Today’s technology-savvy car shoppers have access to more online resources than ever before — and they are using them to choose their buying and trade-in opportunities carefully. The Internet has made the vehicle trade-in and purchasing process less confusing to the consumer, making it easier for them to exclude less desirable car-shopping scenarios from an often dauntingly long list of possible stores. Dealerships that wish to avoid being excluded as part of this process are increasingly using online valuation tools to connect with consumers, which can help smooth their transition from online shopping to the offline store environment (see Diagram A).

One such tool is Trade-In Marketplace, an AutoTrader.com vehicle trade-in valuation tool accessible via AutoTrader.com, KBB.com® (Kelley Blue Book) or participating dealer websites. Consumers populate an online Trade-In Marketplace form with their specific vehicle information and the tool will generate a cash offer at no charge, valid for 72 hours, redeemable at participating dealerships.

To be a participating dealer in the Trade-In Marketplace program, dealers pay a monthly subscription that gives them access to consumers who generate a trade-in valuation through the tool.

Here’s how it works: Instant Cash Offers provided through Trade-In Marketplace are calculated and generated by an AutoTrader.com third-party vendor using an algorithm that takes into account local market data. Participating Trade-In Marketplace dealers do not have any input or influence on the trade-in value generated by the tool. The third-party vendor assumes the risk on behalf of participating dealers that the vehicle will be worth at least the amount of the Instant Cash Offer, and in return, receives a share of the overall subscription revenues generated by the program.

The Trade-In Marketplace offer not only sets a pricing floor that protects the dealer from downside risk, it also serves to shape the expectations of consumers as they begin the trade-in process with the dealer. Dealerships may use Trade-In Marketplace as part of the trade-in process to provide in-store customers with a cash offer that reduces the risk of the dealership losing money on the trade-in. Trade-In Marketplace is differentiated from other online vehicle valuation tools (such as AutoCheck®, NADA Guides®, Galves® and Edmunds.com’s True Market Value®) by its ability to generate a redeemable cash offer.

Research Reveals How Dealers May Capitalize on Trade-In Marketplace

In 2012, 2.5 million Trade-In Marketplace offers were generated and according to a survey of 12,212 Trade-In Marketplace users, **77% of consumers who redeemed their Trade-In Marketplace offer are willing to recommend it to others and to use it again in the future.** However, focus group research conducted in March 2013 with Trade-In Marketplace dealerships across the U.S. reveals that consumers aren’t the only ones who are reaping the benefits of this powerful tool.

According to the research, many dealerships that initially sought to incorporate Trade-In Marketplace into their operations primarily as a means of lead generation and inventory acquisition are discovering that Trade-In Marketplace can be even more effective as a way to:

1. Reduce inventory-related risk
2. Enhance the customer’s dealership experience
3. Improve overall margins
4. Facilitate overall transactional conversations

Trade-In Marketplace serves as a virtual used-car assistant that informs dealers how much they should be in the car for.
1. Reduce Wholesale & Inventory-Related Risk

Now that the Internet gives both consumers and dealers access to much of the same vehicle valuation information, strategy-setting for the trade-in process is more critical than ever. Historically, every time a dealer has taken in a trade, there has been a delicate balance of determining how much to pay for that trade while taking into account a consumer’s expectation of how much they should receive for it. However, Trade-In Marketplace’s real-time market view and valuation process takes the guesswork out of this process for the dealer. Trade-In Marketplace’s valuation creates an immediate cash offer for the consumer and provides a verifiable baseline price for the dealership to negotiate with them. In this way, Trade-In Marketplace also assures the dealer it will, at minimum, receive a specified amount of cash on a trade-in, if the store chooses not to retail the vehicle. Perhaps even more importantly, the tool serves as a virtual used-car assistant that informs dealers how much they should be in the car for.

Using Trade-In Marketplace as a baseline for capital investment in inventory not only helps maintain profit margins, it also allows the dealership to mitigate risk because it provides a built-in exit strategy for trade-in acquisitions. Trade-In Marketplace provides dealers the option to ground the vehicle and liquidate it through traditional auctions for the full Trade-In Marketplace offer amount, sell it to a wholesaler or resell it on their lot.

According to the focus group research conducted in March 2013, balancing the initial investment of the trade-in with the value generated by Trade-In Marketplace allows the dealership to mitigate inventory-related financial risk.

By providing the dealership with a standardized tool for evaluating not only the monetary trade-in value of the vehicle, but also its history (based on the consumer’s input), condition and desirability in the marketplace, Trade-In Marketplace augments a Used Car Manager’s effectiveness and helps avoid emotional management behaviors (e.g., UCM allows a bad experience with a particular model or a “golden gut” moment to affect an inventory acquisition decision).

2. Enhance the Customer Experience

Research shows that consumers are actually very satisfied with many aspects of the car-shopping process, but they are most satisfied with shopping activities that largely take place online. Once consumers reach the offline stages of the car-buying process, satisfaction numbers start to decline significantly (see Diagram B). According to the survey, consumers are the least satisfied with the trade-in portion of the car-buying process. In fact, consumers are more dissatisfied with the trade-in process than even traditionally disliked activities, such as filling out paperwork and applying for financing.

![Diagram B](Diagram B) Car buyers report lower satisfaction with car-shopping activities that traditionally have occurred in the offline store environment. According to the survey, they are more satisfied with filling out paperwork and applying for financing than receiving a trade-in offer.

Source: 2012 Morpace/AutoTrader.com Dealership Experience Study

Trade-In Marketplace can help improve this drop-off in customer satisfaction by serving as a bridge between the online and offline aspects of the car-shopping experience. Integrating Trade-In Marketplace into the trade-in process often provides consumers with a positive dealership experience that can contribute to improved Customer Satisfaction Index (CSI) scores. The research indicates that two out of three Trade-In Marketplace offer redeemers surveyed thought the tool was valuable in helping them negotiate with dealers and improved their interactions at the dealership.
Additionally, 77% of Trade-In Marketplace customers surveyed are willing to recommend Trade-In Marketplace to others and to use it again in the future. According to the research, customers were particularly satisfied with Trade-In Marketplace because they perceived that it reduced the hassle of negotiating with the dealer, provided fast responses from multiple dealers and helped them understand the price the dealer would be willing to pay in the current marketplace for their specific vehicle on a trade.

Consumers surveyed said that Trade-In Marketplace improved their dealership experience thanks to its easy-to-use interface and market-based appraisal:

- “The system was very easy to use and (the dealership) was very professional and accommodating to make the sale smooth.”
- “It was easy to use and really helped me through my first solo car-buying experience.”
- “How incredibly simple it made one portion of the vehicle purchase/trade-in process. I dreaded the whole idea of purchasing another vehicle. This made the experience less stressful, less time-consuming and more buyer-friendly.”
- “It was VERY simple to use and straightforward at the dealer. No haggling. LOVED IT.”
- “It was simple to use. And the amount cited as trade-in value was almost exactly that quoted by the dealership. I felt very confident that I was getting a good price for my used car.”
- “Very easy to use, went to the dealer and showed them certificate and they made a slight adjustment, but I was still very happy with the offer.”

Surveyed users also indicated that their dealership experience was significantly enhanced when Trade-In Marketplace was fully integrated into the trade-in process, both online and in-store:

- “The data was sanctioned by the selling dealer on their website. I presented the coupon and received the full amount to the dollar. Thank you very much!”
- “It is a great tool to use with the dealer as it takes out some of the frustration and anxiety of trading your car.”

Of the users surveyed who intended to redeem their Trade-In Marketplace offer, 34% planned to sell their vehicle to a dealership and 66% planned to trade their vehicle in for a new one (see Diagram C).

3. Improve Overall Margins

According to the research, dealerships are discovering best practices to maximize Trade-In Marketplace’s effectiveness. For example, using Trade-In Marketplace as an appraisal tool allows the dealership to provide the customer with a “reality check” on the true condition of their vehicle and what dealers would be willing to pay for their vehicle as a trade within the current marketplace.

Trade-In Marketplace offers may be viewed as more precise because they are specific to the consumer’s own vehicle. Dealerships can then use this offer to manage trade-in value expectations and establish a benchmark for negotiation. Trade-In Marketplace, therefore, opens the door to inventory acquisition at a price point that allows for sufficient investment in the reconditioning and marketing/advertising needed to successfully retail the vehicle.

““It’s not just me telling them what their car was worth.””
– Business Development Manager

[Diagram C showing percentage of users intending to sell or trade in their vehicle]
In addition, dealers surveyed indicated that integrating Trade-In Marketplace into Service Department operations is a cost-effective method of acquiring inventory. Using Trade-In Marketplace to compare the trade-in value with estimated repair costs can serve as an incentive for customers to trade in their vehicle at a price point that also enables dealerships to repair and then successfully resell it. Including a Trade-In Marketplace offer (or simply including the Trade-In Marketplace URL) on the service invoice and/or repair estimate can lead not only to a trade-in deal, but it can also help facilitate a new vehicle purchase.

4. Facilitate Transactional Conversations

While Trade-In Marketplace is a web-based tool that consumers can access via AutoTrader.com, KBB.com or a participating dealer website, it can also be used in the store to generate a trade-in valuation that takes local market data into account. According to the research, it is in this capacity in particular that Trade-In Marketplace is proving to be a valuable new form of dealer engagement with customers and may serve to facilitate transactional conversations. The research revealed consumers are more likely to redeem Trade-In Marketplace offers when they generate the offers in-dealership rather than securing the offers before visiting the store. In fact, 35% of customers redeemed Trade-In Marketplace offers generated at dealerships compared to 17% who redeemed offers generated via dealership websites (see Diagram D) – that’s more than twice as many customers who closed trade-in deals when Trade-In Marketplace was used in-store. Dealers who recognize this in-store success may choose to implement dealership processes that capitalize on this opportunity to facilitate transactional conversations.

According to dealers surveyed, having the sales representative walk the customer through the Trade-In Marketplace appraisal process not only serves as an effective means of managing expectations and establishing rapport with a prospect, but it can also lead to the added benefit of acquiring desirable inventory at a reasonable price point and/or closing new vehicle sales. In fact, dealers who participated in the focus groups indicated that even though Trade-In Marketplace is Internet-based, it is proving increasingly effective when used with walk-in customers who previously may not have fully considered trading their vehicle in on a new one (see Diagram E).

Dealerships that incorporate Trade-In Marketplace into their in-store operations, in addition to including links to Trade-In Marketplace on their dealership website, stand an opportunity to engage with consumers in more meaningful, transaction-based conversations than dealerships who choose not to use the tool in this way. Directing the customer to an in-store Trade-In Marketplace kiosk, for example, allows the customer to self-discover an appraisal of their trade-in vehicle that takes into account local market data.

“People are looking for validation in every stage of the process.”
– Director of Internet Sales & Marketing

Dealership Best Practices for Optimizing Trade-In Marketplace

According to the research, dealerships that are taking full advantage of Trade-In Marketplace typically:

- Train all sales personnel on how to effectively use the tool as soon as it is integrated into the dealership.
- Take all walk-in customers through the Trade-In Marketplace appraisal process.
- Use a standardized script developed by the dealership for staff training purposes that helps explain to the customer how the Trade-In Marketplace value was calculated and helps minimize the perceived pain of the trade-in negotiation process.

“I see leads as a by-product of the tool. I primarily [use] it for inventory acquisition. You would have to spend a lot more time to get those vehicles at auction.”
– Used Car Manager
Maximizing Trade-In Marketplace with Walk-In Customers at the Dealership

Diagram E

Customers are more than twice as likely to redeem their offer when Trade-In Marketplace is used in the dealership.
• Use Trade-In Marketplace to appraise all vehicles that are going to a wholesaler.

• Integrate Trade-In Marketplace into their Service Department operations (e.g., including a Trade-In Marketplace “ad” or offer to the service bill and/or repair estimates).

• Ensure that the dealership website and online ads include prominent Trade-In Marketplace links/widgets that take the consumer directly to the tool.

• Provide prominent access to an in-store Trade-In Marketplace kiosk so that customers can use the tool on their own or with the help of a dealership representative.

Trade-In Marketplace is especially effective in dealerships where it is integrated with a trade-in process that:

• Seeks to establish consumer expectations on trade-in values, identify qualified consumers and make it easier for the sales team to focus on looking for the right inventory without distraction.

• Consists of clearly defined step-by-step procedures that cover every stage of the trade-in process from beginning to end.

• Relies on a point person to integrate and handle the responsibilities of the process.

• Is part of storewide training that identifies and promotes the program in every department.

• Uses a standardized script to help overcome objections and improve the trade-in close rate.

• Incorporates other pricing and provisioning tools, and technology.

**Conclusions**

1. Dealerships that initially sought to incorporate Trade-In Marketplace into their operations primarily as a means of lead generation and inventory acquisition have discovered that it is even more effective for reducing wholesale and inventory-related risk, enhancing the customer’s in-store experience, improving overall margins and facilitating transactional conversations.

2. By providing dealerships with a standardized tool for evaluating the monetary trade-in value of a vehicle as well as its history, condition and desirability in the current marketplace, Trade-In Marketplace augments a Used Car Manager’s effectiveness and helps avoid emotional management behaviors.

3. Trade-In Marketplace helps dealers create customer visibility into the valuation process, contributing to a positive dealership experience that supports high dealership CSI.

4. Trade-In Marketplace improves opportunities for inventory acquisition at a price point that allows for sufficient investment in the reconditioning and marketing/advertising needed to successfully retail the vehicle on the dealer’s lot.

5. Dealers who integrate the trade into their in-store selling process stand an opportunity to engage with consumers in more meaningful, transaction-based conversations than dealerships that choose not to use the tool in this way.

**Methodology**

From February 2012 to December 2012, AutoTrader.com commissioned KS&R, a third-party market research firm based in Syracuse, N.Y., to conduct post-Trade-In Marketplace survey research among customers who completed a Trade-In Marketplace request on AutoTrader.com, KBB.com, on a dealership website or in-store at a dealership. Invitations to complete a 15-minute online survey were sent to customers approximately three days after the customer completed the Trade-In Marketplace form. This methodology did not collect or use personally identifiable information (PII). Of the 12,212 customers who responded to the survey:

- 5,864 responses came from AutoTrader.com
- 3,882 responses came from KBB.com
- 2,465 responses came from dealer websites or were generated in-store

AutoTrader.com also commissioned Morpace, a third-party market research firm based in Detroit, to conduct focus group research that included representatives of 19 geographically and demographically dispersed auto dealerships. These focus groups were held during March 2013.

**About Trade-In Marketplace**

AutoTrader.com’s Trade-In Marketplace is the only tool available in the market today that gives consumers an instant offer on their used cars while setting expectations on the trade-in value of their vehicle. For consumers, Trade-In Marketplace is a free resource that offers a no-haggle way to get an instant offer on their car, sight unseen, which they can take to a participating dealership to turn the offer into cash or use it toward the down payment on another car. For participating dealers, it is a paid
monthly subscription tool that provides trade-in valuations that take local market data into account, while also providing a cost-effective way to source pre-owned inventory.

Initially launched in a few select markets in June 2009, Trade-In Marketplace became available nationwide in October 2010. One year later, AutoTrader.com partnered with Kelley Blue Book, a subsidiary of AutoTrader Group™, to bring Trade-In Marketplace to the KBB.com website. For more information on the Trade-In Marketplace program, dealers can visit TIMfordealers.autotrader.com or speak with their AutoTrader.com representative.

About AutoTrader.com

Created in 1997, Atlanta-based AutoTrader.com is the Internet’s ultimate automotive marketplace. As a leading resource for car shoppers and sellers, AutoTrader.com aggregates millions of new, used and certified pre-owned cars from thousands of dealers and private sellers, and provides expert articles and reviews. AutoTrader.com, which also operates the AutoTrader Classics® auto marketing brand, is wholly owned by AutoTrader Group. Additionally, AutoTrader Group owns Kelley Blue Book (KBB.com) as well as three other companies that provide a full suite of software tools that help dealers and manufacturers manage their inventory and advertising online: vAuto®, HomeNet Automotive® and VinSolutions®. AutoTrader Group is a majority-owned subsidiary of Cox Enterprises.

About KS&R

KS&R (Knowledge Systems & Research, Inc.) is a full-service, privately held market research firm based in Syracuse, New York. The firm’s mission is to provide clients with rich market insights they can use to improve their business performance and deepen customer relationships. Founded in 1983, KS&R continues to experience consistent growth and now has offices in New York, Atlanta, Denver, Memphis and Frankfurt, Germany. KS&R creates and executes global custom market research initiatives for some of the best-known corporations in the world in more than 100 countries and 50 languages. The company’s diverse clients span industries including technology, telecommunications, transportation, healthcare/medical devices and finance/insurance.

About Morpace

Morpace is a Honomic hl Top 50 market research and consulting firm that helps clients large and small get the information they need to make strategic decisions. Founded in 1941, Morpace is headquartered in Detroit with offices in Los Angeles, London and Shanghai. Morpace conducts research throughout Asia, Europe, the Middle East, and North and South America, and provides a strong international presence in multi-cultural and multi-lingual qualitative and quantitative research.