

AGENCY SALES MODEL

Accelerating the future of automotive sales



EXECUTIVE SUMMARY

The agency sales model represents the evolution of automotive sales

Even though COVID-19 poses several challenges for the automotive industry on the one hand, it acts as an accelerator for digitalization in automotive sales on the other hand. In comparison to other industries, OEMs have been slow in using their chances to sell cars online, generate and own consumer data, and ensure value creation along the sales process.

Pressured to run a future-proof sales model, many OEMs started to transform their sales model years ago with the help direct or agency sales model initiatives. Nowadays, the adoption of agency sales is mainly driven by electric vehicles. This particular sales model is very promising since it represents a way of providing one superior customer experience while leveraging existing dealer assets and creating financial benefits on all sides.

Our research confirms the many advantages for consumers (B2C) and dealers

- ✔ Enabling a seamless omnichannel experience for consumers
- ✔ Assuring dealers that they will retain a central position within the sales process
- ✔ Increasing price transparency and consistency
- ✔ Eliminating intra-brand price competition between dealers (agents)
- ✔ Lowering consumers' attraction by third-party offers

Specific transformation challenges need to be considered

When implementing agency sales, OEMs typically face challenges such as financial investments as well as the sales model's time to market. In addition, the overall complexity of existing IT landscapes needs to be reduced and dealers must continuously be motivated and involved in the transformation.

How Capgemini can help

To guide OEMs' transformation and help them overcome possible obstacles, we have defined six principles that will help OEMs to gain a competitive advantage and deal with requirements of numerous stakeholders.

#1 Strategic scoping

Focus on the why, the how, and the what – shaping a strategic vision is key for initiating sales transformation.

#2 Organizational model

Adapt structures and responsibilities to flexibly manage different sales models at the same time.

#3 Investment opportunity

Concentrate on an investment rather than on a business case by considering short-term and long-term profit effects.

#4 Omnichannel enablement

Rethink the entire sales journey from OEM, dealer, consumer perspective – be efficient, empathetic, and data driven across all channels.

#5 Stakeholder collaboration

Involve key stakeholders early to accelerate decision speed and to increase collaboration and overall value-add.

#6 Rollout concept

Try out and learn what agency sales means at a small scale – then scale up fast, lean and in a standardized way.

Time to be bold

This point of view clearly points out that moving to an B2C agency sales model is not an option but an obligation from the perspective of both customer-centricity and financial profitability of up to 4% revenue increase in the long term. Even more, taking short- and long-term effects into account, transitioning to agency sales can pay off financially after 4–5 years. Therefore, it is now time to act for OEMs and to select a market as well as product to start the transformation journey. The new sales model is embracing the new "phygital" world by connecting physical and digital experiences for consumers. This will create a competitive advantage upon which future success will depend.

CONTENTS

01

AGENCY SALES AT A GLANCE
LOOKING AT THE FUTURE OF AUTOMOTIVE SALES

04

02

GLOBAL CONSUMER AND DEALER SURVEY
CREATING VALUE FOR CONSUMERS AND DEALERS
WITH THE AGENCY SALES MODEL

05

03

AGENCY SALES MODEL FRAMEWORK
OUR SIX CORE PRINCIPLES FOR SUCCESS

11

04

WHAT'S NEXT?
MASTERING SALES MODEL TRANSFORMATION

23

AGENCY SALES AT A GLANCE

LOOKING AT THE FUTURE OF AUTOMOTIVE SALES

Introduction

Across industries, consumers have become accustomed to customer-centric business models and convenient purchasing processes.

In the automotive industry, there is increasing demand for an upgraded, convenient online-offline sales journey that matches buying expectations and service standards in other industries. The traditional three-tiered sales model, however, does not fully accommodate such consumers demands.

In addition to changed expectations and behavior, the automotive industry is facing major challenges, such as the introduction of electric or autonomous vehicles, that considerably impact production costs. Therefore, the need to find efficiencies along the value chain is becoming increasingly urgent.

New players have emerged (e.g., Polestar, Tesla, Geely) that are already successfully operating agency or direct sales models in specific markets.¹

This is especially true in the business-to-consumer (B2C) sector, where traditional automotive OEMs are under pressure to provide their customers with comparable cross-industry experiences.

What is needed is a more customer-centric and omnichannel sales model where consumers can easily be approached through their preferred channel, directly by the OEM. It is time for traditional OEMs to act. Only a bold transformation of their sales model towards true customer centricity will help them thrive in the future and stay competitive.

The agency sales model in a nutshell

Agency sales can be viewed as an evolution of traditional three-tiered sales towards an integrated online-offline sales model. OEMs interact directly with customers and take responsibility for the sales transaction. The dealer remains the face to the customer but is no longer the contractual partner and acts as an agent.

Especially with activities that require physical interaction, such as coordinating and executing test drives and handling of service appointments, the agent plays an decisive role.

The current model, including dealers, national sales companies (NSCs), and headquarters, remains but is modified with different roles and responsibilities at all tiers.

The new sales model enables automotive manufacturers to leverage existing dealer assets in order to provide a superior omnichannel customer journey. With agency sales, OEMs establish a 360° customer view and thus, increase up- and cross-selling potential as well as market transparency.

Moreover, specific roles and responsibilities are shifted from the dealer to the manufacturer. While their financial risk can be minimized, dealers gain full access to the national car stock to better meet customer requirements in terms of short delivery times.

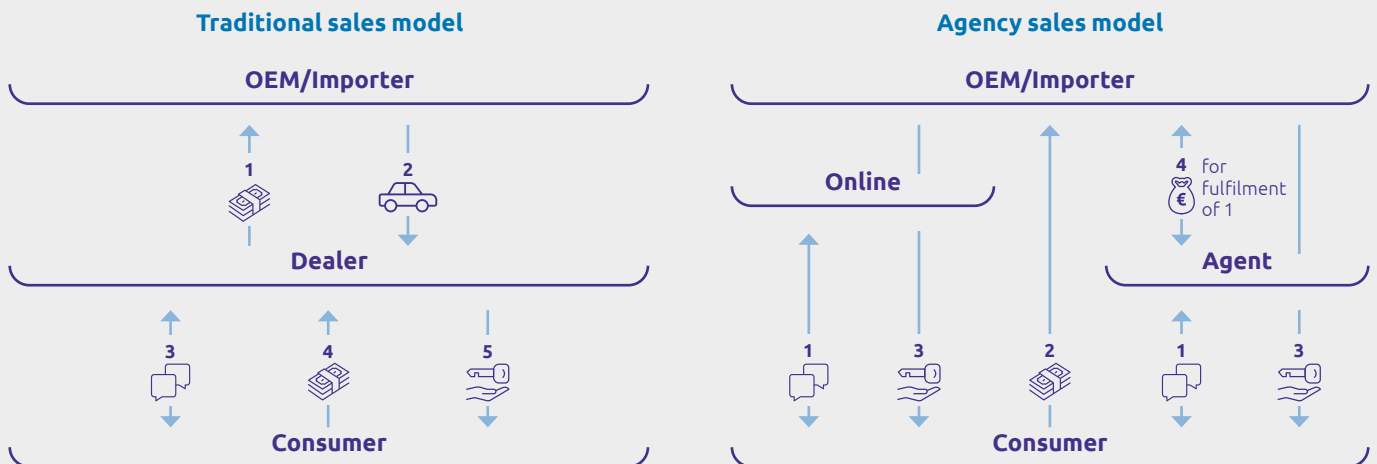


Figure 1 | Traditional sales model (three-tiered, mainly offline) vs agency sales model

¹ Often represented by a “national sales company” (NSC) or an “importer”

GLOBAL CONSUMER AND DEALER SURVEY

CREATING VALUE WITH THE AGENCY SALES MODEL

Consumer study

Research focus

- ✓ Analysis of the current situation: Consumers' and dealers' satisfaction with both traditional sales model and consumers' demand for direct online sales (B2C)
- ✓ Identification of pain points within the sales experience to derive key drivers for future sales model (agency)
- ✓ Evaluation of aspects relevant before and during car purchase and solution for raising satisfaction to increase purchase probability

Key metrics

6,000 consumers

between 18 and 65 from six global markets

50 dealers

from six global markets



Omnichannel experience

75%
of consumers who expect to be able to purchase their next car online

95%
who require a seamless, simple, and efficient ordering process

86%
who are open to sharing their personal and vehicle data with agents or OEMs



Dealer perception and relevance

92%
of consumers who consider a personal touchpoint with the dealer to be essential

78%
who require neutral and need-oriented advice on models and equipment variants

25%
who prefer a car purchase without any dealer involvement



Greater price transparency

70%
of consumers who worry that prices online are higher than at the dealership

77%
who prefer fixed prices being the same online and offline

2.5
visits at different dealers take place on average to ensure the best-possible price offer



Hurdles when picking third-party providers

80%
of consumers who compare offers* before buying at the dealership/online

64%
who are also willing to buy on a third-party platform

91%
who prefer buying from an OEM/dealer website, if a seamless online process is provided

Figure 2 | Study results: Benefits for consumers

* e.g. Carwow, Mobile.de

Key takeaways of consumer study findings

Our survey focused on consumers' experiences and pain points when purchasing a car online and offline. In this context, we also set out to investigate how well a B2C agency sales model would respond to consumer needs.

Omnichannel experience

Consumers increasingly expect to be able to shop online across a number of channels. The global pandemic seems to have accelerated that trend – our study results speak for themselves.

Where the three-tiered sales models lacks comprehensiveness, the agency sales model organically supports a customer experience across all channels. Consumers, for their part, are indeed willing to share their data with both OEM and the agent, according to our global study. The agency sales model requirement for a single data ecosystem offers strong potential for both OEMs and dealers. Both can participate equally, enjoying access and enrichment of customer data as well as the possibility of gaining new customer insights. In addition, OEMs increase their ability to steer the sales funnel. For this to happen, OEMs and agents must each share their portion of the relevant data. By combining data, OEMs and agents can jointly ensure a highly personalized and coherent customer journey.

Dealer perception and relevance

Despite consumers' interest in buying online, physical contact still plays a decisive role in the car sales process. Our survey clearly shows that consumers want the dealer to remain their central point of contact.

The agency sales model gives dealers the freedom to remain an essential part of the decision-making process when buying a car. Their new role as a physical anchor point in the sales process is a key one, and far removed from the traditional – often margin-driven – interaction.

Price transparency

Traditional sales models encourage price rivalry among dealerships. The heterogeneous price landscape makes it cumbersome for the customer to find an attractive offer. Accustomed to a convenient online experience with other industries, consumers no longer want to negotiate prices. Over three-quarters of survey participants would prefer prices online to be at least as attractive as prices at the dealerships.

With the agency sales model, the car manufacturer can actively set and control prices, or at least ensure price transparency across the market. More uniform pricing reduces intra-brand competition. The market benefits from improved consultation and service quality, as dealerships need to differentiate themselves based on an overall experience rather than just on price.

Provider preferences

Although we have seen consumers are tired of investing time and effort in comparing multiple offers, they do still compare prices offered by dealers and manufacturers with those offered by third parties (e.g. Carwow, Carvana, Motorway, or Mobile) prior to purchasing a car. One way for OEMs to win back potential buyers from third parties is to create a lean, fast, and emotional journey of their own.

This again points to great opportunities for automotive manufacturers adopting an agency sales model. With all the benefits arising from an omnichannel solution, the new sales model reduces the attraction competitors as third-party online platforms.



Consumer opinions on Tesla

Tesla is considered a pioneer in direct sales, and its lean processes and online ordering are widely viewed as industry best practice. Even so, 83% of Tesla customers want personal contact with a dealer prior to buying online. This suggests an opportunity for traditional OEMs to capitalize on their dealer network: Seamlessly integrating online channels with the point of sale can give these OEMs an advantage over upcoming competitors.

Market specific findings

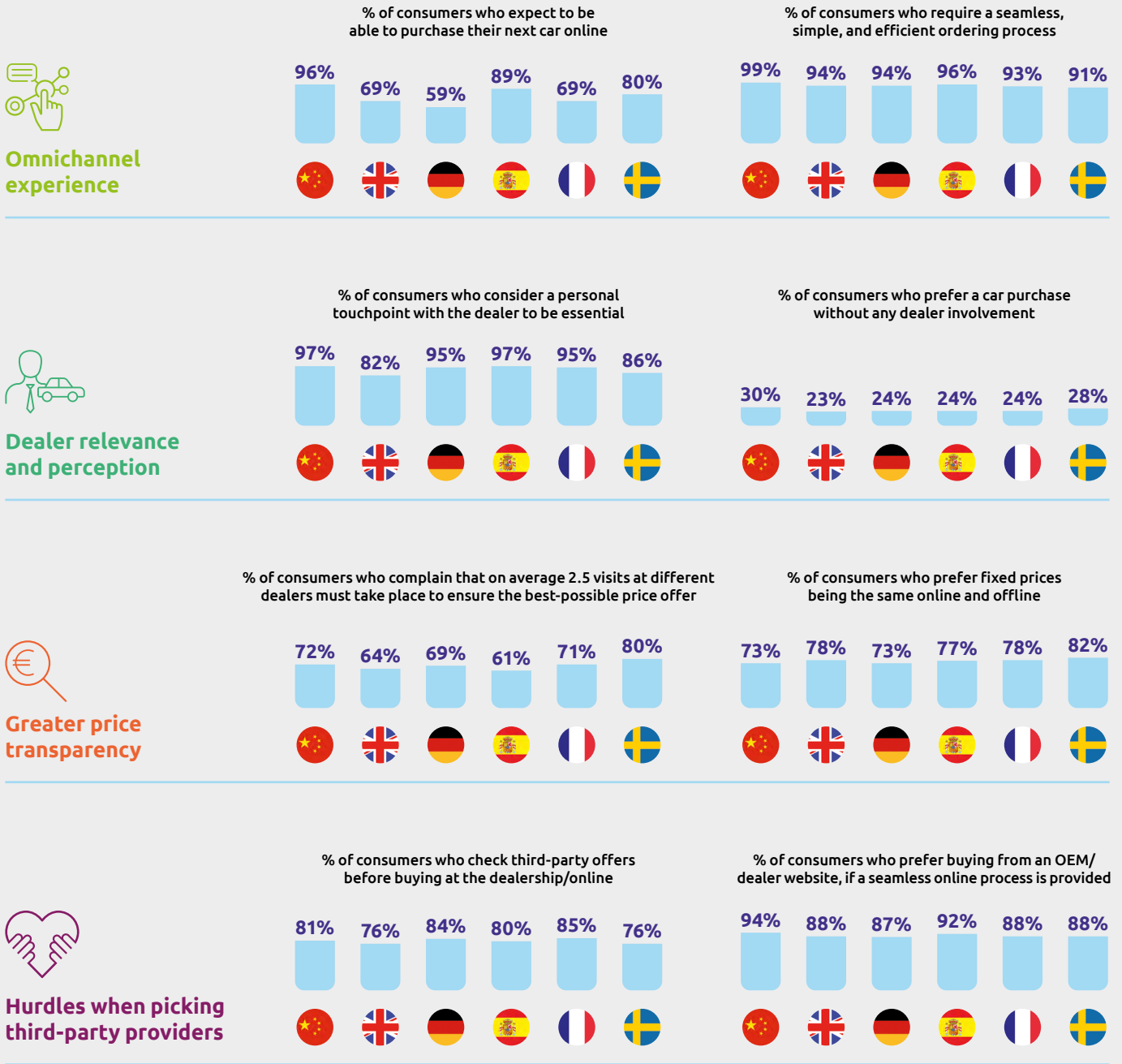


Figure 3 | Study results: Market specifics

Chinese consumers show the strongest affinity to online sales compared to all other markets. With 96% of participants expecting to purchase their next car online, almost all of them (99%) require a single seamless and efficient ordering process. Although they clearly state that they welcome online shopping, they appreciate the personal dealer touchpoint, considering it as an essential factor in their car buying journey (97%).

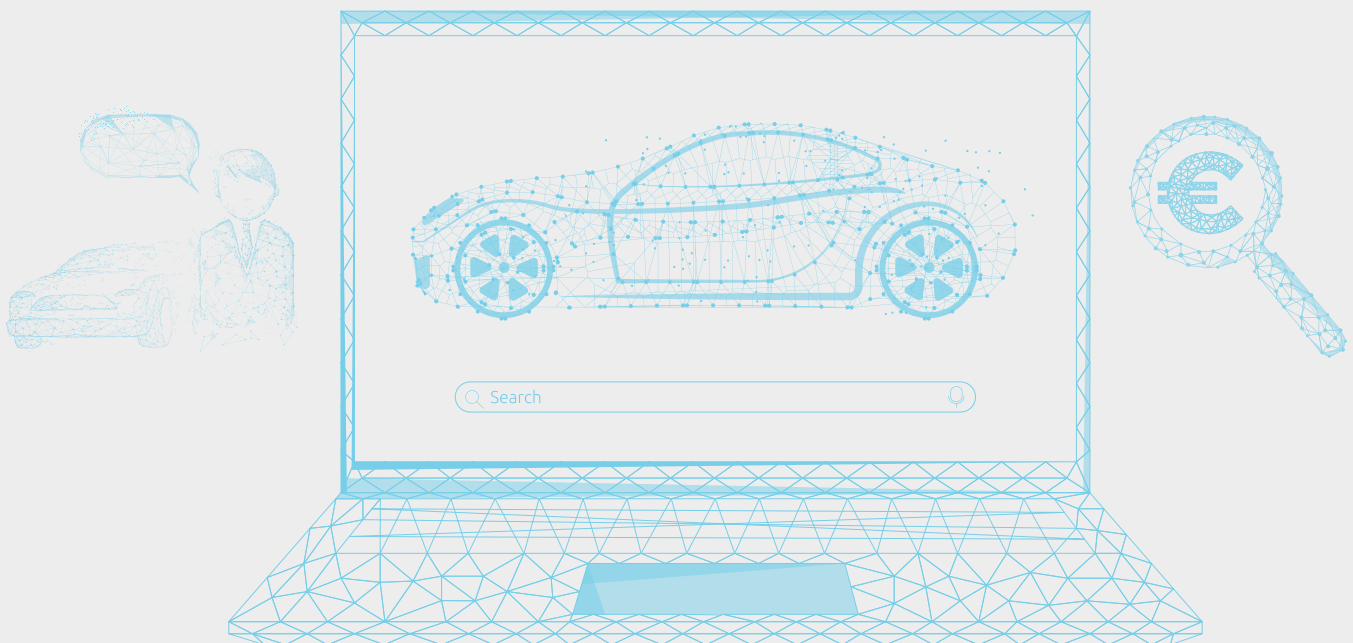
By contrast, in the **UK**, 69% of participants are willing to buy their next car online. In addition, only 23% of participants prefer purchasing a car without any dealer involvement during the entire sales process. These two facts point to a conservative buying behavior. Conservatism is also reflected in a considerable demand for fixed and consistent offer prices online and at the dealership (78%).

Conservative patterns can also be seen in the **German market**, where only 59% of consumers would consider buying their next car online. Germans too value personal dealer contact (95%) and especially demand reasonable prices. To obtain these, 84% of them consider offers by third parties prior to purchasing or even visit several dealers personally.

In **Spain**, online opportunities and personal buying experience are equally important to consumers. While a high proportion (89%) of participants seek to buy their next car online, 97% consider personal dealer contacts to be essential. To take advantage of their openness towards online sales, it is important to ensure a simple ordering process (96%). When such a process is available, 92% of participants prefer to buy directly from the OEM's website.

Turning to **France**, 69% of consumers expect to be able to purchase their next car online – just like British consumers. Aside from personal contact with dealers (95%), French consumers also attach high importance to both fixed and consistent offer prices online and at the dealership (78%). Regarding price sensitivity, comparing offers with those from third parties is more common in France than in the other markets surveyed (85%).

In **Sweden**, personal dealer contact is rated less important than in all other markets (86%). This explains why 28% of Swedish consumers do not require a dealer to be involved in their purchasing process. Regarding pricing, however, the demand for prices being universally fixed across channels is stronger than in all other markets considered (82%).

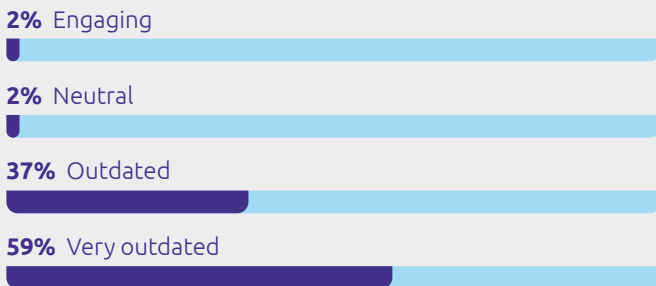


Dealer survey

The dealers we interviewed showed a positive attitude towards agency sales and their potential role as a future agent.

In order to consider future sales transformation from multiple perspectives and gain deep insights into the key stakeholders of the automotive industry, we interviewed more than 50 dealers in China, the UK, Germany, Spain, France, and Sweden. Our interviews focused on pain points arising from the traditional sales model, highlighted drivers for change, displayed the new role of dealers, and derived critical success factors for an agency sales model rollout.

Dealers describe the current sales models from a consumer perspective as:



We discovered several key drivers for future sales transformation. Dealers clearly agree that the introduction of a new distribution model is a necessary step in these difficult times. This, in turn, can help secure the dealers' and the OEMs survival in the long term. In this context, customer-centricity was mentioned as the highest driving force behind the call for action to transform the industry's current three-tiered sales model (96%).

Turning to intra- and inter-brand price competition, more than 80% of the dealers emphasized the lack of price transparency for dealers and consumers. Solving this issue was seen as vital for dealers' future partnership with OEMs and for building a customer-centric approach.

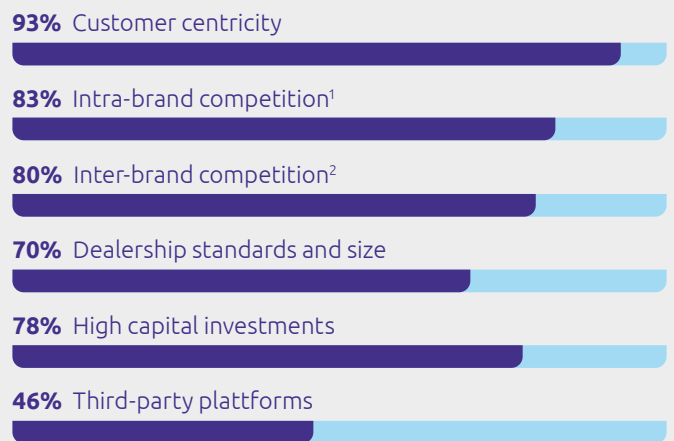
"For me, agency sales is the most powerful model for the future. For the time being, it requires an enormous investment from all parties, but it strengthens all stakeholders in the long term – and that can only be done in close cooperation."

Managing Director, automotive dealer council of an OEM, Germany

Dealership standards (mentioned by 70%) and high capital investments (mentioned by 78%) imposed on dealers are further driving forces for sales transformation.

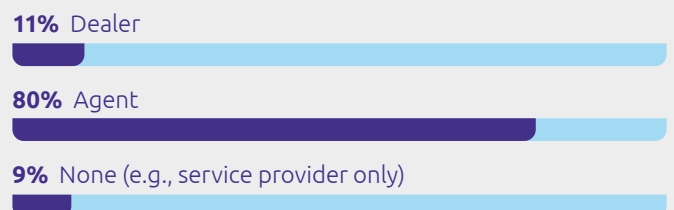
Surprisingly, less than 50% of the dealers see third-party platforms as a key driver for change. Dealers capture the internal struggle between the OEM and NSC on the one hand and dealerships on the other as issue to be solved, rather than fearing third-party platforms as major competitors and margin destroyers.

Dealers indicate the following key drivers for a future sales transformation: (multiple answers)



The dealers we interviewed were unanimous that the move to an agency model is a central aspect of overall sales transformation. Discussing their future role, 80% believe their future will be as an agent, just 11% think they will be classic dealers, and 9% service providers.

Dealers assume the following role for themselves in the future of new car sales:



¹ Competition amongst dealers providing cars of the same brand.

² Competition between brands in the same market segment.

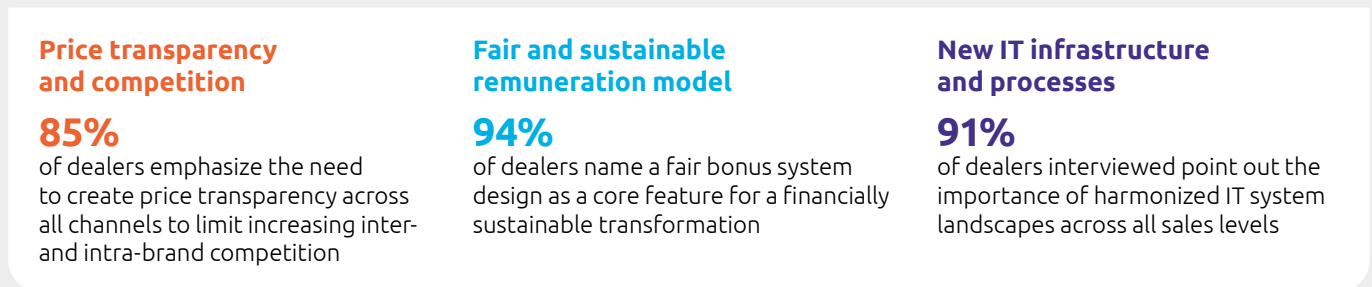


Figure 4 | Dealer key success factors of agency sales transformation

Key takeaways of dealer survey findings

Price transparency and competition as levers for increased customer satisfaction

85% of dealers emphasize that a uniform price, set by the OEM, enables consumers to avoid time-consuming on-site negotiations. Even though it might seem counterintuitive, dealers are indeed willing to give away pricing power provided that it applies to the entire dealer network. A transparent and uniform price guarantees dealers better planning with predefined margins (approx. 2%) which diminishes traditional intra- and inter-brand competition. Dealers also claim that when price transparency is combined with the omnichannel approach, their customer focus is strengthened and the general satisfaction of all stakeholders increases.

“Customers want haggle-free prices. With more transparency, we can increase trust in our prices.”

Managing Director, automotive dealership, Germany

Fair and sustainable remuneration model to ensure customer centricity

Fair remuneration for agents, replacing the traditional sales margin, is considered a central success factor at all levels – headquarters, NSCs, and dealers (94% of all dealers). Regardless of company size, dealers emphasize the need for all agents to receive the same fee and for individualized customer offers to be prevented. From the dealers’ perspective, only a uniform remuneration model can ensure that satisfaction across dealerships will increase, and they are able to focus more on delivering appropriate customer-centricity across the board.

“Adequate commission is a prerequisite for making the model attractive.”

Managing Director, automotive dealership, UK

New IT infrastructure and processes to optimize customer approach

A third aspect, mentioned by 91% of dealers interviewed, relates to IT infrastructure and processes. Data transferability between dealers and manufacturers was mentioned as a feature of new retail agreements. Dealers do not see an agency sales model approach as a threat. Rather, they look forward to the advantages of interacting with customers in a more targeted, analytics-based manner. They indicate that increased transparency in the lead management process and an improved 360° customer view will improve the chances of closing sales. A consistent IT infrastructure and new processes adapted to digital channels must be established to achieve a successful transformation from the dealers’ viewpoint.

“Customers are the main driver of change, so their requirements for an integrated customer experience must be met by appropriate IT and new processes.”

Managing Director, automotive dealership, China

The main reason an agency sales model approach is seen as strategic is its ability to create a single customer-centric ecosystem for OEMs, agents, and customers. The manufacturer must design a viable remuneration model that enables economic participation by all stakeholders. This calls for bilateral commitment in development, introduction, and design of the new distribution model.

“As sales experts, we represent the local face of the brand and provide the expertise. In the longer term, we’ll provide online and offline accessibility within the agency sales model as well.”

Managing Director, automotive dealership, France

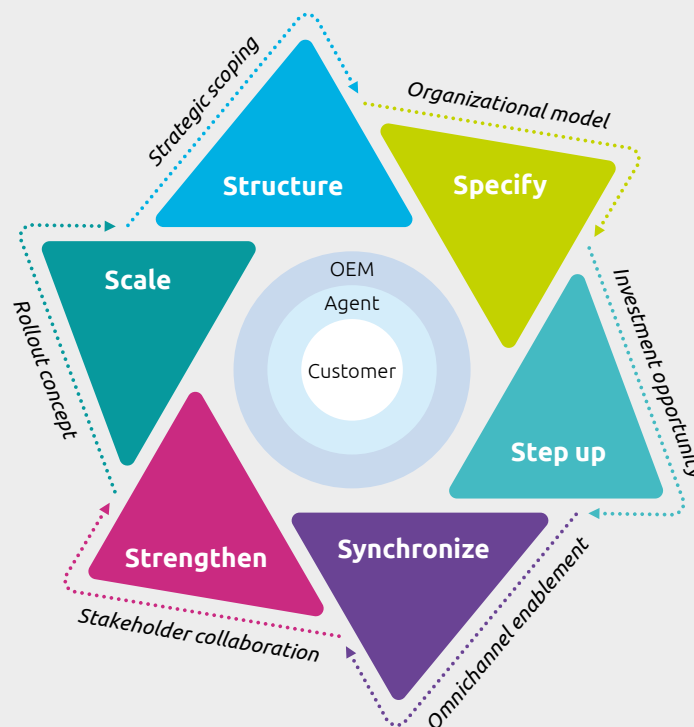
AGENCY SALES MODEL FRAMEWORK

OUR SIX CORE PRINCIPLES FOR SUCCESS

Making agency sales work for OEMs, dealers, and customers with our Capgemini Invent framework

Based on the results of our global study and our long experience with complex sales and digital transformations in the automotive industry, we have developed the “Capgemini Invent Agency Sales Framework” (see Figure 5). It accompanies OEMs through every phase of their transformation, supporting them in working with markets and dealers, and helping to overcome potential obstacles.

Our framework highlights six principles that will help OEMs gain a lasting competitive advantage and deal with the varying requirements of numerous stakeholders. In this chapter, we focus on the main activities behind our framework and its six principles.



#1 Strategic scoping

- Specify agency model characteristics (intermediate vs full)
- Determine product and customer groups
- Decide on approach (parallel use of different sales models or replacement of current sales model)

#2 Organizational model

- Evolve organizational sales structure
- Build up new functional capabilities and roles
- Flexibly manage responsibilities in different sales models

#3 Investment opportunity

- Derive future investment case
- Establish sustainable cost structure
- Define attractive remuneration model

#4 Omnichannel enablement

- Embed agency sales in other existing and new sales channels
- Create seamless customer journey
- Connect POS IT systems with online sales and services

#5 Stakeholder collaboration

- Involve most valuable partners
- Communicate and collaborate closely
- Redefine brand promise and run agency sales campaign

#6 Rollout concept

- Focus on standardized implementation
- Leverage efficiency potentials across markets
- Evaluate business and IT readiness and harmonize IT landscape

Figure 5 | Capgemini Invent Agency Sales Framework

#1 Strategic scoping

As with any major transformation, it is important to devote adequate time up front to defining an overall vision, organizational goals, and success parameters. Such preparatory work is particularly vital for larger OEMs, especially if they aim to apply the model across multiple brands or even global markets.

In most circumstances, establishing pilots is the right approach. This is not just a matter of deciding whether to start with a pilot market or deploy full scale right from the beginning. It is also about choosing a specific product, such as electric vehicles (EVs), that allows experience to be gained with a smaller customer group and reduces risks on both the OEM's and the dealer's side.

This is especially crucial for large OEMs, which can start transforming to a holistic channel sales model on a small scale without risking the revenues of their core business. And the dealer network benefits as well: They can gain greater financial security when selling vehicles with alternative powertrains such as battery electric vehicles (BEVs) and fuel cell electric vehicles (FCEVs) in an agency sales model, owned by the OEM, as the residual vehicle value may be unknown or not yet robust enough.

If circumstances allow a greenfield approach meaning to shape an agency sales model in a completely new environment from scratch, things are different. New market players, such as Polestar, decided to build their sales model on a market-agent relationship straight from the beginning given that there was no traditional dealer network to be transformed.

Therefore, when it comes to agency sales, there is no single "one-size-fits-all" solution. Agency sales can take many variations and it is crucial for each OEM and market to shape a model suiting both the OEM structure and the dealer network. Two of the most discussed models are the ones we will refer to as "agency sales" and "intermediate agency sales." While both share overall goals, they have different characteristics, as summarized in Figure 6.

#2 Organizational model

The sales organization connects the sales strategy with corresponding sales models and is essential for achieving sales goals. Creating the structure and capabilities to support agency sales is fundamental and necessitates adapting the organizational structure. However, the nature of that adaptation will depend on the approach that is chosen when scoping the sales model. To succeed with sales transformation, OEMs must adapt their sales organizations to flexibly manage different sales models simultaneously as various products and services evolve.

Agency sales brings new responsibilities for OEMs and markets: They must take over processes and workflows from dealers at the same time as they take over assets and risks. While both variations of the sales model, agency sales as well as intermediate agency sales, share overall goals, they have different characteristics, as summarized in Figure 6.

Here, organizational design measures can be helpful in preparing for the organizational implications of agency sales and in building up internal capabilities. For example, OEMs and markets may add new functions to provide specific capabilities, split existing functions for more focus, or relocate functions to other departments for improved coordination and information flow.

Agency sales brings control over sales channels and prices: price setting is now done by the OEM. Further, the new sales model opens opportunities for improved customer management as OEMs are gaining direct access to customers. For markets, the main new responsibilities center around price and campaign management, stock management including demand planning, and invoicing.



Strategic and organizational considerations for agency sales

	Traditional sales model	Intermediate agency sales model	Agency sales model
Dealer/agent role	Dealer operates in own name	Agent operates on behalf of the OEM	
OEM role	OEM has indirect interaction with the customer through dealer	OEM has direct interaction with the customer	
Sales contract	OEM has no contractual relationship with the customer	OEM has direct contractual relationship with the customer	
Remuneration	Dealer is responsible for margins due to individual discounts	Agent receives commission minus granted discount and additional margin	Agent receives commission and margin on additional products and services
Pricing	Dealer sets individualized prices which can differ per customer	OEM sets the price and agent has a certain degree of influence on prices, products and services	OEM sets one-price-fits-all
Car ownership	Dealer owns all cars to be sold in its name and hence bears risks	OEM holds all assets until customer signs contract	
Demo cars	Dealer is responsible for demo cars at the dealership	Agent receives provision for demo vehicles at advantageous financing rates	OEM ensures supply of demo cars
Stock access	Dealer stock only	National OEM stock	
Payment	Handled by the dealer	Handled centrally by the OEM with support by the agent	
Billing and dunning	Responsibility of the dealer	Responsibility of the OEM	
Data ownership	Distributed and incomplete data at the dealerships	Data held centrally by the OEM (with potential use by dealers)	

Figure 6 | Comparison of roles and responsibilities of different sales models

#3 Investment opportunity

One major mistake of most OEMs is evaluating the potential of agency sales from a simple business case view. Where business cases are useful tools for forecasting future growth, allocating cash, and cutting expenditure – they are mostly not about creating value. An investment case, however, requires decision makers to think like potential investors, not business managers. This is important because the agency sales model is primarily looking at optimizing the cost of retail across all sales channels and enabling data-driven decision making to drive revenues. It is less about optimizing the sales model as it is today, than it is about helping to quantify the business the future sales model wants to create tomorrow (see Figures 7 and 8).

Short-term effects of adopting an agency sales model

Although an established agency sales model offers a wide range of potential savings, substantial investment is needed first. Besides the required one-time investment costs, the introduction of an agency sales model has significant short-term effects on the whole sales network (Figure 8).

As the agency sales model impacts the entire sales process, one-time investments in technology, business processes, and organizational structures are needed.

From our experience, it should be noted that the building blocks for the investment case per market can diverge significantly based on the complexity of the market. As for all big transformations, it is important to ensure the stakeholders' commitment.

As the dealers' buy-in is crucial for a successful agency introduction, having transparent communication and an optimized bonus model, which is beneficial for both sides, will significantly impact the implementation.

Besides the initial investment requirements, annual operational costs are likely to increase, especially on the importer side. This is driven by additional personnel and marketing costs, as the transition to the new sales model will not lead to an immediate replacement of old processes. Furthermore, as shared service centers will not be able to leverage synergy effects in the short term, process efficiency will most likely decrease. The impact across the whole sales channel can be expected to be moderate.

Judging by the first market pilots, a slight decrease in revenues can be expected. Transaction prices will initially be reduced, as the importer/OEM lacks the direct customer contact and the pricing expertise that the dealerships have historically developed.

Long-term effects of adopting an agency model

Based on our estimates, the agency sales model significantly reduces the cost of retail across the sales network and will therefore increase revenues. A key driver that OEMs can leverage to increase revenue in the agency sales model, is making use of the new customer insights that become available along the whole sales funnel.

The additional data will help to expand volume by improving customer satisfaction. Once OEMs have a 360° customer view, next-best action capabilities, such as personalized communication and proactive servicing, can be used effectively to build a close customer relationship. With increasing customer satisfaction, we can expect increased retention rates in the long run.

In addition, efficiently managing local supply shortages helps to reduce customer dissatisfaction or even prevents losing customers to other brands due to longer waiting times. Optimized and dynamic pricing helps to realize higher transaction prices, as the first market pilot are already suggesting.

Whereas in the traditional sales model, sales promotions were mainly reactive, the agency model allows for optimized promotions throughout the entire customer lifecycle. Furthermore, additional product and service sales will grow, as upselling potential enabled by customer insights can be efficiently realized at multiple points in the lifecycle.

Synergies and boosted efficiencies

Besides increased revenues, substantial cost saving potentials can be realized in the long term. While many functions are handled individually, an agency sales model makes it possible to obtain synergies by centralizing key functions. Through joint data management, shared service centers can operate more efficiently using a 360° customer view.

Agency model investment case

Assumptions for investment case

- ✓ Agency model (full characteristics)
- ✓ Across all sales levels (dealer network and NSC)
- ✓ Focus on new car sales (electric and combustion vehicles)
- ✓ Effects per mid-size market (200 dealerships) and rollout in 3–4 markets

Sample numbers based on Capgemini project experience | depending on local conditions and IT maturity.

Short-term trend scenario and key levers across all sales levels

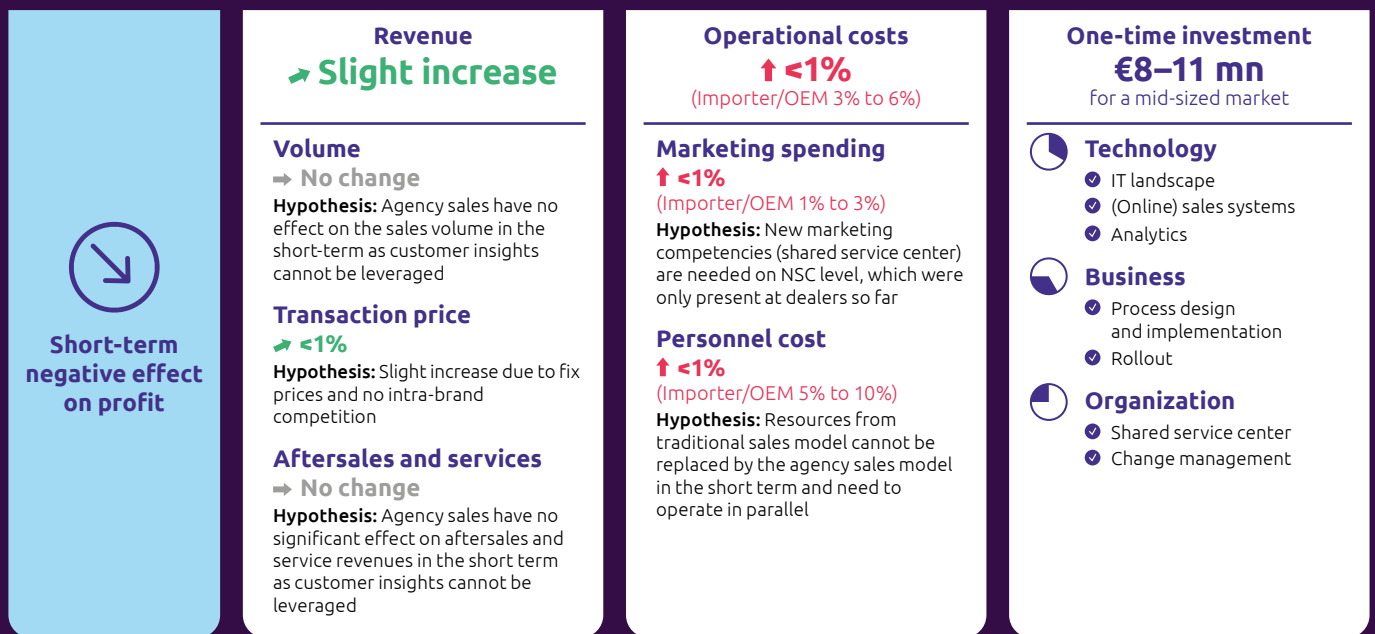


Figure 7 | Short-term trend scenarios and key levers of an agency sales model

Long-term trend scenario and key levers across all sales levels (5 – 10 years¹)



Figure 8 | Long-term trend scenarios and key levers of an agency sales model

¹An increasing share of online sales reduces the retail space in the long term. This effect will be visible after about 10 years

↑ = increase ↓ = decrease

Beyond shared service centers, additional cost reductions arise from leaner sales processes and the increased efficiency of a harmonized IT system landscape. In our experience, a fully digital and lean agency sales process can eliminate around 30%–40% of sales-related administrative tasks across all sales levels.

Transparent and standardized prices also indirectly contribute to a reduction of expenditures in the dealership network. As our survey results show, consumers typically visit several car dealerships to get the best price. This unnecessary effort in the dealer network can be avoided by agency sales. Furthermore, the expected growth in online sales also leads to cost reduction, especially on remuneration.

Taking both short- and long-term effects into account, transitioning to an agency sales model can pay off financially after four to five years and boost profits in the long run for a mid-sized automotive market (see Figure 9).

Agency sales pay-off

We expect that implementation and adoption of new IT systems will begin to show preliminary effects on process optimization after one year. With systems fully operational and adopted by the workforce, shared service functions and their synergies will have lasting impact starting in the second year after implementation. As expertise grows, efficiencies will spread across all functions and operational costs will continuously decrease. Furthermore, the additional revenue levers resulting from customer insights and improved processes will come into play. Based on our assumptions, the first additional revenues can be realized in the second year after implementation.

Regardless of the different agency model designs, the current sales model is not sustainable, and an adaption is essential to stay competitive.

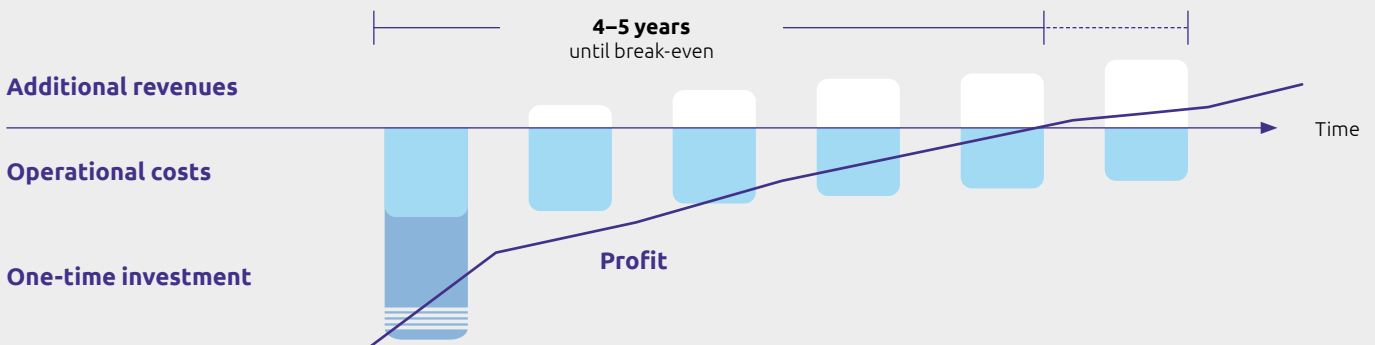


Figure 9 | Estimated break-even for a mid-sized market by introducing an agency model

#4 Omnichannel enablement

The transition to an agency sales model does not add value unless it is used as an enabler to bridge online (e-commerce) and offline sales channels to create a “phygital” experience. It clearly gives the OEM the opportunity to push the adoption of online sales, and accelerates the customer-centric omnichannel experience (see Figure 10).

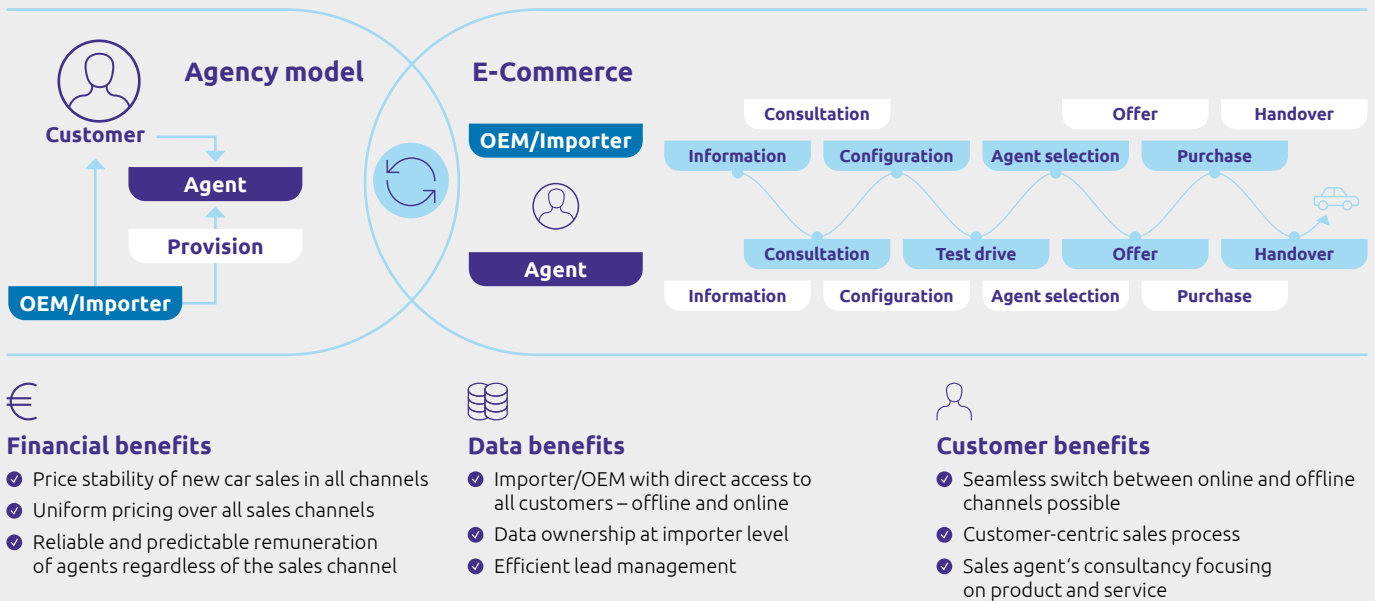


Figure 10 | Agency sales accelerating e-commerce

Even if it looks easier just to focus on the online experience associated with the agency sales model, it is worth tackling offline processes at the same time, including those for vehicles sold within established models to create a seamless consumer journey. Yet, there is no unique journey for agency sales. As roles and responsibilities change, so too do the stakeholders’ expectations. Thus, designing such sales journey should take all necessary expectations from customers, agents, and OEM into account. Each OEM needs to define its own journey, and the details will determine the quality and depth of the end-to-end online/offline experience offered to the consumer.

A helpful first step is to define a transformation target showing new capabilities, roles, and responsibilities across the value chain as a basis for the new sales journey. In addition to pricing and logistics, data analytics capabilities should be included as they will be essential to understanding the vast quantities of customer data and resulting data-driven sales funnel management.

As shown on the next page with a sample agency sales journey, several new roles and responsibilities arise for both OEMs and agents. Focus is on the presales and sales phases. One of the new responsibilities for OEM is customer data management, including all contractual obligations (fulfillment, cancellation, debt, etc.).

The agency sales journey

We know that each customer experiences a unique sales journey which is mostly not linear – but for strategic decisions a simplified journey can be used to answer relevant questions



Car search



Test drive



Customer offer



Discounting

Challenge

How to avoid discrepancies on product information and prices across channels

How to manage demo vehicle ownership

How to enable seamless management of customer offers regardless of who they are offered by

How to manage discounts in agency sales

Solution

Ensure price consistency and avoid cannibalization within a brand by applying the same sales model to a car regardless of channel

Reduce complexity regarding lifecycle management as the OEM provides used cars to the agent to be used as demo cars for exclusive leasing conditions or attractive prices

Provide a unique offer reflecting all products and services influencing the total price for the customer, even if some elements can lead to separate invoicing

To comply with competition law, the agent must be able to offer a discount. So, agents can still influence the vehicle price, but only in intermediate models

What's new?

Customer !

Pre-negotiation prices without tactical discount are not advertised. The agency sales model removes or reduces the margin for price negotiation, leading to price transparency for the customer

Agent !

The retail stock pressure is off – nevertheless, to ensure dealership revenues, the agent must advertise the OEM stock and reach conversions

OEM

A strategy to push the visibility of the stock, not only counting on the dealer's local marketing activity is essential

Customer

Most brands now offer the possibility to request a test drive online – direct booking should be the next step

Agent

Customer data and test drive feedback must be consistently registered in the systems to become useful in the future

OEM

The test drive is a key conversion instrument; OEMs need to reward to ensure that the leads requesting it are properly contacted and managed by the agent

Customer

The customer expects a seamless experience, like other industries with a clear unique offer that includes all products and services selected online or agreed with the agent

Agent

The agent generates the order on behalf of the carmakers as it owns the vehicle. In a non-genuine model, the agent can offer products and services in its name, generating additional revenues

OEM !

The OEM has full visibility of the offer and the vehicle sales price, even offline (depending on the selected agency sales variation)

Customer

The customer is offered a "no haggle" experience, where the focus is on the product value, not on discount

Agent !

The agent has few levers left to influence the price and generate the sale, be it with discounts on additional services or giving a way part of the commission

OEM

The market has visibility on the discounts applied for the vehicle sale (brand and agent discounts). Having more visibility on the final sales price is an important lever for the business management

! = Critical changes in sales journey



Trade-in

How to retain value from the customer's used car

Do not manage the used car directly but use the opportunity to involve external ratings online and leave the business for the agent offline

Customer

Transparent view on different contract partners for buying and selling the cars

Agent

For online sales, the trade-in business might be directed to external partners which requires a closer collaboration between third-parties and agents

OEM

Including a used-car valuation tool in the online sales process is necessary for an optimal customer experience



Order placement

How to minimize and manage the risk of cancellation of stock orders

Ask the customer to pay a deposit that can be refundable or deductible from the sale, or to fill in an application for a lease. Seek ways to minimize logistics costs on canceled orders by allocating the cars

Agent

Generates the purchase order and tracks the order status, managing the customer expectations

OEM !

Enable the agent network to manage customer orders without having the responsibility over stock



Logistics

How to manage vehicle logistics prior to delivery

Either request payment and transfer ownership to the customer before the vehicle exits the factory, or request payment after delivery to the agent and before proceeding to vehicle handover

Agent

If the vehicle is not invoiced to the customer before exiting the factory, a custody agreement between the carmaker and the agent should be included in the agency contract. Under this agreement, the agent complies with the quality standards set and controlled by the OEM

OEM

Traditionally, non-invoiced vehicles cannot be handed over. In an agency, depending on the customer's payment timing, the transfer of ownership is performed later, with a significant impact on liquidity



Payment and invoicing

How to manage financial flows

Accounting and invoicing processes can be managed internally by the OEM with payment solutions such as virtual IBAN or ad-hoc payment platforms

Customer !

Benefits from high level of transparency. When buying offline in a non-genuine model, customer might face separate payments/invoices for vehicle or extra services proposed by agent in his name

Agent

Offline, the agent no longer manages the customer's payment and the invoicing process. Reduced liquidity available for the agent since he only receives the commission for the vehicle sale instead of the full amount of cash for the vehicle

OEM

The OEM invoices the customer rather than the dealer. Once the payment is settled by the customer, the transaction is completed. This is usually later than it is in three-tiered sales where the dealer payment completes the transaction



Car handover

How to ensure a consistent handover experience if the agent is only a service provider

The customer's rating of the overall satisfaction with the sales process should be an incentive for dealers to improve quality by giving them extra commission on top for superior service

Customer

The production and handover status should be transparent for the customer. In case of online sales, home-delivery is a differentiator that can be offered

OEM

The OEM is aware of the delivery process and gets the customer's feedback once the handover is performed as "owner" of the customer and the commercial relationship

#5 Stakeholder collaboration

Shaping the target picture the right way

In the chapter “Global consumer and dealer survey,” we pointed out the importance of the dealership in the current and future agency sales process and demonstrated that the dealership of today must be a key component of the sales process of tomorrow. At the same time, 96% of dealerships believe that the existing sales model is outdated from the consumers’ point of view due to new expectations and standards.

When planning the transition from the current three-tiered sales model to an agency sales model, the integration of dealerships is a crucial success factor in the transformation process.

Our dealer interviews suggest three important design criteria to be used when shaping the target image:

- ✔ A fair and sustainable remuneration model to ensure customer centricity
- ✔ Price transparency and competition as a lever for increased customer satisfaction
- ✔ New IT infrastructure and processes to optimize the customer approach

Engaging with and involving dealerships throughout the development process empowers them to develop their potential around new processes and applications. But this means a major change of mindset on the part of the OEM.

As with all large transformation projects, we recommend starting early with open and honest communication with all stakeholders, including dealerships, from the outset. They should be kept continually updated about changing conditions and timing to reduce resistance to change. It is necessary to invest in comprehensive training and in particular to start training the entire dealer network early.

Creating value add for everyone

It is important to design the agency sales model in such a way that it is suitable for both dealerships and OEMs. We recommend defining a mutually attractive provision model which enables dealers and OEMs to survive in the market both sustainably and profitably. In addition, it is crucial to combine the capabilities of both market roles. An operating model should be found that allows the OEM to benefit from the dealers’ specific experience and knowledge, which in turn can provide an enhanced productive environment for the dealerships.

OEMs and dealers should collaborate for mutual benefit in the new model. The OEMs take over the financial risks of the dealerships, provide central logistics, and coordinate further developments centrally. The dealerships contribute specific knowledge, can process the data provided in a targeted manner, and have unrivalled customer access. Provided both parties work together in a trustworthy and productive manner, the result can be greater than the sum of the parts.

In order to achieve the desired state and pursue a successful partnership, OEMs need to consider dealers as key players, involve a representative set of dealers in the transformation process and collaborate with the dealer council throughout the transition.

#6 Rollout concept

Efficient scaling and rollout

We recommend piloting agency sales on a specific product and market. Both during and after the pilot phase, when the agency model is scaled up and implemented in several markets, multiple sales models will coexist. Far from being inefficient, this coexistence is indispensable to provide diverse sales channels for products and services to multiple customer groups.

Once the model has been tested in a pilot market, efficient scaling and rollout is the next challenge. OEMs therefore need to become agile at scaling pilots into new models and markets. Scaling rapidly means benefits are obtained as quickly as possible and the full potential of agency sales is realized. Central steering by headquarters is vital to provide guidance and support to markets and help disseminate learnings and best practices. At the same time, local teams need enough freedom and empowerment to adjust the model to their regulatory requirements and market settings: For example, to market size and resources, competitive landscape, and IT infrastructure.

Cross-functional collaboration

Within the OEM, close collaboration between headquarters, market, and dealer network teams will be vital. So will cross-unit collaboration at each level: The market needs to develop effective collaboration between functions such as sales and operations, logistics and stock management, finance, accounting and controlling, and legal. In addition, to improve productivity and to prevent knowledge silos within business units, shared service centers should be planned beforehand in order to be implemented with the market rollout.

Business and IT also need to operate as one team. IT readiness can make or break the agency sales model, especially during scaling up of operations. IT teams are typically already very stretched by major digitization programs such as online/offline channel integration initiatives, online sales enablement, analytics, and connected cars. Therefore, it is advisable to engage them in the earliest stages of agency sales model rollout and find synergies and alignment with existing IT programs wherever possible.

Dealer network enablement

Buy-in by the dealer network is key for a successful rollout. A winning strategy is to anchor an accelerating mindset of change in all those involved. With the following measures, OEMs can pave the way for sustainable change:

- ✓ Early and honest dialogue between all stakeholders in a specific market
- ✓ Definition and communication of an unambiguous rollout timeline and expectations
- ✓ Investment in comprehensive trainings to have the entire dealer network prepared for rollout activities
- ✓ Provision of a strong support unit to help dealers through the rollout with the right toolkit

Standardized rollout approach

Providing a standardized approach for the localization of agency sales in a specific market will help harmonize and guide concept localization. Keeping localization work to a minimum will get the best results in terms of costs, speed, and revenue, as will the early involvement of key stakeholders such as local markets and dealers.



WHAT'S NEXT?

MASTERING SALES MODEL TRANSFORMATION

There is no mistaking it – automotive sales has reached a tipping point and car manufacturers clearly need to stop hesitating and move ahead to invest in the most suitable future sales model. With the increasing complexity of the automotive product and service portfolio, rising new technologies and even fiercer competition, OEMs need to transform towards a sales model that enables customers to experience a state-of-the-art omnichannel and overall contactless car buying process. There is no time left. To meet recent customer expectations, manufacturers must initiate their sales transformation today, or else they will find themselves outdated, and ultimately vanish.

The good news

Dealers, OEMs, and NSCs are all keen to collaborate on the transformation. Since changing the existing sales model cannot be considered as a project one party can run alone, it takes a strong commitment and time to go through the transformational process together. The shift towards a “phygital” world, where technology and traditional physical experiences blend seamlessly, helps creating a new and better way of selling cars. In this respect, the rise of electric vehicles presents an opportunity to introduce new sales models. We recommend agency sales as the right approach to reach a sustainable omnichannel experience. Moreover, it may serve as a bridge to other more direct sales models.

Even though we can see a few direct sales-only attempts by new OEMs entering the market, looking at the business processes and IT system landscapes of established OEMs worldwide, we recommend starting with a parallel use of an agency sales model for selected markets and a predefined product. It will help you to learn, adapt, and scale the best version of the sales model to other markets to improve online-offline integration, reduce financial risk, and extend price transparency.

It is time for action

The transformation towards a new sales model is complex, but the implementation of agency sales does not have to be an exhausting process when the buy-in of all stakeholders is secured. Our framework highlights six principles that will help you to successfully master this sales transformation:

#1 Strategic scoping

Focus on the why, the how, and the what – shaping a strategic vision is key for initiating sales transformation

#2 Organizational model

Adapt structures and responsibilities to flexibly manage different sales models at the same time

#3 Investment opportunity

Focus on an investment rather than on a business case by considering short-term and long-term profits

#4 Omnichannel enablement

Rethink the entire sales journey from OEM, dealer, consumer perspective – efficient, empathetic, and data-driven across all channels

#5 Stakeholder collaboration

Involve key stakeholders early to accelerate decision speed and to increase collaboration and overall value-add

#6 Rollout concept

Try out and learn what agency sales means at a small scale – then scale fast, lean, and in a standardized way

To benefit from our vast project experience on sales model transformation and discuss your particular business challenge, don't hesitate to contact us. We offer all services to ensure the successful end-to-end delivery of agency sales transformation projects: design to implementation work and a range of agency sales assets. In addition, we provide high rollout quality and scalability by using our proven rollout approach.

Let's be bold and create the future you want!



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"Agency sales model" is part of Capgemini's **Smart Mobility Connect**, a series of custom automotive offers addressing the need for customer centricity. Smart Mobility Connect empowers clients to digitalize their core business and customer-facing channels (connected customer), monetize new growth potential (connected services and products), expand the profit pool with new partnerships (connected ecosystem), and transform to a customer-centric business, leveraging the overarching AI-enabled customer engine platform.

<https://www.capgemini.com/service/invent/smart-mobility-connect/>



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