

Cars Online 10/11

Listening to the Voice of the Consumer



Contents

Introduction	3
Executive Summary	4
Developing Markets: Focus on a Localized Approach	6
Before They Buy: Understanding Consumer Behavior	9
The Role of the Web: Social Media Evolves Rapidly	14
Online Buying: Cheaper, Faster, Easier?	18
Green Vehicles: From Mileage to Mobility	22
Customer Interaction: Price and Selling Process Drive Satisfaction	26
Aftersales: Quality Is Key to Servicing Decisions	32
Conclusion and Recommendations	36

Introduction

“A car company must ascertain and understand the nature of the customer’s buying behavior if it is to market its product properly and entice and persuade consumers to buy that product.”

Indian consumer

What a difference a year makes.

In 2009 the automotive industry was characterized by significant volatility, including mergers and acquisitions, bankruptcy filings, government intervention, vehicle scrapping and rebate programs, and the end of a number of historical vehicle brands. In contrast, this year has seen movement toward stability and even growth in mature markets as vehicle sales gradually improve, together with continued strong expansion in developing markets such as China and India, which looks set to continue.

To avoid being left behind in this rapidly shifting environment, companies must continue to pay close attention to the voice of the consumer. *Cars Online 10/11* – Capgemini’s 12th annual global automotive study – provides an opportunity to listen to those voices. The study offers insight into how consumers around the world shop for vehicles, what leads them to buy, and what they are really looking for during the buying and ownership stages of the lifecycle.

This year’s report again focuses on both mature and developing markets. The scope of the research, however, was broadened to include more than 8,000 consumers in Brazil, China,

France, Germany, India, Russia, the United Kingdom and the United States.

In this edition we examine top-of-mind issues such as online buying of vehicles, alternative-fuel/electric vehicles, mobility programs and the growing use of social media as a marketing and communication tool. You will find both quantitative and qualitative consumer views on these topics and more. We urge you to listen – and respond – to the voice of the consumer coming through in the survey data as well as the direct quotes throughout the report.

As one of our respondents from India noted, *“A car company must ascertain and understand the nature of the customer’s buying behavior if it is to market its product properly and entice and persuade consumers to buy that product.”*

We are confident that the findings of *Cars Online 10/11* will provide vehicle manufacturers and dealers with insights into changing consumer dynamics in both mature and developing markets, and will help the industry gain a better understanding of consumer buying behavior as the automotive marketplace continues to evolve.

Executive Summary

**“India’s Car Sales Hit All-Time High” –
The Wall Street Journal**

**“Brazil’s auto sales, output continue
to rise” – Steel Business Briefing**

**“China Car Sales Soar Again ...” –
Edmunds Inside Line**

Thanks to encouraging sales reports in many markets, cautious optimism appears to be the order of the day in the automotive industry. Sales gains are mirrored by improvement in consumer satisfaction with the vehicle buying process, which increased this year in a number of countries.

At the same time, however, there is evidence of consumer frustration with the status quo. For example, about 40% of the respondent base continues to exhibit a latent demand for online vehicle buying (the end-to-end process, not just the upfront research). In addition, this year’s survey reflected steady gains in ownership of fuel-efficient and alternative-fuel vehicles, with 73% of consumers expecting full electric vehicles to be a viable option within five years. An emerging trend evident in this year’s report showed that more than one-third of respondents are interested in alternatives to the traditional vehicle purchase/lease model, using concepts such as mobility programs.

Capgemini’s *Cars Online* research examines these shifting buying patterns in order to provide insight that can help automotive companies respond faster and more effectively to changing consumer needs and demands.

Key Findings

The research uncovered a number of key findings.

1 The vehicle buying cycle continues to shrink, with more than half of consumers starting their research within just two months of purchase. A few years ago, the car buying process was believed to last at least six months. In recent years, however, it has become evident that vehicle buyers are beginning the process much closer to their planned purchase, leaving automotive companies with less time to influence purchases. Similarly, showroom visits are occurring later, with almost 40% of respondents visiting the dealership for the first time within one month of purchase. This short period between the beginning of the research process and the showroom visits is the critical point of interaction with potential buyers. Once they enter a dealer showroom it may be too late to influence buying decisions, as many consumers have already narrowed down their consideration set to a well-defined shortlist.

2 The use of information sources varies widely by country, requiring a flexible and targeted approach to marketing and advertising. Although the web has become the primary source for vehicle information for most consumers today, usage of specific types of sites is not consistent across markets. The same is true for non-web-based sources. For example, in the U.S., dealer websites, search engines and independent car valuation services are the top three information sources. In France, however, manufacturer-specific franchise dealers, manufacturer websites and specialist motoring/automotive press

top the list. And in India, family and friends, manufacturer websites and TV advertising are the most frequently used sources.

3 Consumers are increasingly looking to find both qualitative and quantitative vehicle information in one online location. In recent years, vehicle buyers have demonstrated a clear web usage pattern, starting with search engines, then moving to manufacturer and dealer sites for factual information about vehicles, and more recently to consumer-to-consumer tools like social media for qualitative information and opinions. However, in this year’s survey, a significant number of respondents indicated they would like to find it all in the same place – what could be called the “Amazon.com effect.” While consumers still point to factual information like price and product details as the number one web option, two-thirds say it is also important to have user-generated content such as consumer reviews on manufacturer and dealer sites.

4 Consumers in developing markets – especially China – are particularly demanding with very exacting needs. This year’s survey reinforced a trend that began to appear in earlier editions of *Cars Online*, with respondents from the BRIC countries (Brazil, Russia, India, China) being especially demanding in several areas. For example, only about 40% of respondents from the developing regions will travel more than 10 miles to a dealership to purchase a vehicle, compared with almost two-thirds of consumers in mature markets. And in China only 24% will travel more than 10 miles. Similarly, consumers in developing countries consider a far wider range of factors when making

their vehicle choices and are much more demanding about the response time they expect from dealers and manufacturers to their inquiries.

5 A latent demand for online vehicle buying is being driven by expectations of price reductions but increasingly also by a desire for a faster, more efficient selling process. For the past several years, about 40% of consumers have made it clear they want to have the ability to buy vehicles over the Internet (the complete end-to-end process). This is particularly pronounced in the developing markets of Brazil, India and China. The primary reason consumers cited was the expectation of a price discount, named by 36% of

About Capgemini's Cars Online Study

Capgemini worked with SmartRevenue, a Ridgefield, Connecticut-based research firm, to conduct the survey for Cars Online 10/11. All analysis and interpretation of the data has been made by Capgemini in collaboration with the Car Internet Research Program (CIRP) of the University of Ottawa, Canada. In total, more than 8,000 consumers were surveyed in eight countries: Brazil, China, France, Germany, India, Russia, the United Kingdom and the United States.

The composition of the consumer sample in each country was based on projectable national samples representative of the population in terms of region, age, gender and ethnicity. All consumers surveyed were in-market (23% plan to buy or lease a vehicle within two months; 34% in two to six months; 32% in seven to 12 months; and 11% in 13 to 15 months).

respondents. This year, 30% also said they expect an easier, faster transaction online, which represents an increase of eight percentage points over the prior year. While some respondents identified barriers to online buying, including the inability to test drive vehicles or see photos and videos, most of these hurdles seem to be surmountable. And even in an online buying environment, consumers expect dealers to play a role by providing test drives and service packages.

6 “Green” is a real, but rapidly evolving, market. In this year's study, 43% of respondents say they own a fuel-efficient or alternative-fuel vehicle, up from 41% the prior year and 36% two years ago. This rapidly changing market will continue to be impacted by a wide array of forces – including consumer demand, government and regulatory pressures, battery technology and price, infrastructure investment, fuel prices and supply, and city-center congestion concerns. Many of these same forces are also driving an emerging interest in new, more environmentally friendly alternatives to the traditional vehicle purchase/lease such as mobility programs (see next finding).

7 Alternative buying options such as mobility packages, vehicle-sharing programs and ride-share services are growing in popularity, especially in developing markets. Among these, mobility packages are the most popular, with 40% of respondents saying they would consider a mobility package as an alternative to the standard buying/leasing. In Brazil, that number reached 79%; in China, it was 64%; and in India, 57%. Mobility packages center around buying services – such

as car club memberships, software upgrades or battery charging hours for electric cars – on a regular basis, rather than just a single product every few years. These types of alternative buying models offer cost savings and convenience to consumers and are viewed as being more environmentally friendly. For the industry, however, they raise questions about the need for new business models and technology systems.

While this topline review provides a summary of key findings from this year's *Cars Online* study, the sections that follow offer more in-depth data and analysis focused on key topics such as shopping patterns, social media usage, online buying, green vehicles, customer interaction and aftersales/servicing expectations.

“Soon, buying a vehicle will be no more complicated than ordering a pizza over the Internet. Detailed Internet catalogs will present makes and models, and the vehicle purchase will match what is shown in the catalog.”

German consumer

Developing Markets: Focus on a Localized Approach

Differences between developing and mature markets are still pronounced as are specific variances among the individual country markets, necessitating a localized approach in each country.

While vehicle sales in the developing markets slowed due to the global recession, volumes are beginning to increase once again. That's good news, as the BRIC (Brazil, Russia, India and China) markets, in particular, are expected to account for the bulk of the automotive industry's future growth. Understanding vehicle buying behavior in these countries is essential for success in the coming years.

Buying Patterns Differ in Mature and Developing Markets

Given the relative newness of the developing markets, it is not surprising that vehicle buying patterns differ from those in mature markets. Many consumers are first-time car buyers and as such have different perspectives on what is important. In addition, our research supports the view that consumers in developing markets tend to be extremely demanding with very exacting needs.

This is particularly evident in the response time consumers expect from dealers and manufacturers to their inquiries. In China and Brazil 60% of consumers expect a response within four hours, compared with 29% in Germany and 34% in France.

Similarly, consumers in developing markets base their vehicle choices on a far wider range of factors, including those that tend to be more temporary in nature. For instance, cash-back incentives are important or very important to 69% of consumers in the developing markets but to only 46% of those in mature markets. Low or 0% financing is important to 73% of respondents in developing markets, compared with 62% in mature markets. And coupons/options for third-party providers are cited as important by 65% of consumers in developing markets but by only 46% of those in mature markets.

Car buyers in developing markets are also less flexible about the distance they will travel to a dealership; they want dealers to be in close proximity to their homes. For example, 56% of

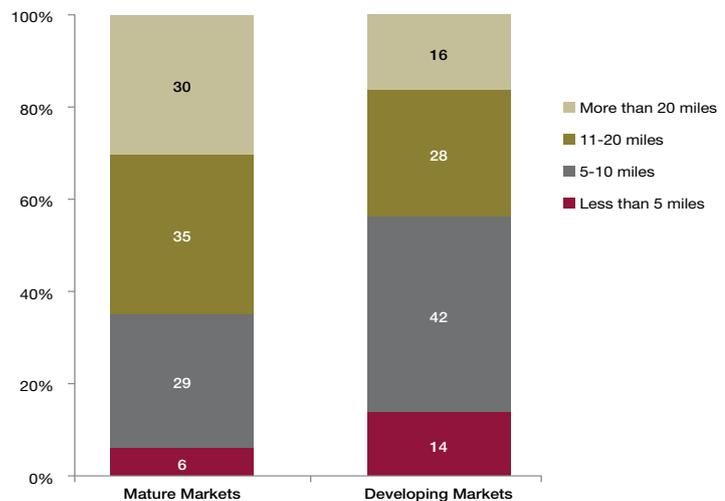


respondents from the BRIC countries expect to travel *less than* 10 miles to a dealership to purchase a vehicle. In contrast, the majority of vehicle buyers in mature markets will travel *more than* 10 miles. In fact, 30% of consumers in mature markets say they will travel more than 20 miles to a dealership to purchase a vehicle.

In China, only 24% are willing to travel more than 10 miles. Similarly, a full 88% of respondents in China say they will travel no more than 5 miles to a service location and half expect to travel only 2 miles. This may be a reflection of the fact that most of the car buying population in countries like China and India is based in urban areas, which is also where the dealerships tend to be located. So consumers may see no need to travel a longer distance. Nevertheless, it is evident from these findings that vehicle manufacturers building up their dealership networks in developing markets, especially China, need to saturate the market in order to be close to the consumer.

Differences between developing and mature markets are also apparent in the types of information sources used. Overall, consumers in mature markets rely primarily on web-based sources, while those in developing markets use traditional information sources as well as online resources. For example, 23% of respondents in developing markets use TV advertising as a resource when researching vehicles, compared with 18% in the mature markets. And 24% of those in developing markets visit auto shows during the research process, compared with 18% in mature markets.

Distance Willing to Travel to a Dealership - Mature vs. Developing Markets
(% consumers saying)



Source: Capgemini

Over time, we expect that the disparities between mature and developing markets will lessen. As consumers become more familiar with vehicles and the vehicle buying process in those countries, their purchasing patterns will likely shift toward those in mature markets; we see a few signs of this already. However, it will be a slow process and will not be as apparent in some markets as in others. The bottom line is that localization will be essential to success in these rapidly developing vehicle markets.

All Developing Markets Are Not Alike

While developing countries are different in many ways from the mature markets, these high-growth markets are not all alike. The research identifies distinct variances in buying behavior from one developing

“The greatest change in car buying will be in the buyer/seller relationship via manufacturer and dealer sites with improved communication and dialogue.”

Brazilian consumer

“I would like to see faster procedures when you buy a car – taxes, insurance, license registration, loan application approval.”

Chinese consumer

country to another. For example, in contrast to the other developing markets, Russia continues to mirror the mature markets in many respects. One example is the used car business. More than one-quarter of Russian respondents expect to buy a used car, similar to the results in the U.S. and France. In contrast, the other developing countries are heavily dominated by new car buyers.

In addition, satisfaction rates tend to be lower in Russia than in the other developing markets. In Russia, 61% of respondents said they were satisfied with the vehicle buying process (similar to the results in the mature markets), compared with 93% in Brazil, 84% in India and 83% in China.

The vehicle research patterns within the developing countries also vary. In India, for example, consumers indicate above-average use of family and friends, TV advertising, Internet news sites and auto shows. Chinese vehicle buyers rely heavily on information websites, family and friends, and manufacturer-specific franchise dealers.

And Russian respondents seem to be particularly information hungry, posting higher-than-average use of many types of sources, including manufacturer and information websites, family and friends, specialist motoring/automotive press, search engines, and web forums, blogs and other Internet discussion sites.

Use of Information Sources Varies Across Developing Markets (% consumers saying)

Information Source	All Markets	Russia	Brazil	India	China
Manufacturer Internet sites	48	56	23	43	38
Family and friends	42	54	25	51	51
Search engine	38	52	19	38	32
Information websites	37	54	17	32	53
Dealer websites	37	35	18	36	32
Manufacturer-specific franchise dealer	34	26	25	33	49
Specialist motoring/automotive press	30	52	19	23	30
Internet news sites	25	37	18	34	19
Independent car valuation services	22	18	14	20	17
Web forums, blogs or Internet discussion groups	21	44	12	20	27
Used car dealer	21	7	11	21	14
TV advertising	21	13	17	41	22
Auto shows	21	12	31	34	19
Independent e-tailer sites	18	22	13	11	24
Print advertising	17	21	15	24	8
TV news	14	9	15	29	15

Top three information sources

Source: Capgemini

Before They Buy: Understanding Consumer Behavior

The dynamics of consumer shopping patterns are changing as the vehicle buying cycle shrinks and alternative buying approaches emerge.

Web Drives the Information Search

Clearly the Internet has become the primary information source for most vehicle shoppers today, with nearly 90% of respondents saying they use the web during the research stage. As web-based sources have become more popular, traditional information sources continue to decline, with print advertising, auto shows and TV advertising posting lower usage this year. In contrast, the use of manufacturer websites, search engines, information sites and dealer sites increased.

It is important to note, however, that usage of different types of sites varies widely by country. The same is true for non-web-based resources. For example, in the U.S., dealer websites, search engines and independent car valuation services are the top three information sources. In France, however, manufacturer-specific franchise dealers, manufacturer websites and specialist motoring/automotive press top the list. And in Germany, manufacturer Internet sites, family and friends, and search engines are the most frequently used sources. Given this disparity among markets, a flexible and market-specific approach to marketing and advertising is essential today.

Some consumers expect that their approach to vehicle research may look very different in the future. Said a UK respondent, *“I expect there will be a central registry and people will input information about the vehicle they are looking for and every time there is a car that matches the criteria, they will receive an alerting text message or e-mail with*

a link so that immediately the buyer can view the car.”

The Incredible Shrinking Buying Cycle

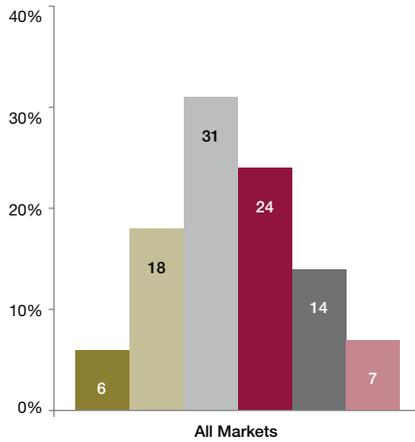
The availability of huge amounts of vehicle information online has had a significant impact on the buying cycle. A few years ago, the automotive industry thought of the car buying stage as lasting at least six months with consumers visiting multiple dealerships. But now that car buyers do the bulk of their research online, they begin their research and visit showrooms much closer to their planned purchase. This leaves automotive companies with much less time to influence vehicle decisions.

This year more than half of consumers said they start their research within eight weeks of purchase, up from 43% the prior year.

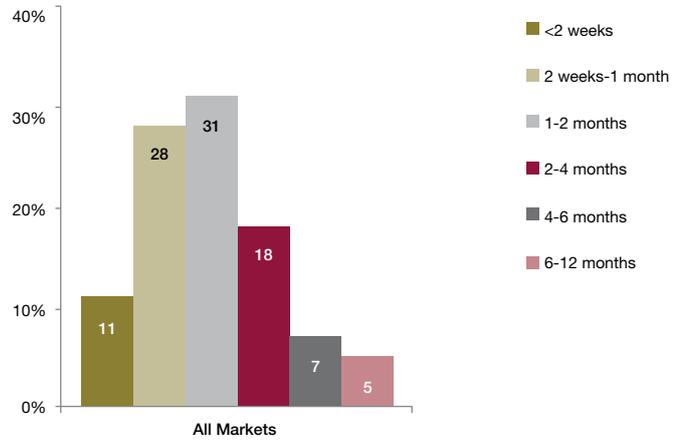


Vehicle Buying Cycle Continues to Shrink (% consumers saying)

How long before your planned vehicle purchase/lease did/will you begin to research vehicles?



How long before your planned vehicle purchase/lease will/did you visit a dealership showroom?



Source: Capgemini

“Globalization will touch everything, including buying vehicles. I’d like to be able to buy a vehicle anywhere in the world.”

Russian consumer

Similarly, showroom visits are coming later, with almost 40% of respondents visiting the dealership for the first time within one month of purchase, compared with 33% in 2009. This trend is particularly pronounced in the U.S., where 45% of consumers wait until the last four weeks to visit a showroom for the first time.

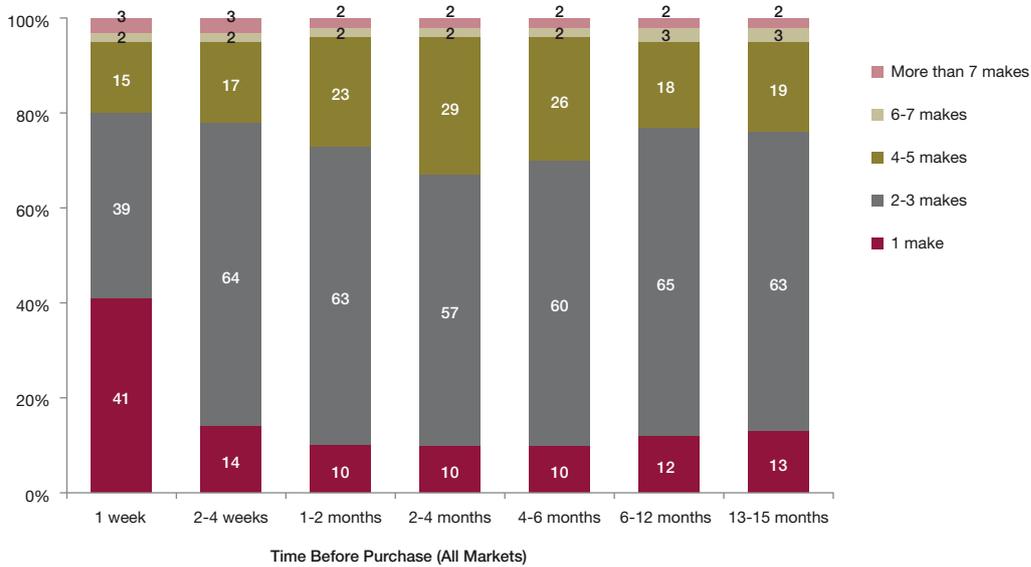
This short period between the beginning of the research process and the showroom visits is one of the critical touchpoints for interaction with potential buyers. Once they enter a dealer showroom it may be too late to influence buying decisions, as most consumers have already narrowed down their consideration set by this time.

The majority of vehicle buyers consider two to three makes/models, which has been consistent for a number of years. However, the closer a consumer gets to the point of purchase, the fewer makes/models they will consider. Within a week, 41% of consumers have narrowed down their choice to just one vehicle. The tipping point appears to be one to two weeks prior to purchase when the decision gets locked in. At this point the ability to influence a consumer’s vehicle choice is minimal.

In this current marketplace, automotive companies must identify viable leads and interact with them through the channel the consumer prefers. Social media, for example, is a growing tool to capture and convert leads as well as to build customer relationships both pre-sales and post-sales. (See following section, “The Role of the Web: Focus on Social Media Grows Rapidly,” for a closer look at how consumers are using social media and other types of new online tools during the vehicle buying stage.)

Once consumers make the decision to visit a showroom they will likely visit only two or three dealerships. This again points to the importance of actively engaging with buyers during the research stage as most consumers are unlikely to visit a wide range of dealers. In the developing markets this may be due to the fact that there are fewer dealers, and in the mature markets it may reflect the fact that model consideration sets have already been narrowed substantially by this point so there is no need to visit multiple dealers.

Consideration Set Narrows Closer to Purchase Point (% consumers saying)



Source: Capgemini

Alternative Buying Approaches Emerge

With a flood of first-time buyers entering the market in developing countries, alternative buying options like mobility packages, vehicle-sharing programs and ride-share services are garnering interest. Among these, mobility packages are the most popular, with 40% of respondents saying they would consider a mobility package as an alternative to the standard buying/leasing.

In Brazil, that number reached 79%; in China, it was 64%; and in India, 57%. In fact, Brazil posted the highest response rate for each of the alternatives, while Germany recorded

the lowest. The interest in mobility packages in the developing markets may reflect the so-called “leapfrog effect,” with consumers more willing to consider new ideas and approaches because there is no entrenched buying model.

Mobility packages center around services rather than products. So, instead of just focusing on selling a large product (the vehicle) one time, a dealer or manufacturer sells additional services on a monthly basis such as battery charging hours or battery upgrades for electric cars, car club memberships, software upgrades, etc. A sale or lease of a vehicle may be included but not necessarily. Mobility

Likelihood to Consider Alternative Buying Approaches (% consumers saying likely/very likely)

	Mobility Package	Vehicle-Sharing Program	Ride-Share Service
All Markets	40	32	33
U.S.	23	18	18
UK	23	15	16
France	29	14	20
Germany	20	11	13
Russia	25	13	17
Brazil	79	78	72
India	57	49	54
China	64	57	55

Lightest shade: Lowest response rate for each buying alternative
 Darkest shade: Highest response rate for each buying alternative

Source: Capgemini

“Next time I might look for a flexible service where the kind of car I need is available at the time I need it but I don’t actually buy an individual car. So I wouldn’t own the car but would have a selection of vehicles available to choose from.”

UK consumer

packages are of particular interest to young consumers due in part to the perceived environmental benefits: 44% of respondents aged 18 to 34 said they were likely to consider such an alternative, compared with 34% of consumers 50 or older.

One-third of respondents also express interest in vehicle-sharing programs and ride-share services. Vehicle-sharing programs (often referred to as “on-demand mobility”) have grown in popularity in recent years especially in large cities. With these kinds of programs consumers drive only when they need – or want – to. Examples include Zipcar, Car2Go, Mobility Car Sharing, Streetcar and StattAuto Car Sharing. These programs often use hybrids and other fuel-efficient

or alternative-fuel vehicles, and like mobility packages, they tend to appeal to younger consumers: 37% of those aged 18 to 34 said they would consider vehicle sharing, in comparison to 26% of respondents 50 or older.

Ride-share services take a somewhat different approach and typically feature virtual notice boards that match drivers with riders. As with vehicle-sharing programs, they tend to operate in urban areas with the idea to improve air quality and reduce city congestion. Noted a consumer from Brazil, “*The number of car users grows rapidly each day, so that in a few years it will be almost impossible to get through the city.*”

Examples of ride-share services include Rideshare Online.com, MyLifts.com and Catchalift.com. Interestingly, 37% of consumers 50 or older said they would consider such a service, compared with just 22% of respondents aged 18 to 34.

With the growing focus on CO₂ emissions reduction and city-center congestion, alternative approaches may continue to be of interest to some percentage of the population, particularly those focused on electric and other alternative-fuel vehicles. (See section titled “Green Vehicles: From Mileage to Mobility” for further discussion on this topic.)

Vehicle Choices Rest on Safety and Reliability

Consumers tend to focus on a few key factors when making their final vehicle choice: safety, reliability of the brand, price and fuel economy, followed closely by the quality of exterior and

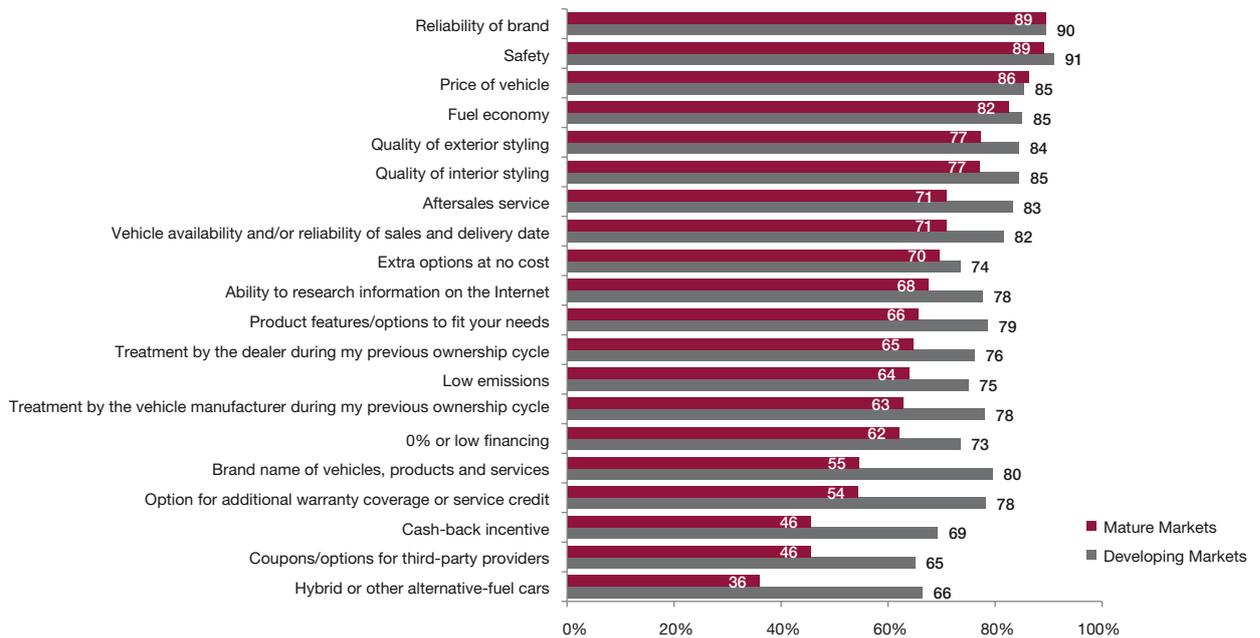
At a Glance: Vehicle Buyers By the Numbers

New vs. used vehicles: The number of new car buyers dropped this year, with 73% of respondents indicating that they planned to buy a new car versus 77% the prior year. In many countries, scrapping and other incentive programs in place in 2009 and early 2010 helped drive new car sales. As those programs ended, new car sales slowed in some regions, impacting our sample base. Not surprisingly, developing markets (particularly Brazil, India and China) are primarily new car markets, with 84% of respondents saying they intend to buy a new vehicle, compared with 61% in mature markets.

Vehicle cost as a percent of annual income: Respondents in mature countries spend a lower percentage of their income on vehicles. For example, 49% of U.S. consumers will spend less than 25% of their annual income to purchase a car; by comparison, in China only 18% expect to spend that little, while half will spend between 26% and 50%. This is not surprising as cars are relatively inexpensive and incomes are typically higher in mature markets. However, as the income level in many of the BRIC countries begins to edge upward, we expect to see this trend shift.

Types of vehicles: Despite much focus on smaller cars, midsize vehicles continue to dominate in most markets, with 43% of consumers saying they plan to buy this type of vehicle. However, the research shows some variations by country. For example, 33% of Chinese consumers expect to purchase a small car, more than twice the overall average of 15%. In the U.S., 18% of respondents intend to buy a Sport Utility Vehicle, three times the average of 6%.

Importance of Factors in Consumers' Choice of Vehicle (% consumers saying important/very important)



Source: Capgemini

interior styling. These factors have remained consistent over the years, although some differences exist by market.

For example, reliability of brand topped the list in the U.S., named by 95% of respondents, compared with 89% overall. This is likely a reflection of the highly publicized recalls in the U.S. market during the past year. In some of the developing markets, especially India and China, aftersales service was also high on the list of factors. And in Brazil, consumers place greater emphasis on hybrid/alternative-fuel vehicles due to the longstanding presence of ethanol and flex-fuel vehicles in the market.

In a continuation of a trend we've noted in recent years, consumers in developing markets tend to focus more heavily on *all* the various factors, compared with their counterparts in mature markets. This is likely due to the fact that they are less familiar with the vehicle buying process and will therefore consider a wider array of factors before making their final decision, together with a more demanding approach to high-value consumer purchases.

The Role of the Web: Social Media Evolves Rapidly

Will an Amazon.com-like model prevail as consumers look for both quantitative and qualitative vehicle information to be provided in one online location?

“In the next years, purchasing of vehicles will be done with a click of a button through mobile phones, by using the TV and through manufacturers’ kiosks conveniently located at malls – and test drives will be done through simulators at malls and other locations.”

Indian consumer

Over the years, vehicle buyers have shown a clear web usage pattern, starting with search engines, then moving to manufacturer and dealer sites for factual information about vehicles, and more recently to consumer-to-consumer tools like social media for qualitative information and opinions. However, in this year’s survey it is clear that a growing number of respondents would like to find a wider range of content all in the same place.

In terms of quantitative content, consumers point to price information as the number one feature they look for on a dealer or manufacturer website, followed by a full range of product details. This has been the case over the years, reinforcing the fact that price and product details represent the cost of admission today on the

web. Additional quantitative features respondents look for include the ability to compare vehicles and cost calculators.

An additional group of features that some consumers look for are focused more on the ability to conduct an online dialogue. These include communicating with dealers and manufacturers online, the ability to contact dealer sales staff and to have an open dialogue over the Internet.

The remaining web options that respondents point to fall under the heading of customer service and include the ability to get guidance and advice over the web. Of lesser importance are features like the ability to schedule test drives and check dealer inventory.

Most Important Website Options (% consumers saying)



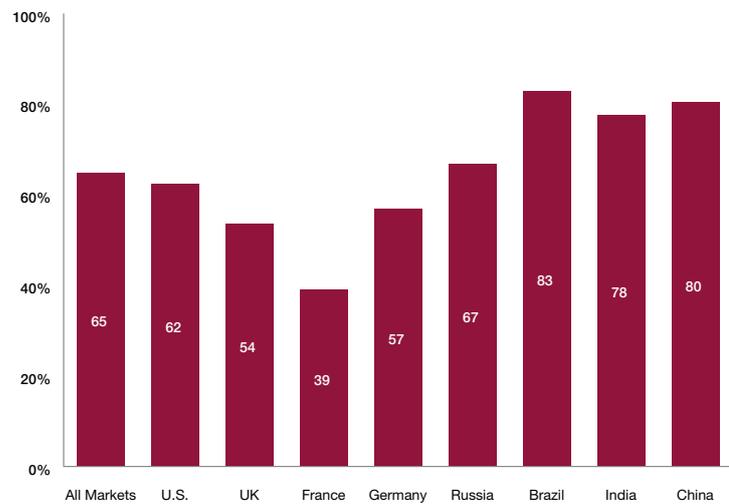
Source: Capgemini

Looking for All the Information in One Place

Interestingly, consumers also show a desire to find user-generated qualitative content on dealer and manufacturer sites, cited by two-thirds of respondents. The interest was most pronounced in the developing markets (83% in Brazil, 78% in India and 80% in China), although 62% of U.S. consumers also identified user-generated content as important.

This finding may be a reflection of consumers' desire to aggregate the vast amounts of vehicle information on the web into one place, much the way Amazon.com includes reviews by consumers and experts as well as product details and price. Said a U.S. buyer, "I wish that more kinds of information about the vehicle I want to

Consumers Look for User-Generated Content on Dealer and Brand Sites
(% consumers saying important/very important)



Source: Capgemini

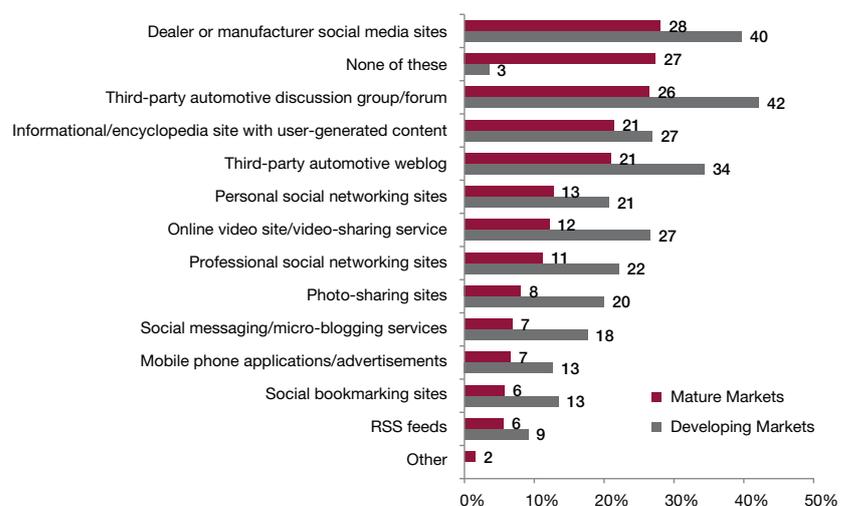


purchase were easily accessible via the Internet. For example, real information about safety, fuel economy, handling and true pricing, not just advertisements or manufacturer propaganda. But I also want to easily see customer testimonials about how good or bad a vehicle has been for them. Why do I have to go to so many different sites to find what I'm looking for?"

In addition to user-generated content, automotive companies should also consider interactive features such as a "Virtual Adviser" service, which provides live, real-time virtual assistance during the critical research period before a consumer enters the dealer showroom. In one example, a substantial percentage of consumers visiting a manufacturer's site are utilizing such a virtual-assistance tool. In our work with clients, we have found that this type of service has the potential to drive an enhanced prospect funnel with improved conversion rates.

Another approach to relationship building via the Internet could be an online automotive community. In our research 55% of respondents said they would participate in an online community of like vehicle owners. The interest level was highest in developing markets: 91% in Brazil, 83% in China, 69% in India and 57% in Russia. Among the mature markets, 45% of U.S. respondents expressed interest in an online automotive community, compared with about one-third of consumers in the UK, France and Germany.

Use of Social Media and Other Online Tools - Mature vs. Developing Markets
(% consumers saying)



Source: Capgemini

The Impact of Social Media on the Buying Process

Consumer interest in getting more qualitative content on brand and dealer websites may stem from their increased use of a wide variety of social media sites and other online tools during the vehicle buying stage. More than one-third of respondents use third-party automotive discussion groups/forums and dealer or manufacturer social media sites like Facebook and Twitter during the vehicle research process; 28% use third-party automotive blogs; and 24% use informational/encyclopedia sites with user-generated content such as Wikipedia.

Usage of these online sources tends to be higher in the developing markets

than in the mature countries. This may represent the same sort of "leapfrog effect" that is visible with alternative buying approaches. It may also reflect the fact that mobile phone penetration has grown rapidly in developing markets like India and China, causing an explosion in the mobile web. A Morgan Stanley study noted that as the overlap between mobile users and social media users continues to grow, more and more users are accessing social networking sites from a mobile device.¹

The primary reason consumers turn to social media sites is for opinions and reviews about specific vehicle brands and models (cited by 34% of respondents). Said a U.S. vehicle buyer, "Regular people talking about

¹ "Internet Trends," Morgan Stanley, April 12, 2010

their experience with a particular vehicle or dealership is priceless in my opinion. It can be the best or worst advertisement.”

Additional reasons include special deals and offers (named by 27%), helpful hints (26%), news about new vehicles (24%), and discussions with other consumers (24%) and automotive experts (24%). Explained another respondent from the U.S., *“I will use more social networking sites like Facebook, because I can quickly get responses from people by just posting a question. Then I will be more prepared with my offer.”*

Such online discussions may affect buying decisions. Two-thirds of respondents said they would be more likely to buy from a particular dealer or manufacturer if they found positive comments about them online. Conversely, nearly half said they would be less likely to buy from a certain dealer or manufacturer if negative comments appeared on social media sites.

Making Social Media Work

Social media can be an effective – and often cost-efficient – way to get messages out to consumers, interact with potential buyers and gather customer feedback. These benefits have led the automotive industry to spend about \$1.2 billion this year on some form of social media advertising.² And that number is projected to grow to \$4.6 billion by 2015.

In an environment where consumer views and opinions are rampant and can impact buying behavior, it is imperative that automotive companies put into place dedicated programs and systems focused on social media. In our experience, some companies are seeding content on a variety of sites as well as using their contact centers – often in low-cost/best-cost countries – to respond to questions, resolve customer issues and correct misinformation that may appear on social media sites.

The increase in online interaction has resulted in a large amount of consumer data. Some automotive companies are beginning to use advanced business intelligence tools and analytics to track and measure social media content. This allows them to dive more deeply into online posts, tweets and other types of communication. Such tools can help companies sort through the data and gain a better understanding of consumer sentiment about brands, buying intention and willingness to participate in events and other promotions.

As companies consider how to best expand and improve the experience they offer online, effective integration of both quantitative and qualitative content and a dedicated social media program will be essential elements of their Customer Relationship Management (CRM) strategies.

“I think that both searching and selling will be done via social networks and other types of websites, without physical presence at stores.”

U.S. consumer

² “Moving the Metal: How Automotive Dealers Can Take Advantage of Social Media,” *Ad Age Insights* and *Automotive News*, Aug. 16, 2010

Online Buying: Cheaper, Faster, Easier?

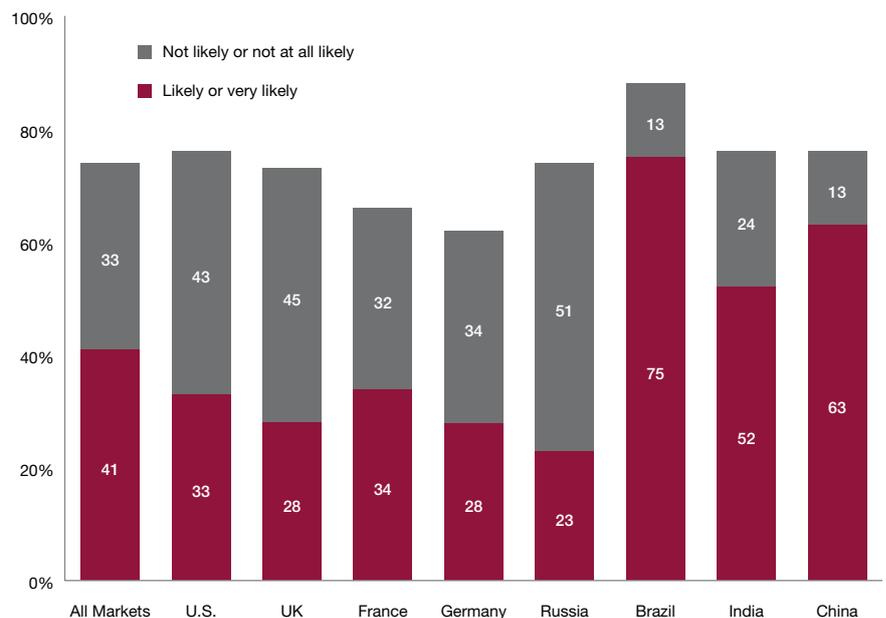
A latent demand for online vehicle buying exists among consumers who view it as a cheaper, faster and easier purchasing model.



Over the past several years, a growing number of consumers in both our quantitative and qualitative surveys have made it clear that they want the ability to buy vehicles and parts and accessories over the Internet (the complete end-to-end process). This year 41% of respondents said they would be likely to buy a vehicle online, consistent with the past few years. And more than half would like to purchase parts and accessories on the web.

Noted a U.S. consumer, “You should be able to specify exactly what you want from the manufacturer and have it delivered directly to you, no dealer required, like buying a Dell computer. I would like to be able to buy the car

Likelihood to Purchase Vehicle Over the Internet (% consumers saying)

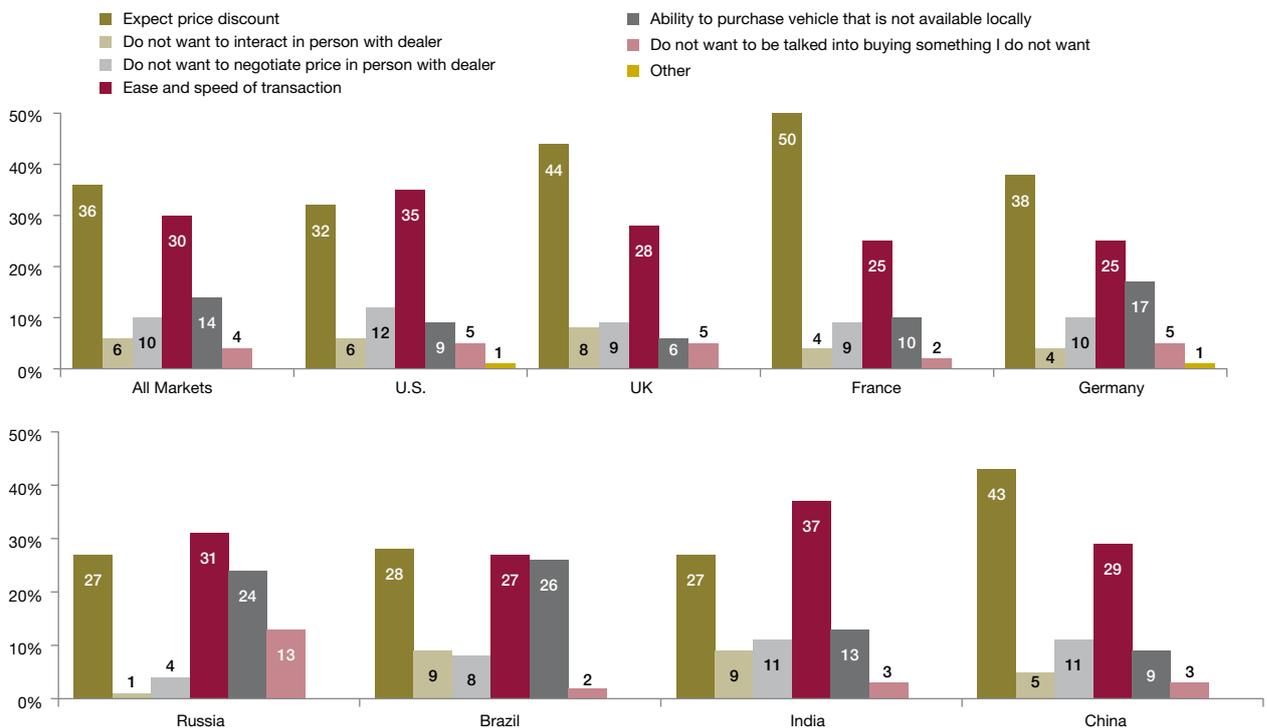


Source: Capgemini

“I already get 90% of my information off the Internet and I would like to buy online as well. So long as the online merchant – whoever that is – is transparent in every respect.”

German consumer

Primary Reason to Purchase Vehicle Over the Internet (% consumers saying)



Source: Capgemini

entirely online instead of just partially like today.”

The trend is particularly pronounced in the developing markets of Brazil, India and China, although about one-third of consumers in the mature markets would also like to buy online, percentages that translate into millions of vehicles. With the explosion of Internet penetration and the mobile web in the BRIC countries, it is not surprising that first-time car buyers would be particularly interested in an online buying model.

Said a respondent from India, “Buying on the Internet is much easier. We have no hassles of driving for long distances to see the vehicles.”

Consumers acquiring new vehicles are more likely to purchase online (46%) than those buying used cars (28%). In addition, consumers whose vehicles are still in warranty are more likely to look for their next car online (52%), in contrast to those whose cars are out of warranty (32%). And the youngest consumers (18 to 34) are most likely to buy a vehicle online (46%), compared with 28% of respondents 50 or older.

The primary reason consumers cited for their interest in online vehicle buying was the expectation of a price discount, cited by 36% of respondents. In addition, 30% expect an easier, faster transaction online,

which represents an increase of eight percentage points over the prior year. Consumers in Germany, Russia and Brazil also pointed to the ability to purchase a vehicle that was not available locally. Additional reasons focus on the dealer experience: Consumers do not want to interact in person with the dealer, negotiate price in person with the dealer, or be talked into buying something they do not want.

“Dealerships will become more and more virtual, be more connected to the web, appealing to the mobile wi-fi crowd, but will still provide service and information.”

U.S. consumer

Dealer Role Shifts in Online Environment

In an online buying environment, dealers will still have a role but it may be different and more focused. Respondents identified service packages as the primary role for the dealer, followed by test drives prior to an online purchase. And 21% of respondents said they would still want to negotiate price with the dealer in person.

Market variances were quite apparent. Consumers in the U.S., France and Brazil were most likely to still want to negotiate price in person with the dealer even when buying a vehicle online. Respondents from Russia and China emphasized the importance of service packages. In India about one-third want the ability to test drive a car before buying it online, the highest of any of the countries. And in China 40% of consumers want to view the vehicle in person before buying it online, far higher than the average of just 15%.

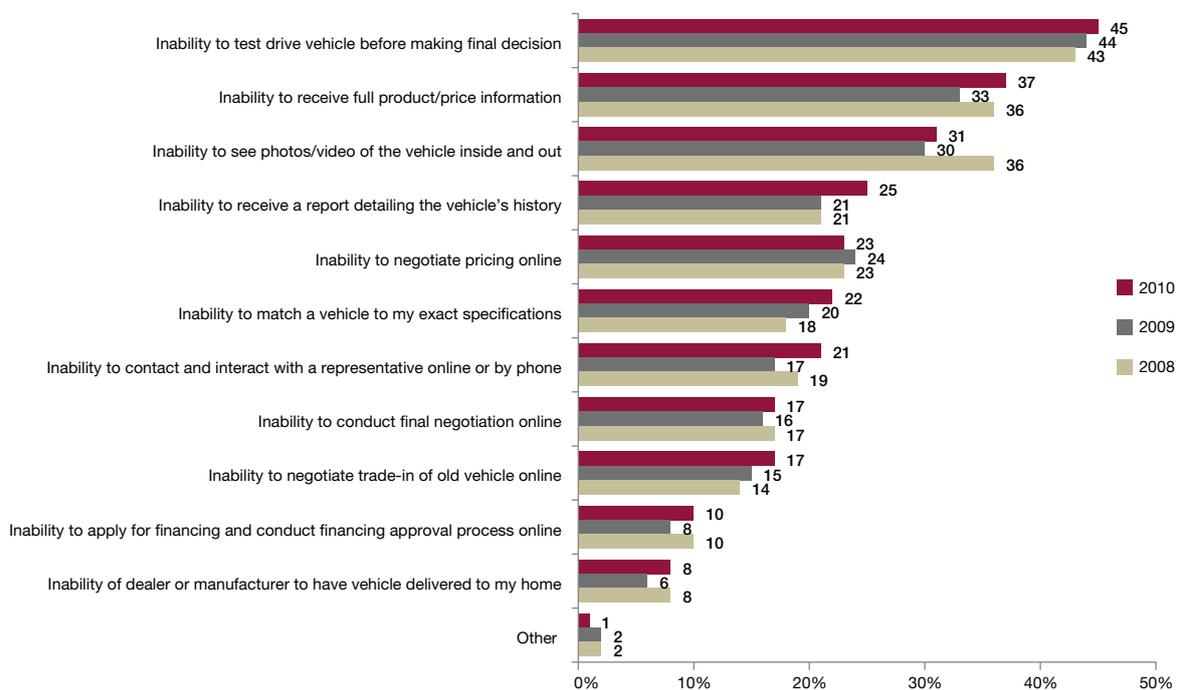
Many consumers noted that the online buying model has benefits for dealers as well as consumers. Said a car buyer from the U.S., *“I believe buying cars online would be beneficial to both dealers and buyers as the overhead cost for dealers would be lower and, hopefully, savings would be passed on to the consumer.”*

The fact that consumers see a role for dealers suggests that a multi-channel buying model would be an option for many car buyers. Such a model would resemble the approach used by many consumers today, combining certain online elements (research, price quotes, perhaps price negotiation and financing) with elements conducted at the dealership (test drives, service contracts and delivery of the vehicle). In this type of model, dealers and manufacturers will need to ensure they have the right capabilities to integrate online and offline channels to provide consistency and continuity of the overall customer experience.

Some respondents identified barriers to online buying, including the inability to test drive vehicles, receive full product and price information, and see photos and videos, but most of the hurdles seem to be surmountable. In our experience, we have seen examples of new business models that address these issues, such as a single location with multiple brands for test drives. Such an approach was suggested by a number of respondents, including this buyer from France, *“I’d like to be able to view and test drive cars at a permanent expo featuring (almost) all car manufacturers, and then I would order and buy online.”*

Other consumers suggested using video conference technology to facilitate price negotiation, and virtual reality or other simulation tools for virtual test drives during the online buying process.

Barriers to Online Buying (% consumers saying)



Source: Capgemini
 Note: Multiple responses allowed

Strong Market for Online Parts and Accessories

The interest in buying parts and accessories over the Internet is even greater than that for vehicles. As with online vehicle buying, consumer interest in purchasing parts and accessories over the web is highest in the developing markets. That is particularly true in Brazil, consistent with the results for online vehicle buying.

The research indicates that practical items which tend to wear out – tires and floor mats, for example – are

more likely to be purchased over the Internet than accessories such as spoilers and custom wheels.

The primary reasons consumers cite for their interest in buying parts and accessories over the web mirror those for online vehicle buying: 35% expect a price discount and 30% believe the transaction will be easier and faster. In addition, nearly one-quarter expect a wider selection and greater availability of parts and accessories on the Internet. This factor is particularly important to consumers in Russia and Brazil.

Green Vehicles: From Mileage to Mobility

As consumers increasingly focus on environmental issues as well as fuel economy, new mobility options are grabbing their interest.



Green Vehicle Ownership Gradually Grows

It has become increasingly clear that environmentally friendlier vehicles represent a real, but evolving, opportunity. In this year's study, 43% of respondents say they own a fuel-efficient or alternative-fuel vehicle, up from 41% the prior year and 36% two years ago. How high will this number go? It is still too early to tell, and despite heightened visibility around electric and other alternative-fuel vehicles there will always be some consumers who will still purchase a large vehicle like an SUV.

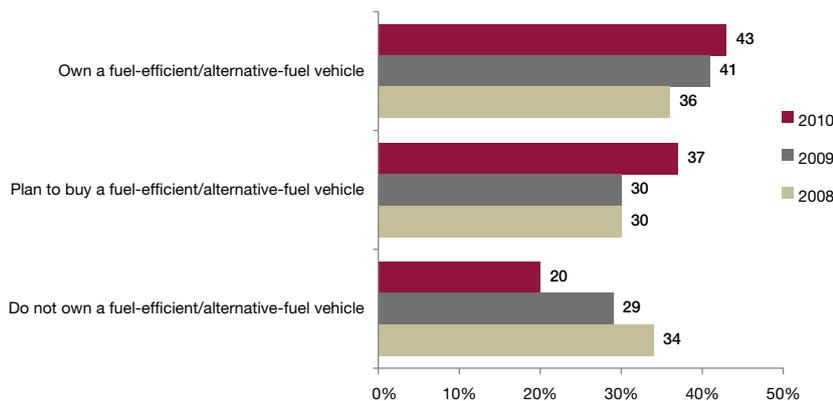
Ownership of both fuel-efficient and alternative-fuel vehicles is higher in developing markets, compared with mature markets. This finding is heavily influenced by Brazil, which posts the highest levels of green vehicle ownership at 72% of respondents. Although ownership levels in countries like the U.S. are not as high as in some of the developing countries, consumer sentiment is strong. One U.S. car buyer echoed the comments of many others, noting: *"If the federal government would get their head out of their behind and try to get away from foreign oil, then we would see some change in the kinds of cars people buy."*

The primary reason to own a green vehicle continues to be fuel economy, followed by the impact on the environment, which has been slowly growing. Said another U.S. consumer, *"I will definitely be buying some type of hybrid or electric vehicle for my next purchases. I will be looking more closely at environmental impact, especially since the recent oil spill that happened in the Gulf of Mexico."*

“I'd like to buy an electric vehicle. I hope soon there will really be a wide choice among the makes and models at affordable prices and you'll be able to go for hundreds of kilometers before recharging the batteries.”

French consumer

Ownership of Green Vehicles Continues to Rise (% consumers saying)



Source: Capgemini

In some markets, additional factors come into play, although to a lesser degree. For example, in the UK 12% of consumers point to other cost benefits as a reason to own a green vehicle. This relates largely to city-center congestion charges, which are levied on non-green vehicles in urban locations such as London. More than one-quarter of Chinese respondents also pointed to cost benefits, although in this case it may relate more to government incentives and tax breaks for smaller, fuel-efficient vehicles. A recently launched program currently in about 13 Chinese cities provides subsidies to buyers of electric and hybrid cars and may further increase sales of alternative-fuel vehicles in the country.

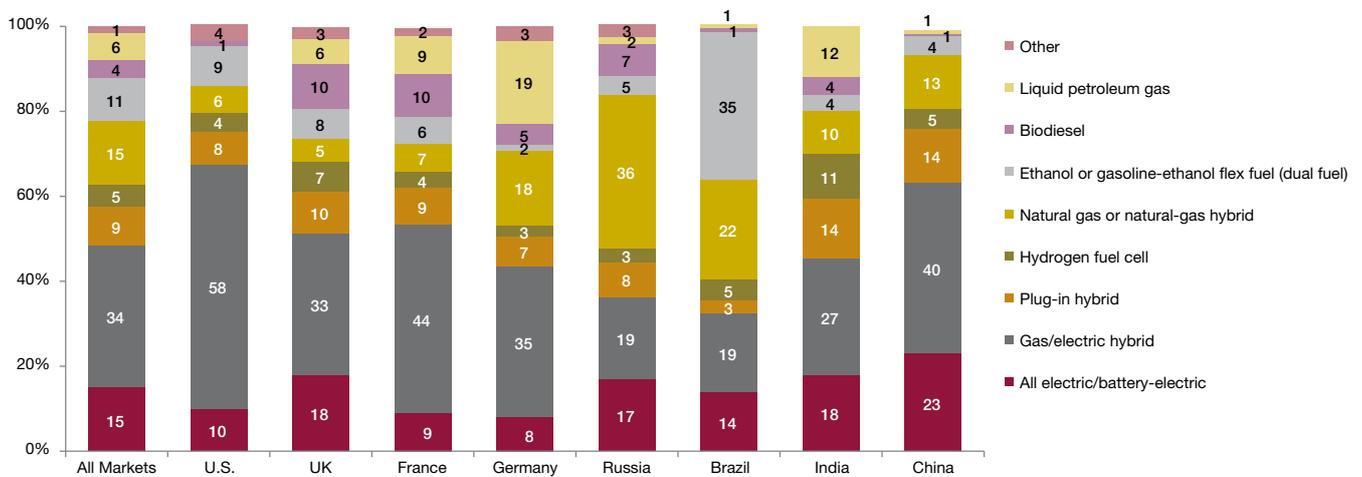
The subject of incentives for green vehicles (and disincentives for gas-powered cars) was a common thread among consumer comments. For example, a UK consumer said, *“There should be discounts for fuel-efficient hybrids and surcharges for gas-powered vehicles (a girl can dream).”*

Electric vehicles, particularly hybrid gas/electric cars, are the most commercially mature and viable of the various kinds of alternative vehicles and have demonstrated the potential to reduce fuel consumption and exhaust emissions. Gas/electric hybrids are the primary type of alternative-fuel vehicle that consumers currently own or plan to buy, named by 34% of respondents. That number climbs to 58% in the U.S.

Additional green vehicles include natural gas or natural gas hybrids (which were cited by more than one-third of Russian consumers), ethanol or ethanol-gas flex-fuel (named by 35% of respondents from Brazil) and all-electric/battery-electric vehicles.

Will consumers pay for green? This remains an open question. In our research, 57% of respondents said they would be willing to pay a premium of up to 10% for an alternative-fuel vehicle. Consumers from developing markets are willing to pay more to go green. Almost 40% of

Type of Alternative-Fuel Vehicles Consumers Own/Plan to Buy (% consumers saying)



Source: Capgemini

“The commitment to the environment in relation to the emissions of pollutants will be more important as time goes on, and a car company’s commitment to society will also be more valued when consumers make decisions about what cars to buy.”

Brazilian consumer

respondents from the BRIC countries say they would pay a premium of 11% or more for an alternative-fuel vehicle.

However, what consumers say and what they actually do can vary. Prices of new electric hybrid vehicles have begun to drop somewhat, but it is still early in the cost-reduction curve. The price gap between gas-powered and alternative-fuel vehicles will need to shrink further if the mass market is to accept these cars.

The Future of Electric Vehicles

While full electric vehicles are still few and far between, consumers expect that to change quickly: 73% of respondents said they believe full electric vehicles will be a viable sales option within five years, earlier than many industry predictions. This same view came through in the qualitative comments, such as this one from the U.S., “In five years electric cars will probably be sufficiently advanced

that they’ll be economically viable for everybody.” Consumers’ aggressive expectations are likely due to the publicity surrounding vehicles such as the Nissan Leaf and Chevrolet Volt.

To meet these expectations, a number of challenges must be addressed, including performance and price of batteries, infrastructure investment in recharging stations, market acceptance, government and regulatory pressures, ecological issues such as recycling of used batteries, fuel prices and supply, and technological maturity. Consumers identified price, recharging locations, length of time to recharge and range per charge as key factors that will impact their decision about buying electric vehicles. According to a UK buyer, “The ability to charge an electric vehicle at work or at supermarkets would influence me to purchase such vehicles.”

Focus Shifting to Mobility

Growing interest in green vehicles is a factor driving a subtle shift from products to services. Increasingly, green cars, especially electric vehicles, are being viewed as part of an integrated mobility concept comprising services such as:

- Battery recharging
- Energy-contingent rates and flat rates
- Pay-per-mile concepts (similar to the utility industry's "smart metering")
- Hardware and software upgrades

Said a French consumer, *"In five years I hope I'll be looking at electric cars in the form of a service and no longer owning the vehicle. For example, batteries will be rented according to miles traveled, at a lower cost as compared to a gas- or diesel-powered vehicle."*

A range of electric mobility (or "e-mobility") models are expected to appear and it is still too soon to tell what type of model may ultimately become the standard. One example is Better Place, which describes itself as "the global provider of electric vehicle networks and services." With this type of model, consumers subscribe to energy, including the use of the battery, on the basis of kilometers or miles driven. The electric vehicle is provided for free or a low fee. The Better Place mobility provider already has electric vehicle infrastructure in place in countries such as Australia, Canada, China, Denmark, Israel, Japan and the U.S. Other e-mobility models may involve purchasing the vehicle as well as additional services for a monthly fee.

Electric Vehicles: Changing the Landscape through Collaboration

The growth of electric-powered vehicles will underlie a fundamental shift in the existing landscape in areas such as design and manufacturing, distribution and aftersales service, and energy supply and infrastructure. Traditional and new players will need to consider the potential impact of this emerging market on their business.

Traditional players: Manufacturers will need to define their strategy for positioning the different "clean" vehicle technologies and rethink their design and manufacturing capabilities as well as their supply chain. Automotive suppliers will need to adapt existing products and develop new products to suit electric vehicles, while new suppliers with products built specifically for electric vehicles will enter the market.

Car dealers, service providers and spare parts vendors will need to adapt and transform their activities to serve the electric vehicle market. Gasoline and tanker companies will need to manage the transition to a new power source that will reduce the traditional heart of their business. And large utilities will need to take into account the potential impact on the grid, new rate structures and new types of services.

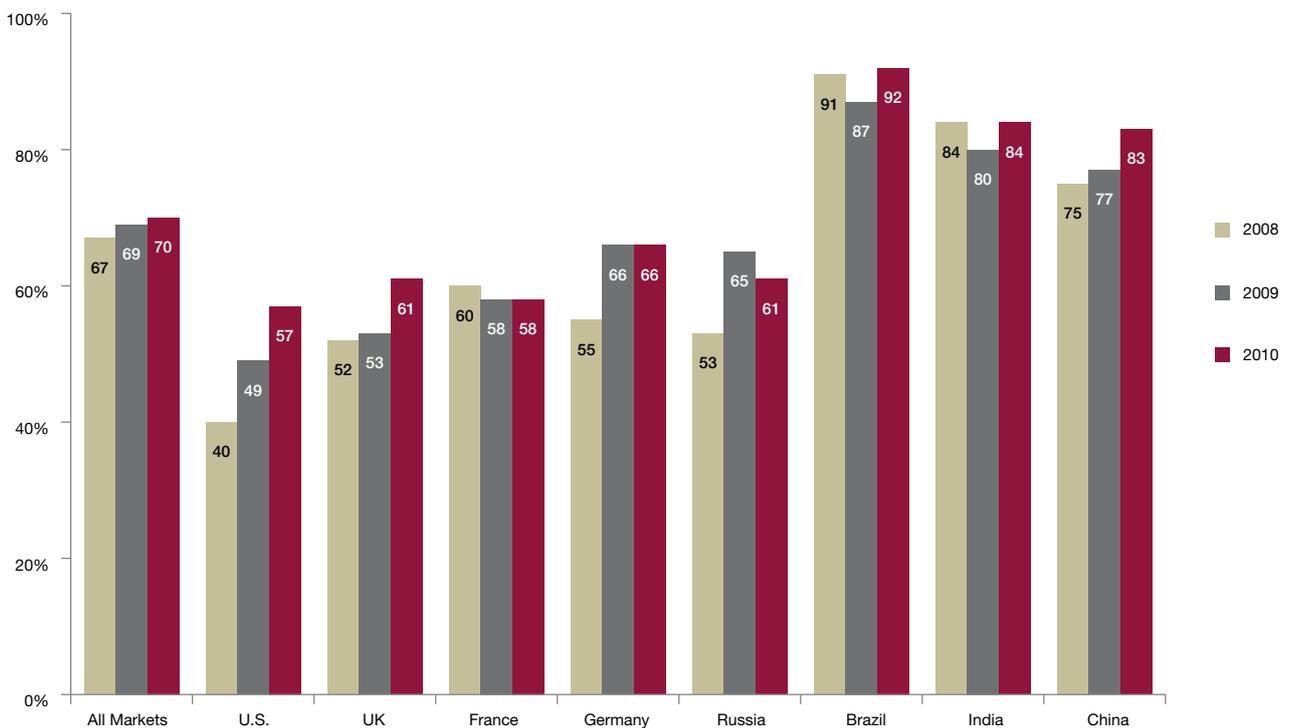
New players: At the same time, new players, including vehicle and battery manufacturers, will need to master the technology development and scale needed to serve the mass market. Mobility service providers and car rental companies will also need to adapt their business models for this new market. E-mobility gives many new players the chance to position themselves with a new business model.

Electric vehicles have the potential to be a market-changing force. However, the continued development of this business will require collaboration both within and, more importantly, beyond the automotive industry. Parties including vehicle manufacturers, suppliers, dealers, other retailers, consumers, electric/utility companies and governments must all be aligned. This new focus on business integration will lead from a mileage to a mobility orientation.

Customer Interaction: Price and Selling Process Drive Satisfaction

Loyalty levels declined slightly this year, although customer satisfaction with the vehicle buying process improved.

Satisfaction with the Vehicle Buying Process (% consumers saying satisfied/very satisfied)



Source: Capgemini

“I’d like to have a dialogue with the manufacturer over the Internet, but only if the response speed is fast.”

Russian consumer

There is both good news and bad news in the area of customer interaction this year. On the positive side, consumer satisfaction with the overall vehicle buying process inched up, with 70% of respondents saying they were satisfied or very satisfied. The gains were greatest in the U.S. and UK. The overall levels of satisfaction, however, remain higher in the developing markets of Brazil, India and China, reflecting consumers’ relative newness to the car buying process.

Maintaining and improving customer satisfaction comes down to two key factors: price and the overall selling process. In the area of price, many consumers identify the ability to negotiate a discount as the key driver for satisfaction, along with a single sales price/no negotiation. In terms of the selling process, key factors include less administrative effort during the buying process, more knowledgeable sales staff, a shorter waiting time to receive vehicles, and a simpler warranty and service contract process.



Variances by market are apparent. For example, in all the mature markets, the ability to negotiate a discount topped the list of satisfaction criteria. However, in India and China, consumers are looking for more knowledgeable sales employees with better ability to answer questions. Said a car buyer from India, *“There is a lack of customer satisfaction due to the fact that salesmen do not have the knowledge about the products and features.”*

In Russia the focus is on reducing the amount of administrative effort

during the buying process. That came through loud and clear in both the quantitative data and the qualitative comments. A Russian respondent suggested the following future scenario, *“There will be no red tape, wasted time and frayed nerves. IT capabilities will greatly shorten the process of selecting and buying a vehicle in Russia. Less time will be wasted on inspection and paperwork. But this will require dealers to work on another level, an order of magnitude higher.”*

Customer Loyalty Declines Slightly

Unfortunately, the improved satisfaction rates were not mirrored by loyalty gains. Loyalty to the brand, purchasing dealer and servicing dealer all declined slightly in 2010. Some of the declines came in the developing markets, which may reflect a continuation of a trend toward rationalization that we've seen in the past couple of years.

However, as with satisfaction, overall loyalty rates are higher in the developing regions. Consumers from Brazil (90%) indicate the highest brand loyalty levels, followed by China at 71%. France shows the lowest brand loyalty rate at 52%.

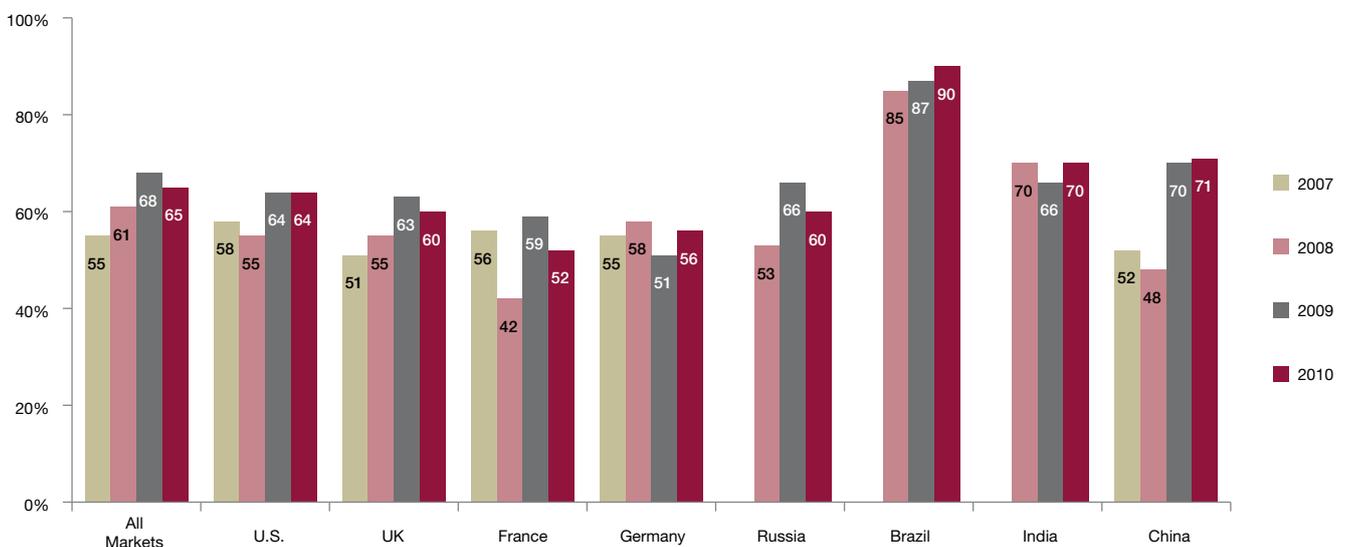
When it comes to dealer loyalty, Russia posted the biggest decline to 49%,

down from 62% in 2009. On a more positive note, the U.S. and UK both posted slight gains in dealer loyalty.

Speed – and Quality – Are of the Essence

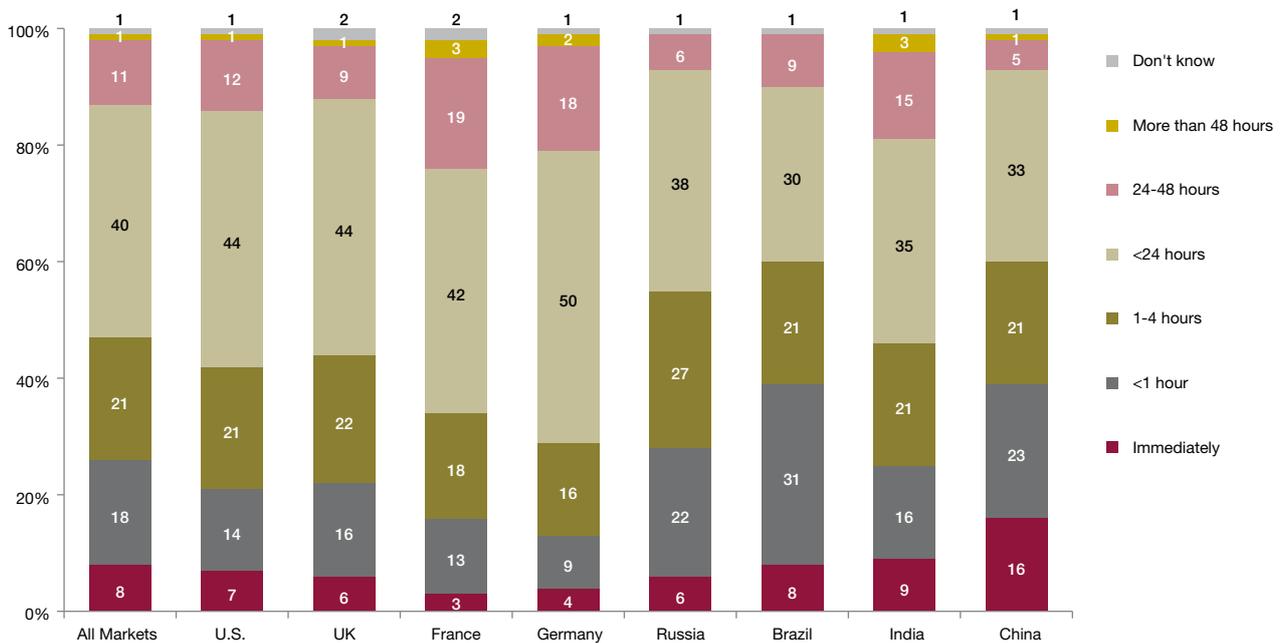
A key factor in improving both satisfaction and loyalty is the way in which a dealer or manufacturer responds to customer inquiries. Our *Cars Online* research has long demonstrated the importance of responding quickly to web and e-mail inquiries. And it is a common refrain in consumer comments, like this one from the UK: *“I expect to be able to communicate more quickly with the dealership/manufacturer online. E-mails currently take a while to hear anything back.”*

Likelihood to Buy/Lease Same Brand as Current Vehicle (% consumers saying likely/very likely)



Source: Capgemini

Required Speed of Response from Manufacturer/Dealer to Consumer Query (% consumers saying)



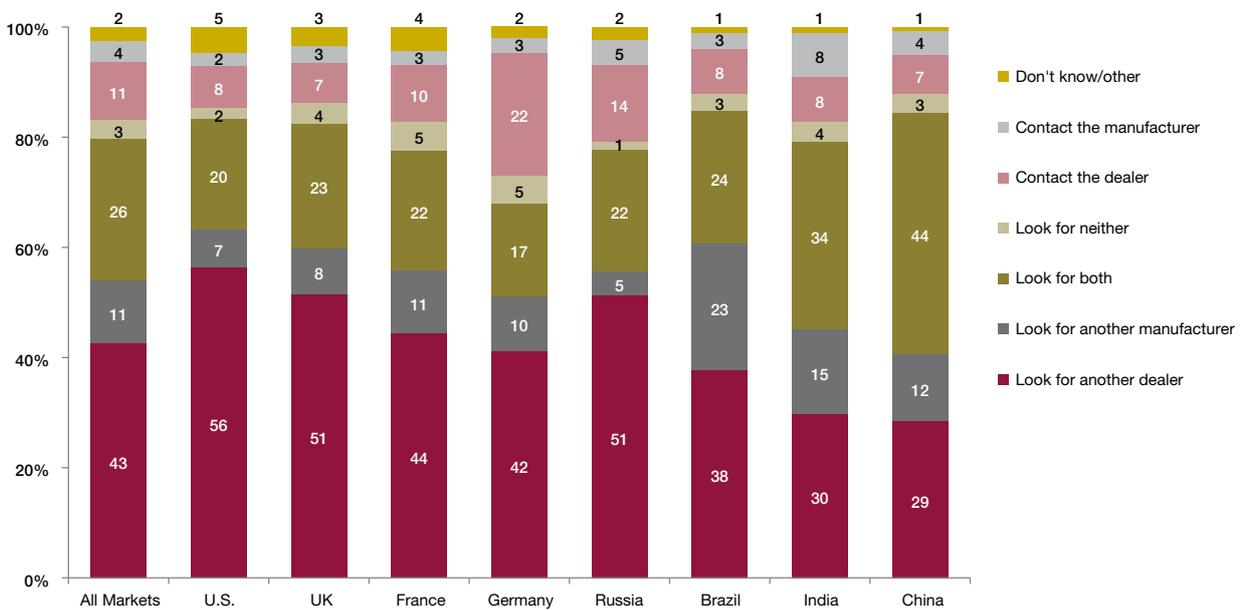
Source: Capgemini

Nearly half of all respondents expect to receive a response from a dealer or manufacturer within four hours, and one-quarter expect to hear back within one hour. Furthermore, buyers become more demanding the closer they are to the point of purchase: 62% of respondents planning to buy within two months expect a response within four hours, compared with 46% who plan to buy in three to six months.

What happens if the response time is too slow? Most consumers will walk away from the dealer and/or manufacturer. In this year's research, 72% of respondents said they would look for another dealer, another manufacturer or both if the response time was too slow.

However, it is not enough just to be fast. The quality of the response counts as well – perhaps even more than the speed. Consumers are looking for accurate, useful information when they send an inquiry to a dealer or manufacturer. If the response is not of the right quality, 80% of consumers say they will go elsewhere.

Consumer Behavior if Dissatisfied with Quality of Response (% consumers saying)



Source: Capgemini

Communication Is Key to Loyalty

While a customer's buying experience with a manufacturer or dealer may have a significant impact on loyalty, post-sale communication can also make a difference. Respondents are open to receiving various materials and information after a purchase, particularly service reminders and other practical information such as alerts about sales and promotions, welcome packs, and alerts about vehicle or accessory recalls. Less useful are communications like brand magazines, newsletters and invitations to events.

Some variances were apparent by market. For instance, recall alerts ranked highest in the U.S., likely a reflection of the news headlines over the past year. In Russia, the most important item was personalized communication after a complaint.

As in past years, we also asked consumers which of these types of post-sale communications were likely to influence their next vehicle purchase. It was evident from the research that personalized communication – such as repurchase offers near the end of a lease or warranty period or personalized communications after a complaint – were most likely to influence future buying decisions.

Channel Preference for Post-Sale Communications - All Markets (% consumers saying)

Type of Communication	Regular Mail	E-Mail	Mobile Phone
Welcome pack after purchase/lease	54	47	10
Brand magazine	47	53	10
Personalized communication/gift after a complaint	40	48	30
Brochures/information about the vehicle that you bought/leased	40	65	13
Other sales offers	40	65	13
Personalized repurchase offer/promotion matched to your needs two years after purchase (or near end of warranty or lease period)	40	61	19
Invitations to special events, clubs, open-house days	36	64	25
Alerts and information about vehicle or accessory recall	35	67	21
Newsletters	29	74	12
Service reminders	28	61	33
Alerts about special sales, offers, promotions	26	73	18
Customer satisfaction survey after purchase	25	73	15
Post-test drive survey	24	73	16
Customer satisfaction survey after service	23	73	18

Lowest ranked communication for each channel

Highest ranked communication for each channel

Source: Capgemini

E-Mail is Preferred Communication Channel

In a reflection of overall societal trends, respondents prefer to receive most types of post-sale communications by e-mail, although regular mail was the preferred channel for welcome packs. One-third of consumers would like to receive service reminders via their mobile phones, a trend expected to grow in the coming years. Said a U.S. consumer, “I want to be able to get more information over a cell phone – service reminders, scheduling maintenance, scheduling a test drive via a website brought up on my cell phone.”

Market variances are quite pronounced. For example, 80% of German consumers prefer regular mail for brochures and information about the vehicle they just bought.

In contrast 65% of Russian and 63% of Indian respondents would like brochures/information sent via e-mail. India expressed the highest overall interest in the mobile phone channel, not surprising given the explosion of mobile phone penetration in the country. More than half of respondents from India would like to receive sales offers via their mobile, compared with the average for all countries of just 13%.

Developing markets were especially interested in receiving service reminders via their mobile phones: 37% in Brazil, 54% in Russia, 56% in India and 60% in China. That compares to 10% of consumers in the U.S., 15% in the UK, 21% in France and 14% in Germany.

“I expect to be able to communicate more quickly with the dealership/manufacturer online. E-mails currently take a while to hear anything back.”

UK consumer

Aftersales: Quality Is Key to Servicing Decisions

Quality of service is the driving force in aftersales decisions, but factors such as price, proximity and additional services like wireless Internet access also play a role.

“I would like to see more convenience and a better service attitude with aftersales service and maintenance.”

Chinese consumer

With attractive revenues and margins, aftersales and servicing activities are on the management agenda in both mature and developing markets. In addition, the service experience can also play a role in driving customer loyalty.

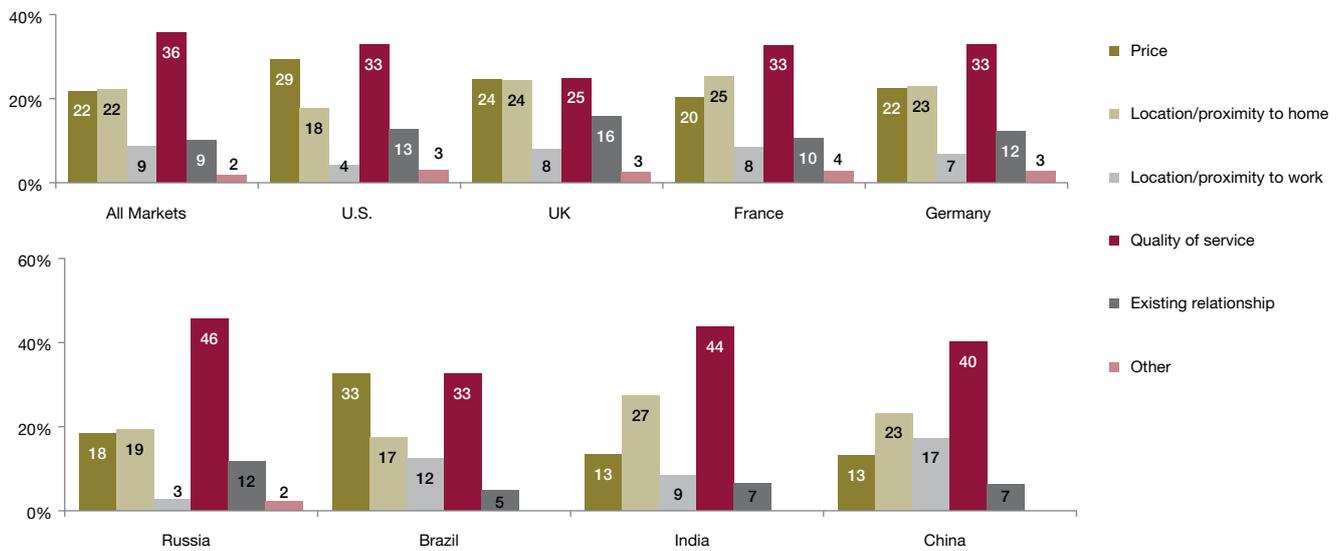
Franchised purchasing dealers remain the primary servicing location for consumers in all the markets studied. Interestingly, the secondary location varies by market. For example, in the U.S. and UK almost one-quarter of respondents use independent full-service stations/auto repair shops for servicing, nearly as many as those who use franchised purchasing dealers. In markets like Brazil, India and China, however, very

few consumers use independent garages, reflecting the scarcity of those types of businesses.

Not surprisingly, differences are apparent depending on whether a vehicle is in warranty or out of warranty. Forty-five percent of consumers with cars still in warranty take them to the franchised purchasing dealer for servicing, compared with 31% of respondents whose vehicles are out of warranty. Conversely, only 9% of consumers with in-warranty vehicles use independent full-service stations for servicing, compared with 23% of respondents with out-of-warranty cars.



Primary Reason for Choosing Servicing Location (% consumers saying)



Source: Capgemini

Quality Drives Aftersales Decisions

Quality of service is the leading factor in consumers' choice of servicing location in all markets. Additional factors include price and proximity to home. The importance of quality is particularly pronounced in the developing markets where consumers have had less experience with aftersales and servicing.

Proximity to home remains a secondary factor in most markets, as evidenced by the fact that many consumers are unwilling to travel

more than 5 miles for servicing. That was particularly true in China where 88% of respondents will travel no more than 5 miles and 39% will travel only up to 2 miles to a service location. This mirrors the earlier finding with regard to the location of purchasing dealers. It is clear that consumers in China demand high levels of service and want to buy and service their vehicles close to home.

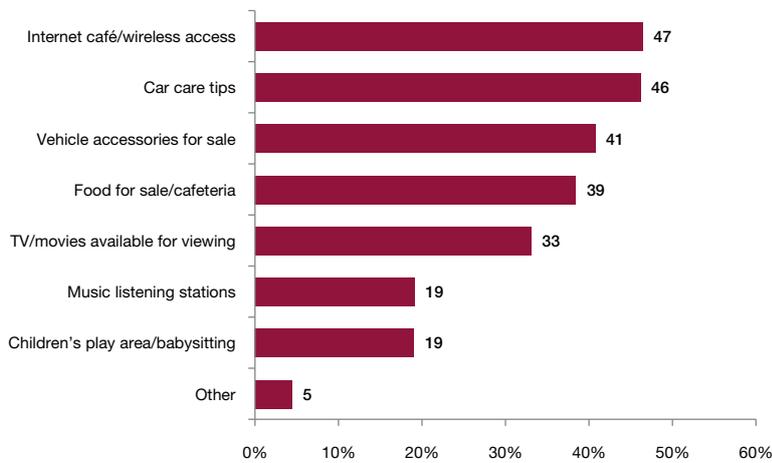
Extending the Service Experience

Although about three-quarters of consumers said they were satisfied

“I'd be willing to buy a higher-priced automobile if I knew beforehand they'd stand behind their product with a warranty and reduced prices for service.”

U.S. consumer

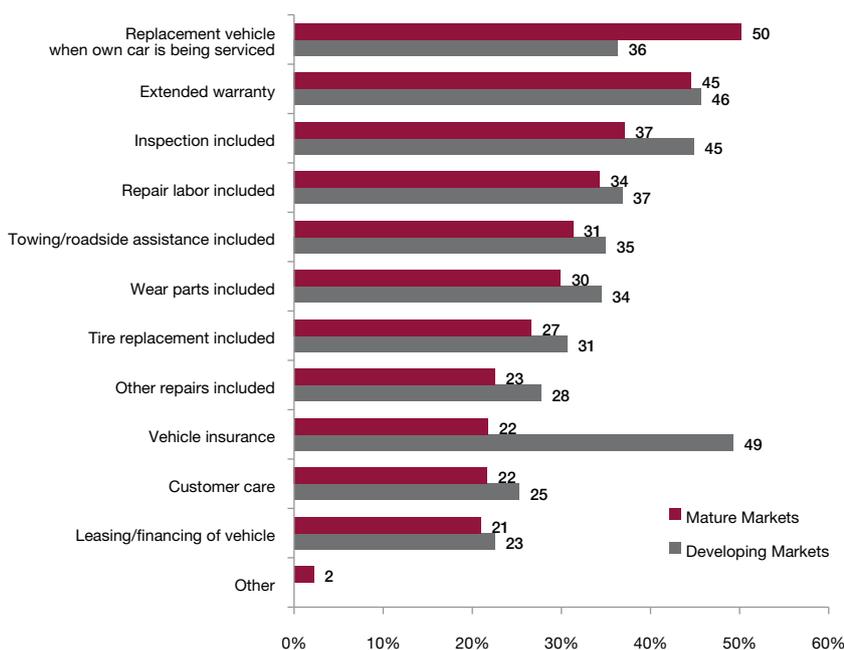
Preferred Services While Waiting for Vehicle Servicing (% consumers saying)



Source: Capgemini

with their most recent aftersales/ servicing experience, many dealerships and other types of service locations are looking for ways to improve the experience. While quality is clearly essential, consumers are also interested in other types of services to occupy their time while they wait for their car to be serviced. Topping the list is an Internet café/wireless access, a reflection of today's connected world. Following close behind are car care tips, vehicle accessories for sale, food for sale/cafeteria, and TV or movies available for viewing. Less desirable are music listening stations and a children's play area.

What Consumers Want in Vehicle Service Contracts (% consumers saying)



Source: Capgemini

Some variation was apparent by market. China, for example, rated all these services highly. In the U.S., almost half of respondents said they would like to see TV or movies in addition to wireless access; in the UK and Germany consumers were interested in having a cafeteria or food for sale; and French consumers put the greatest emphasis on car care tips. In developing markets, consumers put particular emphasis on vehicle accessories for sale and car care tips.

How to Optimize Aftermarket Performance in Mature and Developing Markets

The aftermarket has become an increasingly important revenue and profit stream for automotive companies. However, success in the aftermarket is far from easy due to the high complexity, large number of maintenance and parts activities, and critical supply chains involved.

To identify key factors for success in both mature and developing markets, Capgemini, together with the University of St. Gallen, conducted an aftermarket analysis. The research, which focused on Western and Eastern Europe, Russia, China and India, is based on an in-depth survey as well as additional interviews with more than 150 aftermarket managers of the world's leading automotive companies. The following key conclusions were drawn:

- 1. The Western European aftermarket is fairly mature with flat volumes.** The competitive intensity remains at a high level and will be further accelerated by new regulations and competitors.
- 2. Improvement of marketing and sales activities is the main driver to remain competitive in Western Europe.** Because of the flat nature of the aftermarket, marketing and sales activities must focus on keeping the customer loyal to dealers and repair shops throughout the vehicle lifecycle.
- 3. Developing markets offer attractive growth rates with relatively moderate competitive intensity in Eastern Europe, Russia and India but with high competitive intensity in China.** In the future, aftermarket competition in developing markets is expected to increase to a level similar to Western Europe. To benefit from the attractive growth rates requires immediate action. However, low-performing companies, in particular, need to focus on selected markets that best fit their strategy and their current capabilities.
- 4. Each developing market is specific in terms of the competitive environment and customer needs.** The different characteristics of the markets require a localized approach to the aftermarket. For example, Russia's geographic expansion requires improvements in distribution processes; India's aftermarket is increasingly being led by top-performing Asian companies; and China's more competitive aftermarket industry brings the most challenges. Companies trying to exploit the aftermarket with a standardized global approach will most likely fail.

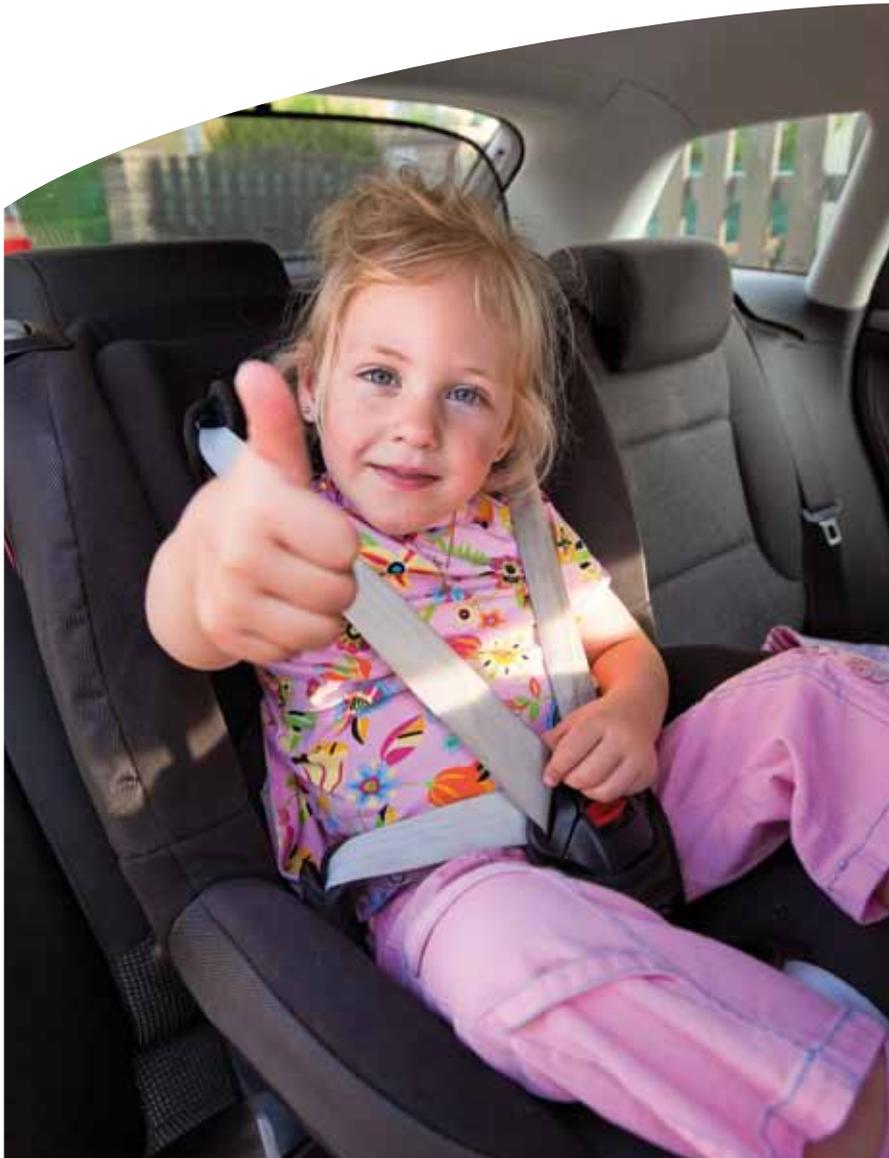
(Note: The full study, titled "The Aftermarket in the Automotive Industry," is available for download at www.capgemini.com/automotive.)

Service Contracts Impact Buying Choices

Service contracts matter to vehicle buyers. Nearly three-quarters of respondents said that having the right service contracts available would make them more likely to purchase from that particular dealer or manufacturer. But what constitutes the "right" service contracts? That depends on the market.

Half of consumers in mature markets expect to have a replacement vehicle available, compared with only 36% of respondents from developing markets. In contrast, almost half of consumers in developing markets expect vehicle insurance to be included in a service contract versus just 22% of buyers in mature markets.

Conclusion and Recommendations



“Five years from now we will pay more attention to wattage than mileage when it comes to our cars.”

German consumer

This year's *Cars Online* research was designed to help companies answer key questions that impact their ability to sell more vehicles: How do consumers shop for vehicles? Why do they buy? What keeps them coming back? Following are recommendations to help automotive companies apply the report's findings to their own business.

1 Seize the social media initiative.

An opportunity exists to integrate qualitative content (customer reviews, expert reviews, forums/discussions) along with quantitative information (price and product specs, inventory, configuration capabilities) on brand and dealer sites. This type of approach offers consumers a single location for a wide range of vehicle information and provides automotive companies with greater content control. Social media is a powerful tool, but it needs to be carefully managed and must offer content that provides real value to customers, not sales pitches. On the back end, companies need to take advantage of the emerging analytical tools that can help them monitor online conversations and measure results.

2 Link all consumer touchpoints to capitalize on the critical – but shrinking – research period.

Web channels, TV, print, outdoor, social media – they all must be part of an integrated marketing/advertising program. They cannot be standalone silos. Companies must also look at integrating new real-time tools like a “Virtual Adviser” to boost the lead funnel and improve conversion rates during the crucial period between the start of a consumer's research online and before the first visit to the showroom.

3 Investigate alternative buying approaches such as mobility packages, particularly for young, green-minded consumers. The automotive industry was built on selling vehicles. Today's consumers are beginning to look for alternatives that focus on buying services on a regular basis, rather than just a single product every few years. This is especially true for electric and other types of alternative-fuel vehicles. Traditional and new players will need to consider the potential impact of a mobility orientation on their business, including the need for new business models and technology systems to manage these developing services.

4 Understand the key differences among markets and align your marketing, communications and operations accordingly. The industry's greatest growth will come in developing markets where buying patterns can be very different from those in mature countries. In China, for example, it is important that vehicle manufacturers building up their dealership networks saturate the market in order to be close to the consumer. And while marketing messages in mature countries can focus primarily on top factors such as reliability, safety, fuel economy and price, the strategy for developing regions needs to be broader, with messages communicating about all the various factors that impact vehicle choices.

5 Get serious about building an online buying capability. A clear opportunity exists to meet the latent consumer demand for end-to-end online vehicle buying. A successful

model will need to offer key benefits to car buyers:

- **Low cost.** Consumers expect a price discount when buying online.
- **Easy to use.** Consumers expect an easier, faster transaction online; some early attempts at online vehicle buying services have proved to be too complex.
- **Include parts and accessories.** Many of the same consumers who want to buy cars over the web will also purchase parts and accessories online.

In an online buying environment, dealers will still have a role but it may be different and more focused, with the emphasis on providing service packages and test drives. The fact that consumers see a role for dealers suggests that a multi-channel buying model would be an option for many car buyers. In this type of model, dealers and manufacturers will need to ensure they have the right capabilities to integrate online and offline channels to provide consistency and continuity of the overall customer experience.

Capgemini's *Cars Online 10/11* study presents the headline findings of our extensive automotive consumer research. Yet there is much more that can be explored and applied to your own organization. For additional information about our *Cars Online* research or how we can help your company better understand the dynamics of consumer behavior, please contact:

Global/United Kingdom

Nick Gill

nick.gill@capgemini.com

Brazil/Latin America

Felix Massun

felix.massun@capgemini.com

China

Will Zhang

will.zhang@capgemini.com

France

Eric d'Arche

eric.d-arche@capgemini.com

Germany

Christian Hummel

christian.hummel@capgemini.com

India

Floyd D'Costa

floyd.dcosta@capgemini.com

Russia

Lyudmila Mashkova

L_Mashkova@tri-angle.ru

United States

Michael Boruszok

michael.boruszok@capgemini.com

Joe Oddo

joseph.oddo@capgemini.com



About Capgemini and the Collaborative Business Experience™

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called

Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 30 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and employs 95,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com

About Capgemini's Automotive Practice

Capgemini's Automotive practice serves 14 of the world's 15 largest vehicle manufacturers and 12 of the 15 largest automotive suppliers. More than 3,000 automotive specialists generate value for companies through global delivery capabilities and industry-specific service offerings such as Integrated Lead Management, B2C Web Strategy, Service and Parts Management, Supplier Transformation, Optimization of Dealer-Focused Operations, Electric Vehicles and E-Mobility Services, Application Outsourcing for Automotive OEMs and Global Emerging-Market Sourcing.

For more information: www.capgemini.com/automotive.

Rightshore® is a registered trademark belonging to Capgemini. The information contained in this document is proprietary. Copyright © 2010 Capgemini. All rights reserved.

Argentina

Colectora Panamericana Este 1925
B1609ECM - San Isidro, Buenos Aires
+54 1147358000

Benelux

Papendorpseweg 100
3528 BJ Utrecht
The Netherlands
+31 30 689 00 00

Brazil

Av. Francisco Matarazzo,
1500, Torre Nova York
05001-100 - Sao Paulo
+55 1135250100

China

Capgemini Center
No. 11 Boxia Rd.
Zhangjiang High-Tech Park
Shanghai, PRC 201203
+86 21 6182 2688

France

Coeur Défense Tour A 110
esplanade du Général de Gaulle
92931 Paris La Défense Cedex
+33 (0)1 49 67 30 00

Germany

Neues Kranzler Eck
Kurfürstendamm 22
D-10719 Berlin
+49 (0)30 88 703 690

Iberia

C/ Anabel Segura
14 Edificio Cedro
28108 (Alcobendas) Madrid
+34 91 657 70 00

India

SEP2-B3, Godrej Industries Complex
Eastern Express Highway
Vikhroli (E)
Mumbai 400079
+91 22 6755 7000

Italy

via Gioberti, 18
10128 Torino
+39 011 509431

Russia

Triangle Consulting/Capgemini
16 Bolshoy Ovchinnikovskiy Per.
Moscow 113184
+7 495 980 97 96

Sweden

Mölnadalsvägen 36-38
412 63 Göteborg
+46(8) 5368 5000

United Kingdom

1 Forge End
Woking, Surrey
GU21 6DB
+44 (0) 1483 764 764

United States

25925 Telegraph Road
Suite 350
Southfield, MI 48034
+1 248 233 3101