



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

While disruption in the auto industry is already taking place in manufacturing, some OEMs are pushing change downstream where they feel more vulnerable to new entrants. Increasingly this means transitioning from a product-first focus, to a comprehensive product and service offering that will put customer relationships at the heart of the business. Report by Paul Fisher

The shift will affect every facet of operations, including how they work with dealers - not traditionally a strong partnership. Now digital trends threaten to change it altogether with dealers finding themselves uncomfortably squeezed between data-enriched consumers and OEMs now wanting to meet those customers directly.

In the UK, dealers are represented by the National Franchised Dealers Association (NFDA) which regularly measures the fluctuating relationships between dealers and OEMs.

In its most recent Dealer Attitude Survey (Summer 2018) the trade group recorded an average relationship score of 5.7 - a little higher than six month's previously but not great (Kia had the best relationship with its dealer network with a rating of 9.1). The existence of the survey betrays long term partnerships in automotive retail largely built on sand.

The group is aware of the need to adapt but remains positive about dealers future prospects. Sue Robinson, Director of HFDA told AutomotiveIT International that its most recent research showed that consumers were visiting more dealerships, more often.

"Consumer buying patterns are changing and retailers are adapting accordingly. The fact that people are visiting dealerships more often demonstrates the crucial role that physical dealerships continue to play. The automotive retail is resilient and will adapt. For instance, new sales models may see smaller dealerships evolve into local authorised repairers." she said.



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

She added by saying processes such as sourcing, marketing and retailing cars are already heavily digitalised and that retailers are investing significantly to improve their digital presence and ensure that they meet consumer demand online.

"Improving both physical and digital sales platforms will allow retailers to offer their customers better and more varied options not only for new cars but also in the second-hand sector." she said.

In the United States, the National Automobile Dealers Association (NADA) recorded that by mid 2018, the nation's 16,794 franchised dealers had sold 8.6 million light-duty vehicles with a value of \$500 billion. Good numbers, but the downside was margins squeezed to just under 2.5%, from around 4.2% just six years ago.

Given this, American car dealers would be vulnerable to fundamental shifts in how OEMs sell cars to the public. They need to shift more cars just to break even, and up-selling insurance and accessories is of limited value.

The danger is that OEMs, obsessing over mobility, may move without them, despite having common cause to continue selling total vehicle ownerships as shared ownership and ride sharing platforms becoming more popular.

The French connection

Capgemini, a French consultancy firm, has been monitoring the automotive industry and has reached the not unfashionable view that its future lies in mobility and services.



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

However, its report on consumer attitudes to car purchasing, *Cars Online 2017: Beyond the Car* does not foresee the death of car ownership in itself but sees mobility as an opportunity for both OEMs and dealers. But it warns dealers may well be squeezed out of the purchase process, if not yet from the middle ownership phase.

"If dealers are becoming somewhat marginalized during the interest phase of the customer lifecycle, they are front-and-center again during the ownership phase. Among survey respondents overall, 64% say their number one choice for service is the brand dealer, up from 58% who said the same in 2015. Another finding of note: car owners have little enthusiasm for specialized service shops; for example, only 7% of German respondents picked this choice (down from 29% in 2015)." the reports states. As cars become electrified, and complex through connectivity and multiple sensors onboard, franchised dealers may well find themselves in demand for the kind of "servicing" that such cars will need. The back street garage will be unable to compete in this new after-care environment.

Capgemini predicts that OEMs will view vehicle sales as only the beginning, with the customer experience a seamless end-to-end journey, rather than a set of disconnected touch points. It must be simple and intuitive, proactively anticipating customers' needs. Customers who have become accustomed to 24/7 access in other channels will expect it in automotive too, according to the report.

"We don't believe that dealers will die but they must become embedded into the OEM." says Rainer



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

Mehl, managing director of manufacturing, automotive, and life sciences at Capgemini;

"The finance part needs to be integrated also. Consumers are well informed as to what a good price for a car should be. In future, OEMs may sell a car fully loaded but features such as heated seats could be unlocked on a subscription basis, over the air. OEMs are now becoming very creative in adding services" he says.

"We are convinced that the future of mobility and automotive is to run these activities on a single platform. Cars need to be API driven with a smart API solutions for the dealer." says Mehl.

;

Reputation, reputation, reputation

The reputation of a brand and that of its dealers has always been central to consumer choice in cars and the arrival of social media has made negative sentiment to be spread rapidly.

Few consumers start the buying process without searching online first, and many will look to social platforms for reviews and reassurance on their choice of car.

Amazon has been a pioneer in peer to peer product reviews, which as the retail platform can only win from positive reviews for the products it carries, is a win-win. Those that do not garner good reviews have to raise their game. If they do, Amazon sells more.

An alliance announced this week between JD Power and Reputation.com, specialists in online reputation management, demonstrates the growing importance of consumer opinion in an industry that has traditionally relied on top down marketing.

While random complaints on Twitter or Facebook might not in themselves have much impact, when those are mined by algorithms created by Reputation.com and then added to the data analytics engines of JD Power, a serious level of customer feedback will be available to car dealers.



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

“Managing a brand’s online reputation – and balancing it with other sources of feedback – has never been more important.” says Bernardo Rodriguez, Chief Digital Officer at JD Power.

“We can advise clients on their online reputation and how that plays into their overall customer satisfaction related to JD Power benchmarks and customer research.”

Under the alliance, JD Power will provide its data and analytics expertise and Reputation.com will apply machine learning and natural language processing to the cloud of unstructured text on social media and review sites.

OEMs and car dealers are facing much more joined up and sophisticated opinion and reputation ratings from this and similar ventures that will inevitable follow. Are they ready for this data revolution?

The shape of things to come? How VW is shaking up its sales channel

Volkswagen has outlined its plan to restructure and digitalize its sales model. From spring 2020, it intends to expand its online business, including direct online sales, and to target customers via some different sales locations.

Underpinning this will be a system of unique Volkswagen customer IDs, enabling more precise targeting of products and services to individuals – and the firm aims to gain five million new customers worldwide for its mobility services each year.

A joint platform is being developed in a digital partnership with dealers to handle each aspect of a purchase from start to finish, including financing, payment and vehicle trade-ins.

We will learn more about our customers’ needs and will be able to develop optimum tailor-made offerings for each individual customer through intelligent data management.



Retail trends could leave dealers squeezed between the demands of data rich car buyers and OEMs rapidly shifting business models

This is already practiced successfully in other sectors,” says board member for sales Jürgen Stackmann, speaking at an event with the European Dealer Council in Berlin.

Dealers will continue to operate conventional facilities for face-to-face sales – although it is expected that the number of traditional full-feature showrooms with sales and service facilities will be reduced in favour of the new formats such as pop-up stores, city showrooms, and dedicated service factories and used car centers.

“This is the right step at the right time,” says Stackmann. “We have adopted this approach because our business environment is changing at a breath taking pace in view of new technologies, changed customer expectations and new market players.”

