

Acceleration of the connected experience
Vehicle connectivity and evolving
customer expectations



In 2012, Deloitte's U.S. Automotive practice released *Connected vehicles enter the mainstream: Trends and strategic implications for the automotive industry*, which discussed the evolution of the connected vehicle industry and outlined strategic implications for automotive companies to consider in their efforts to meet evolving consumer demand for "cockpit" technologies. *Acceleration of the connected experience: Vehicle connectivity and evolving customer expectations* is the follow-up to the 2012 report and delves into vehicle connectivity beyond embedded "cockpit" technology to focus on how automotive OEMs and dealers can increase brand appeal, sales, and long-term customer loyalty through the use of connected technologies that enable a unique customer experience throughout the vehicle ownership life cycle. To download *Connected vehicles enter the mainstream*, visit www.deloitte.com/US/ConnectedVehicles.

Introduction



Consumer behaviors and brand preferences continue to be impacted as a result of technology innovation, and this evolution is happening at the same rapid pace as advancements in technology itself. Industries such as retail, consumer packaged goods, banking, and many others continue to enhance how they use online services, customer relationship management tools (e.g., systems and data), and other technologies to integrate with consumers' connected lifestyles and create multiple touch points that can ultimately result in sustainable customer experiences and long-term brand loyalty.

The automotive industry has also witnessed a technology-driven transformation – one that, like other industries, has allowed automakers to collect data about and better understand their customers, as well as impacted the products and the processes used to manufacture the technologically advanced vehicles on the road today. Innovations in “cockpit” technologies, safety systems, and advanced materials have resulted in vehicles that are increasingly cleaner, lighter, and safer. Over the last decade, vehicle connectivity has also gained public acceptance and continues to change the way consumers stay connected while traveling.

At the same time, however, technologies that allow consumers to stay connected while on the go are abundantly available outside of the vehicle. Consumers are also increasingly influenced by online customer experiences shaped by their favorite brands outside of the automotive industry. Moreover, improved public transportation systems and the emergence of alternative mobility models like car-sharing are also offsetting the need to own or lease a vehicle in a traditional way. These dynamic forces are changing how consumers choose to get from one place to another. As a result, OEMs and their dealers increasingly need to embrace connected technologies and develop innovative models that engage consumers and drive revenue beyond traditional sales or service.

It's all about the product (well, sort of)

Traditionally, automotive OEMs have focused on their product as the key differentiator, relying on attributes such as design, performance, quality, and price as primary drivers of customer engagement. Yet, product differentiation based on cost, features, and quality alone is becoming increasingly difficult as innovations in the products and the manufacturing process have created parity across many of the traditional attributes that differentiate vehicles.

This evolution from a vehicle fleet once largely comprised of “bad” cars and “good” cars to one that today gives consumers more choice between “good” cars and “great” cars has also changed what consumers have come to expect from their automotive experience – both inside and outside the vehicle. In other words, consumer value is shifting from the traditional vehicle attributes to those of convenience and connectivity.

For automotive companies whose traditional customer experience model has been largely driven by key product differentiators and whose customer relationship has for the most part been transactional (e.g., sales, service, etc.), creating unique and sustainable customer experiences to go beyond the product and continuously and consistently engage consumers throughout the vehicle ownership life cycle represents a complex challenge.

Exacerbating that challenge is the fact that today's consumers interact with brands differently. Expectations are evolving and the importance of a differentiated experience is gaining quickly. In fact, Deloitte's¹ research into the shopping behaviors and vehicle preferences for Gen Y automotive consumers (born between 1977-1994) reveals that for these young consumers, the customer experience is three times more important than vehicle design to their ultimate purchase decision.²

The ubiquitous growth of smartphones and other mobile devices, how consumers integrate those devices into their lifestyles, how other industries use technology to engage their customers, and – perhaps most importantly – how consumers choose to engage those brands, will likely drive automotive companies to create innovative business models that change the way OEMs and their dealers engage their customers. The ongoing proliferation of connected vehicle technologies, as well as the alternative transportation models and mobility trends that are changing the way people choose to get from one place to another, will likely also require OEMs and dealers to enhance the vehicle ownership experience if they are to tap into consumers' increasing desire to use transportation models outside of simply owning or leasing a vehicle.

So, going forward, how do automotive companies improve their ability to differentiate their products and brand beyond performance, quality, and price? One answer may lie within the use of connected technologies and the ability of OEMs and dealers to work together and go beyond the product to create unique brand experiences both inside and outside of the vehicle, spanning the entire vehicle ownership life cycle – from the pre-purchase information gathering phase, through the purchase transaction, and long-term into post-purchase service and maintenance.

¹ As used in this document, “Deloitte” means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

² 2011 Gen Y Automotive Consumer Study, Deloitte LLP. 2011. http://www.deloitte.com/view/en_US/us/Industries/Automotive-Manufacturing/automotive-survey/f6ff5a1264001210VgnVCM100000ba42f00aRCRD.htm

Technologies that can seamlessly connect vehicles and consumers daily lives will likely serve as key enablers in defining the vehicle ownership experience – and those connected technologies have the potential of fundamentally changing the traditional customer life cycle. Vehicle connectivity is also starting to transform the basis of competition beyond the product, enabling opportunities for OEMs and dealers to create a much richer experience throughout the ownership life cycle and, in the process, comprehensively shape and support the brand experience.

Four factors are contributing to our perspectives and help set the stage in understanding how a service-oriented approach to the customer experience, enabled by connected technologies, can help tailor customer engagement to match consumers' evolving expectations.

Setting the stage

To identify how automotive companies can use connected technologies to enhance the customer and vehicle ownership experience, it is first important to understand how the customer experience is evolving and the factors influencing this evolution. Specific to the automotive industry, we see four major factors – two within and two outside of the industry – contributing to the need for new experience-centric customer engagement models. (Figure 1)

Figure 1: Factors influencing the automotive customer experience



All things connected

The accelerated advancement of mobile technology and personal mobile devices, and the resulting accelerated customer expectations, are the two primary factors outside of the industry that will likely impact how automotive companies engage their consumers. What's more, these two factors are not mutually exclusive. In fact, they are closely related.

As technology continues to become more symbiotic with individuals' connected lifestyles, consumers will likely more and more evaluate brands and products using the interactions they experience through smartphones, tablets, apps, and other connected devices. The kinds of daily tasks consumers complete through their mobile devices and the frequency at which they complete those tasks will continue to expand. Monitoring bank accounts, paying bills, making reservations, buying tickets, and the thousands of on-the-go tasks consumers complete today will likely expand to larger, more complex, and, yes, higher value transactions. Will consumers one day buy a new vehicle and insurance policy through a mobile app? Maybe. The point is that given this ever-ubiquitous use and increased penetration of connected technologies within the lives of consumers, it is inevitable that their expectations of interactions with automotive OEMs and dealers are also likely to change. (Figure 2)

Figure 2: Evolution of the connected lifestyle



Nowhere is this more evident than in younger Gen Y consumers who have grown up surrounded by technology and connectivity. This demographic is 80 million strong and represents the largest group of consumers in the United States since the baby boomers.³ Moreover, they are expected to outspend baby boomers by 2017.⁴

Despite their numbers and growing purchasing power, however, Gen Y consumers may be less interested in vehicle ownership. Just 79 percent of adults between the ages of 20 to 24 had a driver's license in 2011 compared to 92 percent of the same age group in 1983.⁵ And those interested in buying would prefer to limit interactions with salespeople and automotive dealerships. According to Deloitte's 2014 Gen Y Automotive Consumer Study, 54 percent of Gen Y consumers interested in owning or leasing a vehicle would prefer to purchase a vehicle without negotiating with a sales person.⁶ Yet, our study into Gen Y automotive consumers reveals that a large percentage would be loyal to the brand they inevitably choose if driven by a positive dealer experience. Seventy-seven percent of those participating in the 2012 Gen Y study said that if they had a great experience with a brand's dealer, they would rebuy that same brand of vehicle the next time they were in market (and they would recommend that brand to their friends and family).⁷

For automotive OEMs and dealers, it is important to understand that the characteristics displayed by Gen Y consumers have the potential of increasingly becoming the norm as the proliferation of connectivity continues to penetrate all lifestyle facets of consumers of all generations. More and more, what influences how consumers approach the automotive purchasing process and the brands they ultimately choose will, to some degree, be influenced by forces automakers cannot control.

The retail industry, for instance, is one example where this evolution is already having a tremendous impact. As outlined in *The Dawn of Mobile Influence*, published by Deloitte's U.S. Retail practice, 5.1 percent of all in-store retail sales in the U.S. are currently influenced by mobile.⁸ By 2016, smartphones used as part of the shopping experience could impact 17-21 percent of retail sales – a whopping \$627-\$752 billion.⁹ Moreover, 60 percent of the shoppers participating in the study indicated they use their smartphones while in the store, and nearly half said that doing so affected their purchase decision.¹⁰ Shoppers who used a retailer's dedicated app were also 21 percent more likely to convert while in the store.¹¹

How retailers, consumer packaged goods companies, financial institutions, and others choose to engage their customers is changing consumers' expectations of the automotive experience. Automotive OEMs and dealers have the opportunity to use connected services to not only integrate with those experiences, but also evolve the automotive experience to match the evolving expectations of their customers.

³ 2011 Gen Y Automotive Consumer Study, Deloitte LLP. 2011. http://www.deloitte.com/view/en_US/us/Industries/Automotive-Manufacturing/automotive-survey/f6ff5a1264001210VgnVCM100000ba42f00aRCRD.htm

⁴ Gen Y: The Next Generation of Spenders. DestinationCRM.com. 2012. <http://www.destinationcrm.com/Articles/Editorial/Magazine-Features/Gen-Y-The-Next-Generation-of-Spenders-79884.aspx>

⁵ "Boomers Replace Their Children as No. 1 Market for Autos," Bloomberg. August 5, 2013. <http://www.bloomberg.com/news/2013-08-05/automania-strikes-boomers-supplanting-kids-as-buyers.html>.

⁶ 2014 Gen Y Automotive Consumer Study, Deloitte LLP. 2014. www.deloitte.com/us/geny

⁷ 2012 Gen Y Automotive Consumer Study, Deloitte LLP. 2012. http://www.deloitte.com/view/en_US/us/Industries/Automotive-Manufacturing/automotive-survey/f6ff5a1264001210VgnVCM100000ba42f00aRCRD.htm

⁸ The Dawn of Mobile Influence. Deloitte LLP 2012. http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/RetailDistribution/us_retail_Mobile-Influence-Factor_062712.pdf

⁹ Mobile Retailing: Are You Ready For Radical Change? Deloitte LLP. 2012. http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Consumer%20Business/us_retail_mobile%20retailing_091212.pdf.

¹⁰ Ibid.

¹¹ Ibid.

Case study

Global sports apparel company

The global sports apparel industry is fragmented with many players, and for Nike, its previous strategy of sponsoring elite athletes was not proving effective for two reasons. First, the strategy did not fit well into the company's social media and grass roots marketing objectives. And second, the strategy increased the potential for brand damaging publicity as a result of unethical or illegal actions by the elite athletes the company endorsed.

In response, Nike shifted how it engaged its evolving customer base through connected technology and created different channels that incorporate multiple customer touch points. As a result, the company was able to create a customer experience that not only created brand awareness to and loyalty for the company's products, but also built a personalized, technology-enabled customer experience around the lifestyles that most of the company's customers live.

Today, Nike offers or has in development a line-up of products that are increasingly enhanced with connected technologies. In addition to GPS-enabled apps already available that help track distance, pace, and other data, the company provides channels to store the data online and share information through multiple social media channels. This has also led to the gamification of fitness, allowing individuals to compete against each other virtually. The company is also developing intelligent shoes and other connected devices with sensors that can communicate with smartphones, and experimenting with 3D printing, enabling athletes and consumers to customize their shoes.

For Nike, the customer experience enabled through connected technologies has allowed the organization to create scenarios where its customers are consistently coming back through various channels to engage the company's products. In each of those touch points, the company is better able to emphasize athleticism and achievement as part of its core brand. Over the long term, Nike is intending to drive growth through these personalized, iterative touch points that present a consistent brand experience throughout multiple channels.



Factors inside of the automotive industry

The automotive industry is as competitive as ever, with more than 20 automotive OEMs in 18 countries producing in excess of 1 million automobiles in 2012¹², and the products they are producing all meet the safety and environmental standards of the countries in which they are sold. As a result, consumers increasingly have the opportunity to evaluate multiple OEMs and brands, and choose from hundreds of models to get the design, trim, and other options they desire. Gone are the days when only a limited number of brands could satisfy a customer's needs.

Naturally, a higher number of comparable products and product variants in the market directly increases the nature of competition among brands. And consumers are more and more viewing the product as a commodity and buying on price and service when making the ultimate purchase decision. Yet, evidence suggests that customer service within the industry has not improved at the same pace as the products themselves, and that there is still a lot of white space for improvement in the customer experience.

According to a report by the Insurance Institute for Highway Safety (IIHS), the number of winners for Top Safety Pick increased from 10 vehicles in 2006¹³ to 130 vehicles in 2013.¹⁴ However, according to JD Power's CSI report, the industry average for customer satisfaction with the dealer experience has dropped from 876 in 2007¹⁵ (for all brands) to 846 for luxury brands and 789 for mass brand in 2013.¹⁶

The resulting challenge is that OEMs and dealers should increasingly figure out how to create a compelling customer experience that differentiates their brand during the entire shopping continuum (pre-sales, point-of-transaction, and post-sales) and engages their consumers in a way that keeps them coming back after the transaction.

¹² World Motor Vehicle Production. International Organization of Motor Vehicle Manufacturers. <http://www.oica.net/wp-content/uploads/2013/03/worldpro2012-modification-ranking.pdf>

¹³ "First selection of Top Safety Picks: Institute announces 10 car designs that win," Insurance Institute for Highway Safety. 2010. <http://www.iihs.org/iihs/news/desktopnews/first-selection-of-top-safety-picks-institute-announces-10-car-designs-that-win>.

¹⁴ "New Top Safety Pick+ award goes to 13 cars; 117 additional vehicles earn Top Safety Pick," Insurance Institute for Highway Safety. 2012. <http://www.iihs.org/iihs/news/desktopnews/new-top-safety-pick-award-goes-to-13-cars-117-additional-vehicles-earn-top-safety-pick>.

¹⁵ "Drop-In Customers Report Greater Satisfaction with Dealer Service Than Customers Who Make Appointments," JD Power. 2010. <http://businesscenter.jdpower.com/news/presrelease.aspx?ID=2007112>.

¹⁶ "2013 U.S. Customer Service Index (CSI) Study," JD Power. 2013. <http://www.jdpower.com/content/press-release/gMEbEQI/2013-u-s-customer-service-index-csi-study.htm>.

Furthermore, the nature and the meaning of mobility is changing, and the emergence of offerings that provide access to vehicles as an alternative to ownership (e.g., car-sharing), as well as improved availability and quality of public transportation systems, is influencing how consumers choose to get from one place to another. For OEMs and dealers, this is a significant concern with strategic implications as it directly encroaches on the traditional automotive business model and ushers in the opportunity to create new business models – business models that are all enabled by technology.

Naturally, each new connected service initiative and/or venture necessitates that automotive companies explore business requirements, possible revenue opportunities, and business models – each of which differ along several dimensions and each of which can provide OEMs and dealers a competitive advantage. (Table 1)

Table 1: Business requirements, revenue opportunities, and business models resulting from connectivity

Business Requirements	Revenue Opportunities	Business Models
<ul style="list-style-type: none"> • Shaping customer touch points that differ between buyers, owners, drivers, and users with considerations for shared ownership/usage, ownership hierarchies • Considerations for who owns the customer (automakers, dealers, or service providers) • Levels of security required, including roles and access 	<ul style="list-style-type: none"> • Opportunities to monetize types and volume of data captured and tracked • Alternative pricing and payment schedules (prepaid, post-paid, pay-per-use, one-time/monthly/annual payments) • Service registration, renewal, and customer management throughout the vehicle ownership life cycle 	<ul style="list-style-type: none"> • Car-sharing • Increased maintenance and repair services • Data aggregation and analysis • Third-party content/access through in-car multimedia systems (e.g., location-based coupons, direct in-car advertising, etc.)

Case study

Software as a service (SaaS) providers

Technology innovations have had a tremendous impact on organizations that provide software as a service, such as LinkedIn, Workday, and Salesforce.com. Traditionally organizations engaged software providers by making significant investments in developing, buying, and implementing software. Once installed, the software needed maintenance and support throughout the duration of use.

Today, advancements in cloud computing have provided the opportunity for an on-demand software model where preconfigured software is hosted by software firms and access is provided through pay as you go contracts. Companies needing service periodically pay for the use of software. These trends and innovations are perhaps one reason why the SaaS business total market is expected to touch \$22 Billion by 2015, up from \$14 Billion in 2012.¹⁷

The two major factors, perceived lower total cost of ownership and ease of deployment, are contributing to the growth of SaaS.¹⁸ For example, in a struggling Japanese economy where IT budgets are limited, lower implementation costs and faster deployment have caused an increase in demand for SaaS solutions.¹⁹

There were initial concerns such as reduced data security and control, need for permanent connectivity, and limited customization, however with maturity of SaaS business and wider adoption of SaaS models, those concerns have been diminished for many organizations. According to a recent Gartner survey, 77 percent of respondents are expected to increase spending in SaaS.²⁰

In essence, SaaS is a classic example of advancements of new business models, and even new businesses that are able to deliver against customer expectations and deliver a positive and differentiated customer experience through connected technologies. What's more, these models engage customers on an almost daily cadence, resulting in continuous impressions of service providers' brands.



¹⁷ <http://www.pcworld.com/article/2082820/saas-predictions-for-2014.html>

¹⁸ <http://www.forbes.com/sites/louiscolumbus/2012/10/31/saas-adoption-accelerates-goes-global-in-the-enterprise/>

¹⁹ <http://www.gartner.com/newsroom/id/1963815>

²⁰ <http://www.gartner.com/newsroom/id/2253215>

Transforming the automotive customer experience through technology

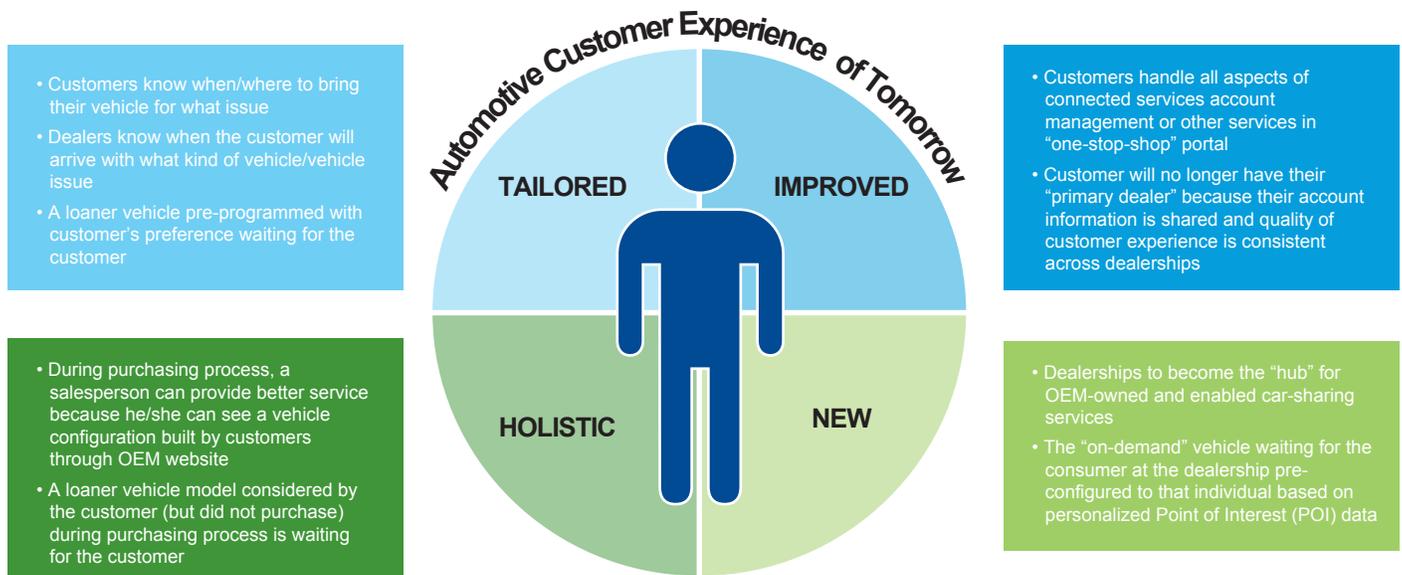
Imagine the day when a vehicle will be able to sense that it needs to be serviced, and can automatically schedule an appointment with the dealer based on the availability on the owner's calendar. Then, imagine the vehicle driving itself to the dealer for that appointment. These scenarios are likely only a few years away from being reality, as evidenced by recent announcements from a number of OEMs into the development and mass introduction of autonomous driving vehicles – some as soon as 2020. And the ability for a vehicle to connect to other systems as described in the first scenario is, in fact, something that is already happening today.

The ramification on the overall customer and ownership experience, as a result, is profound. So profound, some may argue, that the introductions of such customer and ownership experiences may help offset the many burdens some generations today correlate with owning a vehicle.

In our view, there are four primary opportunities where technology will likely transform the automotive customer experience in much of the same way described in the scenarios above – Tailored, Improved, Holistic, and New. (Figure 3)

For OEMs, these opportunities are particularly important because they need to become the holistic aggregators of the disparate connected experiences across the ownership life cycle. In that role, OEMs are best positioned to make the ownership experience consistent and drive the development and delivery of exceptional connected experiences.

Figure 3: Opportunities where technology will transform the automotive customer experience



As Figure 3 illustrates, the customer experience of tomorrow will likely, as a result of technology, allow automotive OEMs and dealers to create customer engagements that can be tailored to individual consumers and change over time as their expectations change. Technology will also allow for significant improvements to today's automotive customer experience, as well as enhance the experience by creating holistic engagements that span multiple touch-points across the service life cycle. Perhaps most importantly, technologies will support new business and vehicle ownership models that will continue to emerge and that will require expanded breadth and quality of the overall customer experience.

Within each opportunity, there are specific issues and pain points OEMs and dealers must understand, as well as considerations to take into account, when determining how to best develop strategies that take full advantage of the future possibilities being driven by the continued emergence of technologies that enable connectivity.

In the following pages, we outline the issues and pain points, considerations, and future possibilities for each of the opportunities illustrated in Figure 3 – Tailored, Improved, Holistic, and New.

Tailoring a service-centric approach that enables customer engagement today and in the future

Automakers have traditionally thought about the customer experience through a lens in large part focused on “how do I sell more vehicles?” To achieve that objective, OEMs have traditionally sought differentiation through their products. As a result, a majority of the business has been focused on selling vehicles, and the value chain today is optimized to do just that. However, as experiences customers have with a brand or product increasingly integrate with their connected lifestyles, they are increasingly expecting similar engagement in their automotive customer experience.

While there is no question that the product and the product life cycle still matter, the concept of the “service life cycle” and managing customers and the usage experience across their lifetime is gaining in importance. So instead of asking “how do I sell more vehicles?” automotive OEMs and dealers have an opportunity to bring enhanced value to the consumer by asking “how do I attract life-long customers by delivering an overall experience and services they value in a way that creates a seamless customer experience?”

Doing so is certainly not easy because each consumer is different. However, by employing and adopting concepts such as technology-enhanced customization and personalization that can connect multiple systems to create a personal user experience, OEMs and dealers have the ability to fundamentally change the experience their customers encounter with their brands. In some scenarios, these tailored and personal connected experiences can also alleviate tasks many consumers find frustrating about vehicle ownership, thereby affording the opportunity to disrupt the competitive landscape, attract new customers, and create sustainable revenue and profit streams.

Take, for example, the often tedious task of taking a vehicle for maintenance. Ask any number of consumers what frustrates them most about this task, and inevitably they will list frustrations that range from being inconvenient to feeling uninformed about what is wrong with their vehicle. Now image the dealership that, through the use of integrated CRM systems, knows when the customer will arrive with the vehicle and has an employee waiting to take the keys. Moreover, waiting for the customer is a loaner vehicle (perhaps a model they had considered but not purchased), pre-programmed with the customers' preferences (music apps, radio pre-sets, etc.) and the next destination programed in the navigation system. Even at this level of tailored personalization, it is easy to see how the customer experience fundamentally changes by directly alleviating frequent vehicle ownership frustrations and infusing value added convenience features into the experience.

Improving the automotive customer experience through connected technologies

Much like automotive OEMs have tended to think about the customer experience focused on “how do I sell more vehicles,” automotive dealers, too, have traditionally focused on the transaction. In large part, dealers have not invested in systems and processes that integrate with their consumers’ connected lifestyles because many are not convinced a connected customer experience translates into higher sales or service revenue. Exacerbating the situation is the fact that cumbersome processes and difficulties understanding (and demonstrating) increasingly advanced “cockpit” and other technologies often results in salespeople not serving as active ambassadors for connected services within the vehicle.

Going forward, the customer experience will likely be highly influenced by connected services, and increasingly customers interested in vehicle ownership will likely turn to automotive dealers as an educated source to both understand how to use connected technologies and, equally important, how to connect those technologies surrounding the vehicle with their broader lifestyles. For both OEMs and dealers, the neutral to negative experiences that can result from not having a properly trained dealer network can impact sales in the short-term, and result in brands forever being removed from some consumers’ consideration set. This is particularly true with younger, highly connected Gen Y consumers, 73 percent of whom, according to Deloitte’s research, already view the dealer experience as neutral (56 percent) or negative (17 percent).²¹ Moreover, our research indicates that Gen Y automotive consumers would never consider a brand again if they had a bad experience with a salesperson of that particular brand.

To improve the customer experience and deliver a technology-enabled experience that meets consumers’ growing expectations around the automotive customer experience, OEMs and dealers are likely going to have to work together to align on the objectives of connected services operations. It is inevitable that automakers are likely going to have to create exceptional experiences that meet the needs and expectations of their customers, and creates demand for their products and services.

Foundational to any such operation is designing a simple model that can be easily integrated with consumers’ other mobile devices such as smartphones, tablets, etc. And, simple or not, quality connected services will require integration from organizational silos within OEM (e.g., product development, marketing sales and service, IT, etc.) and dealership (sales and service operations) enterprises.

Successfully doing so will result in connected vehicle ownership models that enable an enhanced customer experience – and, equally as important, allows that experience to be consistent from dealer to dealer. Customers will also have more of an ability to control and customize all aspects of their automotive experience through account management tools or other services through their mobile devices, apps, etc.

²¹ 2011 Gen Y Automotive Consumer Study, Deloitte LLP. 2011. http://www.deloitte.com/view/en_US/us/Industries/Automotive-Manufacturing/automotive-survey/f6ff5a1264001210VgnVCM100000ba42f00aRCRD.htm.

Creating a holistic customer experience that spans customer touch-points across the service life cycle

As touched upon previously, much of the customer experience traditionally has been transactional (both sales and service). Moreover, sales and service have been managed separately at the dealer level. As a result, customers many times have as many as three different customer experiences throughout the customer life cycle – one pre-sales experience surrounding OEM product marketing through channels that include manufacturer websites, another point-of-sale experience surrounding the purchase transaction at the dealership, and a third post-sales experience surrounding maintenance and service.

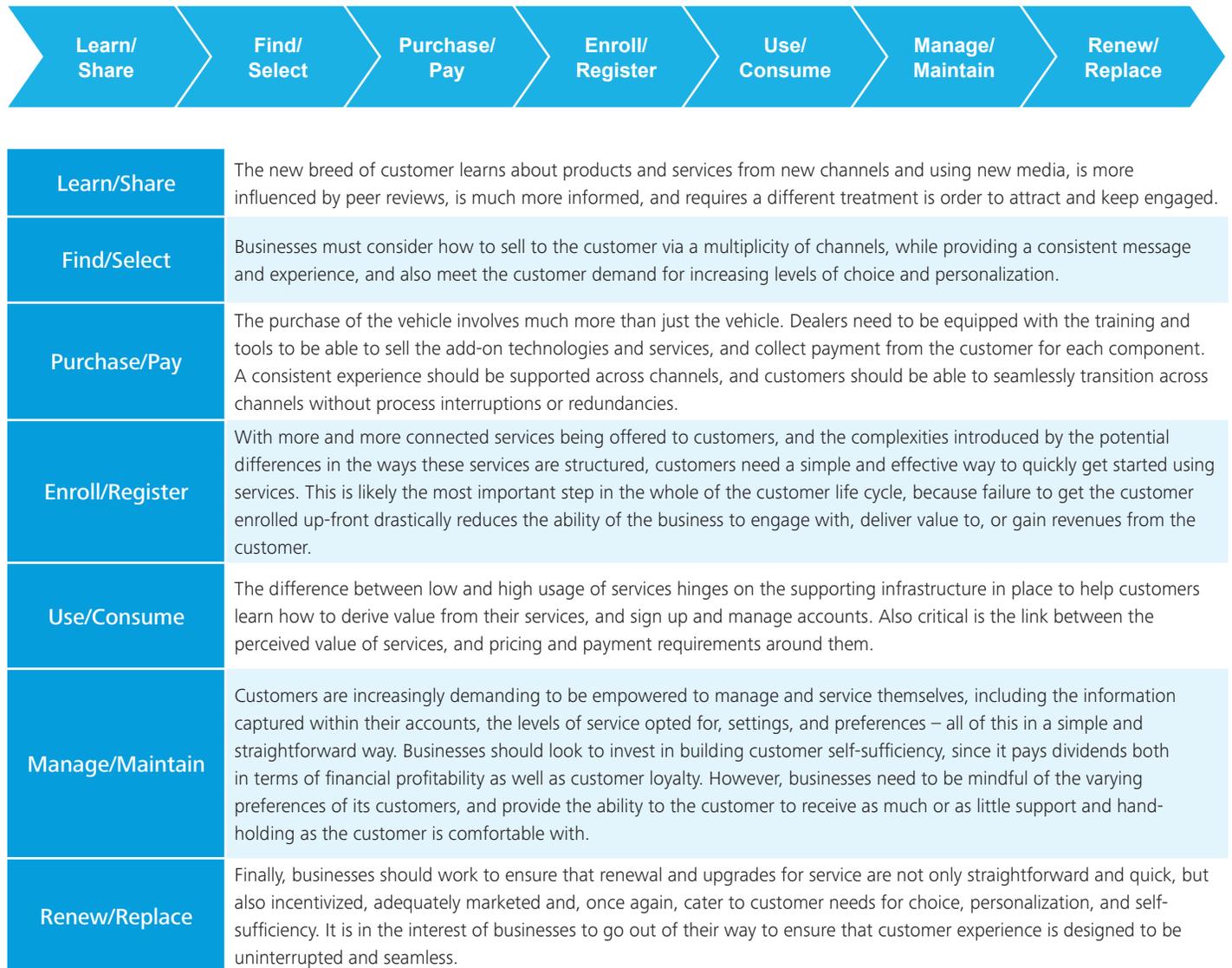
And regardless of the experience delivered through manufacturer websites and other channels like social media during the pre-sales phase of the purchase funnel, the customer relationship is primarily owned by the dealers across all phases of the customer life cycle. Yet, OEMs have limited control over the dealership experience. More disturbing is the fact that in many instances, the post-sales customer relationship is not actively cultivated or managed by either the dealer or the OEM.

Connectivity can bring all these disparate touch points together and, in the process, seize the opportunity to create a more holistic and consistent brand experience for the consumer that is not bound by traditional touch points that vehicle owners experience with OEMs and dealers. Through connectivity, consumers, OEMs, and dealers can be part of a network that affords new ways to interact and share information with all the stakeholders in the network. In the future, it will likely be that overall experience that is going to drive the brand.

Within this ecosystem and the life cycle it enables, OEMs have the opportunity to closely align and control the overall customer experience both inside and outside of the vehicle. OEMs and dealers should collaboratively define what a consistent customer experience looks like at all touch points across the customer life cycle. (Figure 4)

However, it is the OEM that is better positioned to effectively bundle the vehicle with other experience factors outside of the vehicle. As a result, it will likely be those OEMs that are best able to create these connected holistic experiences that will win.

Figure 4: Connected customer life cycle implications



Naturally, changes in how dealerships engage their customers may result in operating models for the dealerships themselves. For example, compensation models for dealer employees may evolve and become based on customer satisfaction versus volume alone. More holistically, however, any connected service should be developed and deployed collaboratively and include input from the dealer network to increase buy-in. By working together to plan and control the automotive customer experience, OEMs and dealers can deliver individualized customer relationships that result in long-term loyalty.

Enabling new business and ownership models that require expanded breadth and quality of the overall customer experience

With the rise of new and improved transportation models, many consumers today have choices outside of vehicle ownership that meet their needs to get from one place to another. Some of these transportation options may also be more convenient and cost effective, and more environmentally friendly. This is particularly true for urban populations where rapidly improving public transportation systems, for example, can get them where they want to go, remain connected (and productive) while getting there, and offset the cost concerns associated with owning, insuring, parking, and maintaining a vehicle.

Another example is alternative vehicle usage models like car-sharing that provide access to vehicles when public transportation or other modes of transportation don't meet consumers' needs. And those that choose to engage OEMs and dealers increasingly expect on-demand personalized services similar to those they receive from other industries.

The rise of new business and ownership models will increasingly rely on connected technologies to deliver an enhanced and expanded overall customer experience. And regardless of how these dynamics may change the traditional roles OEMs and dealers have played in the automotive customer experience, there is ample opportunity for OEMs and dealers to take advantage and identify revenue-generating opportunities.

For example, dealerships have not generally operated car-sharing services. And while today's car-sharing services are perhaps more convenient from many consumers, the vehicles themselves lack the "personalization" derived from actually owning a vehicle. Moreover, many car-sharing models lack on-the-ground personnel to offer a personal, human touch to the automotive customer experience.

Given established dealer networks across the United States and around the world, and the needed service infrastructure, there is opportunity for dealerships to become "hubs" for OEM-owned and enabled car-sharing services. Moreover, there is increased opportunity through connected technology for OEM-owned and dealership-enabled car-sharing services to create an enhanced and more personalized customer experience. For example, having a vehicle waiting for the consumer at the dealership that is pre-configured to that individual based on personalized POI data.

Ultimately, such models also have the opportunity to positively impact sales. According to Deloitte research, 65 percent of consumers in the United States would prefer a 24-hour test drive²². Under current business models, meeting such an expectation is nearly impossible. In the future, however, those OEMs and dealers that do consider car-sharing services provide opportunities for consumers to "test drive" multiple models over a longer period of time, thereby creating brand appeal when consumers are ready to buy.

²² 2014 Global Consumer Study. Deloitte LLP. 2014.

Case study

Car-sharing service

Consumers living in highly urbanized areas increasingly have access to transportation models outside of vehicle ownership. However car manufacturers can look at business models by providing consumers with the value of using a vehicle without owning one. These evolving business models can provide better opportunities for OEMs to create new revenue streams and establish a broader customer base, while using connected technology as a key enabler.

Daimler's Car2Go and BMW's DriveNow are both examples where OEMs are exploring their own car-sharing service. Customers can reserve cars by registering through a mobile app, and can pick up a car using a reservation code at many locations throughout a city – no key or standing in line required. Customers pay by minute with different rates for driving time and parking time, which is tracked automatically. When done, they park the car and walk away. DriveNow also goes a step further by offering only an all-electric fleet on models, and its pick-up/drop-off locations also double as charging stations and reserved parking spots.²³

These models are two examples where OEMs are generating revenue and engaging consumers who may currently have no interest in owning a vehicle.

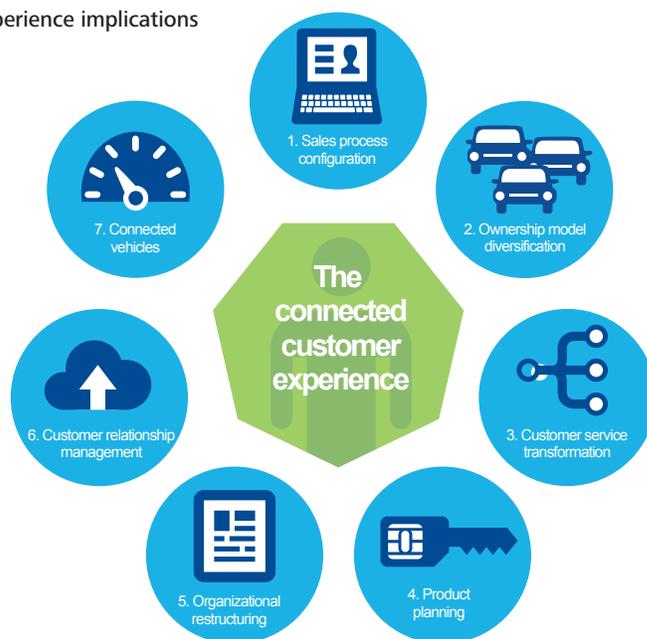


²³ DriveNow USA, 2014. www.drivenow.com.

Implications for automotive OEMs and dealers

The continued evolution of connected technologies and increasing penetration into multiple facets of the automotive value chain allows OEMs and dealers the opportunity to realign themselves and the services they provide around customer experience. OEMs themselves must further expand their capabilities to serve this broader ecosystem which will shape the customer experience of the future. Doing so will likely result in enhanced opportunities to both differentiate themselves against the competition, as well as drive significant increases in brand loyalty, customer engagement, vehicle sales, and revenue overall. We see seven dimensions relative to realigning to an approach centered on the connected customer experience. (Figure 5)

Figure 5: Connected customer experience implications



- 1. Sales process configuration:** OEMs and dealerships should collaborate to reconfigure the nature of customer interactions through the sales process to focus on enhancing the overall customer experience and perception of the brand. For example, by allowing customers to “follow” their vehicle online during the delivery process or allowing consumers to pre-configure in-dash applications during the sales process.
- 2. Ownership model diversification:** OEMs and dealers should explore alternate models of ownership to broaden their base of services, while maintaining a consistent experience throughout. For example, OEM-owned car-sharing services where dealerships act a distribution hubs.
- 3. Customer service transformation:** OEMs should work with dealers and other channel partners to provide a consistent, cohesive, and compelling experience for customers across their service life cycle, by configuring service processes around customers rather than products.
- 4. Product planning:** OEMs should augment R&D and other traditional product development models to include the development of products and services that enhance the overall vehicle experience.
- 5. Organizational restructuring:** OEMs, dealers, and partners should realign both internal governance and organizational structures to enable and promote customer-centric service models that enable unique consumer experiences.
- 6. Customer relationship management:** OEMs and dealers should apply deep data analytics to the “digital exhaust” resulting from consumers’ connected lifestyles (both inside and outside of the vehicle), as well as data emanating from vehicles themselves, to identify new ways of engaging their audiences.
- 7. Connected vehicles:** OEMs, dealers, and other business partners need to work together to explore new product and services which can enhance the connected customer experience within the vehicle.

Conclusion

Questions surrounding connected technologies within the automotive industry are no longer about “when or what if?” Today, the question centers on “what?” What do customers expect from their automotive experiences as a result of connected technologies? What can technology do to help deliver on those expectations? What new opportunities are created as a result of connected technologies?

These are only a few of the many questions automotive OEMs and dealers should be asking. Those that are not will likely miss significant growth and revenue opportunities as connected technologies continue to impact consumers’ automotive vehicle ownership experience.

Those OEMs and dealers working collaboratively to embrace connected technologies will likely be the “winners” in the competition among automakers and, perhaps more importantly, the competition vehicle ownership is facing with the rise of new cost efficient and environmentally friendly transportation models.

To enable effective, technology-enabled business models, automotive OEMs and dealers should explore opportunities within the entire customer experience ecosystem and, in doing so, address five key points that can result in exceptional connected customer experiences:

- 1. OEMs must seek internal alignment on the vision of connected technology and how far they want to transform their businesses.**
- 2. OEMs and dealers must also see eye-to-eye on the implications of connected technology and align on impact of customer experience.**
- 3. Internal OEM governance and organizational structure must be carefully assessed to determine what the impact of a connected services vision has on the business.**
- 4. Related to number three, OEMs must align and accept the requirements (e.g., build internally, acquire through business partners, etc.) needed to enable new connected services capabilities.**
- 5. OEMs and dealers must work across the value chain to build a broader, more holistic brand experience enabled through connected technologies.**

Deloitte has deep experience helping automotive companies across the value chain address many of these opportunities and can bring those experiences to bear in helping automotive companies envision, strategize, and implement new, tailored, improved, and holistic connected automotive consumer engagement models.

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