



The future is now

Transforming the automotive customer experience

By Andrew Dinsdale and Andrey Berdichevskiy

Automotive original equipment manufacturers (OEMs) and dealers are anticipating massive changes in the industry over the next couple of decades.

At the heart of this change are technology and emerging entrants that are redefining how we buy, own, use, and drive our cars. Already today, we are witnessing how alternate mobility solutions being developed by these new entrants are challenging assumptions and forcing traditional automakers to rethink both their products and their business model. While the long-term future of alternative powertrains and fully self-driving cars will likely redefine the vehicle itself and how it is manufactured, it is the parallel path of new ownership and mobility business models that may more fully transform the century-old industry. For incumbents, the most significant challenge may be managing the duality—

developing new capabilities for this uncertain, mid-century future while in the short-term negotiating all the challenges in the current business model to stay ahead of the competition and deliver on customer expectations. We believe it is some of these shorter-term actions that will position the winners for long-term success.

Executives from Germany to France to the United States, Japan, and China are anxiously trying to solve for the uncertain future ahead. They are looking over one shoulder at a legacy, capital-intensive, wholesale industry, while looking over the other shoulder at an emerging set of new, lightweight, and less constrained competitors. This is no doubt an exciting time for the industry with many options to consider, but is there time for traditional automakers to watch the future of mobility unfold with more clarity, or is the need to transform imminent, particularly after nearly a decade of record sales volumes? Despite the success of the most recent past, we believe the short answer to the question

is a resounding yes: the future is now and time to transform is upon us. But, it is less about a rapid pivot to autonomous, electrified mobility and more about transforming the customer experience to one that is digital, omnipresent, and omni-channel, and reflects the customer experiences consumers enjoy from retail, banking, and a host of other industries.

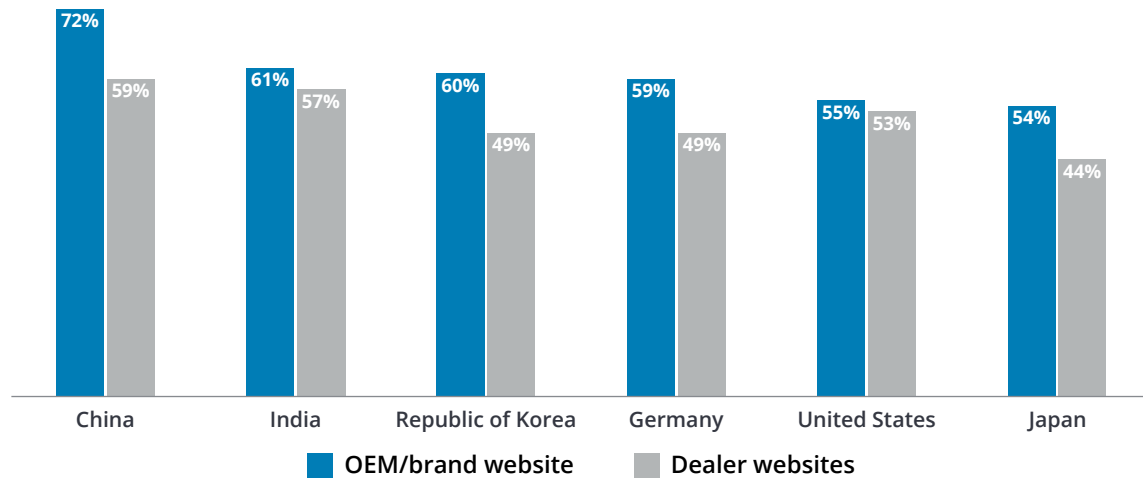
Examples of shared mobility solutions of various kinds are already here and growing. By many estimates, we will see the introduction of fully self-driving vehicles sometime over the next 5 to 10 years, which will kick-start the advent and expansion of shared autonomous fleets over the next 20 years and beyond.¹ For many consumers, however, access to shared robo-taxis will likely be an “and” solution that complements and coexists with car ownership and public transit. Just consider that, today, well over one billion vehicles are on the road worldwide² with an average life expectancy of approximately 10–15 years, and more than 80 million units are being added to the global number of vehicles on the road each year.³ That’s one billion-plus traditional vehicles under traditional ownership models, and growing. Even in areas where new mobility models become ubiquitous, it will likely be several decades for these traditional vehicles to cycle out of commission—unless there are significant regulatory interventions and customer incentives to speed up adoption.

There is a saying that doctors use: “When you hear hoofbeats, think of horses not zebras.” While preparing for the onset of the new world of mobility needs attention, The *2018 Deloitte global automotive consumer study* suggests there are closer and more immediate challenges (and opportunities). Over the long term, autonomous and new mobility models are a big bet, and OEMs and their dealer networks absolutely must navigate this new territory and define new roles together. The issue that requires immediate attention, however, is the need to get to know customers very well and better meet their needs and expectations of the customer experience. Industry executives that see the duality of a future comprised of both shared, autonomous vehicles and the long tail of today’s vehicles and ownership models need to be asking: “What should we do about transforming the customer experience?”

Over the last 20 years, we have seen a shift to researching and shopping for cars online. We use a brand’s website to build and price our vehicles. We search inventories on virtual lots and, according to our global consumer research, some 51 percent of consumers in China use a pricing service. We use a myriad of sources over the course of relatively short customer journey. From our 2018 study, we discovered that in the United States, over two-thirds of customers now take less than three months and spend less than 10 total hours to research their vehicle purchase—a reduction when compared to our 2014 study where the majority of US consumers surveyed spent more than 10 hours. In other mature car markets such as Germany, Japan, and South Korea, we see similar timeframes. In emerging markets, where many are buying their first vehicle, we see a comparatively longer customer journey and more time researching. For example, half of Chinese consumers spent more than 15 hours researching their current vehicle, yet, like the rest of the world, the majority still spend less than three months conducting research before purchasing a car.

This reduction in time researching vehicles only serves to highlight the importance of getting the digital experience right, helping to ensure the right content and shopping tools are available, and providing the customer with the right insights to move down the virtual funnel. Yet today, approximately half of customers in countries like the United States and Japan feel the digital customer journey is merely meeting expectations (figure 1). Consumers in markets like China and India have higher opinions of both manufacturer and dealer websites, but similar to consumers in other markets, no more than half believe the other aspects of the digital customer experience are meeting expectations around things such as: in-dealer digital tools (e.g., use of kiosks and tablets); dealer or manufacturer communications via e-mail, text, or chat; digital support to help calculate trade-in value; or in many cases, even vehicle configurator, build, and pricing tools. Moreover, consumers in the *2018 Deloitte global automotive consumer study* indicate that the digital experiences provided by brand and dealer websites are among the most relied upon sources for the global car shopper—and have significant impact on the vehicle decision (only family and friends ranks higher

Figure 1. Percentage of OEM and dealer websites that met consumer expectations (by country)



Source: 2018 Deloitte global automotive consumer study.

Deloitte Insights | deloitte.com/insights

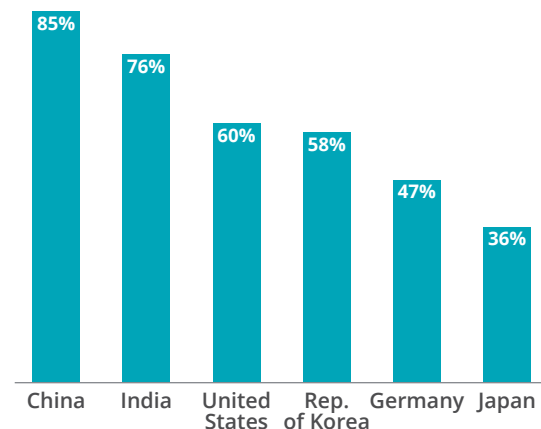
as an influencer). Yet, despite their importance in the shopping journey, there is an expectations gap to delivery of an exceptional customer experience. An automaker working in tandem with its dealer network and willing to make the investment to create a truly integrated, digital and smarter approach to the customer journey will likely be well positioned to create a competitive advantage and reap the benefits. Among those benefits include long-term customer loyalty in an evolving market where traditional brands are competing against other traditional brands and, at the same time, emerging players offering solutions outside of vehicle ownership.

Our latest consumer study also reveals that across the major auto markets consumers are increasingly interested in buying their next car online, with China leading the way (figure 2). At the same time, consumers cite physical interactions with the vehicle as important with more than 8 out of 10 shoppers needing to see a vehicle, and 7 out of 10 wanting to test-drive a vehicle before purchasing. When digging into the data of our 2018 study, we begin to see a story emerge that consumers are generally happy with the dealer and sales experience. In fact, in many markets consumers enjoy the relationship aspects of working with the dealer and negotiating in person. A few key concerns do emerge, however, that a well-balanced and integrated omni-channel experience can help alleviate. These

include speeding up the sales process, increasing price and transaction transparency, and reducing paperwork—all potential improvements of a strong online-to-offline integrated e-commerce solution.

Customers are expecting a seamless shopping and ownership experience from all companies they do business with, from groceries to travel, from banking to utilities. Many customer channels supporting today’s automotive consumer are already

Figure 2. Percentage of consumers interested in acquiring their next vehicle online from an OEM



Source: 2018 Deloitte global automotive consumer study.

Deloitte Insights | deloitte.com/insights

Figure 3. Aspects of the dealership experience consumers disliked most during the purchase process

	China	Germany	India	Japan	Rep. of Korea	United States
Pushy sales person	26%	14%	30%	10%	36%	28%
Poor showroom/ dealership condition	16%	10%	15%	9%	7%	10%
Lack of availability/stock	38%	30%	36%	38%	32%	30%
Dealer did not have access to information I had already provided	20%	15%	18%	9%	19%	11%
Poor dealer responsiveness to emails/texts/phone calls	23%	15%	18%	9%	12%	10%
Poor technology/digital tools	16%	9%	20%	19%	9%	11%
Overall purchase experience took too long	41%	27%	33%	32%	43%	42%
Poor demonstration of in-vehicle features/technology	26%	19%	20%	18%	10%	15%
Too much paperwork	40%	52%	49%	47%	51%	57%
Pricing issues/haggling	40%	36%	31%	48%	45%	40%
Location	11%	37%	25%	21%	21%	27%

Source: 2018 Deloitte global automotive consumer study.

Deloitte Insights | deloitte.com/insights

insufficient for today’s wholesale-centric business model; they are still siloed, and experiences are fragmented. Data generated by customers traversing the customer journey is not aggregated, including the journey from OEM to dealer, from online to offline, and between sales, service, and captive finance organizations. This fragmented approach also leaves the customer exasperated and bewildered as they have no single view back to the OEM. This disconnected view of the customer is hampering the ability to drive repurchase loyalty and service retention, let alone the delivery of what will be more direct-to-customer, context-based digital services. Similar to pre-sales, the post-sales digital experience also leaves a lot to be desired. As an example, according to the 2018 Deloitte global automotive consumer study, less than 50 percent of consumers in the United States have tried or had the opportunity to experience digital services such as over-the-air (OTA) updates, connected services, owner apps, and digital service and maintenance tools. Consumers worldwide are also expecting advanced, connected vehicle solutions; between 70–

80 percent of customers in China, Japan, and South Korea responding to our consumer survey indicate they are interested in vehicles and related apps that can self-diagnose and book service, and then help manage the service experience.

There is no question that the transformational strategies being discussed and planned by OEMs who want to jump to become “digital mobility service” providers will be vital. The prospect of connected and autonomous vehicles delivered via new ownership models and digital subscription services will give customers more options and choices. But before we can get there, we need to integrate the data and channels we already have to deliver a more value-added customer experience today and lay the foundation for new service models in the future that require more insight and analytics than ever before. To get there, to truly serve the customer, one has to know the customer. Yet today’s CRM, Web, captive, and service systems are stand-alone and rarely standardized. Some of the most modern thinking and customer-savvy OEMs still manage customer data around the vehicle identification number (VIN) and do not think

Figure 4. OEMs and dealers need to invest aggressively in customer-centric capabilities and data to be ready to deliver connected mobility



Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

about the broader “customer”—the driver, the user, the payer, let alone, the emerging mobility user.

The shift required takes a wholesaling business model that relies heavily on a single transaction to one of managing customer lifetime value. To get there, OEMs and dealers need to focus on several core foundations:

Managing the experience: From research to purchase, to delivery to use, all steps in the journey need to be better orchestrated into a consistent experience that builds a lifetime view of the customer. Starbucks manages customers closely across all channels—in-store, online, and via their ordering and loyalty app.⁴ The data they collect drives insights to continually improve how it interacts with customers and drives significant brand engagement and customer satisfaction. In the world of automotive, such an integration will both be necessary to deliver on emerging customer expectations, as well as enable the transformation of retail and mobility models.

Organization: Current organizational structures within OEMs and operating methods with dealers create a fragmented and inconsistent approach to the customer. We often see multiple, uncoordinated initiatives and duplicative projects, agencies, databases, and tech investments. The steps to fix this are not easy. OEMs need to break down their own silos, put the customer in the mid-

dle, and establish a cross-capability customer organization that drives the change, identifies and fills talent gaps, instills governance, and tracks engagement, progress, and value created over time.

Digital platform: Almost as critical as accelerating organizational change, and almost certainly dependent on it, is the need to improve and align digital platforms, leverage data, and integrate channels to enable the customer journey. Regardless of the mobility future, it will be table stakes to create an integrated and individualized set of customer channels. Across most OEMs and dealers, today’s solutions are fragmented. Certainly, very few can profess to having a single view of consumers across brands, service, captive finance organizations, and their dealers. This leads to inefficient customer contact and inconsistent messaging. More than half of German consumers do not recall post-sales communications from the brand or dealer after acquiring their last vehicle. In contrast, 42 percent of Chinese consumers responding to our consumer survey report hearing from their dealers three or more times after they purchased their vehicles. The need for a consistent and an integrated experience platform becomes even more critical if we move away from the product-centric and single-transaction focus of our current industry and move toward managing lifetime value and delivering customer value. The digital platform will need to include direct e-

commerce capabilities to support not only online car-buying, but also support integrated payments for anything from on-the-go payment of parking to connected services, as well as emerging future mobility solutions. These are all expectations that our *2018 Deloitte global automotive consumer study* highlights as emerging customer needs.

Data and insight: Developing a data strategy that enables a single view of a customer and enables the creation of a unique customer ID is a critical foundation. Amazon personalizes offers and recommendations based on behaviors, previous visits, and purchases—each customer journey is unique thanks to this “lifetime” view and a focus on metrics that matter to the customer.⁵ Like Amazon, OEMs and dealers need to think beyond the transaction, and beyond the VIN, to consider all the behaviors (by all potential users) in the buying and usage journey. With this integrated view of behaviors, we can begin to join up the channels that will improve the digital journey and deliver on consumers’ rapidly evolving expectations. This will improve both marketing effectiveness and efficiency thanks to improved relevance, better support customers across all forms of engagement, as well as enable customers’ control of their own preferences and “mobility life.” Leveraging such insight will be critical as we move into the provision, selling, and delivery of digital services.

The future is now

The time to act is now. The focus needs to be placed on establishing experience platforms as well as on product platforms. The critical capabilities needed to build customer relationships and trust, which will be the currency of the future, must be developed today. We will likely see change and consolidation over the coming decades between now and the fully autonomous, shared future. But the existential threat is likely closer to home: the inability to build customer relationships and meet customer expectations. This is not just about technology projects to digitize and automate parts of the traditional automotive business and value chain. This is about getting closer to the customer through data, insights, and continuous improvements of the customer experience across channels.

Automotive companies are thinking a lot about “transformation,” and many are at various stages of standing up teams or separate companies—as they see the need to pivot to become a mobility services company. They are investing in product development and engineering teams to build autonomous, self-updating and connected cars, and building data lakes to analyze and monetize these new “mobility devices.” We believe, however, that the ultimate winners will be those that also truly *connect with the customer*.

ENDNOTES

1. Scott Corwin, Nick Jameson, Derek M. Pankratz, and Philipp Willigmann, *The Future of Mobility: What's next?*, Deloitte Insights, September 14, 2016.
2. John Voelcker, “1.2 billion vehicles on world’s roads now, 2 billion By 2035: Report,” *Green Car Reports*, July 29, 2014.
3. David Scutt, “2016 was a record-breaking year for global car sales, and it was almost entirely driven by China,” *Business Insider*, January 19, 2017.
4. Sarah Perez, “Starbucks rolls out a more personalized mobile app along with a revamped Rewards program,” *TechCrunch*, April 12, 2016.
5. Scott Davis, “How Amazon’s brand and customer experience became synonymous,” *Forbes*, July 14, 2016.