The Impact of Online Marketing in Automotive Retailing

Earl J. Hesterberg, President and CEO

GROUP 1 AUTOMOTIVE
Industry new vehicle sales

- Decline of 7% or 1.2 million units
- 2008 Decline of 24% or 4.2 million units
- 2009 est.: Decline of 39.5% or 6.9 million units
About Group 1 Automotive

- A Fortune 500 automotive retailer
- A leading operator in the $1 trillion automotive retailing industry
- One of the top five dealership groups in the United States
- Owns and operates 100 dealerships, 133 franchises and 25 collision service centers in the US and the UK
- Our digital marketing strategy is founded on
  - Strong belief in database marketing
  - Major investments in websites, CRM software, and web-based marketing
  - Utilize both in-house and third party lead management and follow-up processes
• Utilizing the Internet as a marketing tool allows offline dealers access to savvy, serious car shoppers – not just a passive audience watching a television commercial or listening to a radio ad.

• Online marketing can be applied to the core sectors of the dealership to build stronger relationships, drive more value and enhance the marketing and communications effort.

• Online marketing is more measurable (through web analytics such as click counts, visitor reports, etc.) than traditional media, so there is a higher expectation of meeting performance goals and delivering ROI.

• What works on the Internet? Ratings and reviews are generally cited. J.D. Power and Associates says that 63 percent of car shoppers are accessing vehicle ratings, and 38 percent are checking out dealer ratings. What doesn’t work, however, are request for quotes, whose use among shoppers are down from 31 percent in 2007 to 28 percent.

• 75 percent of auto dealers use search engine optimization, according to J.D. Power and Associates.

• According to the study by J.D. Power, an automotive Internet user visits an average of seven different Web sites before making a purchase.

• While auto dealers spend hundreds of thousands of dollars on traditional advertising, they still have no precise way of measuring whether consumers are actually paying attention. On average, auto dealers spend $550 on traditional advertising per one car sold, while the average cost per car sold using Internet advertising is only $200.
Our Online Marketing Approach

- 5.8 million customers and prospects in our database
- 1.2 million clean email addresses
- More than 150,000 new and used vehicles sold in 2008
- 800,000 customer selling opportunities last year
- 1.8 million repair orders generated in our service departments
- 1.2 million parts tickets
- Approximately 12% of total marketing and advertising is now online, reflecting a 300% increase over the last three years

Capture and stringently segment customer data, which can be used for email marketing and personalized ongoing communications

Gathering the data we need
Deliver targeted offers, to qualified prospects that entice consumer to action
Integrate search technologies, email marketing and web advertising
Adhere to best practices: No Spam, opt-out capabilities

Using the data we’ve gathered to target based on previous buying habits, vehicles already owned, previous service visits, etc.
Our Online Marketing Mix

New and Pre-owned Sales

• Acquisition/Conversion
  – Capture relevant customer data to better understand their needs, values & expectations
• Reach: Attracting consumer attention and offering value
  – Highly targeted email marketing
  – Banner ads
  – Search Engine Optimization
  – Search Engine Marketing, pay-per-click
    • 78% of customers visit the web site prior to entering the dealership
    • 90% of internet users use search engines to find a new car
  – Targeted Google radio advertising

• Customization: each brand in each store has a unique campaign based on brand, geography and demographics
• Integrating email and search to entice customers to web site and ultimately into the database
• Search Engine Marketing, pay-per-click
• Search Engine Optimization to drive web site traffic
New Car E-Mail Promotion

This is an example of a new car campaign we conducted on behalf of one of our Toyota stores in Nov. 2008.
# Campaign Results

- Emails Sent: 20,808
- Emails Delivered: 18,103 (87%)
- Showroom Visits: 104 (4%)
- Vehicles Delivered: 44 (2%)

87% of the emails were successfully delivered, leading to 104 showroom visits and 44 units sold.
Enhanced Pre-Owned Browsing

2006 BMW 7-SERIES 750LI SDN

Advantage Cost to Haggle Price: $34,900.00

Mileage: 54,800 Miles

Exterior Color: SILVER

Interior Color: BLACK

Transmission: Automatic with shiftKick manual, M60

Engine: V-8, 4.4L

VIN: WBAHK723X6C331317

Status: IN STOCK

Overview | Gallery (27) | Tech Specs | Std Features | Options

2006 BMW 7-SERIES 750LI SDN

Advantage Cost

Address: 10805 Southwest Freeway

City: Houston, TX 77074

Contact:

Call Now for Internet Specialist

This vehicle is available at one of our other locations and can be transferred.

Get More Information

Print e-Brochure

Price: $34,900.00

Estimated Payment: $695.76

See package details.
• Group 1 continues to make strategic investments in its dealerships, especially in parts & service.
• Customers can manage their own service experience by scheduling their own reservation, selecting their required service, customer service advisor, etc.
• Customer satisfaction index surveys via email and follow up with customer as needed.
XTime Capabilities

ADVANTAGE BMW (MID-TOWN)

Friday, January 16, 2009

Ledger Display

<table>
<thead>
<tr>
<th>Filter by Account</th>
<th>42</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filter by Source</td>
<td>52</td>
</tr>
<tr>
<td>Display Name By</td>
<td>11, 15 Name</td>
</tr>
</tbody>
</table>

Capacity:

- Map: S/L/O
- Gender: M/F
- Weather: 40/34°F
- License: 14/13
- Web: 1/1/1

Scheduled

<table>
<thead>
<tr>
<th>Time</th>
<th>Customer</th>
<th>Vehicle</th>
<th>Service</th>
<th>Status</th>
<th>DMS Status</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:00 AM</td>
<td>Manager override required to make appointment. (4/7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7:00 AM</td>
<td>Nancy Majors</td>
<td>2005 BMW, 325CI, 310-123-4567</td>
<td>Tires</td>
<td>NP</td>
<td>Successful</td>
<td>Web</td>
</tr>
<tr>
<td>7:00 AM</td>
<td>Ali Uzey</td>
<td>2007 BMW, 320I</td>
<td>TP, TP</td>
<td></td>
<td></td>
<td>Web</td>
</tr>
<tr>
<td>7:00 AM</td>
<td>Brian King</td>
<td>2006 BMW, 320I, 310-123-4567</td>
<td>Service, Repair</td>
<td></td>
<td></td>
<td>Web</td>
</tr>
</tbody>
</table>
• Using web-based appointment setting programs improves operational efficiency and predictability of kept appointments. This has reduced no-shows, as clients are more likely to keep appointments made due to the continued “touches.”
Service Campaign Example

Sterling McCall Toyota

To our Loyal Customer, Happy New Year!

10% Repair Work

Fuel Induction System Service
- Throttle plate
- Intake plenum & injectors
- Intake ports & valves
- Combustion chambers

$149.98

Brake Inspection
- Inspection of rotors/lunars, calipers and cylinder (Brake pads & shoes for wear)
- Report of brake system condition and extent of repair work
- Inspection charge will be applied to repair cost if repairs are performed here

Complimentary

Note: Some models are slightly higher. May not be combined with any other coupon, discount or special offer. Please present coupon at time of purchase. Offer expires 02/02/09.
### Service Campaign Results

- Emails Sent: 4,871
- Emails Delivered: 3,020 (62%)
- Responses: 63 (8%)
- Closed ROs: 540 (65%)
What the Future Holds

• Most dealings with customer will be driven online, however…
• More than 50% of online consumers surveyed are less likely to buy a car online because of the inability to:
  – test drive
  – review full car/pricing information
  – interact with a person
  – negotiate trade-in of old vehicle
  – apply for financing
• Customers will continue to control more of their own sales and service experience, resulting in greater consumer convenience and improving Group 1’s targeting efficiency
• Migration of marketing and advertising budgets to online venues
• Tighter integration of new, viral and social media throughout the customer lifecycle
• Continued innovation in online marketing deployments and metrics

• But this is still a business built on delivering a quality customer experience. That begins on the web and is delivered each day by our people.
• There is still a great need for the services and expertise a dealership provides.
• Our industry is adapting to this internet user driven world. Our advertising and marketing spending continues to evolve to meet our customers’ needs as they change.
• Newer technologies we are investigating such as viral and web video and we will incorporate those tools as they become more viable.
• Ability to capture essential customer data, measure and track campaigns will continue to elevate online marketing programs across our dealership portfolio.
• Ultimately these tools make us more competitive in the markets we serve.