



RAPID PACE OF CONSUMER CHANGE SIGNALS MAJOR SHIFT IN AUTOMOTIVE BUYING PROCESS

*Vehicle Dealers Fail to Keep Pace as Balance of Power Shifts, According to a New Study From
the Car Internet Research Program and Capgemini*

OTTAWA and PARIS (April 25, 2006) --- The increasing use of the Internet has given automotive consumers an edge in the vehicle buying process, making them less dependent on dealers. This has resulted in a significant shift in the balance of power as dealers fail to keep pace with the changing consumer dynamics. Automotive companies must gain a better empirical understanding of consumer behavior in order to improve the customer/dealer relationship and in the process drive increased sales and strengthen brand and dealer loyalty.

These are among the findings from a new report focusing on the customer/dealer relationship, published by the Car Internet Research Program (CIRP)¹ and Capgemini. The qualitative study, titled “Inside the Customer/Dealer Relationship,” examines the shift of power and the influence of the Internet on the vehicle buying process inside dealerships.

The research found that automotive companies must adopt a new model in order to keep pace with consumers. “Consumer change has accelerated rapidly, due to consumers’ increasingly sophisticated buying behavior and the availability of information on the Internet, which is helping to delay their moment of entry into the dealership,” said Dr. Christian Navarre, Director of the Car Internet Research Program. “It’s critical that the dealer role changes to adapt to this new world. Companies must move away from the traditional asymmetrical customer/dealer relationship so often characterized by negative preconceptions and stereotypes on the part of both parties. The key is to move toward a more balanced relationship where there is transparency of information and mutual trust, thereby improving sales and beginning to build customer loyalty. ”

The research, consisting of observations and interviews with consumers and dealers, was undertaken in both North America (U.S., Canada) and Europe (France, UK) at car dealerships representing 12 North American, European and Asian mid-market brands.

¹ CIRP, an industry, government and academic-sponsored program, conducts independent research under the administration of the University of Ottawa’s School of Management. CIRP is sponsored by: PSA Peugeot Citroën, Renault, Capgemini, Ontario Research Network for E-Commerce (ORNEC) and The University of Ottawa.



Improved customer intelligence was found to be a critical success factor in responding to the changing dynamics of the customer/dealer relationship. Since customer intelligence, and in fact customer behavior, evolves, it's critical that automotive companies always keep their finger on the pulse. Best practices include sales training seminars that incorporate intelligence about customer research tactics, as well as careful and constant observation of consumer behavior through the entire vehicle buying process.

In addition, automotive companies must capture customer intelligence coming from new tools like web forums as well as the information traditionally gathered in the showroom. This valuable insight should be used to constantly refine products and services in a continuous improvement process.

“Customers’ search for information during the vehicle buying process has become increasingly diverse and complex, making it more difficult for automotive companies to predict their behavior,” said Nick Gill, Global Automotive Leader for Capgemini. “It is essential that dealers and manufacturers learn to understand the consumer’s universe, the tools at their disposal, and the state of mind they are in when deciding to buy a car in a dealership.”

Do's and Don'ts in the Showroom

The research found that what happens inside the dealer showroom is critical to ensuring a positive outcome. We identified three key stages of a customer’s visit:

- **Stage 1:** entering the dealership and initial interaction with on-site personnel (receptionist, salespeople)
- **Stage 2:** interaction with a salesperson over a particular vehicle (request for information, examining the car, potential test drive)
- **Stage 3:** negotiation in the salesperson’s office (vehicle availability, extra options, delivery, terms of payment)

Throughout these stages, the customer/salesperson relationship is put to the test. In general, certain practices should be maintained regardless of the customer’s stage during the showroom visit. For example, we found that customers responded better to less aggressive behavior on the part of salespeople whether they had just entered the showroom or had been inside for a period of time. However, some practices were more critical to maintaining the relationship during a specific stage:



	Bad practices	Best practices
Stage 1: entering the dealership and initial interaction	<ul style="list-style-type: none"> • Walk up to customers as soon as they enter the showroom. • Use standard tricks such as “happening to walk by” just as the customer enters. • Ask too quickly how to help the customer. • Insist, even when the customer answers “No thank you, just browsing.” 	<ul style="list-style-type: none"> • Let the customer walk around on their own for five to 10 minutes. • Then walk straight up to welcome the customer – possibly introduce oneself by name (but not necessarily) – and simply say “If you need me/if I can do anything for you I’m over there at my desk” (indicating where that is). • Unless they have questions, leave customers alone.
Stage 2 : interaction with a salesperson over a particular vehicle	<ul style="list-style-type: none"> • <i>If the customer expresses the desire to be left alone:</i> Stick to them and keep asking questions; follow them around the showroom; don’t respect the personal “bubble” they might try to establish inside a vehicle. • <i>If the customer accepts the presence of the salesperson:</i> Block the space between the customer and the vehicle by standing in between, by showing the vehicle off, by encouraging the customer to have a seat. 	<ul style="list-style-type: none"> • <i>If the customer expresses the desire to be left alone:</i> Walk away after having reminded them that you are available to help if needed. Come back 10 to 15 minutes later (at least) to ask if everything is all right. • <i>If the customer accepts the presence of the salesperson:</i> Open up the space between the customer and the vehicle, respect the customer’s attempts to examine the vehicle. Maintain an attitude of politeness, allowing the customer to go first.
Stage 3 : negotiation in the salesperson’s office	<ul style="list-style-type: none"> • <i>If the situation is tense:</i> Show that one is suspicious, in a defensive mode, answer the customer’s attacks. Use sales tricks such as pretending to make very special offers. • <i>If the situation is easy-going:</i> Adopt a cool attitude and behave as if customer and seller were “pals.” 	<ul style="list-style-type: none"> • <i>If the situation is tense:</i> Do “the little things” that reassure the customer (suggest a cup of coffee, adopt a soothing tone, in some cases take a seat next to the customer). Establish transparency, lay cards on the table when the negotiation starts. • <i>If the situation is easy-going:</i> Keep some distance without becoming formal; do not mix up statuses.

About the Car Internet Research Program (CIRP)

The Car Internet Research Program (CIRP) is an industry, government and academic-sponsored automotive research program directed at understanding how new information and communication technology will impact the automobile industry. Administered through the University of Ottawa, CIRP is sponsored by a variety of industry stakeholders that include: Capgemini, Ontario Research Network for Electronic Commerce (ORNEC), PSA Peugeot Citroen, Renault SA and The University of Ottawa.

About Capgemini and the Collaborative Business Experience

Capgemini, one of the world’s foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6,954 million euros. More information about our services, offices and research is available at www.capgemini.com.

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