

Shifting automotive retail into high gear

This new normal is the right time to embrace change

Digital retail for automotive has been an ongoing topic for years, but adoption has been slow and limited. Auto now lags other industries who have doubled-down on simplifying the customer experience with greater use of digital technologies and taking a customer-centric mindset that addresses the behavioral and emotional needs of customers. For example, while you can remortgage your home via an app, purchasing a vehicle is still predominantly an in-person experience. And, servicing your vehicle requires costly and inefficient dealer visits, providing customers with inconsistent processes and tools.

Our research reveals emotional and behavioral shifts happening on a massive scale, and that is accelerating customers' need for change in the way they shop for, buy, and service their vehicles. With timeframes for social distancing and stay at home orders uncertain, those OEMs and dealers willing to break with

traditional orthodoxies will likely be the ones to accelerate recovery and sustain growth.

From the customer perspective, the dealership experience has been the same for too long. Despite being a face-to-face process, our research participants felt that actual 'human' connections were lacking. Connecting on a human level means prioritizing the experience of everyone in your ecosystem—customers, employees, and dealers. While these are strange and precarious times when 'normal' seems to change every day, it is also a great time to ask: how can I use this time to leapfrog ahead?

"I try to avoid the dealer and I'll tell you why. I feel like I'm just a sales number when I go."¹

— Carol, 48, Greater Chicago area

The future is now for solutions that Elevate the Human Experience

Prior to COVID-19, new online used vehicle entrants and niche automotive brands were challenging the status quo and turning the auto buying process on its ear. Featuring virtual tools and contact-less solutions to provide more convenience, these disruptors have been able to capitalize on shifting customer expectations which has increased pressure on traditional dealerships. There is little that can't be delivered right to a customers' door these days. And, due to the pandemic, virtual communication tools have become more engrained into our daily life, and are proving that physical distancing does not necessarily mean social distancing, since these tools facilitate needs for both work and **emotional connections**.

The challenge? The auto industry was not fully prepared to take advantage of virtual opportunities when the pandemic hit. Our research revealed that 52% of customers stated they are comfortable completing some or all of their vehicle transactions online, and of those who are delaying their purchase, 44% are doing so because the digital tools don't exist or they have a hard time using the tools that do exist.² With only 10% of vehicle purchases, and even fewer service transactions happening digitally, now is the time for OEMs to bridge gaps between digital and physical experiences and make a human connection with customers.³ Compare that to advancements in airlines, hotels, and rental cars where a major portion of those journeys are completed through digital tools—the auto industry seems to be stuck in low gear.

But this is not to say that digital should fully replace the current auto experience. Customers suggest digital tools should be additive to physical options to create a seamless online and offline experience. Based on our research, the test drive is a non-disputed physical experience that matters to everyone. But even the test drive, along with nearly every other moment that matters across the purchase process, will benefit from both a physical and digital option to more fully realize varying customer needs and expectations.⁴ Customers desire more empowerment in the process—they want the flexibility to choose what their experience will be like. But those options are not readily available today, and the urgency to have choices is accelerating.

Test drives and pricing are ranked high for both in person and 'online' interactions indicating the need for choice in the process

The top 3 moments that matter where customers prefer to **interact with a person**:

- Test drive
- Negotiating price
- Vehicle onboarding and instruction

The top 3 touchpoints of the sales experience customers prefer to have **online options**⁶ for:

- Up front and no-haggling pricing
- Remote test drive
- 3-day return policy



Economic pressures have impacted vehicle preferences.

40% are considering a different type of vehicle than they currently own—some will drive more (25%), relying less on rideshare, and many are still undecided on purchasing new vs. used (18%)

Consumers **favor the brand over dealership loyalty** by 33%, signaling an opportunity to improve the dealership experience



Digital cannot replace everything.

Consumers still want human interaction with dealers—52% are willing to transact online, leaving many who still desire a dealer to assist them

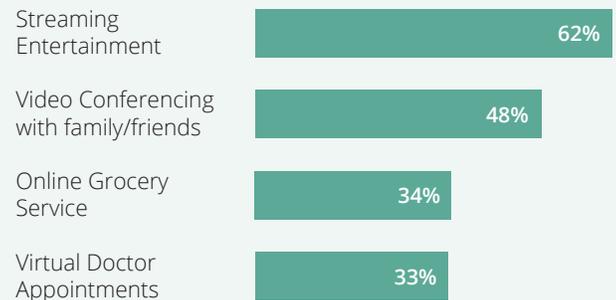
60% of customers and employees state visible acts of cleaning are the most important aspects of in-person experiences



87% of customers feel that owning a personal vehicle is safer than public transportation or rideshare

Source: Deloitte Auto HX in Uncertainty Survey May 2020

Customers are utilizing virtual tools regularly, such as:



Source: Deloitte State of the Consumer Tracker Study, July 2020

How we collected our data

We set out to understand the feelings, behaviors, and expectations of auto customers during and post-COVID-19. To do so, we issued a quantitative survey of 2,000 respondents from across the United States. Additionally, we conducted 17 in depth ethnographic interviews with prospective vehicle buyers who were considering a vehicle purchase in the next 6-12 months. We asked about their previous vehicle purchasing and servicing experiences and discussed feelings and expectations for their next purchase and servicing given the implications of COVID-19.

It's time for OEMs to become more integrated into the selling and servicing processes as a partner with dealers to deliver a seamless journey across vehicle shopping, purchasing, and maintaining the vehicle.

In the past, OEMs have focused on building awareness, opinion, and consideration for their brands, and have mostly treated lead generation as a point of handoff to dealers. But this handoff has created a disjointed customer experience and is leading to an imbalance in customer loyalty. Our research shows customers are almost a third, or 33% less likely to repurchase at the same dealership than the same vehicle brand.⁷

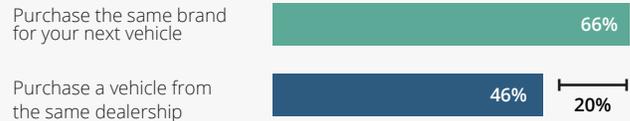
Redesigning the customer journey

So how should OEMs think about a reimagined customer journey—one that offers customers choice and a seamless virtual and physical experience that maintains the human element customers desire? First, it's important to understand how customers are feeling given the current landscape and recent experiences. There are **four themes that emerged from our research**; two are themes that existed prior to the current crisis, but are accelerated as a result, and two are holistically new due to COVID-19.

Applying these themes to key pain points in the customer journey uncovers opportunities for OEMs to rethink and reshape the journey (see below).

Customers are **1.2x more likely** to repeat purchase when they trust the brand.⁸ Helping dealerships improve customer relationships that are based in trust, specifically the trust they have for the brand, can result in more sales.

Thinking about the vehicle you currently own, how likely are you to...



Four themes emerged from our research

Accelerated by COVID-19

Empathy is table stakes

More than ever, increased simplicity, integrity, and compassion are expected from dealers and OEMs

Desire for self-empowerment

Confidence in the buying and servicing process is the result of providing customers the ability to control the experience

Directly attributed to COVID-19

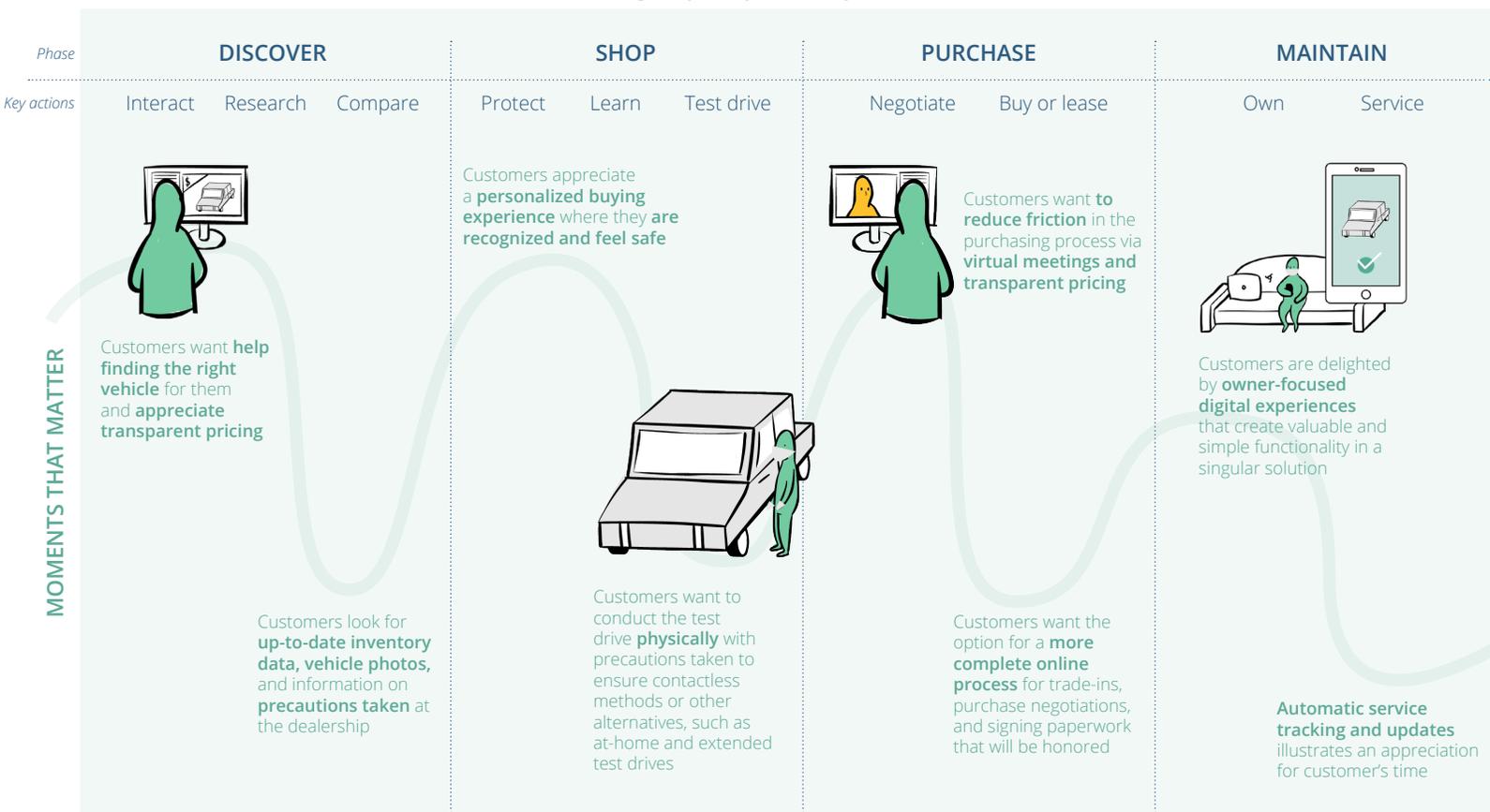
New definition of safety

Customers value and prefer their personal vehicle over other modes of transportation

Actions, not just words

A commitment to protect customer health is best conveyed by OEMs and dealers visibly taking action

Reimagined journey based on four themes



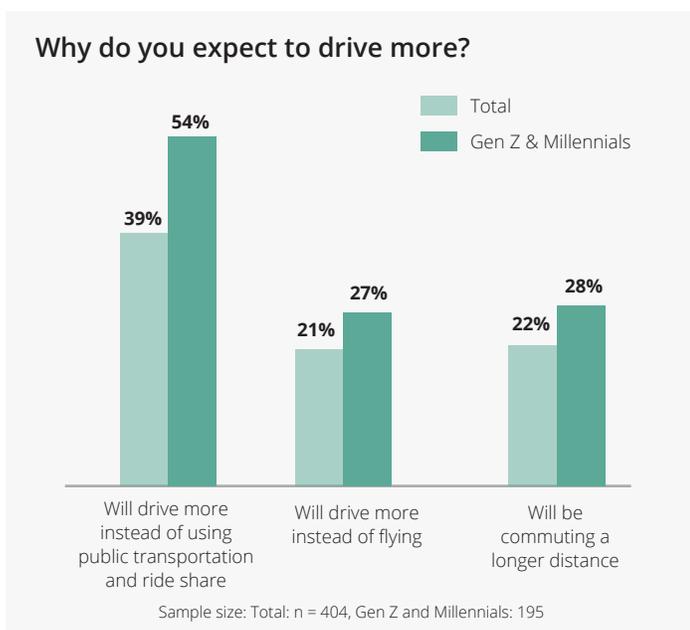
Discover: How might OEMs become a trusted source for customers?

Customers often start by going to third party websites. In fact, 80% of all vehicle buyers visit these research sites during their shopping experience.⁹ Once customers narrow their search, getting closer to a decision, they may then visit an OEM or dealership website, but are often left frustrated as they find a lack of transparent pricing, missing vehicle photos, or are left with inventory availability questions that require the additional step of calling or physically visiting their local dealership.

Ensuring a clear understanding of both costs and available incentives during search activities enables the customer to have more confidence and trust in the process. This is especially true now that COVID-19 has increased affordability pressures. Since the start of the pandemic, the percentage of customers planning to keep their current vehicles longer than expected has been increasing (29%)¹⁰. Yet, 52% are delaying the purchase or lease of their next vehicle.¹¹ Servicing delays are also having an effect, as 29% of customers are delaying service because they don't feel the dealership is a safe place.¹² An additional 49% have not received any communication from their dealership regarding service operations during the pandemic, and as a result, 20% have serviced their vehicle somewhere else.¹³

What could be different?

Consider the needs for first-time buyers: Millennial and Gen Z customers over-index in plans to reduce use of rideshare—the same group that propelled rideshare growth. **In 2019**, 46% of US Generation Y/Z ride-hail customers questioned if they needed to own a vehicle. Now a similar population is planning to drive themselves more.¹⁴ This could indicate a larger demand for personal vehicles from first-time buyers.



Provide more resources to help with pain points earlier in the journey: Customers desire educational features that explain automotive jargon, specifications, and processes for new buyers or virtual experiences that gamify and personalize the research experience. These resources could draw customers in and keep them engaged.

Simplify the experience: Ensure the website experience is fluid and doesn't require numerous clicks and buttons with unclear nomenclature to get to desired information. The OEM website is the place where customers should be able to find information on pricing and inventory availability for the exact vehicle they want. According to a **recent Deloitte report**, only 55% of customers believe that OEM websites meet their expectations.¹⁵ Having to jump between pages and sites to understand their options decreases the trust and confidence they have in the process. When auto customers believe a brand is transparent, they are more than **twice as likely** to spend more with the brand despite knowing of less expensive competitors.¹⁶

Partner with third party websites for visual merchandising: Offer solutions to ensure media assets for new and used vehicles—including window stickers, photos, and videos—are complete and up to date. OEMs should ensure third party websites accurately represent their brand and close any gaps in content disparity between third party sites and dealer websites. Make any movement between sites as seamless as possible by remembering customer choices, which can be as simple as not forcing selections for models or colors repeatedly on each visit.

Shop: How might OEMs heighten efforts to convert shoppers?

Customers desire a more personalized buying and servicing experience. This is certainly not a new trend, however with concerns over COVID, these needs are heightened, especially as it relates to personal safety. Customers look for signs of safety that they can see, smell, hear and feel. And this need for safety reassurance extends to the dealer workforce experience, too. In our research, **60% of customers and employees** stated the presence of visible cleaning efforts was the most important aspect of an in-person experience.¹⁷ In addition to safety and cleaning measures due to COVID-19, there are other interventions OEMs could consider to drive more showroom traffic—both digitally and physically.

What could be different?

Elevate cleaning and safety standards: Ensure dealers are representing the brand with the right level of sensitivity and authenticity. Consider establishing a branded certification for how sales and service employees should accommodate customers in

this new normal, so customers can confidently rely on your brand and the dealers that represent it.

Deploy workplace health safety tools like, MyPath™

to Work: To support sales and service employees in feeling confident as they elevate the customer's experience, OEMs should work with dealers on solutions to manage the new workplace health risks presented by COVID-19. MyPath™ provides enhanced workplace safety protocols, visibility into risk factors, agile response to changing health conditions, and engagement and support for the workforce.

Provide dealers with relevant and valuable customer

data: Beyond leads or shopping history, dealers value understanding the customer's priorities and needs. In this new normal, that could include capturing preferences for how the customer wants to engage, including how comfortable they are coming to the dealership.

Provide customers test drive choices: Rethink the test drive experience to better fit individual customer needs including pick-up and drop-off location of choice, letting the customer test drive alone, or extended test drive periods.

Purchase: How might OEMs utilize virtual tools to reduce friction and expedite processes?

Customers consistently have complaints and concerns about the final steps of the purchase process:

“There's a lot of waiting that happens when you're filling out all of the paperwork...Finance is this unfaced person who exists somewhere on the dealership floor, but you don't see them... Negotiating is a tactic they use to manipulate and scare you.”

— Christy, 33, Tampa, FL

Customers are yearning for ways to reduce friction and time with tools that provide a more complete and transparent virtual process for trade-ins, financing pre-approvals, purchase negotiations, and signing paperwork.

What could be different?

Implement transparent pricing: Trust is the basis for Elevating the Human Experience (EHX™). **Deloitte's HX TrustID™** measures four signals of trust. For auto industry customers, Transparency is the lowest of the signals¹⁸, leaving room for an OEM to become an industry leader by providing

customers with transparent pricing: What will their monthly payments be? What is an internet price vs. MSRP? What is the estimated total cost of ownership? Pricing information provided on a website should be consistent with what the customer is quoted from the dealer.

Incorporate virtual tools into customer contact methods:

Engaging with customers through virtual tools cuts down on the amount of work that customers feel is repeated when they get to the dealership. Virtual tools can create a **human connection** that customers desire.

Digitize the financing process:

Automotive Captive Finance partners could create a number of tools to help reduce financing anxiety and reduce the time customers spend in the dealership, such as: at-home virtual trade-in appraisals, and integrated financing applications with the ability for customers to electronically sign paperwork. And further, integrating this in a way that makes the process simpler and more transparent creates more trust with the customer. This is the starting point and opportunity to integrate the finance, rewards, and maintenance programs for customers, with owner-focused virtual experiences that create new functionality and enjoyment beyond the purchase.

Maintain: How might OEMs increase engagement with the customer for improved loyalty?

Continuing to engage with customers after the purchase is critical to building loyalty. While capability and reliability are drivers of purchase, humanity and transparency are opportunities to build trust with customers during ownership to **drive loyalty**. Every interaction during ownership influences their next vehicle purchase and ongoing loyalty and advocacy. Customers who trust that an automotive brand is transparent are 2.2x more likely to return to the brand despite a previous unsatisfactory experience¹⁹.

What could be different?

Activate transparency in service: Connected vehicles make it easier to be proactive with customer communications around service, but there are opportunities such as vehicle health reports, appointment scheduling integrated into ownership apps, transparent service pricing, or wait time forecasting that are seen as valuable solutions by customers.²⁰

Bring service to the customer: For customers who value time and convenience, consider offering choices such as remote service options, or a concierge that picks up and drops off the vehicle for the customer.

Delight with unique ownership perks: Drive loyalty and long-term satisfaction with a mixture of physical and digital ownership perks throughout the lifetime of ownership. These can include digital customization of new over-the-air updated features, unique invitations to exclusive in-person experiences, or services that enhance the brand ownership experience, like trunk package delivery.

Actively assist with the transition to their next vehicle: OEMs should set-up driver profiles that integrate with the owner app and connected vehicle data to personalize suggestions on the customer's next vehicle from satellite presets to seat, Bluetooth, and navigation settings.

Why this matters

The pandemic and the economic concerns it leaves in its wake creates a significant level of opportunity in the auto industry. Customers are ready for a more personalized experience—one that acknowledges their needs and provides them choice. They want to feel empowered and have control over the experience with greater transparency in the process. While many customers are comfortable with a fully digital experience, creating a human-centric experience that bridges digital and physical are what customers want most. It's worthwhile to investigate opportunities where virtual tools can create human connections. There is no one size fits all approach. Those who accelerate change and address the significant behavioral and emotional changes with a greater focus on transparency and empowering consumers across the journey will drive significant opportunity to increase share in an uncertain market.

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End notes

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