

Online Automotive Retail – Customer desire for digital drives shift to buying vehicles completely online



To provide the next level of customer experience, OEMs and retailers in North America need new strategies, including online sales

Disruption is coming from new competitors and technology trends

The traditional franchised retail model is actively being challenged by competition from new entrants and by new technology as never before. The net effect is that customers have more choices than ever for learning about, shopping for, and buying vehicles.

Competition. Tesla has brought direct OEM to customer retail in more than half of the USA. Established companies from outside the sector, such as eBay, Amazon, and Google, have entered the automotive space and are leveraging the latest technology to provide an improved customer experience for the vehicle purchase, ownership, and service experience. Some established brands are redefining themselves, such as Edmunds and KBB which are offering new mobile shopping experiences,

and rich product and comparison data and are winning loyal customers in the process. Other new entrants such as TrueCar are winning and keeping customers thanks to price transparency and a brand message appealing to customers who desire a better digital car shopping experience. And more digital change is going to come. What is your plan to become truly digital for your customers?

Technology. Improvements in social media and mobile devices are defining the future of human-human and human-machine interactions. Customers today can access information anywhere, anytime. Meanwhile, traditional OEMs and retailers such as BMW, Volvo, and AutoNation are experimenting with technology solutions to streamline the online selling process.

Market transformation is underway

Trends like these are transforming the market, and the way customers behave. For 45% of in-market customers, sites such as Autotrader.com, Cars.com, and Autobytel.com are the first stop when researching vehicles (search engines are also important). These players' share of customers and associated advertising and sales revenue will increase.

It is not just research that happens online. Today, 50% of U.S. states allow direct OEM-to-customer sales. The traditional franchised operating model will continue to be the primary route to market for years to come, but parts of the industry are at risk

Five strategies the industry must adopt

- 1 Managing trust and complexity throughout the customer lifecycle
- 2 Customizing the value proposition
- 3 Creating an engaging digital experience
- 4 Redesigning the distribution network
- 5 Crafting an omnichannel brand management strategy

because of this market evolution combined with customers' desire for choice.

Post-sales behavior is also changing. During the vehicle warranty period, OEMs and dealers will continue to be the dominant forces. However, for post-warranty service, customers have many choices (primarily cost and convenience driven) from self-service using online information to independent aftermarket service outlets.

OEMs and retailers must provide the experience customers want

OEMs and retailers need to define strategies to turn these market and technology changes to their advantage. This requires an understanding of the experience that customers are looking for.

Customers increasingly demand a personalized, frictionless, immersive and easy-to-understand experience for shopping, purchasing, and service. While researching a purchase, customers want to understand all available options including new versus used vehicles, car sharing, incentives and rebates, and financing offers. Customers today rely on third-party sites for this information, but OEMs and dealers need to become an integral part of the research phase or risk losing customers.

OEMs and dealers must engage seamlessly with customers' digital lives. Advances in vehicle technology, including autonomous driving, will push OEMs and dealers to expand their digital capability. Researching, learning, and shopping will become completely virtual for many customers. The pervasive impact of digital on consumers is now bringing the industry to acknowledge the hours-long process of vehicle purchasing and paperwork is outdated and must be scrapped. A streamlined, fully digital experience, completed in less than an hour from start

Customers in North America have a preference for online platforms provided by OEMs and dealers¹



¹ Capgemini Cars Online Trend Study, November 2016
<https://www.capgemini-consulting.com/resources/cars-online-study>

to finish is what customers desire – and what they experience in many other facets of their digital lives.

The ownership experience, including after-sales service and the in-vehicle experience, must offer unique value propositions available nowhere else, other than the OEMs and retailers’ digital properties. Shopping, banking, and searching for, and buying anything must be an integral part of the in-vehicle channel.

Both OEMs and retailers can play major roles in creating this experience. Below, we make distinct recommendations for each group. However, the collaborative relationship between OEMs and retailers is vital for a truly frictionless digital experience. For example, OEMs need to work with dealers to offer a more seamless, engaging digital customer experience.

Recommended responses for OEMs

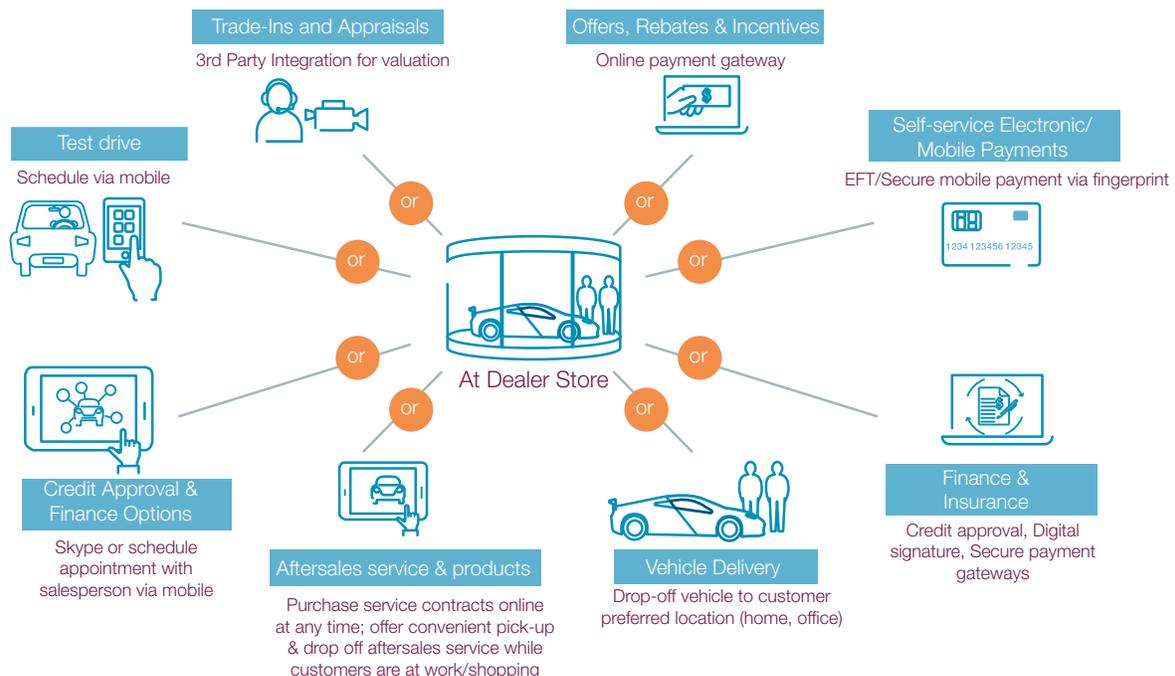
Interest and purchase phases: Customers increasingly rely on third parties but would prefer that OEMs expand their role to provide branded, integrated convenient shopping options. Examples where increased OEM-dealer collaboration can help are online quoting and price negotiation, credit approval and finance offers / payment estimators, customer-specific incentives and rebates. In addition, the ability to browse available accessories and service contract options tailored to the

customer and their specific vehicle, payment range, and profile are welcome. Specifically, customers want OEMs and dealers to play a greater, integrated role in the online purchase experience. OEMs, along with dealers and third parties, need to create and support a frictionless, seamless omnichannel experience for online vehicle purchasing, supporting a 100% online sales experience with options for pick-up or delivery of the vehicle. Many customers in the future may never visit a dealership to buy vehicle, but may prefer a boutique retail experience followed by online transaction.

Ownership phase: Customers are willing to stay with retailers for customer-paid maintenance and repairs, but expect OEMs to provide a digitized and seamless ownership experience, which includes the in-vehicle experience. OEMs should treat their ecosystem of connected vehicles as a channel for adding value to their customers’ digital lives through unique products and services, personalized to customer needs.

Security: OEMs, in collaboration with suppliers, must improve data security when communicating with vehicles and storing customer data. Improvements in this area will build customer trust and pave the way for the provision of services such as banking transactions, payments for insurance, tolls and parking, and sale of lifestyle products such as healthcare, food, and entertainment.

What the omnichannel experience might look like



Recommended responses for retailers

Interest phase: Dealers are a trusted source of factory information, but most customers arrive having already done significant research online via OEM websites or third-party sites, and have perhaps already chosen the vehicle they want to buy. Retailers should collaborate with OEMs to become more proactive about attracting customers, for example through experiential technologies such as virtual reality and pop-up retail locations.

Purchase phase: To combat aggressive third-party competition, retailers must increase the options they offer for online purchasing. They should provide a digitized and seamless purchase process, supporting a mostly online buying experience with everything from incentives to loan or lease, to state-required documents completed virtually rather than on paper. Technology should alleviate the pressure on customers to close a deal or accept add-on sales. Customers should be in control, using the channel of their choice.

Ownership phase: An important aspect of improving the customer experience is to build customers' trust. Retailers can do this, for example, by providing a better service experience that includes options for pick-up and drop off for all aftersales service; this will also improve retention by offering more convenient options to choose retailers as the preferred option for aftersales service.

Repurchase phase: When a customer is ready for repurchase, the retailer should provide transparency regarding inventory and pricing, and proactively recommend options based upon customer intelligence and new vehicle capabilities.

Conclusion

Automotive retail is shifting from a product-driven model to a model driven by customer experience and loyalty and mobility services offered by a trusted brand, in line with changing customer expectations about the dealership experience.

OEMs and retailers must transform today's retailer network into a profitable, modern sales and marketing channel that combines the vast opportunities of the internet of things (IoT) with an updated vision of traditional retail supporting clicks, bricks, and handshakes to meet customers' expectations.

For more details, please contact:

Dr. Anand Ramachandran

OEM Sector Leader, North America
anand.ramachandran@capgemini.com

Mathew Desmond

Practice Lead – Automotive, North America
mathew.desmond@capgemini.com



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