

CARS ONLINE 2015

# The Selfie Experience

The evolving behavior of the connected customer



# The Selfie Experience

Cars Online 2015

Throughout the lifecycle, customers want to be in the foreground of their own “selfie”. They expect individualization, flexibility and ongoing communication. These, together with innovation, are the key to market leadership.

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# Introduction

This report, the 16th annual edition of Cars Online, finds the automotive market generally in a positive mood. US sales are at levels not seen for over a decade, and Europe continues to recover momentum.

However, the industry knows there is no room for complacency. Sales in China are flattening, Brazil is struggling, and some countries like Russia are not in good shape. The industry continues to face disruption from changing customer expectations, rapid technological advances, and economic and political instability, plus the threat of new entrants such as technology companies.

To deal with this challenging situation, the industry needs a keen awareness of the mood of the global buying population. It is this awareness that Cars Online sets out to create.

## CUSTOMERS WANT TO BALANCE DIGITAL AND PHYSICAL

Our 2015 findings reinforce the importance of most of the digitalization trends we noted in 2014. In certain areas such as online purchase, however, it is more noticeable that consumers want to balance the digital and physical worlds. We believe there are two main reasons:

- Consumers are adjusting their expectations in line with reality. It is mostly impossible to buy a brand-new car online, for example. It will be a while longer before the industry is a seamless mix of bricks and clicks.
- Closer questioning reveals that even digital natives do not want exclusively digital interactions. Our analysis of the lifecycle shows that the interest phase is the one where digital activity is most intense. However, when it comes to purchase, ownership and repurchase, most people want several personal contacts and physical touchpoints – which means that dealers remain crucial to the selling process.

The preferred balance between the physical and the digital varies greatly with culture, age and experience. In general, the younger generation (18-34 years) has a stronger affinity than older customers with the web and the online world generally, as discussed in last year's report on "Generation Connected". A similar affinity characterizes growth markets, where the average buyer of a new car from one premium brand is in their mid-thirties, in contrast with the fifty-somethings who typically buy the same brand in mature markets.

## CUSTOMERS WANT THEIR INDIVIDUALITY TO BE RECOGNIZED

However, it is dangerous to generalize. Even younger customers in growth markets appreciate a personalized service at the right time, and some older customers in mature markets (particularly those buying premium brands) seem to do as much as possible online. Consumerization is leading people to expect an individualized experience where they are in control: With a big-ticket item such as a car, these expectations are heightened.

A recurring theme of this report is the need to get to know customers, in order to offer each individual a "selfie experience" with that individual firmly in the foreground. Customers now expect OEMs and dealers to respond to and complement what they want and know, via their preferred channel; they are no longer willing to fit around standard processes and offers. In addition, of course, they want to be able to switch between these physical and digital touchpoints seamlessly.

## CUSTOMERS WILL ALLOW OEMS AND DEALERS TO USE THEIR DATA

Providing the selfie experience depends on knowledge. Dealers and OEMs need to be able to access customer data in order to understand what they want. Fortunately, most customers are prepared to allow access to data, provided they know why it is needed. They demonstrate high levels of trust in OEMs, in particular.

Once this data is available, personalization can often be achieved automatically – for example, through today's more subtle and fine-grained approaches to segmentation. Therefore, the selfie experience does not have to add hugely to OEMs' or dealers' costs, provided the right analytical technology and the right business models are there.

**The richness of this year's findings reflects participants' generosity in sharing their detailed opinions and experience with us – we are very grateful to them. We're confident that the results will help OEMs, dealers and other automotive industry players to refine their understanding of consumers' evolving preferences and expectations. Meeting these preferences and expectations is, more than ever, critical to success in this dynamic industry.**

# Executive Summary

Just as the phone has evolved first into a camera and now into a “selfie device”, consumers have evolved into wanting a more personalized and self-centered experience – to be treated as a segment of one. This means that customers also expect seamless communication over all channels, including both physical and digital touchpoints.

To flesh out that picture, here are some of the top insights from this year’s survey of over 7,500 consumers worldwide.

## CUSTOMERS WANT A SEAMLESS EXPERIENCE ACROSS THE LIFECYCLE

**1 New entrants are a real threat.** One-half of customers are interested in buying a car from a tech company like Apple or Google. This is true even of customers who are satisfied with their current brand and dealer experience. It is particularly true of young customers (65%) and those in growth markets (China: 74%; India: 81%).

**2 Customers expect more and more from OEMs and dealers.** When they’re talking to a dealer about buying a car, they value technical expertise rather than a pure sales approach. Customers also expect more and better communications during the period between purchase and delivery – most would like to be contacted at least weekly. In addition, around 58% want to be able to modify purchases (e.g. to add accessories) after placing an initial order. Customers do not understand why they cannot make these adjustments.

**3 During ownership, customers want more and better contacts.** They want more explanations about (for example) technology and how to use it, together with offers that are relevant to them. They are open to sharing their data, but want to know how it’s being used: 99% of customers who feel very informed about usage of their data say they are satisfied. However, a surprising number of people – as many as 37% in mature markets – say they have not been contacted at all by their dealer or manufacturer during the last year.

**4 Satisfaction is not enough.** When it comes to repurchase, high levels of satisfaction are needed to create strong feelings of loyalty towards a manufacturer or dealer. About 87% of very satisfied customers would purchase the same brand again, and 85% would buy from the same dealer. On the other hand, those customers who are only moderately satisfied are not particularly loyal. It is not news that customers today need to be delighted, rather than just satisfied, but the industry now needs to find new ways to achieve that delight, rather than rely on methods that worked in earlier decades.

## OEMs CAN USE INNOVATION TO STRENGTHEN THEIR POSITION

**5 Interest in connected vehicles is high.** Around 47% of car owners say that they already use connectivity features, or would like to do so with their next car. Owners of volume brands are just as enthusiastic about using these features, even though they are currently more associated with premium brands. Once again, customers are often willing to share the data needed to provide connectivity services, provided they are convinced of the necessity and benefits. Around 80% of interested customers say they would share data under the right conditions. At present, many customers have serious concerns about data security and privacy in relation to connected vehicles. The trust that customers place in OEMs will be important in overcoming this obstacle. Even in countries like India and the US, where there is high affinity for IT, OEMs have a higher trust rating than technology companies.

**6 People are willing to pay significant amounts for autonomous driving.** Around 79% of respondents across all markets express interest, and 80% of these would pay a higher price, with 65% accepting a medium or high price increase. Interest is significantly higher in growth markets (95%) than in mature markets (68%), and for younger customers (89%) than for older (63%). Customers generally see the positives (such as stress reduction and safety) as greatly outweighing the negatives. They expect to have access to autonomous driving in the near future: In growth markets, 73% of respondents expect it to be available in the next five years (43% in mature markets).

**7 Mobility services complement car ownership – they don’t replace it.** Over 70% of those who are interested in using mobility services also want to own a car. Importantly, brand influences choice of mobility services for 62% of respondents (83% in growth markets). Using a car as part of a car sharing scheme, for example, can be a great opportunity for customers to become familiar with different brands and vehicles – particularly in big cities, where there are especially high levels of interest in mobility services. In cities in mature markets with over 500,000 inhabitants, 22% of respondents are willing to use car sharing, for example, compared with 13% in rural areas.

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# RESPONDENT COUNTRIES

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UNITED STATES



UNITED KINGDOM



GERMANY



FRANCE



BRAZIL





MATURE  
MARKETSGROWTH  
MARKETS

CHINA



INDIA



## About Cars Online 2015

This year, 7,553 consumers participated in our annual Cars Online survey. All respondents were “in-market”, planning to buy or lease a car in the next 12 months. Around 80% said they would be purchasing or leasing a new car, and 15% were in the market for a used car; 5% had still to decide whether to buy a new or used car.

Countries represented were Brazil, China, France, Germany, India, the United Kingdom (UK), and the United States (US).

Capgemini worked with FreshMinds, an insight and innovation consultancy, to conduct this survey. All analysis and interpretation of the data was done by Capgemini. The research was conducted in June 2015.

# The Customer Lifecycle

In the first four chapters of this report, we look at current trends in each of the four phases of the customer lifecycle: interest, purchase, ownership and repurchase.

Our survey respondents paint a consistent picture of the service they want at each stage: a type of service that fits our concept of the customer firmly in the foreground, with OEMs and dealers adapting to their needs rather than vice versa.

Another theme of our findings is that of expectations converging with reality. Customers now realize that a fully digital experience is not going to happen tomorrow – nor do they necessarily want one. Particularly in the interest phase, but throughout the cycle, customers are looking for a physical experience – one with a personal touch that acknowledges their individuality – to complement their digital experience.



# INTEREST PHASE

When customers are researching a major purchase like a car, they naturally expect the experience to be at least as streamlined, and as personalized, as when shopping for low-cost consumer items. They want to help themselves to information, but also to get personalized help. In other words, they want digital service with a human touch.

That means dealers continue to play a key role in the buying process. Customers want to see the product, and have personalized contact, before making a decision. The emphasis is very much on advice: Today's visitor to a dealer showroom has typically done several months' research already, and now needs a product expert rather than a salesperson.

When they switch between digital and physical information channels, customers expect seamless transitions. For example, if someone uses an online configurator and later visits a dealer, the salesperson should know what the configurator has been "told".

If customers do not get the response they expect, in the right timeframe, their reaction can be extreme. In their disappointment, they will often look for another dealer – and, in some markets, are very likely to switch to another brand.

Customers' delight in individualized experiences is reflected in the continuing rise of social media – a plentiful source of personalized, localized advice. Social conversations are especially influential in growth markets. OEMs and dealers need to get more involved, learning from other sectors such as retail that are already engaged in social listening and intervention. Otherwise, they risk missing an important opportunity to enhance customer experience and influence purchases.

## CUSTOMERS WANT THE RIGHT INFORMATION AT THE RIGHT TIME – AND SEAMLESSLY

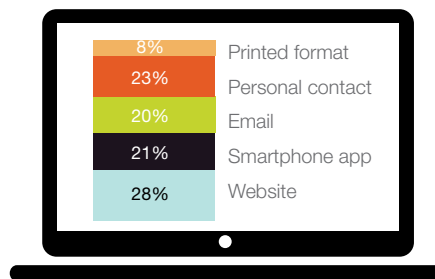
Customers demonstrate a wide variety of individual needs and preferences when they are searching for information. As a rule, however, they want to be able to use a variety of physical and digital channels to find information, switching seamlessly between them, and carrying forward what they have already done.

What specific channels do customers prefer? Customers in all geographies and demographics want to be able to view or request product information via websites and email. Growth markets show the strongest focus on online channels, with a lot of reliance on smartphone apps and social media – in China, customers give smartphone apps and personal contact almost equal importance as information sources.

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### Preferred information channels in China

FIGURE 1

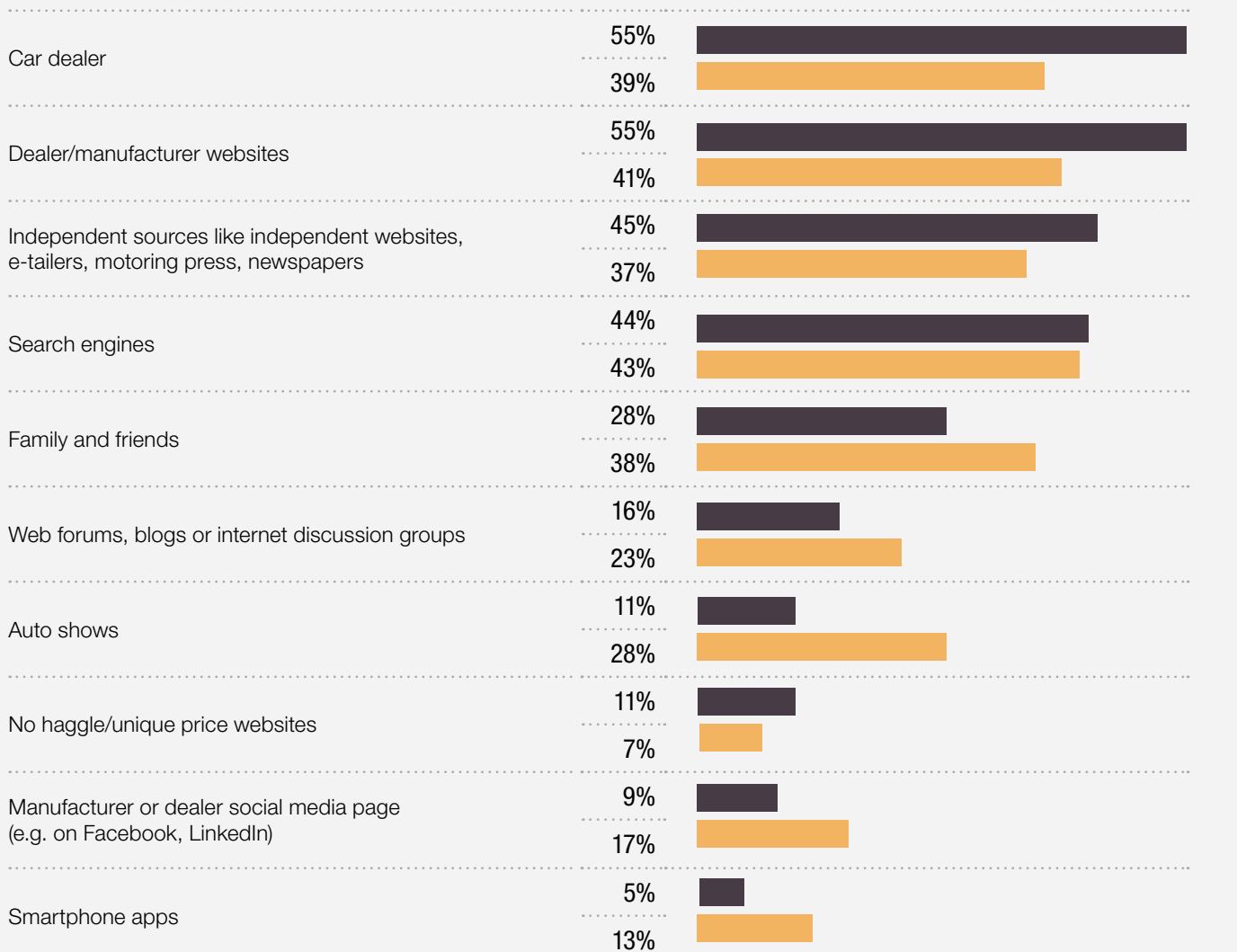


Source: Capgemini

I was already keen to buy this model and just wanted more information from the dealer – instead I got a hard sell, which put me right off.

## Most important information sources

FIGURE 2



Source: Capgemini

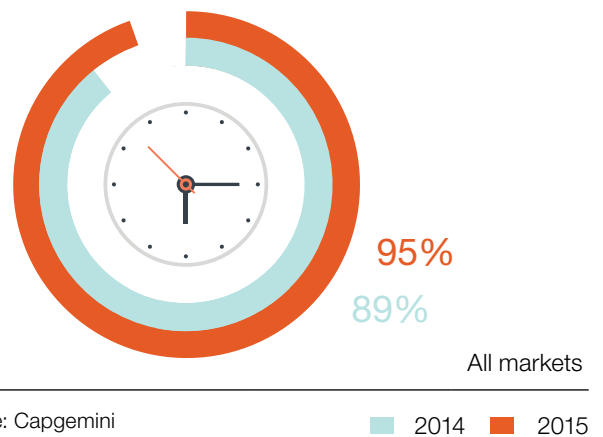
■ Mature ■ Growth

In general, customers from growth markets, and younger ones, use a wider variety of channels for their information search. In mature markets, dealers' and manufacturers' websites, along with dealers themselves, are the primary information sources (both used by 55%). Customers in growth markets use these sources too, but also rely on independent sources, search engines, and family and friends – in growth markets all of these are equally important, ranked in the top three by 37-43% of respondents.

Despite these variations, customers in all geographies and demographics agree on one thing: When they request information, they want a fast response. As many as 69% of those in growth markets want a response within four hours – and so do 49% of those in mature markets. Across all markets, customers' expectation of getting a response within 24 hours (at the latest) has increased to 95% (2014: 89%).

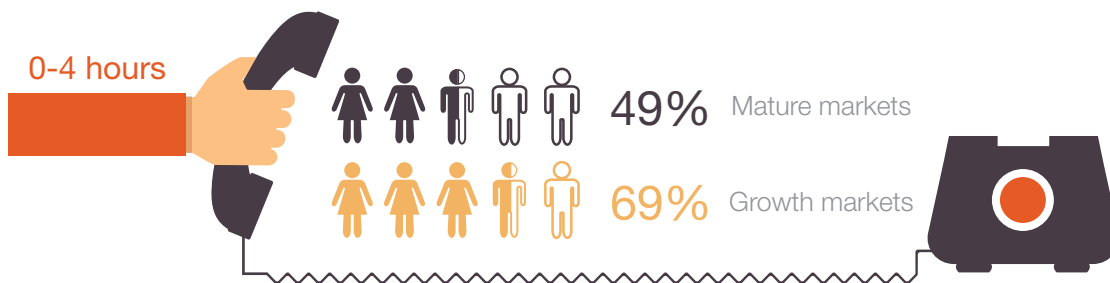
### Expectation of getting a response within 24 hours

FIGURE 3



### Expected response time for information requests

FIGURE 4



Source: Capgemini



### **XIANG PLANS TO BUY A NEW CAR**

He's interested in a specific premium brand, and researches models via the OEM's website and iPhone app. He also uses his social media platform, Sina Weibo, to get recommendations from friends.

Still unsure what to buy, Xiang emails a local dealer, asking for specific information on a couple of models. Xiang expects an instant, personal response, but instead he receives a printed brand magazine through the post. Xiang becomes disgruntled with the whole brand, and tells his online friends why.

Meanwhile, another OEM is carrying out "social listening", and passes the lead to a local dealer. This dealer sends Xiang an email pointing out a model that meets his needs and inviting him to a nearby showroom. Xiang decides to buy a car from this proactive OEM instead of his original choice.

It is important to realize just how strongly customers can react if they do not get the response that they expect, in the timeframe that they want. This is especially true in growth markets. In China, as many as 43% of respondents say they will look for another brand if the response takes too long or is of poor quality, while another 35% will look for another dealer.

### THE INDUSTRY NEEDS TO JOIN THE SOCIAL CONVERSATION

An extremely important factor in the interest phase is social media, though here the differences between markets are immense. For example, in growth markets, customers are highly likely to say that they are influenced by positive social media comments (China 79%; India 81%), whereas customers in mature markets are much less so (30-40%).

The willingness of customers to participate actively in social media also continues to increase. Across all markets, 57% are likely to post about their car-buying experience (2014: 48%). Again, this form of customer-to-customer communication is especially popular in growth markets (76-88%) compared to the mature markets (32-46%).

Dealers and OEMs need to take note of this increased level of social activity so that they can manage the risks of reputational damage and take advantage of the opportunities. Participating in the social conversation is also a valuable way to understand the interests and needs of individuals – a prerequisite for satisfying today's selfie-minded customers.

Consequences of a slow or poor-quality response to a request for information

FIGURE 5



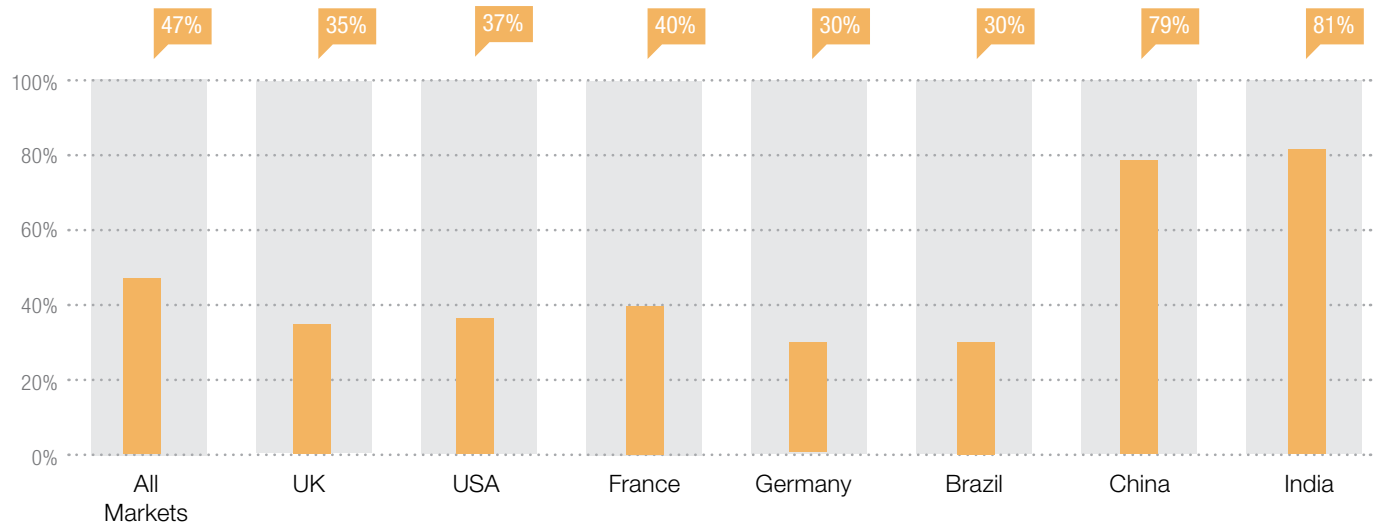
Source: Capgemini

It's important to me to listen to the opinions of friends and family about what car I should get. These days, the easiest way to get those opinions is via my Facebook page.



## Likelihood of being influenced by positive comments on social media

FIGURE 6

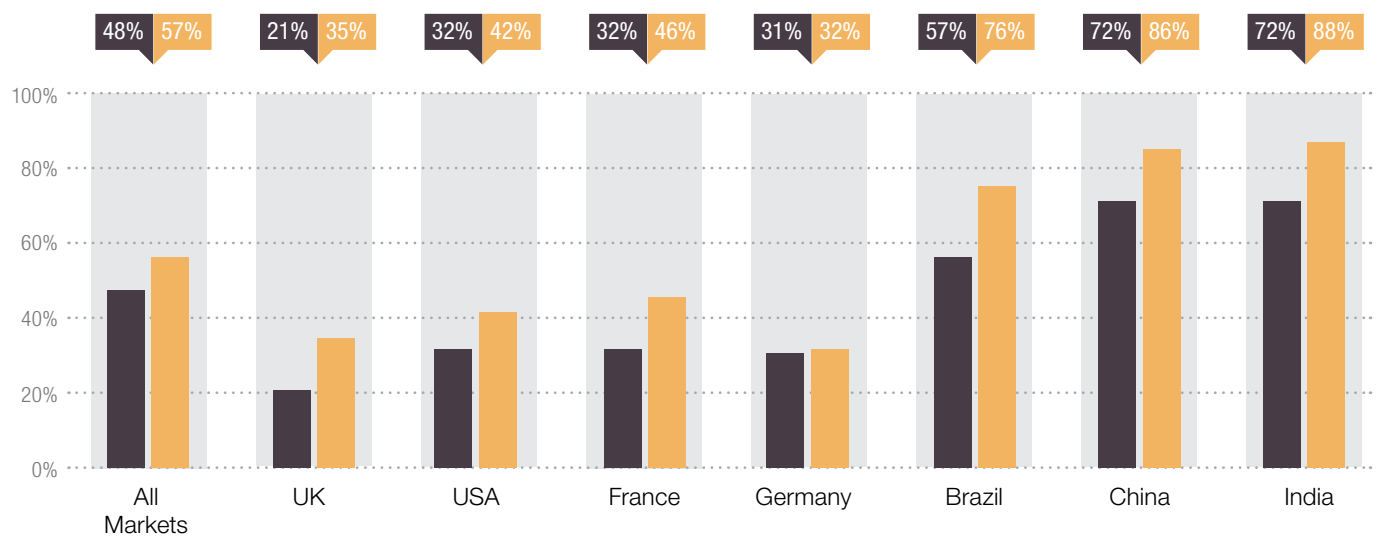


Source: Capgemini

2015

## Percentage posting on social media about their car, buying process, dealer, brand etc.

FIGURE 7



Source: Capgemini

2014 2015

# PURCHASE PHASE

We've seen that in the interest phase, individual customers' preferred balance between physical and virtual contacts varies widely. The same is true in the purchase phase, but nonetheless the dealer remains the major touchpoint for reaching a final decision. Very few people want to buy a car without seeing and experiencing it. For the purchase of a new car, a dealership is usually the only realistic option.

That means dealers continue to play a key role in the buying process. When customers contact dealers via any channel, it's important to understand that they are looking primarily for product experts, and only secondarily for sales staff.

Customers' expectations about advice and help do not end with the signing of the purchase contract. Beyond that point, they still value proactive communication from both dealers and OEMs. Until the car is finally delivered, many customers would also like to be able to adjust the configuration of their vehicle, and are open to additional spending on upgrades, options and accessories.

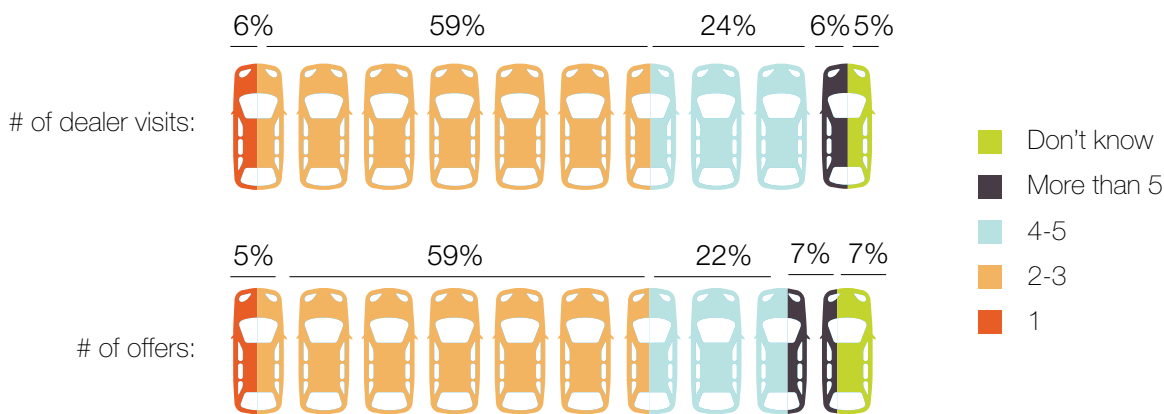
Today's customer expectations are not yet being fully satisfied – a fact that gives cause for concern but also points to opportunities. OEMs and dealers can gain competitive advantage by providing the seamless, individualized and interactive journey that customers crave. Integration across digital and physical touchpoints between OEMs and dealers will therefore be required in order to ensure consistent, personalized communication.

## DEALERS CONTINUE TO PLAY A KEY ROLE

Regardless of an individual's preferences between physical and digital channels, there will almost always be direct interaction with a dealer at some point. The vast majority (95%) of all customers will visit a dealership during the interest and purchase phases, and 89% will visit more than one. Nearly the same proportion, 88%, expect to consider more than one offer before they decide on a purchase.

Number of dealers customers plan to visit, and number of offers they plan to consider, before buying or leasing a car.

FIGURE 8

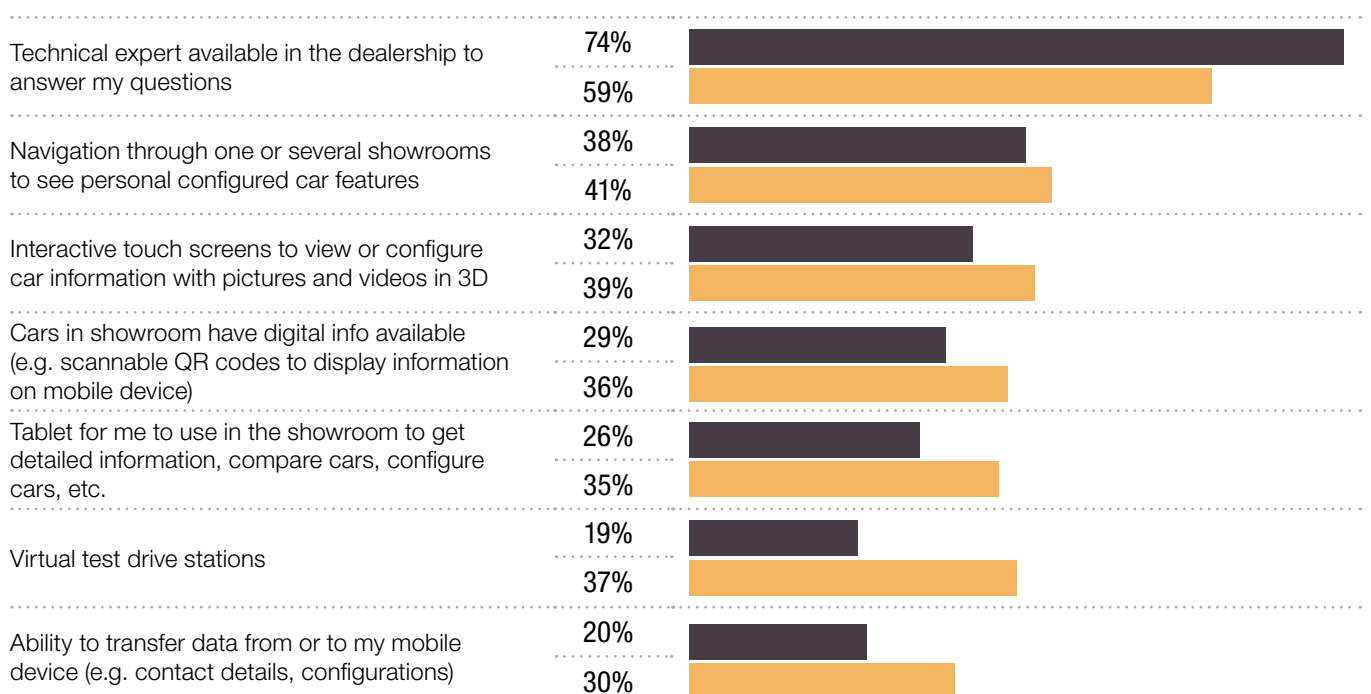


All markets

Source: Capgemini

## What customers await in car showrooms in the pre-purchase period

FIGURE 9



Source: Capgemini

 Mature
  Growth

When I visit a dealership, I want the dealer to know about the work I've already done configuring my car online – and when I look online, I should be able to see what I've agreed with the dealer.

Visiting a dealer involves a wide range of activities. The most important aspects are the classic ones: getting additional, detailed information on the car (41%), getting to know the car physically (67%), and negotiating the price (53%). In addition, customers want test drives (64%), and these are usually provided by dealers, in mature markets at least.

In the future, however, there will be new business models for providing physical experience of the car. Already, many people in growth markets and younger customers are open to alternative ways of getting to know a car, such as car sharing or rental.

Whatever the specifics of their visits, customers have strong expectations about what dealers should provide. As in the interest phase, technical expertise is valued (74% of those in mature markets want this), but so are other options like seeing cars that are configured to their personal requirements, and using interactive touch screens to view or configure cars in 3D.

More than one third of the study participants say they are willing to purchase a car online. Those in China (60%) and India (57%) are particularly keen to do this. Top reasons include the prospects of discounts, ability to buy models not available locally, and the timesaving potential.

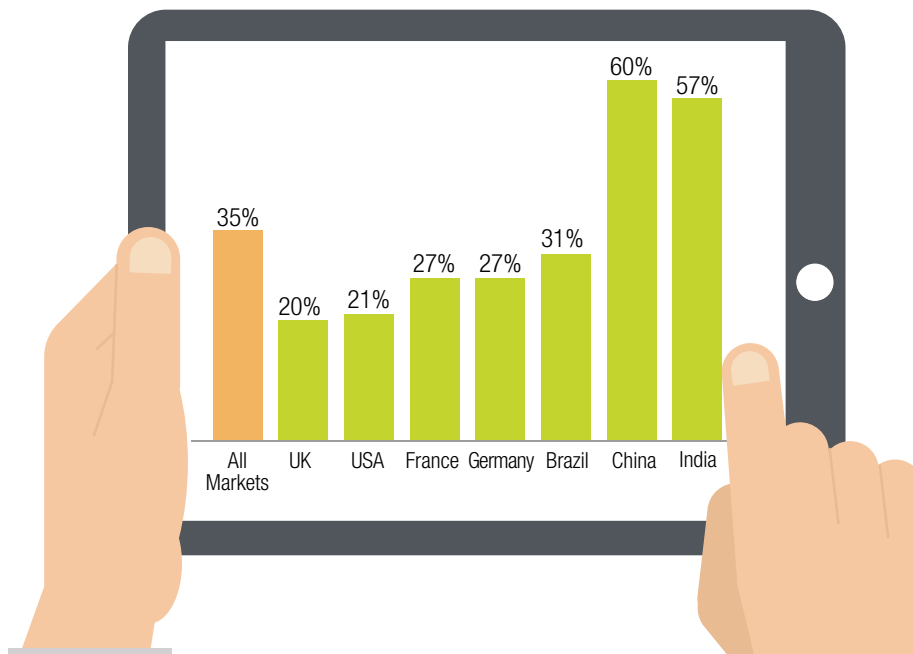
However, this option is rarely available for new cars. There is evidence that customers are realizing this and adjusting their expectations in line with reality.

If online purchasing does become widespread, OEMs and dealers will again need to align the physical and digital shopping experience. “Seamless” is a key word here. Customers must be able to complete the purchase with configuration choices they have already made in a showroom used as default values on an online purchase screen.



## Percentage of customers willing to buy online

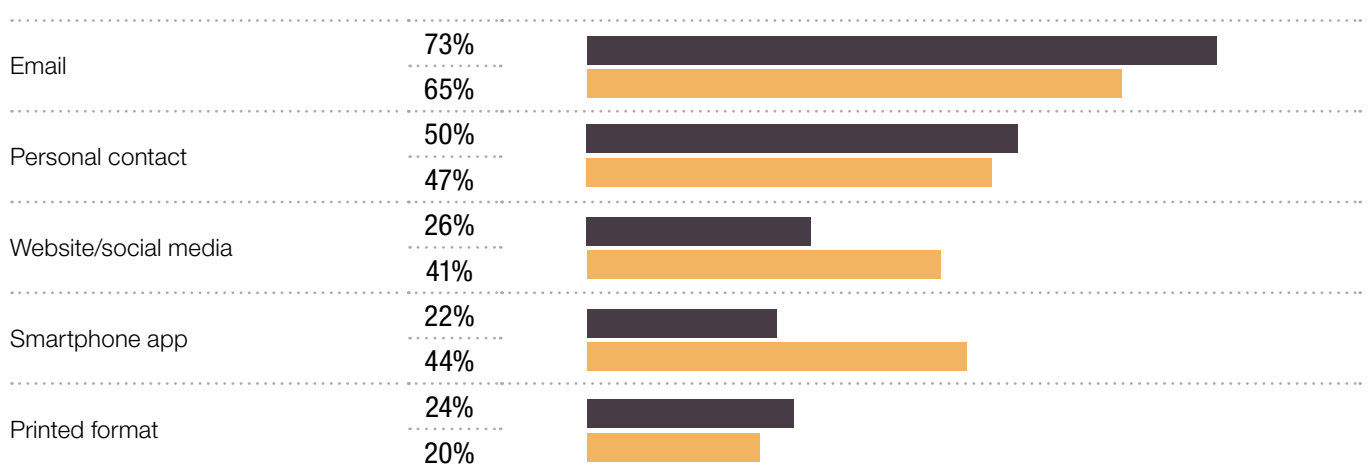
FIGURE 10



Source: Capgemini

## Communication channel preferences: mature versus growth markets

FIGURE 11



Source: Capgemini

 Mature
  Growth

## HUNGER FOR COMMUNICATION CONTINUES THROUGHOUT THE PURCHASE PHASE

Most customers want to stay in contact with their dealer or OEM around the time they make a purchase – and across all markets, the majority of customers (66%-71%) say that email is their preferred communication channel.

Interest in other digital channels such as smartphone apps and social media platforms varies. Younger customers and those in growth markets are especially interested. In China 53-59% of customers use smartphone apps for communication, whereas in France the proportion is much lower (19-25%).

However much they like online channels, all customers, including younger ones, value personal contact. The key

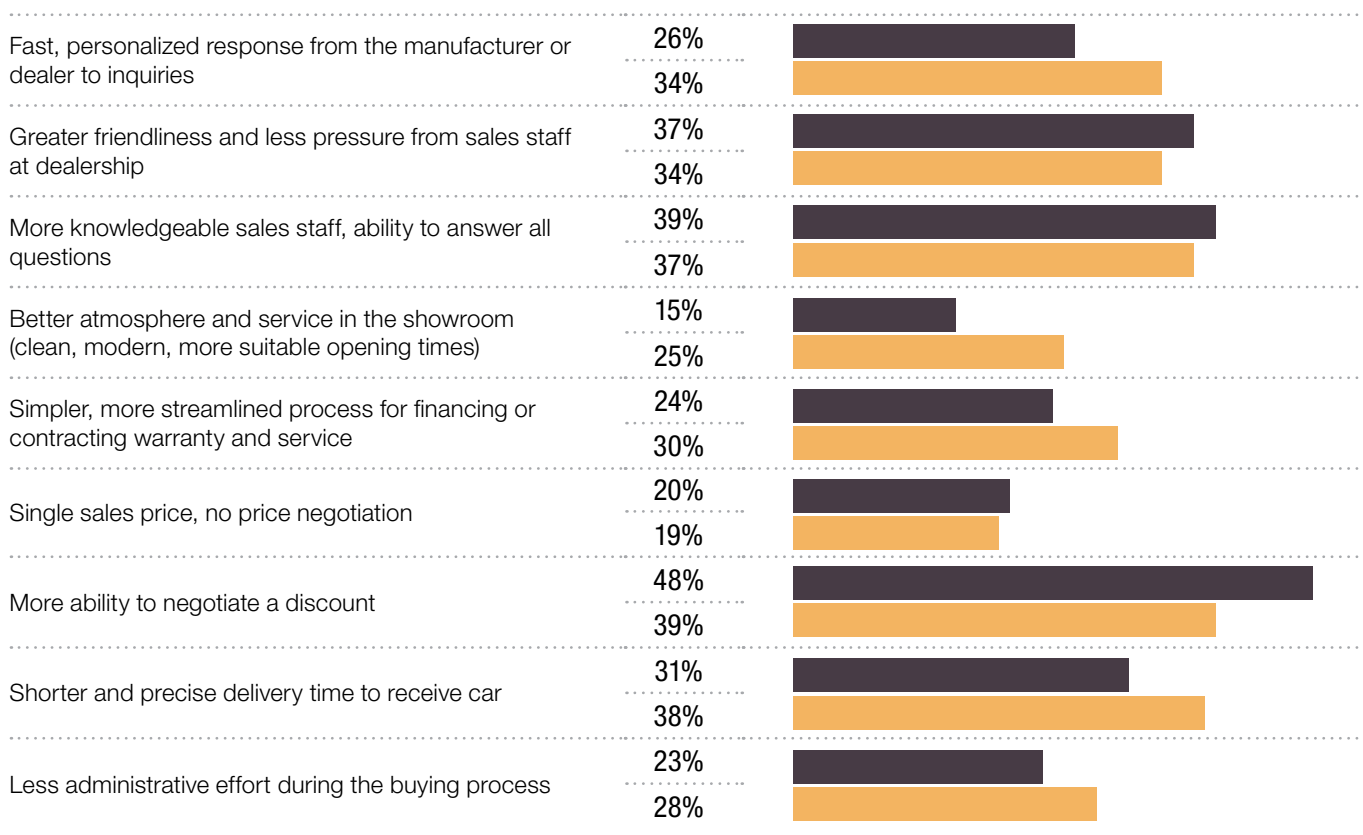
satisfaction drivers remain fast, personalized responses plus highly knowledgeable experts at the dealerships.

It's vital that the dialog between the customer and the dealer or OEM continues beyond the signing of the contract. Across all markets, 68% of customers want to be kept informed frequently, especially with delivery updates – three-quarters of them at least weekly. Email is by far the preferred medium (53%). Communication in printed format is unwanted here; it is mentioned by only 2% of interested customers.

It is not just information that customers look for while they are waiting for delivery of their car. Around 58% of them would also like the option of adjusting their order, for example by adding accessories. This is a dealer opportunity – and a neglected one.

## Levers for satisfaction in the buying process: mature versus growth markets

FIGURE 12



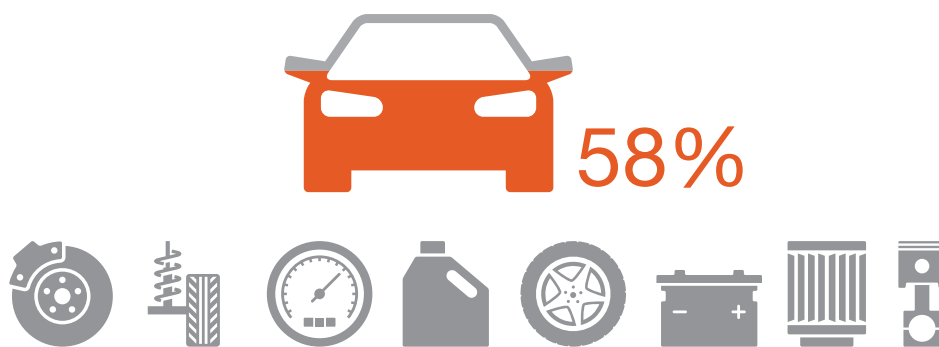
Source: Capgemini

■ Mature ■ Growth

One week before delivery of my new car, the dealer emailed me to say winter tires were on sale – something I'd missed. We agreed a new package price to include them.

Percentage of customers wanting to make post-purchase order adjustments

FIGURE 13



Source: Capgemini



#### ANYA IS UNDECIDED ABOUT HER NEW CAR

She's used online configurators to personalize two models from different manufacturers. Now she visits two dealerships to see the cars and have a test drive.

The first dealer is expecting her. She's met by a salesperson who knows the configuration she picked online. He answers her technical questions and invites her to a test drive to try out the car and all her chosen features. However, when she visits the second dealer, the salesperson doesn't know her earlier choices.

Anya can't be bothered to explain what she wants all over again – she returns to the first dealer to finalize the deal.

# OWNERSHIP PHASE

During the purchase, customers usually exchange a lot of information with the OEM and dealer. In the ownership phase, it is only reasonable that the customers expect to stay in touch, and feel let down if this does not happen.

Customers would like to be kept informed about newly available features or services for their car – particularly those that match the needs and preferences they have shared with the OEM or the dealer. When it comes to regular services, customers want OEMs and dealers to make the experience as comfortable and hassle-free as possible.

By staying in touch and making customers feel understood and valued as individuals, OEMs and dealers have

an opportunity to build long-term loyalty – a key factor in the next car purchase, and an opportunity that is often neglected today.

For dealers, these contacts are an opportunity to increase service revenue. For OEMs, new communication channels create a valuable chance to establish a more direct dialog with customers than has been possible in the past.

For example, OEMs are ideally placed to offer software updates throughout the life of the car. They can also offer help in connecting and integrating devices and services: the car, apps, the ownership portal, the loyalty program, mobility services... (The “Mercedes me” initiative aims to satisfy this type of demand.)

## CUSTOMERS WANT REGULAR, INDIVIDUALIZED COMMUNICATION

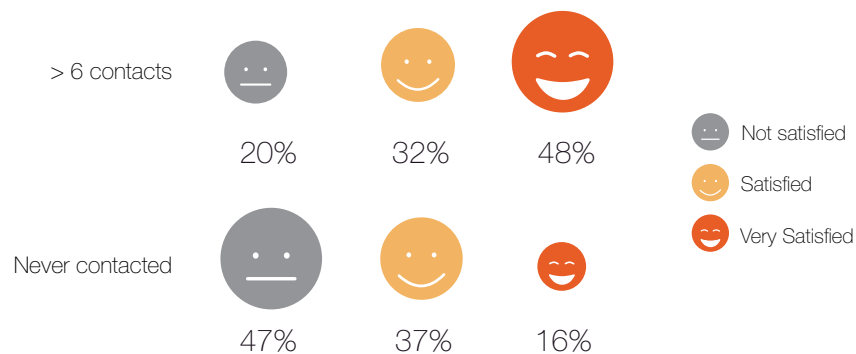
OEMs and dealers can influence customers’ loyalty by giving them a selfie experience – putting them and their interests in the foreground. Fortunately, customers’ major interests broadly correspond with OEM or dealer core services.

The main challenge is to make offers that will please each individual customer. Once again, communication is key. Our findings show a strong correlation between regular contact and satisfaction with the dealer or manufacturer. Around 80% of all car owners contacted regularly (1-6 times a year) feel satisfied or very satisfied. Provided the contacts are of the right kind, the more contacts the better. About 48% of car owners contacted more than six times a year feel very satisfied.

Given that communication is so important to customers, it is surprising that many respondents – as many as 37% in mature markets – say they have not been contacted at all by their dealer or manufacturer during the last year.

## The relationship between contact and customer satisfaction

FIGURE 14



All markets

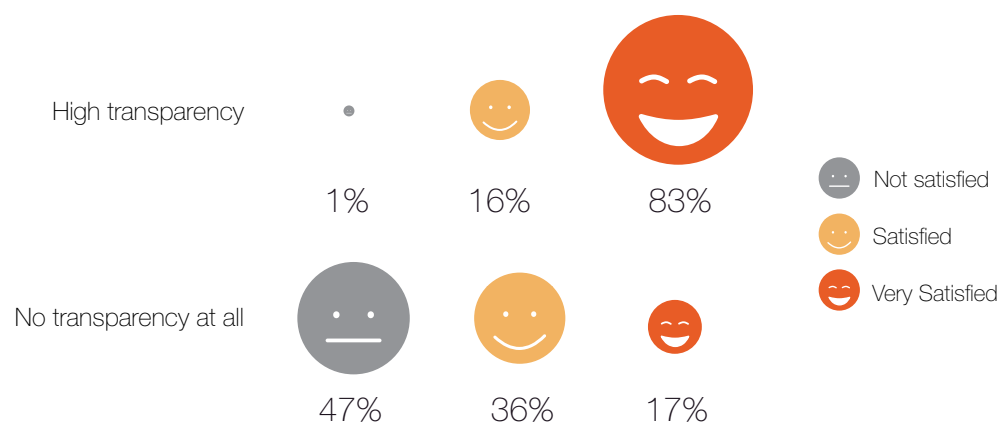
Source: Capgemini



I'm happy for my dealer to use what they know about me to send me the offers that I want – it saves me time and money. I wouldn't have given permission if they hadn't explained what they were going to do with my information, though.

## The relationship between transparency around data use and customer satisfaction

FIGURE 15



All markets

Source: Capgemini

This suggests a huge opportunity for dealers and OEMs. Proactively contacting customers with relevant and individualized offers and information is a straightforward and reliable way to increase customer satisfaction, and hence loyalty.

The critical area of data transparency is also strongly correlated with customer satisfaction. Of those customers who feel uninformed or poorly informed about the usage of their data by their dealer or OEM, only 53-58% feel satisfied. By contrast, out of the customers who feel very informed about usage of their data, 99% are satisfied, and 83% even very satisfied.

### GETTING SERVICE SHOULD BE A POSITIVE EXPERIENCE

Needing service can be an annoyance. For one thing, the car cannot be used for a while. For another, arranging the service can be a hassle.

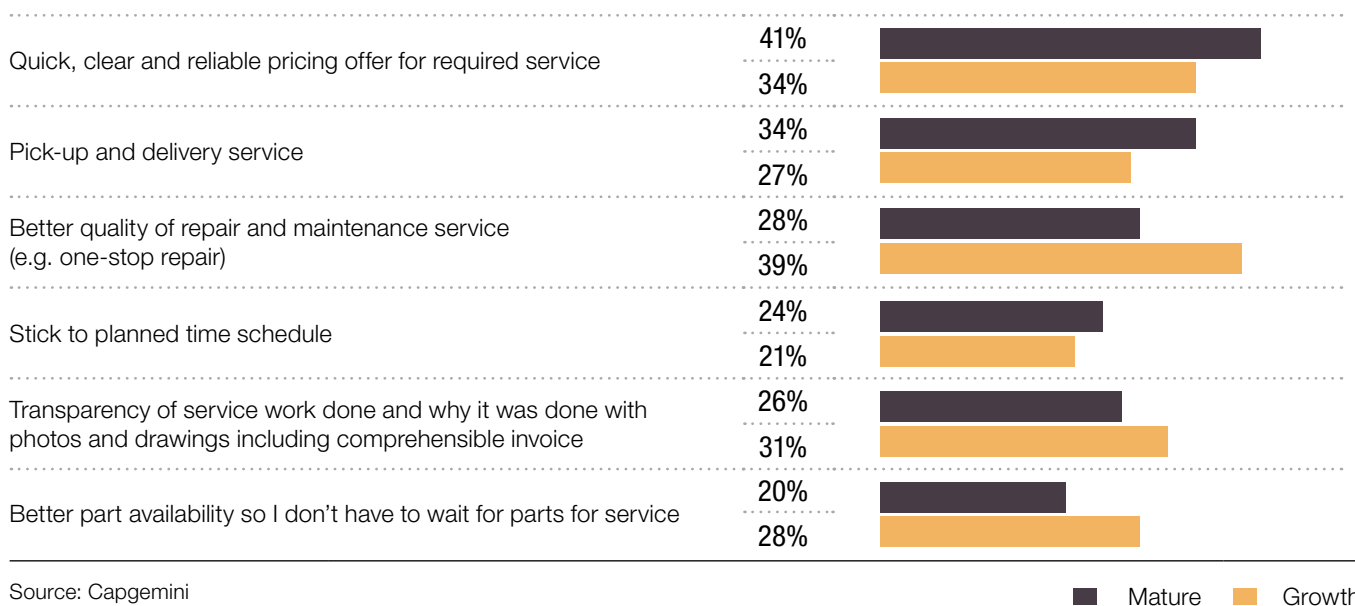
Dealers and OEMs can change all this into a positive experience, however. Our survey provides pointers as to how to do this:

- Avoid unpleasant surprises. About 38% of all respondents rank quick, clear and reliable pricing as one of the most important factors in improving the car service experience.
- Make sure the work is done properly. The quality of repair and maintenance work is ranked by 32% as one of the most important factors. In growth markets this factor is ranked in the top three by 39% of respondents.
- Increasing the comfort of a customer, for example by offering a pick-up and delivery service, is also very welcome (31%).
- Around 28% of all respondents rank transparency of service work, including a comprehensible invoice, at the top of their wish list.

Not only was my car collected from my home and brought back after servicing – I also got a voucher for car sharing so I could still get around and also try out a newer model. I loved that.

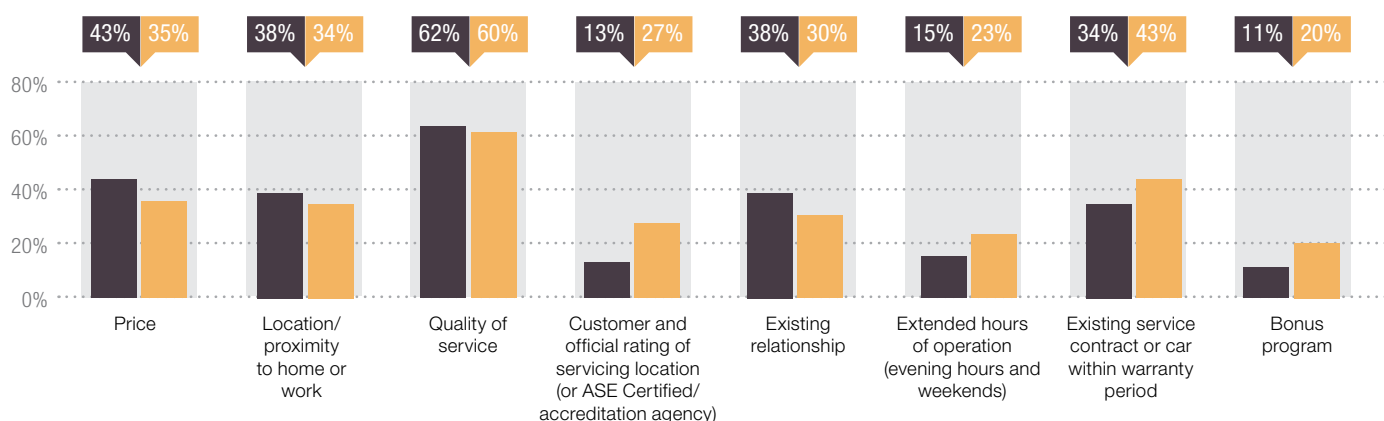
## Factors that improve the service experience

FIGURE 16



## Top three reasons for choosing a service location

FIGURE 17



Source: Capgemini

■ Mature ■ Growth

As always, there is an opportunity to build stronger customer relationships by finding out what will delight individual customers. For example, 45% of car owners appreciate “comfort services” such as having a mechanic come to their home for small repairs; 48% like to have services done in a way that does not need any involvement from them.

Knowing what each individual likes or dislikes makes it possible to provide a positive experience that will make customers value the relationship and increase their loyalty.

As for the selection of a service location, customers’ trust in service quality is by far the biggest factor (ranked among the top three factors by 61% of all respondents). Price is also important, especially in mature markets (43%), but even there it is only in second position. In growth markets, the relevance of customer and official ratings of a service location is among the top three factors for 27% of the respondents: nearly as high as existing relationships to a service location (30%).

All this should be of particular interest to brand dealers, who currently are seen by only 58% of respondents as the main service location. By getting to know their customers better, the dealers can easily improve on this performance.

Customers in growth markets are still keen to buy parts and accessories online, although those in mature markets are less so. Transaction speed and a wider selection of parts, along with lower price, are the main attractions for those in growth markets. There is an increasing sales opportunity for those who can meet these expectations.

### DENNIS JUST BOUGHT A NEW CAR

The day his new car is delivered, he receives an online welcome pack from the manufacturer, with an invitation to record his preferences regarding future contacts and offers using a portal. As he gets to know his car, he receives regular tips, offers and updates via his smartphone app – his preferred means of contact.

The app also arranges all his services for him. It tells him when each service is due and confirms the arrangements. Better still, whenever he books the car in for service, the manager already has the full service history to hand, and so there’s no paperwork.



# REPURCHASE PHASE

The moment when a customer decides to replace a car is the supreme test of how well the OEM and dealer have met expectations up to that point. Recently, the risk of defection has been increased by the prospect of technology companies like Google and Apple entering the automotive market. In the future, customers might well be able to choose not only between different OEMs, but also between OEMs and technology companies – new entrants who are alluring to many customers.

The relationship between high satisfaction with an OEM or dealer and a decision to repurchase the same brand is not surprising in itself, but it is surprisingly complex. Satisfaction has different effects on loyalty to an OEM and on loyalty to a dealer. A customer who is less satisfied seems inclined to blame the dealer rather than the brand.

Being just reasonably satisfied is not enough to build loyalty, but delighted customers are usually strongly loyal to both dealers and OEMs. Today's consumers seem to take satisfaction as a minimum acceptable standard, and demand a lot more from the relationship than was expected in the past.

Closely related to loyalty is the concept of trust. Although many customers are obviously attracted to the idea of buying their next car from technology companies, OEMs may have an advantage when it comes to customer trust, as we shall see in our discussion of connected vehicles.

In this challenging environment, OEMs and dealers have everything to gain by maximizing customer satisfaction. They should provide personalized, customer-centric communication and service offers – right up until the point of repurchase.

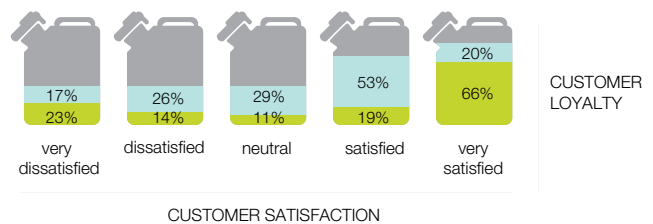
## LOYALTY IS HOT PROPERTY, AND SATISFACTION IS A KEY TO IT

About two out of three (67%) respondents say they are likely to stay with the same brand when buying their next car; 58% intend to stay with the same dealer. Good news at first sight – but it means that a sizeable minority does not plan to purchase again from the same brand (33%) or dealer (42%).

It is hard to generalize about the reasons for this picture. Loyalty varies with markets and customer age group. In growth markets, 67% of customers feel loyal to their dealer, compared with 53% in mature markets. It is noteworthy that young car buyers are more loyal to their dealers (64%) than older ones (54%).

### The relationship between customers' satisfaction and their loyalty to a brand

FIGURE 18



All markets

Source: Capgemini ■ Not loyal ■ Loyal ■ Very loyal

I'm not really impressed with the customer service since I bought my car, but it's still a great car. When I come to replace it, I'll probably get a newer model from the same brand – and I might check out that new dealership that opened up on the other side of town.

## The relationship between customers' satisfaction and their loyalty to a dealer

FIGURE 19



All markets

Source: Capgemini ■ Not loyal ■ Loyal ■ Very loyal

It seems to me that high-tech cars – such as those that drive themselves – are more about software than mechanics. I'm excited by those concepts, and to me it makes sense to consider buying from the likes of Google or Apple. These companies are the ones who really know about software.

Despite these variations, there is clear evidence that high customer satisfaction dramatically increases loyalty, while moderate satisfaction has little impact. Customers' willingness to repurchase the same brand ranges from 40% (not satisfied at all) to 87% (very satisfied).

When it comes to loyalty to dealers, the correlation with customer satisfaction is dramatically higher. Customers' willingness to buy their next car from the same dealer ranges from just 10% (not satisfied at all) up to 85% (very satisfied).

### WILL CUSTOMERS BUY FROM TECHNOLOGY COMPANIES?

Apart from their loyalty to individual OEMs and dealers, it is interesting to consider how loyal customers are to the industry as a whole. The answer is "Not very", particularly if they are young or live in growth markets.

Our findings show that if technology companies started producing cars, as many as 49% of consumers would be willing to switch from their current brand – a big leap of faith. Our hypothesis is that this willingness can be explained by two factors: First, consumers know that software is central to the latest cars, and second, technology companies are often seen as more customer-centric.

While customers across all markets express significant interest in purchasing an Apple or Google vehicle, young customers (65%) and those in growth markets (China: 74%; India: 81%) are most likely to do so.

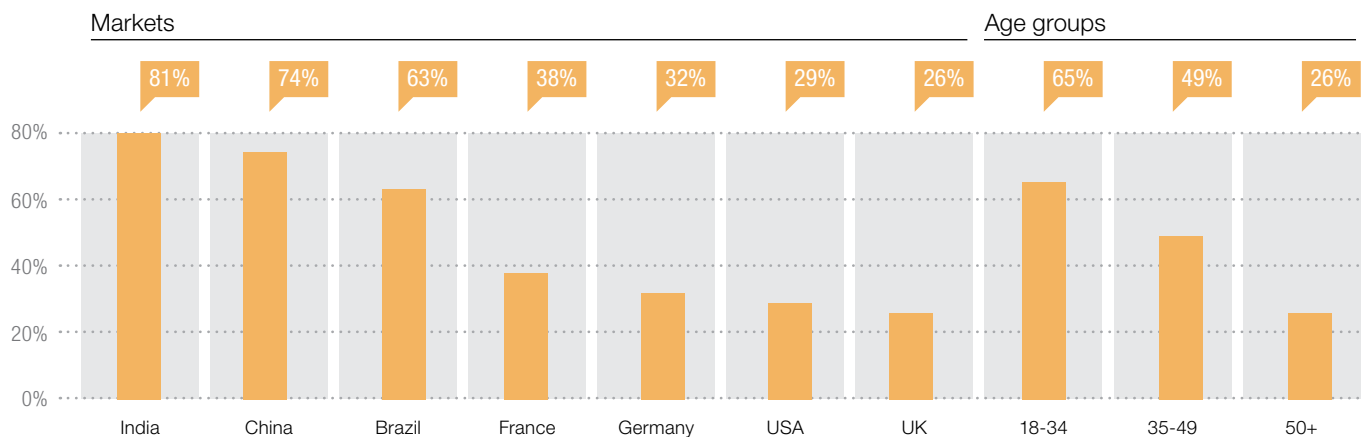
### CUSTOMER-CENTRIC COMMUNICATION IS VITAL

The interest in these new entrants shows that it is not enough to have the best product. Communication is the other vital weapon to retain the loyalty of customers.

Significant numbers of customers – particularly in growth markets – are still receptive to communication from OEMs and dealers at the end of the car's life. (Email remains the preferred method.) This shows that right until the end of the lifecycle there is still an opportunity to reinforce customers' loyalty, particularly if the right type of personalized communication is used.

## Willingness to switch from current brand to technology companies (e.g. Apple, Google)

FIGURE 20

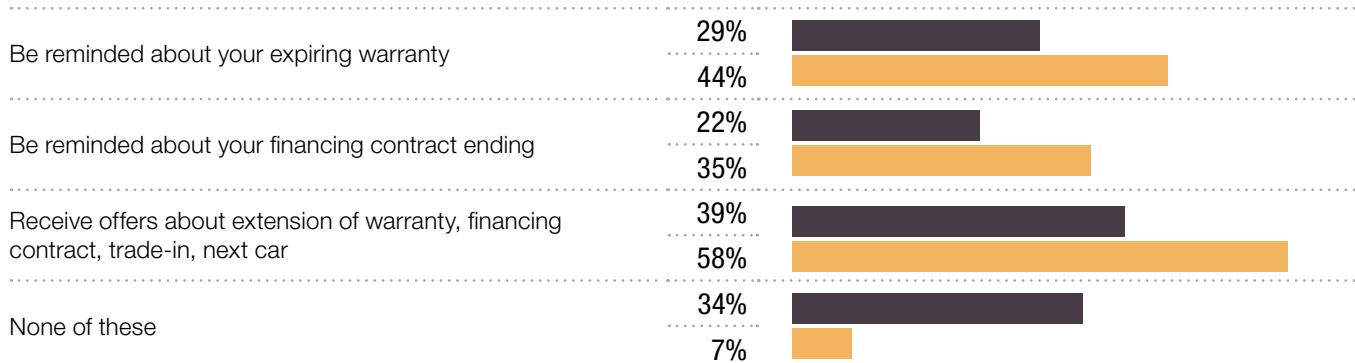


Source: Capgemini

2015

## Interest in receiving communications when the time comes to purchase next car

FIGURE 21



Source: Capgemini

Mature Growth



### **MARGARET IS SELLING HER OLD CAR**

Margaret lives in London. She's about to retire from her job and is thinking of getting rid of her old car. Maybe she can just use public transport and a car sharing scheme – but she does enjoy driving. She asks her Facebook friends what they think.

The manufacturer of her current car learns about this dilemma through social listening and gets a local dealer to email Margaret about an attractive package on a new car, plus a special deal on insurance and maintenance for the life of the new car. The warranty and insurance packages factor in the fact that she plans to drive fewer miles than in the past.

With a much better idea of her future costs, and a feeling that she's valued, Margaret decides to go for the package.

# Innovation Areas

In the first part of the report, we reviewed trends in the customer lifecycle, with their implications for OEMs and dealers. Now we'll consider three innovation areas that look crucial for the industry's ability to keep and reinforce its competitive position: connected vehicles, autonomous driving, and mobility services.

In all three areas, there are threats from new entrants and we could see intense competition. Regarding connected vehicles and autonomous driving, the obvious contenders are technology companies like Google and Apple. As we have seen, a high proportion of customers say they are willing to buy cars from these non-traditional sources. In the case of mobility services, there is a range of contenders, from car hire companies to start-ups.

This year's research is somewhat heartening for the industry because it shows that OEMs have potential advantages that can help them to overcome these new challenges. We believe they should make it a strategic priority to build on these advantages.





# CONNECTED VEHICLES

Customers are very interested in connected car features. The major potential obstacle concerns data sharing. Customers have serious issues about data security and privacy, to which OEMs must respond.

Fortunately, the vast majority of customers are willing to grant permission for the use of their data, under the right conditions. By focusing on increasing the trust that customers already have in them, OEMs can gain an advantage over competitors such as technology companies.

Connected vehicle features are likely to be an important revenue source for OEMs, therefore – provided that companies can offer the right motivation and sufficient reassurance about security and privacy. OEMs also need to understand and address variations between countries and individuals as to which connectivity features customers value and how they want to pay for them.

## CONNECTED VEHICLE FEATURES ARE DEFINITELY OF INTEREST TO CUSTOMERS

Connected vehicle services look set to become a major differentiator of the value that different car models provide to customers. Around 47% of car owners say that they already use connectivity features, or would like to do so with their next car. Of those who stated interest in these features, 80% say they are relevant for their next purchase.

Importantly, the percentage is only slightly higher for premium brands (84% versus 79%). This indicates that owners of volume brands are just as enthusiastic about using these features, which are today more associated with premium brands.

Growth markets exhibit a particularly strong interest in connected vehicles although this is partly a reflection of a desire to connect smartphones to in-car infotainment systems – one of the less exciting types of connectivity from the OEMs' viewpoint.

## WHAT CUSTOMERS WANT FROM CONNECTED VEHICLES

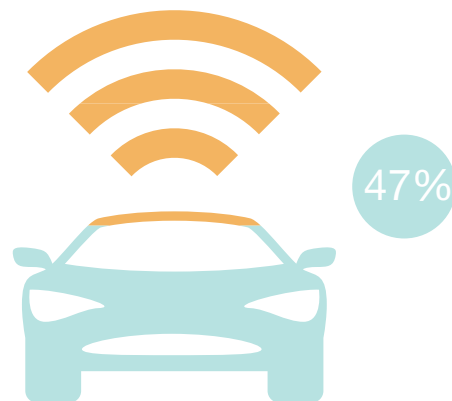
What exactly do customers expect from a connected vehicle? Driving and safety (84%), vehicle management (78%) and customer care and aftersales (72%) are the top three reasons for interest, mentioned by around 80% of customers with an interest in connected vehicles.

## CUSTOMERS WILL SHARE DATA – BUT NOT UNCONDITIONALLY

One of the most striking findings in our survey is that the overwhelming majority of customers are willing to share data under the right conditions. This is true in all markets, though growth economies are particularly open to sharing. It is also broadly true across all demographics.

Percentage of customers using or wanting to use connected vehicles features in their next car

FIGURE 22



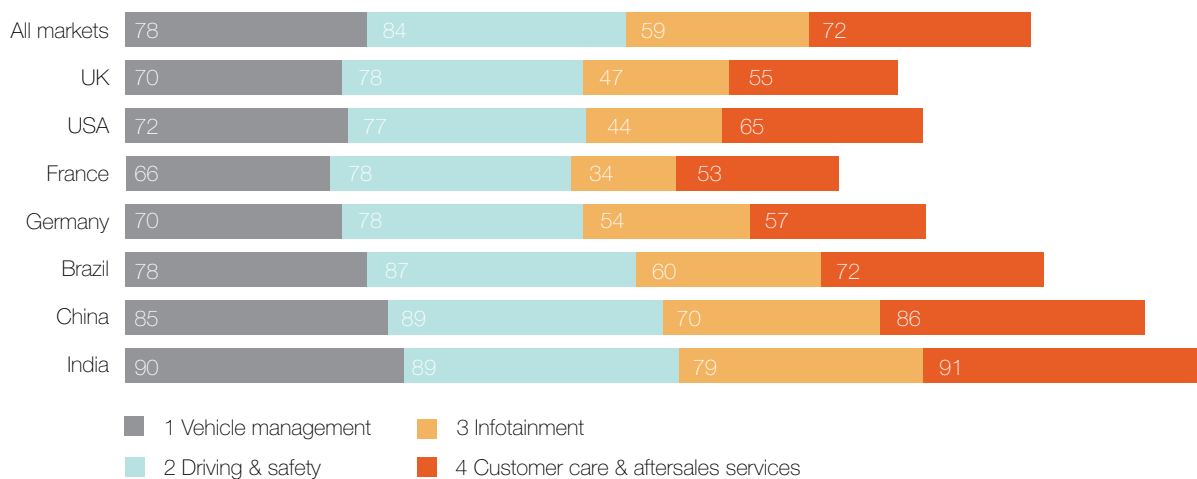
All markets

Source: Capgemini

I'm definitely interested in the connected car features I've heard about – but I don't feel I know enough about them yet to want to hand over my personal data.

## Relative importance of connected car services

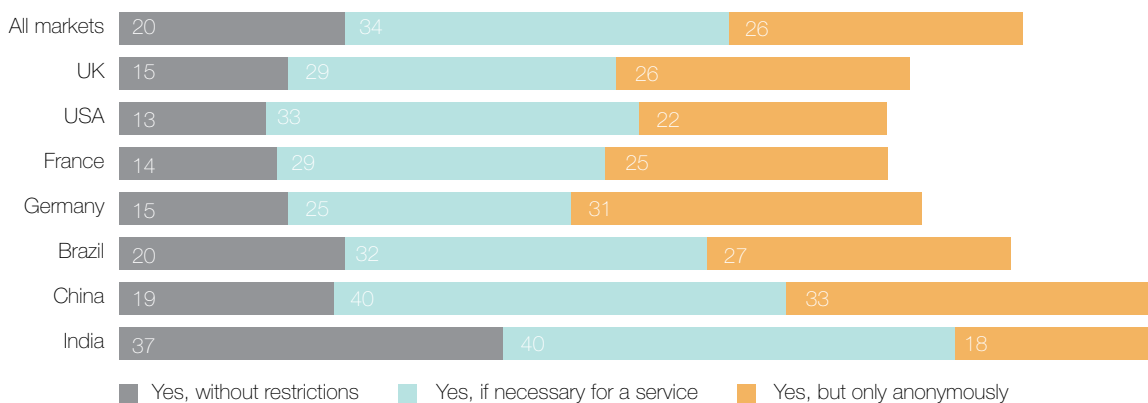
FIGURE 23



Source: Capgemini

## Customers' willingness to share data

FIGURE 24



Source: Capgemini

However, this willingness is usually conditional on an understanding of the needs and benefits. In addition, those in mature markets often stipulate that they will share data only in an anonymized form. This is understandable, given the publicity surrounding data misuse and security leaks. Sure enough, our survey found the major reasons for reluctance to use connected vehicles included lack of trust over data privacy plus risk of cyberattacks.

There are ways to overcome these reservations. Most people are willing to share their data in return for incentives, with extremely high acceptance in growth markets. Around 54% of customers who are interested in connected vehicle features say they will share personal data if they believe it is necessary for a service.

More fundamentally, it will also be essential to build trust. OEMs can capitalize on the strong trust that customers in all countries feel with respect to looking after their driving data. In countries like India and the US, where there is high affinity for IT, trust for technology companies is higher than elsewhere, but OEMs still have the highest trust rating. They just need to convince customers that they have the IT knowledge to safeguard the data – something that can perhaps most easily be achieved through alliances with technology companies.

## HOW DO CUSTOMERS WANT TO PAY FOR THESE FEATURES?

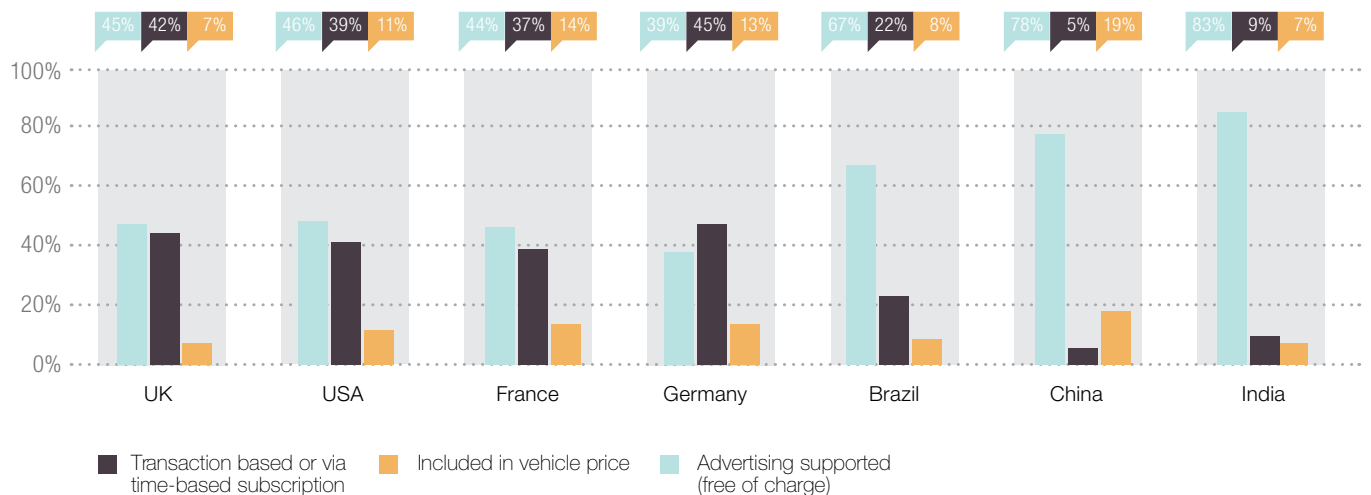
As well as motivating and reassuring customers so that they are willing to provide data, it will be important to understand their payment preferences and cater for them. Preferences differ from country to country and from individual to individual, so OEMs will do well to be flexible.

In mature markets, customers are split between those who want to pay upfront as part of the vehicle purchase price and those who would prefer a regular subscription or pay-per-use system. All growth markets show a strong preference for pay-per-use or subscriptions – a finding that reflects price sensitivity plus a desire to retain control and flexibility over the services purchased and used. The other option of free services supported by advertising is not popular in any market.

**Yes, I would be prepared to pay for connected vehicle services if they were of value to me, but I'd rather pay for everything up front. To me that's simpler and safer – I don't really want to get involved in paying a regular subscription that might suddenly double.**

## Preferred payment models

FIGURE 25



Source: Capgemini

**GILLES TRAVELS A LOT FOR WORK**

His car's connectivity features make life easier.

Before he even gets into the car in the morning, sensors check the temperature and turn on the air conditioning. His preferred radio channel is selected, and he can pick from a list of regular routes for the car's navigation systems to use. His laptop connects to the internet via the car's onboard Wi-Fi network, so that any jobs that Gilles was running can continue.

As he approaches a client's office, the car contacts the reception desk to make sure a parking space is allocated. Later, just before he arrives home, the car contacts his heating/AC system to make sure everything is comfortable.



# AUTONOMOUS DRIVING

Autonomous driving clearly has the power to make the daily commute much more comfortable and relaxing. It is no wonder, then, that customers express a strong interest in advanced driver assistance systems (ADAS), from automated safety systems to fully autonomous driving.

Interested customers are willing to pay significant sums of money for these features – but before we see widespread adoption, some issues of trust will need to be overcome.

Here there is positive news for the industry. As we saw in relation to connected vehicles, customers place more trust in OEMs than in new contenders such as technology companies. This finding contrasts with the fact that many customers say they would definitely be willing to buy from technology companies, as reported in connection with repurchase.

Evidently, customers have uncertainties in these areas, but the two positions are not contradictory. While customers are interested in innovations from technology companies, it is also natural that they place most trust in the OEMs whose cars they already drive.

OEMs and dealers can build on this trust, expanding the strong relationships that they already have with customers. Building alliances with technology specialists could also be a way for OEMs to offer customers the best of both worlds.

## AUTONOMOUS DRIVING HAS CLEAR APPEAL IN ALL MARKETS

Autonomous driving has broad appeal, with 79% of respondents across all markets expressing interest. Interest is significantly higher in growth markets (95%) than in mature markets (68%) and for younger customers (89%) than for older (63%).

Customers also express willingness to pay more to have these features. Around 80% of interested customers say they would pay an extra price, with 65% accepting a medium or high price increase.

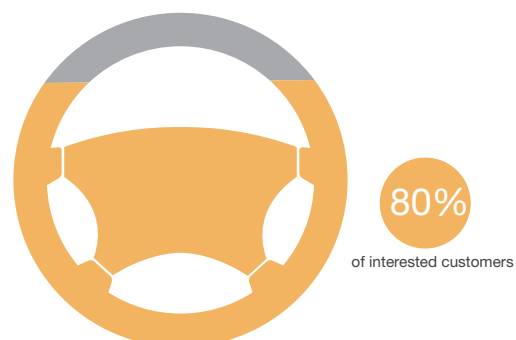
## REASONS FOR WANTING AUTONOMOUS DRIVING VARY

It is not hard to see why there is so much interest. When people can get from A to B without having to drive, they can focus on other topics like family or work. Even if automation is only partial, it can improve safety, comfort and the overall travel experience. Being able to activate automation for monotonous motorway driving, or when caught in heavy inner city traffic, can give drivers a chance to relax or connect with friends or colleagues.

The specific reasons for interest vary by market. Customers in all markets are keen on reducing their stress (51%) and having a safer journey (55%); those in growth markets also emphasize freeing up time for other activities (China: 51%) and reaching their destination faster (India: 57%).

## Willingness to pay extra for autonomous driving features

FIGURE 26



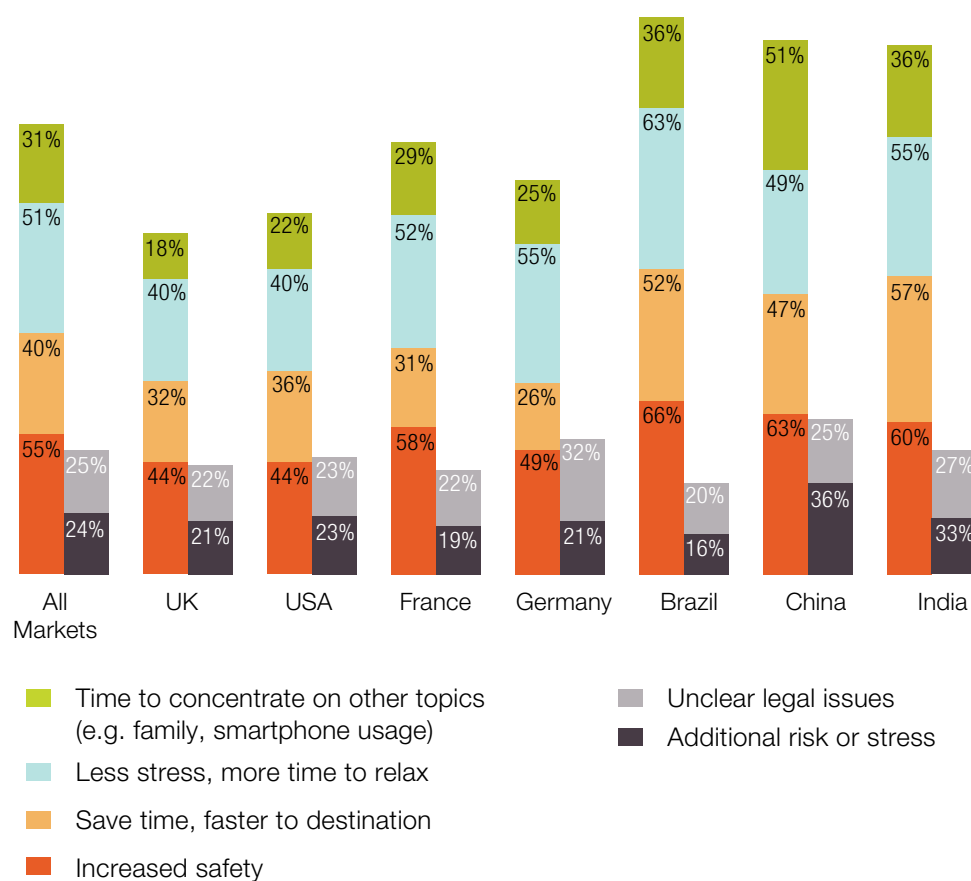
All markets

Source: Capgemini

I spend up to a couple of hours a day commuting by car. If I could use autonomous driving on that daily commute, the journey would be a lot more comfortable and I'd have more flexibility about how I use the time. So that is a feature I'd be happy to pay for.

## Benefits and issues expected from autonomous driving

FIGURE 27

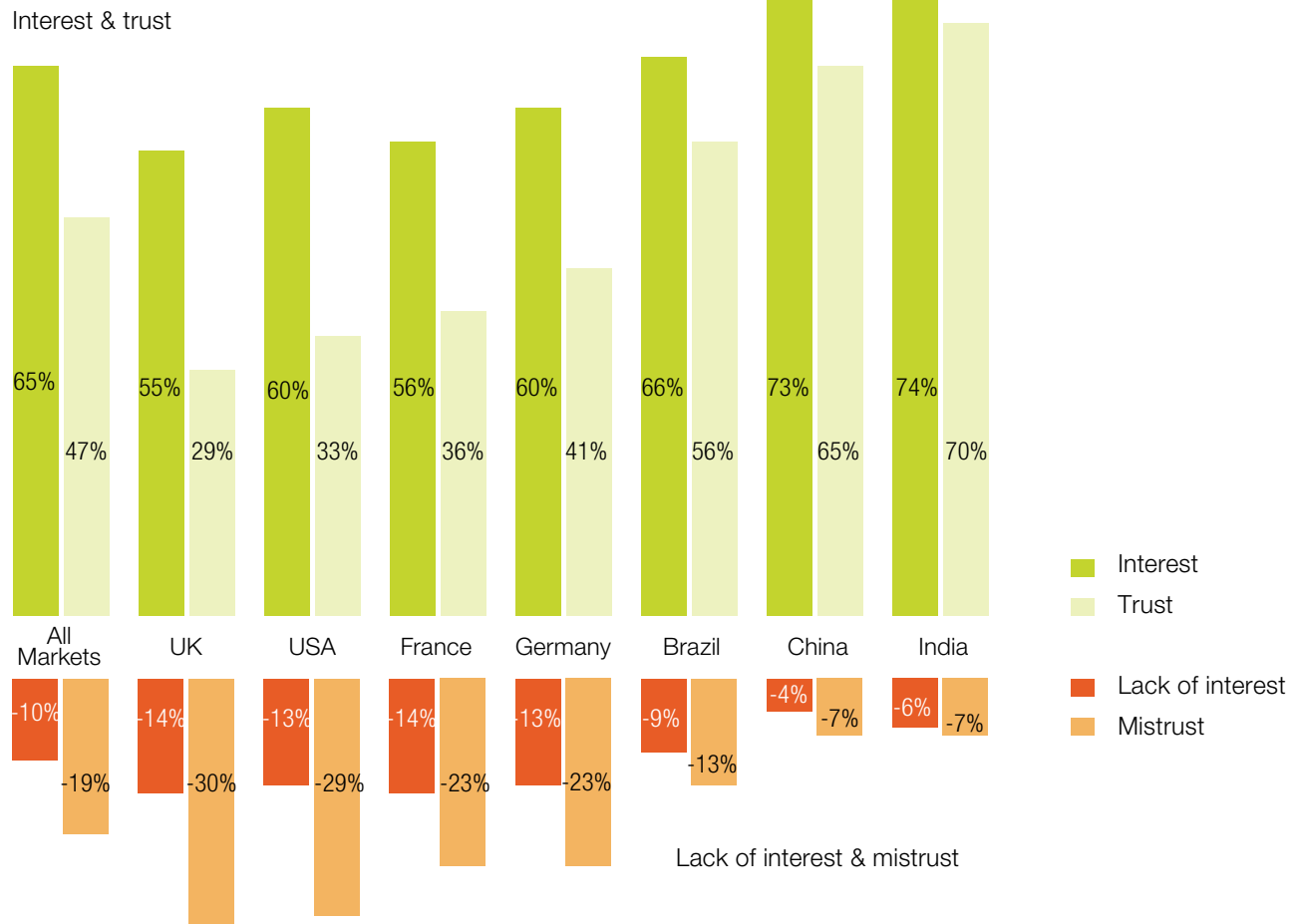


Source: Capgemini

## Levels of interest and trust in autonomous driving features

FIGURE 28

(Low/medium/high speed autonomous driving, well defined safety and comfort assistance systems)



Source: Capgemini



## GREATER TRUST IS NEEDED – AND OEMS ARE WELL PLACED TO BUILD IT

Despite customers' evident enthusiasm, trust will need to increase before autonomous driving can realize its full potential. Particularly in mature markets, current levels of mistrust and trust are at comparable levels – a position that is not sufficient for widespread adoption. OEMs should make it a strategic priority to use their existing relationships to build trust – either independently or in collaboration with a technology company.

It is worth noting that, at present, customers think the technology is more advanced than it arguably is. In growth markets, 73% of respondents expect autonomous driving to be available in the next five years, whereas only 43% of the respondents in mature markets have this expectation. Companies that get ahead in this area are likely to benefit from pent-up demand from these impatient customers.



### HANS IS THINKING ABOUT HIS NEXT CAR

He is doubtful about adding automated driving features. The sales representative offers the loan of a car for the weekend, so he can try out these features for himself. Still with some misgivings, he agrees.

After a briefing, Hans drives off, and soon he's starting to change his mind. On the motorway, he just has to set his preferred speed and then the car drives itself most of the time.

He begins to appreciate the safety features too. When a driver in front breaks suddenly, the car reacts quickly and safely. At one point, there's a traffic jam and the car itself handles the tedious task of edging forward.

Hans realizes that this is the most relaxing drive he's ever had. He decides to find out how much these autonomous driving features would cost.

# MOBILITY SERVICES

As we have seen, customer trust gives OEMs an advantage in the connected vehicle and autonomous driving markets compared with other types of competitor (technology companies, in those cases). Similarly, OEMs have natural advantages in the case of mobility services (defined here as including car sharing programs, mobility packages, ride-share services, and intermodal packages). Our research finds two strong reasons to be optimistic about this market, and to make it into a strategic focus.

First, many customers are keen on mobility services, and they generally see them as complements to, rather than substitutes for, car ownership. Some will use a car sharing scheme while deciding what car to buy, or waiting to be in a better financial position. Equally, a car owner visiting another city will choose to save time by flying or taking a train and then picking up a shared car (or bike) on arrival.

A second encouraging finding is that users of mobility services are often very interested in the brand of car that they use. The services themselves may therefore become an important revenue source for OEMs.

These two findings have far-reaching implications. Mobility services offer significant potential to awaken or increase brand loyalty, and present upselling opportunities. By providing a sharing service itself, an OEM can also gain a valuable opportunity to interact directly with customers. In addition, having experienced a premium model and additional features via a car sharing scheme, customers may well decide that it's worth spending more than they'd planned to get what they have learned to like.

## MOBILITY SERVICES COMPLEMENT CAR OWNERSHIP – THEY DON'T REPLACE IT

Willingness to use mobility services varies according to where people live. It is higher in big cities: For one thing, availability is greater there, and for another, owning a car is more problematic. In cities in mature markets with over 500,000 inhabitants, 22% of respondents say they would be willing to use car sharing. In rural areas, the figure is only 13%. Availability is a factor here: When asked whether mobility services were available, 48% of the city dwellers said they were, compared with only 11% of the rural respondents. Common reasons given for interest include flexibility, availability and price.

The majority of customers see mobility services as complementary to car ownership. Overall, 71% of respondents say they would not give up their car in favor of mobility services. OEMs should therefore see mobility services not as a threat but as an opportunity to give new customers their first experience of the brand.

### JUANITA JOINS A CAR SHARE

Juanita is a 50-year-old in Rio de Janeiro. She has just moved house and doesn't have any convenient parking spaces available. She joins a car sharing scheme until she can find a garage to rent. The nearest car is an electric model. Juanita wouldn't have thought of using an electric vehicle, but she decides to try it.

Juanita uses the car several times over the next few weeks and is pleasantly surprised. It's easy to drive and has good safety features. She can travel further than she expected before recharging.

The OEM knows that she has become a regular driver. They arrange for a local dealer to contact her with an offer of a package on a similar car. Juanita is very interested.

I don't see myself giving up my car any time soon – but it's great to be able to pick up a car from a local car sharing scheme when one of the children has gone off with mine! I often get to drive a nicer car that way and find out about the latest cool features.

### BRAND IS IMPORTANT IN CAR SHARING

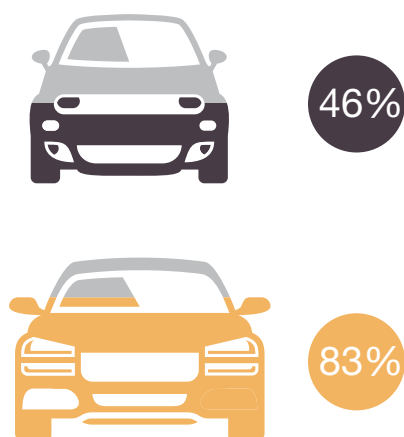
For 62% of respondents, brand influences choice of mobility services – a proportion that rises to 83% in growth markets. As well as those in growth markets, brand is especially important to younger people and to those who own premium brands.

This suggests that OEMs and perhaps dealers, can benefit from getting even greater involvement with the mobility market – both as an aid to sales and as a potential revenue source in its own right.

## Our definition of mobility services

1. Car sharing program: Often referred to as “on-demand mobility”; consumers drive only when they need or want to (e.g. Zipcar, Car2Go, Mobility Car Sharing, StattAuto Car Sharing)
2. Mobility package: A package typically providing access to a wide range of cars, services and accessories that can be used as needed for a fixed price and a specified period of time
3. Ride-share service: Virtual or actual notice boards that match drivers with riders (e.g. City Car Club, MyLifts.com, catchalift.com)
4. Intermodal package: A subscription to a mobility program which covers various means of transportation – such as car sharing, bike rental, metro, train, etc.

## Relevancy of brand for choosing a car sharing provider FIGURE 29



Source: Capgemini

■ Mature ■ Growth

In my village we don't have any formal car sharing schemes, but a lot of people give each other rides in exchange for a contribution to the cost of gas. Experiencing all these cars helped me decide what model to buy next.

# CONCLUSION AND RECOMMENDATIONS

Virtually all customers want an individual experience in every phase of the lifecycle, but the precise nature of the experience they expect varies from person to person. Some customers – especially the young and those in growth markets – will research their purchase on social media and share their experiences instantly there. However, other customers will continue to focus firmly on traditional channels. The key to success is to communicate over the right channel, and in the appropriate style, for each individual.

## **REORGANIZE AROUND THE CUSTOMER SO YOU REALLY GET TO KNOW THEM**

The automotive industry should not expect customers to fit in with their processes and preferred ways of doing things. The aim should be to fit in with customers' preferences as far as possible.

This means that in an industry that is predominantly product-centric, companies need to become customer-centric. This is the only way to provide effective interactions at each touchpoint throughout the lifecycle, and to establish a strong connection that will turn the customer into a loyal advocate for the brand.

The first step is to organize information to promote understanding of what the customer wants. It then becomes possible to segment at the micro level, identifying the right channel, for the right consumer, at the right time.

This analysis will enable OEMs and dealers to provide the individualized offers, services and information that customers expect, in the form they want. OEMs and dealers can collaborate to communicate with customers at their preferred intervals and in the way they prefer – whether that preference is for emails, messages pushed via a smartphone app, or regular calls from the local dealer.

## **INVEST IN INNOVATIVE TECHNOLOGY AND BUSINESS MODELS**

Customers are excited by technological advances such as connected vehicles and autonomous driving. So strong is their desire for high-tech features that they may be willing to buy from a technology company rather than an automotive one.

OEMs should make sure they are the obvious choice of supplier for these technologies by investing and forming alliances that put them at the forefront of innovation. Customers trust automotive brands and will be receptive to the idea of buying new technologies from them if the offers are right.

## INNOVATIVE TECHNOLOGY

To succeed in the connected vehicle arena, it is necessary once again to view the possibilities from the selfie perspective. People want vehicles that can streamline their lives rather than giving them extra work or interrupting what they are doing. A driver expects the same connectivity in the car as at home or in the office. All this applies whether the car is the customer's own or provided as part of a mobility service such as car sharing.

Beyond these shared desires, individuals have a wide range of different priorities. Some people are primarily interested in safety, others in making the daily commute less stressful. OEMs need to learn about their target customers' diverse wishes and cater for them as well as possible. Individual cars also need to be able to learn about their drivers, and provide services proactively in line with those drivers' needs, wants and desires. This will create intimacy and help to build loyalty to the brand.

As well as connectivity features, OEMs should consider investing in autonomous driving technology and in precursors such as highly intelligent driving functionality, which are of interest to many customers in all market segments. Customers want to use them but have fears about safety and reliability – OEMs are trusted and therefore well positioned to put customers' minds at rest.

## INNOVATIVE BUSINESS MODELS

OEMs should also increase their investment in mobility services. Customers tend to see these as complementary to car ownership. Moreover, they are often attracted by the prospect of being able to use a particular brand of car – which they may later consider buying. By getting involved and making sure that the services appeal to their target market, OEMs can shape and capitalize on this receptiveness. Features like connectivity and personalization of cars can be applied equally well to shared cars, and can reinforce a customer's attraction or loyalty to a brand.

## FIND WAYS TO GAIN INSIGHTS FROM DATA

The key to meeting customer demands for an individual, personalized experience is for OEMs and dealers to be able to derive insights from the vast amount of data that they already have about customers and vehicles. This may well require sharing of customer data but the evidence is that customers will give permission provided they understand the proposed use and can see that it will benefit them.

By applying advanced analytics to the data, it will become possible to understand customers better. This way, the industry can make sure it provides the right offers to individuals in the right way and at the right time. It can also design products and services that customers will want in the future.

A significant amount of effort will be required to develop strategies for data management, ownership, analytics and exploitation. This effort will, we believe, pay handsome dividends. OEMs and dealers will really get to know their customers and as a result be able to secure their loyalty.

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Capgemini's Cars Online 2015 study presents the headline findings from our annual automotive consumer research. The survey data gives rise to important insights about consumers' expectations and desires — insights you can adapt and apply to achieve better business outcomes. To take a deeper dive into our Cars Online research or to explore its implications for your company, please contact:

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