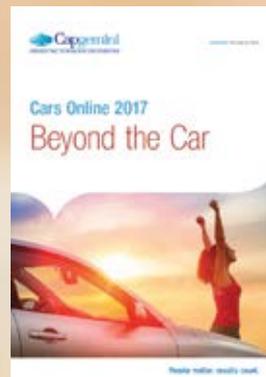


Fast Forward in Automotive Finance



WHAT DO CAR BUYERS AND OWNERS EXPECT FROM THE FINANCING PROCESS? WE FOUND OUT...

Each year, Capgemini asks consumers from all over the world about what they want as they navigate the process of looking for, buying, and owning a car. The annual [**Cars Online 2017: Beyond the Car Report¹**](#) (now in its 19th year) suggests ways that manufacturers (OEMs) and dealers can innovate to satisfy consumers' expectations. In conjunction with the 2017 survey, we asked supplemental questions about financing: How would consumers like the auto finance process to work? How important is convenience and easy access, especially in today's digital world?



One answer is immediately apparent: **The legacy model—in which the dealer acts as the central point for all interactions with the buyer, including financing—is changing.** And that change is being driven by a consumer who is connected to information and resources, a consumer who is in charge of the when, where, and how of the financing process. Today's customer is a market of one: The expectation is that both the car and its financing can be custom-configured for the individual.

Forward-thinking auto finance organizations are developing mobile platforms that connect them to car buyers, who can use an app to research brands (down to the make, model and feature level), configure a car to personal specifications, calculate a monthly payment, get financing approval, and then link directly to a dealer within the organization's network. The dealer begins the paperwork before the customer even walks through the door. This customer-driven reinvention of the financing process will only continue. In the future, might the dealer be cut out of the process altogether? It's possible.

Auto finance organizations that recognize the new dynamic and respond to consumer expectations—above and beyond using financing as a facilitator to acquire the vehicle, as is common practice today—will be best positioned to win the business in the future.

1 The Capgemini Cars Online 2017: Beyond the Car Report can be accessed at <https://www.capgemini.com/automotive/cars-online-2017-beyond-the-car>



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About this study...

In conducting this year's survey, we asked over 800 consumers in the market for vehicles—in the mature markets of France, Germany, Italy, the United Kingdom, and the United States and in the emerging markets of Brazil, China, and India—about what they want and expect from auto finance organizations during each phase of the customer lifecycle (interest, purchase, and ownership). We worked with FreshMinds, an insight and innovation consultancy to conduct the survey; the data analysis was completed by Capgemini.





INTEREST PHASE

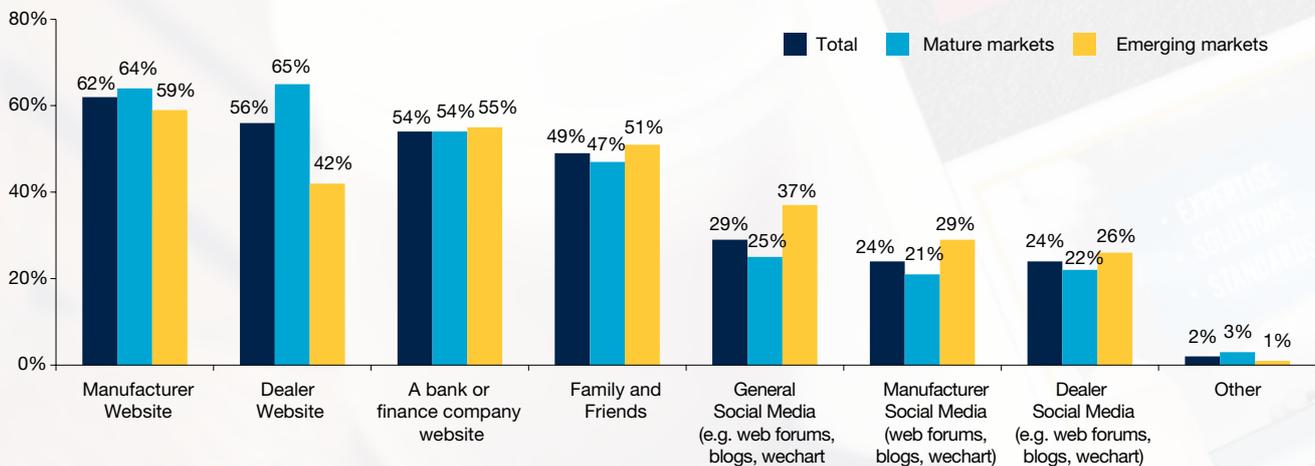
OEMs and dealer websites are still the primary source of financing information

A tighter, better integration of the two online information processes—one for car financing and one for the vehicle research itself—could be an important way to move a consumer from interest to purchase.

As consumers look online for cars, they also begin their search for financing. It is interesting to note that these two steps—selecting the car and finding the financing—are more distinct now than they might have been in the past. And, increasingly, financing is the first step in the process. One driver of this change is the ubiquity and ease of online financing sources. Consumers can get pre-approved online with a ‘finance certificate’ which is indicative of their purchasing power. With confidence, the car buyer can go to the dealer and pick out a car, knowing that the financing will go through.

The independent search for financing is good news for captive financing providers. When asked to rank the choices for gathering information about financing/leasing options, 62% of the survey respondents put the manufacturer’s website at #1 and 56% put the dealer’s site at #2 (figure 1). But then the survey exposes a significant disconnect. When researching the car itself, only 46% of the survey respondents say that the manufacturer’s website is their #1 choice for information and still fewer - only 35% - saying it is the dealer’s website (as we report in *Cars Online 2017: Beyond the Car*²). Of course, there are many places to get information about cars: 50% of the Cars Online 2017 survey respondents say that an ‘independent press’ is their #1 source.

Figure 1: Information sources and channels used for research



Source: Capgemini

This finding suggests an important possibility: A tighter, better integration of the two online information processes—one for car financing and one for the vehicle itself—could be an important way to move a consumer from interest to purchase. The typical consumer leverages multiple sources for financing information, including the OEM website, the dealer website, a bank or financing company website, family or friends, general social media, and the social media pages of the OEM or dealer. Hence, the OEM, dealer or finance provider with the integrated process could have an advantage in winning the customer overall, especially if the consumer’s business is captured right away, during the initial financing inquiry.

² <https://www.capgemini.com/automotive/cars-online-2017-beyond-the-car>

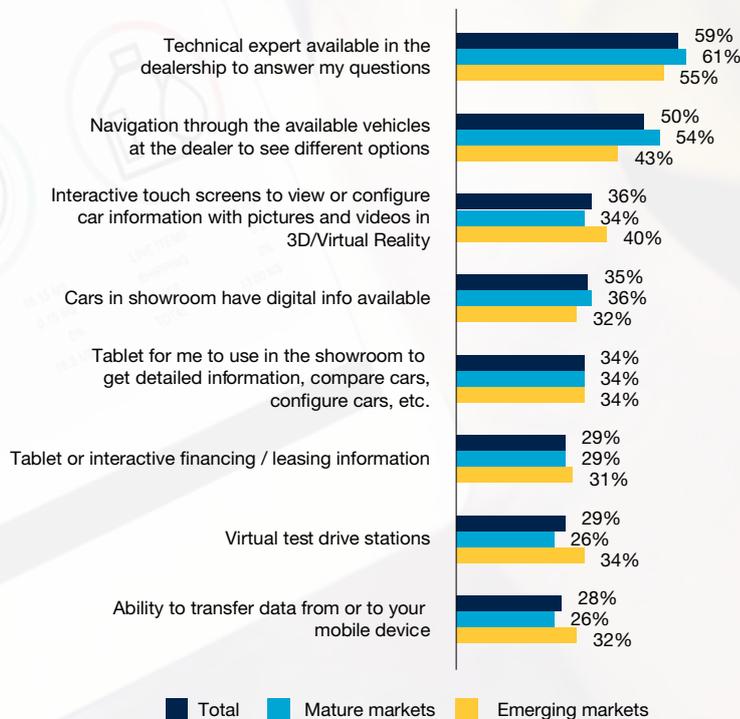
An integrated process brings together critical information about the car and the financing in one digital place. A customer can choose and configure a car; calculate monthly payments and see those payments change as features are added to the base vehicle; apply and get approved for financing; and get connected to a dealer. **Financing is in the driver’s seat for leading the new process—and not just because it’s often an early contact with the prospective customer.** A large number of consumers are willing to finance a car online, so the process in and of itself is appealing; in fact, 52% would complete the end-to-end financing online, compared to only 42% who would purchase a car online, confirming that it’s easier to choose a financing offer online than to make a complex purchase like that of a car, whose sale so often depends on the touch-and-feel of the car in the showroom and on the road. The lesson for auto financing organizations is this: it’s important to get in front of prospects before they visit the dealership.

A better customer experience

When a consumer visits the dealer (67% say they’ll do so 2-3 times during the purchasing process, as we report in *Cars Online 2017: Beyond the Car*), there’s another often unexploited chance for financing to support a sale. **This opportunity is to provide information above and beyond rates.** For example, 29% of the survey respondents say that an interactive financing capability which is digital, provides on-the-spot access to information through a mobile device, would enhance the dealership experience (figure 2). They’d like to be able to ask “If I add this option, how does it impact my monthly payment?” **It is important to note that the key idea here is ‘mobile’: Consumers want the information in their own hands, not on a desktop in the dealer finance manager’s office.**



Figure 2: Services expected when visiting a dealer

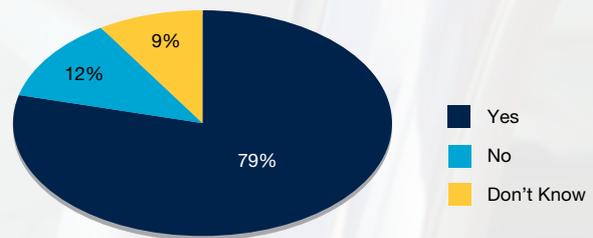


Source: Capgemini

Nearly **80%** of consumers say that being able to use a mobile device to calculate monthly payments, while they're still in the Interest Phase, would make them more inclined to purchase additional services.

Nearly 80% of consumers say that being able to use a mobile device to calculate monthly payments, while they're still in the *interest phase*, would make them more inclined to purchase additional services (figure 3). Some degree of price/terms comparison would also be desirable. For example, a consumer should be able to see how a change in the amount financed—say, an increase in the down payment—would impact both payments over the term and interest rates. Also, ideally, the buyer should be able to compare other products without leaving the site and searching elsewhere.

Figure 3: Inclination of buying additional services if monthly payment could be calculated on a mobile device



Source: Capgemini

When it comes to all these information-sharing opportunities within an integrated financing/buying process, transparency—from inquiry through sale—is critically important. Satisfying the demand for accurate, timely information can boost buyer confidence and, hence, sales.

Insights: Dealers, while still key to the final transaction, have fewer face-to-face contacts with potential customers, so every interaction counts. Consumers are expecting information and options above and beyond those found in the traditional financing model, in which they received financing information at the dealer's showroom. Auto finance providers have to make sure they still have online access to consumers while they are in the interest phase. An integrated financing/buying process could smoothen a consumer's move from interest to purchase.

BUY

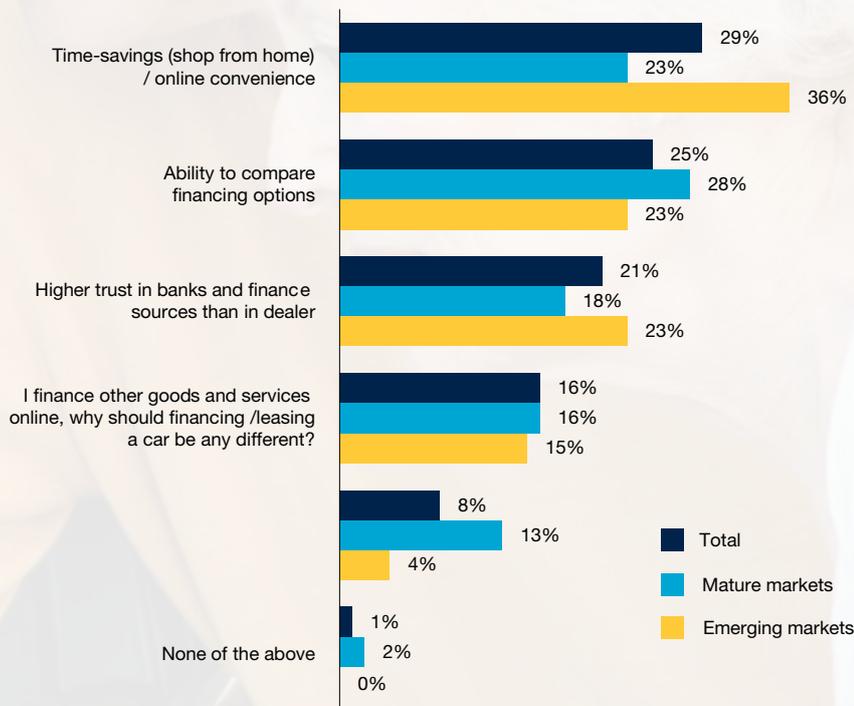


PURCHASE PHASE

Overall, 52% of buyers would complete the financing process online. That number will only get bigger.

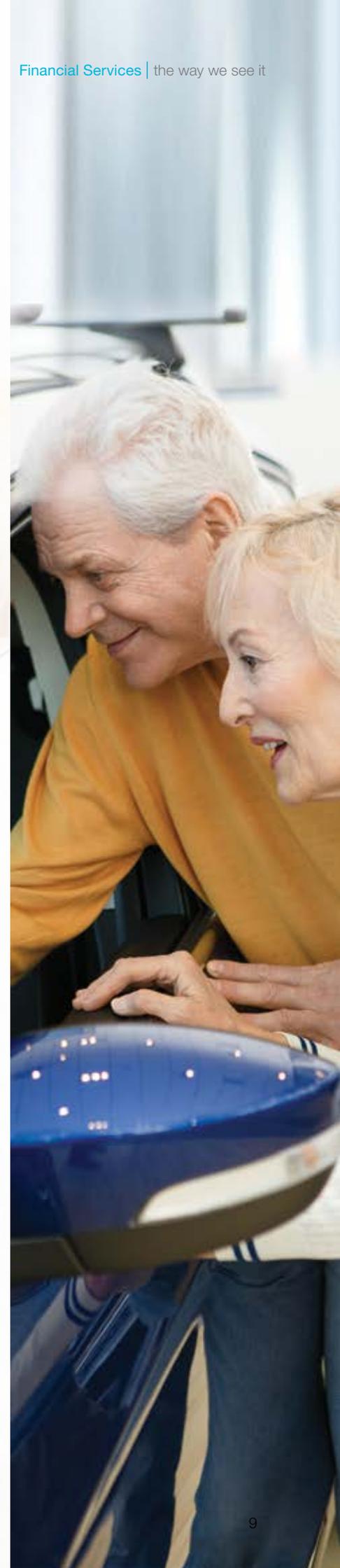
Why is online financing on the rise? In emerging markets, where dealer access is a challenge, 36% of the respondents say that convenience is the #1 driver, compared to only 23% in mature markets. On the other hand, consumers in mature markets, where financing options are plentiful, are motivated to go online to compare options and find the best offer (figure 4).

Figure 4: Reasons for performing financing/leasing online



Source: Capgemini

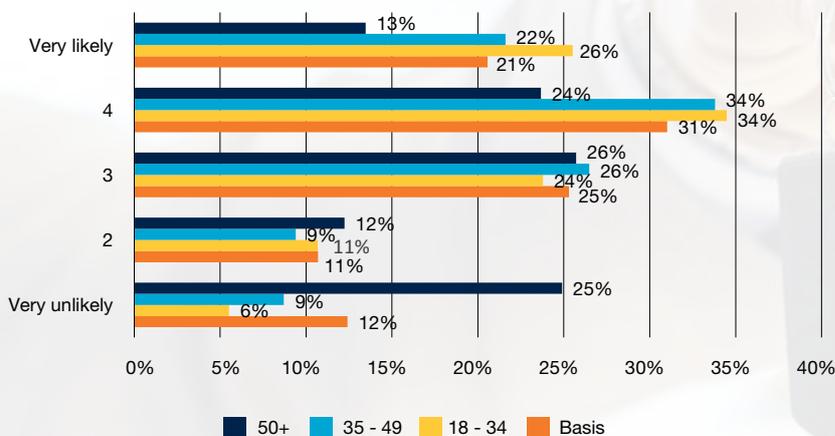
But the real story behind the rise of online financing is demographic. **Among the survey respondents in the 18 to 34 age group, 60% say they would be likely or very likely to complete the financing process online, compared to only 37% of those aged 50+ who say they would do so** (figure 5). This generation gap certainly suggests that the move to online financing will only accelerate; over time, it's likely that it will become the norm in the car buying process as Millennials (accustomed to doing everything online) become the dominant market force. Until then, a dual finance marketing strategy might make sense.



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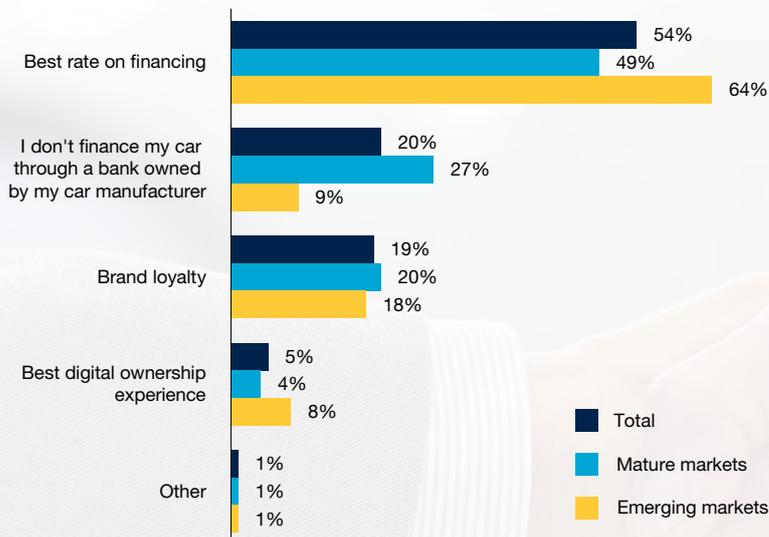
Among the top **three concerns** is a lack of familiarity or experience with online financing for such a large purchase—an uneasiness that could be addressed by processes that are both easy-to-use and transparent.

Figure 5: Likelihood to complete the financing / leasing process online – age analysis



Yet, despite this evidence of a financing process that's being reinvented by a powerful consumer, one conventional truth holds: The majority of buyers (54%) end up choosing an auto finance organization because of its interest rate (figure 6). Will this change over time, as services become more customer-centric and as the premium put on convenience increases? Certainly that possibility is worth considering and perhaps working into the design of new offerings.

Figure 6: Reasons to choose auto finance institution

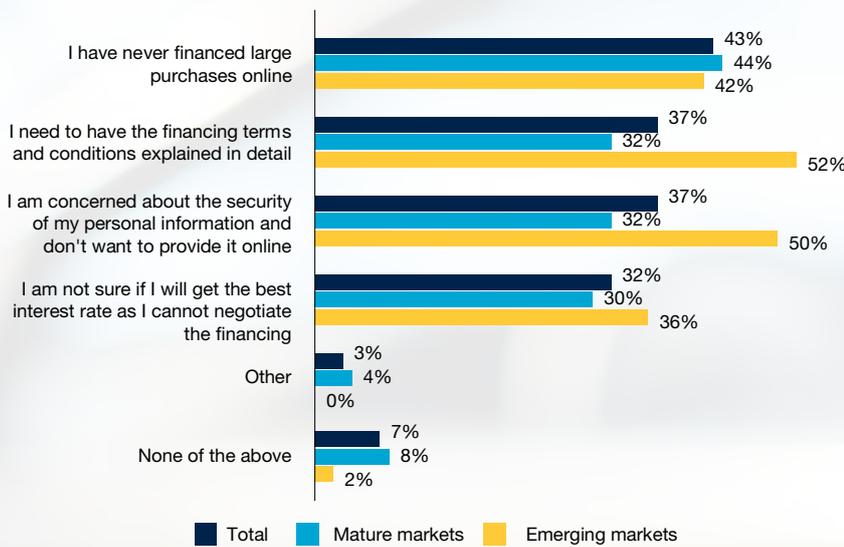


Source: Cagemini

Overcoming barriers

Despite a clear trend toward online financing, many survey respondents express anxiety about it for reasons that can be—and should be—addressed by the auto finance organization (figure 7). Among the top three concerns is a lack of familiarity or experience with online financing for such a large purchase—an uneasiness that could be addressed by processes that are both easy-to-use and transparent.

Figure 7: Reasons preventing financing/leasing a car online



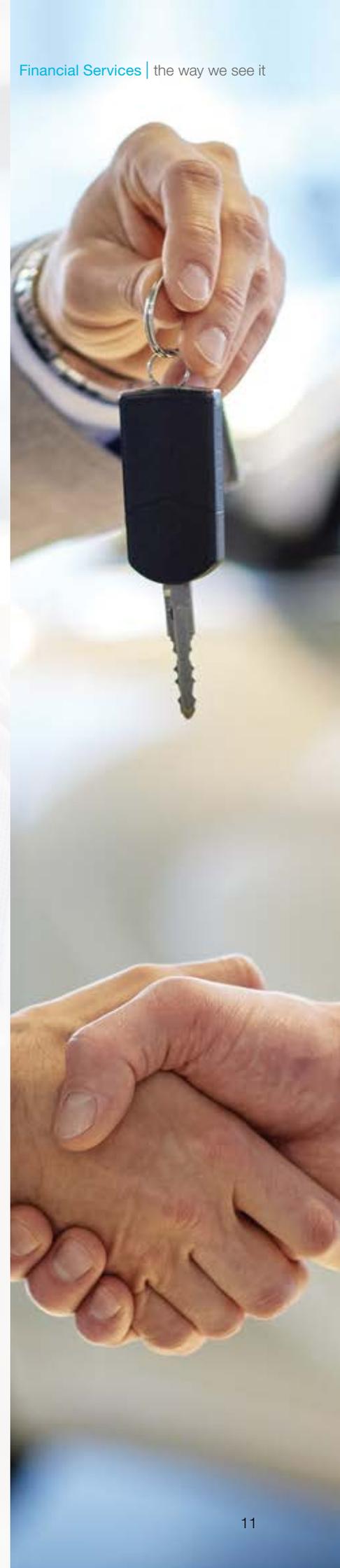
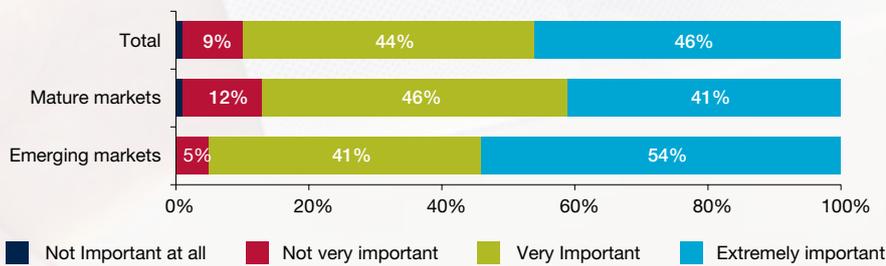
Source: Cappgemini

Also, at the top of the list of concerns is security: 37% of consumers don't want to share their personal information online (this number jumps to 50% among buyers in emerging markets). **Clearly, the auto finance organization has to ensure a process that's secure and transparent, from the initial application through ongoing servicing. Here, a car buyer's bank might have an advantage since the customer is already likely comfortable with online transactions, including bill payments.**

Extras that matter

One topic explored by the survey was the popularity of the digital experience overall. The opinions voiced by the respondents are enlightening. For example, **90% who choose to borrow from a place where they already have a relationship (such as a bank) say that they expect a seamless, digital experience** (figure 8): All relevant information should be available, on all channels, so the consumer has the flexibility to stop-start-continue a process whenever and however it's convenient.

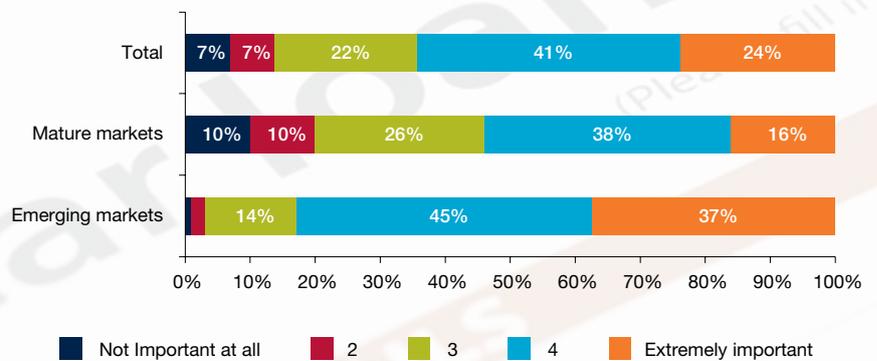
Figure 9: Importance of an integrated digital experience



65% respondents say that **self-service** capability will impact their choice of auto finance organization.

In answer to a question—“How important will the ease of digital access to your account be in selecting an auto finance company for your next traditional vehicle purchase?”—60% of the respondents say they expect to be able to access their account through a mobile device (such as a phone or tablet). And 65% say that self-service capability will impact their choice of auto finance organization (figure 9). For example, the customer should be able to change personal information, or add mechanical insurance to the finance contract when the manufacturer’s warranty expires, through a self-service portal on the organization’s website. More complicated transactions, such as changing the length of the contract, could also be possible. Convenience and speed are the clear values to the customer. For many companies, an investment in new technology will be necessary - but worth it - if there’s a commensurate boost in customer satisfaction and loyalty.

Figure 9: Importance of digital capabilities, i.e. self-service



Source: Capgemini

Insights: Over time, an online process will become the norm for financing the purchase of a vehicle and for servicing accounts, as the auto finance organization looks for new or additional opportunities to work with favored, loyal customers. Right now, financing organizations should consider a dual channel strategy based on demographics; for example, online chat and call centers can help keep mature consumers engaged in making choices and decisions about products and services. Also, digital financing processes need to be simple and transparent, easy-to-use and secure. Bundled packages are favored by consumers who tend to like one-stop shopping, as is self-service account management. Terms and conditions need to be consistent across channels.

OWN

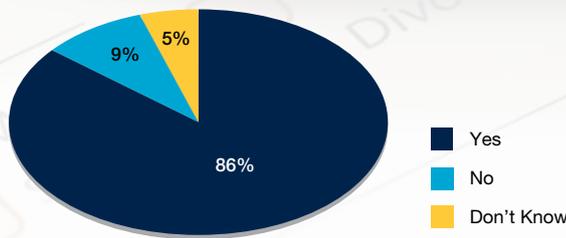


OWNERSHIP PHASE

The customer expects a hassle-free, value-added finance management experience.

For the informed and in charge consumer, convenience is one of the key determinants in the choice of auto finance organization. When asked whether they'd prefer to include the cost of a warranty in the loan/lease, 86% say 'yes' (figure 10). It's equally likely that they'd like to include other one-time costs or annual obligations in a bundled offering, as long as the pricing is transparent.

Figure 10: Preference to include additional cost in the loan/lease



Source: Capgemini

After the sale, the customer expects hassle-free loan/lease management, and the majority (69%) would like access to easy-to-use tools, such as text messaging, for communicating with customer service agents (figure 11).

Figure 11: Importance of services



Source: Capgemini

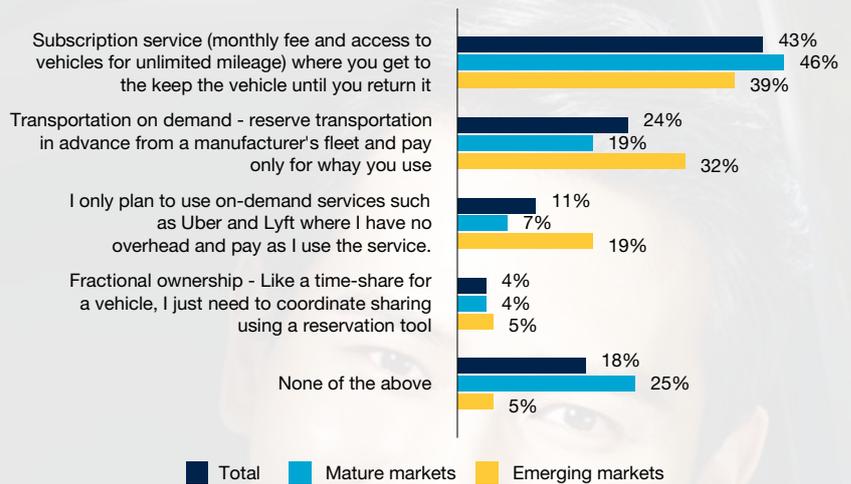
An alternative to buying?

One emerging trend explored by the Cars Online 2017 survey is mobility services. These include car sharing (e.g. car2go, Zipcar), ride sharing services (e.g. BlaBlaCar), multi-modal packages (e.g. car and bike and train), and mobility on demand (e.g. Uber, Didi).

One conclusion is clear: Interest is high and growing. For example, **50% of the survey respondents would like to have mobility on demand** (as we report in *Cars Online 2017: Beyond the Car²*). More than one-third (36%) would consider sharing or using their vehicles in an Uber-type program, thereby potentially generating revenue to offset monthly transportation costs and loan or lease payments.

Here again, a generation gap is apparent, with the younger sharing-economy consumers showing more enthusiasm for mobility services: 94% of those in the 18 to 34 age group express interest, compared to 65% of 50+ year olds who say the same (of course, even that lower number indicates a remarkably high interest level overall). The method of payment most favored is a monthly subscription that gives that customer unlimited, on-demand access to a vehicle (figure 12).

Figure 12: Preferred type of transportation service



Source: Capgemini

Some forms of mobility, such as shared car ownership or a shared lease, require a new financing model. Auto finance organizations should expand their business horizon to discover a role they could play in the emerging mobility marketplace or risk being left behind.

50% of the survey respondents would like to have **mobility on demand**

Insights: Consumers expect a lot from an auto finance organization: convenience, direct access to service representatives, an ongoing ease in transactions, and the secure protection of personal data. Any and all of these variables can make the difference between getting the business or not. Just as important, these benefits are critical to keeping a customer in the future—for the next car and the one after that. The good news, especially for those organizations that exceed a customer's expectations, is that 29% of consumers will post about the financing process; this presents an opportunity to identify and nurture brand ambassadors, those happy customers who promote the brand's value messages on social media.

RECOMMENDATIONS

Tomorrow's car buyer will take for granted a robust, easy, and secure online financing process. How can the auto finance provider assure its participation in this relatively new and rapidly growing opportunity? A close collaboration between the vehicle and the financing works to everyone's advantage. The findings and insights from *Fast Forward in Auto Finance* suggest these action steps.

Put power in the hands of the consumer

As the consumers' preferred, primary sources of information about financing, OEMs and dealers are ideally positioned to use an integrated financing/buying process to secure the buyer's business. Knowledgeable staff should be on hand, especially online and outside 9-to-5 working hours, to clarify financing terms and conditions. Interactive technology should allow for the ad-hoc calculation of monthly payments, including the ability to see on-the-spot how a change in the car's configuration would alter the loan/lease terms. Putting this kind of power in the hands of consumers persuades them to accept the offer and even to buy more services.

Allow for the whole financing process to be completed online, even before the car is purchased

To support consumer demand, the auto finance organization needs a simple process with transparent terms and conditions, strong data security, and pricing that's consistent across multiple channels. Why not find and adapt best practices from FinTech providers and other industries to optimize the customer's experience? Today's technology can support a financing process that's entirely online, start-to-finish: Those who adopt it now, gain a first mover's advantage.

Show how your deal's value compares to others

Since the loan's rate is a key concern of buyers, the auto finance organization should be able to show the value of its offering relative to others. Transparency is highly valued by today's informed consumer, and it helps build the trust that an online process tends to lack. Consumers will do their own research anyway, so why not be upfront with the information? Even a slightly higher rate could be offset by quantifying the value of features that are valued by consumers, such as self-service capabilities or bundled options.

Get to know and leverage your brand ambassadors

Dealers and OEMs should encourage customers to provide and post positive reviews of the financing process. For example, follow-up satisfaction surveys can generate content for websites and social media sites. After the sale, don't neglect the customer; get to know him or her better and find just how often, and through which channel, he or she would prefer to stay in touch. Any and all opportunities to communicate with both actual and potential customers need to be exploited.



About Capgemini's Diversified Lending Practice

Capgemini's Diversified Lending practice serves the needs of over 25 of the leading bank and captive auto finance organizations globally. Capgemini's financial services specialists generate value for these organizations every day through global delivery capabilities and industry-specific digital and transformation service offerings.

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About Capgemini

With more than 190,000 people, Capgemini is present in over 40 countries and celebrates its 50th Anniversary year in 2017. A global leader in consulting, technology and outsourcing services, the Group reported 2016 global revenues of EUR 12.5 billion.

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A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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