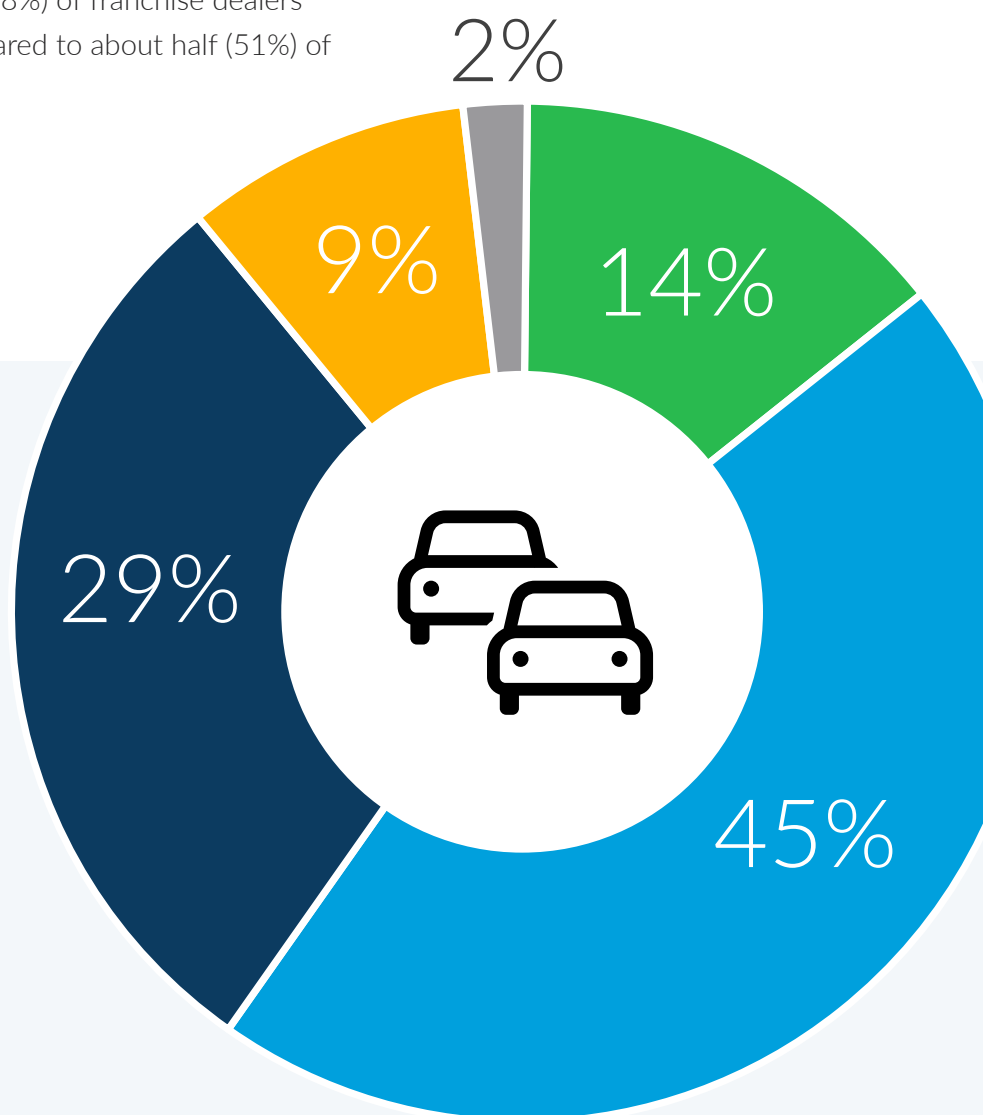
## Auto industry on the rebound

Despite limited inventory and the current state of the economy, most car dealers feel the industry is strong and improving. **Six in ten dealership professionals rated the strength of auto sales in their area a five or six on a six-point scale.** Similarly, 60% said the industry had improved compared to three months ago. Only 14% felt the industry had gotten worse.

When we compare franchise and independent dealers, though, the picture looks a little bit different. With more resources and larger budgets, franchise dealers are significantly more optimistic about the industry: more than two-thirds (68%) of franchise dealers rated the industry a five or six, compared to about half (51%) of independent dealers.

**How would you describe the overall state of the auto sales industry in your area?**

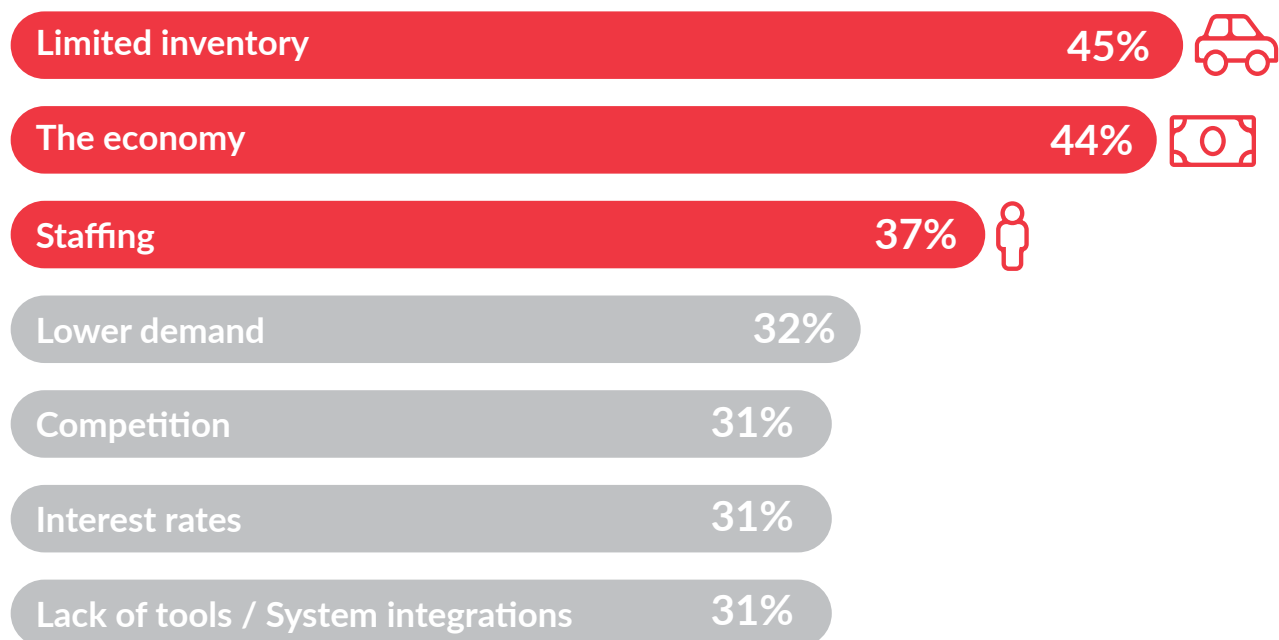
- Very strong
- Strong
- Neutral
- Weak
- Very weak



Having more vehicles to acquire, market, and sell – as well as more processes to maintain – brings unique challenges, though. Franchise dealers and dealers with more than 40 vehicles in their inventory were significantly more likely to say that a lack of tools and integrated systems was one of their biggest roadblocks to meeting their goals.

No matter the dealership's size, everyone agreed that limited inventory, a downward-trending economy, and staffing were some of the biggest challenges to overcome today.

### What are your dealership's main challenges?



Even with improving inventory conditions, no one knows what the future holds. Keep an eye on the economy, watch new and used inventory levels, and be prepared to adjust and readjust as needed. It's also a good idea to diversify where you can so that you're not reliant on just one source of inventory or type of customer.

What does it mean **for you?**

# Inventory is limited but improving

New and used inventory levels continue to improve on their own timelines, with new much slower to recover than used due to ongoing supply chain woes. Compared to a year ago, new inventory levels are just now reaching where they were at this time last year, whereas used inventory levels have been hanging above 2021 levels for six months. We're looking at a steady stream of similar increases as we move out from the inventory bottom and chart a path to a new equilibrium.

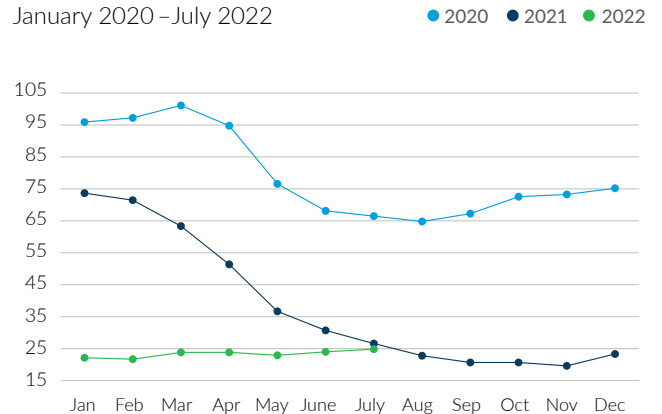
Though quality, affordable inventory remains hard to come by, dealers have noticed the improvement in used inventory levels compared to last year – and, even with more vehicles to sell, they're still seeing great results in their bottom line. More than two-thirds (67%) of dealers described their margin/profits over the past three months as strong. This is relatively unsurprising, though, as consumers continue to buy cars and the average listing prices remain elevated YoY.

**As cost and availability continue to impact dealers' abilities to acquire the right mix of inventory, their biggest opportunity lies with more cost-effective used vehicles. These vehicles are moving on and off lots much quicker than higher-priced models and trims."**

— **Kevin Roberts**  
DIRECTOR OF INDUSTRY ANALYTICS, CARGURUS

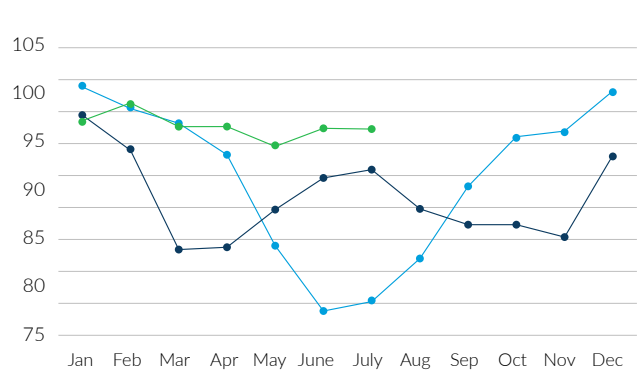
## US: CarGurus New Vehicle Availability Index

January 2020 – July 2022



## US: CarGurus Used Vehicle Availability Index

January 2020 – July 2022



**Beyond strong margins, it seems the tide has turned for dealers acquiring vehicles:**



Most **(80%)** dealership professionals said their **ability to acquire in-demand inventory was very good or excellent.**



More than two-thirds **(68%)** said their **acquisition efforts had improved in the past three months.**

Franchise dealers are more likely to say their **ability to source in-demand vehicles is very good or excellent (90%)**; however, independent dealers also view inventory acquisition positively – 71% describe conditions as very good or excellent.

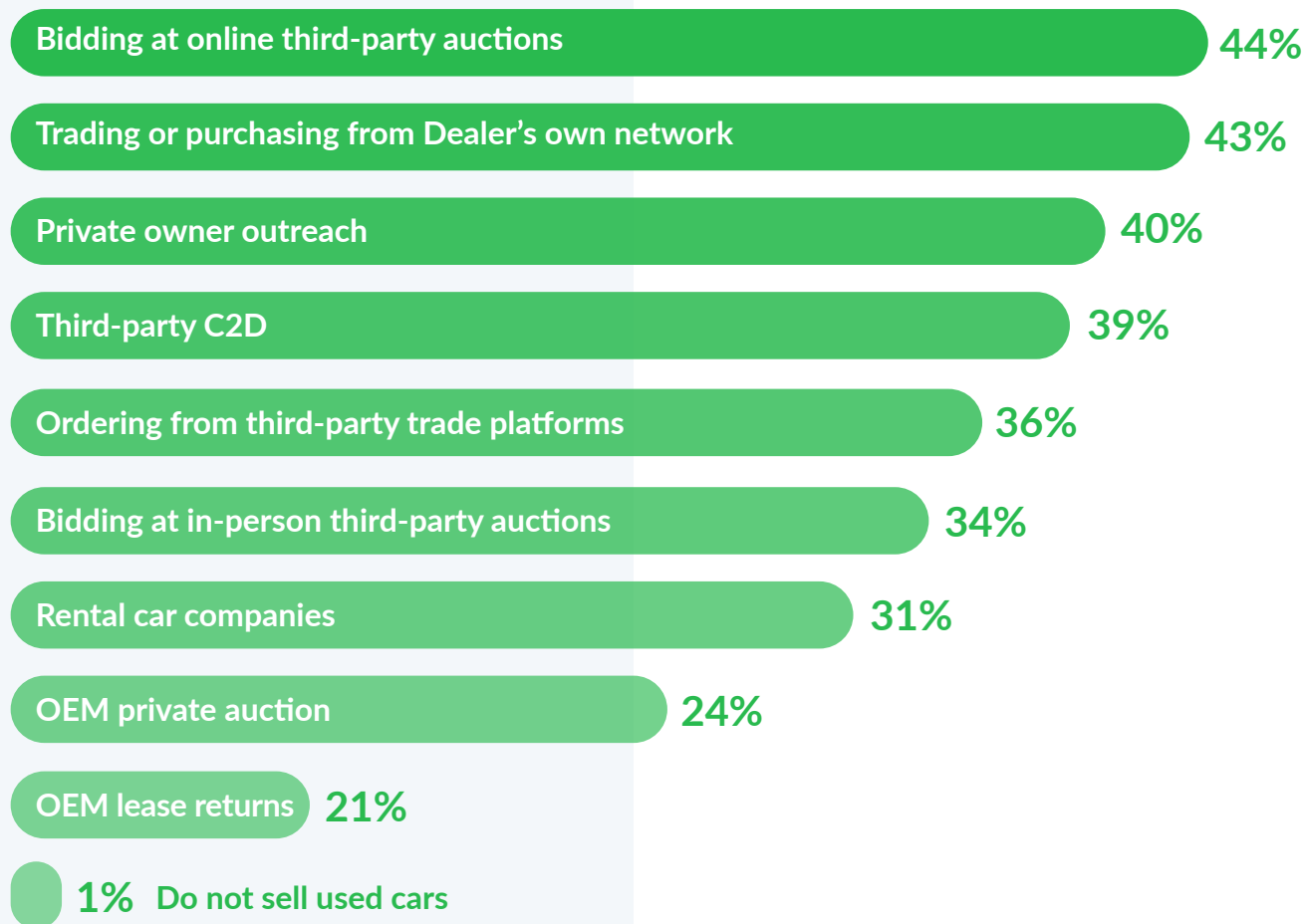


**If you can have another avenue [like the CarGurus Landed Dealer Program] where cars just show up and all you've got to say is yes or no...it's a no brainer."**

**— Aaron Sanchez**  
GENERAL MANAGER,  
PRINCIPLE AUTO BMW OF CORPUS CHRISTI

Dealers' perception of sourcing challenges varies depending on how broad a net they're casting. Those who market to shoppers nationwide are significantly more likely to feel good about their acquisition efforts, likely because they're targeting a larger audience searching for a broader variety of vehicles. For these dealers, a luxury vehicle that might not be in high demand in their local market isn't a concern because they know it will sell in another part of the country. These dealers are also significantly more likely than dealers who only target local and regional shoppers to be sourcing vehicles nationally.

## How do you acquire used inventory?

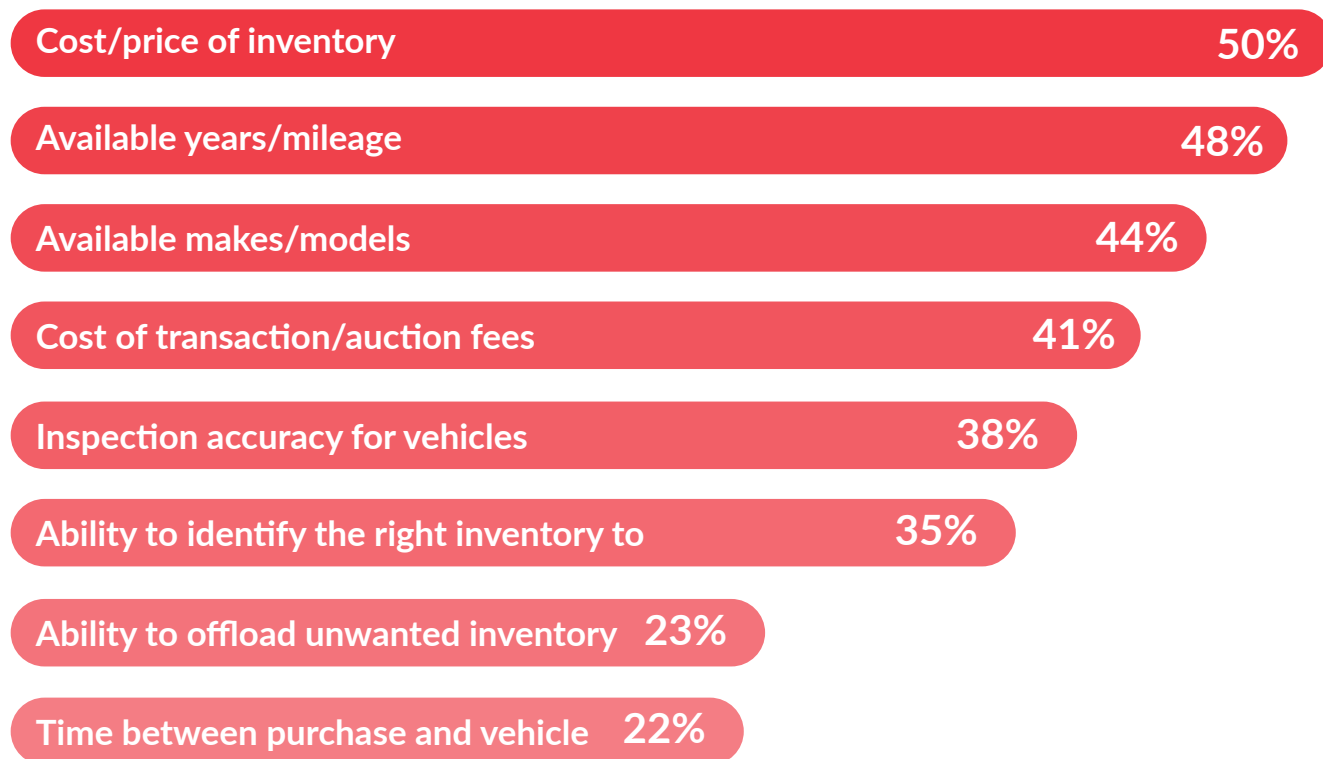


Dealers use a combination of different channels to acquire used inventory, from bidding at online third-party auctions to trading within their network to third-party C2D platforms like CarGurus Instant Max Cash Offer (IMCO). Nearly three-quarters (71%) of dealers report using three or more different sources for inventory.



Even with a variety of channels to source vehicles and the improving overall market, inventory acquisition isn't without challenges. Vehicle prices and availability were the biggest hurdles in acquiring inventory, while dealers appear to be most satisfied with the time it takes from purchase to arrival of the vehicle.

### What are your biggest challenges acquiring inventory?



Though dealers may not be able to control the price of inventory or what's available, they can decide what tools they use – and it's clear they want more. When asked what tools or services would help them stock their lot with in-demand vehicles, answers ranged from exclusivity to software that tracks new inventory and analyzes your existing vehicles and sales to more storage options for cars.

While inventory conditions are improving, the current market still demands an efficient and thoughtful acquisition strategy. Leverage your existing tools, such as the CarGurus Market Analysis Tool, to dig into your data and identify in-demand vehicles in your target market. With better awareness of what your shoppers want, you'll be able to make more strategic inventory decisions and maximize your profits.

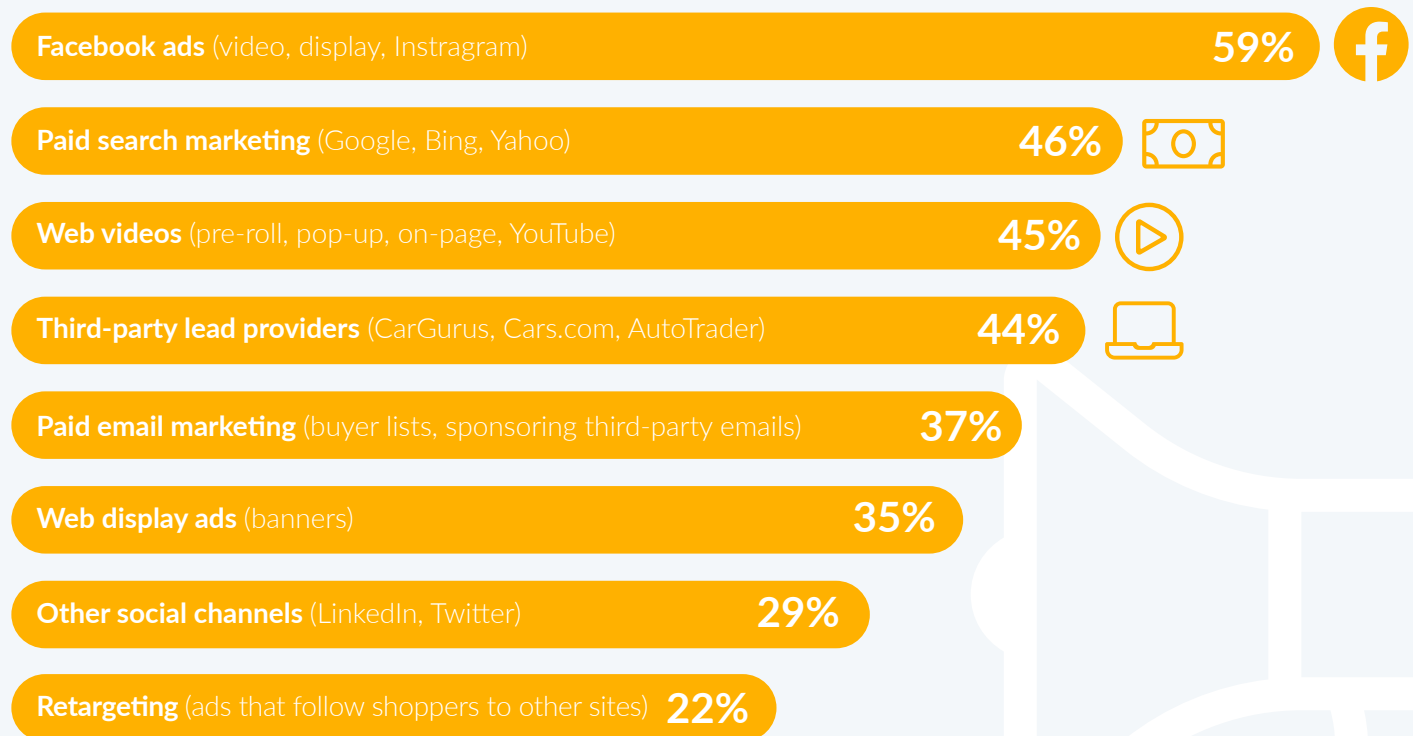
What does it  
mean for you?

## Digital marketing is a top priority

Nearly two-thirds (63%) of dealers indicated that digital marketing was among their strategic goals this year, and more than half (54%) said digital marketing was among their top three priorities in 2022.

Dealers are about equally split between local and regional targeting strategies when it comes to their marketing efforts. And they use a variety of paid marketing channels to reach shoppers online. On average, they use three paid marketing tactics.

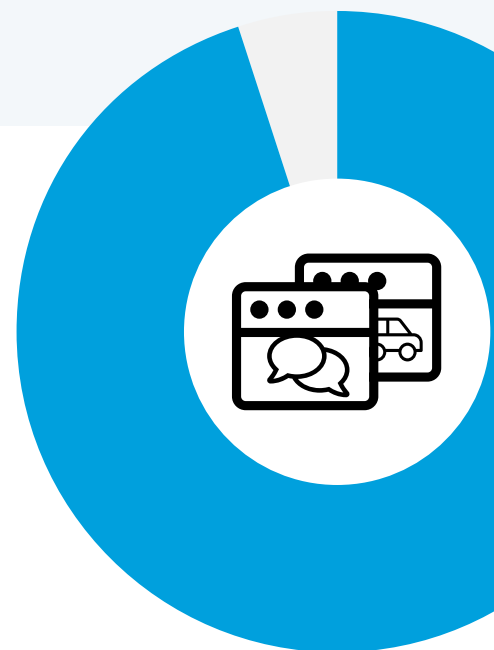
### Paid digital marketing tactics used





Popularity of tactics and ROI go hand in hand – the channels the most dealers are using are also the ones driving the highest ROI. Overall, Facebook advertising stood out as the paid marketing channel dealers spend the most on, deem the most effective, and get the highest ROI from.

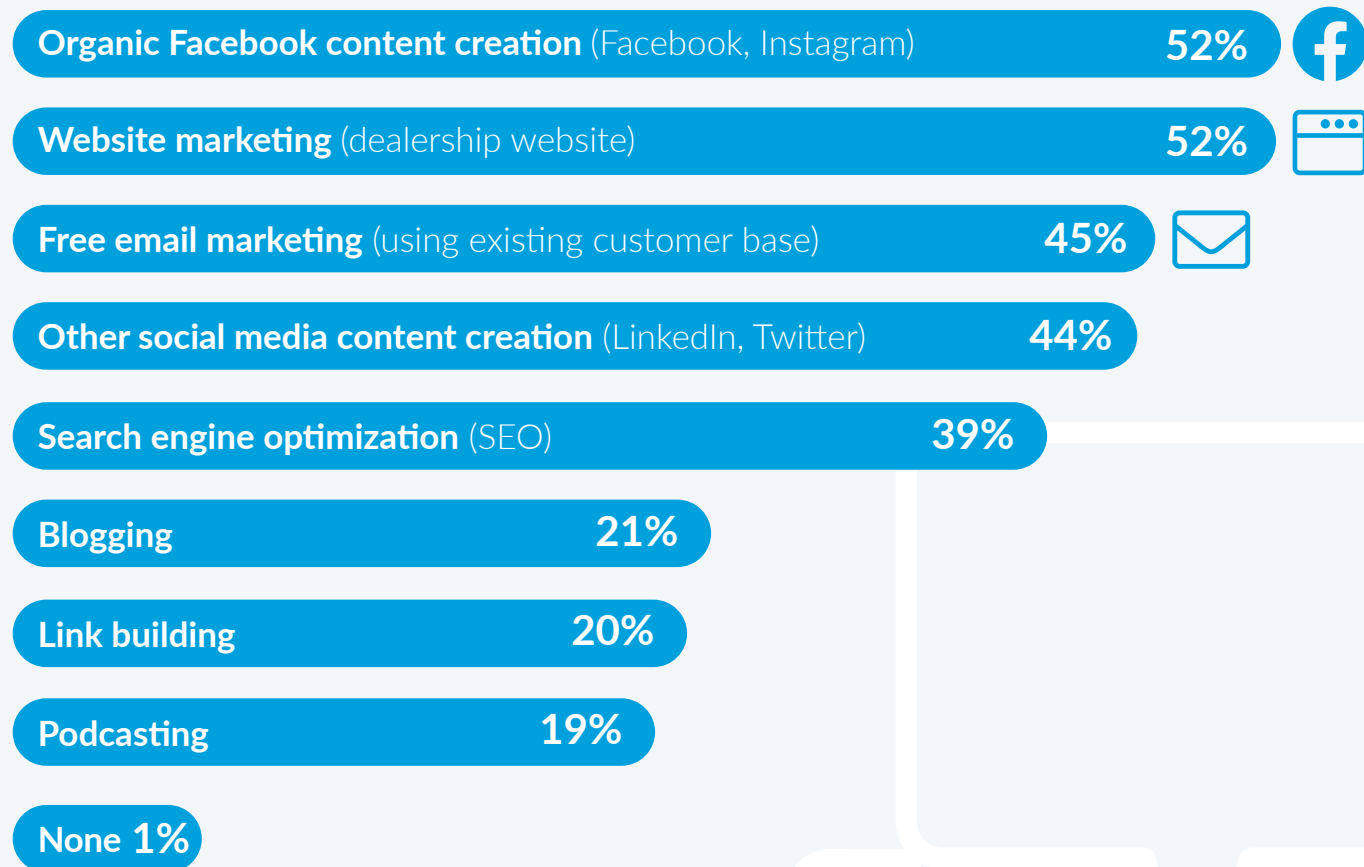
Social media advertising is essential because these sites have become popular destinations for consumers to actively research, crowdsource recommendations, and engage with dealers and brands. More than two-thirds (68%) of car shoppers say they use social media to assist with car shopping, while over a quarter (26%) say social media directly informed their car purchase, up from 19% in 2020.



**95%**  
of online car shoppers **checked social media** during a car-shopping session

Free digital marketing tactics are used by nearly all (99%) dealers, with three tactics used being the sweet spot, on average.

### Free digital marketing tactics used



Despite Facebook being at the top of dealers' paid and free marketing tactics, some dealers still feel like they're lacking an active social media strategy and/or the staff to implement it. One dealer explained, *"Better utilization of social marketing tools for interacting with our customers and gathering accurate insights is missing from our digital marketing solution."*

In addition to digital, traditional marketing channels remain at least somewhat important to franchise and independent dealers alike, with franchise dealers being significantly more likely to say their importance had increased. Still, over half of all dealers said traditional marketing was more important today than it was one year ago. Traditional tactics such as billboards and radio help dealers boost their brands and their visibility in their community – and the tactics are easy to fall back on during periods of uncertainty.



Over half of all dealers said **traditional marketing** was more important today than it was one year ago.

Look at the big picture and consider your dealership's goals when setting your marketing strategy. For example, if you want to reach a large audience, try investing more in Facebook advertising. If you want to get in front of low-funnel shoppers who are actively searching for a car, third-party lead generation sites might be better. Whatever tactics you choose, measure their performance so you can optimize your strategy over time.

What does it mean **for you?**

## Digital retail gives dealers an advantage

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Interest in digital retail has erupted as a result of the pandemic. According to the **2020 CarGurus One Voice Report** from before Covid-19, less than half of dealers (43%) expected to adopt digital retail as part of their day-to-day operations. Today, adoption has accelerated significantly and it's clear that digital retail is top of mind for most:

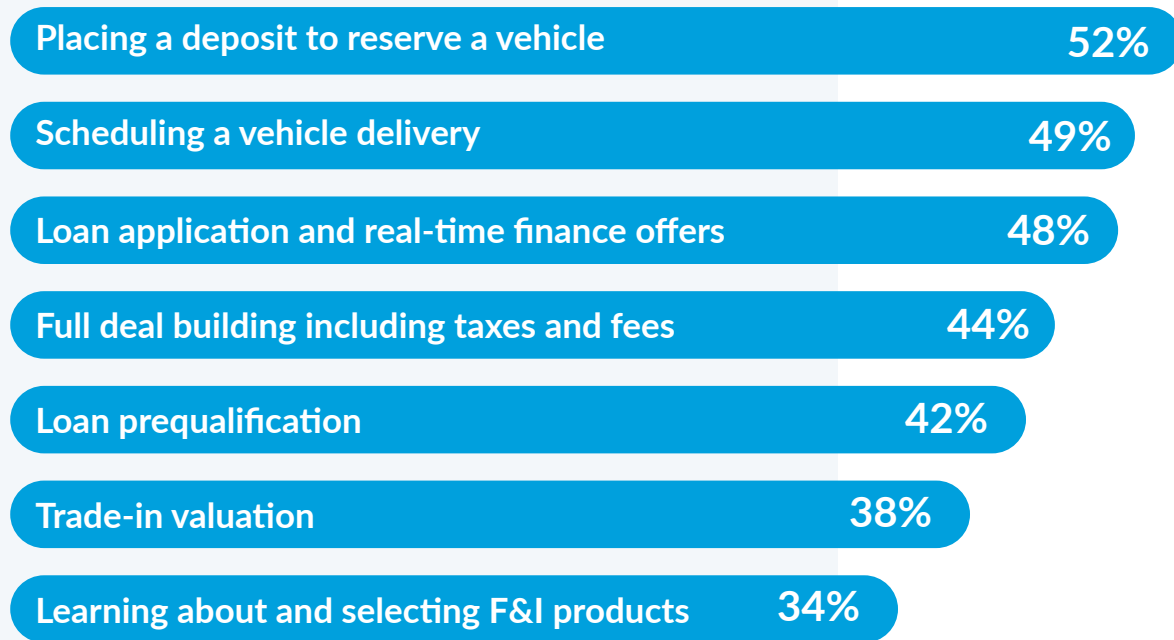
- ➔ **87%** of dealerships are conducting **at least some part of the sales process online**
- ➔ Dealers currently using digital retail are offering **three tactics on average**
- ➔ On average, **43% of their sales** involved digital retail in the transaction
- ➔ **More than three-quarters (77%) of dealers** who conducted at least some of the sales process online said they've **increased their budget for digital retail in the past year**

Dealers say they use digital retail technology such as CarGurus Digital Deal because it helps them **connect the online shopping process directly to sales**. CarGurus customer Nick Boustead, Director of Sales at the Taverna Collection, explained, *"It's hard to build that initial trust and accurately convey information when somebody is thousands of miles away from you. With CarGurus Digital Deal, we're able to better bridge that gap."*

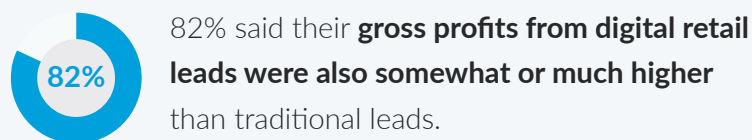
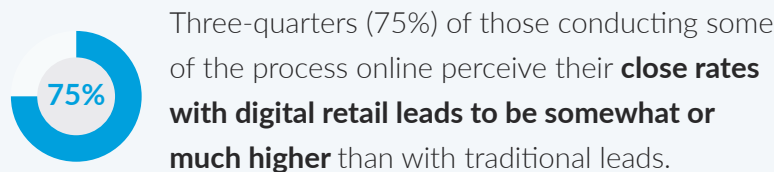


**#1**  
Digital retail tactic used by dealers:  
**accepting deposits**

## What parts of the process are you currently offering online?



Despite a higher likelihood of negotiation, dealers are embracing the benefits of digital retail:



While franchise dealers were more likely to rate close rates and gross profit as **much** higher, independent dealers' perceptions of both were still broadly positive.



**The vast majority of people we call who have entered this [Digital Deal] process are informed buyers who are ready to make a purchase."**

— **Nick Boustead**,  
DIRECTOR OF SALES,  
THE TAVERNA COLLECTION

Still, not everyone is ready to move the entire process online and some feel it's harder to make a connection with a shopper online than in person. According to one dealer, *"As consumers' lives become more digital, we must keep up with the changing times; however, this is easier said than done. We simply can't give up everything working in-store to make it completely online."*

For just over one-third of dealers, the biggest barriers to doing more with digital retail are the complexity it could add to their sales pipeline and concerns that using a vendor could cut into their profits. This most likely stems from fears that they're missing out on a chance to sell add-on products, including extended warranties, gap insurance, and other F&I products.

Other factors holding dealers back from doing more:

Lack of control of the sales process (30%)

Sales reporting / analysis (28%)

Data / reporting incompatibility (27%)

As demand for digital retail remains strong among consumers – **72% want to do more of the process from home for their next purchase** – it's unlikely buying a car will ever go back to the way it used to be.

Digital retail isn't an all-or-nothing solution. Instead, choose one or two tools or vendors that meet your individual goals, and get your process down pat with them. Once you have a good handle on it at one store, roll it out to more locations if applicable. When your employees see others having success while keeping control of their sales, they'll be eager to get on board.

What does it mean for you?



## Conclusion

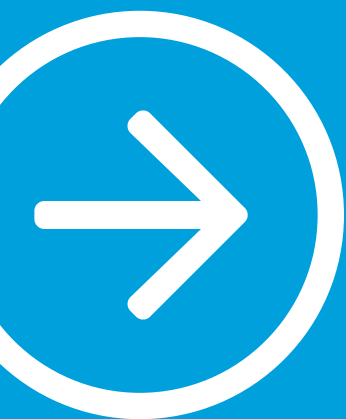
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As the auto industry continues to evolve, dealers are finding ways to adapt to and capitalize on new technology in auto retail.

Finding and buying the correct vehicles is the natural bottleneck for dealers as supply chain issues and inventory shortages driven by the pandemic linger. Successful use of data and digital tools will be the dealers' answer to how they can source inventory that sells while maintaining margins.

While dealers are finding new ways to get cars on their lots, consumers are demanding the ability to do more of the car-shopping process online. As a result, dealers are refining their marketing efforts to reach a broader base of in-market shoppers and embracing the advantages of digital retail, including faster close rates and higher gross profits.

What's clear is that dealers are optimistic about the future of the industry, and CarGurus is here to help our partners succeed in the ever-changing automotive landscape.



To discuss the report in depth or learn how CarGurus can help you manage the entire preowned vehicle lifecycle at your dealership, scan the QR code.

# About the Dealer Voice Report

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The data is primarily sourced from a May 2022 online survey conducted by CarGurus and Market Probe International, a leading global market research company. The survey took approximately 15 minutes to complete, and the sample of 300 auto dealers nationwide was sourced via an online panel, and respondents were screened to meet the following criteria:

- Auto dealers
- Currently employed at a dealership for at least six months
- Responsible for the selection of digital advertising or online inventory listing websites used
- 15+ cars on the lot
- A mix of independent and franchise dealerships

Additional data is sourced from CarGurus internal data and the [CarGurus 2021 Buyer Insight Report](#).

Thank you to all the dealers and CarGurus partners who contributed to our Dealer Voice Report. Without you, this valuable level of insight into dealers' priorities and challenges would not have been possible.