

Spring 5-18-2018

The Future of Car Dealerships: Omnichannel Sales in the Experience Economy

Cameron Skinner
cskinn10@uwyo.edu

Follow this and additional works at: http://repository.uwyo.edu/honors_theses_17-18



Part of the [Marketing Commons](#)

Recommended Citation

Skinner, Cameron, "The Future of Car Dealerships: Omnichannel Sales in the Experience Economy" (2018). *Honors Theses AY 17/18*. 28.

http://repository.uwyo.edu/honors_theses_17-18/28

This Honors Thesis is brought to you for free and open access by the Undergraduate Honors Theses at Wyoming Scholars Repository. It has been accepted for inclusion in Honors Theses AY 17/18 by an authorized administrator of Wyoming Scholars Repository. For more information, please contact scholcom@uwyo.edu.

Skinner, Cameron, J., The Future of Car Dealerships: Omnichannel Sales in the Experience Economy, B.S., Management & Marketing, April, 2018

As the demographics of the car-buying population begin to undergo dramatic shifts, the dealership model is facing unprecedented challenges to adapt to the new experience economy. Currently, only 17% of polled participants like the current car-buying model, which has negative implications for multiple industries directly and complementarily associated with dealerships. With industry disruptors, such as Tesla, challenging the quo socially, technologically, and legislatively while hedging at leaders and garnering market share, the car salesman concept (that has been in place since the inception of automobiles) is under attack.

The goal of this project was to analyze the dealership model and the consumer market, and to ultimately determine the future of the car-buying process. This was accomplished by investigating consumer preferences, trends in the automobile and transportation industries, international comparisons, and the history of the dealership. All of this was taken into account to develop a sustainable, omnichannel prototype of the dealership model that benefits both the industry firms and consumers.

UNIVERSITY OF WYOMING

HONORS THESIS

**The Future of Car Dealerships: Omnichannel Sales in the
Experience Economy**

Author:

Cameron SKINNER

Mentor:

Dr. Kent DRUMMOND

*A thesis presented to the University of Wyoming Honors College in Partial Fulfillment of the
Requirements for the*

Honors College

Laramie, Wyoming
April 28, 2018

TABLE OF CONTENTS

Chapter 1: Introduction	3
Literature Review: Experience Economy.....	7
Literature Review: The Millennial Demographic.....	10
Literature Review: Interindustry Comparison	13
Literature Review: Industry Disruption.....	16
Chapter 2: Methodology and Results.....	20
Surveys.....	20
Focus Group.....	23
Chapter 3: Discussion.....	25
Limitations.....	27
Conclusion.....	27
References.....	29
Appendix A.....	32
Appendix B.....	51
Appendix C.....	52
Appendix D.....	58

Chapter 1

Introduction

The automotive retail industry is a fascinating case of a business model that has remained largely unchanged for the entirety of its existence; from the conception of automobiles to be sold at large to the general population, manufacturers have approached the market through a system of franchising. Franchising is the model in which independent dealers enter contracts with manufacturers to establish a storefront and the customer-facing end of the car-buying industry.

When cars were perceived as luxury items and only affordable to the extremely wealthy, a franchise system was highly inefficient on a large scale, and auto manufacturers sought an approach of sales by travelling salesmen and mail order. A confluence of events eventually rationalized the development of a franchise system in 1908; with Henry Ford's revolutionizing of the auto industry through the introduction of the affordable Model T and substantially reduced gasoline prices, cars suddenly became a reasonable and attractive option of transportation for the general public. In effect, this mass automobile penetration of the market was the largest disruption of the car-buying industry and redefined an entire nation's transportation of choice.

What followed was typical of capitalistic markets: the explosion of consumer demand led to the flooding of the industry by many auto manufacturers. According to some estimations, there were as many as 1800 separate car manufacturers in existence between 1896 and 1930. As is also emblematic of high-growth markets, however, the vast majority of these manufacturers were unable to compete and so exited the industry. What remained were few giants in the industry that dominated almost 50,000 auto dealerships in 1949 (Crane). The path for the franchise system was laid out in front of these car manufacturers.

These manufacturing corporations sought to utilize small business owners across the country as storefront operations for getting as many cars as possible to as many consumers as possible in a feasibly mutually beneficial business model. This number of dealerships dwindled, perhaps paradoxically, as the population grew yet as accessibility and territorial optimization increased down only to about 17,500 dealerships today (Crane).

Despite this concentration of dealerships by the number of facilities, the franchise system of dealerships has gained an immense legislative and social stronghold in both the manufacturer and the consumer realms. The distribution of automobiles since the first half of the 20th century has been highly regulated by state laws that were created to prevent exploitation of the seemingly vulnerable independent franchises by the car manufacturer giants. At the time that these prohibitions were introduced, it was of great concern in the public's eye that the independent franchisees were, in fact, vulnerable to the auto manufacturers: the Big Three (Chrysler, Ford, and General Motors) accounted for by about 80 percent of the industry's output (Crane). Such virtually unmitigated consolidation without question jeopardized the interests of these small business owners who would be unable to legally nor economically protect themselves against the sweeping interests of these industry giants. At the time, therefore, it was rational and in the consumers best interest (a theme to which much of this thesis will revolve around) for the construction of laws that would prevent auto manufacturer manipulation of distribution.

These dealer laws prohibit, in many states, the establishment of a manufacturer's owned service center, dealership, or showroom. Essentially, these laws prevent the manufacturer from interacting with the end consumer. The laws, then, serve to provide and perpetuate legal substantiation for the franchise dealership – the middle man. Since the establishment of these distribution prohibitions over 75 years ago, the franchise system has become increasingly

protected by both legislation and by the cementing status quo. And this was predictable: the business model and its operations have remained unchanged, so the consumer experience and its status quo have simultaneously remained unchanged. Your great-grandfather would have purchased a car in almost an identical fashion to how you would.

It is interesting, then, to analyze why the experience is largely unaffected by the incredibly dynamic world we live in and then to analyze *if* it will change. The former can be attributed to the aforementioned state laws and the status quo, but the latter will be the subject of this thesis. Ultimately, this thesis will investigate the relevancy, necessity, and future of arguably America's best known middle man: the car salesman.

Because the dealership is fundamentally an avenue for retail, the business model and its operations are potentially under the same amount of stress to adapt to the changing consumer demographics, psychographics, and their needs and wants as other retail industries. This, therefore, substantiates the investigation into what the consumer population change will look like to the business and any potential changes that can be made to perhaps provide additional longevity for the dealership industry. Research was focused on on-site examination of current practices and models of dealerships across the nation, surveys where participants' responses were measured to describe what their interpretation of the experience economy is and what the car-buying processes would ideally look like, and focus groups that helped crystallize abstract concepts of improvement in the dealership industry. As the retail process continues to adapt to new consumer preferences, it is paramount that the dealership model in place keeps pace so that it is not rendered redundant by industry disruptors such as Tesla, who seek to sell direct-to-consumer. The consequences of this may establish a new industry standard and it could mean the fossilization of a staple of the American economy and could greatly harm the financial

performances of automobile manufacturers. This thesis will illuminate the future of the car buying process that is sustainable for the dichotomy of automobile manufacturers and dealerships yet prioritizes consumer-friendliness.

Literature Review

In this section of the thesis, the current literature on the car-buying process will be detailed and analyzed, in addition to an exploration of hypotheses around the future of the industry. Also discussed are the concepts of the experience economy, the Millennial demographic, and interindustry applications and comparisons of experience-based consumer-focused models. Finally, this section will highlight the industry disruption by the automobile industry's most provocative player of the 21st century: Tesla.

Experience Economy

It is observable throughout the development of markets that society has encountered four distinct stages of the economy; the agrarian, industrial, service, and now experience economies are entirely unique and distinguishable from one another.

The agrarian model is often recognized as the most common type of economic and socio-economic organization throughout human history. Such an economic system is characterized by societal sustenance through dominantly agriculture – that is, the extraction of goods/commodities. This is conducive to local economies, but is without question an extremely limited market where survival is predicated on harvest, etc., and so disposable income is minimal compared to later economic systems.

The industrial economy is a sociological descriptor of routinization, systemization, and efficiency in order to produce goods (Shek). It is distinguishable from an agrarian economy because of the mass production and subsequent free time and money that consumers within this system benefitted from. The system was no longer centered around agriculture, and increasingly efficient processes allowed the general public to deviate from undistracted efforts of harvesting

natural resources. This traditional manufacturing economy is still, however, characterized by its tangible output of goods and is therefore also known as a goods-based economy (Pine II & Gilmore).

The service economy diverged from customary economic tangibility; both inputs and outputs became intangible. In regard to the former, knowledge and skills became a priority as opposed to just raw materials. The latter is also intangible as service as a concept is not measurable in the same way that conventional raw materials are (Elliot). This translated to a highly specialized society where the economy was focused around services. Subsequently, the economy expanded while also allowing for even more time and money for the consumer that would then become essentially disposable. These added resources would be reintegrated into the economy, causing a primarily positive feedback loop of economic growth and specialization.

The current economic scenario, however, would best be illustrated as an experience economy. Experiences are an entirely unique economic offering, and as authors Pine and Gilmore describe, an experience is “as different from services as services are from goods” (Pine II & Gilmore). As stated earlier, the positive feedback loop of economic growth is a facet of society unprecedented in history. The consequence of this growth and accessibility is the commoditization of both goods and services, and so markets are differentiated competitively on the experience given to the consumer rather than the good or service singularly. All of these economic systems can be charted linearly that compare competition and pricing (see fig. 1).

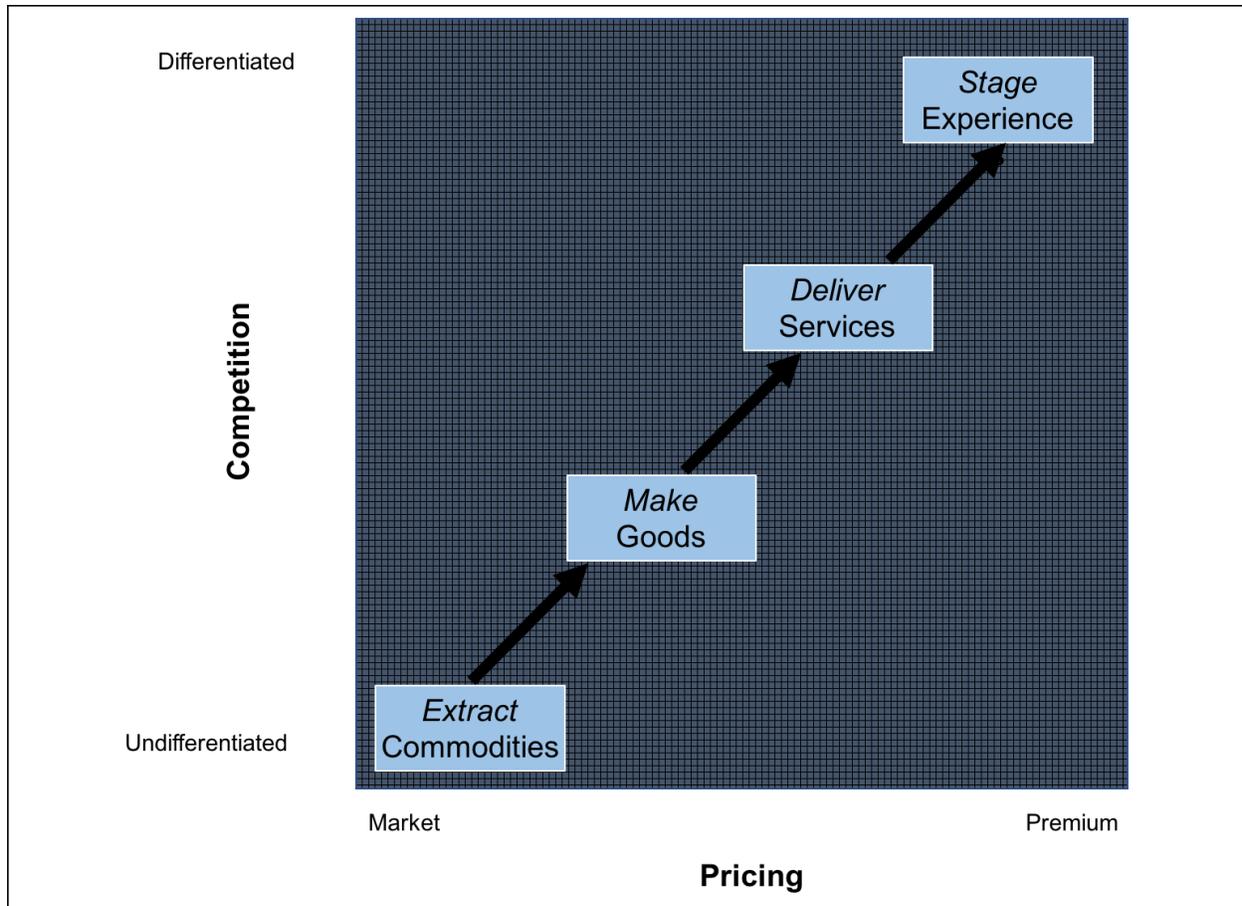


figure 1: competition vs pricing across the different economic systems

Because firms are under increasing commoditization of their goods and services, firms must increase their economic value by adopting this newest shift of experience. Competition, therefore, in the marketplace is now hugely concerned with their respective firms' ability to stage an experience (Jeleu). However, it is important to be able to define what an experience is and to understand how an experience adds value.

An experience in the business world is essentially the consumer's engagement with the firm that creates lasting memories. The firm creates this engagement by utilizing their goods and services as the foundation for the interaction, basically setting the stage for the metaphorical play that is the consumer's personal interaction. This internal experience is in of itself a unique differentiator from previous economic strategies because goods and services have historically

been external offerings that is identical across consumers. Experiences are internal, and so are as unique to each person as individuals are. It should be noted though, that this idea of experiences being a competitive advantage to a firm is not a new concept at all: companies such as Disney and other entertainment firms have been centering their economic value around this idea for decades. What is fairly new, however, is the idea that the experience economy is permeating across all industries (especially consumer-facing industries such as retail) and that it is transcending entertainment alone. Economist Joseph Schumpeter suggests that the experience economy is the market stage that society will see for the foreseeable future, and that continued business innovation around the concept of experience will competitively dominate and eliminate firms who do not adapt and instead focus around singularly goods and services. This is substantiated by the shift in consumer demographics, and by the buying powers and consumer preferences of the new titan of the economy: Millennials.

The Millennial Demographic

Millennials as a demographic (as per the case with all generations) is difficult to define precisely, but the Pew Research Center describes individuals belonging to this generation as being “those born after 1980 and the first to come of age in the new millennium”. This thesis will subscribe to that definition, but it is not so much the specifics of these consumers’ birthdays that make this demographic so intriguing: in 2017, it was estimated that Millennials had more than \$200 billion annually of buying power, and a lifetime buying power of \$10 trillion (V12 Data). Some estimates suggest that US Millennials will have the most spending power of any generation in 2018. It is also the largest population in US history at around 92 million, as compared to the baby boomers of 77 million. The evidence for the strategic attention to this

consumer demographic by firms has never been more obvious. Business models at every level of a firm will have to adjust their approach to the consumer preferences of Millennials to be sustainable and competitive if they want to tap into this immense and unprecedented buying power. It is paramount, then, to define what these consumer preferences are specifically in regard to retail because it has the most direct application to the car-buying process and the dealership model.

According to author Claire Murdough, Millennials are financially cautious but technologically capable and are becoming increasingly accustomed to businesses that recognize and appreciate these aspects (Murdough). Murdough outlines five concepts that influence the purchasing behavior of Millennials: reviews; budgeting; values; social media, and; innovation (Murdough).

Millennials seem to be more calculated in their purchasing decisions, often conducting more research before buying than other demographics. Paramount in this research is collecting reviews from friends and peers. These positive or negative reviews can serve as a huge barrier or catalyst when contemplating a good or service. This is also a factor that can't be easily manipulating by the firm's marketing or advertising, so the authenticity of the value offered is vital to attracting and maintaining Millennial customers through word-of-mouth (WOM). This also serves as an opportunity to expand WOM marketing: firms can make it easy for Millennials to share their experience and also encourage consumers to review their product. All of this is founded on the idea that the product/service and experience is genuinely valuable.

Despite some skepticism by other demographics, research has shown that Millennials are extremely sensitive to finance. Over 65% of Millennials don't have a credit card out of concern of racking up debt according to a survey by Bankrate. They are also more likely to buy a car

(71% would more likely purchase than lease). However, Murdough states that this does not mean that Millennials aren't spending (as compared to the car purchase, 59% of Millennials would rather rent a house than buy house) (Murdough). So, this consumer demographic is utilizing innovative ways to purchase in a financially responsible way through financing options or by saving up until they can buy. This can be interpreted by retail firms to justify innovation in the financing department and give Millennials opportunities to buy while still remaining financially responsible.

The values of a firm are being weighed by Millennials against their own values. The buying power of this demographic is being allocated to business models with integrity; Millennials will spend money at a firm that have a larger, moral purpose and will simultaneously abstain from spending at a place with questionable morals (i.e. sweatshops). Firms should then interpret this data as an opportunity to give their business model a larger purpose, simultaneously boosting the sustainability and profitability of the firm in general.

Almost inextricable from the characteristics of the Millennial demographic is the unparalleled relevancy of social media; research from Pew shows that 81% of Millennials are on Facebook, which is significantly higher than other demographics. Unquestionably is that Facebook is also the most accessed social media by all other demographics, so the separation of usage for the other more nuanced social medias (Twitter, Instagram, etc.) is even greater with Millennials and Gen Y dominating these realms. All of these serve as catalysts for the aforementioned word-of-mouth marketing, so firms should be thoroughly aware of the constructive and destructive power of these forms of communication.

Millennials also consider innovation when purchasing, and so are more likely than other consumers to try something new but are not more likely to become loyal customers absent of

economic value increase. The concept of “pushing the envelope” is a factor in buying behavior, but this demographic is astutely aware of what adds value versus what doesn’t. Therefore, firm and retail investment should be focused around the idea of improving the customer experience versus a gimmick. These innovations, when targeted at Millennials, should also be aware of the speed and quality that Millennials are used to.

Interindustry Comparison

The experience economy and targeting the Millennial demographic are fairly new concepts in the automobile industry, but this idea is not novel when comparing across all retail industries and firms. It is, in fact, apparent that the auto manufacturing and the customer-facing dealership model seems to be lagging in attracting consumers: 50% of Millennials actually prefer going to brick-and-mortar stores rather than simply going to them. This is quite a striking statistic when compared to 56% of Millennials who would “rather clean their homes than visit a dealership” (Relevate). Clearly, dissonance of consumer experience, expectation, and satisfaction is occurring across retail with the current dealership model.

The concern for dealerships and consequently automobile manufacturers is how to mitigate these dissonances so as to avoid consumer deviation to other modes of purchase (see the Industry Disruption section). The template for this adaptation to the experience economy is far from blank given the plethora of successful retail examples, so it is within the dealerships’ and the auto manufacturers’ best interest to recognize these paradigm changes in real-world, retail instances.

Arguably one of the best examples of experience integration into a brick-and-mortar retail model was accomplished by Burberry. In 2012, the luxury fashion brand opened its

flagship store in London at Burberry Regent Street. Fundamentally, this company is a retail firm, but Burberry has successfully implemented concepts in this thesis by transcending an identity of just a shopping destination; innovative mash-ups of the digital and physical world engage the customer in unprecedented ways. This store was made with the base idea of being a memorable experience so as to differentiate itself from competitors in the mind of consumers, and it was accomplished by engaging physical, social, and emotional connections between the customer and the brand. Every aspect of the store layout is meticulously designed to engage all of the senses in an as aesthetically pleasing of a way as possible. Innovation is directly catered to a customer-centric focus at every dimension: from magnetized boards that immediately present the hue translation of nail paint to embossing the individual customer's initial on perfume flacons, every detail of technological modernization is catered to connecting the individual with the product/service.

Burberry has exemplified what the essence of an experience is: memorable, personalized engagement. The firm also recognizes the value of the digital world and the physical world, and so the blending of the two consumer spheres provides immense opportunity for continuing to engage the customer. This is a concept that is known as omnichannel sales: Tech Target defines it as “a multichannel approach to sales that seeks to provide the customer with a seamless shopping experience whether the customer is shopping online from a desktop or mobile device, by telephone or in a [brick-and-mortar] store”. Data collection and intense research has culminated in the manifestation of the next evolution of shopping, but a careful balance with human interaction from the “brick” continues to differentiate the experience from a robotic interface that a “click” offers while simultaneously offering more venues for marketing and sales. Regent Street is the best of both worlds, and the consequence of such experience

integration is supreme customer engagement, satisfaction, and retention. Analysts have shown that “by using technology to help salespeople provide a personalized shopping experience, brands can retain the high level of customer service ... while also offering new services that mimic what shoppers previously have found only online” (Scott). It seems as if retail stores such as Burberry are not prioritizing the internet over store presence or vice-versa, but instead taking an approaching of diversified and omnichannel opportunities to engage the consumer with the brand.

Burberry is just one of many examples (Best Buy, Apple, REI, etc.) of retail firms that have successfully combined digital and physical consumer-oriented marketing to provide an economic offering that transcends just goods or services. It is a trend that is becoming increasingly ubiquitous in retail, and what is common of these examples is that they perform financially well. This adaptation to the experience economy could perhaps be attributed to these respective industries being more flexible than the somewhat concrete model of the dealership due to legislation and costly infrastructure development (see Introduction). It could be argued that the wide range of options available to the consumer in fashion or in other retail areas catalyzes the need for adapting to the consumer preferences, so it makes sense that auto manufacturers and dealerships have not been as quick to prioritize the concept of the experience economy. Furthermore, the auto industry is well-established and competitors are structured essentially the same, so the options for the consumer have been (until recently) determined by product and service differentiations.

But it is the recent disruption of the auto industry that strategically substantiates an investigation into the experience economy and, potentially, a deviation away from the sales model that has been in place for a hundred years. In other retail industries, the departure from the

goods and services economy into the experience economy has increased the economic value for consumers and serves to competitively differentiate firms. This aforementioned disruption by Tesla could have the same rippling effect in the automobile industry. Moreover, a fresh competitive threat to the deep-rooted model of car sales could profoundly alter the car-buying process for Millennials and the general consumer in the future.

Industry Disruption

Most of the conversation around one of the auto industry's youngest but most provocative player, Tesla, has been centered around the brand's technology. In particular, the rapid electrification of automobiles can be attributed to Tesla's mass-market disruption of the overwhelmingly dominant gas-car paradigm: analysts today project 54% of all car sales will be electric by 2040. France and other countries have banned the sales of all fossil fuel-burning vehicles – the former putting a deadline by 2040. Volvo, amongst other auto manufacturers, will stop selling gas-only cars in the near future.

Tesla's athletic design has made "electric cars cool and desirable", and their cloud-based software update capability is one of many innovations that are setting new standards in the automobile world – not to mention their semi-autonomous technology of Autopilot (Singh). It is without doubt that the Tesla is fundamentally restructuring the product-focused strategies of auto manufacturers. Elon Musk, the founder, and Tesla are not just disrupting the product, however, they are also disrupting the experience. Absent of a deep-rooted history that was intertwined with American legislation and status quo, Tesla was able to also disrupt the car-buying process as a whole. In fact, such a mission was aligned with the overall philosophical goals of the company: Elon Musk stated in 2013, "our goal when we created Tesla a decade ago was the same as it is

today: to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible”.

Todd Maron, Tesla’s general council, spoke in front of the Federal Trade Commission in one of many litigating efforts to legally validate direct-to-consumer car sales. Tesla’s efforts have been met with both praise and fierce resistance because the model seems to violate, in many states, laws against direct-to-consumer car sales (see Introduction). These laws were established, however, to protect franchised dealers from unfair competition by auto manufacturers, and not to prohibit inherently direct purchase. Tesla is in a unique situation where the company does not have franchised dealer, so Elon Musk has argued that the direct-to-consumer model is not unethical or anti-business however illegal in many states. Musk states: “existing franchise dealers have a fundamental conflict of interest between selling gasoline cars, which constitute the vast majority of their business, and selling the new technology of electric cars. It is impossible for them to explain the advantages of going electric without simultaneously undermining their traditional business. This would leave the electric car without a fair opportunity to make its case to an unfamiliar public”.

Tesla and their direct sales model are continuously engaged in legal battles between state’s auto dealerships, but are making strides in the ability to sell. It should be noted, however, that the legality of franchised dealerships versus a direct sales model is not the basis of this thesis. Instead, these recent events and victories in favor of direct sales has disrupted the entire process; the introduction of physical stores as an alternative method of physical sales by Tesla establishes a new experience for consumers that deviates significantly in format from how dealerships are set up. In other words, the thesis is not so much a debate about the politics of car-buying, but instead the format and experience of car-buying. Tesla’s disruption is thoroughly

relevant because their ability to sell in physical stores has predicated a disruption in the experience of buying a car.

Tesla's movement away from the format of a dealership has moved them towards a "gallery" format that is found in malls or shopping streets. These are being established in these high-traffic areas because, according to Musk, potential consumers in these places are "in a relatively open-minded buying mood". An extreme change here from the traditional dealership format is that the consumer is not necessarily specifically in the area to buy a car. Therefore, Tesla sees this an opportunity for introduction and engagement with the brand, substantiating the store to be as sense-engaging as possible. The store is amongst other popular brands in fashion, food, and any other store you might see on a shopping street or in a mall. Tesla is deliberately attempting to separate itself in the mind of the consumer from dealerships that are often crowded together in a specific neighborhood. Tesla's physical stores are trying to be as engaging as other retail stores (see The Millennial Demographic).

The implications for this engaging approach is one that intrigues the customer more than it pressures them. In fact, in many physical Tesla stores, it is impossible to actually buy a car at them because of the aforementioned dealer licensing laws – more on that later. Therefore, the strategic focus of these physical stores is fundamentally shifted from product-focused sales to customer-focused experiences. Every detail of the store is engaging; from the walk-through cars to the interactive TV screens to the design exhibit, the limited space is used aesthetically while being focused but not aggressive.

The salesmen are not on commission as opposed to most sales positions and is a model ubiquitous in the dealership model (Tesla). The hard-sell standard of the dealership car salesman makes people feel massively uncomfortable but is fairly unavoidable when going through the

car-buying process. People also feel highly concerned that they aren't getting a good deal – that they're getting ripped-off (cheat sheet). Both of these ideas are nullified by the commission, hard-sell approach of Tesla.

This experience-based approach to a brand is still new in the auto industry and so there is limited data about how this approach directly influences the financial success of the firm. The data available about the Tesla experience is largely anecdotal, but simultaneously is universally appreciated. There is data, however, evidencing the potential for the economic implications of an experience-based approach: research by Wunderman found that 79% of consumers desire a brand that demonstrates personalized interactions and appreciations of them before they consider purchasing.

An experience-based, soft-sell, customer-focused approach to the dealership is still not the norm. Tesla's disruption, as it stands, is the result of a confluence of technological innovations and legal feasibility so is unique to this brand alone. As the market share of Tesla continues to steadily increase, the influence of this brand in the auto industry will commensurately increase. The norm will change as consumers become more accustomed to this car-buying experience, and this will further serve to negatively affect other dealership models because of the brand comparisons.

Chapter 2

Methodology and Results

As a way to collect data regarding the Millennial Demographic and the respective car-buying process, a survey and a focus group were conducted.

Survey

Participants and Procedures

Participants were sampled using an online survey. The car-buying process is an experience that occurs at all age ranges, but this research was specifically looking at the Millennial Demographic. For legal purposes, the participants were required to be at least 18 years of age. The mean age of participants was 20 (20.430). The survey was posted on Qualtrics through UWYO. In total, 94 participants responded.

Of the total number of participants, 89 (94.68%) indicated they were going to buy a car in the future. From this number, 85 reported that they intended to buy a car within a decade (95.5%). The purpose of the survey was to ascertain the participant's experiences and, moreover, preferences about the car-buying experience. Since over 90% intended to participate in the car-buying process within a decade and are all Millennials, the data collected was applicable to the thesis.

Survey Measures

At the beginning of the survey, participants were asked demographic questions to ensure that the criteria of the study was met. This is specifically in reference to age. The survey also asked respondents basic demographic questions: biological sex (males $n=30$, females $n=62$,

prefer not to answer $n=2$); level of education (less than high school degree $n=1$, high school graduate $n=8$, some college but no degree $n=66$, associate degree in college $n=5$, bachelor's degree in college $n=13$). Participants were also asked if they had ever purchased a car (yes $n=41$, no $n=45$), if they had ever bought a car at a dealership (yes $n=24$, no $n=63$), and how necessary do they think dealerships are (extremely necessary $n=3$, very necessary $n=19$, moderately necessary $n=40$, slightly necessary $n=16$, not necessary at all $n=9$).

Dealership Experience Evaluation

If participants answered “yes” to the question “have you ever purchased a car at a dealership?”, they were prompted to evaluate the experience by the following metrics (VN = very negative, SN = somewhat negative, N = neutral, SP = somewhat positive, VP = very positive): comfortability (vn $n=0$, sn $n=4$, n $n=6$, sp $n=7$, vp $n=7$); speed of service (vn $n=1$, sn $n=2$, n $n=5$, sp $n=8$, vp $n=8$); satisfaction with employees (vn $n=0$, sn $n=2$, n $n=5$, sp $n=7$, vp $n=10$); satisfaction with purchase (vn $n=0$, sn $n=0$, n $n=1$, sp $n=6$, vp $n=17$).

All participants were also prompted to the question “when you are considering purchasing a car at a dealership, what attribute do you consider most often?": price $n=33$; brand $n=4$; value $n=26$; quality $n=19$; innovation $n=1$; other $n=3$ (safety $n=2$, price and quality $n=1$). Participants were also asked question “when you are considering purchasing a car at a dealership, what attribute do you consider least often?": price $n=1$; brand $n=30$; value $n=1$; quality $n=0$; innovation $n=52$; other $n=1$.

Purchasing Behaviors and Preferences

Respondents were prompted to consider at what age they think they will buy their first/next car. The mean of the data was 25.28 years old with a standard deviation of 4.478 years. When asked their preferred method of purchasing (lease, purchase, or no preference), 85.06% of 87 respondents indicated that they would rather purchase a vehicle as compared to 6.90% preferring leasing and 8.05% with no preference.

Participants were asked to gauge how much research they conduct before purchasing a car: a great deal $n=39$; a lot $n=35$; a moderate amount $n=11$; a little $n=2$; none at all $n=0$. 71 participants indicated that they could not purchase a vehicle entirely online (81.61%).

85.06% of respondents believed that a test drive was either very important or extremely important to them when considering purchasing a vehicle, the remainder of which found it moderately important (10.34%) or slightly important (4.60%). Face-to-face interaction was considered to be extremely important by 10.34% of respondents, 27.59% found it very important, a majority of 39.08% found it moderately important, 20.69% found it slightly important, and 2.30% indicated that face-to-face interaction was not at all important. When asked to evaluate the importance of driving it “off-the-lot” the same day, the results were far more fragmented: extremely important $n=11$; very important $n=17$; moderately important $n=19$; slightly important $n=16$; not at all important $n=24$. Car customization was considered only slightly important or of no importance at all by 75.86% of respondents with only 3.45% of participants considering it very or extremely important. 44.83% of respondents, when asked about how long they would be willing to wait before driving their car after purchasing it, indicated that 1-4 weeks would be the maximum, with 25.29% responding a maximum of 1 week. 5.75% of respondents would be willing to wait 4-12 months, 1.15% would wait over a

year, 11.49% would be willing to wait 1-3 months, and another 11.49% would be willing to wait 0-1 days.

Qualitative Responses

At the conclusion of the survey, participants were asked “what would you like to see added to the car-buying experience?” 36 responses were recorded. 18 responses indicated a desired change to the interaction with salespeople, noting consistent themes of honesty, transparency, and pressure. 10 responses indicated more visibility to comparative statistics about ratings, reviews, and history. 7 responses suggested the respondents’ desire for customization, electric/self-driving options, and lower pricing. 2 responses were about the want for less paperwork and less time waiting around.

Focus Group

Participants and Procedures

Participants were selected from an Honors course, *Marketing Manhattan*, taught by Professor Kent Drummond. Each subject was at least 18 years old for legal reasons, and the oldest was 22. Participants were selected because of their age and because they expressed some knowledge of marketing. Members of the focus group completed consent forms that guaranteed anonymity and their provided responses as a result of the research.

Members participated in a led open-ended conversation about car-buying experiences and consumer preferences, facilitated by Cameron Skinner and transcribed by Professor Kent Drummond. 12 participants (10 females and 2 males) were involved in the focus group which resulted in qualitative ideas and responses.

Focus Group Measures

Participants were asked to respond to questions regarding the concept of: a car salesman; a car dealership; Tesla; click vs. brick; favorite physical store; least favorite physical store, and; building a “car shop” from scratch. The conversation was facilitated by topic questions and follow-up questions by Cameron Skinner, and the Focus Group lasted approximately 1 hour.

Takeaways

Although it is difficult to exactly describe the nuances of the conversation (see Appendix C), some key-takeaways were observable: experience-focused; salesperson dislike, and; importance of physical locations.

Chapter 3

Discussion

There is a huge amount of disruption occurring in the auto industry, both at a legislative dimension and at a social level. Currently, most of the conversation regarding the future of car retail is fundamentally pillared on a dichotomy of complete abandonment vs expansion and intensification of the current system. This thesis sought to understand a feasible and sustainable direction for the auto manufacturer's retail distribution with the Millennial demographic that integrates key understandings of consumer preferences in concurrence with the system as it exists. The goal of this thesis was not to determine if auto companies should abandon the dealership model, nor was it entirely the goal to determine if consumers liked the car-buying process. Instead, it revealed specific preferences in how Millennials would like to buy cars, and how auto manufacturers and consumers alike may benefit from restructuring the system in the future.

It is clear through the thesis that the dealership approach is not as consumer-centric as it should be.

Millennials are particularly astute at identifying gimmicks over innovation that adds value. From the thesis, Millennials indicated that innovation was by a large margin the attribute that mattered the least about the car-buying experience. This is a concept that should be investigated further in more research as to identify whether this is because innovation is somewhat of an expectation or because, in the consumer's mind, it doesn't add value, or something completely different.

Pricing to Millennials, obviously, ranked very high in most important attributes when considering their experience during the car-buying process. It should be noted, however, that the

particular subgroup of Millennials surveyed had an average age of 20, so it was implicit that their measure of affordability will change as they enter the workforce and are granted expendable income. Nonetheless, pricing is an attribute that is closely investigated by Millennials universally and so products should be strategically priced so as to maximize value for the consumer and not for the firm if the philosophy is to change to consumer-centric.

Frictionless integration of platforms is paramount to the most connected generation of all-time, furthering opportunity for brand engagement and marketing in an omnichannel sales approach. The consumer should be able to be connected whenever they want: that is to say, not invasively aggressive nor distantly passive, whether that is in the physical store, on their phone, or on the retailer's website.

Pointed efficiency is another concept that can serve to benefit consumer and producer alike. The second largest purchasing decision of a consumer's life is not one that should be rushed as this can lead to cognitive dissonance and brand/product dissatisfaction. Most respondents in the thesis indicated that they spend considerable time researching before purchasing such a car, so it feels "redundant" to have a salesperson try to sell them what they want.

A key theme extrapolated from the data was that respondents were not necessarily uncomfortable with employee interaction, but more so the idea of a salesman and their interaction with the salesman: "I myself haven't had any experience, but from my parents, they're aggressive. They're on commission, so they're going to push you. You want to get away from them, but you also need them because it's their job" (Focus Group).

The commission-based salesman model has led to skepticism about the "honesty and integrity" of the people – the face – of the car brand. Commission is a financial incentive that has

negative externalities within the auto industry of sub-optimization over optimization (singular success rather than collective success), short-term prioritization over long-term relationship building, and consumer discomfort by way of participating in a “cat-and-mouse game”. (inc aaron skonnard). All of these concepts strategically put the consumer second, which fosters minimal brand loyalty and customer lifetime value (CLV).

Limitations

Like every study, this thesis is not without limitations. The data collection software of Qualtrics had limited outreach and was volunteer-based. There may have been lapses of concentration within the survey.

More investigation into the nuanced preferences of Millennial consumers in regard to the concept of innovation and expansion of the questions regarding attributes of a dealership should be investigated. It was difficult to establish why these attributes were selected for their reasons because the question was formatted to answer with one, rather than rank them in importance.

Future research should approach the nuanced interactions of consumers to employees, continue to investigate trends of physical versus digital versus integrated platforms, and explore the future of legislation regarding the next level of dealership-manufacturer relations.

Another opportunity for future research would more in-depth investigate Millennial preferences about “driving it off the lot” because of the highly diverse results.

Conclusion

Ultimately, these consumer-centric concepts can be manifested into a physical location that is both substantiated in existence by both pre-existing laws and dealership infrastructure, and

by Millennials' recognition of the importance of physical store-fronts. In addition, these stores will be fundamentally omnichannel by way of integrating online, physical, and mobile platforms. This can be achieved through apps or other services, but should be centered around the theme of mobility, connectivity, and accessibility. Finally, the sales model should abandon an antiquated system of commission and incentivize employees in other, modern methods that do not inherently and explicitly challenge the interests of the employee and the customer. Finally, the auto manufacturers should advertise this as it will disrupt the negative notion of the "car salesman", and will perpetuate a positive relationship between the car-buying experience and the generation that will be the wealthiest of all time.

References

- “25 Amazing Statistics on How Consumers Shop for Cars.” *Relevate Auto*, 6 June 2017, www.relevateauto.com/25-amazing-statistics-on-how-consumers-shop-for-cars/.
- Bento, Kyle. “Should You Be Customer-Focused Instead of Product-Oriented?” *IMPACT: Inbound Marketing Strategy, Advice, and Agency*, 29 Oct. 2015, www.impactbnd.com/blog/should-you-be-customer-focused-instead-of-product-oriented.
- Crane, Daniel A. “Tesla, Dealer Franchise Laws, and the Politics of Crony Capitalism.” *University of Michigan Law School Scholarship Repository*, vol. 101, no. 2, 2016, pp. 573–599., repository.law.umich.edu/cgi/viewcontent.cgi?article=2720&context=articles.
- “Death of a Car Salesman.” *The Economist*, The Economist Newspaper, 20 Aug. 2015, www.economist.com/news/business/21661656-no-one-much-likes-car-dealers-changing-system-will-be-hard-death-car-salesman.
- Ellig, Jerry, and Jesse Martinez. “These Laws Should Hit the Road.” *U.S. News & World Report*, U.S. News & World Report, 19 Jan. 2015, www.usnews.com/opinion/economic-intelligence/2015/01/19/laws-protecting-auto-franchises-are-bad-for-consumers-and-innovation.
- Elliot, Holli. “Agrarian vs. Industrial.” *Accokeek Foundation*, Accokeek Foundation, 22 Oct. 2013, accokeekfoundation.org/agriculture-and-farming/agrarian-vs-industrial/.
- History.com Staff. “Automobile History.” *History.com*, A&E Television Networks, 2010, www.history.com/topics/automobiles.
- “How To Attract More Millennials Into Your Dealership.” *V12Data*, 2018, www.v12data.com/blog/how-attract-more-millennials-your-dealership/.
- Jelev, Kaloyan. “The Future of Automotive Retail: from Bricks and Mortar to Digital Ecosystem | Intelligent Systems' Blog.” *Intelligent Systems*, Intelligent Systems, 24 Jan. 2018, www.isystems-group.com/blog/the-future-of-automotive-retail-from-bricks-and-mortar-to-digital-ecosystem/.
- Johnson, Kevin. *The History of Car Dealerships*. 22 July 2014, www.newscastic.com/news/the-history-of-car-dealerships-2066740/?utm_source=nc. Accessed 2 Mar. 2018.
- Joseph Pine II, B., and James H. Gilmore. “Welcome to the Experience Economy.” *Harvard Business Review*, Harvard Business School Publishing, 1 Aug. 2014, hbr.org/1998/07/welcome-to-the-experience-economy.

- Klara, Robert. "Contrary to Popular Belief, Millennial Shoppers Actually Like Going to Brick-and-Mortar Stores." *Adweek*, Adweek, 22 Aug. 2017, www.adweek.com/brand-marketing/contrary-to-popular-belief-millennial-shoppers-actually-like-going-to-brick-and-mortar-stores/.
- Leto, Kate. "Product Focused vs. Customer Focused Product Management: What's the Difference?" *Mind the Product*, 13 Sept. 2011, www.mindtheproduct.com/2011/09/product-focused-vs-customer-focused-product-management-what's-the-difference/.
- "Millennials in Adulthood." *Pew Research Center's Social; Demographic Trends Project*, 7 Mar. 2014, www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/.
- Murdough, Claire. "How Millennials Make Purchase Decisions Today." *Affirm*, Affirm, Inc., 2016, www.affirm.com/content/how-millennial-shoppers-make-purchasing-decisions/.
- Scott, Mark. "At Store After Store, a Pitch by Phone". *New York Times*, The New York Times Company, 2 Dec. 2014, <https://www.nytimes.com/2014/12/02/fashion/regent-street-london-uses-app-and-beacons-to-reach-shoppers.html>
- Shek, Daniel T.L., et al. "Manufacturing Economy vs. Service Economy: Implications for Service Leadership." *International Journal on Disability and Human Development*, vol. 14, no. 3, 2015, pp. 205–215. *UKnowledge*.
- Singh, Sarwant. "Do We Need Car Dealers And Used Car Salesmen In The Future?" *Forbes*, Forbes Magazine, 9 May 2016, www.forbes.com/sites/sarwantsingh/2016/05/09/do-we-need-car-dealers-and-used-car-salesmen-in-the-future/#53236c474d0c.
- Skonnard, Aaron. "Why Sales Commissions Don't Work (in the Long Run)." *Inc.com*, Inc., 12 Aug. 2014, www.inc.com/aaron-skonnard/why-sales-commissions-don-t-work-in-the-long-run.html.
- Square One Web Solutions. "Think You Know Your Market? – 7 Key Findings From A New Study On Millennials." *SQL Web Solutions RSS*, www.sqlwebsolutions.com/think-you-know-your-market-7-key-findings-from-a-new-study-on-millennials.
- "Tesla US Car Sales Figures." *Carsalesbase.com*, carsalesbase.com/us-car-sales-data/tesla/.
- Thomas, Michelle. "A New Spin on Loyalty." *Retail Customer Experience*, Network Media Group, 4 May 2017, www.retailcustomerexperience.com/blogs/a-new-spin-on-loyalty/.

Wright, Micah. "10 Biggest Reasons Why People Hate Car Dealerships." *The Cheat Sheet*, The Cheat Sheet, 1 Feb. 2018, www.cheatsheet.com/automobiles/10-biggest-reasons-people-hate-car-dealerships.html/?a=viewall.

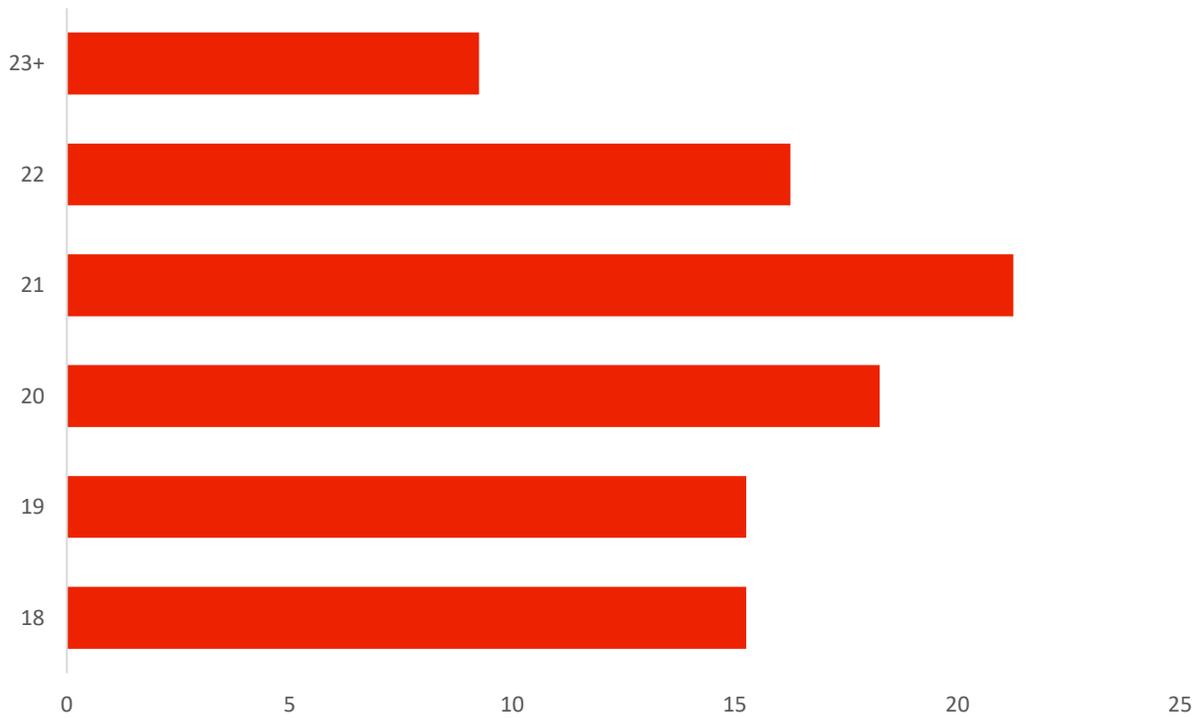
Appendix A

Qualtrics Survey

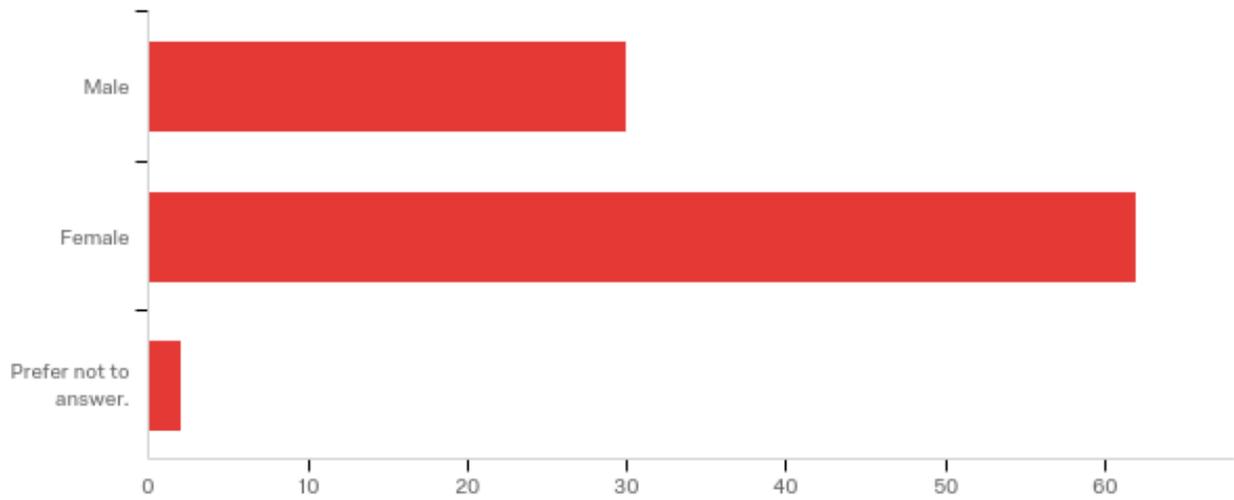
Honors Survey: The Future of Buying a Car

Honors

Q1 - Please enter your age.

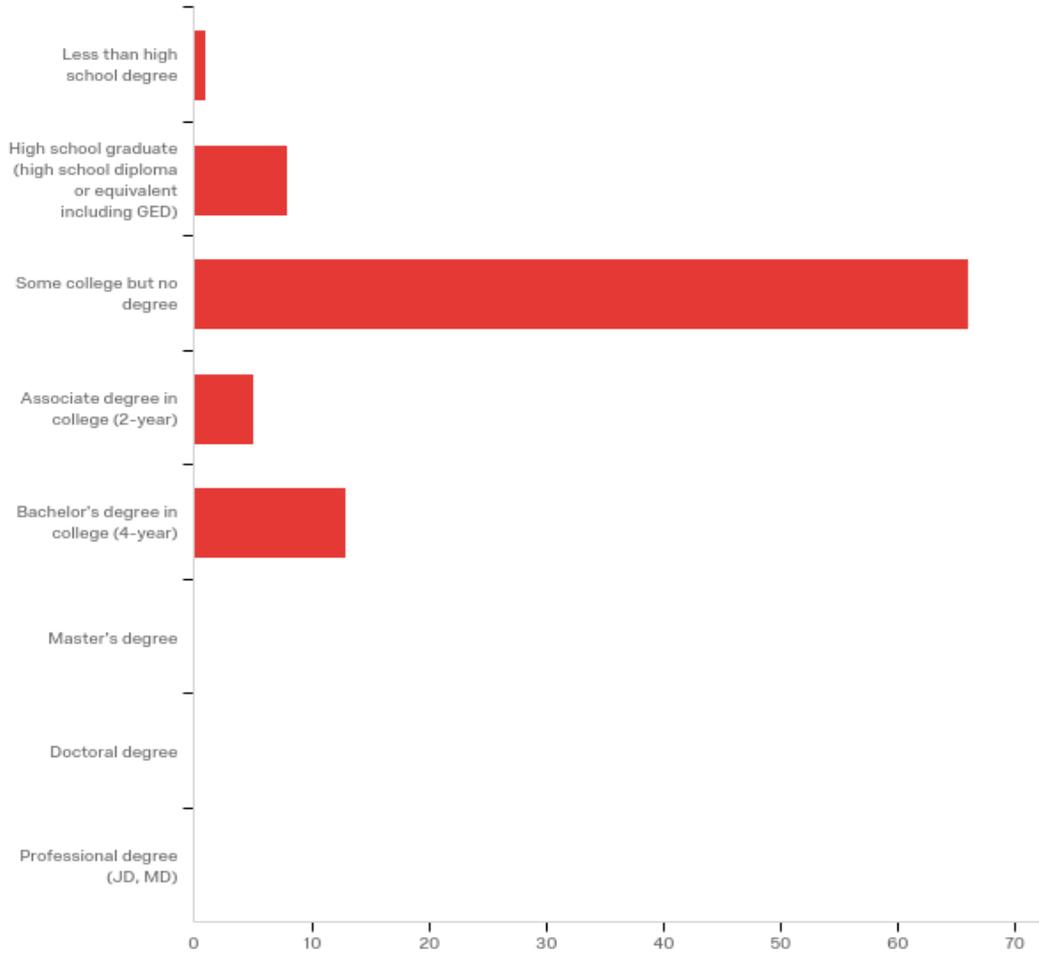


Q5 - Please select your biological sex.



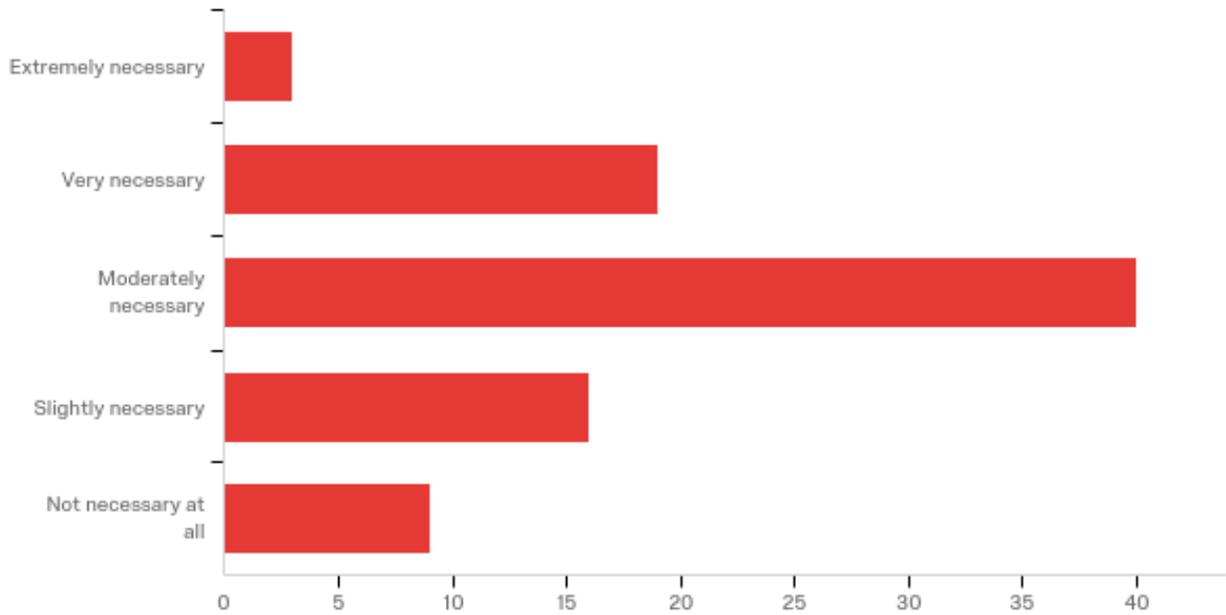
#	Answer	%	Count
1	Male	31.91%	30
2	Female	65.96%	62
3	Prefer not to answer.	2.13%	2
	Total	100%	94

Q3 - What is the highest level of school you have completed or the highest degree you have received?



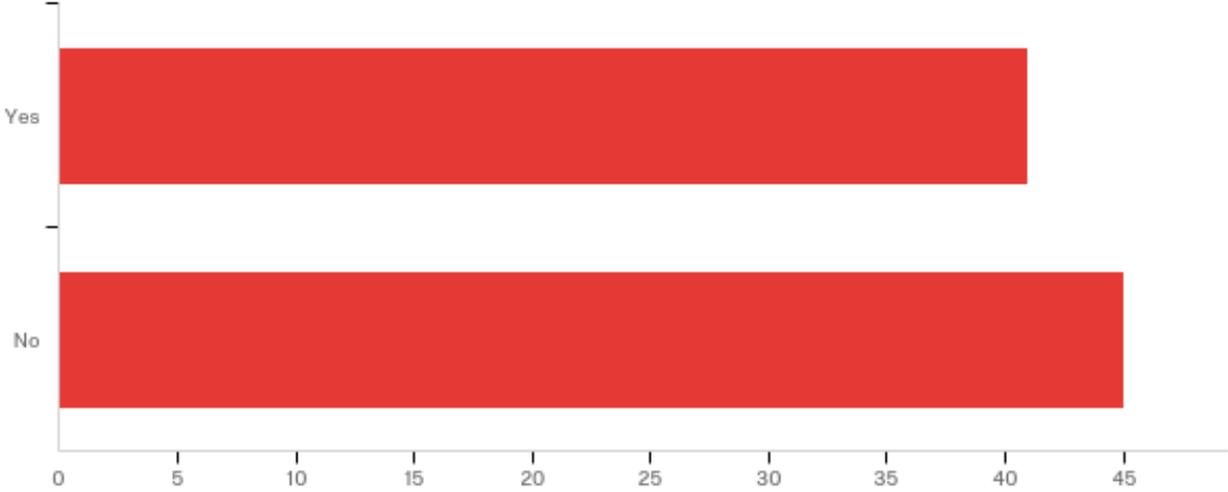
#	Answer	%	Count
1	Less than high school degree	1.08%	1
2	High school graduate (high school diploma or equivalent including GED)	8.60%	8
3	Some college but no degree	70.97%	66
4	Associate degree in college (2-year)	5.38%	5
5	Bachelor's degree in college (4-year)	13.98%	13
6	Master's degree	0.00%	0
7	Doctoral degree	0.00%	0
8	Professional degree (JD, MD)	0.00%	0
	Total	100%	93

Q9 - When you think about car dealerships, how necessary do you think it is for consumers today?



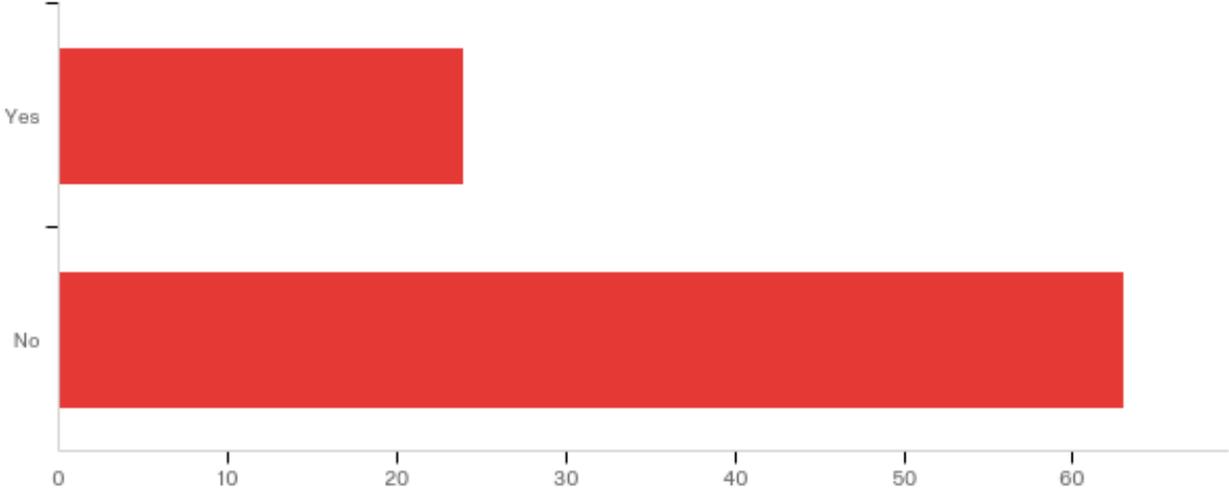
#	Answer	%	Count
1	Extremely necessary	3.45%	3
2	Very necessary	21.84%	19
3	Moderately necessary	45.98%	40
4	Slightly necessary	18.39%	16
5	Not necessary at all	10.34%	9
	Total	100%	87

Q18 - Have you ever purchased a car?



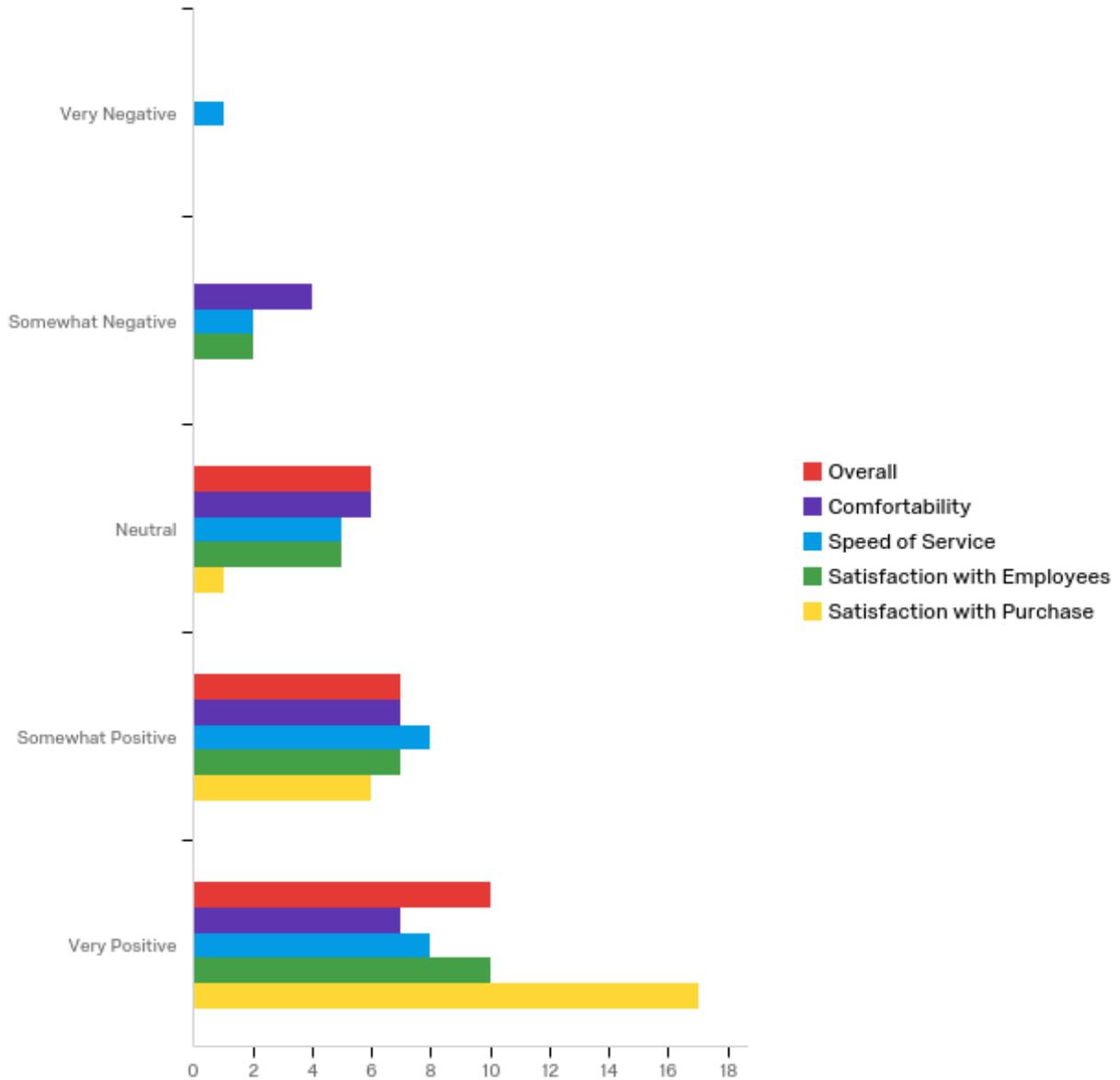
#	Answer	%	Count
1	Yes	47.67%	41
2	No	52.33%	45
	Total	100%	86

Q19 - Have you ever purchased a car at a dealership?



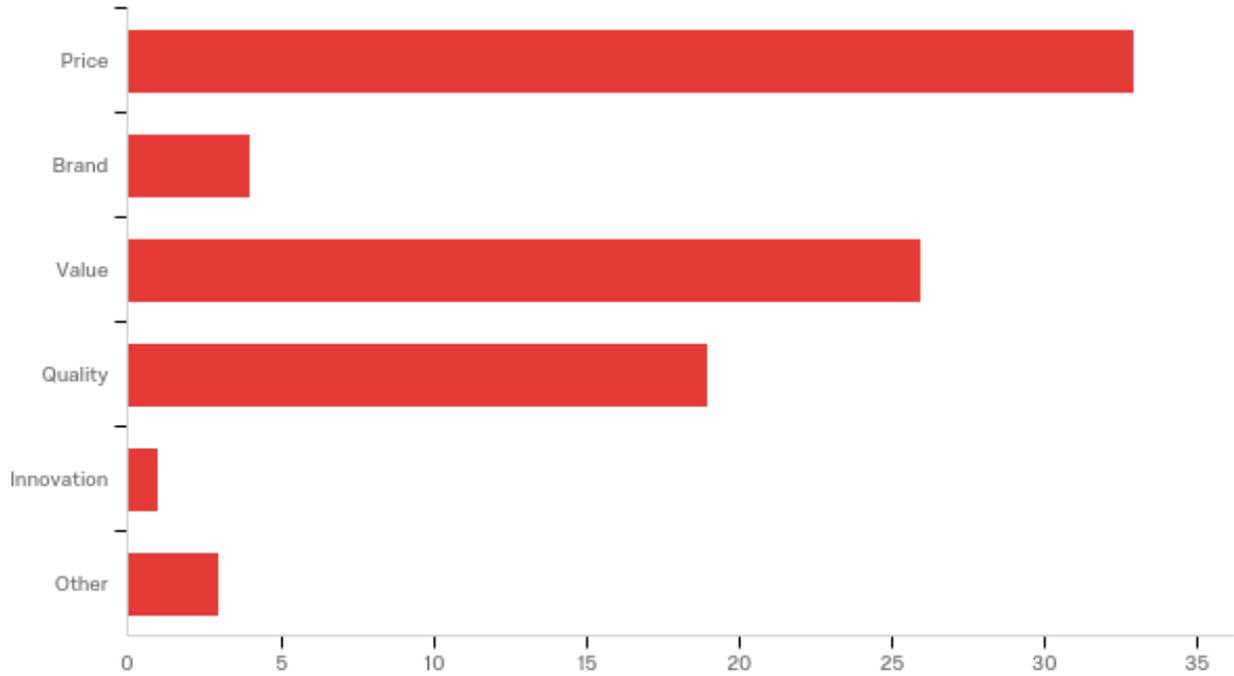
#	Answer	%	Count
1	Yes	27.59%	24
2	No	72.41%	63
	Total	100%	87

Q20 - If you answered yes to the previous question, please describe your experience.



#	Question	Very Negative	Somewhat Negative	Neutral	Somewhat Positive	Very Positive	Total
1	Overall	0.00% 0	0.00% 0	26.09% 6	30.43% 7	43.48% 10	23
2	Comfortability	0.00% 0	16.67% 4	25.00% 6	29.17% 7	29.17% 7	24
3	Speed of Service	4.17% 1	8.33% 2	20.83% 5	33.33% 8	33.33% 8	24
4	Satisfaction with Employees	0.00% 0	8.33% 2	20.83% 5	29.17% 7	41.67% 10	24
5	Satisfaction with Purchase	0.00% 0	0.00% 0	4.17% 1	25.00% 6	70.83% 17	24

Q11 - When you are considering purchasing a car at a dealership, what attribute do you consider most often?



#	Answer	%	Count
1	Price	38.37%	33
2	Brand	4.65%	4
3	Value	30.23%	26
4	Quality	22.09%	19
5	Innovation	1.16%	1
6	Other	3.49%	3
	Total	100%	86

Other

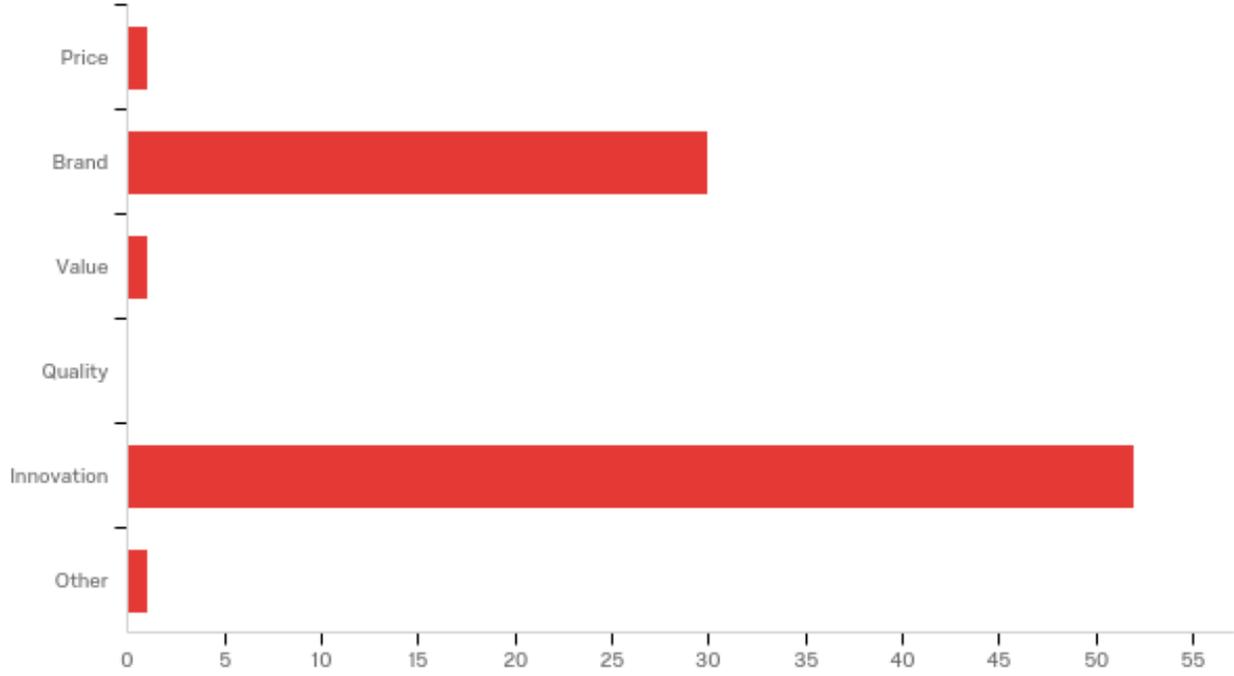
Other - Text

Safety

safety of vehicle

Both the price for the quality of the car

Q13 - When you are considering purchasing a car at a dealership, what attribute do you consider least often?



#	Answer	%	Count
1	Price	1.18%	1
2	Brand	35.29%	30
3	Value	1.18%	1
4	Quality	0.00%	0
5	Innovation	61.18%	52
6	Other	1.18%	1
	Total	100%	85

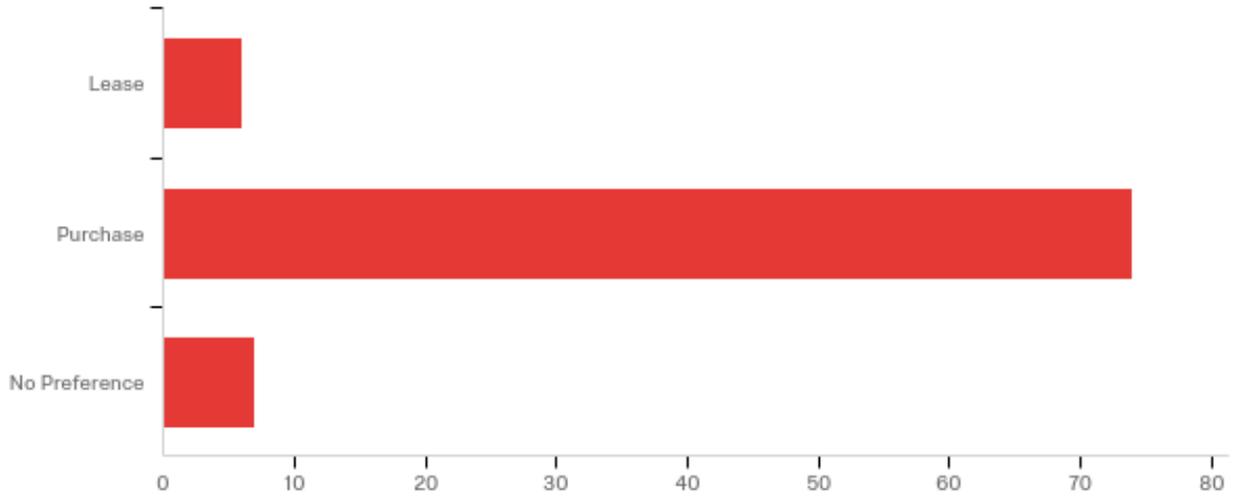
Other
Other - Text

Q21 - At what age do you think you will buy your next/first car? Enter 0 if you do not plan on buying a car in your lifetime.

At what age do you think you will buy your next/first car? Enter 0 if you do not plan on buying a car in your lifetime.

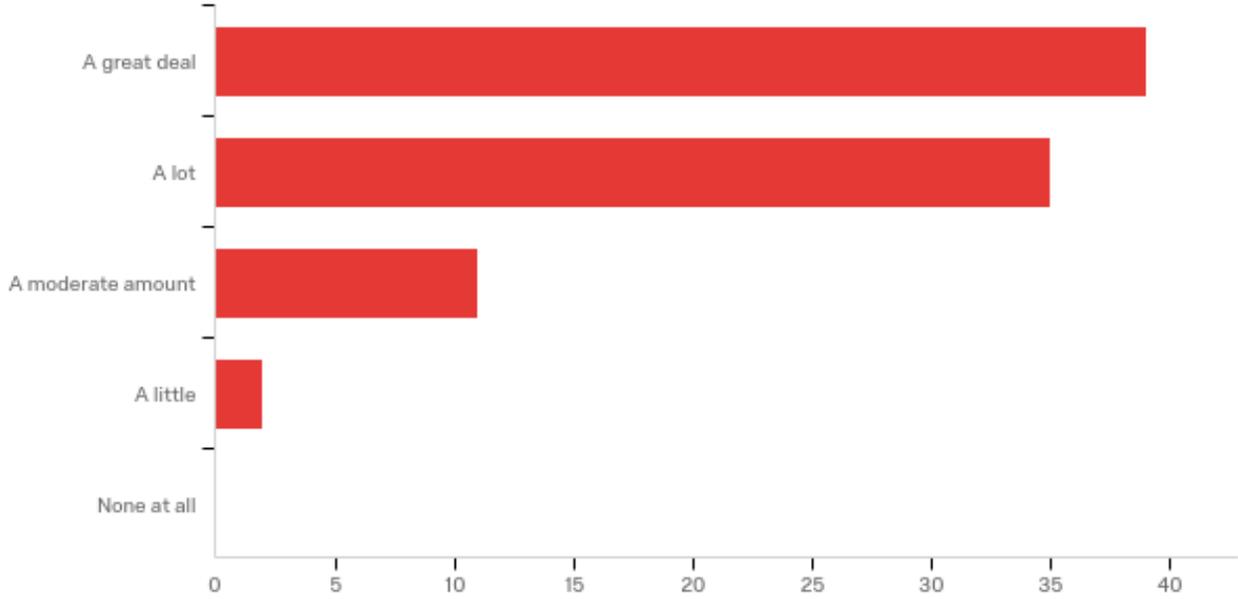
21, 23, 22, 23, 22, 27, 24, 25, 26, 25, 25, 26, 30, 19, 24, 25, 25, 18, 20, 0, 26, 19, 35, 0, 23, 20, 26, 25, 23, 22, 22, 20, 28, 27, 25, 30, 23, 30, 22, 30, 40, 22, 23, 27, 21, 25, 50, 25, 24, 22, 23, 22, 27, 25, 26, 23, 30, 22, 23, 25, 20, 27, 24, 27, 22, 0, 30, 0, 26, 30, 25, 25, 25, 26, 30, 26, 27, 25, 25, 30, 30, 24, 24, 25, 25, 24

Q22 - Would you prefer to lease a vehicle or purchase a vehicle?



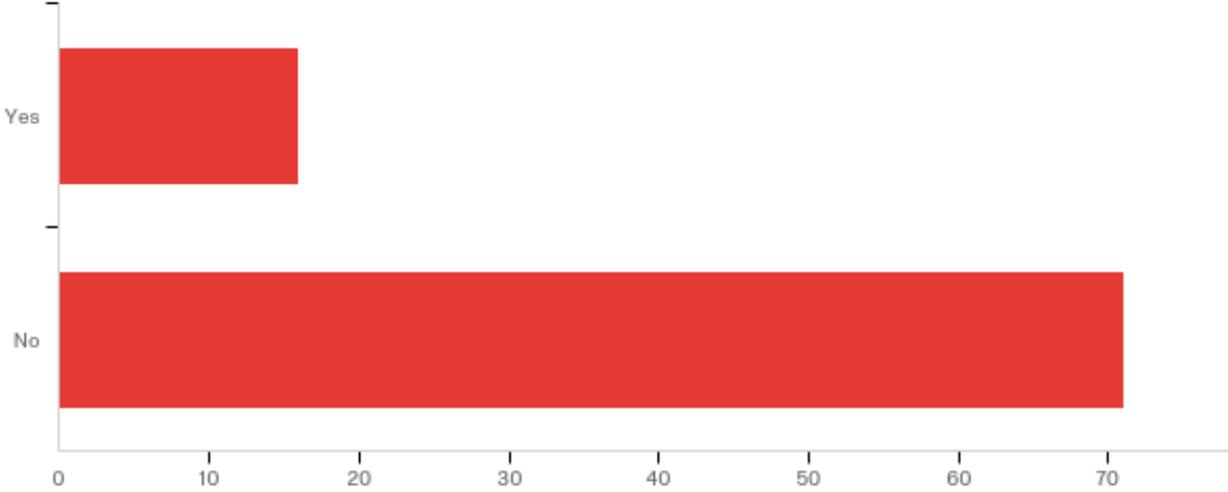
#	Answer	%	Count
1	Lease	6.90%	6
2	Purchase	85.06%	74
3	No Preference	8.05%	7
	Total	100%	87

Q23 - How much, if any, research do you conduct before purchasing a car?



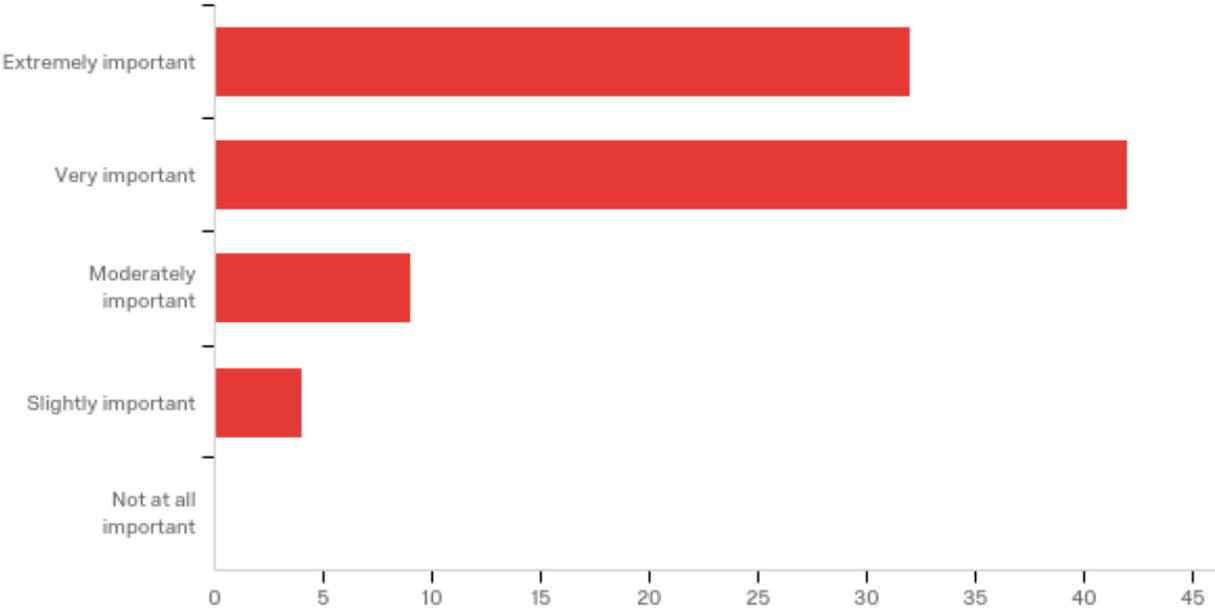
#	Answer	%	Count
1	A great deal	44.83%	39
2	A lot	40.23%	35
3	A moderate amount	12.64%	11
4	A little	2.30%	2
5	None at all	0.00%	0
	Total	100%	87

Q24 - Could you purchase a vehicle entirely online?



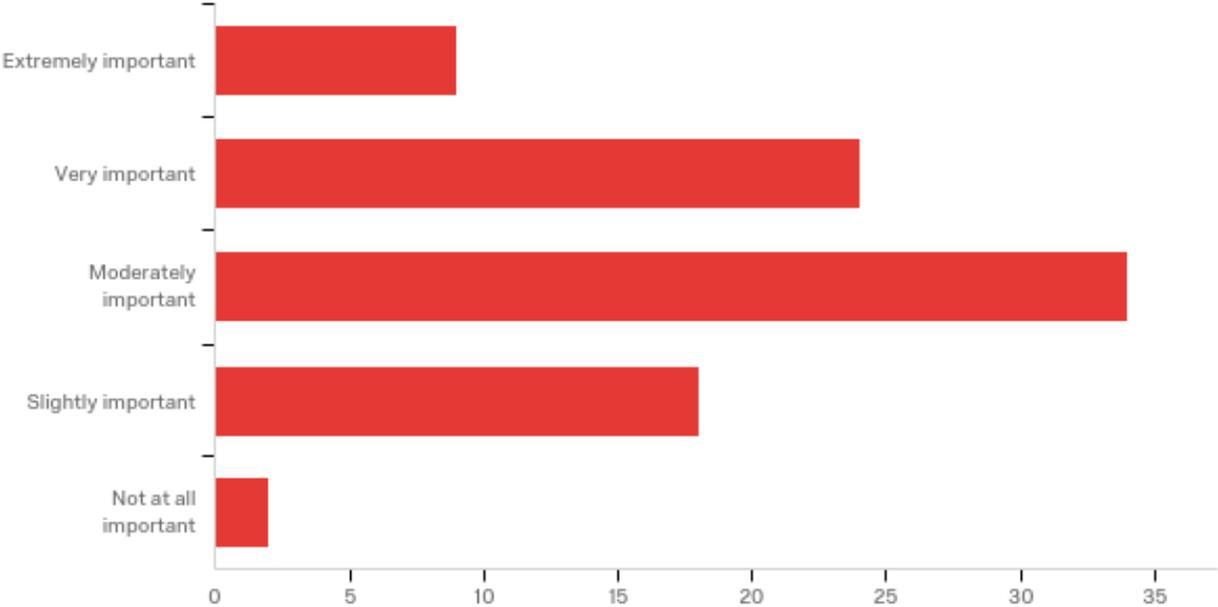
#	Answer	%	Count
1	Yes	18.39%	16
2	No	81.61%	71
	Total	100%	87

Q25 - How important is a test drive to you?



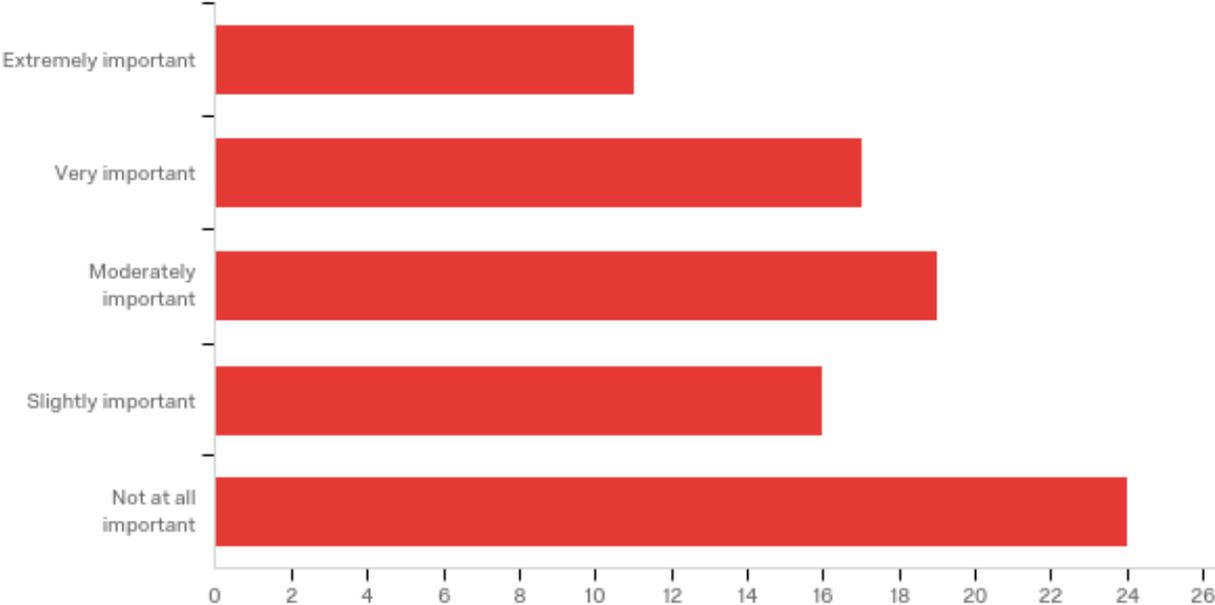
#	Answer	%	Count
1	Extremely important	36.78%	32
2	Very important	48.28%	42
3	Moderately important	10.34%	9
4	Slightly important	4.60%	4
5	Not at all important	0.00%	0
	Total	100%	87

Q26 - How important is face-to-face interaction to you when purchasing a car?



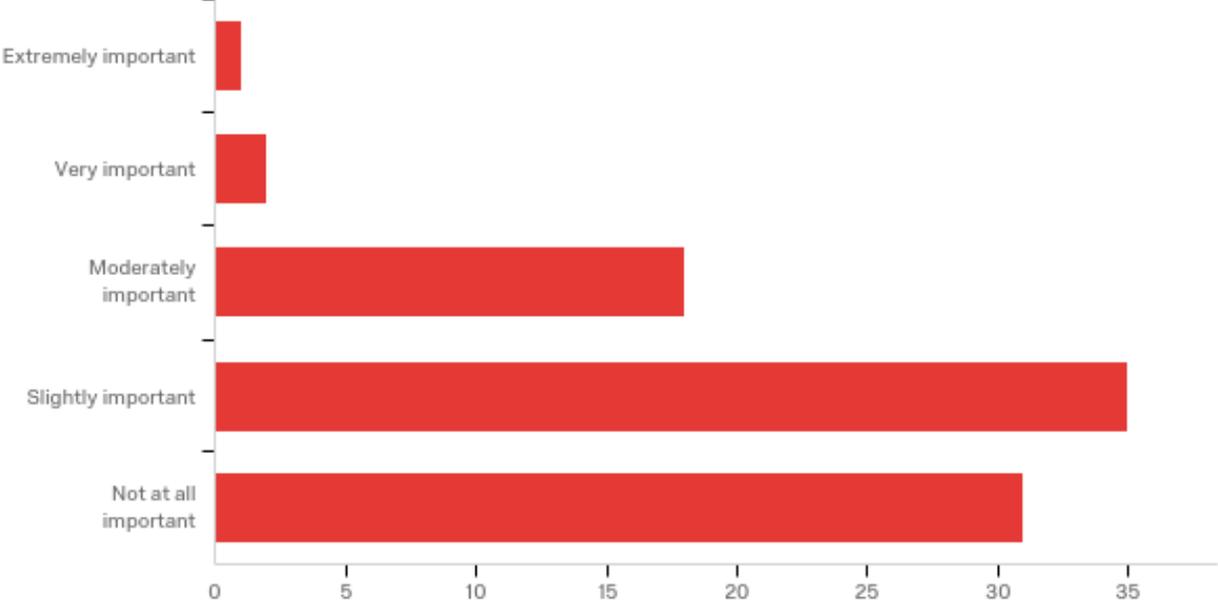
#	Answer	%	Count
1	Extremely important	10.34%	9
2	Very important	27.59%	24
3	Moderately important	39.08%	34
4	Slightly important	20.69%	18
5	Not at all important	2.30%	2
	Total	100%	87

Q27 - When purchasing a car, how important is it to drive it "off the lot"?



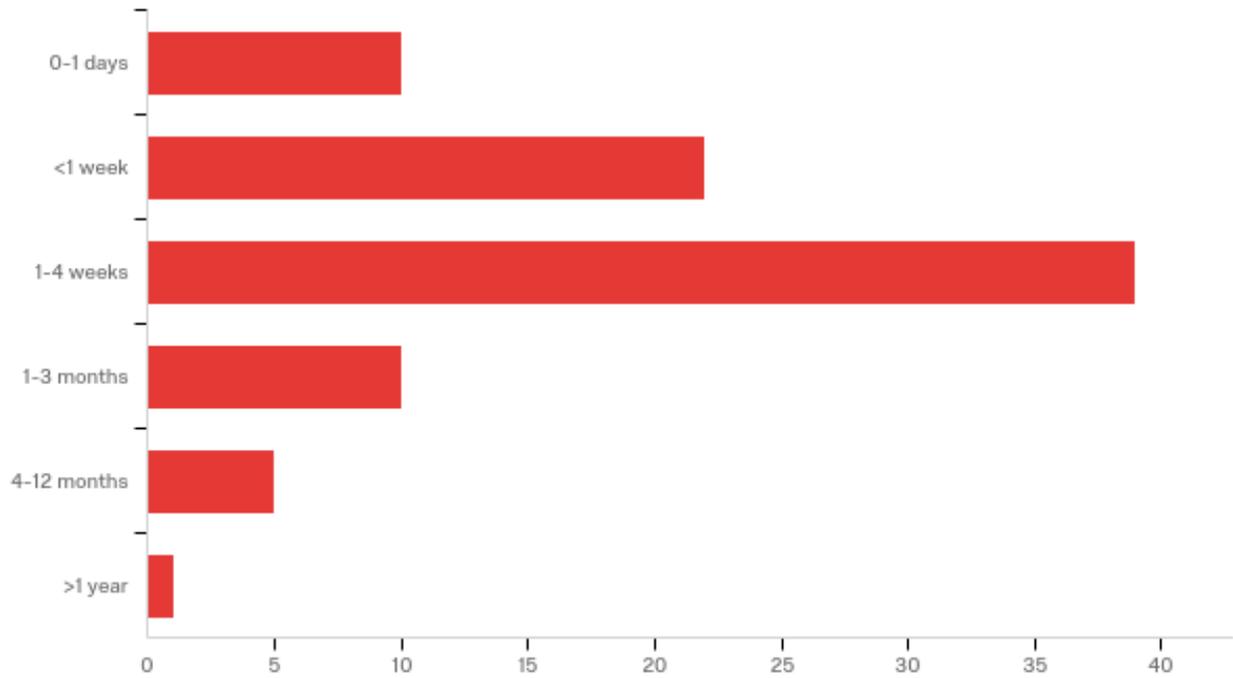
#	Answer	%	Count
1	Extremely important	12.64%	11
2	Very important	19.54%	17
3	Moderately important	21.84%	19
4	Slightly important	18.39%	16
5	Not at all important	27.59%	24
	Total	100%	87

Q29 - How important is car customization to you?



#	Answer	%	Count
1	Extremely important	1.15%	1
2	Very important	2.30%	2
3	Moderately important	20.69%	18
4	Slightly important	40.23%	35
5	Not at all important	35.63%	31
	Total	100%	87

Q28 - At longest, how long would you be willing to wait to drive your car after you have purchased/ordered it?



#	d	%	Count
1	0-1 days	11.49%	10
2	<1 week	25.29%	22
3	1-4 weeks	44.83%	39
4	1-3 months	11.49%	10
5	4-12 months	5.75%	5
6	>1 year	1.15%	1
	Total	100%	87

Q30 - What would you like to see added to the car-buying experience? (max. 500 characters)

What would you like to see added to the car-buying experience? (max. 500 characters)

I'm not sure. I haven't had enough experience.

I would like to see used cars being purchased more, or being advertised more. The problem I have with new cars is the 20% depreciation value as soon as you drive them off the lot. It seems like a waste of money. Also new cars contribute environmental issues because we, as consumers, keep buying new cars which leads to the manufacturing of so many new vehicles. People will always want a brand new Tesla Roadster because they look awesome and are sweet! So I don't know how to fix this problem...

Lower prices.

Transparency about prices

I would like it to be less gimmick-y. If I am going to make a purchase as large as a car I want the salesman to be direct and honest with me about my options with my given preferences.

Fewer car salesmen

More customization be able to be done on site so that the car can be ready in less than a week

Less pressure to buy the car

Non biased feedback on quality, value, and price. Easily be able to compare two or more options side by side.

I would like to see more availability to modifying your vehicles through the dealerships.

Less time doing paperwork. Smaller interest

Transparency in prices/buying process

The ability to buy directly from the manufacturer, eliminating middleman and upping both customizability and transparency of pricing.

Quit with the old shtick sales techniques about "going to talk to the manager" or charging \$10k over dealer cost. Or trying to sell some add on crap insurance or underbody coating. Just be honest and act in a fair manner to your fellow humans.

help people out who have never bought their own car more help with understanding the pros and cons to a variety of different cars

Less hassle, more ease, less dealing with car sales people because that seems atrocious. Though I am thinking somewhat in stereotypes.

Car history

For car salesmen to be honest about the price of the add ons. I know those mats aren't worth 2000 dollars.

More transparency about what you're getting

I don't have any preference.

I don't think any other thing should be added with what already exists.

Honesty from the dealer!

I think it is really important to have all of the cars records of when oil was changed, tires rotates, etc. to make sure that the car received maintenance when it should have.

more direct prices, no hidden fees or discounts on certain days

Honesty & Integrity

never bought one so I'm not sure what really goes on

Less pressure given by the salesman.

not being treated differently/condescending because I'm female

statistics regarding past experiences by customers.

See ratings about the car's performance and personal experiences from other buyers.

Online customization and then test drive possibilities. Minimum interaction with salesman

Nothing!

Less pressure from salesman

I would like to see the bargaining experience to be reduced/eliminated.

More immediate comparisons between brands, prices, safety ratings, features, etc.

More electric options. More self driving options.

Appendix B

Consent to Participate in Survey

The Future of Buying a Car

This survey is part of a research project for the Honors College, and will ask the participant about their experiences when buying a car and at car dealerships. The survey is between 19 and 24 questions. You should expect this survey to take approximately 5 minutes.

If you have questions or concerns, please contact Cameron Skinner via email (cskinn10@uwyo.edu) or phone (307-760-6945).

Informed Consent

By clicking to the next page, you are consenting to taking this survey. Your response is completely voluntary and you may drop out at any time, without any repercussions. Your responses are anonymous and will not be tied to your name or contact information in any way. You should be at least 18 years of age to take this survey.

Thank you in advance for your time!

Appendix C

Focus Group Transcript

04/07/2018 Cam's Focus Group with the Marketing Manhattan class.

[C = Cam; F = Female; M = Male]

Cam gives intro, and he is facilitator. Then he asks some broad questions.

C: Car Salesman. What's your first impression, your opinion?

F: I myself haven't had any experience, but from my parents, they're aggressive. They're on commission, so they're going to push you. You want to get away from them, but you also need them because it's their job.

F: I worked at a dealership, and often, especially with the used cars, they would lie to people about how well the cars worked. The new cars they don't have to lie about, but the used ones they one.

F: They want to try to upgrade you a lot. Something more expensive, with more features, or different warranty plans. It's a shame, because I know what I want.

C: What do you mean by that?

F: I researched a lot. I had a PT Cruiser at first, which isn't great for this climate, so I looked at several different brands. I was also looking for a budget-friendly car. And I looked in Colorado and got a better deal than here. I did this on computer, I think it was cars.com. And it really worked, once I thought of what I want.

F: They scare me because I don't know a lot about cars. I feel they will take advantage of me.

M: I want to come to their defense. In the GM dealership, they're nicer than the service guys! They don't work on commission, and they're totally honest with me. Yes, they wanted to sell me a Camaro, but it was more of a joke. I feel like they're on my side.

F: Yes, on the smaller dealerships, they don't work on commission, so it's a softer sell. In the larger dealership, they really push. My dad is a mechanic, and right away he saw about 20 thing wrong with a car they said was perfect. They're under so much pressure to get a certain price for that car. So I feel like it's almost geographical.

[8 out of the 12 people in class have had direct dealings with a car dealer].

F: I'm not sure this whole sales approach is limited to the car industry. That's true of all the people in sales.

M: One guy came out and made me give him all my info., and then he kept hounding me to buy a car, and it was really annoying. Then when I got the car, I had done lots of research, and this guy was just telling me what I already knew. So I felt like I didn't need him!

[7 out of the 8 people did research before they went into a car buying situation]

C: Tesla is approaching the market in a new way: no need for dealerships, just contacting the consumer directly. What's your opinion on that? What do you think of dealerships overall?

M: The salespeople aside, I really like them! I think they're a benefit, because you can see all the cars and test drive them.

[Everyone liked the test driving aspect]

F: I do like the physical aspect of the dealership. But as Millennials, we're more connected than ever. We can see products online, like Tesla – that's the only place you can see one! So I feel if we just continue that process, maybe MB can do that too, and make dealerships obsolete one day. Maybe Tesla is doing so well because they're different anyway.

C: Tesla does have stores, but they're more like Apple stores: very experiential. They only have 3 models, but they usually have them there. You can walk around and engage with them, and they have designs on the wall.

F: Yeah, in the Westminster store, they only have 2 cars.

M: You know, a dealership is more than just buying a car. What happens when Tesla has a recall? Where is the service?

F: Do these types of stores really get the people who are actually interested in buying a car, as opposed to just walking around and looking? I think the dealerships would get people who are less serious, because there's just so much to see. The new stores would get more serious shoppers.

F: Yeah they have too many of one type of car! That encourages people to just look, just shop, because you have so many cars to look at at the dealerships.

C: Yes, in the old days, you drive the car off the lot. In the new way, you order it online and get it later. The new model of the Tesla has been sold out for a year!

F: There's an elitist feel to the new way. It's unique, one of a kind, just like me. It's more of a brand strategy.

M: Yes, there's a liability issue as well. Like the one I went to in Montana had a huge hail storm the day before, and many cars were damaged.

F: And it can be overwhelming. How do you tell? They tell you this is the car for you, but how to you know?

C: Paradox of Choice, which leads to cognitive dissonance. There can be too much choice, but there can also be not enough. Customization is becoming increasingly prevalent among Millennials. We prefer to have our shoes that way, and maybe also our cars. Would you want that, or more stock items?

F: I like more the stock supply, because I'm budget conscious. It's more rational.

F: The searching becomes easier the more money you have. It will be easier later, I think.

F: My dad has to have all of his pickups customized. He does that himself, so he'll buy a stock item and do it himself. Saves money too.

F: There are so many places to go now to have it customized, all the different stores and now websites for whatever you want. It's a third-party kind of service. Pricing and convenience are at work here, but it depends on the level of quality you want. How invested are you in your vehicle?

F: For those who want it customized, that's a big source of pride. It's self-identity, so you don't want to trust that to just anyone. You want to manage that yourself. You're choosing exactly what you want.

F: The hunt for the vehicle is part of the experience. The class, the radius of the location, is part of the process.

F: Yes and if your car stands out, it's a security and safety issues. People know that it's your car, they can spot it and know it's you.

F: I think it's important for the dealer to have those options available, but not so it overwhelms you. People are willing to wait as long as possible to get what they want. But here we are in truck city, so people care about them here.

F: Older people want the basics, because they won't know who to operate it! So I think Millennials want more stuff, more customization. We're comfortable with the tech. Like if you go through Sybille Canyon, you just can't get a radio station. So I need more tech to get music. And I have a friend who relies on the back-up camera, so she needs that.

F: Yes, some people order the highest package to get the best engine, but then they'll have all the extras stripped away.

C: If price weren't an issue, were you still want customization?

F: Yes, but I've grown up in a household full of car fanatics! I would get the upgrades.

C: The click versus brick model. Which is more important when selling a car?

M: In some ways, they're equal. Some start is brick then move to click, and vice versa. There's something about brick that appeals to lots of people. Even Tesla has them to create the buzz factor. People go there for the experience, then go online to see what's available.

M: I would argue that the brick store is essential for the survival of the auto. The online systems serve the brick stores anyway. They serve the brick stores. I don't know enough about how Tesla works, but the more traditional stores use online for that. Remember, online places like CarMax were founded so they could direct you to car dealerships. Like Manheim, which is more for dealers.

F: I feel like both need to come together, even for Millennials. We still need the experience.

F: We could be the generation that's transitioning. We need a hybrid approach. I'll do my research online, then go to the physical.

F: A bit of a physical presence is still important. You can still get scammed online. So if you have the physical, you feel like you're avoiding that possibility. Pictures can lie. So if you can actually see it, you're not being scammed.

F: People still have to feel, touch a car. But online presence will increase for the foreseeable future.

C: Amazon could eat into its own sales with its new stores. Is that possible?

F: You could argue that it would help the whole brand. We're curious.

M: Yeah, and the stuff they sell in the store isn't the same stuff they sell online. They're different. You wouldn't buy a drink online. You still go into that store to experience a Tesla, then you take care of the logistics online. We like environmentally friendly stuff, and we like online too.

F: Yes, Tesla draws you in. They put cars in the mall, and that's unusual. It stands out. Its location and the way its set up attracts your attention.

F: Yes like the Apple stores, it's different – they look different, they're set up different.

C: Why do people still go into those Apple stores?

F: People know that brand. You know what a iPod is, so even if it's not new, they want to go in and experience it.

F: The way an Apple store is set up, you need exactly where to go to get what you want, where with Best Buy it's more confusing, more jumbled. You have to grope your way around.

F: And they're product marketing, the new products, give you a reason to come into the store.

F: And talking with someone makes you feel less likely to feel guilty about spending a lot of money. You need that reinforcement. I want to trust the salespeople, and sometimes I need a little push.

C: What is your favorite physical store?

F: I love the M&M store. They have lots of different colors you can't get anywhere else! Like the one in Vegas. I bought lots of M&Ms!

F: The Disney Store! The 2-floor one is in Times Square. And they have them all over the malls, and one in Disney park itself. They play Disney music, and the floors sparkle. It feels like you're at a Disney park. Very immersive.

F: Nordstrom Rack! I love going in there! I like the prices too.

F: I like Ulta Beauty – you can get all these beauty products! You can talk to people for hours about what to buy. And you can get your hair cut there, too.

F: There's a bookstore in NYC, and I'm not even that big a reader, but I love to go into those stores. You feel like no one is really rushing you. But things are really laid out, and well-organized. I love order and efficiency, and the aesthetics of it. Books are aesthetics.

M: I love Mountain Vet Supply in FoCo! The organization is incredible! It's a small store, but they have everything. You can find anything you need there for your pets. And if you can't find it, they have three people who will help you.

M: I love the Nike store! I love to browse, and I couldn't afford to buy much, but it was fun to look. I love the experience, no one was pushing you to buy. Too bad it closed in Denver.

F: I love Staples during the school season! Everything is so well-organized, aesthetically pleasing, it's color-coordinate which makes it simpler to deal with. It looks cleaner that way.

C: Your least favorite store? Mine is Kmart. It feels so jumbled, the aesthetics are atrocious, the colors are weird.

F: I hate WalMart. You can get things for cheap, but it's so crowded. Only 2 registers open, but you can't really get good food. They have stockouts. And the people of Walmart! It's practical, and you gotta do what you gotta do.

F: Home Depot. I hate it! I was dragged there every weekend as a kid. You can't make it better!

F: Family Dollar in Wheatland is pretty tacky too. SO disorganized and crazy. I go there to get cat litter. Shopco isn't much better. But it's the only place to go in Wheatland. Lots of people go to Casper.

C: If you could design a car store, what would it look like?

F: I'd love a store with different brands in one place! I think the salespeople would be more honest about each brand. And they're would be more variety across brands.

F: I'd like a warm, homey feeling to a dealership. The bright shiny floors are nice, but there you fee like they're going to push you.

M: Fresh popcorn helps!

F: How about a place that's environmentally friendly? That would offset the negative impression of wasting fuel.

F: Let's make it more interactive. Lots of screens, lots of people to direct you.

F: Need to be more family-friendly. Have stuff for the kids to do, so you can focus on the cars.

M: Have different garages for different types of cars. They could pull the kind of car you want rom the "shelf" of the parking garage. In the showroom, they have the fancy cars, but they're not the cars you're going to buy. You could keep those cars in the garage and still test drive them.

Appendix D

Focus Group Consent

Consent Form for Participation in a Research Study
University of Wyoming

Researcher(s): Cameron Skinner with Dr. Kent Drummond
Study Title: **The Future of Car Dealerships: Omnichannel Sales in the Experience Economy**

1. WHAT IS THIS FORM?

This form is called a Consent Form. It will give you information about the study so you can make an informed decision about participation in this research.

2. WHO IS ELIGIBLE TO PARTICIPATE?

Desired characteristics of participants are Millennials. Subjects must be at least 18 years old to participate.

3. WHAT IS THE PURPOSE OF THIS STUDY?

The goal of this research is to analyze consumer preferences around the car-buying process. It seeks to compare the Millennial demographic and the experience economy, and ultimately what the implications are for the dealership model.

4. WHERE WILL THE STUDY TAKE PLACE AND HOW LONG WILL IT LAST?

The focus group will be conducted April 4th, 2018 with a session length not exceeding 30 minutes during the class period for “Marketing Manhattan”. The participant may be contacted in the future.

5. WHAT WILL I BE ASKED TO DO?

If you agree to take part in this study, you will be asked to describe your experiences buying a car and what you would like to see implemented in your car-buying future.

The proctor will lead a discussion about these topics and may ask you to expand on personal experiences.

Your responses will be recorded as part of the research.

You can stop being in the study at any time. You may contact Cameron Skinner with any questions you may have (cskinn10@uwyo.edu).

6. SUBJECT STATEMENT OF VOLUNTARY CONSENT

When signing this form I am agreeing to voluntarily enter this study. I have had a chance to read this consent form, and it was explained to me in a language which I use and understand. I have

had the opportunity to ask questions and have received satisfactory answers. I understand that I can withdraw at any time. A copy of this signed Informed Consent Form has been given to me.

I agree to maintain the confidentiality of the information discussed by all participants and researchers during the focus group session.

If you cannot agree to the above stipulation please see the researcher(s) as you may be ineligible to participate in this study.

Participant Signature:

Print Name:

Date: