



# OVERCOMING INVENTORY SHORTAGES

while building a robust lead pipeline

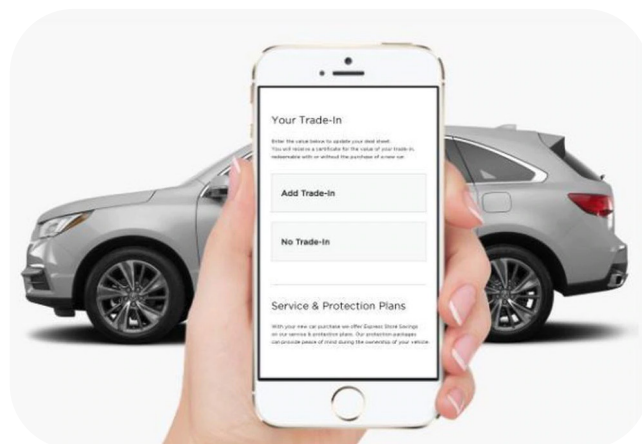
The automotive industry has seen varied signs of recovery this summer, with the easing of lockdowns providing some gradual demand-side relief late in the second quarter. However, U.S. automotive retail volume and inventory levels will continue to ebb and flow, primarily driven by supply chain disruptions and demand fluctuation in the face of continued uncertainty.

The lack of new vehicle supply has forced dealerships to rely more heavily on used inventory, but inflated wholesale prices have created an untenable situation. Impel has heard from thousands of customers in North America and around the world that traditional sourcing strategies simply aren't working in this new environment.

We've developed best practices and new tools to help dealerships successfully navigate the new reality. Implementing these strategies will help retailers secure inventory and build a lead pipeline in an efficient, cost-effective manner.

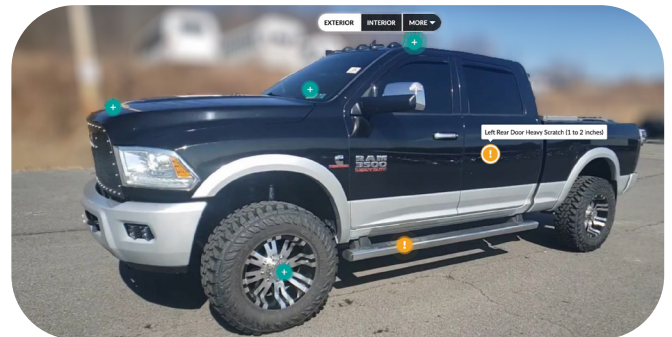
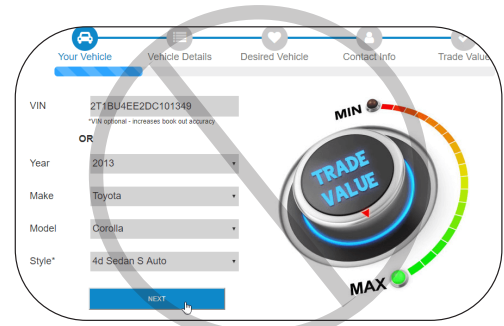
## Strategies to Combat Inventory Shortages

- **Leverage Fixed Ops.** The Service and Parts departments drive significant revenue for retailers. Importantly, fixed ops comprise 49% of dealership gross profit on average (NADA, 2017). Redirecting marketing investment toward fixed ops campaigns and ramping up customer service or parts visits with valuable offers could help drive additional sales and increase dealer margins, offsetting new inventory shortfalls.
- **Shift the focus to local inventory acquisition.** New inventory will be difficult to reliably source. Constantly changing COVID surges and lockdowns, in addition to global supply chain disruption, will make this a persistent challenge over the second half of the year. Refocusing conquering and customer communications efforts toward purchasing pre-owned vehicles can keep inventory afloat while also driving used vehicle sales, which are a significant source of profitability for dealerships.
- **Consider at-home used car services.** In the current environment, offering at-home or contactless trade-in valuation, vehicle purchase or pick-up will build consumer confidence in the dealership and appreciation of outstanding customer service. It will also further increase the likelihood of consumers selling or trading in their vehicles earlier than planned. Lastly, at-home services could be a substantial differentiating advantage versus local competition also looking to source local inventory.
- **Continue to offer (and advertise) frictionless experiences.** Everyone is spending more time than ever on social media and shopping online. Retailers should capitalize on this extra exposure to inform consumers and active shoppers about their convenient and safe experiences. Even when not actively in the market, consumers still need vehicle maintenance and service, and many may consider selling or trading in their current car with compelling offers. Dealerships can apply frictionless, contactless processes to fixed ops and used car operations as well, weaving this messaging into all marketing communications.
- **Invest in digital merchandising.** Consumer demand for personalized online shopping experiences has accelerated exponentially, and auto dealers are moving rapidly to adapt to a new reality. Now more than ever, the online showroom is critical to success and dealers can no longer rely on static vehicle images and outdated VDPs. An engaging digital showroom will increase consumer confidence in vehicle trade-in, while also enabling the dealership to take full advantage of every available sales opportunity.



## Best Practices for Optimizing Inventory Acquisition

- 1. Cast a wide net.** To ensure maximum effectiveness, it is imperative to leverage as many channels as possible to find inventory acquisition opportunities. In addition to conquering, dealers can leverage their customer and fixed operations databases to target potential trade-in or sale-ready customers based on their purchase and service history. Dealers concerned with quality of consumer-sourced inventory, which may not be retail-ready, can use the opportunity to convert customers with sub-optimal vehicles into service, parts or accessory leads.
- 2. Leverage search marketing.** Diversify and strengthen paid search ads with messages and offers focused on used vehicle buybacks.
- 3. Reconsider book values.** Due to the instability of the market, book values are quickly becoming outdated. Retailers should consider removing vehicle valuation widgets from their website temporarily. This will ensure they don't make out-of-market offers that cause missed opportunities or get them upside down on a trade.
- 4. Limit negotiations.** Securing inventory has become a strategic imperative. Be sure sales personnel do not negotiate the trade-in or sales pricing so aggressively that they drive prospects to the competition.
- 5. Preserve the relationship.** When valuing the trade-in of a customer who may have unrealistic expectations, use 3rd party tools that explain devaluations. This will allow used car managers and salespeople to maintain positive relationships, which are critical to successful vehicle acquisition.
- 6. Leverage Damage Tagging.** Damage tagging capabilities enable dealerships to point out imperfections and classify them using industry-standard EDI codes when assessing trade-in vehicles, providing objective rationale for discounting from book value.



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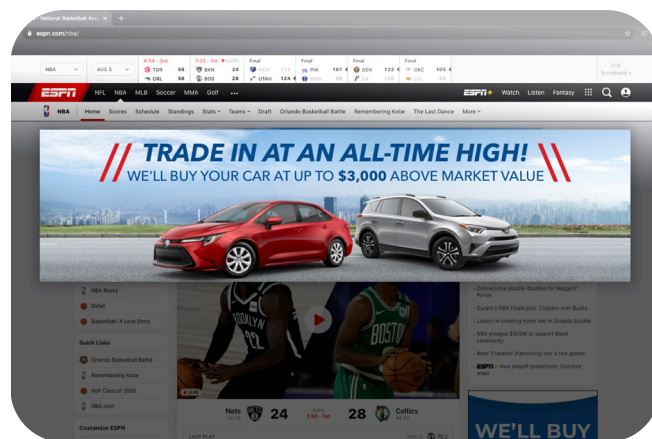
## Introducing Vehicle Acquisition Retargeting from Impel

By modifying our propensity modeling, personalization and retargeting algorithms, Impel is helping dealers **source inventory directly from consumers**. Utilizing hyper-targeted digital ads and compelling trade-in offers, dealers can now influence a large audience of consumers to sell their vehicles at attractive prices. This capability can be applied to both conquering campaigns and existing customer communications.



### How it works

- Using first-party behavioral data, Impel's intelligence engine identifies website visitors with a high likelihood of interest in trade-ins or a sale of their current vehicle
- The platform can also target current customers based on purchase history, service records and other factors
- Our dynamic bidding engine targets these high-value consumers with compelling offers, leveraging our expansive premium ad inventory & direct publisher relationships with hundreds of popular consumer websites and outlets
- Personalized creative ads drive prospective sellers directly back to a dealer's trade-in webpages. Alternatively, Impel can create customized trade-in landing pages for your dealership
- Impel's pay-per-click performance model ensures dealerships pay only when a consumer engages



KELLYCARS

Impel's vehicle sourcing solution is the most effective and immediate method to help dealers overcome the inventory shortages that are severely affecting our industry right now. Their highly-targeted, performance-based approach to retargeting across the websites and devices our customers regularly use makes it one of the most efficient marketing channels available."

-Casey Tuggle, Chief Marketing Officer, Kelly Auto Group