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Taking a look at serving automotive OEMs and dealers

Deloitte Dealer Services practice overview



Stories from the road

Operational and financial performance

An OEM was looking for performance coaching to help the company improve dealer network performance and drive critical performance indicators across new, pre-owned, and aftermarket sales. Deloitte's Dealer Services team developed a structured coaching approach and methodology, including management and

oversight of other coaching vendors, and established clear communication and reporting protocols for performance evaluation of engaged dealers. As a result, the OEM has seen improved performance across a number of KPIs, including improved customer satisfaction score and increases in new and pre-owned sales.

Look again

Getting to know our Dealer Services practice

Deloitte's Dealer Services practice is comprised of seasoned automotive industry veterans with vast experience across many aspects of the sales and after-sales cycles.

Combined, Deloitte's Dealer Services team has more than **250+ years** of experience in showrooms, sales and service management, and finance management, among other positions.



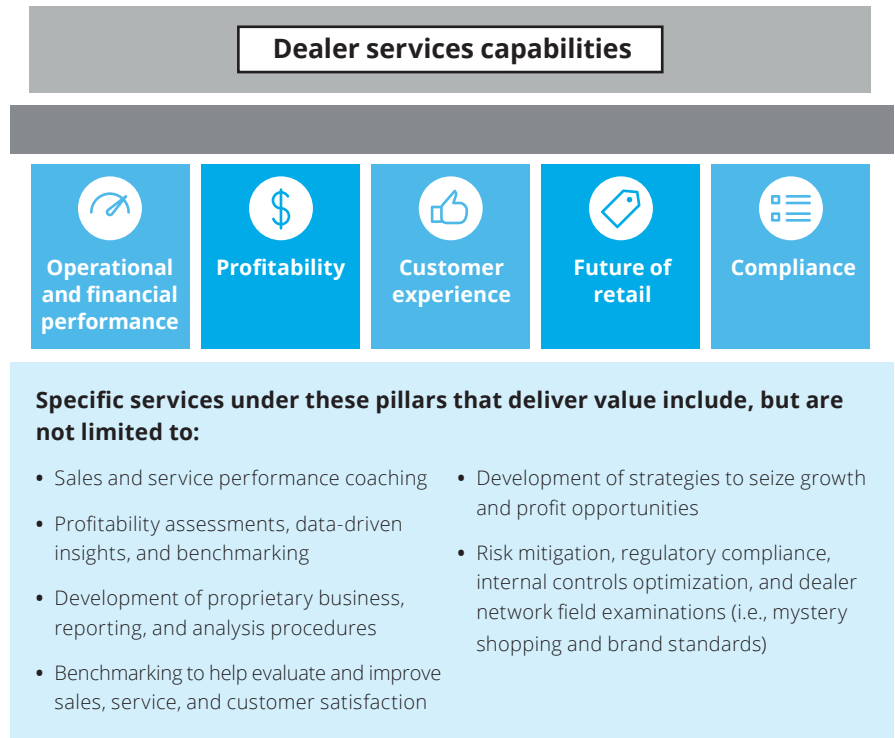
Members of our Dealer Services team recently shared their perspectives on how the practice is creating opportunities out of disruption and delivering value to dealers and OEMs.



Q: How would you define Deloitte's Dealer Services practice?

A: When you think about short- and long-term challenges facing automotive OEMs, dealer groups, and dealers, consider Deloitte's Dealer Services practice as sitting at the intersection of disruption and opportunity. OEMs, dealer groups, and dealers are thinking about delivering a better customer experience today, as well as in the future when people pay a service to move versus pay for the vehicle itself.

Our practice sits at the crossroads of these complex issues. We have carefully designed strategies and techniques honed over years of professional experience on dealer lots, in dealer offices, and at OEMs around the world. Coupled with strategic insights from seasoned industry specialists and supported by the extensive worldwide capabilities of Deloitte, we deliver practical, fiscally responsible, actionable services through five specific pillars that help OEMs, dealer groups, and dealers.



Q: What makes Deloitte's Dealer Services practice different?

A: We see two strengths that help form the foundation of our competitive advantage. First, we know how dealerships work. And through our talented team of Deloitte professionals around the globe, we are better equipped to address the challenges impacting OEMs and dealers. The talent on our team includes a wide range of experiences, including former dealer principals, OEM executives who work directly with franchised dealers, and more.

Second, we harness these capabilities with the power of Deloitte, which means we have expertise, experience, and insights on a global scale that is hard for other professional services firms to match. From small projects to massive global organizational and operations redesigns, Deloitte's solutions are scalable and flexible. Whether automotive companies need business model redesign, enterprise risk and advisory insights, tax or regulatory guidance, or are interested in buying or divesting, we have the depth and breadth of capabilities are standing by ready to serve.



Q: Who does the Dealer Services practice serve and how has value been delivered?

Deloitte serves the largest OEMs and independent dealer groups around the world. Today, we assist many manufacturers and dealers in streamlining their operations, and in improving revenue and profit across many of their income streams from sales and service to financing. Most importantly, we work on both sides of the street to help smooth out the common pain points that can arise between dealers and OEMs.

We help align everyone involved in both the manufacturing and sales processes on common goals and strategies to drive their businesses forward in the short and long term.

In some cases, our work can also be applied to OEMs and their dealer networks outside of light passenger vehicles and trucks, including commercial vehicles, off-highway and heavy equipment, and recreational vehicles such as motorcycles.

Our strength and ability to deliver value to these organizations reflect our deep insight and cutting-edge innovation. We understand the problems that OEMs, dealer groups, and dealers face today and will face in the future, and help them increase revenue, lower overhead, and improve profitability across the value chain.

We understand the problems that OEMs and dealers face—and are likely to face in the future, and we help our clients increase revenue, lower overhead, and maximize profits through:

 **Key insights and cutting edge innovation**



Dealer performance, coaching and consulting



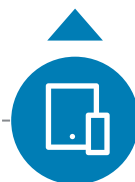
ProfitFocus (Dealer profitability benchmarking)



Extensive data analytics capabilities



Customer experience



Digital retail marketing



The leadership center at Deloitte University

Q: What are the top issues OEMs face today?

A: Like dealers, OEMs face an increasingly competitive market in which technological improvements have blurred—if not completely erased—the line between the makers of reliable and unreliable vehicles. With even the cheapest models made by the most budget conscious of manufacturers coming with standard three-year/36,000-mile warranties (or better), OEMs must fight for market share based on brand reputation, loyalty, and value for the dollar.

In short, this means manufacturers must step up their marketing efforts and craft unique brand personas to separate themselves from the pack and give customers a point of differentiation when they are deciding between similarly capable automobiles. Accomplishing that requires bridging the gap between OEMs and dealers relative to owning the customer experience and creating a more collaborative working relationship that addresses some long-standing problems with creating customer loyalty in the automotive industry.

Our in-depth experience and unique industry and customer-facing insights allow us to assist OEMs by:

- Improving sales and satisfaction scores through on-site coaching, key process redesigns, and improved KPI management

- Utilizing data-driven analyses to identify operational best practices within the dealer network and opportunities for increased profitability
- Better understanding customer expectations of the brand and its dealerships through targeted surveys, mystery shopping tests, and in-person interviews with both current and potential future customers
- Analyzing current market conditions and potential market disruptors to create strategic assessments of current and future sales goals and targets, identifying areas of strength and weakness in terms of product mix and feature sets, and defining actionable paths to maintain or improve their market position versus competitors

Q: What are the top issues dealers face today?

A: Today's automotive dealer faces many challenges, including:

- Evolving customer demographics and what customers expect when buying and/or servicing a vehicle
- Attracting and retaining dealership employees
- Limited resources to reinvest in people, processes, and facilities

Couple those challenges with the high overhead that comes with running a dealership—salaries, mortgages,

utilities, marketing, etc.—and it's easy to see how a potentially profitable business can quickly take a wrong turn.

The challenges above create a need for dealerships to evolve and transition from traditional operating models to more forward-thinking and disruptive models with new areas of value creation and value capture. Done effectively, dealers can properly position themselves to quickly adapt and respond to evolving customer demographics and expectations, employee needs, and sales and services processes that have been largely unchanged for a century.

As the future of mobility unfolds, the most strategically positioned dealerships will be able to drive growth and streamline their costs while investing in their people, new strategic capabilities, and different operating models.

Deloitte helps dealers improve their profitability and performance by providing them with proven training, management, and marketing tools and techniques designed to:

- Improve their profit margins in an increasingly competitive market by developing strategies and embracing new sales/services techniques that offer customers a more friendly and transparent shopping experience

- Reduce human capital costs due to turnover by identifying and training key personnel with long-term potential to succeed
- Help dealers better understand manufacturer production cycles, and to set proper inventory goals that will lessen their exposure to fluctuating interest rates and other variables that could negatively impact their bottom line

Q: What is dealership disruption, and is it something automotive companies need to worry about?

A: In its simplest terms, dealership disruption can be boiled down to one key factor: the customer experience.

Consumers are more connected than ever before, which means they have access to more information, and are more educated about pricing, features, and financing than they were when they walked into a dealership just a few short years ago. Coupled with the rise of OEM websites, car configurators, and third-party pricing tools, consumers know

what features they want—and what they want to pay for them. Dealers need to be much more transparent throughout the entirety of the sales process if they want to make a sale.

And with the addition of new sales channels, such as emerging direct-to-consumer models, the traditional sales models that dealers relied on in the past simply don't work as well as they used to.

The winners will be the dealers who are consistently profitable and who can identify investments that both prepare them for the future and produce a near-term return.

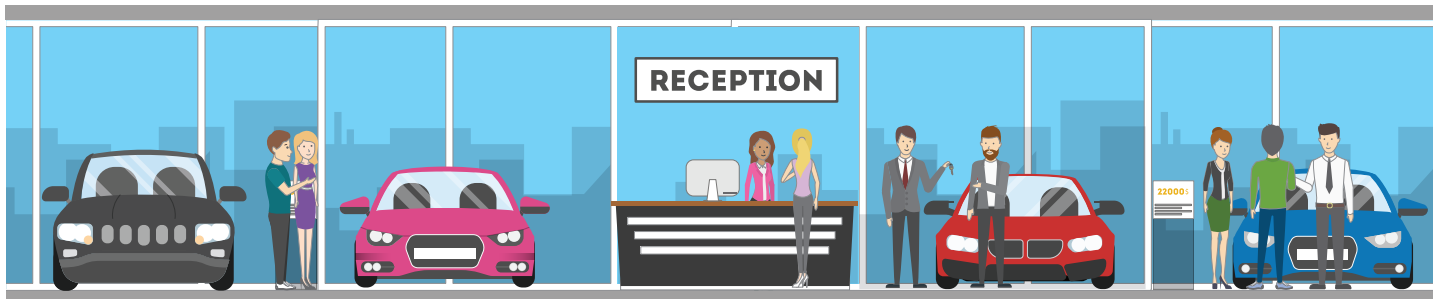
Q: How can Deloitte's Dealer Services practice help improve the shopping and buying experience for consumers?

A: Deloitte has been studying automotive consumer behavior and shifting preferences for nearly 10 years. Among our findings over the years, we have discovered that for younger generations

the shopping experience is three times more of a driver of final purchase decision than vehicle design. We understand there is tremendous opportunity to improve the dealer experience across all generations, and while many US consumers look forward to the shopping experience, most feel disrespected by automotive dealers when they are on the lot.

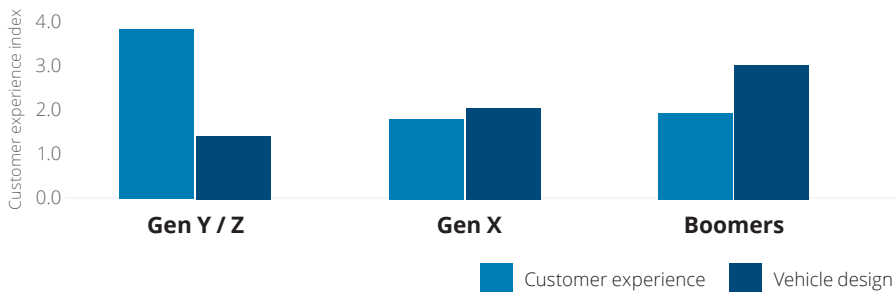
Compare that to other industries like retail where creating a seamless and customized experience that builds loyalty and engaged consumers routinely after the transaction is the goal.

We have helped automotive OEMs and dealers redefine their customer experience and deliver more efficient and impactful market, sales, and service programs. We are also helping OEMs think through their emerging business models. The Dealer Services team also collaborates with Deloitte colleagues that have deep expertise in retail, hospitality, and other industries that are changing customer's expectations of an exceptional customer experience.



For young consumers, who gravitate more toward shared mobility, the customer experience trumps vehicle design.

For Gen Y consumers, the customer experience is a **3x stronger** driver than vehicle design in influencing the final purchase decision.



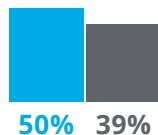
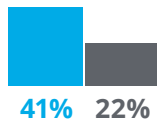
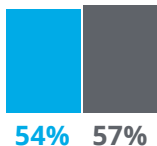
There are opportunities to improve US consumers' attitudes toward the automotive dealers.

A majority of US consumers would rather avoid working with dealers when buying their next vehicle.

"I would prefer to purchase a vehicle without negotiating with a salesperson."

"I have a positive attitude toward automotive dealers."

"Automotive salespeople treat me fairly and with respect."



Source: Deloitte Global Automotive Consumer Study

Gen Y / Z Other generations

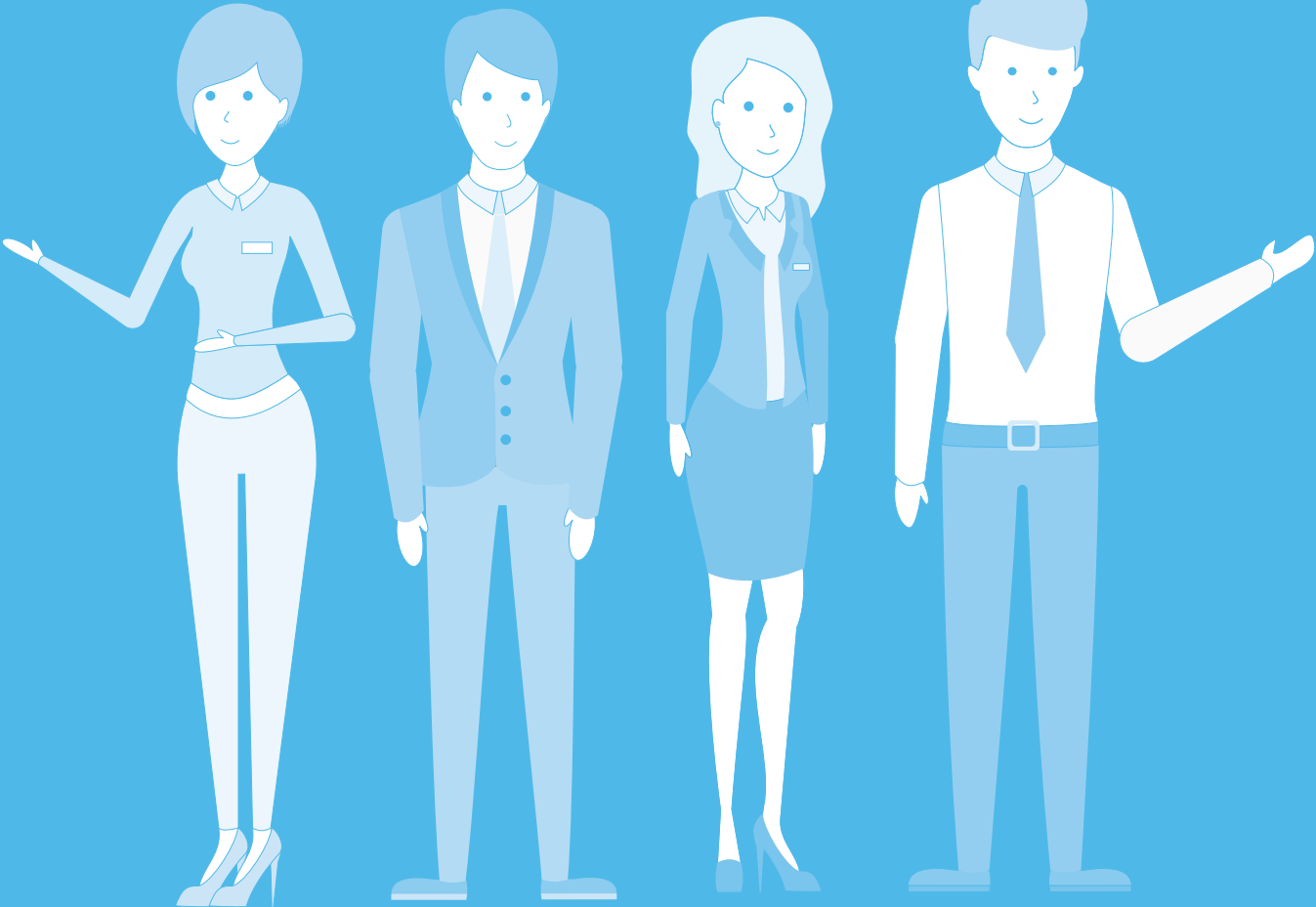
Q: Who is on the Deloitte Dealer Services team?

A: We're auditors, accountants, consultants, former dealer principals and general managers, as well as OEM executives. But, more importantly, we are passionate about the automotive industry. Among the personalities on the Dealer Services team, you will find car guys and girls. Some of us are gearheads; others are fanatical about motor sports. Together, we are industry specialists who, armed with the resources of Deloitte, are a leading provider of professional services to the global automotive industry. You can get to know us a little better by reviewing the short background material at the end of this document, or simply pick up the phone and give any of the team members a call.

Our collective experience uniquely positions us to understand the impact of internal and external issues affecting automotive companies' bottom lines, and to fine-tune underperforming businesses into high-performance machines.



Meet the team



Dealer services leadership team



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Dealer operations and performance



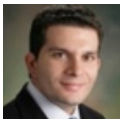
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Stories from the road

Future of retail

A mid-sized automotive group engaged Deloitte to help develop a multi-faceted growth strategy and implementation road map. Working with the company's leadership and board of directors, we were able to create a common shared understanding of the current strategy, performance

challenges, and issues to be resolved with the long-term strategic plan. The Deloitte team also helped the company generate an expansive set of ideas for growth that will be further refined into growth platforms to support the overall strategy.



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