

AutomotiveConnect: Retailer

Driving Performance in the Digital World



People matter, results count.

Although the automotive market is buoyant, retailers, large dealer groups, and distributors have to address a number of disruptive issues that are changing the automotive landscape forever. They need to introduce standard ways of working without losing the local touch and flavor; to find the right balance between selling new and used cars and offering complementary products for clients to consider, such as finance and insurance or accessories; to ensure the online and offline experience combine seamlessly for the end-customer; and to decide how to leverage customer and vehicle data for the benefit of all parties – not least the consumer. These issues affect the way retailers need to work with customers and vehicles, and to use data-driven insights to manage their operations. New business models are emerging, and retailers must act swiftly to prioritize their requirements and implement the right solutions to succeed in today's competitive marketplace.

Despite a hot market, retailers face disruptive business issues

The automotive market is booming: global sales reached almost 90m vehicles in 2015, with sales in countries such as China (25m) and the US (17.5m) hitting all-time records. But even though it's a hot market, there is at the same time significant market upheaval. This means tackling disruptive business issues such as:

- **Balancing common processes and local flair:** Today's large dealer groups need processes, systems and ways of working that are common and optimized – especially as groups get larger and more international. At present, even the systems used to write up sales tickets can vary from store to store within a group. Standardization can increase the number of vehicles sold and make it easier to up-sell or cross-sell – but retailers can't afford to risk losing the local touch and feel that is so critical in the sales process.
- **Balancing different elements of the business:** Retailers engage in many different activities – new and used vehicle sales, online and in-store interaction, finance and insurance... Making the right decisions about the product mix requires an ability to see into the future and predict what different customers will be wanting, and when, in each of these areas.
- **Leveraging data:** The industry as a whole needs to come together to tackle some complex issues about data. Customer and vehicle data must be shared between all the different stakeholders to create a deeper understanding of what consumers really want. As cars become more connected and customer databases become more complete, marrying the two together to provide meaningful insights and actions will become a critical part of the retailer's business.

Challenges and opportunities

The immediate market challenges for retailers can be understood under four headings: customer, vehicle, insights and operations.

Customer

To provide the right customer experience, retailers need to tackle several technical challenges. For example, they must provide a seamless experience across sales channels. They also need to be able to offer personalization and customization. The business is moving away from “cookie cutter” packages sold at fixed levels (good/better/best); retailers can significantly raise profit margins by getting closer to what each end-consumer really wants to buy, at every stage of their automotive experience.

At present, purchasing a car can often feel more like a pain than a pleasure, with the paperwork and bureaucracy often taking several hours to complete. Many customers would like to purchase a vehicle online, doing more work at home with fewer visits to the store. To create an excellent customer experience, it's vital to ensure that interactions are seamless across channels and devices. Finding a way to streamline this whole process while complying with local regulations is a key challenge.



The customer experience needs to be improved after the initial sale as well. The service lane is the intersection of many different programs and requirements. It's fast-paced, and challenging for service staff to manage. Each customer requires personalized care, and should be presented with the right opportunities at the right time (e.g. service contracts, value-added services) so as to create profitable offerings that will provide customer value and increase customer retention.

Vehicle

Vehicles, too, have their own histories and needs. As cars become more connected, consumers will expect them to be configured to their tastes with the same simplicity as a smartphone or tablet. Retailers of the future must offer a simplified service experience tailored to individual customer preferences. There is also an opportunity to retrofit older vehicles with connected capabilities as a value-added service. More than ever, a service visit needs to be straightforward and easy. Customers expect the experience to be seamless, like visiting a specialty retailer such as Apple rather than the mechanical workshop of yesterday.

The store of the future will need to accommodate these changes, providing software upgrades, data insights on



driving behavior and the ownership experience, and technical assistance to help consumers with the technology in their vehicle. The car of the future will be a node on the network, and the retailer will be the local configuration point.

Insights

To ensure they stock the vehicles that will sell fastest and most profitably in their market, retailers need complex intelligence. Clearly, retailers must be able to identify the vehicles (of any brand, new or used) that can drive the highest front-end (sales) and back-end (finance) gross profit. However, information from OEMs relates only to a specific brand, whereas retailers must be able to compare options from all relevant brands. And to make the right decisions about stocking new and used vehicles, retailers need extra intelligence on the local market – for example, customer profiles and information about popular vehicle sales.

In addition, in order to make the right purchasing decisions, retailers need a clear view of their entire inventory, including inventory currently on order. Also, because accessories (bought from OEMs or other suppliers) can significantly increase front-end profit and customer satisfaction, retailers need deeper market insights to help them make the right accessorization choices.



Lead management is another important area where more intelligence and integration is needed, in this case to help retailers respond to leads swiftly and effectively. Whether a lead comes from a walk-in, a hand-raiser, an OEM, or a third party, retailers need to capture and track it to closure with a personalized response during a short time window. The niche software tools currently in use may not provide the customer insights needed to drive the right response. These insights could be obtained by leveraging customer information that the retailer already possesses. They might include data-driven lead scoring/weighting, simple-to-follow “next best action” recommendations tailored to local market conditions, and options to minimize lost sales through exposure to multiple brands.

When it comes to parts inventory management, there are always challenges in obtaining the most highly sought-after parts, and customer satisfaction suffers when they are not available. One aspect of the problem is that OEM parts order management usually focuses on a single OEM's parts, whereas the retailer needs assistance and integration to monitor parts needs and availability across all the brands the retailer services. Improved integration and intelligence can help to mitigate this issue, and to ensure that the tools themselves drive scarce parts to the most critical customers first with minimal intervention.

Operations

Large retailers, retail groups, and distributors have to orchestrate a range of complex operational tasks many times over to run the business: processing large volumes of used and new vehicles prior to sale, inspections, inventory management, service bay coordination, and so on. Retailers need a smarter way to perform lot management and vehicle processing in order to improve efficiency and visibility, reduce errors, and free up employee time for more value-added work.

In addition, improved tools are needed for fixed vehicle assets such as loaner vehicles and fleet vehicles for customer transportation. In many cases, today's tools for asset management – covering areas like depreciation and accounting (including total miles), required service/bulletins/recalls, and asset location – are not integrated or do not cover the entire asset lifecycle. A streamlined and comprehensive approach to asset management is key.



A practical response to the challenges and opportunities

We believe the industry's response is best planned around the four areas of activity identified above: customer, vehicle, insights and operations. Capgemini has established four corresponding focus areas within its automotive practice under the heading of AutomotiveConnect. In each area, strong solutions are emerging and the main task for retailers is to prioritize their business needs, identify the best platform for each, and develop a roadmap for implementation. By following our AutomotiveConnect approach, retailers will be better prepared for the continuously evolving market and the challenges of the future, by making technology work for them in a more integrated and seamless fashion.

Connected Customer

Every retailer must be successful and profitable – they must sell the best vehicles to their customers profitably, build lifelong customer relationships, and ensure customers keep coming back because they are completely satisfied and pay a competitive price for the services offered.

An important part of making this happen is to adopt an easy-to-use multi-channel digital shopping tool. Such a tool can provide the convenience customers want plus branding for the retailer. It can support sales of new and used vehicles from multiple brands and also interactions with finance institutions. The software can recommend “next best actions” to enable cross-selling and up-selling; offers declined can be tracked as “lost sales” for use later and post-sales marketing. Most importantly, physical paperwork can be replaced with digital documents, reducing the time required to complete the transaction.

Connected Vehicle

Retailers need to be able to take telematics provided by the OEMs and then tailor it to provide services that meet local requirements and preferences. Such technology can be integrated with customer retention tools that provide a 360° customer view and also include vehicle information such as inspection and service history, OEM warranty eligibility, and aftersales service marketing information.

Connected Insights

Retailers must now use analytics to look forward as well as back, so that they can become smarter about anticipating sales and getting the product mix right. For example, they can not only understand the vehicle configurations that generated the highest gross profits historically, but also model the future with various scenarios based upon available data, so that they become more intelligent about their future.

Analytics should be applied to both the retailers' own data and to market data in order to gain a view that spans multiple brands and OEMs, seamlessly integrated with information about local customer tastes. The same approach can inform choices about accessorization, helping retailers decide which accessories to stock and order based on OEM and non-OEM data.

Insights-oriented software should also be used to manage and track conversion of sales leads. Such solutions can make it easy to understand dealer and employee performance, monitor market trends, and identify the most successful approaches for converting leads to sales. A forward-looking tool should use insights to shape performance and recommend the “next best action”. Lost opportunities and lost sales can be tracked more easily through adherence to a common process, and the data can be used in performance management discussions to help retailer teams improve. The overall result should be improved lead conversion for all brands, and both new and used products.

Similarly, analytics can be used to optimize parts inventory management by proactively leveraging technology to help manage a busy parts department across multiple brands and locations. For example, an analytics platform can ingest all available data and apply “next best action” rules to the most important parts for easy monitoring and high-priority routing. The solution can identify options for automated dealer-to-dealer inventory trades within a group to enable faster customer service without manual intervention. Finally, the platform can flag up recalls relevant to a retailer's new and used inventory, and also recalls affecting customers' vehicles (of any brand) that are in for service. In the latter case, the retailer can notify the owner and complete the recall work as part of the service – another opportunity to add value and build customer confidence.

Connected Operations

It's increasingly important to connect every aspect of the supply chain using technology: from the factory to the port, from the port to the dealership, and from the dealership to the end-consumer. Retailers need to enable seamless tracking and orchestration of tasks to be performed on cars along this connected supply chain. Consumer tastes have become focused on information transparency at a moment's notice. The ability to understand order status on a package from Amazon or a pizza from Domino's today means that the same or better is expected for a large purchase such as an automobile.

There are specific solutions to make this easier. For example, lot management and vehicle processing solutions can help a dealer group to efficiently orchestrate the work that needs to be performed on a given vehicle throughout its lifecycle in the inventory. Tools can track the location and status of a vehicle

and forecast the time remaining before it can be delivered to the customer. The solution can also track KPIs for vehicle processing to facilitate performance management and provide improved visibility of the end-to-end process.

Asset management solutions can also help with connected operations issues. Integrated, centralized tools loaded with existing asset management data can help to track fleet vehicle assets, depreciation, location, service records and service needs, and provide alerts triggered by events defined by the retailer.

Next steps

By understanding and adopting the latest digital technologies, retailers can streamline and improve operations, improve their business, retain existing customers, and win new customers for life. With the right digital solutions leveraging the power of data (most of which the retailer already owns) and process, the retailers can achieve efficiencies and a common process, and can ensure local market needs are satisfied. Next-generation digital solutions offer insight into running the retail business holistically, and can help to ensure retailers stay ahead of the competition for the digital market of the future.

For more information please contact:

Mathew Desmond

N. American Market Automotive Lead
mathew.desmond@capgemini.com

Nick Gill

Chairman, Automotive Council
nick.gill@capgemini.com



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About Capgemini's Automotive practice

Capgemini's Automotive practice works with most of the leading automotive companies in the world. More than 7,500 specialists generate value for our clients every day through global delivery capabilities and industry-specific service offerings across the value chain, with a particular focus on our AutomotiveConnect propositions for OEMs, suppliers and retailers.

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