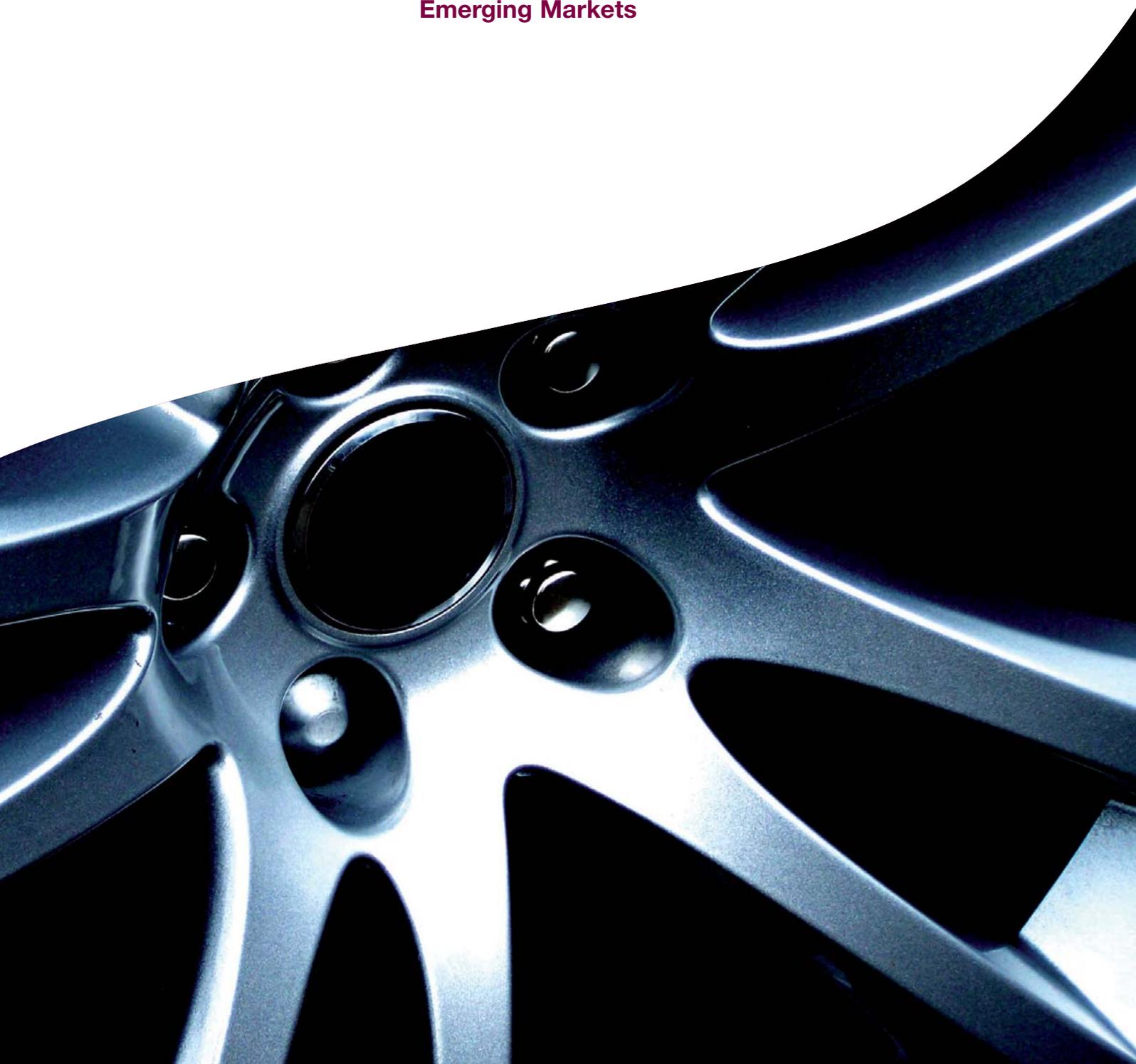


Cars Online 08/09

**10th Annual Global Automotive Study: Tracking
Consumer Buying Behavior in Both Mature and
Emerging Markets**



Contents

Introduction	3
Executive Summary	4
10-Year Review: What a Difference a Decade Makes	6
Emerging Markets: The Key to Future Growth	8
Brazil: Vehicle Buyers Know Green	8
Russia: Western Purchase Patterns Emerge	9
India: Tech-Savvy Consumers Turn to Online Tools	10
China: High-Growth Market, Demanding Consumers	11
Vehicle Research: Market Maturity Impacts Behavior Patterns	12
Going Green: Emerging Markets Focus on Fuel Efficiency	14
Web Usage: Interest in Online Vehicle Buying Jumps	17
Customer Interaction: A Holistic Approach to Building Loyalty	22
Customer Satisfaction: What Needs to Change?	25
The Next 10 Years: Conclusion and Recommendations	27

Introduction

Welcome to the 10th annual Capgemini global automotive study – *Cars Online 08/09*.

This year's study expands our coverage of consumer buying behavior beyond traditional mature markets such as the United States and Western Europe to include several emerging markets: Brazil, Russia and India, in addition to China, which we have covered since 2004. As these developing markets become increasingly vital for the automotive industry, companies must understand how consumer purchase patterns in these countries differ from or mirror the behavior of car buyers in established markets.

This year we also take a deeper look at top-of-mind issues like fuel efficiency and alternative-fuel vehicles, the use of new online tools such as blogs and discussion forums, and customer satisfaction with the vehicle buying process, including consumer suggestions on what would improve the buying experience. As this is the 10th annual issue of *Cars Online*, we have also reviewed results from the past decade to see just how much has changed and what clues that can provide about the decade ahead.

During the past 10 years, Capgemini has surveyed almost 42,000 consumers across 15 countries, as well as 300 automotive Original Equipment Manufacturers (OEMs) and 2,500 dealers, which adds up to significant insight into vehicle buying behavior. Some of the consumer knowledge gained over the course of this research has been highlighted in fact boxes. Look for them throughout the report.

The research for this year's study involved more than 3,100 consumers in the United States, Western Europe (especially Germany, France and the UK), Brazil, Russia, India and China. The executive summary provides an overview of key findings from the research, and the sections that follow offer more in-depth data and analysis on each of the emerging markets as well as key topics such as vehicle research, lead management and customer loyalty. We also look at the changes consumers expect to see in the way they buy a vehicle in the coming 10 years. "The whole vehicle buying process will be done with a click of the mouse," said a consumer from India, reflecting a sentiment expressed by the majority of respondents in our study.

We hope the findings of *Cars Online 08/09* will provide automotive 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 how to successfully anticipate evolving consumer needs and demands.



Executive Summary

“It will be as easy to buy a vehicle online as it is to buy a book or bottle of perfume over the Internet.”

“Combustion engines will be just for classic cars.”

“I hope we will be able to buy direct from the manufacturer at the cost the dealer pays so as to be able to get a better model for a fair price.”

“Buying a car will be like putting together a Lego kit. You will choose standardized components from different manufacturers that will be assembled into your car.”

As these quotes from our *Cars Online 08/09* research make clear, consumers have some very definitive ideas about the way they expect to buy cars in the future. These qualitative comments, together with the extensive quantitative data from the study, point to the importance of understanding consumer needs and behavior patterns, particularly as automotive companies turn to new growth markets to offset static sales in traditional western markets.

Key Findings

The research uncovered a number of key findings:

Fuel economy is as important a factor in a consumer's choice of vehicle as are safety and reliability. The impact of volatile gasoline prices can be seen in all markets, with nine out of 10 respondents pointing to fuel economy as an important or very important consideration in their vehicle choice. In Brazil, it was the number one factor, cited by 97% of respondents. While reliability, safety, fuel economy and price are

consistently rated among the most important decision criteria, there are significant differences beyond these common factors. In particular, consumers in emerging markets put greater emphasis on more short-term factors such as 0% financing, cash-back incentives and additional warranty coverage.

All emerging automotive markets are not alike. Understanding both the similarities and differences among the four developing markets studied is essential to succeeding in these high-growth regions. Brazilian consumers, for example, are far more likely than those in China, India or Russia to own or have interest in fuel-efficient and alternative-fuel vehicles. Russian consumers demonstrate buying behavior that is closer to that of respondents in western markets. For instance, 21% of Russian respondents said they were likely to buy a used vehicle, the highest of the emerging markets.

At the same time, the research uncovered some consistent trends among the emerging markets. Respondents in all four developing economies indicated strong interest in buying vehicles over the Internet, heavy use of new online tools such as blogs and web forums, and higher levels of customer satisfaction with the overall vehicle buying process. In some respects consumers in emerging markets demonstrate less sophisticated buying behavior than those in western countries, but they are also extremely technology enabled, indicating the potential to leapfrog established practices in western markets in a short time.

About the Study

Capgemini worked with SmartRevenue, a Ridgefield, Connecticut-based research firm, to conduct the survey for *Cars Online 08/09*. 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 3,100 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 from the standpoint of region, age and gender. All consumers surveyed were in-market (20% plan to buy or lease a vehicle within three months; 25% in three to six months; 40% in six to 12 months; and 15% in 12 to 18 months).

Consumers' latent demand for online vehicle buying continues to grow. This year 44% of consumers said they were likely or very likely to purchase a car entirely over the Internet if that capability were available, up from 20% last year. The interest level was particularly pronounced in emerging markets like Brazil (88%) and India (67%). Interest in online buying extended to parts and accessories, with 55% of all consumers saying they were likely to buy these items over the Internet.

Interestingly, the barriers to online vehicle buying seem to be addressable. We expected respondents to voice concern about the inability to interact face to face or negotiate a trade-in over the Internet, but instead, they cited the inability to test drive a vehicle (43%) and the lack of full price and product information (36%) as more significant blockers.

Consumers are confident in their knowledge about green vehicles and are increasingly likely to own fuel-efficient and alternative-fuel cars.

More than three-quarters of respondents said they are confident or very confident that they have a clear understanding of what "green vehicles" really means. The degree of confidence is highest in Brazil, where 92% of consumers said they understood the environmental issues. This is not surprising given that ethanol and gasoline/ethanol flex-fuel vehicles have been popular in Brazil for a number of years. Almost one-third of Brazilians indicated that they owned or planned to buy an ethanol or flex-fuel car, the highest among all the markets.

This year saw a rise in green vehicle ownership: 36% of all respondents said they own a fuel-efficient or alternative-fuel vehicle, up from 28% last year. And half said they plan to buy or are thinking seriously about buying such a vehicle. However, most consumers are not prepared to pay a high premium to go green: The research found that 85% of respondents expect to pay less than 10% extra for a fuel-efficient or alternative-fuel car.

Consumers are increasingly demanding about the speed of response they expect from dealers and manufacturers. Half of consumers said they expect a response to a web or e-mail inquiry within four hours, up from 39% last year. That number jumps to 60% for respondents who are within three months of buying a car. Respondents in developing countries are particularly demanding: Two-thirds of Chinese consumers expect a response within four hours, as do 57% of Russians and 55% of Brazilians. Failing to respond in a timely manner can lead vehicle buyers to vote with their feet: A full 75% of respondents said they would switch manufacturer, dealer or both if they don't get the response they expect.

Most consumers are satisfied with the vehicle buying process, but they see plenty of room for improvement. The study uncovered both good news and bad news for the automotive industry when it comes to customer satisfaction. Two-thirds of respondents worldwide said they were satisfied or very satisfied with the overall vehicle buying process. While that's encouraging, it's a decline from 10 years ago, when 80% of consumers

said they were satisfied with the process of buying a car. It's interesting to note that there appears to be an inverse relationship between market maturity and satisfaction levels: The more sophisticated the market, the lower the degree of satisfaction. For example, in the U.S. only 40% said they were satisfied, compared with 84% of consumers in India.

And even those respondents who are satisfied see room for improvement. At the top of the list is the vehicle negotiation process at the dealership. Consumers said less haggling and pressure by dealer salespeople would increase their satisfaction level. Other areas for improvement include better customer service and greater transparency in pricing.

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, as well as a peek into the future as viewed through the eyes of vehicle buyers.

Fact Box

Italians see the Internet as a way to eliminate the hassles of the dealership experience and as a powerful tool for comparing cars and services against one another, and less for actually gathering information about specific cars.

— *Cars Online 2000*

10-Year Review: What a Difference a Decade Makes

Consumer usage of the Internet as a research tool during the vehicle buying process has had a profound impact on the power dynamics in the automotive industry.

“In 10 years I would expect to see vehicles that are less polluting and use cheaper fuels. Cars should also be more durable and have simpler and cheaper technology. But at the same time, we should be able to have intelligent speed systems to prevent accidents.”

Brazilian consumer

“The Internet, with its increasing household penetration worldwide, is expected to be the most powerful communication channel to support the more demanding, better-informed and increasingly segmented [automotive] customers.”¹ That prediction lay at the heart of the first edition of Capgemini’s *Cars Online* study, published in 1999. The research was launched that year to help the automotive industry understand the role that the Internet and electronic commerce overall might play in the way consumers shopped for and bought vehicles.

Since that time, Capgemini has surveyed almost 42,000 consumers across 15 countries (Belgium, Brazil, Canada, China, France, Germany, India, Italy, Japan, Netherlands, Russia, Spain, Sweden, United Kingdom and United States). In addition, 2,500 dealers and 300 automotive manufacturers and national sales companies were interviewed over the decade.

While the inaugural research focused exclusively on the Internet, the study has broadened over the years to incorporate additional topics such as brand and dealer loyalty, environmental issues and customer satisfaction. The one constant, however, has been the examination of the growing impact of the web, and this is the area where Capgemini found the greatest changes over the 10 years of conducting the research.

The first *Cars Online* report noted that 11% of respondents used the Internet to research vehicles and predicted that the web was likely to influence 50% of vehicle purchases within five years.

In fact, by our 2005 report, more than 60% of car buyers indicated that they used the Internet as a primary source of information during the purchasing process. That number climbed to 80% in 2006 and 88% this year.

While consumer use of the web has jumped dramatically, the key drivers behind this trend have remained consistent. Noted the 1999 study: “Customers state that a major advantage of the Internet is that it provides comparable data on the car market and that pressure is never put on the consumer on whether or not to buy.”² The primary options vehicle buyers look for on the web today (price and product information) haven’t changed over the past 10 years, with those two features swapping position but always ranking among the top three (with vehicle comparison capability included as well). At the same time, the entertainment-oriented elements of a website such as dynamic graphics have been rated low on the list of important web options in all years.

The Balance of Power Shifts to the Consumer

Viewed in a vacuum, the evolution of the Internet as a research tool is an interesting phenomenon. However, it is the industry-changing impact of this technology that has truly made it worth chronicling over the past 10 years.

A decade ago, the balance of power in the vehicle buying process lay squarely with dealers and manufacturers. They had the knowledge and information that consumers lacked, giving them an upper-hand in negotiations. Today the

Fact Box

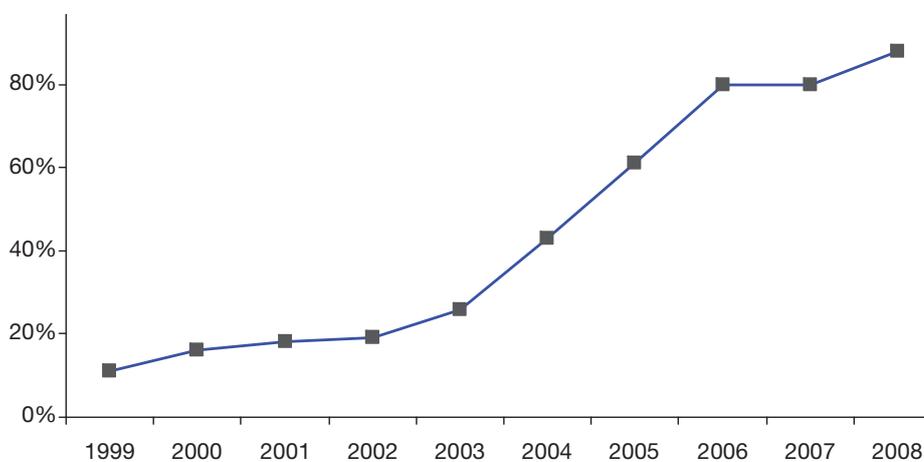
For the first time in the course of our *Cars Online* research, the Internet has become the number one information source used by consumers when researching vehicles, surpassing family and friends and manufacturer-specific dealers.”

— *Cars Online 05/06*

¹ “Cars Online 1999: Empirical Study on the Potential for Automotive Sales and Distribution in Electronic Commerce,” Capgemini.
² Ibid.

The Internet's Rise as a Research Tool

(% of consumers saying they use the Internet as an information source during the vehicle buying process)



Fact Box

The Japanese stand out for their enthusiasm for the Internet: 93% of Japanese consumers had visited an OEM website.

— *Cars Online 2001*

Source: Capgemini

power balance has shifted dramatically, with many consumers one step ahead of dealerships and automotive companies.

Early signs of this changing dynamic were noted in the 1999 edition of *Cars Online*: “The consumer can enjoy unbiased online information gathering and purchasing, which leads to a shift in bargaining power that comes in step with a more transparent and competitive market. Empowered by the web, the automotive customer is better informed, diversified, heavily focusing on independent information and test reports and less brand loyal.”³

The truth of that prediction is apparent in customer loyalty data, which shows that in most mature automotive markets, brand loyalty has been slowly declining in recent years,

although it typically remains higher than dealer loyalty. In 2005, for example, 62% of U.S. consumers said they were likely to buy the same make as their current vehicle, compared with 55% this year.

Continued evidence of the shift in the power dynamic was recorded in subsequent years of our research. “The resulting pricing transparency from Internet-driven information has accentuated the ‘buyer’s market’ environment and shifted some of the negotiation power to the consumer. In today’s environment, when a buyer arrives at the dealership he or she often knows what type of vehicle he or she wants, where he or she can get the vehicle and how much the vehicle will cost,” noted the 2002 edition of *Cars Online*.⁴

The amount of information available to consumers on the web continues to increase with the emergence of online consumer-to-consumer (C2C) tools such as blogs, web forums and Internet discussion groups. In this year’s study, 42% of respondents indicated that they use automotive blogs when researching information during the vehicle shopping process; 45% use discussion groups or forums; and 37% use information/encyclopedia sites with user-generated content such as Wikipedia. Consumers are relying on these new tools to obtain supporting information and a more objective viewpoint, all of which will accompany them when they visit the dealer showroom – or, increasingly, when they look to the web – to make a vehicle purchase.

³ Ibid..

⁴ “Cars Online 2002: The Adaptive Automotive Enterprise Study,” Capgemini.

Emerging Markets: The Key to Future Growth

Despite some similarities, it's clear that complex and diverse consumer purchase patterns exist from one emerging market to another.

“There will be no car dealers in 10 years. Sitting at my computer, I will directly order a vehicle from the maker, making design changes to my future vehicle. It will be put on the assembly line and I will have a unique vehicle. Funny, maybe ... but we can buy furniture that way today so why not cars in 10 years?”

Russian consumer

Since 2004 Capgemini has included China among the countries studied in our annual *Cars Online* report. That research has offered a glimpse of how this dynamic and growing automotive market is evolving, identified differences in buying behavior compared with mature markets, and offered evidence of the convergence that is beginning to take place as Chinese consumers become more familiar with buying cars.

To provide a more complete picture of the markets that may hold the key to the automotive industry's future growth, Brazil, Russia and India were added to this year's research. The findings demonstrate that there are similarities among all four developing markets. For example, in some respects consumers in these markets demonstrate less sophisticated buying behavior than those in western countries. They put much greater emphasis than do western consumers on *all* the decision criteria when choosing a vehicle, which is not surprising given the fact that many are first-time car buyers.

At the same time, they are also extremely technology enabled, indicating the potential to leapfrog established practices in western markets in a short time. For instance, respondents in all four developing economies show strong interest in buying vehicles over the Internet and heavy use of blogs and web forums.

Despite these similarities, it's clear that complex and diverse consumer purchase patterns exist from one emerging market to another. The following are snapshots of the vehicle buying trends in each of these four markets.

Brazil: Vehicle Buyers Know Green

In many respects, Brazil is the most sophisticated of the developing automotive markets. Adoption rates of the Internet and mobile phones are growing rapidly, particularly in urban areas, leading to increased interest in online buying. This trend was reflected in our research, with 87% of respondents from Brazil saying they were likely or very likely to buy a car over the Internet if the capability were available, the highest among all countries. The same number indicated they would like to purchase parts and accessories online.

The interest in buying cars over the Internet may stem from the fact that a decade ago Brazilians were offered tax breaks when they bought a vehicle online. And certain cars were only available over the Internet. Those tax breaks no longer exist, but the prior experience may make consumers more comfortable with buying a vehicle fully online.

Brazilians who use the Internet say it can have a significant impact on their buying decisions. More than nine out of 10 said that having the right web features would make them more likely to purchase a car from that company. And, conversely, a similar number indicated that not having the right website options would make them less likely to buy from that company.

Brazilian consumers are particularly focused on fuel-efficient and alternative-fuel vehicles, due primarily to the fact that ethanol has enjoyed widespread usage in the country for many years. Today, flex-fuel vehicles, which can use any combination of ethanol and gasoline or each of these fuels alone,



account for nearly 90% of all new cars sold in Brazil.⁵ Sales of flex-fuel cars in Brazil are predicted to grow at an annual rate of 15.67% from 2007 to 2010.⁶

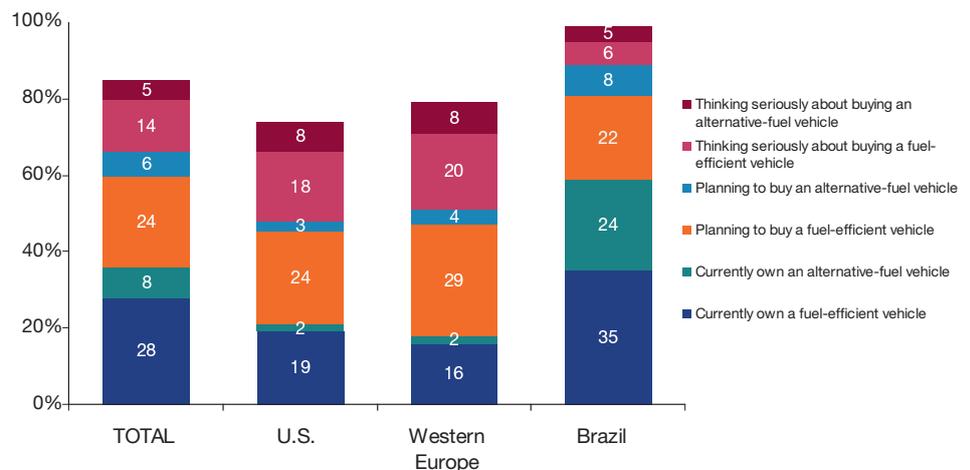
The focus on green vehicles is reflected in our *Cars Online* research, with 59% of Brazilian consumers indicating that they currently own a fuel-efficient or alternative-fuel vehicle, the highest among all the markets studied. Almost one-third of the respondents from Brazil said those vehicles were fueled by ethanol or a gasoline/ethanol combination, again the highest among the countries. In other markets, gas/electric hybrids or natural gas vehicles and natural gas/gas hybrids were more popular.

In addition, 95% of Brazilian respondents identified alternative-fuel vehicles as an important or very important factor in their choice of vehicle, compared with the overall average of 63%. Brazilian consumers also demonstrate great confidence in their understanding of what green really means and are more willing than others to pay extra for a fuel-efficient or alternative-fuel vehicle: One-quarter said they would pay a premium of more than 10%.

Russia: Western Purchase Patterns Emerge

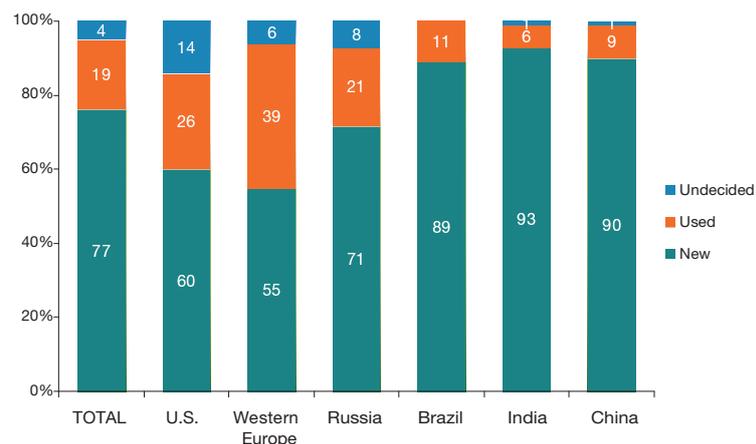
Our *Cars Online* research found that in many respects Russian vehicle buying patterns resemble those in western markets. For instance, despite the growth of new car sales in Russia, the country still has a significant used car market, similar to the U.S. and Western Europe: 21% of Russian respondents said they were likely to buy a used vehicle, the highest of the

Brazil: High Ownership of 'Green' Vehicles
(% of consumers saying)



Source: Capgemini

Russia: Intention to Acquire New vs. Used Vehicle
(% of consumers saying)



Source: Capgemini

emerging markets. The used car market is expected to remain strong in Russia due to the continued influx of used Japanese and German cars.

Similar to U.S. vehicle buyers, Russian consumers are more likely than those in other emerging markets to buy

sport utility vehicles (SUVs). In this year's research, 21% of respondents in Russia said they expect to purchase an SUV, compared with the overall average of just 8%. In addition, Russian respondents, like those in western countries, are less interested in factors such as low financing and

Fact Box

The Dutch see the Internet primarily as an educational tool that they can use to enhance their bargaining power within the showroom. Though the Dutch have a strong preference for dealership buying, this trend is driven primarily by their desire to see cars first-hand and confirm quality, not by the value they place upon personalized service.

— *Cars Online 2000*

cash-back incentives when it comes to their vehicle purchase decisions. And they also tend to be less satisfied with the overall vehicle buying process, focusing in particular on the complexity involved in buying a car in Russia.

Growing Internet penetration in Russia has led to above-average usage of information sources such as manufacturer websites, search engines, information sites and online news sites. Our research also found extensive use of C2C web tools: 45% of Russian respondents use automotive blogs when researching a vehicle purchase, 49% use Wikipedia-type sites, and 64% use web forums, the highest among all the countries studied.

India: Tech-Savvy Consumers Turn to Online Tools

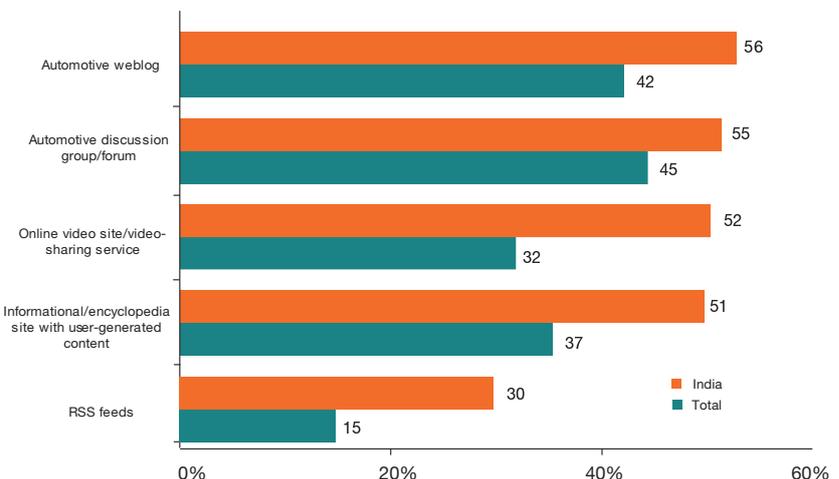
The growing number of affluent and educated Indians is driving increased utilization of the Internet and mobile devices, which is expected to lead to expanded use of electronic channels

for customer interaction and buying. This is evident in the fact that more than two-thirds of Indian respondents said they were likely to buy a car online, second only to Brazil among the countries studied in our *Cars Online* research. A similar number also said they would like to buy parts and accessories online.

Indian consumers are heavy users of new online tools: 56% use blogs when researching vehicles, 55% use web forums and 52% use video-sharing sites, the highest rates among all the markets. They are also more likely than their counterparts to use Wikipedia-type sites and RSS feeds.

Despite the growing importance of the Internet in India, consumers also rely on other types of information sources when researching vehicles: 44% of Indian respondents said they use TV advertising, compared with the overall average of 23%; and 39% use auto shows against the average of 22%.

India: Above-Average Use of New Online Tools
(% consumers saying)



Source: Capgemini
Note: multiple responses allowed

The Indian automotive market is dominated by small cars, so it's not surprising that 39% of Indian respondents said they own a fuel-efficient vehicle, which is 10 percentage points higher than the average for all consumers. Another 35% are planning to buy or thinking seriously about buying such a car. They also indicate a willingness to pay extra for a fuel-efficient vehicle, although most won't pay more than a 10% premium.

China: High-Growth Market, Demanding Consumers

Chinese consumers are increasingly technology savvy, as they begin to rely more on the Internet as a key information source, including C2C tools. In fact, 70% of Chinese respondents said they use automotive blogs during the vehicle research process, the highest among all the countries studied. Chinese consumers are also showing increasing interest in online vehicle buying. This year, 37% of respondents from China said they were likely to buy a car over the Internet, up from just 5% the prior year.

Despite the growth of the Internet in China, consumers favor the telephone for many types of communication with dealers and manufacturers, particularly surveys and service reminders. About half of Chinese respondents said they want to receive post-sale, post-test drive and post-service surveys by phone, compared with the average for all consumers of about 25%. The phone was preferred for service reminders by more than half of Chinese consumers, compared with the average of 26%. Chinese respondents were far less likely than their counterparts in other markets to want to receive these forms of communication via e-mail.

Chinese consumers are particularly demanding when it comes to the speed at which they expect to receive a response from a dealer or manufacturer. Two-thirds expect a reply to a web or e-mail inquiry within four hours, the highest among the countries. In contrast, consumers in the U.S. and Western Europe were more willing to wait 24 hours for a response.

While China is still a developing automotive market, there is growing evidence of a gradual shift in some buying patterns toward those more likely to be found in mature markets. Take brand loyalty, for example. In 2004, just 9% of Chinese respondents said they were likely to buy the same make as their current vehicle, not surprising given their lack of experience in owning a car. This year that number stands at 48%, much closer to the brand loyalty levels found in western markets.

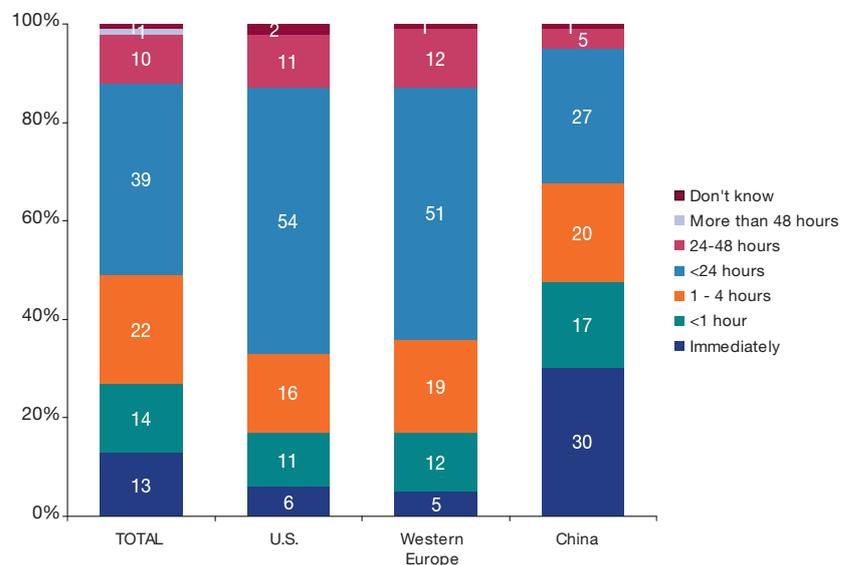
A similar shift is apparent in dealer loyalty. Half of Chinese consumers said they were likely to buy a vehicle from the same dealer where they made their previous purchase, up from 18% in 2004 and closer to the dealer loyalty levels found in the U.S. and Western Europe.

Fact Box

In Spain (70% of respondents), Sweden (55%) and France (49%) car buyers are more attracted by the possibility of non-stop 24-hour information over the Internet than those in other countries.

— Cars Online 1999

China: Consumers Demand a Quick Response (% consumers saying)



Source: Capgemini

Vehicle Research: Market Maturity Impacts Behavior Patterns

The vehicle research process varies considerably between mature markets and developing markets and even from one emerging country to another. The bottom line: Know your markets as not all car shoppers are created equal.

“I anticipate a more ‘virtual’ experience when buying a car; computer simulations, projections of the car in our living rooms, etc.”

U.S. consumer

Most consumers today do a significant amount of research, using a wide range of information sources, prior to buying a car. While the Internet is the main source relied on by respondents in all countries studied, diverse patterns emerge by country. Distinctions are particularly pronounced when comparing mature and emerging markets. Understanding these differences is essential in order to determine the most effective advertising/marketing mix for each market.

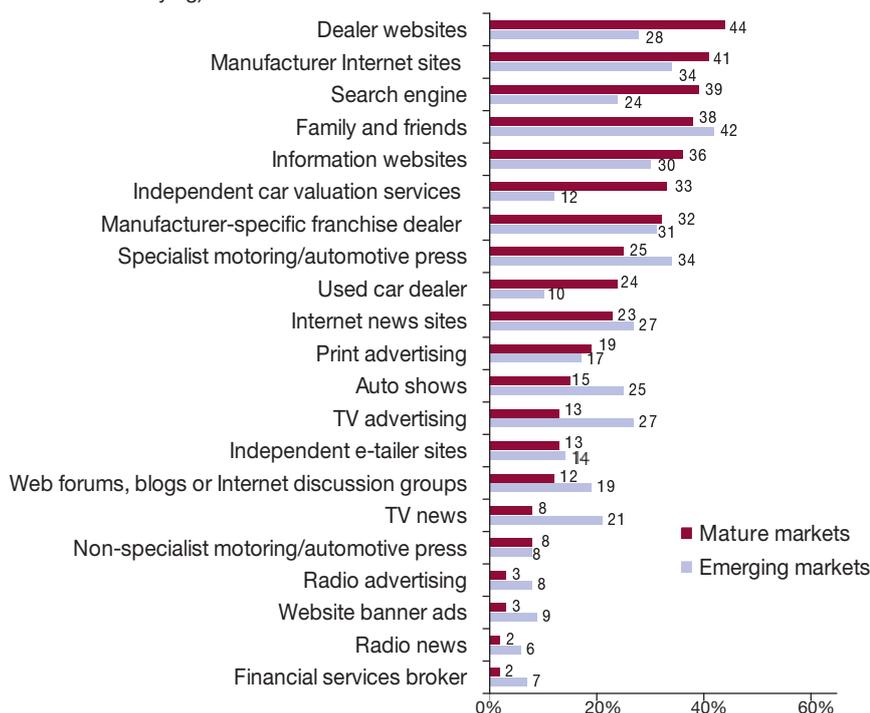
Consumers in the U.S. and Western Europe are heavier users of manufacturer and dealer sites, search engines and information websites. Dealers sites, for example, are used by 44% of respondents in the developed markets and by 23% in the emerging

countries. Search engines are used by 39% of consumers in the U.S. and Western Europe, but by just 24% of those in the developing markets.

In contrast, consumers in the less mature markets are likely to rely more heavily on sources such as family and friends, the automotive press, auto shows and TV advertising. For example, 27% of consumers from the developing nations said they would use TV advertising during the research process, compared with just 13% of respondents from the U.S. and Western Europe.

Interestingly, while the use of most types of websites is lower in emerging markets than in mature markets, respondents from the developing countries showed a higher usage rate for web forums, blogs and discussion groups.

Expected Use of Information Sources – Mature vs. Emerging Markets
(% consumers saying)



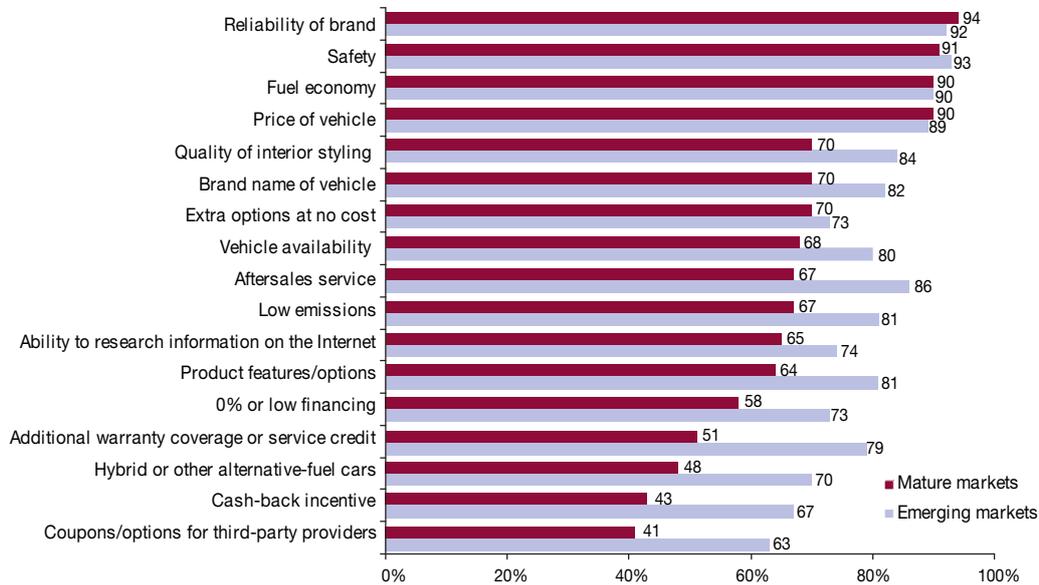
Fact Box

Only 18% of consumers said TV advertising was likely to be influential when choosing a vehicle. In contrast, 76% of dealers and 57% of OEMs believed that TV advertising would influence consumers' buying decisions.

— Cars Online 2003

Source: Capgemini

Importance of Factors in Consumers' Choice of Vehicle – Mature vs. Emerging Markets (% consumers saying "important/very important")



Source: Capgemini

But that doesn't tell the whole story. The patterns vary significantly from one emerging country to another. For example, Russia again more closely resembles the western countries, with higher usage of dealer and manufacturer sites and search engines and less reliance on TV advertising. More than half of Russian respondents said they would use OEM websites as an information source, compared with an average among the emerging markets of 24%. By comparison, Brazilians were much less likely to rely on manufacturer and dealer sites. In fact, the use of all types of information sources among Brazilian consumers tended to be below average.

Usage of dealer and OEM sites by Indian consumers was somewhat above the average for all emerging markets. Respondents in India were also more likely to rely on family and friends, TV advertising and auto shows: 44% of Indian respondents said they would turn to TV advertising as an information source, compared with the average of 27% for all the emerging countries.

Consumers in China rely more heavily on family and friends and manufacturer-specific dealers than do those in the other emerging markets. Almost two-thirds of Chinese respondents turn to family and friends, compared with the average for all emerging markets of 42%.

Key Factors in Vehicle Choice

The volatile state of gasoline prices today was reflected in the fact that fuel economy jumped in importance as a decision criterion for consumers when choosing a car. In this year's study 90% of respondents said it was an important or very important factor in their choice of vehicle, up from 83% last year. That puts it on par with safety and reliability, the perennial leaders among decision criteria. In past years, fuel economy tended to lag behind these factors in importance.

Interestingly, the four most important considerations – reliability, safety, fuel economy and price – are consistent in both developing and mature markets. Beyond that, however, there are some significant differences. For example, *all* factors matter more in emerging

markets, which is not surprising given consumers' lack of experience in buying cars. This trend has been apparent in China since we began including that country in our research, and is also evident in India and is particularly pronounced in Brazil.

Again Russia looks more like the western markets, particularly the U.S., where there is less emphasis placed on short-term factors such as low financing and additional warranty. In Russia, 61% of consumers said 0% or low financing was an important decision criterion, the same number as in the U.S., but lower than the average of 73% for the emerging markets as a whole.

In general, consumers in developing markets placed much more importance on aftersales service, additional warranty coverage, hybrid/alternative-fuel cars and low emissions than did those in mature markets.

Going Green: Emerging Markets Focus on Fuel Efficiency

Consumers are increasingly focused on fuel-efficient and alternative-fuel vehicles when making car buying decisions, especially in developing markets.

“I would like to buy a car that runs on a rechargeable battery (like mobile phones) and can be recharged by solar energy. Such an eco-friendly car may cost more but it will be economical in the long run.”

Indian consumer

Volatile fuel prices and shifting vehicle preferences have pushed green issues into the spotlight. Increasingly, fuel efficiency and environmental considerations are impacting consumer buying decisions and are also becoming important elements in automotive companies' growth strategies.

The focus on green issues led us to delve more deeply into consumer behavior regarding fuel-efficient and alternative-fuel vehicles. Early interest in hybrid cars was apparent in our 2003 edition of *Cars Online*, when nearly one-third of consumers said it was an important factor in their choice of vehicle.⁷ In this year's report, almost half of respondents in western markets said hybrid/alternative-fuel cars was an important consideration in their choice of vehicle. The number jumped to 70% among consumers in emerging markets, driven by Brazil, where it was the number three factor named by respondents, and India, where 80% of consumers considered it a key decision criterion.

Once again, Russia stood out as more closely resembling the western markets. Only 36% of Russian respondents named hybrid/alternative-fuel vehicles as an important factor in their choice of vehicle. In Western Europe the number was 46% and in the U.S. it was 50%.

Do Consumers Understand What Green Means?

Given the current emphasis on fuel efficiency and alternative-fuel vehicles, we wanted to gauge the confidence level consumers had in their understanding of what green really means. More than three-quarters of consumers said they were confident or very confident that they had a clear understanding about green vehicles.

The overall number was heavily influenced by the higher degree of confidence exhibited by consumers in India, China and especially Brazil. It's not surprising that Brazilians are more comfortable with green issues given the country's history with ethanol-powered cars. The confidence levels drop in Russia and the western countries. In the U.S., for example, 60% of consumers said they were confident in their green vehicle knowledge, compared with 92% in Brazil.

For most consumers, the web is the primary source for information about green vehicles: 44% said they use information websites (such as third-party reviews of vehicles), 40% use manufacturer sites, 30% use dealer websites and 22% turn to blogs and web forums. Other key sources for this kind of information include dealers, family and friends and the automotive press.

Many consumers questioned how much they should trust green-focused advertising and marketing. Others suggested that consumers need to take a more holistic view of what truly makes a vehicle green. One consumer from the UK summed up the



sentiment expressed by many others throughout the eight markets: “The assessment of a car company’s green credentials must be based on the whole life of the car, including manufacture and disposal, not just emissions and miles per gallon.”

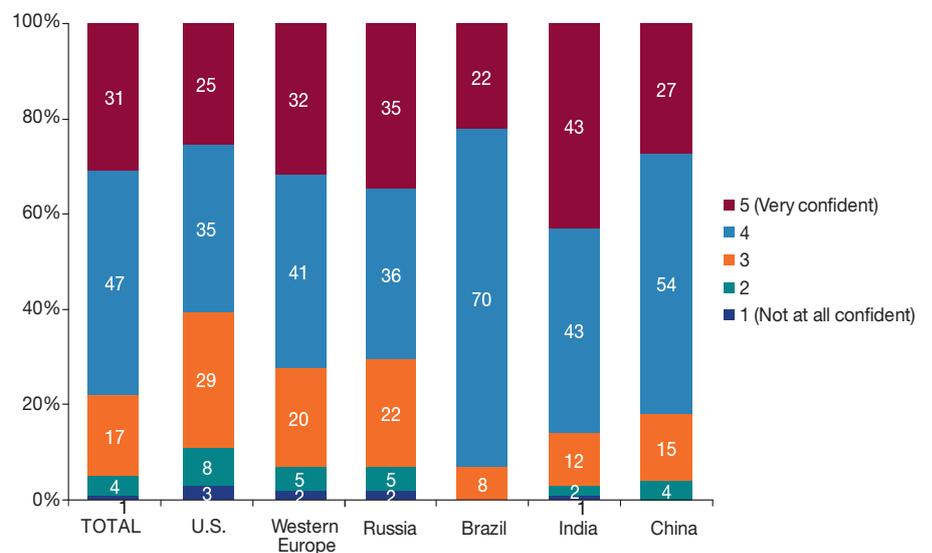
We also asked consumers to tell us how they define fuel efficiency. Overall, more than half said the vehicle must get more than 15 km per liter (more than 35 miles per gallon) to be considered fuel efficient. However, the responses varied by country. For example, U.S. consumers had lower expectations regarding fuel efficiency, while those in Western Europe and Russia had the highest expectations.

Ownership of Green Vehicles Grows

This year 36% of consumers said they currently own either a fuel-efficient or alternative-fuel vehicle, up from 28% last year. Most of that increase is due to the inclusion of Brazil in this year’s study: 59% of Brazilians own a fuel-efficient or alternative-fuel vehicle. The numbers were also higher than average in India and China, compared with Russia and the western countries. About half of consumers overall said they were planning to buy or thinking seriously about buying either a fuel-efficient or alternative-fuel car.

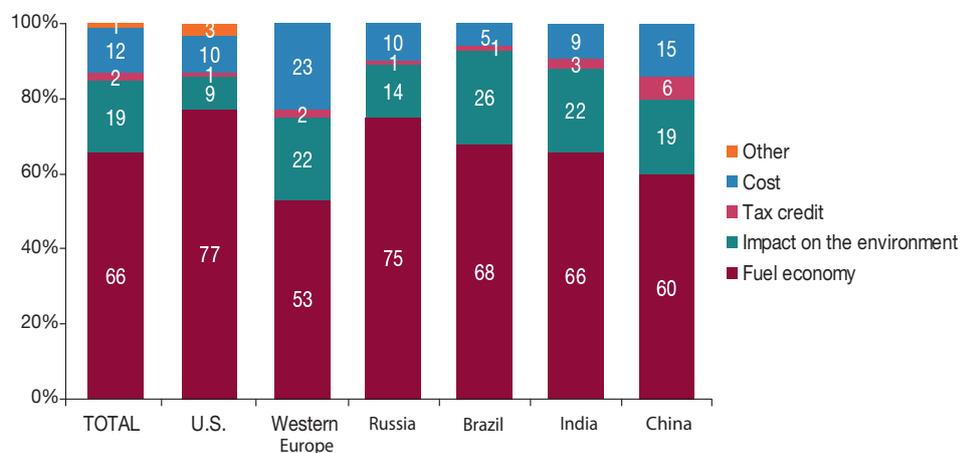
Fuel economy is the primary reason driving these buying decisions: 66% of consumers identified fuel economy as the main reason they own, plan to buy or are thinking seriously about buying a fuel-efficient or alternative-fuel car. That’s up from 57% last year,

Consumers Show Confidence in Green Vehicle Knowledge
(% consumers saying)



Source: Capgemini

Primary Reason Behind Green Vehicle Decisions
(% consumers saying)



Source: Capgemini
Base: Those who own/are interested in/thinking seriously about buying a fuel-efficient or alternative-fuel vehicle

Fact Box

Two topics that the industry should keep on its radar screen are on-board navigation and hybrid cars, which were named as important factors by roughly one-third of consumers. Yet, both dealers and OEMs significantly underestimated their importance.

— *Cars Online 2003*

no doubt due to the volatility in gas prices. Concern about the impact on the environment ran a distant second.

Gas/electric hybrids are the primary type of alternative-fuel vehicle that consumers currently own or plan to buy, particularly in the U.S. and Western Europe. The emerging markets are more focused on natural gas or natural gas/gas hybrids, except in Brazil, where ethanol or flex-fuel vehicles top the list.

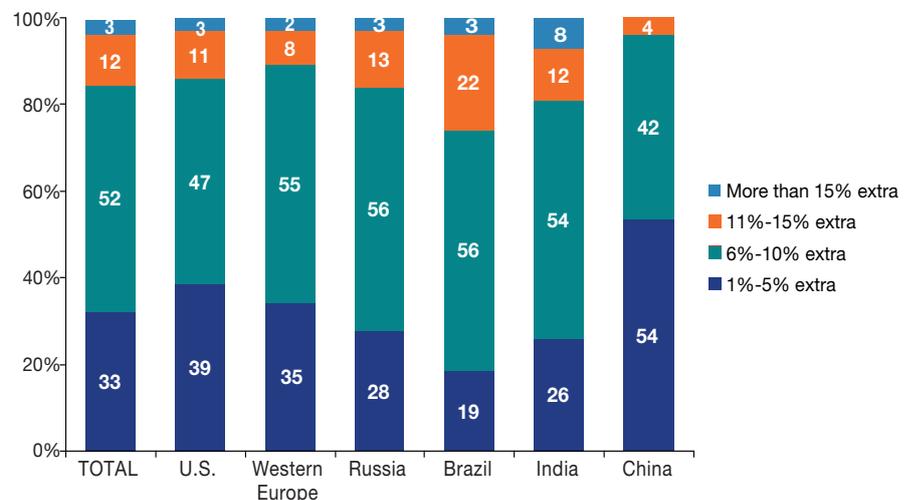
The Cost of Going Green

Consumers show some willingness to put their money where their mouth is when it comes to fuel efficiency. Nearly three-quarters of respondents said they were willing to pay a higher price for a fuel-efficient vehicle and 80% said they would pay extra for an

alternative-fuel car. However, most were unwilling to pay a premium of more than 10%, and the majority of Chinese were only willing to pay 5% extra. This is consistent with similar research Capgemini has conducted in the retail and consumer goods industry where consumers were willing to pay only a small premium for products that offered sustainability aspects.⁸

Whether consumers' behavior matches their stated intentions remains to be seen as an increasing number of small fuel-efficient and alternative-fuel cars make their way to the market.

How Much Extra Will Consumers Pay for Fuel Efficiency?
(% consumers saying)



Source: Capgemini
Base: Consumers who are willing to pay a higher price for a fuel-efficient vehicle

⁸ "Future Consumer: How Shopper Needs and Behaviour Will Impact Tomorrow's Value Chain," Capgemini, 2007.

Web Usage: Interest in Online Vehicle Buying Jumps

Frustration with the dealer negotiation process and consumers' increasing web sophistication are driving the growing interest in buying cars over the Internet.

“I think the whole car buying process – everything – will be done on the Internet from start to finish.”

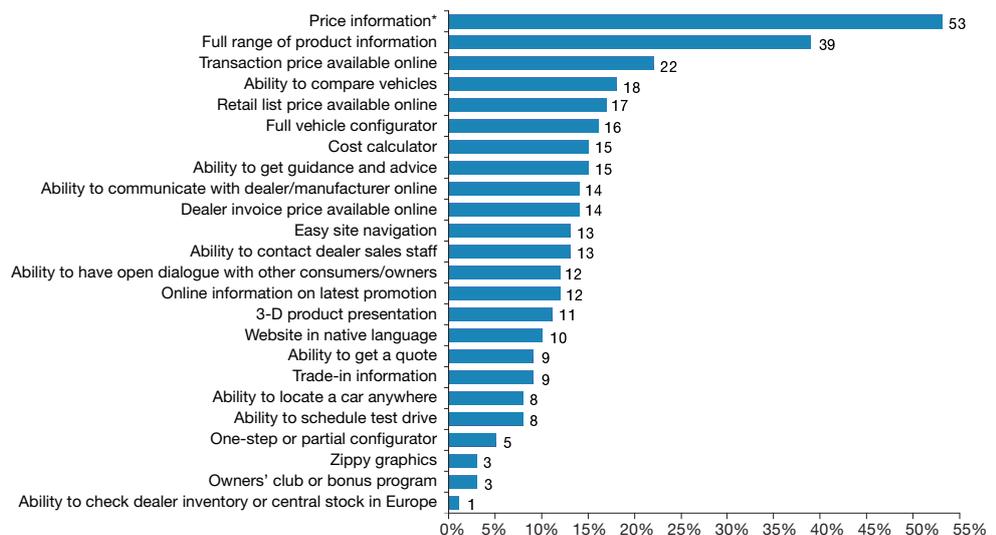
French consumer

Across all countries, content-related features such as product and price information continue to be the most important options consumers look for on the web, followed by customer service-related features like the ability to compare and configure vehicles. Communication-related options are growing in importance, including the ability to get guidance and advice over the web and to communicate with the dealer online. Least important are presentation-related features such as zippy graphics. The exception is easy site navigation, which ranks around the middle of the list of website features that consumers said are most important.

Differences emerge, however, depending on the country. For example, consumers in Brazil and

India were more interested than those in other markets in finding information online about the latest promotion from a dealer or manufacturer. And emerging markets, except Russia, were also more likely to want to communicate online with the dealer or manufacturer, especially to help solve problems and buy accessories. In contrast, consumers in western markets were much more interested in cost calculators and vehicle comparators than respondents in emerging markets, except Russia. For instance, 20% of those in the U.S. and 19% in Western Europe place importance on cost calculators, compared with just 7% in Brazil and 12% in China.

Most Important Website Options (% online consumers saying)



* Price includes transaction price, retail list price and dealer invoice price

Source: Capgemini
Base: All consumers who use the Internet
Note: Multiple responses allowed



Fact Box

The main motivator to use the Internet is price transparency: general price information (named by 61% of respondents), finding the dealer with the best price (57%), access to independent used-car price lists (55%) and information about the trade-in price for the used car.

— *Cars Online 1999*

The presence or lack of important web options can impact consumer buying decisions. More than three-quarters of respondents said that having the features that matter to them would make them more likely to purchase a vehicle from that company. Conversely, more than half said that if the features they care about are not available they would be less likely to buy from that company. This pattern is consistent across all markets, although it is particularly pronounced in Brazil.

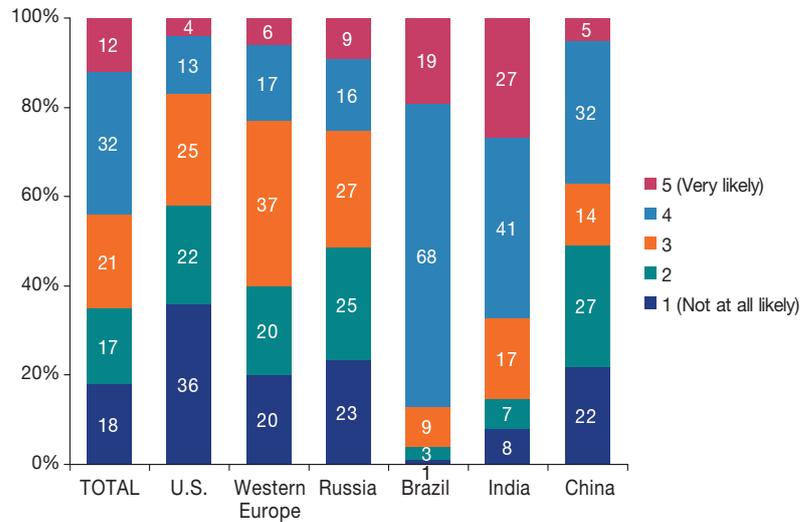
Growing Interest in Online Vehicle Buying

In the early years of the *Cars Online* study, the number of consumers interested in buying a vehicle over the Internet was low: just 1% in 2000 and

2% in 2001. The 2000 report noted that: “The Internet remains, primarily, an information/research medium [for car buyers] and is not an important purchasing point.”⁹

These low numbers led us to stop asking the question until last year, when we reintroduced it to the survey to gauge whether consumer sentiment had changed. In fact, it had. In 2007, 20% of consumers were looking to the web as a channel to purchase vehicles, and this year the number jumped to 44%, driven by significant interest from consumers in Brazil, India and China. In Brazil, for example, 87% of respondents said they were likely or very likely to buy a car over the Internet if the capability were available. In India, the number was 68%.

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

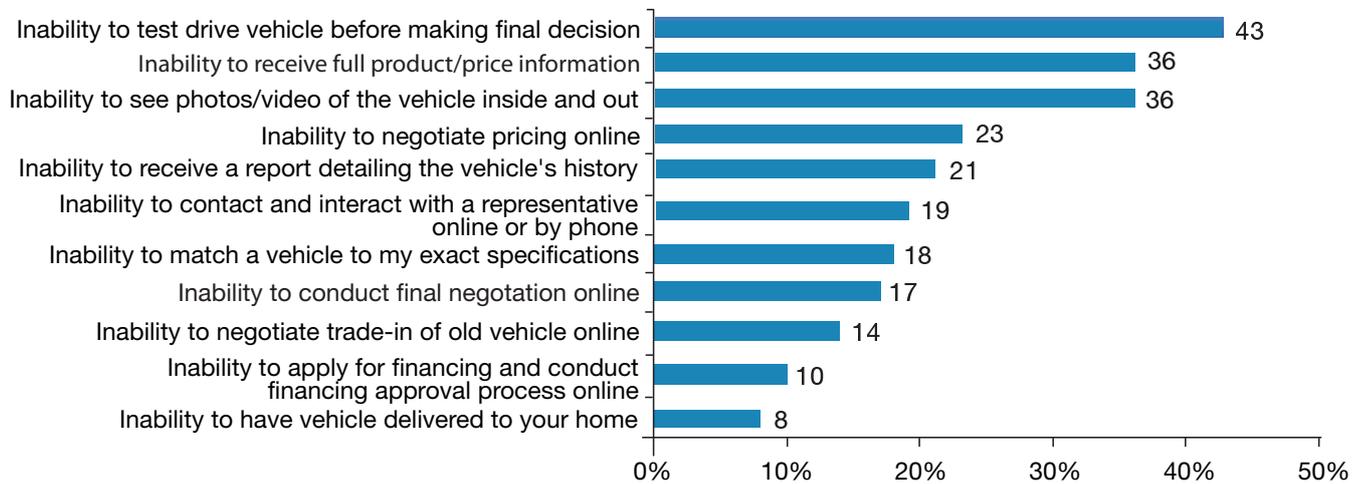


Source: Capgemini

⁹ “Cars Online 2000: Global Consumer Survey,” Capgemini.

Barriers to Online Vehicle Buying

(% consumers saying)



Source: Capgemini
Note: Multiple responses allowed

Consumers were equally interested in purchasing vehicle parts and accessories online. More than half said they would be likely to buy these items over the Internet. The research indicates a particularly strong latent demand for this service among consumers in Russia, Brazil and India.

The growing interest in online vehicle buying stems from frustration with the dealer negotiation process, consumers' increasing web sophistication and their greater comfort level with making online purchases. Said one U.S. consumer: "I've purchased my last two new vehicles online using an independent site, having the vehicle prepared and delivered to me at a local dealership. I enjoyed the process much more without the participation of the pushy salesman. I always feel screwed by the dealer, but I feel great after purchasing a new car online at a specified percentage over invoice."

In fact, online buying is viewed as the leading change consumers expect to see in the vehicle buying process over the coming decade. (For more on respondents' view of the future, see "The Next 10 Years:

Conclusion and Recommendations.") Some consumers in this year's study estimated that 80% to 90% of all vehicle purchases will be conducted over the Internet 10 years from now.

It's too early to tell whether consumers' expressed desire to buy cars over the Internet translates into their actual behavior. Nevertheless, this trend represents potentially hundreds of thousands of vehicles and points to the importance of implementing a fully integrated multichannel strategy that ensures a consistent consumer experience across all channels.

Barriers to Online Buying

What would stop consumers from buying a car over the Internet? Interestingly, the barriers seem to be addressable. We expected respondents to voice concern about the inability to interact face to face or negotiate a trade-in over the Internet, but that was not the case. Instead, they said the inability to test drive a vehicle (named by 43% of consumers) and the lack of full price and product information (cited by 36% of consumers) were more significant blockers. Clearly, both can be

addressed: by bringing a vehicle to a consumer for a test drive and by increasing the product and price information available online.

A few differences between mature and developing markets were apparent. For example, consumers in mature markets were more concerned about the inability to test drive a vehicle, while those in emerging countries were more focused on the inability to get full product and price information.

New Online Tools Popular in Emerging Markets

This year's research showed a noticeable jump in consumer use of new online consumer-to-consumer tools such as automotive blogs, web forums and informational/encyclopedia sites with user-generated content. For example, 45% of consumers said they use web forums, up from 37% last year.

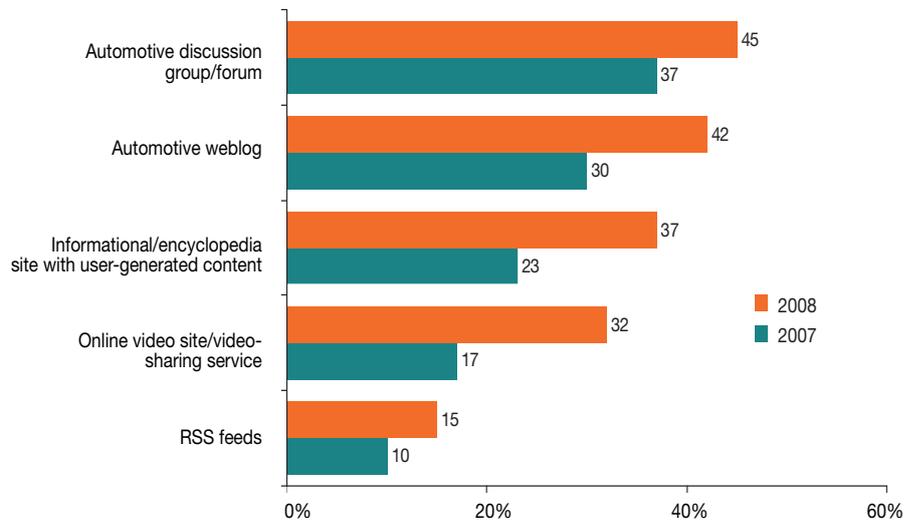
The increase was fueled largely by consumers in Russia, China and, in particular, India, who are turning to these new tools in a big way. About half of respondents from the emerging markets said they use blogs, compared with 25% of consumers in

Fact Box

Twenty percent of consumers said they were likely or very likely to buy a vehicle over the Internet. In 2001, only 2% of consumers were looking to the web as a channel to purchase vehicles.

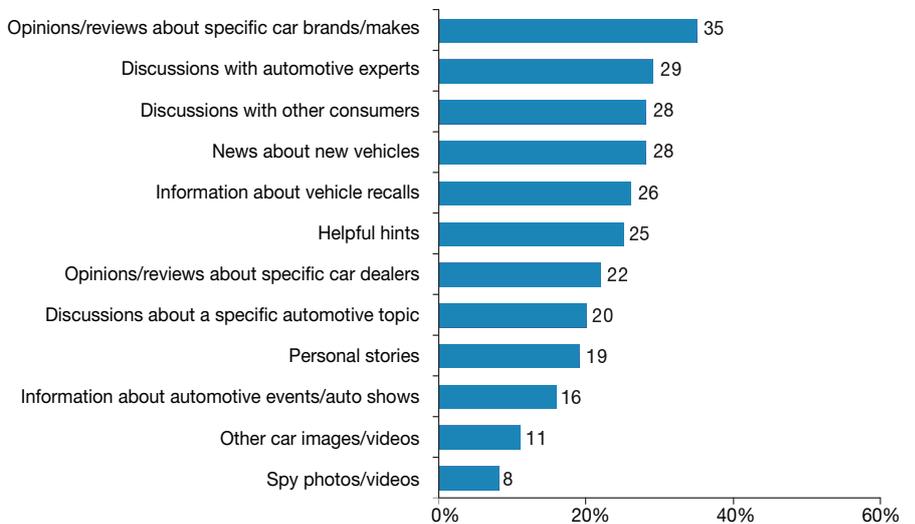
— *Cars Online 07/08*

Use of New Online Tools for Researching Vehicles Grows (% online consumers saying)



Source: Capgemini
Base: Those who use the Internet to research vehicles
Note: Multiple responses allowed

Reasons For Using New Online Tools (% consumers saying)



Source: Capgemini
Base: Those who use new online tools to research vehicles
Note: Multiple responses allowed

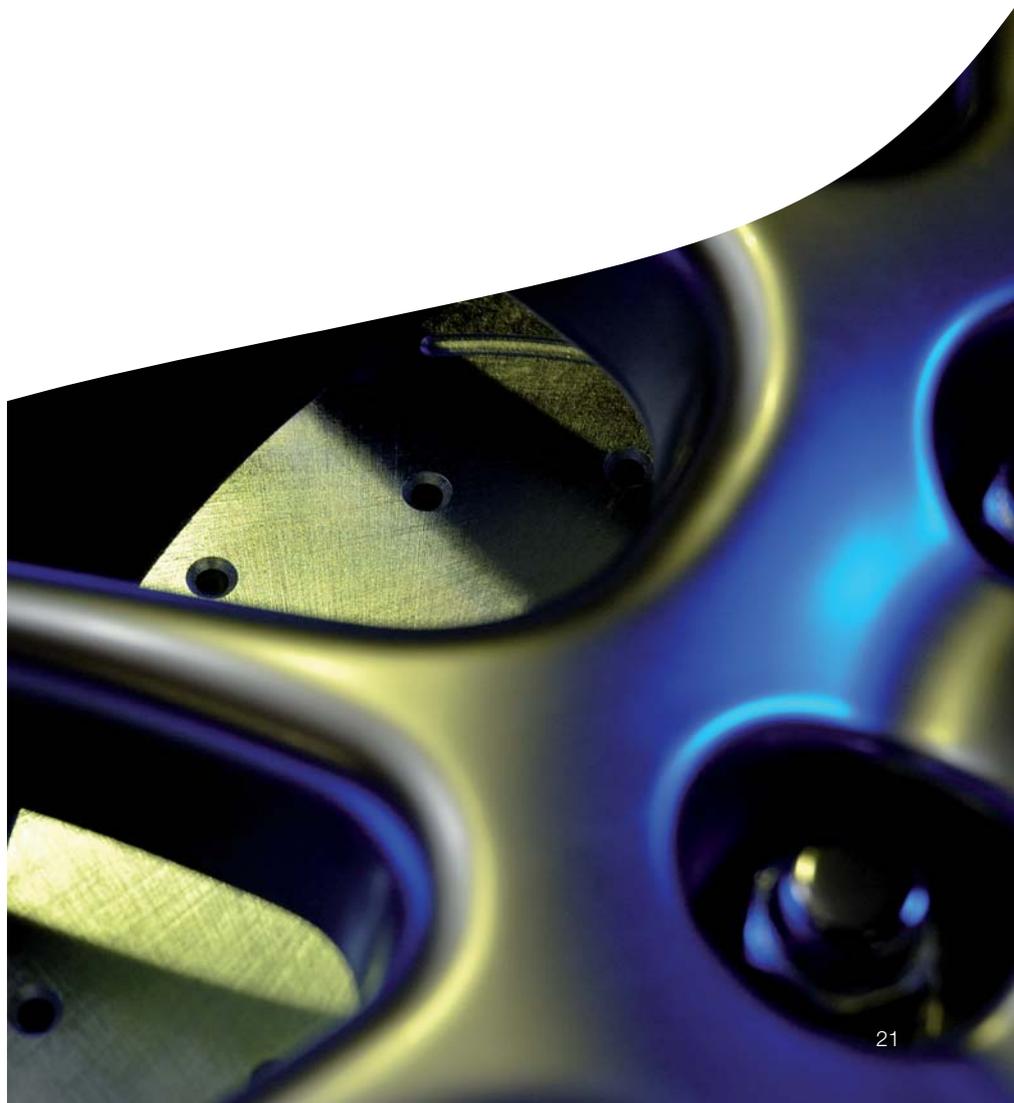
the western countries. And half of those in the developing markets use discussion groups/forums, compared with one-third in the mature markets. Overall usage of these tools in the U.S. remained fairly constant this year, while small increases were apparent in Western Europe.

The use of C2C tools is driven largely by a desire on the part of consumers for more objective opinions and reviews about specific car brands. Additionally, users are looking to engage in a two-way dialogue with automotive experts and other consumers rather than just listening to others offer their opinions. Other key factors include news about new vehicles and information about vehicle recalls.

As consumers search for sources of objective information about vehicle makes and dealers, new types of sites are emerging that focus on aggregating and streamlining the information-gathering process. Take vLane.com, for example. The U.S.-based site aggregates automotive information from many sources, particularly consumers, in one place. The site allows users to select parameters such as the type of vehicle they are interested in, the amount they want to spend and fuel economy and make comparisons among different vehicles. Other consumers and owners provide reviews and user ratings.

“The site should help consumers make more informed decisions by helping them leverage the information and people in their own network and beyond,” says Herman Paek, founder of vLane. “Every discussion contributes to the total body of automotive knowledge contained on the site.”

Keeping a close watch on these new tools is critical, as these sites have the potential to impact buying decisions. Almost three-quarters of consumers said they would be more likely to purchase a vehicle from a particular manufacturer or dealer if they found positive comments on blogs and forums. This was consistent across all countries, although particularly pronounced in the emerging markets. Sixty percent of respondents said they would be less likely to buy if they found negative comments on blogs and forums.



Customer Interaction: A Holistic Approach to Building Loyalty

If automotive companies hope to reverse the trend in declining loyalty they need to increase their speed of response, improve their segmentation approach and target communications using consumers' preferred channels.

“I would like to be able to put together my new car online and send this configuration to a large network of dealerships, who would then make offers from their end.”

German consumer

In recent years automotive companies have focused significant attention and resources on achieving cost reduction and operational efficiency. But to realize real growth those efforts must be matched by an emphasis on customer intimacy and customer care. Companies must interact intelligently and consistently with the vehicle buyer at all possible touchpoints – on the web, through call centers, in the dealer showroom.

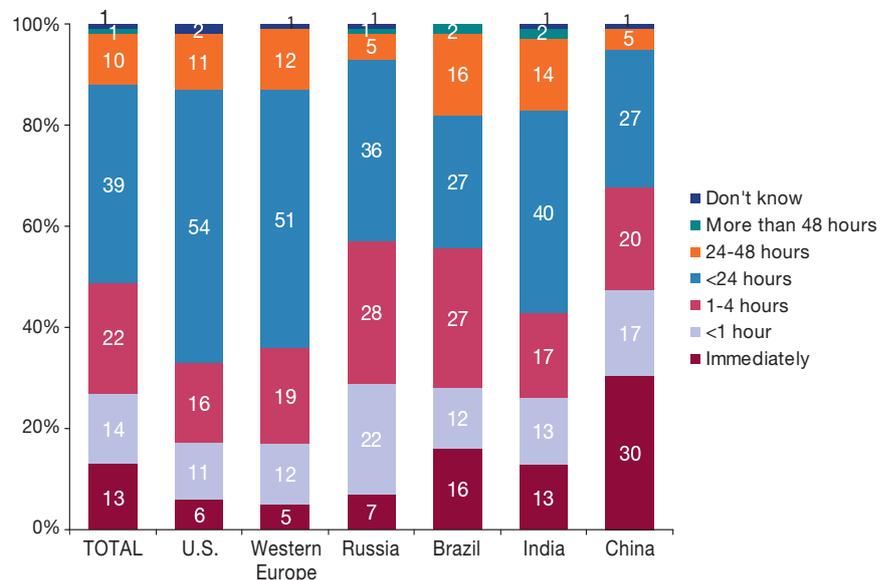
This requires a greater focus on integrated lead management, improved consumer segmentation and targeted customer communication with a goal of building loyalty. This type of approach extends beyond the purview of traditional Customer Relationship Management (CRM) and requires customer relevancy, process excellence and a more holistic view across the entire vehicle lifecycle.

Lead Management: Speed Is of the Essence

Increasingly, the initial – and often most important – point of interaction with customers occurs on the web during the research process. Over the years, our *Cars Online* research has highlighted the importance of reacting quickly to online requests from vehicle shoppers – and this year is no exception.

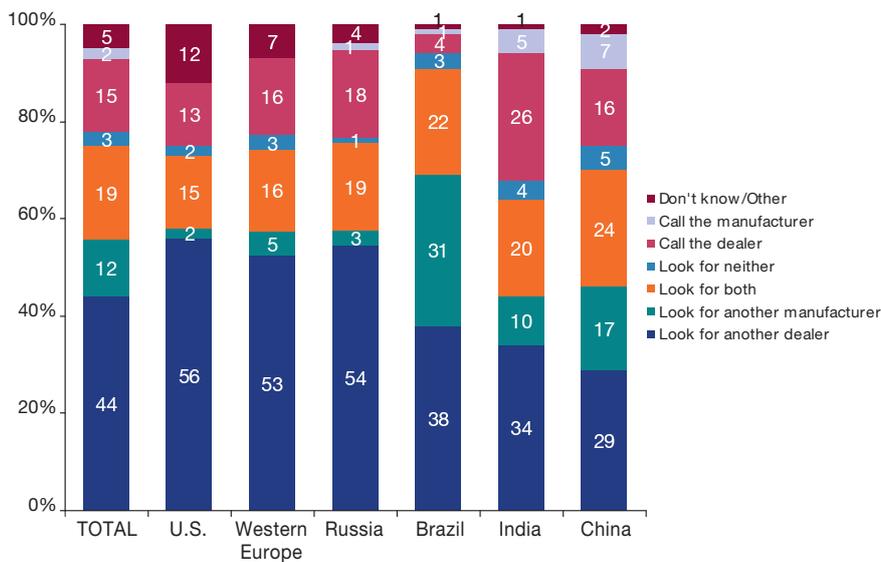
Almost half of respondents said they expect a dealer or manufacturer to respond to an e-mail or web inquiry within four hours, up from 39% last year. Consumers in emerging markets are the most demanding: 30% of Chinese respondents expect a response immediately and two-thirds said within four hours. More than half of respondents from Russia and Brazil expect a reply within four hours.

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



Source: Caggemini

Behavior if Dealer/Manufacturer Took too Long to Respond (% consumers saying)



Source: Capgemini

Understanding what constitutes an acceptable response time for an individual consumer is a key element of effective lead segmentation, notes R. L. Polk. In a recent study on Internet lead marketing, the company found that “Identifying the response time expectations when the lead is submitted may help to prioritize which leads to follow up on first.”¹⁰

Response time is particularly critical as consumers get closer to the point of purchase. Among consumers planning to buy a car within three months, 60% expected a response within four hours, compared with 44% of those not planning to purchase until 13 to 18 months. This pattern was repeated in all the countries studied, with the most pronounced jump occurring in Brazil, where 82% of respondents who planned to purchase within three months said they expect a reply in four hours.

The challenge for automotive companies is implementing a segmentation program that identifies a consumer’s position in the buying process. It’s a challenge worth addressing, however, as the price of not responding fast enough is high: 75% of all consumers said they would switch dealer, manufacturer or both if a company took too long to respond to their query. Again, the closer a vehicle buyer is to the sale the more likely they are to switch.

Brazilians were the most fickle. This may be due to the fact that dealers there are more apt to be single-brand franchisees so consumers may view the dealer and OEM as one and the same. Respondents in the western markets and Russia were also highly likely to walk away if they were dissatisfied with the response time. Consumers in India were the most forgiving.

Communication Channels: The Importance of Staying in Touch

Consumers in all countries emphasized the importance of post-sale communication. “I would like to see friendly service *after* the sale of the vehicle, instead of salespeople just getting the commission, and then forgetting the customer,” said a U.S. respondent.

A key to successful consumer interaction is understanding how consumers want to be communicated with at different points throughout the vehicle lifecycle. R. L. Polk’s study found that 70% of respondents who purchased from the responding dealer were contacted in their preferred communication method.¹¹

Fact Box

Sixty-one percent of Chinese respondents expect to receive a response immediately or within one hour when they submit an inquiry to a manufacturer or dealer via e-mail or the company’s website.

— *Cars Online 06/07*

¹⁰ “Consumer Expectations for Internet Lead Marketing,” R. L. Polk & Co., 2008.

¹¹ *Ibid.*

It's clear from our *Cars Online* research that preferred channels vary depending on the type of communication and on the country. Overall, consumers prefer e-mail for many forms of communication, especially newsletters, surveys and invitations. However, many like to receive materials such as brochures and welcome packs by postal mail, but want to be contacted by phone after lodging a complaint. A growing number prefer to receive service reminders via SMS/text messages.

Country differences were quite widespread. For example, consumers in the western markets and China prefer the post for brochures, but a substantial number of respondents in Russia, Brazil and India want to receive these materials by e-mail. Consumers in all markets except China strongly prefer e-mail for newsletters; in China, respondents prefer to receive newsletters via postal mail. For a number of other materials, such as surveys, invitations and personalized repurchase offers, Chinese consumers said they prefer communication by phone.

Brand Loyalty Slowly Declines

Effective lead management, segmentation and channel communication can be weapons in the battle to halt eroding customer loyalty. Brand loyalty has been

slowly declining over the past few years in many markets. In Western Europe, for example, 50% of respondents said they were likely or very likely to purchase the same make as their current vehicle, down from 57% two years ago. A similar drop was seen in the U.S. and China. (No comparison data is available for Brazil, Russia and India as this is the first year these countries have been included in the *Cars Online* study.)

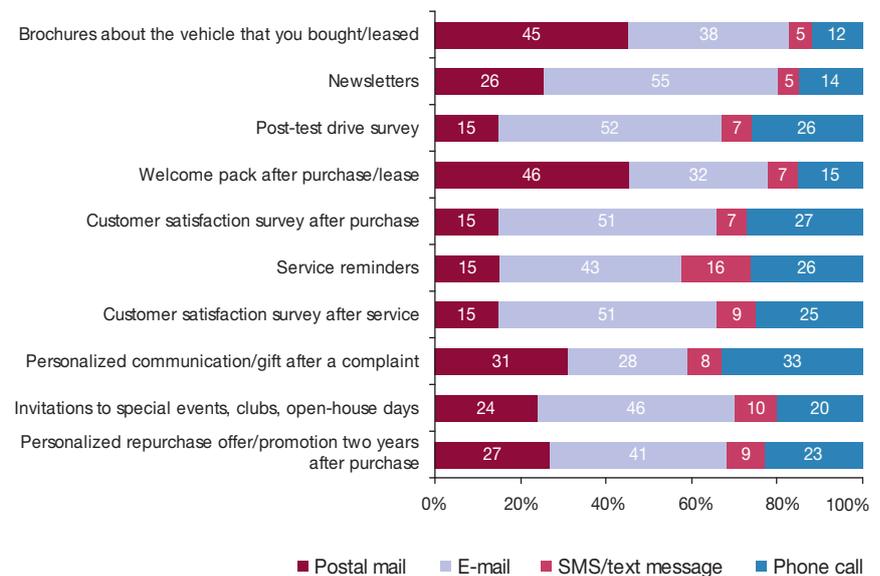
Dealer loyalty has remained fairly steady in recent years but is typically somewhat lower than brand loyalty. For instance, 38% of Western Europeans said they are likely to buy their next car from the same dealer they bought from previously, compared with 37% two years ago.

Fact Box

Belgians like the fact that they can get information via the Internet without any commitment or need to provide personal data. There are large numbers of Belgian automotive portals on the Internet. The growth of these services, as well as more sophisticated distributor websites, means the Belgian consumer is becoming one of the best equipped in terms of information.

— *Cars Online 2000*

Preferred Consumer Communication Channels (% consumers saying)



Source: Capgemini

Customer Satisfaction: What Needs to Change?

Consumers are fairly satisfied with the overall vehicle buying process, but there's plenty of room for improvement – starting with the dealer negotiation process.

“I sometimes feel that the dealer sees me as a victim rather than a customer. I've heard customers being referred to by salesmen as punters and that about sums it up. A punter is a gambler and buying a new car should not be about gambling.”

UK consumer

How satisfied are consumers with the vehicle buying process? That depends on the country.

Overall two-thirds of respondents worldwide said they were satisfied or very satisfied with the overall process of purchasing a car. While that's encouraging, it's a decline from 10 years ago, when 80% of consumers said they were satisfied with the buying process.

This year's *Cars Online* research uncovered what appears to be an inverse relationship between market maturity and satisfaction levels: The more sophisticated the market, the lower the degree of satisfaction. For example, in the U.S. only 40% of consumers said they were satisfied, compared with 84% of consumers in

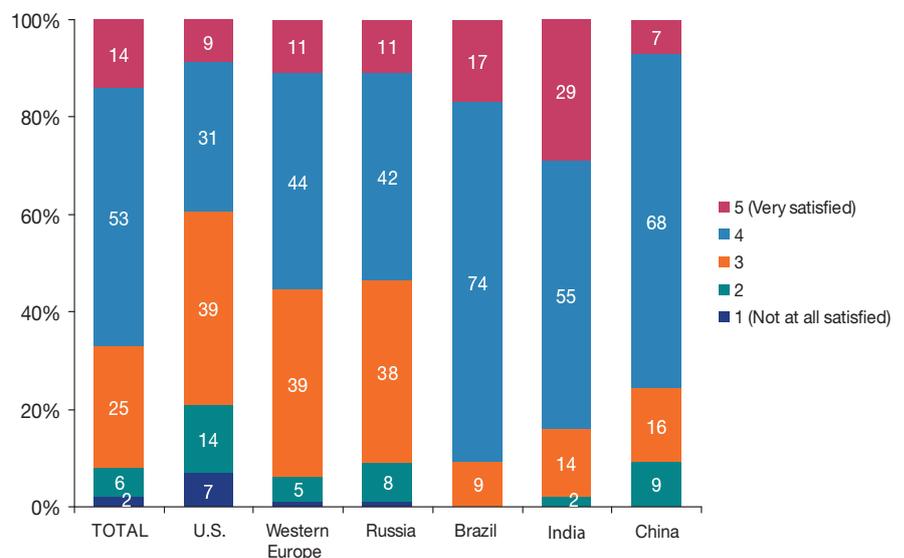
India. Once again, the exception is Russia, where 53% of consumers said they were satisfied with the buying process, similar to Western Europe, where 55% of respondents indicated a good degree of satisfaction.

Of particular concern, one in five U.S. respondents said they were not satisfied with the car buying process. Said a consumer from the U.S. “I'm just glad that car shopping isn't something I have to do often.”

Consumer concerns fell into three main areas, which were consistent across markets and focused largely on the dealer experience: the negotiation process, dealer honesty/customer service and pricing.

How Satisfied Are Consumers With the Vehicle Buying Process?

(% consumers saying)



Source: Capgemini

Dealer Negotiation Process: Less Hagglng, Less Pressure

Without question, the dealer negotiation process was the primary area where consumers want to see changes made. In all countries, respondents complained about the pressure from salespeople and the amount of haggling necessary to reach what they viewed as a fair price. Said a U.S. consumer, echoing similar comments made by other respondents: “Give me the best price up front. Don’t waste an hour of my time talking about the car; I already researched it. I won’t pay sticker price. Many salespeople insist that is the only price; they won’t come down. I may be a woman, but I’ll walk out.”

Other consumers complained about the way they were treated by dealer salespeople during the negotiation process. “I sometimes feel that the dealer sees me as a victim rather than a customer,” said a respondent from the UK. “I’ve heard customers being referred to by salesmen as punters and that about sums it up. A punter is a gambler and buying a new car should not be about gambling.”

Fact Box

In terms of car prices, OEMs are more cautious than dealers, believing the impact of the Internet on margins and discounts to be less than dealers. Only 23% of OEMs believe there has been a decrease in margins, while 42% of dealers, who are better placed to know, claim a decrease.

— *Cars Online 2002*

Concerns about the negotiation process were also apparent in emerging markets, especially Russia. According to a Russian respondent: “First, I want to see the real price of the vehicle so I can avoid paying extra; and second, I’d like salespeople who know about the models they are selling.”

In Russia and China significant emphasis was placed on speeding up and simplifying the transaction and vehicle registration process. Said a respondent from China: “The process of purchasing a vehicle is very complex and takes much too long.”

A U.S. consumer went so far as to suggest that the industry “eliminate dealers in their current form. I would much rather buy from a manufacturer.”

While consumer comments tended to focus on the dealer, it’s important to keep in mind that a customer’s experience at a car dealership can impact their loyalty to a brand or manufacturer. In an earlier study published by Capgemini and the Car Internet Research Program (CIRP),¹² consumers indicated that their experience with dealer salespeople had a direct influence on their satisfaction with the OEM.

Dealer Honesty/Customer Service: ‘Don’t Rip Me Off’

Consumers in a number of markets said they would like to see improved honesty and customer service on the part of dealerships. “I want to do business with dealers who are honest and don’t rip me off. The experience with the dealer should give me the feeling that both sides got a good deal,” said a respondent from Germany.

Respondents across countries felt that dealers should focus more on customer appreciation and customer attention, and that they should take the time to understand a consumer’s needs. “Even though you may not buy at the moment, a customer should feel like they would come back to purchase at that dealer due to the great customer service,” said a U.S. consumer.

Pricing: Fairness, Clarity and Transparency

Pricing was a common topic raised by consumers when asked about changes they would like to see. In some markets, notably the UK, Brazil, Russia and Germany, the focus tended to be on lower or fair prices and discounts. However, in the U.S., France, China and India consumers were more likely to emphasize the lack of price transparency.

Consumers said they want dealers to be more upfront about costs, taxes and extras that are already “installed” before purchase. A respondent from France noted: “There should be more clarity, transparency and information about vehicle prices and options. And there should be more opportunity to compare the vehicles and the brands with each other.”

Some consumers focused on price-related issues such as rebates, warranty coverage and special offers. In many cases, they wanted to see normal “wear-and-tear” items such as brakes and tires covered under extended warranties. Others suggested special offers for loyal customers.

¹² “Am I Being Taken? Inside the Dealership: The Impact of Consumer Negotiation Preferences and Strategy,” Car Internet Research Program (CIRP) and Capgemini, 2008.

The Next 10 Years: Conclusion and Recommendations

Consumers expect significant changes to the vehicle buying process in the coming decade. Will automotive dealers and manufacturers be ready?

“I would like to buy a vehicle globally, such as a German engine, a Japanese vehicle carriage, American windows and doors, etc. The manufacturer would contact all the suppliers to produce the vehicle.”

Chinese consumer

If the rise of the Internet as a research tool has been the most significant change in the automotive buying process over the past decade, what can be expected in the next 10 years? We posed this question to our *Cars Online* respondents and got some interesting feedback.

The majority of consumers expect changes to come in several areas: online buying, fuel economy/alternative-fuel vehicles, the role of the dealer and OEM, and new buying models.

Online Vehicle Buying: ‘With the Click of a Mouse’

The number one change consumers in all markets anticipate is the widespread adoption of online vehicle buying. “The whole vehicle buying process will be done with a click of the mouse,” said a respondent from India.

Consumers predict that online buying would help eliminate the arduous dealer negotiation process and simplify the purchase of a vehicle. “Most likely, it will be as easy to buy a vehicle online as it is to buy a book or bottle of perfume over the Internet,” said a Russian consumer. “That’s how it will be in 10 years. A vehicle will stop being a symbol of prestige and luxury, and replacing a vehicle will be no harder than buying pantyhose.”

Respondents expect to see new technology that will enhance the online buying process. Said a respondent from the U.S.: “I anticipate a more ‘virtual’ experience when buying a car; computer simulations, projections of the car in our living rooms, etc.” A Russian consumer agreed, saying: “In the future there will be a single information space, and a person will be able to take a virtual tour of the showroom, select and pay for a vehicle without leaving home.”

Some consumers expressed skepticism about making a large purchase like a car over the Internet. A U.S. respondent summed up the concern: “I think the balance that will need to be met – as the Internet becomes more pervasive with durable-goods purchases – is for dealers and manufacturers to maintain the relationship with the consumer, while delivering on their promises online. A





serious level of distrust remains with potential online shoppers who are still leery of making any type of purchases via the Internet.”

Fuel Economy/Alternative-Fuel Vehicles: ‘No Emissions, No Petrol’

Consumers across all markets expect to see greater emphasis on fuel efficiency and a significant shift to alternative-fuel vehicles in the coming decade. Electric/battery, water, hydrogen and solar were among the anticipated fuel sources for cars of the future. A consumer from India suggested another, perhaps less realistic, option: “I will purchase a vehicle that will make no pollution at all as it will run using air.”

While most respondents anticipate that the majority of cars will be smaller than those on the road today, some are looking for a way to improve fuel efficiency and reduce emissions without giving up their larger vehicles. “I hope that vehicles will be better for the environment and that there will be a way to have a full-size SUV that is electric or runs on alternative fuel,” said a U.S. consumer.

Although our quantitative research found that most consumers are confident in their knowledge of green vehicles, the open-ended comments revealed some concerns. “I think we still need to improve our understanding about the real differences and benefits of the different fuel types,” said a UK respondent.

Consistent with the quantitative data, consumers in emerging markets were very focused on the role of alternative-fuel cars in the future. “In

the next 10 years we need a true ‘no emission, no petrol’ vehicle in view of the rising cost of petrol. The best option is a battery-operated electric vehicle,” suggested a consumer in India.

A number of Russian respondents hope that the process of buying an alternative-fuel vehicle will be simpler in the coming years. “I would like to buy a hybrid or hydrogen vehicle without foot-dragging at the State Traffic Inspectorate,” said a Russian consumer.

And what will happen to the traditional gasoline-powered vehicle? A German consumer offered the following suggestion: “Combustion engines will be just for classic cars.”

The Role of Dealers and OEMs Will Change

Given the frustration with the dealership experience expressed by many consumers across all countries, it’s not surprising that respondents had some definitive ideas about how the role of dealers may change in the coming decade. Many expect to see fewer, larger multi-brand dealers focused more on servicing rather than sales, as the industry shifts to online buying.

“The Web will be used to compare vehicles, select the model to buy, configure it and get a quote, select the financing (credit or lease quote on site), and make an appointment with the dealer for a test drive,” said a French consumer. “The role of the dealer will be to allow test drives, wrap up the sale and the financing, and maintain the vehicle.”

Fact Box

OEMs agree with the dealers’ view that the Internet will lead to further growth in the number of multi-franchise dealers, customer experience centers and alternative retail channels in the future.

— *Cars Online 2002*

Fact Box

Half of respondents say that having the web features they consider important will make them more likely to buy from that car manufacturer. This is particularly true in North America, where the number jumps to more than 60%.

— *Cars Online 04/05*



A consumer from India expected a more extreme change: “In 10 years there will be no role for dealers. There will only be service centers.”

Others felt dealers could succeed in the coming decade, but only by making changes to their business model. “To avoid becoming a commodity, auto dealers will have to provide customer service that treats people like individuals rather than as e-mail addresses,” said a U.S. consumer. “I would anticipate such things as bringing the car to you for a test drive, finding out what extra services (free service for the first year, for example) they could offer to stand out from the crowd.”

Consumers also expect changes to the manufacturer’s role. Said a U.S. respondent: “I think we’ll see central manufacturer hubs where new vehicles are staged until sold.”

Many respondents anticipate dealing directly with OEMs: “I hope we will be able to buy direct from the manufacturer at the cost the dealer pays so as to be able to get a better model for a fair price,” said a consumer from the UK.

New Buying Models: ‘Like Putting Together a Lego Kit’

Consumers proposed some interesting new approaches for the vehicle buying process, such as vehicle-sharing schemes. Interestingly, many suggested a model where consumers could configure a vehicle using parts from a variety of manufacturers, as though from a menu. “In the future, I would like to be able to design my own car with different components of my choice from different vendors,

which are then assembled at one location, maybe a dealer’s workshop,” suggested a consumer from India.

A similar idea was expressed by a Chinese consumer: “I would like to buy a vehicle globally, such as a German engine, a Japanese vehicle carriage, American windows and doors, etc. The manufacturer would contact all the suppliers to produce the vehicle.”

And a respondent from the U.S. offered an interesting comparison: “Buying a car will be like putting together a Lego kit. You will choose standardized components from different manufacturers that will be assembled into your car.”

Recommendations: Meeting the Needs of Today’s – and Tomorrow’s – Vehicle Buyers

This year’s *Cars Online* research offers both a quantitative and qualitative view of changing consumers needs and buying patterns. Following are recommendations to help companies better meet consumer demand and anticipate the changes that will come in the next decade.

Understand that all emerging markets are not created equal.

When it comes to developing automotive markets, it’s clear that the devil is in the details. While the four developing countries studied in our *Cars Online* research share some characteristics such as significant interest in online vehicle buying and heavy usage of online C2C tools, they also exhibit complex and diverse buying patterns. Consumers respond to different types of media, prefer different communication channels,

have different views on green vehicles and so on. Understanding and addressing the differences and not just the similarities will be the key to success in these growing markets.

Implement online vehicle buying capabilities. It's easy to point to obstacles to Internet selling of cars: regulatory roadblocks, financing challenges, technology hurdles. All of which are legitimate concerns. But consumers simply don't care. Increasingly, they want to be able to buy a car – from start to finish – over the Internet. In fact, they envision a future in which most cars are sold this way. It is incumbent upon both dealers and manufacturers to address the obstacles and challenges and take real steps to implement online vehicle buying capabilities.

Take green seriously. The *Cars Online* research provides plenty of evidence of the growing consumer focus on fuel efficiency and alternative-fuel vehicles. Fuel economy is a leading factor in consumer vehicle choices and that's not likely to change given the concerns about fuel prices and global warming. Consumers are searching for information about green vehicles and are finding it on the web – and increasingly this knowledge is informing their buying decisions. As they look ahead at the coming decade, consumers across all markets anticipate a growing role for alternative-fuel cars.

Be vigilant in allocating your marketing mix. Information sources used by vehicle buyers change rapidly and vary by market. And the increased reliance on C2C tools such as blogs and discussion forums makes it clear that consumers are looking for

a two-way dialogue, not a one-way sales monologue. Monitoring these types of sites and understanding how they're being used by consumers is essential to improving communication with car buyers. It's still too early to tell how these new tools will ultimately affect consumer buying decisions, but it's clear that automotive companies must embrace these developments and constantly re-evaluate their marketing mix.

Implement a holistic customer interaction strategy focused on improving loyalty. Declining customer loyalty is particularly apparent in mature markets. Reversing this trend requires a strategy that includes integrated lead management, improved consumer segmentation and targeted customer communication. Companies must interact intelligently and consistently with the vehicle buyer at all possible touchpoints – on the web, through call centers, in the dealer showroom. The keys to success: customer relevance, process excellence and a holistic view across the entire vehicle lifecycle.

Focus on the future. Our *Cars Online* research over the past decade makes it clear how much has changed in the automotive industry in 10 years. The coming decade will see equally significant changes to the vehicle buying process. Be conscious of the kinds of improvements consumers expect and want in the future. Some may seem unrealistic, but they offer a glimpse inside the minds of vehicle buyers. Ignore them at your own peril.



Capgemini's *Cars Online 08/09* study presents many of the 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 in both mature and emerging markets, please contact:

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