



AutomotiveConnect: Driving Digital



To respond effectively to disruptive changes in worldwide consumer behavior and expectations, OEMs need an innovative, technology-enabled approach. Within this new approach, Capgemini's focus on Connected Customer, Connected Vehicle, Connected Insights and Connected Operations

plays an essential role, helping companies to improve customer experience and achieve profitable growth. Putting the customer at the heart of everything the company does will build a mutually beneficial connection with the customer throughout the lifecycle of interest, purchase, ownership and repurchase.



The auto industry is at an inflection point for massive—not evolutionary—change”

Tim Cook, CEO Apple

The automotive industry is facing disruptive change

The automotive industry currently looks healthy, with the world car fleet expected to double by 2030, mostly as a result of growth in developing markets. However, the industry is also on the verge of disruptive change and needs to prepare.

This change has several elements, mostly relating to evolving expectations on the part of consumers. In emerging markets, consumers have quite different expectations from developed countries – but things are changing fast in established



Capgemini's Cars Online study has been informing the industry about the consumers' viewpoint for nearly 20 years.

markets too. Many younger consumers no longer aspire to own a car. Urbanization, congestion and pollution will encourage people to prefer mobility services such as carsharing, ridesharing or multimodal transport packages.

When people do buy cars, they want a different purchasing process and a more interactive relationship with OEMs and dealers, throughout all phases of the customer lifecycle: interest, purchase, ownership, repurchase. On average across the industry, almost 40% of consumers will switch to a different brand the next time they buy a car – something that wouldn't happen if the relationship was right.

Consumers also have different expectations of the car itself. They want vehicles that can streamline their lives rather than giving them extra work or interrupting what they're doing. A driver expects to be able to continue conference calls in the car. The office or family home should be notified when the individual is about to arrive so that parking spaces get allocated and heating systems turned on.

Capgemini's belief that the industry is about to transform is supported by industry leaders. For example, Rupert Stadler, former CEO of Audi recently said that "In a few years half of the revenues in the auto industry will be from digital services."

Consumers are saying the same thing. Capgemini's 2017 Cars Online¹ study found that today's consumers want highly personalized products and services, information that's relevant, accurate and timely, and OEMs and dealers who are accessible, responsive and proactive in delivering value-added services and content. The study highlights that for today's driver, in-car technology is more important than driving performance. So are low gas consumption and protection of the environment.

More personalized communications at all stages are expected, and the current buying experience is not perceived as optimal. These trends are even more pronounced among the 18-35 age group, as well as in growth markets like Asia. (There are other regional variations. For example, seamless telematics services between mobile phone and vehicle will be especially important for Asia.)

Capgemini's research with the Massachusetts Institute of Technology (MIT) over several years, together with our collaborations with companies in sectors such as retail, demonstrates the enormous advantages that accrue to organizations that embrace the digital economy and restructure around the customer. This is equally true for the automobile industry. Disruptive change opens up business opportunities to add value for consumers and increase profitability for OEMs.

Companies are not yet ready to make this disruption into an opportunity

The automotive industry is struggling to rise to this challenge. By and large, it is still working with a 100-year-old model based around car production. Although some companies are starting to change their model, most efforts to date have focused on the way products are designed, produced and sold. Now the companies need to

focus instead on customers' digital lifestyle, and on providing innovative, targeted services throughout the customer journey.

Even though the industry has made efforts to get to know consumers, it has not really succeeded. Someone going to buy their eighth car of a given brand for their 70th birthday is still liable to be asked by the dealer, "Is this the first time you've bought this brand of car?" The local pizza company has more information about your buying habits and can often provide better customer service. Online websites let you track delivery of a small package from store to door, whereas the automotive industry has difficulty sharing logistics information about your very expensive new car.

Vehicles themselves need to change as well. Today's cars have a huge amount of computer power on board, but in many senses they are still unintelligent. Every time you get in your car you typically have to adjust the seats, mirrors, music and air conditioning – and so do other drivers in the family. Even though you do basically the same journey daily, the car cannot anticipate your routes. After several years of ownership, the car does not become attuned to you as its owner, or get updated, for example with new apps.

The industry also needs to improve its ability to combine information about vehicles and consumers to produce insights that can be acted on. When a tire needs replacing, for example, the OEM ought to be able to notify the driver and direct them to a nearby garage with a special offer. Companies should also be able to predict when a consumer will be looking to change their car, and what sort of car they will want to buy. The supply chain should be demand-driven, and not reactive as it is at present – more vehicles should be built to order and fewer built to stock.

How companies need to respond

What the industry needs to do has been summed up by Dieter Zetsche of Daimler at the launch of Mercedes.me: "We want to listen to the consumer and learn." This translates into a number of actions that companies need to take.

Above all, companies need to **put the customer at the center of everything they do** throughout the customer lifecycle, using customer management to eliminate the silos that exist today in finance, marketing, sales and service functions. Mobilization and collaboration tools like Capgemini's Advanced Solutions Environment (ASE) can help to make this happen, and are ideally suited to digital innovation where the requirement needs to evolve rather than be defined up front.

Companies must offer customers what they're interested in, and communicate in the way they prefer, individualizing the offer for each customer. This requires a significantly better understanding of the consumer than companies have today. By bringing segmentation down to the micro level, companies can provide the right channel, for the right consumer, at the right time – especially important in growth markets and for today's younger consumers: the group Capgemini calls "Generation Connected"².

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2 Capgemini, Cars Online 2014 – Generation Connected

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In addition, companies need to find ways to **make the car an extension of the home, office and club**. This means enabling communication between consumers, cars and buildings, and between different vehicles. Highly Intelligent Driving functionality will become mandatory, so a group of friends in separate cars can be guided to a meeting place, and – further into the future – in a convoy of trucks on a motorway, only the front vehicle will need a driver. The car will evolve over time and during the years of ownership, and come to fit its owner's needs more closely.

Changes like these will necessitate improvements to the Human-Machine Interface (HMI) plus high levels of security. New control methods based on voice recognition and gesture will appear.

Data, too, will be crucial. Companies need to **start treating data like the new oil powering this industry**. Like oil, data can be difficult to find and expensive to extract, but becomes a hugely valuable asset once refined. The industry currently collects little usable customer or vehicle data, but this will change dramatically in the years to come. A lot of work needs to be done to agree issues around data management, data ownership, analytics and exploitation.

And of course, companies need to **ensure their operations take advantage of the digital world**, and ensure they are using technology to share the entire value chain from engineering to aftersales.

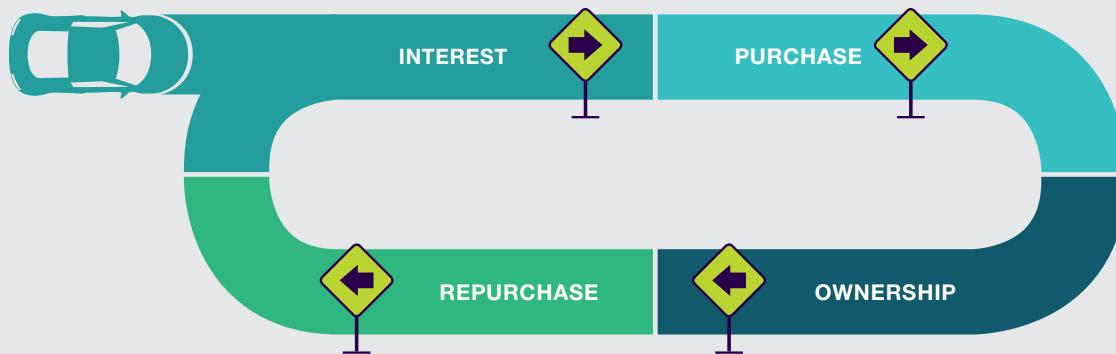
In addition, a new disruptive CRM approach is needed, with data shared between OEMs and dealers. Companies also need to work with customers, who own their data, and whose interests must always be at the heart of the business.

Cars Online proves that today's consumers have a big appetite for content. Access to and interaction with OEMs and dealers is expected by consumers who want the right content delivered via multiple touchpoints and channels in every phase of the customer lifecycle.

Preferred touchpoints throughout customer lifecycle

INTEREST	
Brochure/product info	87%
Configuration	80%
Detailed pricing info	91%
Schedule test drive	71%
Opinion on test drive	51%
Get financing/leasing info	69%
Event invitation	51%
Interact with other owners	53%
Interact with automotive experts	57%

PURCHASE	
Offer for financing	69%
Trade-in offer for your current vehicle	75%
Offer for service contracts	69%
Offer for additional options & accessories	70%
Updates on car production	57%
Updates on car delivery schedule	77%
Meet the service team	64%
Welcome pack	71%
Opinion on purchase	58%



INTEREST	
Warranty reminder	75%
Warranty extension offer	68%
Financing reminder	61%
Financing extension offer	53%
Repurchase offer	62%
Repurchase offer based on driving behavior	57%
Repurchase offer based on customers like you	50%

PURCHASE	
Sign up for owner club	43%
Interact with other owners	50%
Brand magazine	57%
Sales offers and promotions	62%
Service reminder	76%
Get service appointment	73%
Opinion on service	57%
Seasonal offers	64%
Personalized offers based on driving behavior	55%
Personalized offers based on customers like you	49%
Recalls	72%
Make a complaint	78%

Source: Capgemini, Cars Online 2014 - Generation Connected

How can this response be implemented in practical terms?

The industry needs to turn a model that's been honed over decades to produce excellent cars into one that is truly customer centric. This will require radical change to virtually every part of the business.

Based on analysis of this industry change, Capgemini has established four focus areas under the heading of AutomotiveConnect:



- **Connected Customer:** In order to put customers at the heart of everything they do, companies must interact with them effectively at each touch point throughout the lifecycle (see figure on page 6). In this way, it becomes possible to establish a connection between customer and brand, and recruit the customer as a powerful advocate.
- **Connected Vehicle:** To make the car into “another node on the network”, as customers want, companies must think not about selling a car but about forging a lifelong relationship. Cars need to learn about their drivers, and provide services proactively in line with those drivers’ needs, wants and desires. This creates intimacy and makes the customer more loyal to the brand. (The concept also works for multimodal transport packages since the OEM can make the customer profile available to any vehicle.)
- **Connected Insights:** Companies can gain competitive advantage by applying analytics to customer and vehicle data, producing insights to enable the features and services discussed above. In this way, companies can build consumer loyalty, reducing the likelihood of defection to another brand. Sharing customer and vehicle data should benefit everyone concerned: OEMs, dealers and consumers.
- **Connected Operations:** Whilst the focus in the early years of digital technology was on the relationship with the end consumer, in recent years we have seen that even greater business benefits can come from digitizing internal operations. The idea of the digital twin is now well established, and companies are looking to simulate every process in the value chain from engineering through to aftersales.

These focus areas are interdependent. Customer knowledge needs to be embedded in the vehicle; companies won’t get insights unless the customer is willing to share; the vehicle can’t help unless it’s linked to individual drivers; and everything needs to be integrated from the design phase onwards.

Next steps

The changes discussed above have huge potential to benefit both OEMs and consumers. They can satisfy the aspirations of today’s consumers and make life less stressful and more productive for all consumers. For OEMs, they can forge a lifelong connection with customers, not just increasing the likelihood that someone will repurchase the same brand of car but also promoting a mutually valuable relationship, with sales of complementary products and services, throughout the ownership phase.

However, these changes involve enormous and potentially risky change for the industry. The industry should be treating growth markets as incubators and test grounds for new ideas. These markets are ideal for this purpose because they are not burdened by history, and relish innovation. Consumers there already expect the buying model to be changing, and are receptive to trying out the latest ideas.

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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About Capgemini's Automotive practice

Capgemini's Automotive practice serves 14 of the world's 15 largest vehicle manufacturers and 12 of the 15 largest suppliers. More than 10,000 specialists generate value for automotive companies every day through global delivery capabilities and industry-specific service offerings across the value chain, with a particular focus on Connected Customer, Connected Vehicle, Connected Insights and Connected Operations

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People matter, results count.

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