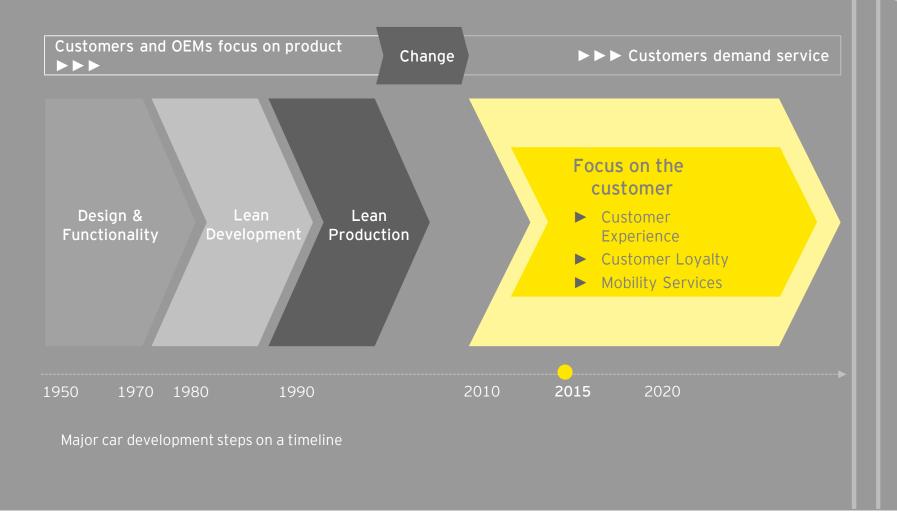






## Major car development steps on a timeline



## Current state of automotive retail

The automotive retail industry needs to undergo significant transformation in order to remain relevant and profitable over the next decade

Factors necessitating a need for change in automotive retail



Three key areas automotive stakeholders need to focus on:

#### The customer centricity

Change your view on the customer. Shift from "push to pull" strategy

#### The business model

Adapt business model to include new growth and profitability drivers while leveraging your core assets and providing customers with one stop solution for all their mobility needs

#### The customer experience

Provide a seamless customer experience with the objective to fulfill customers' expectations



## Change in the operating environment

Digitization, regulations, evolving customer needs and new competitors necessitate a rethink of the retail model

Significant changes in the operating environment and within the auto retail ecosystem are forcing automakers and dealerships to rethink their model..

#### Retail sector changes

- Retailers moving from multi-channel to omni-channel
- Online and boutique stores
- Increasing use of big data and analytics

#### Product evolution

- Increasing vehicle complexity
- Faster replacement rates
- Rapid technology evolution

#### Increasing stakeholder influence

- Auto-leasing and insurance companies
- Vehicle comparison sites
- Online comparison sites and configurators
- Financial institutions

## Increasing competition in auto retail and aftersales

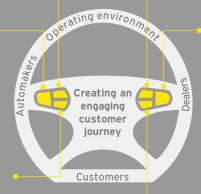
- Multi brand sales & after sales outlets
- Original equipment supplier (OES) workshops
- Organized used car offline/online market

#### Changing customer behaviour

- Digital becoming the starting point for a purchase journey
- Shift from product to overall experience
- Need for customization
- Higher demand for used cars and fleet service

#### **Changing Regulatory Environment**

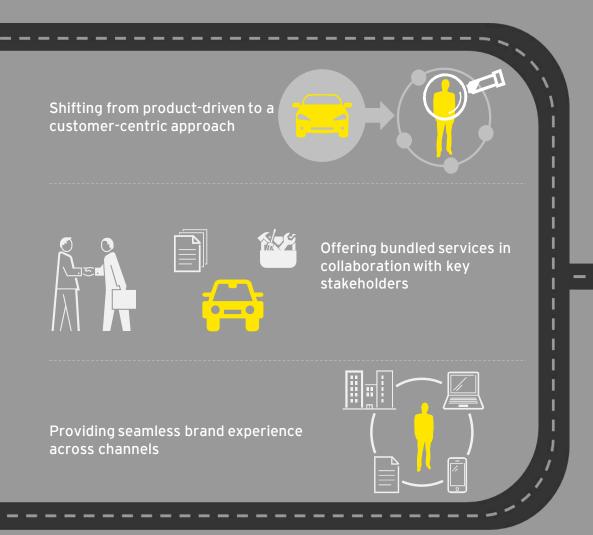
- ► Tighter emission norms
- Crash test requirement norms
- Safety standards





## Automotive retail in the future

Evolving from bricks-and-mortar to an omni-channel strategy



"Achieving this transformation in automotive retail will not only require a concerted effort from both automakers and dealers, but will also demand an unprecedented level of collaboration with other stakeholders in the ecosystem, particularly insurance companies, auto finance and aftersales market participants.

In the short term, there is a clear need for stakeholders across the automotive retail ecosystem to undertake significant change management to catch up with the broader retail industry.

This is an executive summary of our analysis of the future of automotive retail, where we discuss the key forces at play and steps that stakeholders in this ecosystem should take to meet the needs of customers, and remain relevant and competitive."

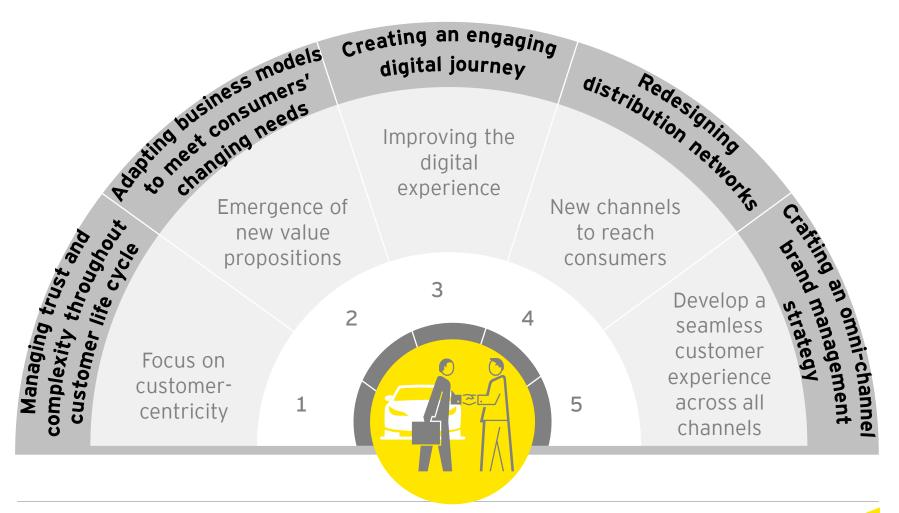
#### Randall J. Miller

Global Automotive and Transportation Sector Leader, EY



## Paradigm shift in auto retail

We believe this will drive a major paradigm shift in auto retailing over the next decade, based on five key pillars

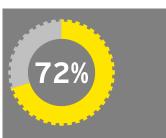


Focus on customer-centricity



Automakers and dealers must focus on transforming the overall customer experience and ultimately develop into a trusted organization

#### Market indicators



Consumers feel that an improved buying process would motivate them to visit dealerships more often



an increasing emphasis on customer experience is driving business growth strategies

Source: Car Buyer of the Future, AutoTrader, 2015; The perfect landing: an engaging customer experience, EY, 2014.

## Changing forces

## Building blocks of the new auto retail agenda



Knowledgeable customers

- ▶ More informed , more choices and more options
- ► Higher expectations
- ► Seeking personalized and relevant services



Customer lifecycle management

► Managing customer experience throughout customer lifecycle

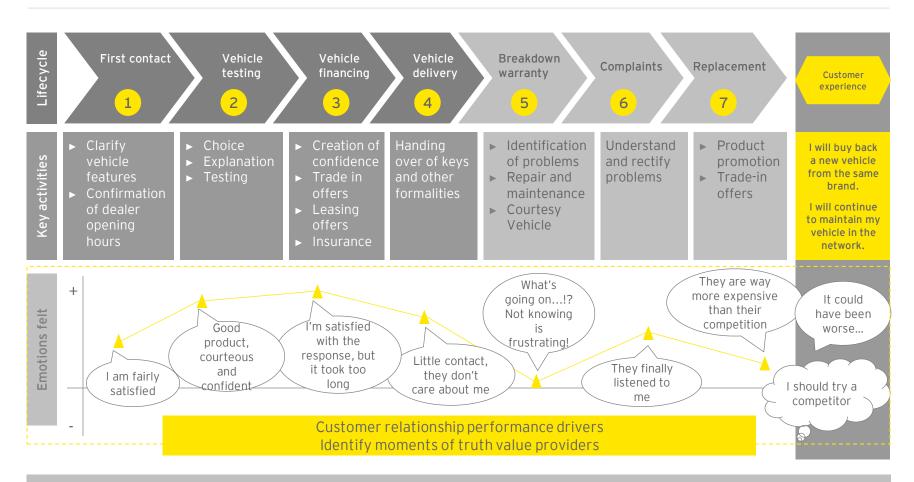


New CRM considerations

- ▶ Better customer insights, better segmentation
- ▶ Proactive sales and service initiation
- ► Managing data privacy issues



Managing customer experience across multiple touch points is critical to build a trusted relationship



At least 50% of the customer's satisfaction is based on emotions



Trusted relationships are a competitive advantage that require injecting trust-building attributes into every customer interaction

Trust-building attributes

"Technique and technology are important, but *adding trust* is the issue of the decade" Tom Peters

"Proactively delighting customers earns **trust**, which earns more business from those customers, even in new business arenas.."

Jeff Bezos

"Organizations are no longer built on force, but on trust" Peter Drucker Be transparent

Be present

Be genuine

Act with integrity

Bring perspective

Anticipate customers' next moves

Be consistent

Provide a seamless customer experience

Team to win

Focus on building relationships

Exceed customers' expectations

...support a journey to transforming into a trusted organization

Optimized customer interactions

Consistent customer experiences

Trusted customer relationships

Trusted organization

The Walt Disney company:

"We know we must continue to earn the trust of our guests, consumers, and stakeholders every day."

Verizon:

"Trust is at the foundation of our relationships with our customers, our communities, our stakeholders and each other"



An integrated customer experience strategy is key to building loyalty, retention, and consequently higher profit margins in sales and aftersales

What can automakers and dealers do?

#### Design customer experience

Design and implement a customer experience that is consistent with the brand identity and establishes trust across touch points

## Transform processes and systems

Transform processes and systems that impact sales, service, marketing and CRM to enable a seamless customer experience

## Focus on key trust drivers

 Launch specific programs to build authenticity, transparency and consistency

# Manage change and realign incentive structures to focus on trust

 Drive change management to enable employees to deliver the envisioned customer experience



Tata Motors ramps up its dealerships ahead of the Zest and Bolt launch to offer differentiated customer experience



Tata Motors has revamped the dealership structure to enhance the customer experience ahead of the launch of a new range of products

## Key initiatives





**Technological** 

upgrades

infrastructure in the

configure their car

real time on tablet

dealership will enable

Technological

customer to



Staff recruitment and

training

Rigorous training

depth product

knowledge, soft

skills, sales and

technical training.

process to include in-



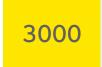
## Improvement in dealership

infrastructure

Up gradation of dealership and service network by changes in

- Ambience
- After-market service

#### Key indicators



Sales staff recruited nationally







Dealership across the country

"Our customer-centered cars are being backed with customer-engaging purchase experience at our dealerships. This is a step forward for us in reinforcing our commitment to provide best-in-class purchase experience."

Mr. Ranjit Yadav,

President - Passenger Vehicles Business Unit, Tata Motors

Source: EY analysis, Company press release



Ford Mustang Launch in Europe - Offering a distinct customer experience during product launch



The challenge was to provide an superior customer experience to customers and engage the audience during the pre-launch event for the 2015 Ford Mustang in Europe



The car was revealed at the UEFA Champions League Festival (Football event) over four days leading to the final match

Online vehicle reservation

500 cars were made available for reservation during the final league match across 20 European countries through an online portal

#### Key initiatives during the pre-launch event

A blue Ford dome was created at the UEFA venue to house the Mustang Experience event Fans in the queue to the dome were approached by the social media team to share their photos via Twitter with #FordMustang

Once inside, the compere invited fans to reveal each elements of the show such as music, lights, engine roar etc. using reveal buttons

On exit, fans were able to view their reveal videos on YouTube and were given a Ford Mustang collectible



Zappos - Delivering WOW through service



An online store of shoes and clothing merchandise based in Las Vegas, Nevada known for its great customer service



Its foremost value is "Delivering WOW Through Service" which focuses on providing great customer service







Managing customer experience across different mediums

Building a personal emotional connect with the customer

"Our number one priority is company culture, and our whole belief is that if we get the culture right, then most of the other stuff, like delivering great customer service, or building a long-term enduring brand in business, will just be a natural biproduct of that," Tony Hsieh, CEO, Zappos



Zappos - Delivering WOW through service

#### Customer experience differentiators **Key indicators** Empowered customer service employees Sales from repeat 75% ► Employees empowered to solve consumer complaints customers ▶ Moved to new organizational structure called holacracy that replaced traditional job titles with self managing groups Specialized metrics to enable customer service Rank in Fortune's 100 86 best companies to work ► Customer service employees measured on basis of a "Happiness Experience Form" for in 2015 It measures efforts to create emotional connect and address unstated needs. Position based on Net Building the company culture based on core values 2nd Promotor Score in ▶ Hiring employees based who align with Zappos values and culture online shopping using behavior based questions Using gamification techniques to improve engagement and build family values within employees

\*Net Promotor Score is based on a study carried out by Satmetrix in 2015 that determines customer loyalty for individual companies by asking US consumers how likely they are to recommend the company to a friend.



Lexus Escondido - Offering a luxury experience in retail



A luxury Lexus dealership that offers an upscale restaurant, a concert venue, a flower shop, a public art display, a library, meeting halls, and a stimulated golf course



An aim to become next generation of luxury car dealerships that can also be destination places for the community

Bundling vehicle purchase and service with social activities

Providing technology assistance to customers helping them understand vehicle's features



"I believe very much that making an automotive agency a destination center for many purposes enhances our customers' experience." - Judy Jones-Cone, Owner, Lexus Escondido



Lexus Escondido - Offering a luxury experience in retail

#### Customer experience differentiators

#### Combining car purchase and service with luxury

- ► The dealership is a three storey building that houses a luxury restaurant, business center, retail shops, a library and a golf simulator
- ▶ It also includes a rooftop concert venue with a wide open view

#### Assisting customers with vehicle technology

- ▶ The dealership also includes a separate Lexus Technology Center
- ► The center holds events, classes and sessions for owners to assist them in understanding vehicle's navigation, bluetooth and other technical features

#### Customer engagement through ownership cards

▶ Offers Lexus Escondido Owners Club Card that entitles holders to various amenities at the dealership such as free car washes, discounts on restaurants and business centers

EY

## Adapting business model to meet customers' changing needs

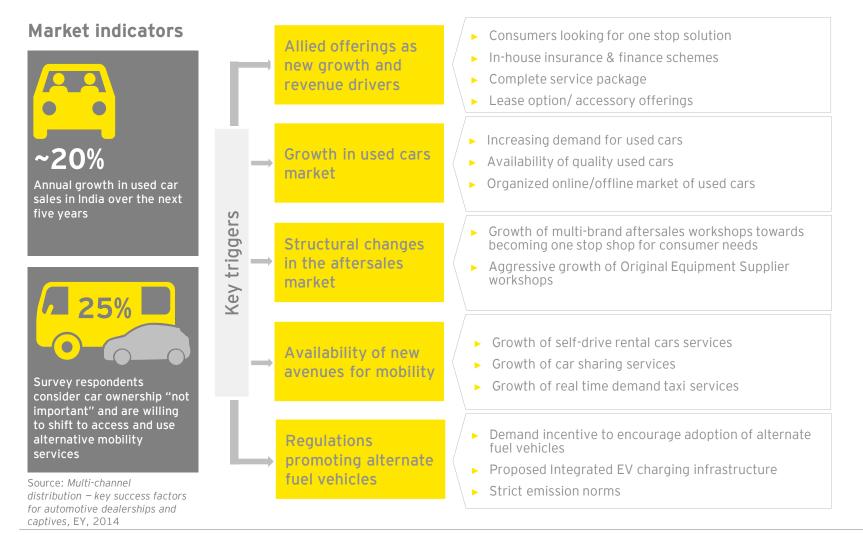
Emergence of new value





## Adapting business model to meet customers' changing needs

Changing customer preferences and regulations suggesting a need to rethink value propositions for the industry



## Adapting business model to meet customers' changing need

A need to rethink business models to meet changing preferences of customers and growing aftersales competition

## Building blocks for the new auto retail agenda



## Penetrating into allied offerings to grow revenue & profitability

- Offer one stop solution for all customers' needs
- ► Creating new value propositions offering all bundled services i.e. in-house insurance, finance, lifestyle products and accessories and follow a service-centric approach to automotive retail



#### Tapping growing organized used car market

- ► Change in customer behaviour favouring optimized mobility spend
- Availability of certified cars assuring the quality and trust across online/offline platform
- Offer own brand certified used cars and club it with allied services and aftersales offerings



#### Increasing competition in the aftersales market

- ► Several new entrants in multi brand aftersales outlets giving vehicle owners multiple options for vehicle service and repair
- Focus on aftersales, increase scope and provide consumers with seamless ownership experience



#### New avenues for mobility for consumers

- ► Growth of self-drive rental cars/car sharing/real time demand based taxi services acting as a substitute for owning a personal car
- ▶ Partnership with shared car services stakeholders/leasing cos. to tap this growing market



## Making alternate powertrain vehicles as attractive as conventional fuel vehicles

- ► Government policies to encourage use of alternative fuel vehicles
- ▶ Requirement for the retail network to be well equipped in terms of skills and tools



## Adapting business model to meet customers' changing need

Collaborate with stakeholder and reconfigure business model to provide customers with superior overall brand experience

#### What can automakers and dealers do?

# Reconfigure services, portfolio and processes

- Introduce and establish tools to create customized solutions and integrated service packages
- Include services such as road side assistance to provide seamless ownership experience to customers

# Collaborate with stakeholders in the ecosystem

- Automakers and dealers will need to collaborate with key aftersales participants to create complementary service offerings
- Collaborate with allied industries stakeholders such as self-drive rental cars service/car-sharing services to provide brand experience to potential customers

# Manage skill-gap of sales and services personnel

- Launch specialized training for sales and service personnel and monitor performance
- Build high impact systems and processes to ensure operational efficiencies and higher overall customer satisfaction

## Rethinking revenue streams

- Dealers need to supplement or replace high margin finance and insurance revenue stream
- Tap growing used cars market by providing certified owned brand used cars; collaborate with stakeholders such as online marketplace to reach a wider base of customers



# Case study: Adapting business model to meet customers' changing need

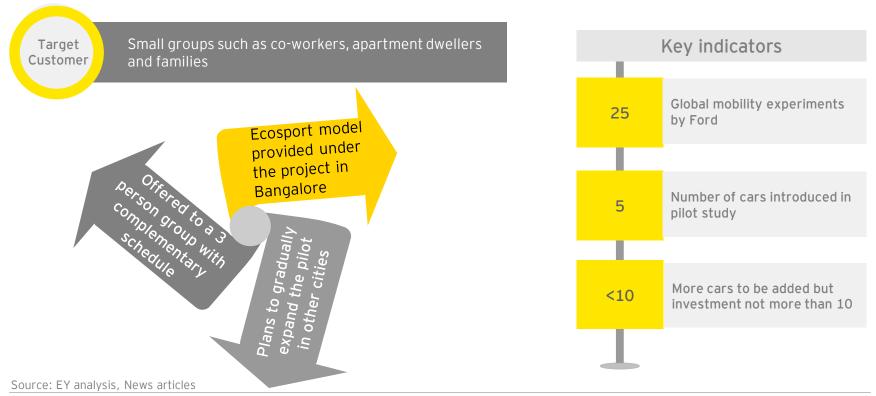
Ford Partnered with Zoomcar for car-sharing project in Bengaluru



Share-a-Car project is one of global mobility experiment by Ford, to facilitate car ownership for small groups of people.



Objective of pilot is to get insights and understand the market potential for such a model, usage pattern and cost effectiveness.



# Case study: Adapting business model to meet customers' changing need

BMW Financial Services India's "half is not full" campaign



The company introduced "Half is not Full" campaign in four phases to reinvent the customer connect. The aim was to offer financial products and services through a single campaign in a simple and engaging manner to customers

## Phase 4 Facilitating interest into purchase

- Digitally presenting the offers to customer
- ► Financial consultants to assist them with entire range of product and services

# Four phases of the campaign

# Phase 1: Three videos focusing on providing complete solution

► The videos were deliberately left on an incomplete note to highlight the importance of a complete experience

#### **Key indicators**

39

Dealership through which the services are offered

# Phase 3: Simplified communication to avoid complexity

- Brochures simplified with maximum use of graphics
- Complex financial terms avoided

## Phase 2: Video on BMW roadside assistance

 The video explains the benefits of BMW Roadside Assistance by conveying the message through appealing visuals US\$106 million Amount invested in BMW financial services India

Source: EY analysis, Company data



# Case study: Adapting business model to meet customers' changing need

Maruti Suzuki Lease and Fleet management services for corporates



Maruti introduced N2N Leasing and Fleet Management Services in 2001 to cater to the needs of corporate fleets. N2N offers clients hassle free experience of owing a vehicle through comprehensive services.

## Leasing

#### Leasing services

The customer pays for the usage of asset Two types of lease offered

- Operational
- ► Financial lease

## Fleet management

## Maintenance services

- OEM backed fullservice maintenance program.
- MIS reporting of car condition
- Emergency support services
- Vehicles replacement if down time is more than 24 hours.

#### Convenience services

## Comprehensive program for:

- Insurance
- Registration
- Road tax management service

## Re-marketing services

- Resale program for the fleet
- Resale of the vehicle through Maruti Suzuki's pre-owned car channel











Source: EY analysis, Company website



ervices offered

BMW-i Ventures

BMW is rapidly expanding scope of mobility services leveraging partnerships across diverse industries.

**BMW-i Ventures** 

A venture capital firm to

invest/partner in mobility services

## Car sharing

- DriveNow: Car sharing venture of BMW i, Mini and Sixt
- > 75,000 customers and 2,400 cars in six cities (Munich, Berlin, Düsseldorf, Hamburg, Cologne and San Francisco)
- Per-minute billing including fuel costs, insurance and parking charges
- ChargeNow: Cashless charging at all public charging stations in the UK
- ChargePoint/ChargeMaster: World's largest network of charging stations using cloud-based solutions that optimise all customer services, including billing

## Charging solutions

Source: EY analysis and research

## Parking solutions

- ParkNow: App and web-based parking services in Greater San Francisco area
- Access to parking garage using an electronic ticket and payment is made automatically by credit card
  - ParkatmyHouse: Online marketplace for private parking space
  - MyCityWay: Free smartphone app for customized real time information
- ► Life360: Smartphone app that connects families in urban areas using location-based technology and the check-in functionality

## Mobile applications

Alibaba Automotive - Offering integrated automobile solutions

▶ Alibaba launched a separate automotive division in April 2015 to integrate its overall motor-related businesses and provide various online-to-offline (O2O) motor services.

## Key services offered

Car maintenance services

Provides option to buy an automotive part online and make an online appointment with a service provider.

Motor financing

Alibaba offers small loans to car buyers, without any approval procedure or fee payment.

Car rental services

Customers can choose a car from vehicle rental partners of Alibaba without paying a cash deposit.

New and used car transactions

- Pay a portion of security deposit online.
- Go to a nearby dealer for a test drive.
- Pay the balance to close the transaction.

Mobile integration through smartphone app

smartphone app for automobile-related services from smartphones.

Alibaba is planning mobile integration through a

Partnerships in auto sector

10,000

Car dealerships







50

**OEM Brands** 

60 million

Car owners



OEM partners for using e-commerce platform

- **BMW Mini**
- Jaquar Land Rover
- Shanghai GM Motors
- Lifan Auto



Uber - Providing customized transportation services to end customer



Uber provides an on demand transportation service that matches drivers with passengers who request rides through Uber's smartphone application



Creation of a free market for car-hire services that is convenient to use and eliminates inefficiencies in the traditional taxi market

Offering transportation services at various pricing levels

A marketplace for independent drivers and riders

Dynamic pricing using cashless transactions



Using technology to enable on-demand personal mobility



Navigating through a complex regulatory environment

Uber had more than 160,000 drivers active on its service in the US at the end of 2014 and is expected to become the most valued private start-up in world as per its plans for latest round of funding



Uber - Providing customized transportation services to end customer

## Influencing personal mobility choices

#### Reducing transportation costs through new initiatives

- ► Uber considers its goal to reduce transportation costs to make it's services cheaper than owning a persona vehicle for most people
- ▶ Uber introduced its UberPool initiative, a ride-sharing service that allows users to split the fare with person riding along a similar route.

#### Collaborations and partnerships to improve operations

- ► Uber has partnered with other ride sharing companies (carpooling in Germany and public transit providers (Dallas Area Rapid Transit) to provide last mile connectivity
- ► Partnering with academia to develop mapping, vehicle safety and autonomous technologies.

#### Increasing focus on customer safety

- ▶ Uber has taken initiatives to ensure safety of passengers through several new initiatives
- ▶ It has released a revised code of conduct, building new safety advisory board, a quality assurance program and incident response teams

**Key indicators** 270 Uber's presence across cities 45 countries Estimated valuation of **US\$40** Uber in its fourth year billion of operation Rides per day globally by the end of 2014 million

## Creating an engaging digital journey

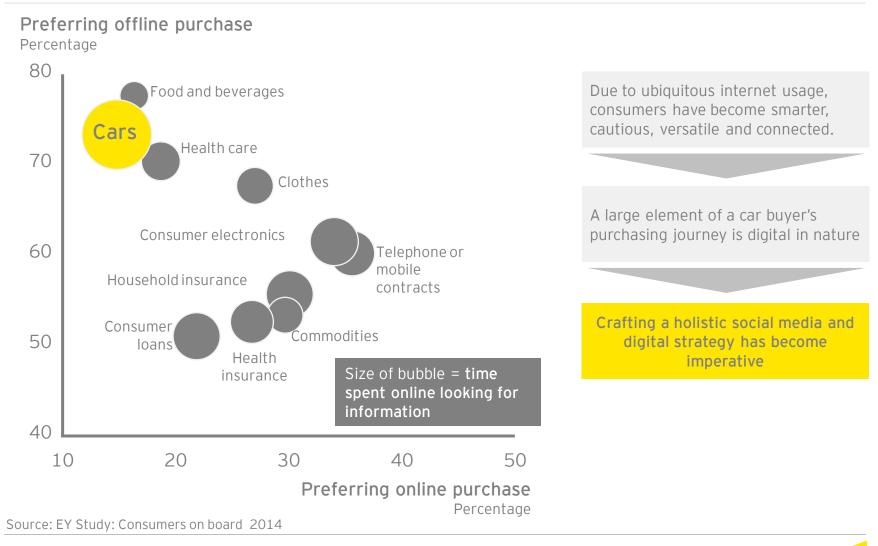
Improving the digital experience





## Creating an engaging digital journey

Consumers spend more time for online research per-purchase of a car than for any other product



## Creating an engaging digital journey

EY has defined a process which consists of 5 steps that present potential benefits from the implementation of a digital & social media strategy

#### Market indicators

10

Hours spent on average by automotive customers on the web to search for information and to decide when and where to buy

46%

Buyers willing to finance a car purchase online

Source: Changing lanes, EY, 2015; Multi-channel distribution – key success factors for automotive dealerships and captives, EY, 2014

1. Defining the objectives

The first step is about defining the objectives of each activity that has to be conducted through digital and social media channels

2. Reviewing dealership processes
The correct implementation of a digital and social media strategy is grounded on the review of the dealership processes and organizational structure

Crafting a holistic digital and social media strategy has become imperative to improve digital experience

3. Defining and monitoring KPIs

The digital and social media implemented strategy and its performances have to be monitored through a set of KPIs

4. Crafting a multi-channel communication strategy

Digital and social media channels allow messages to reach a different target with a different intensity: therefore a multichannel communication strategy is needed

5. Building the corporate culture

The definition of guidelines for the staff training is crucial for a successful digital and social media strategy





## Creating an engaging digital journey

A holistic digital and social media strategy can be beneficial for all aspects of an organization

## Marketing

► Marketing activities conducted through digital & social media represent an efficient and inexpensive option to develop effective marketing at the dealership level while maximizing the effects of other activities conducted through other channels.

## **Customer Care Management**

- ► A customer care service strategy through digital & social media guarantees higher customer satisfaction than a traditional one, and suffering less costs
- ▶ Digital & social media also allow the capture of customer sentiment

#### Sales

➤ Dealerships with a solid business models based on digital & social media as sales channel show rapid growth and sustainable profits Digital & Social Media Strategy



#### **Public Relations**

► Perform public relations activities through digital & social media is a quicker way for a dealership to communicate to a spread audience than traditional channels

#### Internal Communication

► An internal communication process development based on digital & social media enhances a more efficient and collaborative communication at a dealership level

#### **Human Resources**

 Digital & social media represent a tool to increase the brand perception on employees and to boost the recruiting appeal



<sup>\*</sup> Source: Social Bakers, Sysomos and Cisca

## Case study: creating an engaging digital journey

Hero MotoCorp- Snapdeal project to sell motorcycles online



Hero Moto Corp. partnered with Snapdeal.com to sell two-wheelers online

## **Key indicators**

## Online ordering process

Vehicle ordering

► Ordering the vehicle online. This links the buyer with nearest authorized dealer

700

Hero Moto Corp bikes were sold in 3 days through Snapdeal



Vehicle payment

Provides an option to make the payment online

Vehicle delivery

Delivery of the vehicle is completed by authorized dealer once the payment is received



INR5 billion

Value of two wheelers sold in first five months of online sales

Provision of convenient online credit card payment with an EMI option



A positive response from consumers has led to the company to develop its own online retail sales venture by the end of this year.



Source: EY analysis, News articles



## Case study: creating an engaging digital journey

CarWale.com, an innovative online platform to facilitate vehicle research and ownership



CarWale.com was launched in 2005 to provides a platform where car buyers and owners can research, buy and sell vehicles. It was the first website in India to consolidate used car inventory across dealers as an online platform.

#### Innovative services offered



Vehicle research and product offerings

Comprehensive car research source with features such as:

- Offer section: Listing down discounts and benefits by car companies
- Insurance and financing offers
- On road vehicle price
- Car comparison
- Recommend a car
- User reviews



MyGarage

Hassle-free vehicle ownership experience. The user can register their vehicle on the company's website for the features such as:

- Service history
- Fuel logger
- Next service cost
- Reminder for insurance, PUC expiry, next service date

**Key indicators** 

6,000

Dealers and partners







210,000

Used car sold till date

21.2 million

Highest ever monthly traffic registered in June 2015



CarWale also offers its services through an integrated mobile application

Source: EY analysis, Company website



## Case study: creating an engaging digital journey

GM Shop Click Drive



► GM's Shop Click Drive was set up as a pilot program in eight US states since 2012 and rolled out nationwide in 2013.

## Shop Click Drive online buying process

Customers search dealer inventories of new and used cars online Avail discounts, accessories and view the monthly payments

Provide information on trade-in vehicle and apply for credit online Schedule appointment with the dealer at preferred delivery location

## Key partners

## Trade-in vehicle value guide provider

- Black Book
- Kelley Blue book
- National Automobile Dealers Association

(Dealers pay a monthly subscription to their choice of provider)

Source: EY analysis and research

#### Financial Services partner

RouteOne

The Financial services provider provides credit application tools to dealers and FICO\* scores for customers

## Shop Click Drive highlights 85,000 Leads generated Sold/delivered rate 30% Vehicles sold till mid ~23,000 March 2015 Dealers enrolled out of 1,900 around 4,300 Of trade-ins are non GM 49% or discontinued brands 20 Frequency of clicks on Shopclickdrive.com seconds

<sup>\*</sup>FICO score is the consumer credit risk score provided by FICO, a software company based in the US



Volvo XC90 limited edition online sales

► In order to achieve digital leadership under their strategy, Volvo sold XC90 cars through digital commerce.

**Order Online** 

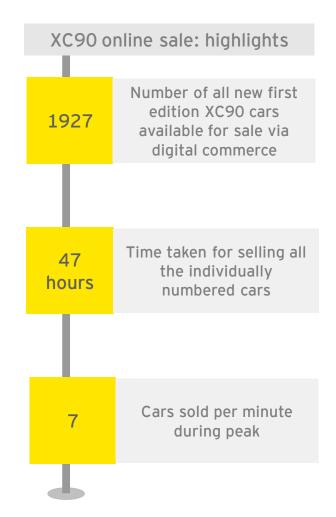
► The customers could order individually numbered cars online via volvocars.com.

Delivery through dealerships

► The delivery of the product would still be through various dealerships.

### Plans to extend online sales model across the product range

▶ Volvo wants to sell each model online by creating an ecosystem that simplifies the process of shopping for, buying and owning a Volvo.



Source: volvo cars website

Hyundai Rockar

- ► Rockar is an unique digital store launched by Hyundai Motor & Rockar where customers can browse cars without the obligation of salesman intervention.
- ▶ It covers every aspect of buying a new car customers can research, choose, create and buy a new Hyundai

### Key services offered online

1

### Selecting and booking test drive of the vehicle

Customers can browse, select and check the best prices for any Hyundai model and book a test drive online

2

### Applying for credit and valuation for trade-in vehicle

Customers can select credit payment plans and also get a price for their old car.

3

#### **Aftersales**

Customer can book in advance and simply drop their vehicle at experience center.

### 5 minutes

The minimum possible time a customer can buy a car from rockar.com from start to finish

### 30 seconds

Customers can get valuation of their old vehicle at home or instore



Source: Hyundai Rockar website

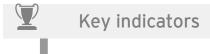
"Rockar Hyundai is an exciting new way for consumers to be able to buy a new car. It is innovative, challenging and it utilises modern technologies to make life easier for our customers," - Tony Whitehorn, President and CEO, Hyundai Motor UK



MotorAgent - providing an intuitive experience for vehicle research



An online information platform for car buyers that list choices for buyers based on real life questions on their usage trends and needs





It enables users with little car buying experience and expertise to get an overview of suitable vehicles online by answering intuitive questions

2.4 Members of Motor Talk whose comments are used to narrow search







Questions on vehicle usage trends and customer needs based on buttons and sliders to filter models

The search algorithm based on MotorTalk (Europe's largest car community) member discussions and car reviews Links the vehicle choices to vehicle buying portals such as Mobile.de and Autoscout



MotorAgent is one of the first market players who recognized changing customer needs and established a business model that feeds customer hunger for customization and digital presence.

Beepi - redefining used vehicle purchase



An online peer to peer marketplace for buying and selling used car, founded in 2013 in Los Altos, California



Beepi sells used cars completely online in through a user friendly model avoiding the hassle involved in a traditional used car purchase

Key initiatives



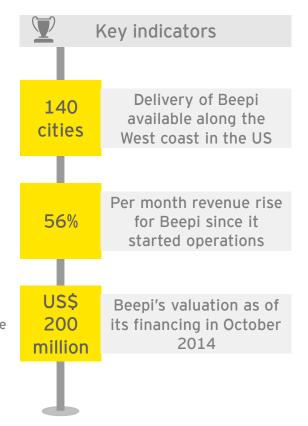
Beepi offers sellers and customers better prices and lists cars on its website after a 185 point inspection



It handles paperwork and delivery and offers a 10-day return policy along with a three month, 3,000 mile warranty



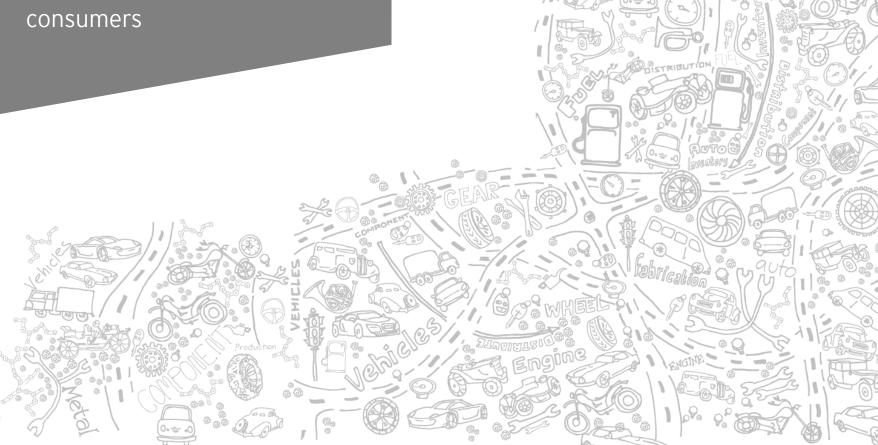
Enabling convenience in payment with Bitcoin integration and online preapproval for vehicle loans



"Convenience is the whole innovation of the company...It's like buying shoes at Zappos, but you're doing it for a car," - Co-founder and CEO Alejandro Resnik, Beepi

# Redesigning distribution networks

New channels to reach





### Redesigning distribution networks

Modifying distribution networks to improve flexibility and increase relevant touch points

#### Market indicators





Source: Car Buyer of the Future, AutoTrader, 2015; Changing lanes, EY, 2015; Multi-channel distribution – key success factors for automotive dealerships and captives. EY. 2014

### Dealers still have a central role for keeping contact with clients

- Customers want to "touch" and test the product
- ▶ Despite the information available online, customers are still looking for face-to-face advice
- A physical place is vital for creating brand awareness and promote brand identity

However, the distribution strategy will need to change in order to provide customers with specific services and ad-hoc experiences

#### Streamlined retail networks

- Focus on reorganizing the floor space to complement the digital experience
- Most expansion is expected to occur in emerging and high growth markets where network reach is still vital

# Improved flexibility through new formats

Building blocks for the new auto retail agenda

New distribution strategies will gain importance

#### Impact on dealer infrastructure

 The new models will impact all facets of dealer infrastructure



### Redesigning distribution networks

New models will benefit both dealers and consumers by providing accessibility and flexibility

Need to move physically closer to customers and addressing them directly in their day-to-day environment New mobility services and alternate powertrain vehicles necessitates introduction of new and innovative distribution strategies

Targeted marketing through new distribution and CRM strategy

### Direct selling

- Mobile sales force visiting potential customers
- ► Soft launch with keen brand followers
- ▶ Online sales
- Limited by market regulations

### Use of innovative formats

- Mobile pop-up stores at events and exhibitions
- Mega dealers, flagship stores and test drive centers
- Online platforms offering reduced prices and virtual showrooms

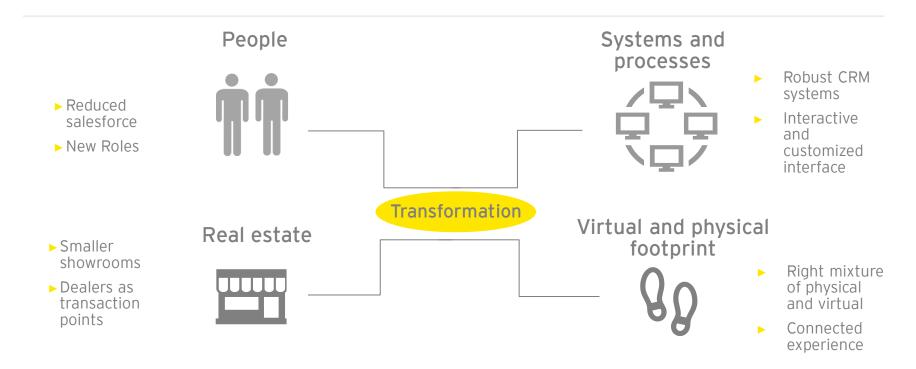
### Integrated CRM strategy

- Active digital advertising and social networks
- ► Dealer CRM to enhance visibility and customer interaction



### Redesigning distribution networks

The shift in distribution strategy will impact all facets of a dealership's infrastructure



### What can automakers and dealers do?

#### Identify and roll out new distribution formats

- ▶ Identify, design and roll out innovative retail formats that suit specific markets and customer profiles.
- Invest in new, non-traditional retail locations to gain access to more customers

#### Provide balanced physical and virtual experience

Develop market-specific mixes of physical and digital presence to reflect the brand, individual models and customer expectations



TVS & Sons- Offering an alternative to traditional showrooms through digital experience centers



A digital dealership model showcasing cars on large internet-enabled LED TVs along with information aggregators for vehicle comparison



An aim to make the dealerships more cost-effective by saving on huge expenses incurred on inventory, floor space and manpower

# Experience differentiators



#### Vehicle presentation

Product information presented on large 55" TV screens instead of the actual cars in the showroom



#### Vehicle research

Readily available information aggregators for easy comparison of specifications



#### **Test-Drive**

After a model is selected, a test-drive vehicle will reach the buyer's home at a preferred time



The pilot project would be replicated across the metro cities should the idea turn out to be a success



Maruti Suzuki India- Providing a luxury experience to its premium segment customers through separate dealerships



An independent management structure and a new brand of retail outlets under the name NEXA to sell the high-end models



An aim to provide a differentiated and luxurious experience for its "discerning customers" looking to buy the company's premium vehicles



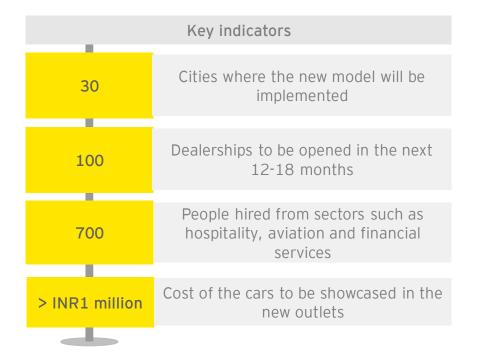
The focus is on changing customer profile to drive up growth in the mid and premium market segments

The showrooms will provide a more sophisticated workforce, more time to each customer and a lounge for a more personalised experience.





Maruti will begin sales with its upcoming S-cross model and add newer variants in later stages





Tata Nano F class showrooms and tie up with Big Bazaar to move closer to the customers



Change in dealership and distribution to take Tata Nano closer to customers

### F Class dealership concept

- Strategy to focus on Tier II cities
- Exclusive Tata Nano showrooms stocking 1 car in smaller cities or towns
- Smaller stores compared to conventional 3,000-4,000 ft<sup>2</sup> showrooms

Source: EY analysis, Company website, News articles

### Tie Up with Big Bazaar

- A Nano was parked in every Big Bazaar outlet for the touch and feel experience to customers
- To gain traction among the footfalls the store gets
- To make Nano accessible in small towns

### Big Bazaar stores in small towns 500 Square feet showroom size 70 150m Annual footfalls in stores 210 F class showrooms of Feb 2011 Nano sales by Big Bazaar >5% **Employees**

**Key Indicators** 



1200

Tesla - Online direct selling model

- ► Tesla Motors follows a direct sales approach that allows customers to order a Tesla vehicle online
- ► The online process is also followed in the Tesla's exclusive outlets (where selling Tesla is legal)

### Key services offered online

1

#### Vehicle configuration

Selecting the model, interior, exterior and selection of optional features



## Applying for credit and valuation for trade-in vehicle

Option to lease vehicle, use Tesla Lending or own financing options



#### Order payment and finalization

The booking is confirmed after payment of USD2,500 online

\*In some cases the vehicle might be considered as an out-of-state purchase which requires the customer to self-register the vehicle

### The online buying process

Ordering

- Ordering process begins at the design studio through creation of a "MyTesla account and selecting vehicle
- Customer provides contact information, makes deposit and chooses a preffered delivery date

Financing/ Leasing/ Trade ins

- ► The customer can choose to file an online financing or leasing application
- The customer can also mention the details of the trade-in vehicle post which Tesla executive can arrange for the vehicle inspection



- ► The customer uploads driver's license and insurance information on the website
- ► Tesla usually files the registration for the vehicle\*



► The vehicle is delivered either at the service center or at the customer's designated address



Spotify - shift from ownership to access by streaming on demand music



An online music streaming company founded in Sweden in 2008 that offers subscribers access to music and playable content online



The company is bringing the shift in the music industry from ownership to access by streaming on demand music for its users

Creating an online marketplace to connect artists and listeners

Providing listeners with options to manage playlists and share music





Changing the way to access media



Using customer analytics based on listening behavior to personalize experience

"Our whole reason for existence is to help fans find music and help artists connect with fans through a platform that protects them from piracy and pays them for their amazing work." - Daniel Ek, CEO, Spotify



Spotify - shift from ownership to access by streaming on demand music

### Innovation in business model

#### Integrating social media to provide personalized experience

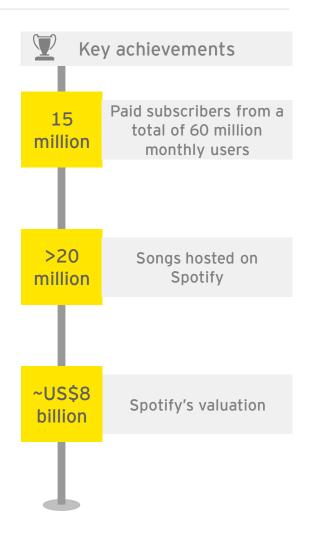
- > Spotify has integrated with social media channels to increase adoption
- ▶ Users can access, share and discover music through social media platforms such as Facebook

#### Diversifying to provide additional services

- > Spotify has added video content around built around listener data
- ▶ It has included entertainment and news clips and plans to include exclusive content

### Using data analytics to gain insights into customer behavior

- ▶ Spotify has access to customer's listening habits and usage trends
- ► The company uses these trends to list context based advertisements and content recommendations



# Crafting an omni-channel brand management strategy

Develop a seamless customer





### Crafting an omni-channel brand management strategy

Ensuring consistent customer experience throughout all channels

### **Market indicators**

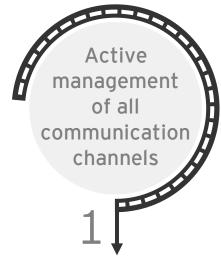
31%

C-suite executives consider delivering seamless digital/in-store experiences, and leveraging online resources to influence choice, as critical to win and retain customers.

Survey respondents say they can no longer rely on traditional sales channels to drive growth

Source: Changing lanes, EY, 2015; How to copilot the multi-channel journey, EY, 2015; Re-engineering the supply chain for the omnichannel of tomorrow, EY, 2015

Ensure consistent customer experience throughout stationary, mobile and virtual communication channels



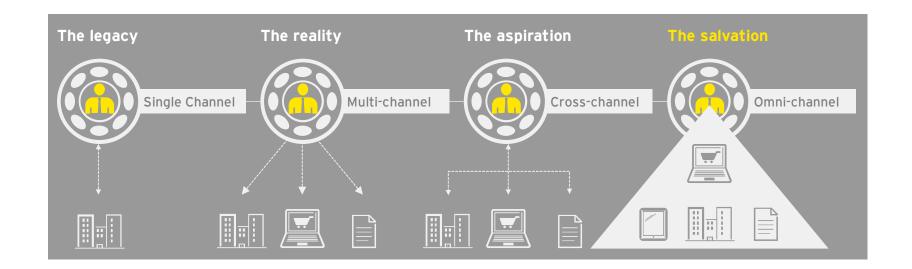
Customization and adaptation to customer preferences

Ability of customers to define their own channel mix and path



### Crafting an omni-channel brand management strategy

An omni-channel strategy offers customers the ultimate freedom and flexibility of using and changing between channels



- Customers
   experience a single
   type of touch-point
- Retailers have a single type of touch-point
- Customer sees multiple touch-points acting independently
- Retailers' channel knowledge and operations exist in technical and functional silos
- Customer sees
   multiple touch-points
   as part of the
   same brand
- Retailers have a "single view of the customer" but operate in functional silos
- Customers
  experience a brand,
  not a channel within
  a brand
- Retailers leverage their "single view of the customer" in coordinated and strategic ways



BMW Future Retail program - Providing a consistent customer experience across digital and physical channels

### Domino effect of changing customer needs on automotive dealership landscape

#### BMW introduces 'Future Retail' program

- ► New mandatory dealership standards
- ▶ New features includes an open showroom with no cubicles, beige and brown interiors, large video screens to show vehicle features and options and regional pools of test cars

#### **BMW Genius**

- ➤ To guide customers through the vehicle line-up, explain technology and selecting options in a low-pressure environment
- ► Fixed salaries (no commission)
- ► Ratio of geniuses to salespeople to be 1:3 or 1:4

### Digital displays

- ► Allowing shoppers to explore the finer details of each model
- ➤ A 3D presentation on all vehicle variants—models, body styles, engines, transmissions and assorted features
- ► Would increase space of showroom floors by 40%

### Faster buying process

- ► Focus on shrinking the car purchasing time to one hour from the current median of four hours
- ► Enabled by compiling information the buyer has already provided online when using the company's vehicle configurator and a BMW Financial Services app

### Key imperatives

- 1) Ensuring dealers are on-board regarding the investment and training and hiring commitment
- 2) Promoting/highlighting positive positive impacts on the new store model



Daimler "Mercedes Me"

#### Daimler "Mercedes me"

A digital platform from Mercedes Benz that offers all product related services under the same brand including vehicle purchase, financing and maintenance as well as the mobility services from Daimler



Implementation

Virtual format

Centrally located
City Stores

The initiative is part of the marketing initiative "Mercedes-Benz 2020 - Best Customer Experience " It brings together a number of different marketing, sales and after-sales approaches to provide customers with a consistent brand experience through all contacts

Source: EY analysis, Company website



Volvo Cars:

Providing a consistent customer experience

Volvo Way to Market

# New marketing strategy focused on brand management

- Reducing motor shows: Volvo Cars will gradually reduce its motor shows activities by remaining in one motor show per region per year
- Brand focused advertising: Selective in terms of media channels and increasing investment in brand
- Concentrated sponsorship events: Reducing sponsoring activities and increasing investment in 'Volvo Ocean Race'
- A globally uniform layout: All new dealerships to have a globally uniform layout
- To implement small differentiators that underline the company's Scandinavian and Swedish heritage.
- All dealership staff across Europe to be dressed by Swedish fashion designer Oscar Jacobsson.
- ► To provide training programs to familiarize each employee with new customer processes and standards

Redesigning dealerships layout and processes

Digital leadership

- Digital Commerce: Start selling cars online by complimenting and not replacing dealers network
- Industry-leading Configurator: To offer customers a simple and functional tool for configuration called 'the designers choice' rather than build from scratch
  - Industry-leading Website: To go beyond providing just information by developing a website in line with Volvo brand and values
  - Personal Service Technician: Introducing a Personal Service Technician for each and every Volvo customer.
- The Personal Service Technician will take care of the customer and car throughput the ownership, thereby resulting in higher customer satisfaction.
- Volvo aims to offer this initiative as standard in all dealerships by 2018.

Improving aftersales experience

Source: volvo cars website



Burberry - offering a seamless brand experience

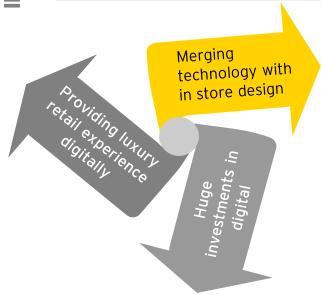




A British luxury brand of clothing, accessories and cosmetics that has integrated its offline and online experience



Burberry has blended its offline stores and digital operations to provide customers a unified experience of the brand







Redefining roles, responsibilities and skills for customer facing employees

Enabling seamless channel shift

It's all about involving people around the world and making them feel part of the experience...'It's about doing something that makes people smile, that makes people want to engage, whether it's online, whether it's physical, whether it's at the show..." - Christopher Bailey, Chief Creative Officer and CEO, Burberry



Burberry - offering a seamless brand experience

#### Omni-channel initiatives

### Using technology in physical stores to create innovative outlets

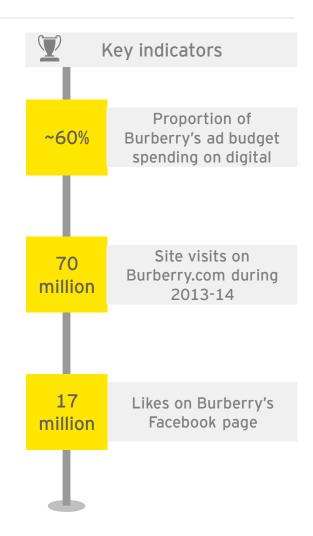
- ▶ Burberry's flagship stores in London and Shanghai are designed with the layout and architecture similar to that of the website
- ▶ Burberry assistants in stores use iPads to take orders and enquiries and the stores feature RFID enabled mirrors on shop floors and changing rooms

### Offering distinctive purchase options using digital campaigns

- Streaming an event live on Twitter
- ► Giving customers the ability to order products with its 'direct-to-buy' fashion offering direct from the catwalk
- ▶ Offering consumer the ability to personalize their orders

#### Continued investment in employee training

- ► It trains its staff using digital, social media, interactive tablets to bring the staff knowledge and experience at the same level as customers
- ► It also takes several initiatives to create advocacy of digital developments in store staff



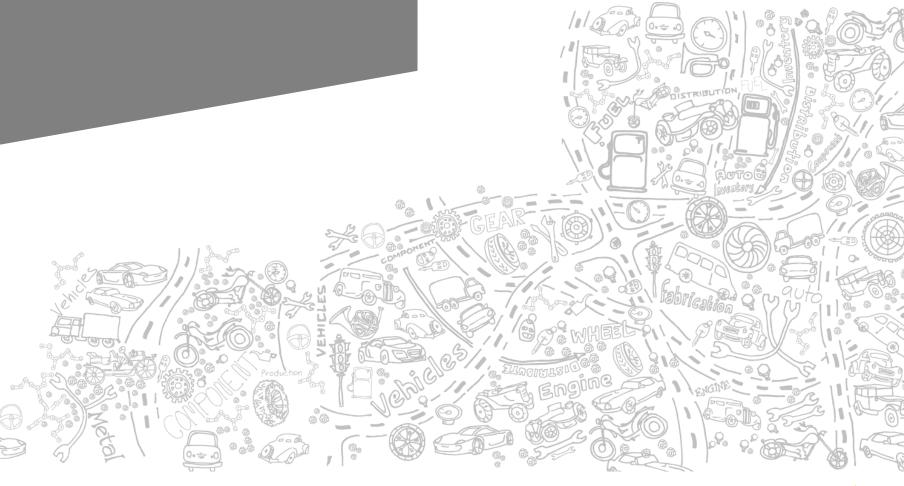
### Conclusion

To build profitable customer relationships, automakers and dealers need to undertake unprecedented change management in collaboration with other stakeholders in the automotive retail ecosystem to:

- Design and deliver differentiated customer experiences
- Adapt business models and offer bundled services in collaboration with key stakeholders
- Identify, design and roll out innovative formats of retail for a well-informed customer
- Craft a holistic digital and social media strategy
- Manage brand experience through multiple touch points with customers



# Key considerations for stakeholders





### Key considerations for stakeholders

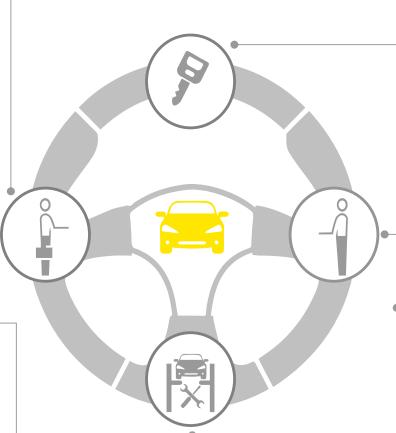
Achieving customer centricity, transforming customer experience and business models

#### Dealer network •

- Manage transformation into a multi-channel approach, such as direct online sales, flagship stores, pop-up stores, network consolidation, etc.
- Effective usage and management, including the interfaces, of all different available systems (Dealer Management System, CRM, etc.)
- Ongoing process management and business improvement in all areas (lean management, customer churn rate, etc.)
- Training, coaching and consulting of dealer network employees (e.g., sales, aftersales, used cars, systems and processes)
- ► Effective organization and incentive structures for automakers and dealers

### Aftersales •

- Increased ability of dealers to increase customer satisfaction, loyalty and overall profitability by assessing and (re)defining roles within aftersales
- Leverage mutual potential of sales and aftersales touch points
- Professionalize the genuine accessory and parts business to impact dealers' profitability, as well as customer satisfaction and loyalty



#### Sales

- More proactive and better managed customer contact from automakers and dealers (inbound and outbound)
- Sales processes, technologies and channels to be adjusted to new customer behavior patterns
- Need to balance global standardization and local adaptation of sales processes
- Sales performance management and sales process improvements due to a more "customer-driven approach" at the dealer and the automaker
- Proper use of sales performance KPIs to achieve targets
- Transparency in pricing

#### Customer experience

- Establishment of new roles (technical and financial experts, mobile sales force, etc.) to respond effectively to changing customer needs and new technologies
- Improvement of the customer experience at the dealer
- Big data management (CRM, social media analytics, connected car data, DMS, etc.) to fulfil customers' expectations, effectively manage their life cycles, and steer the overall sales funnel



# How EY can help you

Why EY?						
Strong global network			Deep regional expertise		Change management experience in diverse environments	
EY Automotive Customer Solution portfolio						
Dealer Operations	Dealer Management System Performance Improvement  Customer Rela		er Relationship ment Tools	Distribution Cost Assessment and Reduction		
Dealer Risk Management	Dealer Risk Assessment & Management	Data Ana	alytics	Dealer Audit Services		
Dealer Performance	Dealer Performance Improvement Program	KPI Enhancement and Improvement		Customer and Sales Satisfaction Improvement	Automaker sales/brand team  Dealer	
Financial Advisory	Incentive Modelling		Financial Recov	very Plans		
People & Organizational Change	Dealer Training and Coaching		Skill Assessmer	nt		
Dealer System, Process Integration	Aftersales and Sales Systems/Processes Definition and Review		Optimization, li Roll Out	ntegration, Implementation,		
Mobility Strategy	Operational Design		Business Model	Evaluation		
What we deliver						
Higher margin			Higher customer loyalty		Sustainable results	

#### EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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### How EY's Global Automotive & Transportation Sector can help vour business

The global recession reset the automotive sector landscape. As the sector recovers, automotive companies across the value chain must focus on profitable and sustainable growth, financial and operational stability, investments in new technologies and seizing opportunities in high-growth markets. If you lead an automotive business, you need to anticipate trends, identify their implications and make informed decisions that support your business goals. Our Global Automotive & Transportation Sector enables our worldwide network of more than 13,000 sector-focused assurance, tax, transaction and advisory professionals to share powerful insights and deep sector knowledge with businesses like yours. These insights, combined with our technical experience in every major global automotive market, can help you accelerate strategies and improve performance. Whichever segment of the automotive sector you are in - from component suppliers to commercial or light vehicle manufacturers or retailers - we can provide the insights you need to succeed.

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