

A **DriveltNow**[®] White Paper

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Prequalified Payment Marketing Converting Online Car Shoppers to Customers

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Overview

Shoppers to Buyers

Problem Statement

Payments based on real credit

Previous Options

Services that provided part of the solution

The Solution

Prequalified Payment Marketing.

Implementation

Capture, Qualify, Convert, Close

Case Study

Grubbs Nissan

Summary

Credit Eligibility + Real Payments = More Sales

Product Comparison

Side-by-side

Prequalified Payment Marketing

Converting Online Car Shoppers to Customers

OVERVIEW

According to a recent Shopper Segmentation Study conducted by AutoTrader.com, over 80% of in-market shoppers find it important to stay within a set budget when shopping for a vehicle.

The question most consumers ask before making a decision to buy a car is, "What is the monthly payment and how does my credit affect it?"

Automobile dealers and their advertising agencies know consumers respond to payment marketing, enticing shoppers with low monthly payments.

Based on a 2010 Zogby International survey, 83% of consumers will use the Internet to shop for and purchase their next car. The Internet is the perfect medium for dealers to engage car shoppers early in the buying process by promoting **real monthly payments** on their vehicle listings based on the buyer's credit.

Online services that quote instant payments based on a consumer's credit and lender finance programs is not new in the industry. In 2000, LeaseCompare.com launched the first ever online service to automate the quoting of lease payments direct to the consumer. Payments are based on actual captive and bank lease programs and a credit score supplied by the consumer. Consumers can customize their lease options and apply for credit, all online.

THE PROBLEM

Research by Verity Partners, LLC, shows that consumers want to complete more of the car buying process online before talking to a dealer. They also prefer to guide themselves through the sales funnel at their own pace and with more control.

A vital part of the buying process for most consumers is credit eligibility and monthly payment affordability.

Therefore, failing to display credit based payments on new and used vehicle listings, presents a lost opportunity to convert online shoppers to customers.

Previously, technology to solve this problem has not been available due to the complexity associated with payment calculations involving the consumer's credit, variables with available finance programs, and mandatory disclosure and compliance obligations to satisfy government regulations. Available services have either focused on prequalifying the customer using long input forms that require sensitive personal consumer information or by generic payment calculators that used "best guess" data.

Consumer privacy is a key issue when attempting to prequalify a potential buyer. Most consumers are reluctant to complete an online credit application that requires their Date of Birth or Social Security Number.

Payment calculators that quote without using real credit criteria and an actual vehicle selling price, provide little benefit in helping buyers to determine true payment affordability.

The disconnect between the credit prequalification process, quoting a real monthly payment, and allowing the consumer to customize personal payment options have been barriers in completing the online car buying transaction.

These issues force a potential buyer to search out other finance sources, resulting in a lost financing opportunity or worse, losing a vehicle sale.

RayFenster.com, LLC conducted research with dealers and F&I professionals in regards to these issues and found three consistent themes.

- Maintaining privacy for prospects and consumers is key
- The process should be simple and transparent
- Dealers want to provide customers with their financial options, but don't want to force them to disclose sensitive information

According to a recent study conducted by Harris Interactive, nine out of 10 (90%) car buyers say that the information provided by car dealerships should be both more complete and more accurate.

The disconnect between the credit prequalification process, quoting a real monthly payment, and allowing the consumer to customize personal payment options have been barriers in completing the online car buying transaction.

PREVIOUS OPTIONS

The following are previous services that provide different parts of the entire prequalified payment marketing solution.

Generic Online Credit Application

This form is typically an option found in the "finance" section of most dealer websites or behind a link asking consumers to "Get Approved" or "pre-qualify". It consists of a detailed and lengthy form typically requiring a consumer's personal and sensitive information including SS# and DOB.

This process does not provide an instant credit prequalification notice as the buyer must wait to be contacted by a dealer representative to know if they have qualified to buy and what vehicles they qualify for. This provides an opportunity for the buyer to continue the shopping process, potentially causing the dealer to lose a sale.

Black Book Credit Activator (BBCA)

This service gives consumers an estimated credit score range without asking them to divulge sensitive information such as their social security number or date of birth.

BBCA requires the car buyer to answer about 15 questions related to their current and previous credit. Some credit questions may not be easy to answer in regards to balance percentages.

BBCA provides a credit score range of 50 points. Although a buyer's score may fall within the range given, not having an exact score can set false expectations of an approved or declined loan, leaving a negative impact on the buyer.

Although BBCA does not ask for personal sensitive information, it lacks the ability to give a real pre-approval or quote real payments using a consumer's actual credit score.

Credit Jockey Online Instant Loan Approval Program (CJO)

Credit Jockey is an interactive online web based service that allows consumers to become pre-approved for an auto loan immediately upon entering their application information via a secure link provided on a dealer's website.

CJO takes the online car buyer on a four-step credit application process. The first step collects personal sensitive information (DOB & SS#) to determine the buyer's credit score. Step 2 pre-approves buyer based on credit score and asks them to select a vehicle. Steps 3 and 4 collect additional personal information.

Once the buyer completes these steps, they are informed that a representative will contact them with full details about what they qualify for.

Although this service appears to pre-qualify the buyer based on a credit score, they must wait for further contact to see if the vehicle they've chosen qualifies and what their payment options are.

DealerCentric Solutions (DCS)

This product is designed as a gateway to bridge the gap between sales and finance departments. Seamlessly integrating the auto sales process with the auto finance process, DealerCentric enables Auto Dealers to capture and convert leads to credit applications, qualify online or offline consumers to specific vehicles and lender programs at the beginning of the sales process taking the guesswork out of structuring deals.

DCS is similar to CJO in that the car buyer is required to enter personal sensitive information (DOB & SS#) along with two pages of other personal information to determine initial pre-qualification.

Again, the buyer must wait to be contacted by a dealer representative to know qualifying rates, terms, payments and other details. This provides an opportunity for the buyer to continue the shopping process, potentially costing the dealer a lost sale.

DealerTrack CreditOnline (DTCO)

CreditOnline provides consumers with an immediate response regarding their automobile loan inquiries. These new customized responses, based on the dealer's own criteria and the customer's profile from their credit report, lets dealers "pre-qualify" and convert these website leads directly to credit applications.

This service was launched February 2011 and is also similar to DCS & CJO as it is an online credit application that requires all of the car buyer's personal and sensitive information.

The dealer has the option of setting up a canned message that is automatically emailed to the buyer for a basic pre-qualification. The buyer must wait for further contact to see if the vehicle they've chosen qualifies and what their payment options are.

Generic Payment Calculator

This basic calculator function is often displayed on a dealer's website in the finance section and on the vehicle details page. Often, a payment will be displayed using the "Internet price" and a default interest rate and down payment.

Online payment calculators only compute a best guess based on information entered by the user. Buyers must know their credit score and market rates to receive real payments. Many consumers are inclined to search out other finance providers to determine actual rates they qualify for.

Promote by Payment – AutoTrader.com (PBP)

Promote by Payment is a multifaceted tool that enables dealers to define up to six monthly payment options — for leasing and for purchasing. This information will appear on the search results page and the vehicle details page for new and used cars listed on AutoTrader.com.

This service was announced in February 2011. No further information is available.

PaymentDriver - Chrome Systems (CPD)

Chrome's PaymentDriver is an online payment calculation service for automotive websites that allows consumers to generate monthly payments based on accurate, specific current finance rates and residuals available from the dealership's finance partners.

Calculating payments using real finance data is the primary focus with this service. The consumer will not know if they actually qualify for what is being quoted as no credit is used in the calculation..

This service was announced in February 2011. No further information is available.

Previously, technology to solve this problem has not been available due to the complexity associated with payment calculations having to be based on each individual consumer's credit, variables associated with available finance programs, and mandatory disclosure and compliance obligations to satisfy government regulations.

THE SOLUTION

Engaging a car shopper sooner in the buying process, with a real payment they qualify for, is an essential element in converting them to a customer.

Three components necessary in creating a real payment are:

- The customer's credit information
- Dealer's available finance programs
- A specific vehicle

This provides more complete and transparent information to help the consumer make an online buying decision they feel comfortable with, resulting in more sales, profit and satisfied customers.

DriveltNow® combines these essential car buying elements into a unique patent-pending platform that completes the online buying process between consumer and dealer.

According to Jeff Kershner, noted Industry speaker and founder of DealerRefresh.com, "Every dealership website should consider allowing the customer the option of BUYING online now, even if most of the transaction still happens at the dealership. A solid online buying process takes the customer down the road of the purchase. It's not only a differentiator but it's an engaging pre-closing tool."

SOLUTION BENEFITS

Benefits of prequalified payment marketing:

- Close more existing website visitors
- Increased leads & closing ratios
- Keeps consumer engaged
- Consumers are less likely to consider alternative financing
- Additional F&I profit per deal
- Builds consumer confidence
- Highly qualified prospects
- No negative impact on consumer's credit score
- No personal sensitive information required
- Eliminates discriminatory lending
- FCRA Compliant

SOLUTION IMPLEMENTATION

CAPTURE

Engage online shoppers with a low monthly payment on real inventory. DriveltNow® instantly quotes the lowest monthly payment available on each qualifying vehicle using actual finance programs.

QUALIFY

DriveltNow® encourages the online shopper to complete a simple form to instantly see real payments they qualify for based on credit and actual lending criteria. No SS# or DOB required and there is no negative impact on their credit file.

CONVERT

Prequalified buyers are presented with real payment offers. They can customize and select offers and schedule a test drive appointment.

CLOSE

Dealer receives a prequalified buyer with credit eligibility, and complete deal structure, ready to close. The more a dealer knows about a potential buyer, the easier it is to sell them the right vehicle and provide a more pleasant buying experience.

Some Dealers are likely to be concerned about losing control of the sale with a technology based process. Ironically, traditional retailers have found when more technology is deployed there is more control because there is less variability in follow up, record keeping, and attention to detail.

Dealers who differentiate themselves with proven decision support processes and practices build buyer trust.

DriveltNow® combines the critical car buying elements in a unique patent-pending service that completes the online buying process between the consumer and dealer.

CASE STUDY RESULTS

The results of this case study involved Grubbs Nissan in Dallas Texas and were conducted over eight months beginning October 2010.

The DriveltNow® Prequalified Payment Marketing service was integrated into their search results listings and vehicle detail pages of their website.

The website previously included online credit application technology and a generic payment calculator.

According to CAR-Research, the average closing percentage in 2010 for all dealer lead sources was 7.67%.

Grubbs Nissan's average closing ratio from their own website lead sources is 16.89% and from all leads is 9.6%.

The closing ratio for the DriveltNow® service, over the course of the study, was 18.17%, with the last four months of the study averaging 23.63%.

DriveltNow® also generated on average 40% more leads per month than what the dealership received per month prior to adding the service.

The study confirms that adding DriveltNow® Prequalified Payment Marketing to a dealer's website generates more lead volume, more sales, has closing ratios well above the industry average and generates more profit per deal.

HIGHLIGHTS

Company:
Grubbs Nissan
310 Airport Freeway
Bedford, TX 76022

Contact:
Keith Wilde, Internet Sales Director
kwilde@grubbsauto.com
817.268.8977

Website Provider:
eCarList

Business Benefit:

"After integrating DriveltNow, we are capturing 40% more of our website visitors and closing over 20% of them.

The credit eligible leads we receive show which of our finance programs the customer qualifies for, making it easier to structure a more profitable deal.

Setting the customer's expectations up front makes it easier to focus on selling a car.

DriveltNow has more than exceeded our performance expectations!"

The closing ratio for the DriveltNow® service, over the course of the study, was 18.17%, with the last four months of the study averaging 23.63%

Prequalified Payment Marketing

Converting Online Car Shoppers to Customers

SUMMARY

Consumers want to complete more of the car buying process online before talking to a dealer. They also prefer to guide themselves through the sales funnel at their own pace and with more control.

Most consumers base their decision to purchase on affordability. Displaying a real monthly payment next to an actual vehicle listing enhances the likelihood of engaging a serious shopper and converting them to a customer.

The disconnect between the credit prequalification process, quoting a real monthly payment and allowing the consumer to customize personal payment options are barriers in completing the online car buying transaction.

A study conducted by Harris Interactive indicates that 91% of car shoppers would select a dealer who offered more transparency in lending options.


The technology in the marketplace to solve this problem has not been accessible. Available services have either focused on prequalifying the customer using long input forms that require personal sensitive information or generic payment calculators that use best guess data.

DriveltNow[®] combines these critical car buying elements in a unique patent-pending service that completes the online buying process between the consumer and dealer.

NOW is the time for Prequalified Payment Marketing!

Prequalified Payment Marketing Product Comparison

Feature by Feature Comparison

| |  | Black Book Credit Activator | Credit Jockey | DealerCentric | DealerTrack CreditOnline | Chrome PaymentDriver | Generic Credit Application | Generic Payment Calculator |
|---|---|-----------------------------|---------------|---------------|--------------------------|----------------------|----------------------------|----------------------------|
| Instant real payment offers | ● | | | | | | | |
| Uses dealer's finance programs/guidelines | ● | | ● | ● | ● | ● | | |
| NO SS# or DOB required | ● | ● | | | | ● | | ● |
| NO Impact on customer's credit | ● | ● | | | | ● | | ● |
| Provides complete deal structure to CRM | ● | | | | | | | |
| Immediate results | ● | ● | | | | ● | | ● |
| Vehicle specific | ● | | ● | ● | | ● | | |
| Simple/Short Input Form | ● | | | | | | | ● |
| User customizable | ● | | | | | ● | | ● |
| Eliminates trigger leads | ● | | | | | | | |