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**Private & Confidential**

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Dear Kieran,

**Changing Nature of the Retail Automotive Dealership Trade as a Result of the Behavior Shift in Consumers to Online Research and Purchasing**

After our discussions on 2<sup>nd</sup> February 2022 and in relation to the changing nature of the retail automotive dealership industry in the last decade; I wanted to write to you regarding the declining requirement for on-site dealership display and customer parking.

1. The retail automotive industry in Australia has seen significant change in the last decade as the internet has become the 1<sup>st</sup> 'port of call' for most car buyers in their journey to purchase a vehicle. In fact, the pandemic has accelerated the shift to online car sales as evidenced by the many available direct sales (car brands and used car only businesses) that have commenced trading in the last two years. Existing dealers have also evolved to meet the consumers shift in behaviors by offering 'click and collect' during and post the pandemic. This has resulted in primarily two prevailing trends.
  - a. Less vehicles in stock and on display at the dealership, and
  - b. Less parking required by customers as delivery is streamlined or done at the customers premises.
2. As you know, the previous retail automotive dealership model required significant amounts of cars stored and displayed on the site available for sale. The customers would then require car parking spaces as they spent significant time browsing for long periods on site to find the car that suited their needs. This trend of shopping for new cars started to fade away once the internet became widely utilized and available. Customers will typically only visit 1 to 2 dealership sites before making their purchase decision as they have already compared the features and benefits of the vehicles by researching them online. Pre-2000, a customer would visit in the range of 3 – 5 dealerships to browse their entire stock holding.
3. The modern retail automotive dealership model has been forced to evolve as due to the above noted trends of the car buyers purchase journey and the ever-increasing value of the property which the dealer trades from. This has led to significantly less cars stored on site, less car parking for staff and also less car parking spaces for customers as the bulk of the purchasing experience is done virtually online and with the final steps (experience and delivery) done by appointment for short periods on-site at the dealership.

4. Service intervals for modern vehicles have continue to extend and are now longer than ever which requires existing customers to return to the dealership less and less. As noted previously, with the increasing value of land which the dealerships operate, the service departments have also become very efficient with scheduling their service customers to avoid parking issues. In addition, third party car service companies (Midas, Ultra Tune and Bosch) have taken dealership service and parts by offering lower prices and non-genuine parts which dealers are unable to offer under their franchise agreements with the car brands. In the 2000s dealers would retain >80% of customers service work, now the retention rate is in the 40-50% range. In fact, it's widely known that insurance companies will send damaged vehicles to non-franchised repairers to use non-genuine parts for repairs and replacements to save on costs.

#### Annexures:

Online car listing sites (beginning of the customer journey):

1. <https://www.carsales.com.au/>
2. <https://www.drive.com.au/>
3. <https://www.autotrader.com.au/>
4. <https://www.gumtree.com.au/cars>

Brand websites examples (brand specific features and benefits to refine research):

1. <https://www.toyota.com.au/>
2. <https://www.mazda.com.au/>
3. <https://www.hyundai.com/au>

Online car purchasing websites (examples of used and new online purchasing capability at dealerships and brands, most brands have an online purchasing option with some brands shifting to fully online trade being Tesla and Mercedes Benz):

1. <https://www.cars24.com/au/>
2. <https://carma.com.au/>
3. <https://www.peterwarren.com.au/buying-online/>
4. [https://stewarttoyota.dealer.toyota.com.au/purchase/info?promo=oc\\_learnmore%7Corder\\_and\\_collect\\_190517%7Cheader\\_button](https://stewarttoyota.dealer.toyota.com.au/purchase/info?promo=oc_learnmore%7Corder_and_collect_190517%7Cheader_button)
5. [https://www.tesla.com/en\\_au](https://www.tesla.com/en_au)

Online car purchasing trends and consumer intentions:

1. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-consumers-behavior-in-car-buying-and-mobility-changes-amid-covid-19>
  - Consumers are back to **buying cars**, but they're doing it differently. Interest in **buying cars** entirely **online** remains at 59%.
2. <https://www.thinkwithgoogle.com/consumer-insights/consumer-trends/digital-car-research-statistics/>
  - 95% of **vehicle buyers** use digital for information. In fact, twice as many start their research **online** versus at a dealer.
3. <https://www.afr.com/companies/media-and-marketing/car-buyers-spending-more-time-researching-20211123-p59bd9>
  - Car buyers are spending more time researching and are more willing to buy a car online.

4. Industry magazine GoAuto Premium noting the online purchasing shift:

- a. <https://premium.goauto.com.au/australia-to-mirror-us-car-buying-trends/>
- b. <https://premium.goauto.com.au/new-young-savvy-buyer-emerges/>
- c. <https://premium.goauto.com.au/online-rules-car-research/>
- d. <https://premium.goauto.com.au/nissan-revs-up-online-sales-in-us/>

I trust that these comments are of assistance. Please contact me if you wish to discuss the matter further.

Yours sincerely



**Steven Bragg**

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