



Can automakers and dealers innovate for the digital future – or will the disruptors leave them behind?

Automotive insights

August 2016

“Digital isn't just about improving customer experience - it's also key to growing revenue and reducing costs across the full lifecycle.”

A new wave of change is poised to transform the Australian automotive industry. Accelerating technological innovation will soon produce driverless cars and see more and more vehicles equipped to connect with the Internet of Things.

Automotive is converging with other industries. At the same time, our cities are changing, as infrastructure, vehicles and people evolve into an interconnected ecosystem.

Disruptors at every level are both driving and exploiting these changes. Unencumbered by legacy systems, they're doing things differently - like taking purchases online and introducing ridesharing and new delivery mechanisms. For now, the disruptors' financials don't always stack up but, by experimenting with new approaches, they're reshaping the landscape and transforming customer behaviour and expectations. Increasingly, customers want things on their own terms - they expect immediacy, customisation and control.

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**The better the question. The better the answer.
The better the world works.**



**Building a better
working world**



Adapting to the new purchase paradigm

Digital gives customers new ways of choosing and purchasing a car. Put off by dealers' existing approach and by the loss of control in the showroom, customers are seizing on these opportunities, taking their buying decisions into the online space. First impressions are formed through friends and family, as people turn to social media for advice from their peers. With fast, easy access to information from any device, anywhere, customers are doing their own research in advance, rather than relying on dealers.

When buying was confined to the dealer's showroom, sales staff could rely on the pre-purchase inspection to create an emotional pull through the sensations of sight, smell, touch and sound. But now the test drive - once the centrepiece of the buying experience - has been relegated to a secondary role, confirming the choices that customers have already made.

To adapt to this changed way of buying, automakers need to create a compelling digital experience and find new ways to forge an emotional connection to their brand and the lifestyle it represents.

Dealerships can still play an important part in the sales process, but digital models need to be brought into the showroom to streamline and improve the buying experience. This means harnessing data to understand who the customer is before they enter the dealership. Tech tools can be used to complement the vehicles, allowing customers to explore features and pricing on their own terms. While customers are on the floor, dealers need to do more to capture their details so that the dealer's contribution to local online sales can be seen. By recognising and rewarding this contribution, automakers can encourage dealers to embrace and work alongside new digital sales channels.

Sustaining digital strategy across the lifecycle

This effort can't fall away once the customer takes the keys. Digital isn't just about improving customer experience - it's also key to growing revenue and reducing costs across the full lifecycle. Increasingly, profitability occurs after the upfront sale, such as when servicing needs increase or when customers look at replacement. Yet investment is still concentrated at the front end, and sales and service teams aren't working together. Rather than standing back and allowing the customer to drift, service teams need to be actively managing the customer experience, building loyalty and guiding customers to make the crucial connection back into sales.

To achieve this, dealers need to leverage data collected in the initial sale, utilising what they know about how the customer uses their car in order to anticipate and meet their future needs. Automakers and dealers already have access to more customer information than ever before. With the advent of the Internet of Things, connected cars will generate progressively more data, giving brands and dealers new opportunities to transform information into insight and action, tailoring their future customer experience.

A digital future: four key challenges for automakers and dealers

1. Innovate by embracing the new

New business models require innovation, which emerges when there is diverse thinking, speed of design and the embrace of risk and failure. Our experience is that few automakers and dealers have a solid approach for developing, evaluating and testing a large portfolio of ideas, learning from failures and understanding when to scale.

2. Collaborate with digital partners

To leverage this innovation and drive scale in the digital space, automakers and dealers will need to form new collaborative partnerships with digital providers. Dealers don't have the scale to build these partnerships alone, so automakers have a crucial brokering role.

3. Connect with customers

Customers are individuals, so automakers and dealers must be willing to personalise the experiences, products and services they offer. This is especially important for Millennials and Generation Z - a growing segment of customers who are willing to pay for what they value, but equally willing to opt out when the experience, customisation and immediacy they want aren't provided.

4. Invest in data

By investing in data capture and analysis at all points in the lifecycle, automakers and dealers can develop a much more sophisticated understanding of different customers' behaviour and expectations. This is best achieved through partnerships, which can provide new data for mapping to in-house sources. Armed with this insight, automakers and dealers can take action to build long-term customer value and loyalty.

Contact details:



Jacob Gossan
EY Oceania
Automotive Leader
Ernst & Young, Australia
Tel: +61 3 9288 8523



Jenny Roche
Partner, Advisory
Ernst & Young,
Australia
Tel: +61 3 8650 7994

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APAC No. AU00002713

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