

# Capgemini study highlights increased

■ Our Bureau  
Chennai

Capgemini, the technology and outsourcing consultancy services recently released its 13th annual global automotive study, *Cars Online 11/12*.

This year's report reveals increased interest in buying cars online, and a growing demand for new vehicles in mature markets (66 percent, up from 61 percent in 2010). At the same time, however, many consumers indicated they were postponing buying a car until the economy shows more signs of stability. New ownership trends such as car-sharing and technology developments like smart phone apps are also impacting the global automotive industry as the number of channels for researching and buying cars increases, and customers' expectations and choices continue to rise.

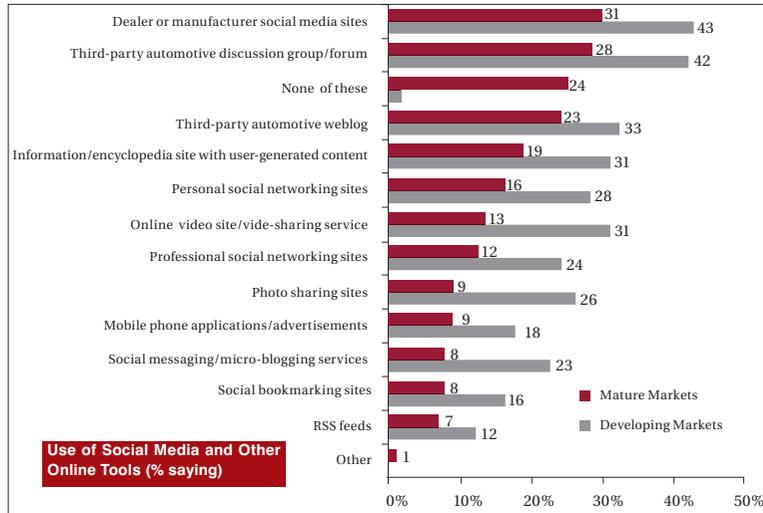
The study surveyed over 8,000 consumers in Brazil, China, France, Germany, India, Russia, the UK and US and provides a detailed analysis of CV buying behaviour around the world including shopping patterns, social media usage, online buying, green vehicles, customer interaction, aftersales and servicing.

Key findings from this year's study include the role of the Internet and social media—putting consumers in the driving seat. Consumer internet behaviour, as well as the rise of tablets and smartphones are increasingly impacting the vehicle decision and buying process, with price, guidance and product information continuing to be the primary features con-

sumers research via the Internet. The role of the internet during the vehicle buying process is becoming increasingly important, with fewer people visiting showrooms until very close to the point of purchase. Web usage for both purchasing and research has increased, with the number of consumers researching online reaching 94 percent. This is driven in part by increased use in developing markets.

Consumers are increasingly expanding their web usage during the research process to include social media, particularly in developing markets. Among the tools consumers turn to are dealer and manufacturer social media sites, automotive blogs and discussion groups, information/encyclopedia sites, personal and professional social networking sites, video and photo-sharing sites, and social messaging/micro-blogging sites. 71 percent of respondents said they would be likely to purchase a vehicle if they found positive comments posted on social media sites.

In this year's study, 42 percent of consumers said they were likely to purchase a vehicle over the Internet, up from 37 percent two years ago. Consumers who are not interested in buying online cite the inability to test drive the vehicle, to receive full product and price information and to see photos/video of the vehicle. These perceived barriers have remained consistent over the past few years, yet they are clearly addressable and should be capitalised upon by dealers and manufacturers with a formal social media and channel management strategy to engage with existing and potential customers.



## Alternative Buying Models

Increasing demand for alternative buying models reflects a growing shift from products to services as consumers move from traditional vehicle ownership to "power by the hour." Nearly 40 percent of respondents would consider alternatives such as vehicle-sharing, up from 35 percent in 2010. The buying cycle continues to shrink leaving dealers with fewer opportunities to interact face-to-face with customers, and the trend for non-traditional approaches to vehicle buying and ownership continues to grow.

## Green Vehicles

Consumer interest in green vehicles continues to gradually increase as this year electric

vehicles made it to the mass market for the first time. 44 percent of consumers (up from 41 percent in 2009) said they currently own a fuel-efficient or alternative-fuel vehicle and 39 percent are planning to buy a green vehicle (up from 30 percent in 2009). This is expected to continue as fuel prices fluctuate, environmental awareness rises and governments provide tax credits and other incentives. In this year's study, 42 percent of respondents expect full-electric vehicles to be a viable sales option (in terms of pricing and availability) within two years, up from 36 percent the prior year. Additional vehicle types identified by respondents include hybrid, biodiesel, hydrogen fuel cell and natural gas. However, price remains the

biggest blocker to sales of alternative-fuel vehicles, followed by battery range, reliability and safety. The lack of charging locations is another concern for consumers considering electric vehicles. The automotive industry needs to develop effective solutions and work with government and other third parties to ensure that the necessary infrastructure is in place to support the move toward e-Mobility.

## Customer Loyalty

While satisfaction levels grew, brand and dealer loyalty again declined this year. Sixty-one percent of consumers said they were likely to purchase/lease the same make or brand as their current vehicle, down from 65 percent in 2010 and 68 percent in 2009.

# online demand for new vehicles

Similarly, dealer loyalty edged down to 55 percent, compared with 56 percent in 2010 and 63 percent in 2009. Customer loyalty remains strongest in the developing markets, but is declining somewhat from the very high levels seen a few years ago. This is not surprising as the number of brands and dealers grows in the developing markets, providing car buyers with more choices. This is also the case for loyalty to servicing dealers, which is declining in the developing regions as competition increases.

## Conclusion

This year's Cars Online report makes it clear that the automotive industry faces critical changes and challenges in the marketplace. Automotive companies must understand how consumer dynamics are evolving and consider the impact these changes may have on their business in the coming years. Following are recommendations to help automotive companies apply the report's findings to their own business:

### a) Develop a formal social media management strategy

Consumers increasingly rely on and are influenced by social media during the vehicle buying process as well as the ownership lifecycle. The automotive industry has the opportunity to leverage social media to build brands, generate leads, drive sales, manage customer relationships and retain customers. To capitalise on this opportunity, companies should develop a formal social media management strategy that includes real-time web listening, analysis and customer outreach.

### b) Maximise the consumer interactions with integrated end-to-end campaigns

As the buying cycle shrinks, dealers have fewer opportunities to interact face-to-face with customers. Yet overall, the possible customer touchpoints have increased due to the growing number of channels and devices used by consumers during the buying process, presenting new and different opportunities for interaction. This development, along with the increasing sophistication and empowerment of customers, is driving a need for businesses to fully integrate marketing campaigns in order to take advantage of all possible touchpoints.

### c) Experiment with alternative buying and ownership models

As consumers show budding interest in new approaches such as mobility packages and vehicle sharing, automotive companies should test the waters. If these new models take hold they could have a significant impact on billing systems, cash flow and financial services.

### d) Focus on a holistic dealer strategy in developing markets

Dealer network development in countries such as China and India needs to focus on a number of elements. Proximity is critical as consumers are unwilling to travel far to buy or service their vehicles. However, it's not enough just to saturate a market; dealer quality is becoming increasingly important in the developing regions as competition grows and consumers become more demanding. This requires investments in training, systems and processes, and a strong after-sales/servicing programme.

Nick Gill, Global Automotive Sector Leader, Capgemini



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### ZZZ Your study recommended for developing a formal social media network management due to increasing purchases over internet (37 to 42 percent)—would that affect dealership business?

I think social media has not existed in the most peoples' thinking about five years ago. Now it is big and important, but people are not really sure on how to use it and leverage it to a position where I think the market has matured. Every time where there is a new channel—like the internet or lead management—there is always a concern whether it will change the status between the OEM, the dealer and the consum-

### e) Seize the online buying opportunity

Despite growing consumer demand for online buying of vehicles, parts and accessories, the capability remains scarce in most markets. When launching an online buying model, automotive companies should

er. The answer is yes; however, up until now, it has never radically changed. The OEM is still using the dealer as the primary retailer. In social media it is going to be exactly the same. Somehow, as an example, the OEMs will be looking at dealerships in a certain area and they will be working with all the dealer principles. It will help address the demand spread in different pockets of the region. So the social media will be a win-win between the OEMs, dealers and consumers.

### ZZZ Dealers say their margins are under pressure due to escalating cost of real estate and operational costs, and this business is losing its charm. However, your study wanted more dealerships to be opened. How do you view this?

The dealers work on low margins and are always under severe pressure. The OEMs will try to push as much products as possible to the dealers and dealers try to push the consumers. And the consumers will try to reduce the price. Where does the power sit? In the old world, it generally sat with the manufacturers. In the new world ie in the last ten years, the power sits with the consumer. Those dealers who provide the sales outlets

consider the key factors consumers are looking for: price discount, ease and speed of transaction, full price and product details, and the ability to solve the text driver issue.

### f) Keep "green" on your radar

The emergence of electric vehicles and e-Mobility may drive

within 50 miles and service outlet within ten miles or so, will be the winner.

### ZZZ What's the scene in India?

If the OEMs or the dealers in India think that somehow they can know what the consumer wants, they can succeed. More than sales outlets it is essential to have service points as the sales happen perhaps once in five years, while the customers need to visit service centres more often. Thus service is critical part of sales. The Indian dealers have to take a long-term view. The interest in Indian market for all of the OEMs is not the size of the market today but tomorrow. Therefore it is necessary to plan for tomorrow.

### ZZZ The aftersales service ranking has moved upwards to 4th position from 7th position last year. What is the reason?

Over 50 percent of respondents said that they would buy the next car from the same place that they get their car serviced today. It is because of the good relationships that the service centres maintain with the consumers. As we move on to social media—the fast interaction world—I think there will be more communication between the after sales points and the consumers.

a wide range of fundamental changes in the automotive industry, and companies will need to develop effective solutions to manage them. The changes are likely to impact areas such as competition, innovation, partnerships, and technology systems and processes. ZZ