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# **Bridging the Trust Gap: The Quest for Transparency in Retail Automotive**

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*98% of dealers report a balancing act between customers' expectations of transparency and the dealership's financial success*

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# Executive Summary

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The Cambridge dictionary defines transparency as follows: “the characteristic of being easy to see through; the quality of being done in an open way without secrets.” Like anything else, transparency is open to interpretation, and even nuance, and in the automotive industry, this is no different – and perhaps even worse – contributing to damaging stereotypes of auto dealers. After all, is there anything less easy to see through than all the nuances and factors involved, on all sides, in a vehicle transaction?

‘Transparency’ is much touted in automotive as key to a consumer-positive transaction experience, but what does transparency really mean to each stakeholder? A July/August 2023 survey of auto dealerships by eLEND Solutions investigates auto dealer perceptions of how they, consumers, and, yes, lenders, operate in the transparency equation – and to see if there is a disconnect. And, indeed, there is.

## **Transparency Disconnect = Transaction Friction:**

It is a disconnect, the survey reveals, that is responsible for considerable friction in the vehicle transaction process, especially when it comes to digital finance. Consumers and dealers do indeed define transparency differently, say the vast majority of dealers surveyed, who also report a gap between how they want to sell and how buyers want to buy. This results in a ‘trust gap’ between dealers and consumers when it comes to arriving at ‘THE’ deal, and is acknowledged by 98% of those surveyed. It is hardly surprising, then, that nearly 100% of dealer respondents find themselves in a balancing act between customers’ expectations of transparency and the dealership’s financial success.

## **Lender Transparency Challenge:**

What may be more surprising is that dealers attribute much of that friction to a lack of transparency from lenders. In fact, dealers overwhelmingly cite reduced transparency from lenders as the primary challenge to providing deal clarity to their customers. They say they feel caught in the middle between customer’s increasing demand for deal transparency and lenders becoming less transparent.

## **Operational Disconnects = Trust Gaps:**

But, as the survey reveals, it is not all down to the lenders. There are significant disconnects between the dealers’ quest for transparency and their actual operations. For example, the majority say they quote customer payments before receiving lender loan decisions. This can set up uncomfortable gaps between consumer expectations and deal term realities. And nearly all dealers say they work the deal differently for an online shopper versus a shopper in the showroom or on the phone, potentially broadening that trust gap. While most dealer respondents believe in providing as much information as possible for transparency, only 10% emphasize ‘real’ numbers during negotiation. And, for the overwhelming majority, the traditional ‘sales first, finance later’ practice lives on, perpetuating negotiation frictions and conflicts in the F&I office.

## **Conclusion:**

The survey indicates that there is a clear consensus on the challenges and perceptions surrounding transparency in the retail automotive industry. Increased collaboration and communication between lenders and dealers appears to be at the heart of bridging the transparency/trust gap and solving transaction frictions. With more transparency from lenders on qualifying finance terms, dealers may be more willing to evolve legacy practices, resulting in a smoother road to customer satisfaction and frictionless transactions. Along with that, a concerted move towards offering a unified buying experience – not separate experiences for online customers and in-store customers – has the potential to ensure consistency, trust, and simplicity for the customer, all while creating operational efficiencies and new profit opportunities for dealers.

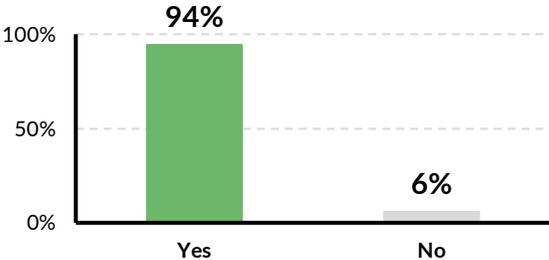
# Survey Highlights

## Almost 100% of Dealers Report Trust/Transparency Gaps in Transaction Process

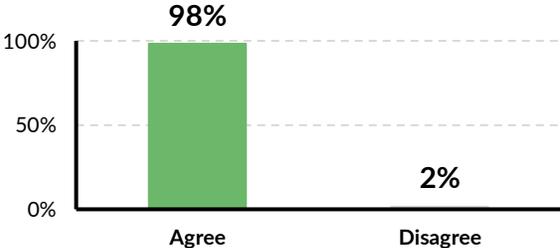
Transparency, whether by definition, expectation or reality, is a major source of friction in the auto sales transaction process starting with a huge disconnect in how it is defined differently by customers and dealers, as reported by a whopping 94% of auto dealers surveyed.

And this transparency definition difference is arguably contributing to the massive trust chasm that exists between dealers and consumers, particularly when it comes to how buyers want to buy and dealers want to sell: almost 100% of auto dealers surveyed agree that this gap exists.

**Do consumers and dealers define transparency differently?**

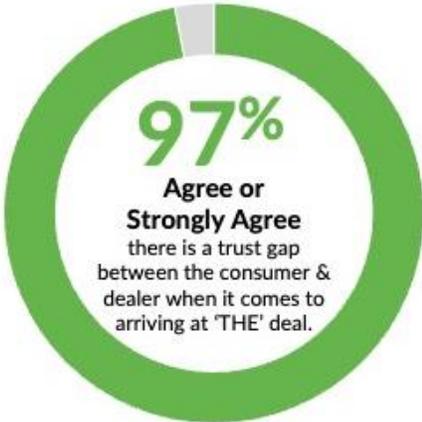


**There is a gap between how dealers want to sell and how buyers want to buy:**



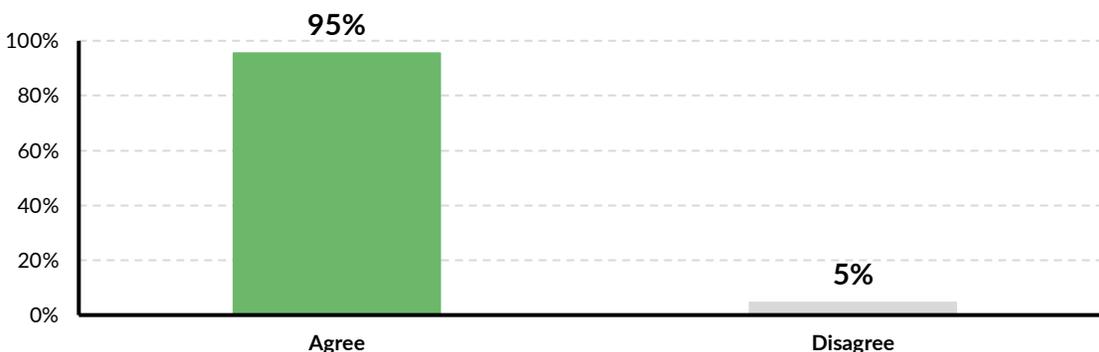
Hence the troubling lack of trust between consumer and dealer when it comes to arriving at the deal, acknowledged by 97% of auto dealers. And this is not a casual recognition: 82% *strongly* agree it exists.

**There is a trust gap between the consumer and the dealer when it comes to arriving at 'THE' deal.**



So, dealers know that there is a trust problem and understand that consumers want transparency, but many are inhibited from going as far as their customers expect them to. This often comes down to their understandable concerns about how transparency will impact their profitability. Ninety-five percent of dealers find themselves in this balancing act between customer expectations of transparency and fiscal realities.

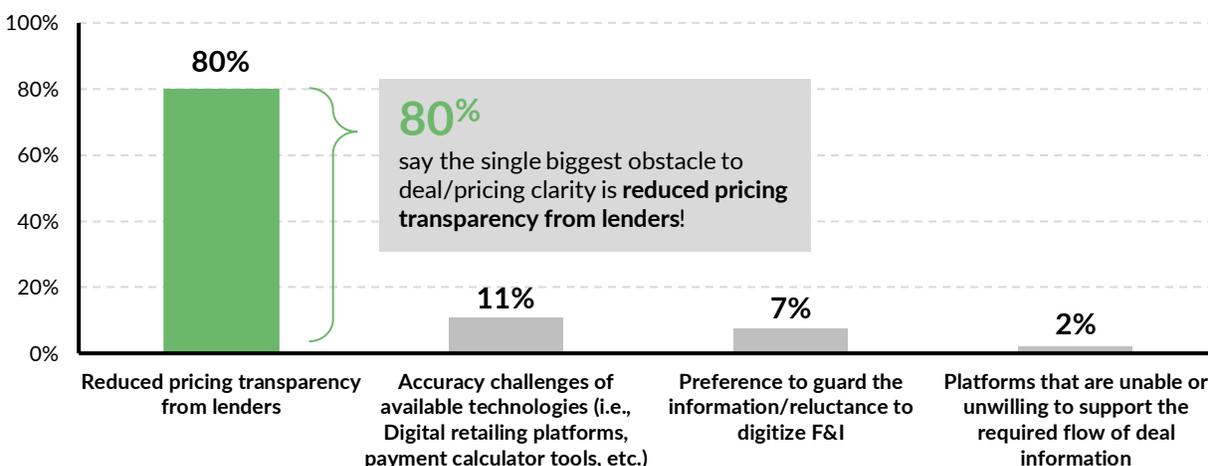
**There is a balancing act between the customers' expectations of transparency and the dealership's financial success.**



#### Lenders Contribute to the Trust/Transparency Gap

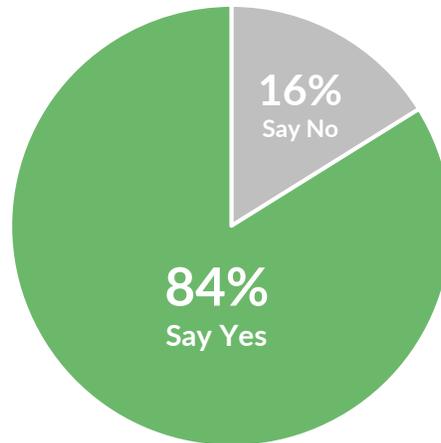
So much of the vehicle transaction comes down to the financing of the deal. The dealer's ability to offer solid and realistic numbers to their customer is part of the deal/pricing transparency that consumers expect. And this is the Achilles heel of the process, one that auto dealers say is not all their fault. In fact, they overwhelmingly lay the fault at the feet of the lenders. When asked what is the single biggest obstacle to deal/pricing clarity, 80% say *reduced* pricing transparency from lenders – an evolution that has much to do with lender dependency on AI and algorithms, versus the individualized customer data and realities. It is a striking number compared to the 11% who blame the inaccuracy of available technologies, such as payment calculator tools, a culprit that previous surveys have underscored. And, it should be noted, contrary to the stereotype of the auto dealer, only 7% cite wanting to hold that information back.

**What is your single biggest obstacle to providing more deal/pricing clarity?**



So, with lenders as an obstacle, dealers overwhelmingly are finding themselves caught between a rock – customers' demand for deal transparency – and a hard place – less transparency from lenders, with 84% surveyed feeling this pain.

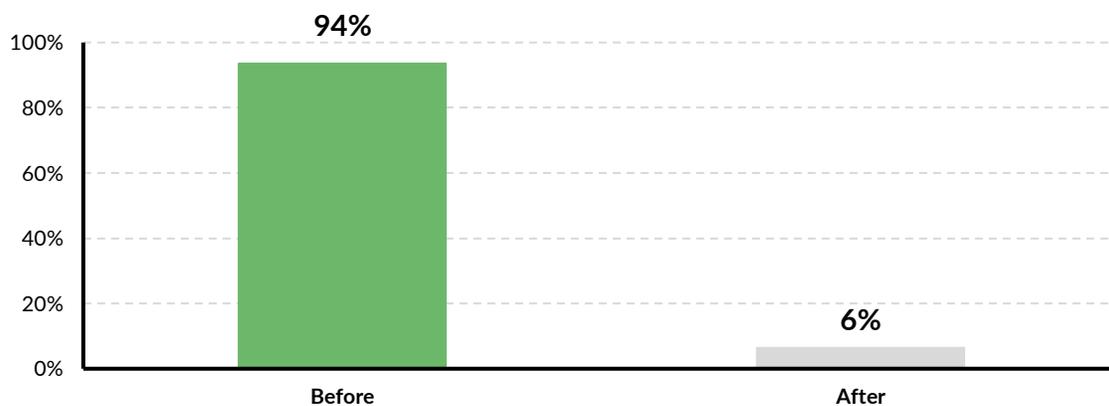
**Do you feel caught in the middle between the customers' increasing demand for deal transparency and the lenders becoming less transparent?**



#### Dealer Process/Operations Can Block Transparency

But, it is not all the lenders' fault. In spite of almost universal acknowledgement of a trust gap, the survey indicates that auto dealers are setting themselves up for transaction friction. A major example is that, in spite of frustration at a lack of lender transparency, dealers are jumping the transparency gun by quoting customer payments before receiving lender loan decisions. This guessing game just adds to the widening gap between customer expectations and the final deal reality, once they are in the F&I office and can see those payment promises unravel.

**Do you quote customer payments before or after receiving lender loan decisions?**



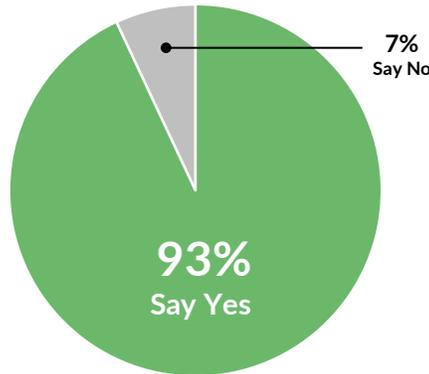
Adding further fuel to this is the fact that the majority of dealers say that they want to quote payments *before* customers come into the store; but, without accurate lender quotes, this comes down to a lead generation tactic that can ultimately lead to more uncomfortable showdowns in the F&I office.

### Does your dealership prefer to quote payments to customers before they come into the store?



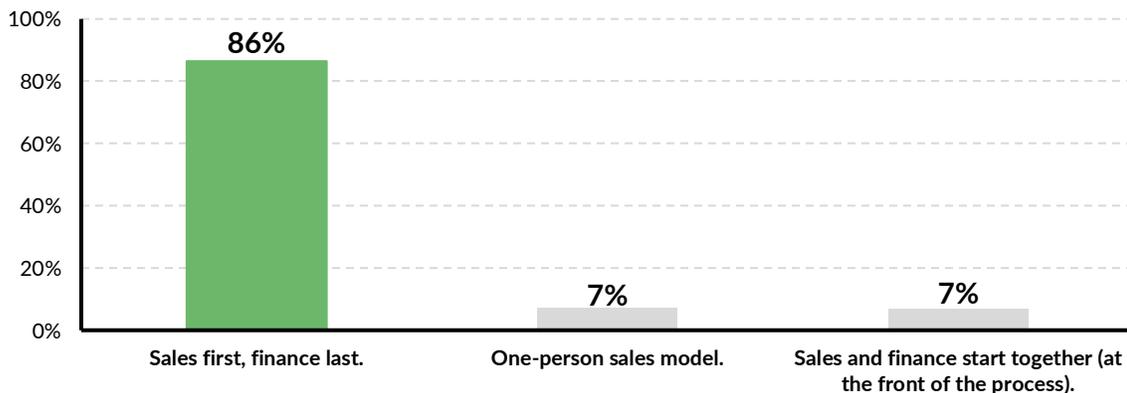
In fairness, the survey showed that the majority of customers want to know what their monthly payments will be before scheduling an in-store appointment – and previous surveys have demonstrated that today’s customer is more focused on the monthly payment than overall price. So, again, the auto dealer is caught in the middle – consumers want that monthly quote, but lack of transparency from lenders makes an accurate quote almost impossible.

### Do the majority of your online customers want to know what their monthly payments will be before scheduling an in-store appointment?



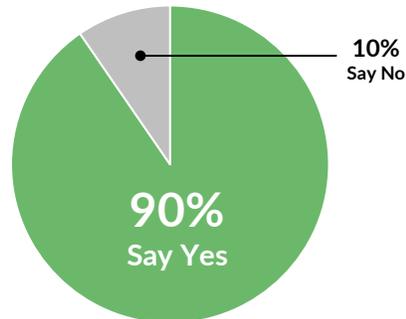
In spite of auto dealers reporting they want to quote payments early, the vast majority continue with a ‘sales first, finance later’ protocol – a mere 7% start finance and sales together at the front of the process. Add to that the 91% of auto dealers who say that they work the deal differently for an online shopper, versus a shopper in the showroom or on the phone, and that trust chasm grows ever wider.

### What best describes the sales and finance deal flow at your dealership?



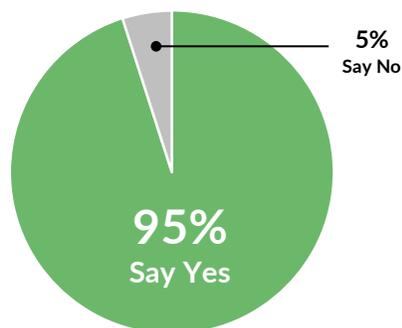
There is some good news in the fact that the majority of dealerships allow BDC or Internet Managers to negotiate finance terms with remote customers which, if true, is truly starting sales and finance at the same time.

### Does your dealership allow BDC or Internet Managers to negotiate finance terms with remote customers?



Dealers clearly are looking for solutions to their rock and a hard place scenario, with 95% seeing value in a pre-desking tool integrated with lender credit score models. While transparency challenges are not all going to be solved by technology – lenders have a huge role to play - access to technology that can advance the ability to quote, upfront, more accurate and realistic deal terms is a giant leap in the right direction.

### Would a pre-desking tool integrated with lender proprietary credit score card models add meaningful value?



**Survey Methodology:** Over 350 automotive dealers across the U.S. participated in this online survey which was fielded by eLEND Solutions in July/August 2023

#### About eLEND Solutions

eLEND Solutions™ (formerly DealerCentric) is an automotive FinTech company providing a middleware solution designed to power transactional digital retailing buying experiences for the retail automotive industry. The platform specializes in hybrid credit report, identity verification, and 'pre-desking' solutions, accelerating end-to-end purchase experiences - concluding with a transactable, fundable deal structure.

For more information, please visit [www.elendsolutions.com](http://www.elendsolutions.com).