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GLOBAL EDITION

BENCHMARKER

DIGITAL TRANSFORMATION
OF AUTOMOTIVE RETAIL NETWORKS

A MESSAGE FROM FRED MINTURN

As previously announced, Patrick Katenkamp has joined MSXI as CEO of Retail Network Solutions (RNS). He is well-qualified to lead the RNS service group, bringing with him a strong background in the digital aspects of automotive retail networks. With more than two decades of experience in the technology, software and automotive industries, Patrick joins MSXI with a proven record of successfully leading international organizations. Since joining the company nearly three months ago, he has become well engaged in all aspects of the business. As the new RNS CEO, he will now also author this editorial section of the Benchmarker. I proudly hand over authorship to Patrick and look forward to reading the future editions of this publication.

FRED MINTURN

Group CEO and Executive Chairman, MSXI

DOWNLOADING DIGITAL OPPORTUNITIES IN AUTOMOTIVE

Digital technologies are not only changing our cars. They are also changing our behaviors. Take mobility, which is created by combining the words "mobile and ability." In a recent interview on leadership, digital transformation and disruption, Charlene Li, author of the groundbreaking, bestseller *Groundswell: Winning in a World Transformed by Social Technologies*, said:

"**Transformation** and **disruption** have something very interesting in common: they're both **human issues**, both human problems to be tackled, not technology problems."

Charlene Li

PATRICK KATENKAMP

CEO MSXI, Retail Network Solutions

I couldn't agree more. That is why this issue of Benchmarker is focused as much on the people using digital technologies as on the technologies themselves. Digitalization and the digitizing of processes is not a trend. It's a fact of life in today's business world. The automotive industry has already become a digital business but to truly move forward, digitalization has to be at the core of our DNA. Only then can we meet the expectations of connected consumers and serve the needs of automated and connected driving.

In this spirit, we will be looking at how digital transformation is changing every aspect of automotive retail networks – from parts and service to warranty, fleet sales, and customer engagement. We will also put GEN Y and Z under the loop to see what our next generation customers will be looking for in a driving experience. We will examine the role of the dealer in the digital age: it is no longer just about optimizing the distribution infrastructure, but about how to deliver the kind of relationship customers value. We will reflect on the impact of e-mobility and new types

of competitors on how automakers do business. And, of course, we will examine how to use digital technologies to create new revenue streams and cut costs.

Automotive has always reflected and been shaped by important social, cultural and economic trends. This includes how the industry approaches design, production, distribution, partnerships, and customer interactions. However, for the last 130 years, our business has primarily been an analog one – based on handshakes and contracts rather than bits and bytes. With predictive analytics and highly advanced technology platforms, the cutting edge of cars today is about designing an end-to-end value chain that fully

reflects the value of the customer over the financial ROI of car production. In our issue on Connected Cars we already talked about the vehicle as digital app.

In this issue we take a broader view of how the automotive business can use digital technology to be more agile, flexible, scalable and profitable. This is only possible if there is a vision and a robust organization-wide plan to roll out a digital strategy. It's not just about moving faster. It's also about thinking smarter. Building smarter. Offering smarter service.   And developing smarter relationships. The question is no longer "if", and the challenge isn't "when," but "how" you can set a path to embrace digital and reimagining what it means to build, sell and own – or share – a car.

PATRICK KATENKAMP

AGENDA

PERSONALIZED CONTENT

Personalized shopping cart recommendations influence **92% of shoppers** to complete a purchase.

92%
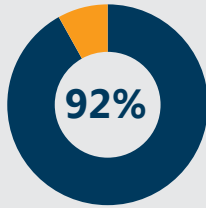
LIVE CHAT

51% of consumers say a business needs to be available 24/7.

MICRO-MOMENTS

82% of consumers consult their phones in a store when deciding which product to buy.

NEW SEO FACTORS

1 out 5 searches already come from voice queries.

CROSS-DEVICE MARKETING

41% of post-click desktop transactions, come from another device.

41%
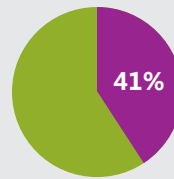
FOCUS ON GEN Z

Gen-Zers are expected to constitute **40% of all consumers** by 2020.

21 DIGITAL TRENDS

THE RISE OF VIDEO

79% of consumers would rather watch a video to learn about a product, than read a text.

INTERNET OF THINGS

$6 trillion

The total business spending on IoT solutions is expected to reach **$6 trillion by 2020**.

BIG DATA

$46.34 billion is the expected worth of Big Data by 2018.

THE 5G REVOLUTION

86% of executives claim that mobile technologies are critical to ensuring a good customer experience.

CHAT BOTS

The size of the **global chatbot** market in 2015 and 2024 (in million $U.S).

1,000	
750	
500	**2024**
250	
2015	
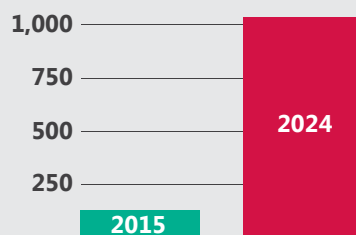
ARTIFICIAL INTELLIGENCE

75% of more than 200 business executives said AI will be actively used in their businesses within the next three years.

75%
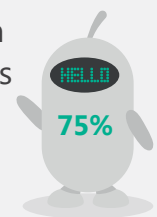
THE GROWTH OF AR & VR

By 2020 both VR and AR are expected to generate **$150 billion in revenue**.

MEASURING ROI

Email delivers the highest ROI in Marketing.

Bar chart categories: TV, Radio, Social, Video, Display, Paid research, Affiliate, Email
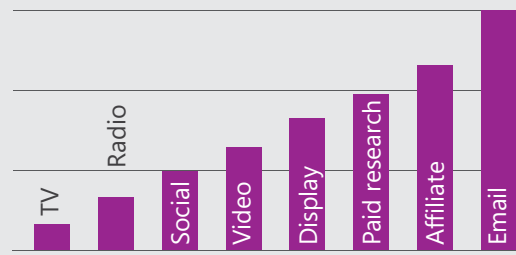
CRO & LANDING PAGES

Only 22% of businesses are satisfied with their conversion rates.

22%

SHORT-LIVED CONTENT

Number of daily Instagram users (in millions) after launching Stories.

Line chart y-axis: 0, 125, 250, 375, 500
x-axis: Oct'16, Jan'17, Apr'17, Sept'17
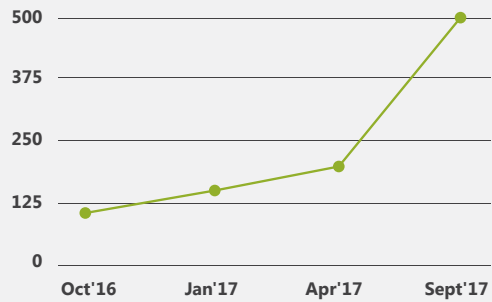
FOR 2018

SOCIAL COMMERCE

% of internet users who use social media to find Stories.

Bar chart y-axis: 0, 10, 20, 30
x-axis: 2015, 2016, 2017
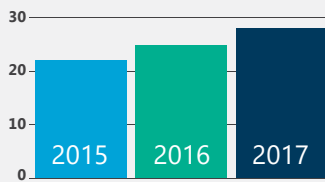
THE POPULARITY OF MOBILE PAYMENTS

Total revenue of **global mobile payment** market from 2015 to 2019 (in billion $U.S).

Line chart y-axis: 0, 275, 550, 825, 1,100
x-axis: 2015, 2016, 2017, 2018, 2019
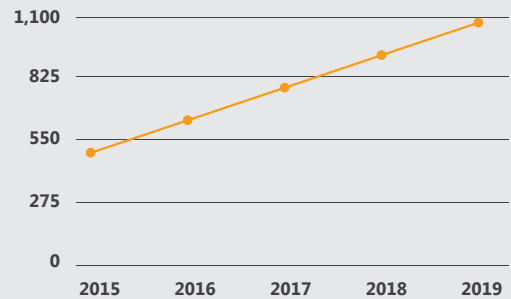
OPINION LEADERS

70% of millennials are influenced by the recommendations of their peers in buying decisions.
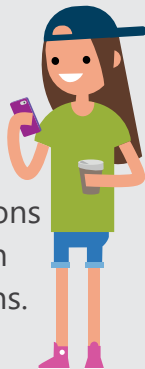
PRIVACY PROTECTION

55% of consumers said they had decided against buying something due to privacy concerns.

55%
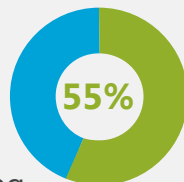
USER-GENERATED ADS

The UGC-based ads get **4x higher** click-through rates.

Normal ad — UGC ad

Sources: Liana Technologies, 1) Retail TouchPoints 2017; 2) KPMG 2016; 3) Wyzowl 2017; 4) Collective Bias 2016; 5) The Economist, Intelligence Unit 2017; 6) Algoworks 2017; 7) Business Insider Nordic 2017; 8) VentureBeat 2016; 9) Forbes Insights and Huawei 2015; 10) Search Engine Land 2016; 11) Ubisend 2016; 12) Statista 2017; 13) Google/Iposos 2015; 14) Shopify Blogs 2015; 15) Statista 2017; 16) TechCrunch 2017; 17) GlobalWebIndex 2017; 18) Fast Company 2015; 19) Criteo 2017; 20) WordStream 2017; 21) Statista 2017.

/Autonomous
/Sensing
/Communication
/Battery
/Navigation
/Mirrorless
/Ecology

100m

48 mph

/Autonomous
/Sensing
/Communication
/Battery
/Navigation
/Mirrorless
/Ecology
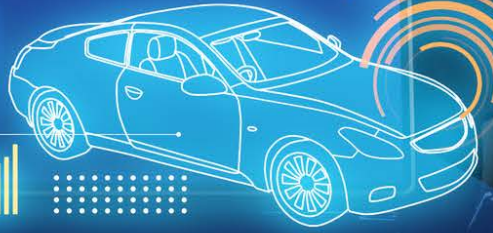
DIGITALIZING IS DRIVING EXPONENTIAL CHANGE IN THE AUTOMOTIVE INDUSTRY

The automotive industry has already set its wheels in motion to provide digitally enhanced customer experiences. It is also making great strides in smart factory automation, where we have seen levels of automation rise in the last two decades to approx. 75% automation in many plants with outputs increasing by up to 8.5 times from the early 1990s. Harder to accept is the mindset shift necessary at all levels of a retail network to move away from a century old automotive retail business model, in order to meet the challenges the future will bring.

By 2020, almost **70% of annual auto sales** will be digitally influenced.

Source Bain & Company / Facebook - Changing Gears 2020

OEMs can no longer afford to solely focus on their dealerships to generate revenue and deliver on brand value. They have to explore new opportunities for direct-to-consumer sales and expand their horizons by forging partnerships with traditional and disruptive external players in the market. It's a bit like steering the Titanic. There's a lot of weight on board during a time when agility and speed are critical to get through the storm.

What role will disruptor companies play in the future?

New types of service providers are entering the scene. This includes supply chain partners like parts suppliers, but also digital companies enabling omnichannel retail. Strategic partners like MSXI can provide OEMs and dealers with unique advantages such as quantifying retail performance and earmarking solutions for increasing profit, despite a growing need for OEM investment in digital technology. Companies like Tesla are claiming market share in the electric car space. Consumer electronics and online specialists like Apple and Google are rumored to be exploring ways to transfer

PIETER VAN ROSMALEN

Global Vice President and Chief Product Officer

As Chief Product Officer for MSXI since February 2018, Pieter van Rosmalen leads a team focused on two essential activities: Product and Partnership Development; responding to the key trends of digitalization, connected car, and mobility that are driving change in our industry. Pieter was the Vice President of Retail Network Solutions at MSXI from March 2011 until 2018 and he previously served as Vice President Retail Network Solutions for Europe and Asia Pacific. He can be reached at **pvanrosmalen@msxi-euro.com**.

their digital knowledge into vehicle production. Mobility services are on the rise with companies like Car2Go offering alternatives to purchasing a vehicle. It's a lot to keep pace with particularly in a time where OEMs have to build a sustainable business model different from anything they've ever seen before. At MSXI we view this as the most exciting change in car history since its inception.

Major trends that will effect the auto industry

OMNICHANNEL RETAIL	CONNECTED CARS	SHARED MOBILITY SOLUTIONS	AUTONOMOUS CARS	ELECTRIC CARS
Customer Centric	**Connected**	**Shared Mobility Solution**	**Autonomous**	**Electric**
■ Battle for online customers has emerged, focusing on creation of an "outstanding overall customer experience"	■ Connected cars provide new means of interaction with the driver ■ Generated data is key to Data Analytics and related new Business Models (e.g. predictive maintenance)	■ Changing mobility needs and mobility behaviour, especially in urban areas ■ Transformation from OEM to mobility provider ■ "Car as a Service"	■ 2-5% of new vehicles in 2025 with L4/5 autonomous ■ 25-30% L4/L5 in 2035, 8-10 % of which are L5	■ 10-15% of vehicles will be Battery Electric (BEV) in 2025 ■ Basis for new (metropolitan) business models

Source: MSXI research

Four steps to leveraging digital to improve your retail organization

Step One: Make the automotive industry a "great place to work." For years OEMs and dealers have been attracting top talent with university degrees based on their brand equity alone. Many of these people are great salespeople with a lot of experience, but they have to be retrained to engage with customers differently, using digital technologies and selling mobility service packages instead of just a car. At the same time, young talent needs to be convinced that working in automotive offers them a dynamic workplace with full digital capabilities and the chance to make a difference in the future of mobility.

Step Two: Increase speed and agility. OEMs have well-established management structures not designed for quick changes. By contrast, most companies today launch an 80% developed solution which they adjust as they move forward. To be equally agile, OEMs will have to establish a performance-based dynamic environment with better, more timely and smarter decisions at all levels of the organization.

Step Three: Leverage the power of data. Data is king – deep learning, machine learning, artificial intelligence. It enables customer-centricity and can be used predictively for R&D and production. In many cases data infrastructures are already in place and many OEMs have recruited in-house data scientists to build and manage them. Or they are partnering with IT specialists or external intelligence companies. The more difficult challenge is making data transparent to everyone in their retail organization through standardization and centralization and making it actionable. This requires the right technology, employee training, and a strategic omnichannel digital strategy. However, in the future when everyone has mastered the data revolution, technology alone will no longer be a differentiator. People will be. They are the ones who listen to customers and understand their problems. They are the face of your brand. But with the right customer and vehicle data they can be your brand ambassadors – a key differentiating factor.

Step Four: Create new revenue streams. OEMs will have to invest enormous amounts of money in new infrastructures to get the first dollar of revenue back. Particularly in the short term, OEMs will have to continue to invest in the research, design and production of new powertrains as well as components and functions accompanying the rise of digital services and connectivity systems. Analysts claim OEMs are spending as much as 20% more for parts than for previous generations of cars. Return on capital is therefore a big issue. In order to offset investments and increase revenues in the future, OEMs will have to put more emphasis on alternative revenue streams such as mobility packages, pop-up stores, events using virtual and augmented reality technology, and online direct-to-consumer buying experiences. These issues are discussed in detail in other articles in this issue of Benchmarker.

Digitalization is the biggest technology transition in history

OEMs have no choice but to embrace their digital destiny or others will do it for them. Partly this is a mind shift. Moving away from established norms and excessive conformity. Tempering anxiety about change among employees by involving them in the change process.

"Technology is nothing. What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them."

Steve Jobs, CEO Apple Inc

Creating urgency around innovation by building a culture of intrapreneurship. Accepting that your organization no longer works in isolation but that digital requires horizontal partnering both within and outside the industry. Making digital an integral part of the fabric of your organization.

At MSXI we are helping many OEMs with concrete solutions such as how to save money by digitalizing warranty management, how to digitalize technical support, or how to find new ways to do parts wholesale, which are more e-commerce oriented. We are working with them to eliminate data silos between dealers and OEMs so they have a clear view on their fleet and mobility businesses. We are also sharing our expertise and technical tools to enhance retail performance management using quantifiable data programs which deliver a high return on assets.

Think about it: Just 10 years ago, there was no such thing as a smartphone. Today no one leaves home without it. The same is going to happen in mobility. The stakes are high but by evolving your organization to be more digitally competent, the return is equally high.

Automotive Digital Retailing

VISION 2020

Reimagine customer journey from pre-sales through sales to aftersales.

OEMs and ecosystem participants will develop online and offline touchpoints. Create an enhanced omni-channel customer experience.

Redefine showroom experience focusing on economics and regional markets (Audi city concept will not suit for all regions).

Capability building at dealerships – Focus on front line sales and service followed by dealership principals and digital consultants leveraging AI, VR, gamification, etc.

OEMs will build eMarketplaces to retail cars, parts and provide service aggregation platforms.

Source: Frost & Sullivan

AUTOMATION AND ANALYTICS: KEY TECHNOLOGIES FOR THE DIGITALIZED DEALER

Over the last few years, we have seen significant advances in the development and use of new automation and IT technologies. This has had an impact on all automotive operations from production through to how business process solutions are designed and delivered. The challenge remains being able to continually simplify and make that technology accessible at all levels of your retail network. This requires unlocking data that has previously been stranded inside machines and processes as well as better pinpointing opportunities to automate decision-making and gain insights. Maximizing digital from design-to-dealer also requires an open mind for emerging technologies, transformative business models, and new forms of collaboration internally and externally. At the same time, it is business critical that OEMs leverage their existing legacy assets. It's not about replacement, it's about evolution. A good first start is understanding what's going on, what's available, and determining where best to focus your resources.

Digitalization has to extend to the core of your business

Robotics accelerate the transition to lean design processes by introducing as much automation as possible inclusive of skill-based routing and escalations. All binary processes with an established rules base can benefit from automation including the time it takes to open up new pricing models, KPIs and Service Level Agreements.

Growing **digitalization** and advancements in technology will increase automotive industry investments to **$82.01 billion** by **2020**.

Source: Frost & Sullivan

Companies that add advanced analytics to the mix can also more quickly identify production inefficiencies, compare quality against manufacturing conditions and better identify potential safety, production or environmental issues. Advanced analytics like machine learning also allow you to identify patterns in data and processes that are too nuanced for a human to pick up. As you move through your cycle of machine learning the system will progress its understanding of how business rules can be constructed.

> "The goal is to turn **data** into **information**, and information into **insight**."
>
> Carly Fiorina, Former CEO of HP

However, you can't just bring in robotics or analytics experts without domain knowledge. They need to have a deep understanding of your business processes and goals and your digital mandate has to connect front and back office systems. If you want to improve digital service offerings you won't get far unless digitalization goes straight to the core of your retail network.

BRENDAN WALSH

Global Vice President and Chief Digital Officer

Brendan Walsh was named Vice President and Chief Information Officer at MSXI in April 2013. In this role, he is responsible for global information technology strategy and operations as MSXI continues to identify means by which technology based solutions can differentiate the company in the marketplace, and create value for customers and shareholders. He can be reached at **bwalsh@msxi.com**.

The building blocks of real time customer service

Automation and analytics are also the building blocks of delivering real time services to customers such as technical help desk services, warranty prior approval decisions, or parts recommendations. The resulting speed and accuracy promises a better service experience for the customer and a better financial return for the dealer. Ideally, digital processes should close the gap between services; building new relationships between parts and warranty, technical helpdesk, and fleet management, as well express service and customer engagement. Correlating these data streams allows planners and analysts to see where data and insights converge, enabling more seamless planning and personalized service offers. What OEMs cannot afford is to rip and replace existing legacy systems. This is both cost and time prohibitive at when they have huge existential competitive threats in the realm of customer facing issues like mobility and omnichannel marketing.

At MSXI we prioritize solutions that do not require OEMs to change but allow them to build the advantages of digital advancements into existing systems technologies. Unfortunately, although OEMs have a lot of data, they often lack the bandwidth or technology to interrogate it effectively. Outsourcing to those who can come in handy here. MSXI has built robotics solutions in warranty that are already in production today. We have migrated millions of lines of parts and warranty data into our big data solutions – allowing our data scientists to interrogate the data to test hypotheses and find patterns. We are combining this data analytics interrogation capability with data visualization technology to make data patterns visually apparent to our customers.

Data Analytics Trends

Internet of Things (IoT) · Artificial Intelligence (AI) · Augmented Reality · Graph Analytics · Agile Data Science · Hyper Personalisation · Machine Intelligence (MI) · Behavioural Analytics · Journey Science · The Experience Economy

DATA ANALYTICS TRENDS

Source: Spring People

Breakdown of automotive OEMs' value pools along the value chain in 2025

Research and development
Use of vehicle usage data for R&D optimization

8 (7%)

Procurement[1]
Advanced spend intelligence

22 (15%)

51 (4%)

Supply chain management
Autonomous guided vehicles

22 (0,9%)

9 (12%)

61 (15%)

Manufacturing
In-line quality measurement by vision or sound

Sales and marketing
Reduction of discounts on vehicle
Next-product-to-buy prediction

8 (0,3%)

5 (5%)

Aftersales and services
Pulling customers to licensed garage for service and spare parts
Assortment and storage level optimization for spare parts

17 (19%)

Support functions
Automated processing of invoices with natural language processing

12 (0,5%)

Driver/vehicle features
Autonomous obstacle avoidance and next-generation navigation

● **Value potential from bottom-line effects**
$US billions (as share of through AI costs in corresponding part of the value chain)

● **Value potential from top-line effects**
$US billions (as share of total revenue)

Part of the value chain
Example for optimization $US billions (as share of through AI

[1] Includes direct and indirect spend

● **+** ●

Σ ~ $US 215 bn

=9 EBIT percentage points or an average annual productivity increase of approximately 1.3%

Source: McKinsey

Unlocking the possibilities of automation and analytics in the future

Looking ahead, OEMs are going to receive more and more data, particularly from connected cars. Managing that data can be expensive if you don't know what you are looking for – and also time intensive at a time when speed really counts. Outsourcing to data specialists with no automotive experience can accelerate negative impacts. It's important that your partners understand your KPIs, where the pain points are in your retail network, and how automotive customers tick. Solutions should prove to reduce fixed costs and sales expenses while uncovering new profit niches and delivering a measurable and quick ROI. Implementation time should be measured in weeks – not months. It should be possible to mine and manage existing data – e.g. from parts and services or technical support – as well as make it possible to effectively gather new data. The winners in the market will be those who take advantage of best industry expertise and digital know-how. If you are weak in any one of those areas you can't unlock all the possibilities. You need a partner who speaks your language to stay on course in a rapidly changing market – fluent in digital and automotive retail.

FINETUNING THE WARRANTY PROCESS DIGITALLY

Digitalization is opening up new opportunities in warranty management. Traditionally, OEMs have reacted to warranty claims. A customer noticed something wrong. A claims process was manually initiated which included established strategies for approving claims and controlling costs. Today's digital technologies offer much greater potential for predictive strategies that result in case and cost avoidance.

Fully **digitalized warranty process** generate up to **60% savings** on operational costs.

Source: MSXI research

Predictive analytics allow us to mine vehicle and driver data for information about early warnings and quality control issues, as well as providing valuable information for analyzing failures and contributing factors to warranty costs. New digital technologies such as automated robotic systems offer a unique model for accelerating implementation with significant reductions in time and effort. Warranty management is at a tipping point. What has long been a people driven process is becoming a digitally driven one. However, to get digitized warranty processes up and running, OEMs have to embrace business processes that create collaboration across all departments. MSXI are warranty specialists and we have identified several ways OEMs can step up their organization's warranty claims processes and management.

Six steps from chaos to competitive advantage

Warranty claims have impacted OEM revenue between 2003 and 2015 by as much as 3.3%. Quality alone will not drive down costs. Nor will technology alone. OEMs need an integrated digital approach.

MIKAEL WEPSALAINEN

Global Director Warranty & Technical Products

Mikael leads the MSXI Warranty and Technical Product function responsible for developing and positioning the full range of MSXI products. He has a deep passion for the current automotive development towards the future and the innovations required to support this development. Mikael works alongside the organization's sales and operational teams helping them add value to a growing global client base. He is based in Gothenburg, Sweden and can be reached at **mwepsalainen@msxi-euro.com**.

1. Use Robotic Process Automation (RPA) processes to manage warranty claim assessment as soon as claims are entered into the system. This machine learning technology automatically tells you which claims can be processed immediately and which claims require additional information. Digitally tracking and managing recalls and fast track pre-approval also

Technology Model

Enhance backlog selection using a dynamically evolving scoring system.

OEM Claim System

Scored Claims

MSXI Data Warehouse

External data sources to improve selections

Machine Learning & Monitoring Platform

SMART Backlog

Constantly evolves scoring models Monitors Accuracy

MSXI can supplement existing data with additional feeds to deliver an even smarter experience to customers.

Claim Services
(Each service supplies weighted scores)

Vehicle Failure Predictor

Claim Anomaly Detector

Flawed Claim Warning

Source: MSX International

helps you standardize warranty coverage for any product failure as well as minimizing the accruals.

2. Act like an insurance company to get warranty costs out of the P&L and balance sheet by using predictive analysis to make a more informed decision about potential repair issues and adjust warranty costs accordingly.

3. Manage warranty as part of a total customer experience strategy by mining vehicle and driver data

Warranty bill reduction **of 0.5%** respresent **247M euros.**

Source: MSXI research

to help you predict what warranties you can avoid with integrating diagnostic data and proactively use available information, as well as integrate to customer care center to avoid warranty e.g. System/Remote SW download. Diagnostic trouble codes give you advanced warning of imminent repair issues even before a customer notices them. A professional courtesy call from a dedicated customer care center goes a long way to improve the customer experience.

4. Reduce repair and servicing times by ensuring up-to-date information is always at mechanics' fingertips via a customized database of vehicle information. At MSXI, we are working on solutions that utilize car history and real time data from the car to guide mechanics through the diagnosis and repair. This will have a direct impact on warranty costs.

5. Predict the impact of warranty/risk decisions by integrating data across your organization including the vehicles or components you sell, warranty terms and condition, spare parts, sales transactions, purchasing prices, diagnostic guidance, and supplier information.

6. Involve your dealers in a proactive way by involving them in the planning process, synergizing payment processes and automating the decision process, so they are freed up to handle other challenges.

Warranty should be a cornerstone of your business strategy

Sweeping improvements in technology call for a well thought out and implemented digital warranty management system. However, the same technology that makes the market so complex can also be turned to your advantage. By developing strategic partnerships with new types of partners such as phone, internet and BPO providers. By building a centralized and standardized digital infrastructure based on predictive analytics and capable of managing multiple channels and a variety of technologies and platforms. By considering the needs of customers and stakeholders in the warranty process. By understanding that this is a business and not an IT decision. And finally, by taking the pressure off your dealers by allowing technology in the door – the future of warranty management will be a collaboration of man and machine. A bit like the driving experience itself.

Warranty cost % of global revenue

Legend: Premium, Volume USA, Volume EU, Volume Asia
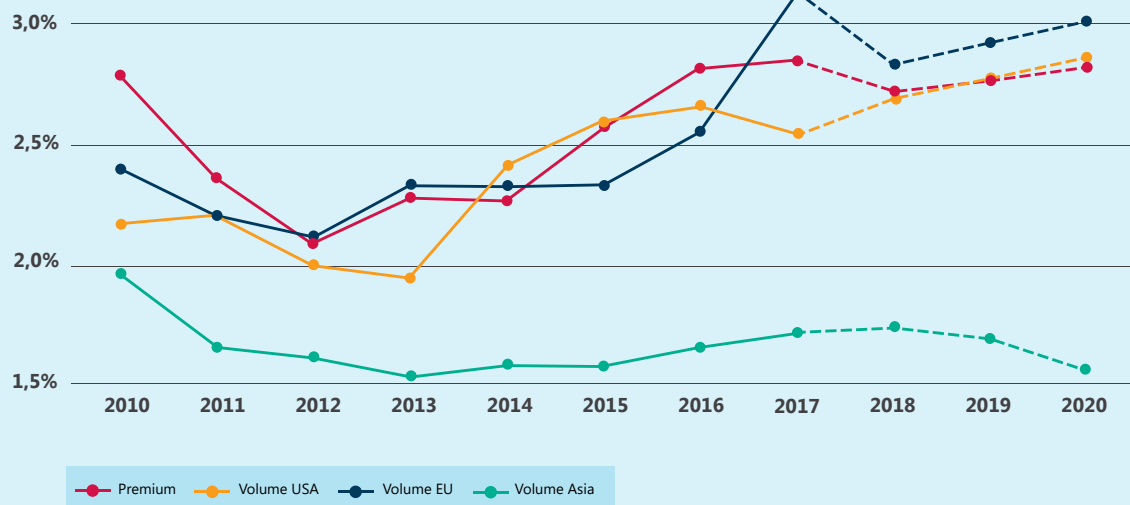
Source: MSXI research

DEVELOPING AN INTEGRATED "BRICK AND CLICK" CUSTOMER EXPERIENCE

Dealers must become as "**efficient as Amazon**," as "**enjoyable as Apple.**"

Source: Autonews - Redesign the industry – Don Flow CEO Flow Automotive

The convergence of physical and digital retail environments is positive for both OEMs including their dealer network and their customers. The fusion of these two spaces provides automotive brands with more granular information about customer behavior and how they prefer to communicate. Adopting a "brick and click" omnichannel strategy has already been shown to deliver in terms of increased revenue and brand loyalty.

An article in the Harvard Business Review reported that omnichannel customers spent on average four percent more in-store and 10 percent more online over the course of 14 months than customers who used only a single channel. The key to success is channel integration to provide a more cohesive brand experience.

A segment of one – building more personalized offers

Automotive retail has to operate at the speed of the customer with a high level of understanding of customer expectations. The more data you have the better you can personalize your communications. Where is the customer in their purchasing journey? What channel formats do they prefer? How can I best deliver the right message at the right time, in the right format with speed and convenience? Given the high level of competition for customer attention in today's digitalized world, relevance has become even more important. Instead of broad customer segments you need to think in segments of one. This of course relies on the quality and accuracy of your customer data,

and your ability to understand and act on that data. Securing buyers' interest, trust and loyalty also requires a more cohesive brand experience at every touchpoint. It is crucial to analyze and improve retail network omnichannel feasability, but because the automotive landscape today is so complex, it can be hard to actually define the scope of your omnichannel strategy.

"The biggest part of our **digital transformation** is changing the way we think."

Group CIO at Chubb Group of Insurance Companies

This requires eliminating silos between sales and aftersales, between dealer and OEM data pools and between print and digital communications in order to deliver holistic mobility offers. In that way you create a symbiotic rather than a cannibalistic business approach that benefits everyone.

The OEM dilemma: digital is only one piece in the puzzle

With so many channels at our fingertips, the danger is to become myopic – treating customers' digital experience as separate from their physical one. Instead digital has to be infused across everything in the organization. One strategy that MSXI has been working on with OEMs revolves around the development of Business and Brand Development Centers (BBDCs).

DIRK BOTT

Vice President and Global Account Executive

Dirk joined MSX International in May 2012. In his current role he oversees global sales and contributes to the growth of large OEM key accounts such as BMW, Mercedes, VW Group, Geely Group and others. In his over 20 years' experience, prior to his engagement at MSXI, he had different VP roles at European OEMs in Sales, Product, MI, Training and Strategy in various regions like China, USA, Europe or Global. Dirk can be reached at **dbott@msxi-euro.com.**

Omnichannel experience
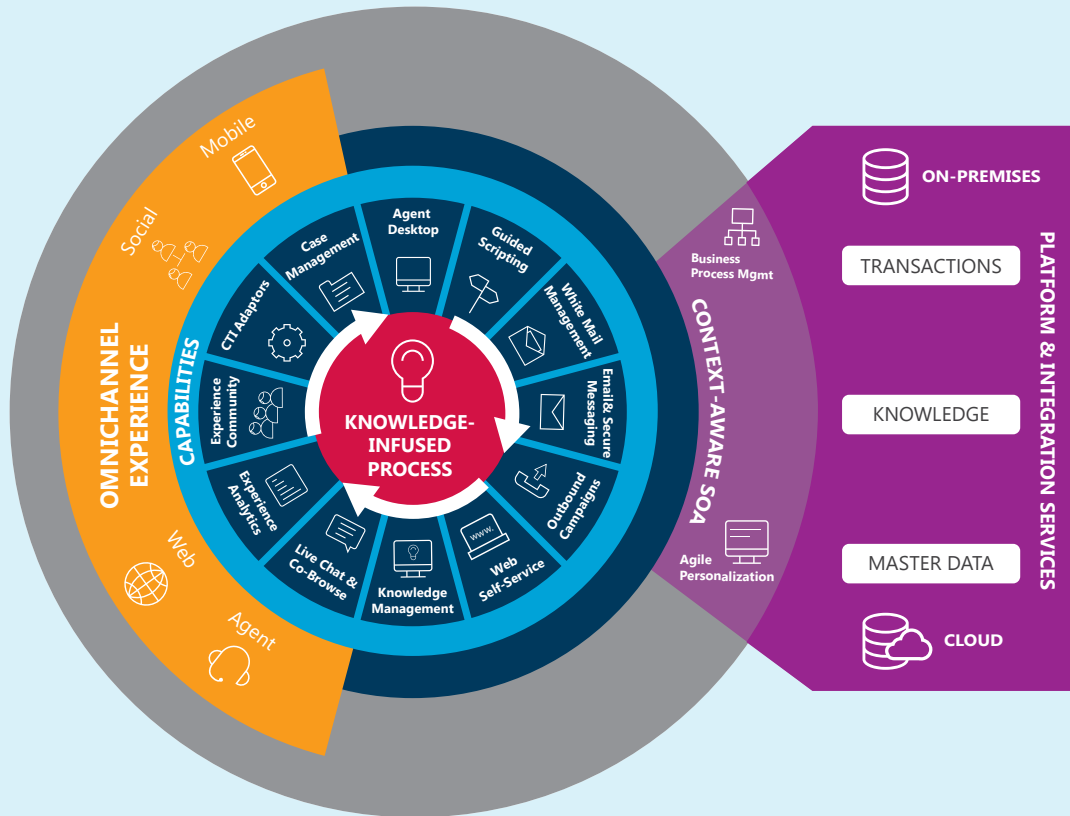
Source: SheerID Three companies doing Omni-channel the right way

Although about **90 percent of retail purchases** still take place in a physical store, digital now influences **64 cents of every dollar** of those in-store purchases.

Source: Centric Digital – LLC 2017

These are customer care centers that house technical and warranty support, mobility services, express service, delivery services, online parts ordering services, workshop booking, etc. all in one place. Consolidating every aspect of your omnichannel customer experience in one dedicated location maximizes the value of vehicle and customer data

and provides OEMs with a better overview of their omnichannel activities. Pulling this off requires new training efforts across your retail network. For example, we train national sales companies to better understand social media and new roles in order to cascade the OEMs digital strategy to national and local levels – through a single point of contact at the BBDC. Consolidation also allows for more targeted testing of new strategies and return on investment. And it ensures that your customers are not being serviced in a purely automated way. Sure, everyone is digital savvy, but at the end of the day, when customers need real help, they want to be served by real people. Assisting and educating has become as important as sales.

Step out of your comfort zone and embrace change

The threat of new disruptors causing an upheaval in the automotive market space is real. The response to that threat requires investment in both digital and physical assets, since all research shows that customers want both channels to operate seamlessly. The first step to moving forward is to do an analysis of your network. How prepared are you to satisfy customers? Do you have dedicated resources for the development of an omnichannel strategy? Are you using social media? Is your online

presence integrated with your dealership presence? Are you training your people to make use of the opportunities offered by digitalization? What digital trends are most popular with your customers? Once you have answered these questions, you also need to consider how to measure conversions with ROI. For dealers, profitability is a real issue. There needs to be a clear breakdown of the customer buying experience, from online to actually selling the car or the mobility service.
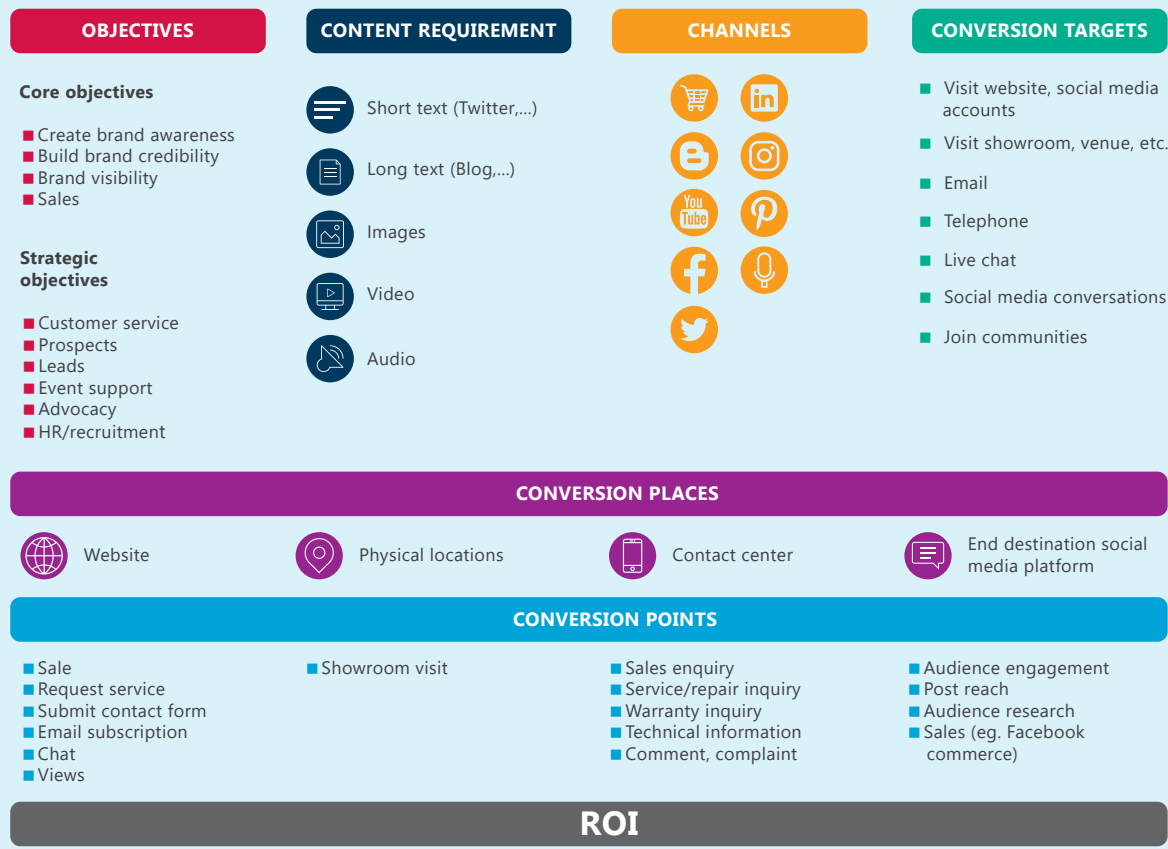
Think beyond digital: replace silos with a vibrant ecosystem

The ultimate goal is integration. OEM retail networks of course need to acquire digital skills that rival those of disruptor companies coming from the digital space. They also need to adjust their business models to incorporate OEM direct sales channels. Ultimately, long-term success requires tapping into the best of both worlds – brick and click. This is complex and requires a leadership team to help guide integration. It's not enough to hire a chief digital officer. Everyone has to get involved. Oren Harari from the University of San Francisco once said: "The electric light did not come from the continuous improvement of candles." Likewise, digital integration will not come out of the continuous improvement of your website. Digital technology transcends all. Finally, when planning your integration strategy, think about your next customer, not just your current one. In Mary Meeker's *Internet Trends 2016* report, she showed that the popularity of business channels flips completely from generation to generation. That means that any strategy you launch today has to be designed with an eye to the future.

What Digitizing the Retail Environment Enables

OBJECTIVES	CONTENT REQUIREMENT	CHANNELS	CONVERSION TARGETS
Core objectives ■ Create brand awareness ■ Build brand credibility ■ Brand visibility ■ Sales **Strategic objectives** ■ Customer service ■ Prospects ■ Leads ■ Event support ■ Advocacy ■ HR/recruitment	Short text (Twitter,...) Long text (Blog,...) Images Video Audio		■ Visit website, social media accounts ■ Visit showroom, venue, etc. ■ Email ■ Telephone ■ Live chat ■ Social media conversations ■ Join communities

CONVERSION PLACES

Website	Physical locations	Contact center	End destination social media platform

CONVERSION POINTS

■ Sale ■ Request service ■ Submit contact form ■ Email subscription ■ Chat ■ Views	■ Showroom visit	■ Sales enquiry ■ Service/repair inquiry ■ Warranty inquiry ■ Technical information ■ Comment, complaint	■ Audience engagement ■ Post reach ■ Audience research ■ Sales (eg. Facebook commerce)

ROI

Source: MSX International

RETAIL PERFORMANCE MANAGEMENT IN A DIGITAL WORLD

Everywhere you turn things are being digitized – how we travel, the products we buy, how we pay for them. The trend is sweeping the world and automotive is at the forefront with connected cars and connected retail. Many OEMs have already made great leaps in harnessing the benefits of digital technology to create more engaging and personalized customer experiences.

Customers typically switch **4 times** between **online** and **offline channels** and want to move seamlessly among them.

Source: Bain Global Automotive Consumer Survey, 2017

However, while it appears seamless to the customer, there exists a complex mix of digital data exchanges, new learning and development requirements, and new retail business models. Different vendors have entered the scene, and both OEMs and dealerships struggle to balance demands of both the physical world of the dealership and the digital world of online shopping. Tapping into this new retail market requires using big data and advanced digital analytics to inform and personalize customer offers.

Today the customer is driving the shopping experience. They can choose between multiple touchpoints in an omnichannel environment spanning multiple geographies and devices. Many of them will never even visit a dealership to purchase their car. NowCar already offers such a service in the US – configure, finance and insure your car online and have it delivered directly to your door. Those that do show up to a dealership want less sales and more consultancy services and infotainment. Five years ago, we were talking about this as the future. Today this has become "car shopping as usual".

TOM RING

Global Director Retail Performance Management Products

Tom Ring joined MSX International on 1st January 2018 in a newly created global function responsible for Product Strategy and Development in Automotive Retail Performance Management. In this role, Tom is responsible for providing strategic leadership, development and execution as well as driving the implementation of strategic Retail Network Performance initiatives. Tom is a multinational automotive professional with 28 years of automotive retail experience, including 18 years at senior management and Board level in national, regional and OEM organizations in seven different countries. Tom is a Finnish citizen living in Cologne, Germany – holding an MBA in business administration and speaking 6 languages fluently. He can be reached at **tring@msxi-euro.com**.
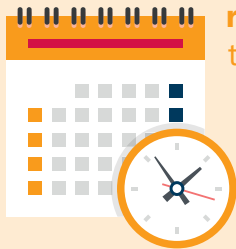
For more than **40% of customers**, friends and family are **most trusted** influencers in car purchase

More than **60% of customers decide on brand, model and price** before visiting a dealership

☑ **brand**
☑ **model**
☑ **price**

With only **9 weeks** from **research to purchase,** time is of the essence

Offering **online purchasing** is a must, **more than 25%** of customers are potential users

Source: Bain Global Automotive Consumer Survey, 2017

Digitalization is revolutionizing automotive retail

OEMs have traditionally seen themselves as designers and manufacturers of cars. It was up to the dealership to establish customer relationships and to move the car from the lot. In the digital age, OEMs now have a bigger role to play in ensuring a positive customer experience across all communication and sales channels. This includes integrating data processes across their retail network responsible for managing customer and vehicle data. It means hiring people with telecom and data skills. And it means implementing strategies for getting closer to their customers. Obviously, dealers cannot be online 24/7 to answer customer queries on a Saturday night in an automotive chat room – this service will have to be the domain of OEMs and/or outsourced vendors.

Almost **50%** of car buyers begin **online.**

Source: Bain Global Automotive Consumer Survey, 2017

If data is the new capital, OEMs are going to have to work hard to secure rights of ownership. The good news is that the data is already there. The bad news is that much of it lies dormant due to data silos or lack of a centralized data infrastructure. It's a matter of putting it to work and transforming it into insights capable of informing marketing efforts. In Europe some OEMs have already begun the process of ensuring that future customer and vehicle data stays in their hands, by renegotiating customer data contracts with their dealership networks.
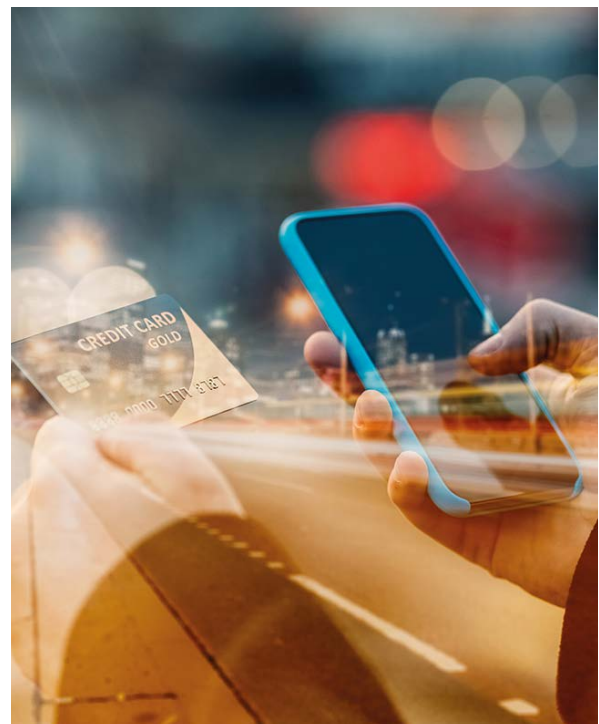
Direct sales will change the relationship between dealers, OEMs and their customers

In the future even more people will bypass dealers altogether in purchasing vehicles. Capgemini's Cars Online Report 2016 reported that 72% of customers are willing to buy a new car online and 57% of customers indicate a preference for buying their cars directly from the OEM. Furthermore, new market

research indicates that 93% of drivers use some form of digital process to research their buying preferences with two-thirds of them initiating the process online, including consulting social media.

To remain lucrative, dealerships will have to reposition themselves as experts in Mobile as a Service (MaaS) packages and customer-focused aftersales services. This includes new business models for moving vehicles such as offering vehicle subscriptions (Cadillac and Porsche are already doing this in North America) and innovative in-house financing and insurance services. And they will have to invest in becoming the go-to-partner for connected car consumer education. Finally, smart fleet strategies can open up new revenue streams in the age of commercial and private car-sharing initiatives, the topic of another article in this issue of Benchmarker.

Three pillars for successful retail performance

At MSXI we have identified three pillars necessary for successful retail performance: profit, process and people. By reducing fragmentation and providing consistency in all three of these areas, you can drive the overall health of your retail business. Improved profitability for dealers is measured by calculating when the financial return earned from the dealership business is substantially higher than the risk-free rate, thereby enhancing franchise value, and making the business attractive for the business owner. Improved processes are measured by the
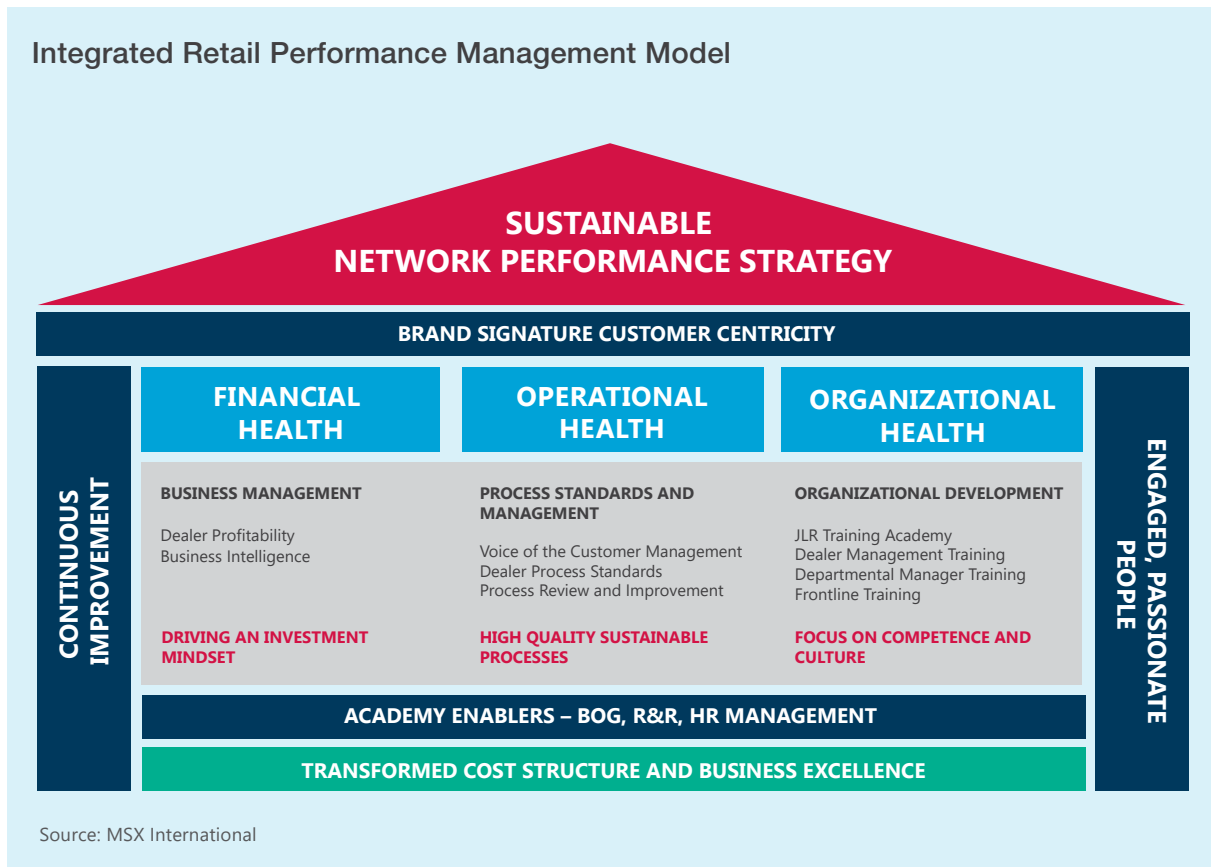
efficiency of dealership operations, whereby the business retains a higher percentage of its gross as compared to peers, leading to an attractive return on investment for its owners. As Artificial Intelligence and Machine Learning becomes more accessible, the next logical step will be to tap into the RPM data lake to further customize competency training.

Embrace the digital opportunity to boost retail performance

Capturing the opportunities in automotive retail and enhancing retail performance requires both strategic and conceptual development, as well as digital implementation across your retail network. We support OEMs to create future retail models that include data management and analytics, retail competency training, and solutions for managing online and offline retail formats. The future of retail performance is a bit like a roller coaster – closing your eyes is never a good idea. The best way to enjoy the ride is to throw yourself into the experience and trust in the technology.

With an average of **2.4 dealer visits** throughout the **buying experience**, dealers remain pivotal, but their role is changing.

Source: Bain Global Automotive Consumer Survey, 2017

Integrated Retail Performance Management Model

SUSTAINABLE NETWORK PERFORMANCE STRATEGY

BRAND SIGNATURE CUSTOMER CENTRICITY

CONTINUOUS IMPROVEMENT

FINANCIAL HEALTH

BUSINESS MANAGEMENT

Dealer Profitability
Business Intelligence

DRIVING AN INVESTMENT MINDSET

OPERATIONAL HEALTH

PROCESS STANDARDS AND MANAGEMENT

Voice of the Customer Management
Dealer Process Standards
Process Review and Improvement

HIGH QUALITY SUSTAINABLE PROCESSES

ORGANIZATIONAL HEALTH

ORGANIZATIONAL DEVELOPMENT

JLR Training Academy
Dealer Management Training
Departmental Manager Training
Frontline Training

FOCUS ON COMPETENCE AND CULTURE

ENGAGED, PASSIONATE PEOPLE

ACADEMY ENABLERS – BOG, R&R, HR MANAGEMENT

TRANSFORMED COST STRUCTURE AND BUSINESS EXCELLENCE

Source: MSX International

FUTURE OF FLEET: OEMS WILL HAVE TO LIMBER UP TO MEET NEW CUSTOMER DEMANDS

In Europe, **52% of new vehicles** registrations are leasing.

Automotive fleet sales are intersecting with new innovations in mobility services like never before. We are seeing structural changes in the way vehicles are procured and used that will dramatically affect how vehicles are sold. Mobility as a Service (Maas) will change every aspect of transportation over the long haul including the fleet and leasing markets. OEMs building a fleet management strategy that includes MaaS in their offering will therefore have the best chance to succeed in a fractured market with a large number of independent players. The good news is that OEMs have a competitive advantage with regards to vehicle acquisition, service and maintenance. They also have volumes of vehicle and customer data at their fingertips as

well as mature national and/or international retail networks. However, as competition increases from independent fleet leasing companies, cutting costs, improving day-to-day operations and enhancing all customer touchpoints will be the key to success.

Today's fleet customer – diverse and demanding

Today's mobility focused customers are opting for leasing solutions that provide sophisticated after-sales services such as road-side assistance, quick car health checks and pick-ups/drops, among others. To ensure continued access to today's fleet customers, OEMs need to develop digitally enabled platforms to both manage their business and to connect with customers interested in mobility services, rather than just leasing a car. The old model of OEM produces car, sells to dealer, dealer leases to customer no longer works. OEMs need to manage the entire ownership experience instead of handing the reins over to an independent leasing company.

The independents in Europe are a force to contend with. However, the playing field is dominated by three main companies accounting for between 45%-50% of operational and financial leases in major European countries.

"Growing Importance of usage over ownership."

MSXI market research has additionally shown that in Europe the relevant fleet market is 44.2 million units in operation with major players offering their own financial organization and other brands relying on independent companies to provide leasing, financing and MaaS services. The biggest problem remains lack of transparency in terms of managing ownership and cost of ownership.

Cutting costs and improving operations

The fleet market is moving towards technology sophistication and an ecosystem of complete mobility service. Investments in fleet management systems are transforming commercial vehicle operations and improving overall fleet efficiency. For example, MSXI offers a Fleet Central Billing Solution – a parts and service billing program for fleet customers that consolidates multiple dealer repair/parts purchases into a consolidated invoice. It also provides additional

ROB VAN RIJSWIJK

Vice President Product Management

Rob leads the MSXI Global Product Management Team. He is responsible for developing and positioning the full range of MSXI products and services. Rob has a deep passion for strategic innovation and he works alongside the organization's global account executives, helping them add value to a growing global client base. Rob is based in Cologne, Germany and can be reached at **rvanrijswijk@msxi-euro.com**.
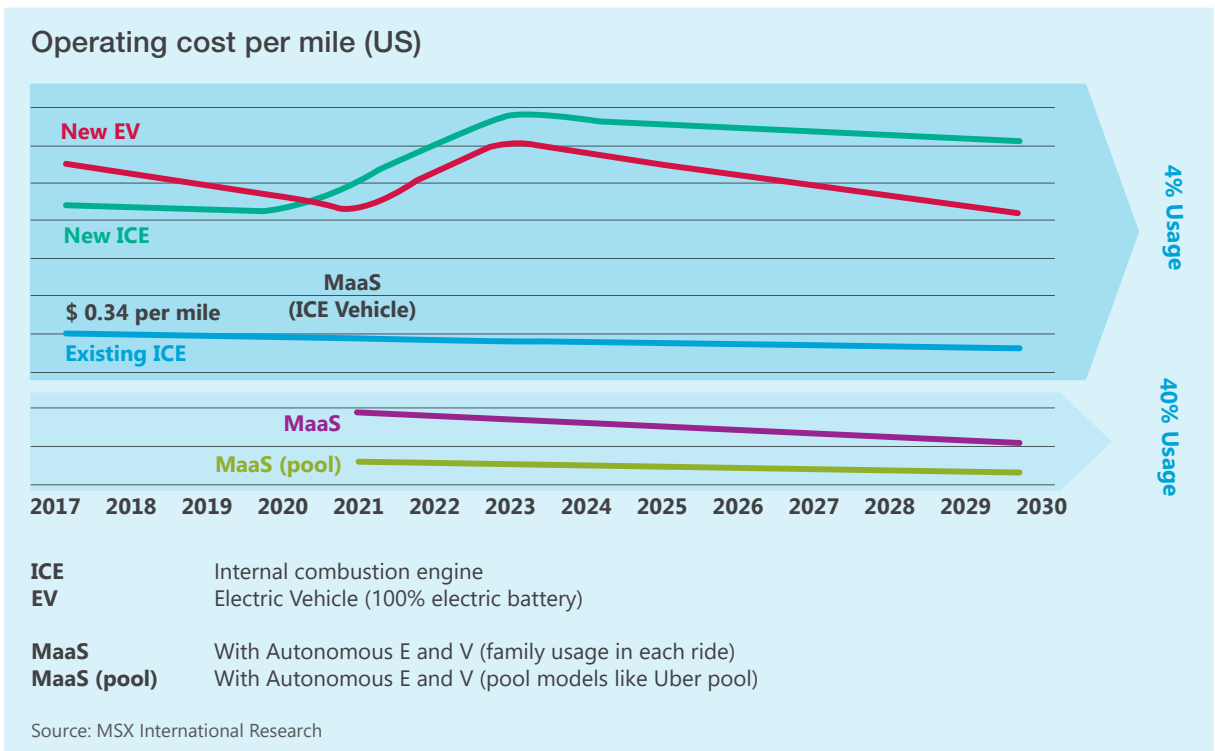
convenience and security for company drivers by eliminating the need for company credit cards or cash as well as offering OEMs better cost control with pre-set limits to control repair or service before authorization is required. The detailed reporting function and Europe based support also improves transparency overall – and helps proactively cut costs.

MaaS-ive opportunities to improve customer loyalty in fleet

In the MaaS model, the car is only one piece of a larger mobility service package. Like with mobile phones, the customer purchases a licensing fee rather than a product, and fleet offers can and must be highly personalized to the needs of the driver or the company. OEMs have a major advantage here since the connected car provides them with a lot of data about the vehicle and the driver. In addition, they can tap into data from partners in order to provide a superior service. Here are a few of the innovations we are seeing around the world in terms of MaaS in fleet:

- Mobility cards allow customer to book, pay and monitor all their travel expenses (e.g., the XXL mobility card)

Operating cost per mile (US)

New EV

New ICE

MaaS
(ICE Vehicle)

$ 0.34 per mile

Existing ICE

MaaS

MaaS (pool)

4% Usage

40% Usage

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |

ICE	Internal combustion engine
EV	Electric Vehicle (100% electric battery)
MaaS	With Autonomous E and V (family usage in each ride)
MaaS (pool)	With Autonomous E and V (pool models like Uber pool)

Source: MSX International Research

Trends in UIO distribution (US)

Legend:
- Individual owner
- Individual leased
- MaaS vehicles
- True fleet (without private leasing)
- Other fleet
- Low mileage/non-used vehicle
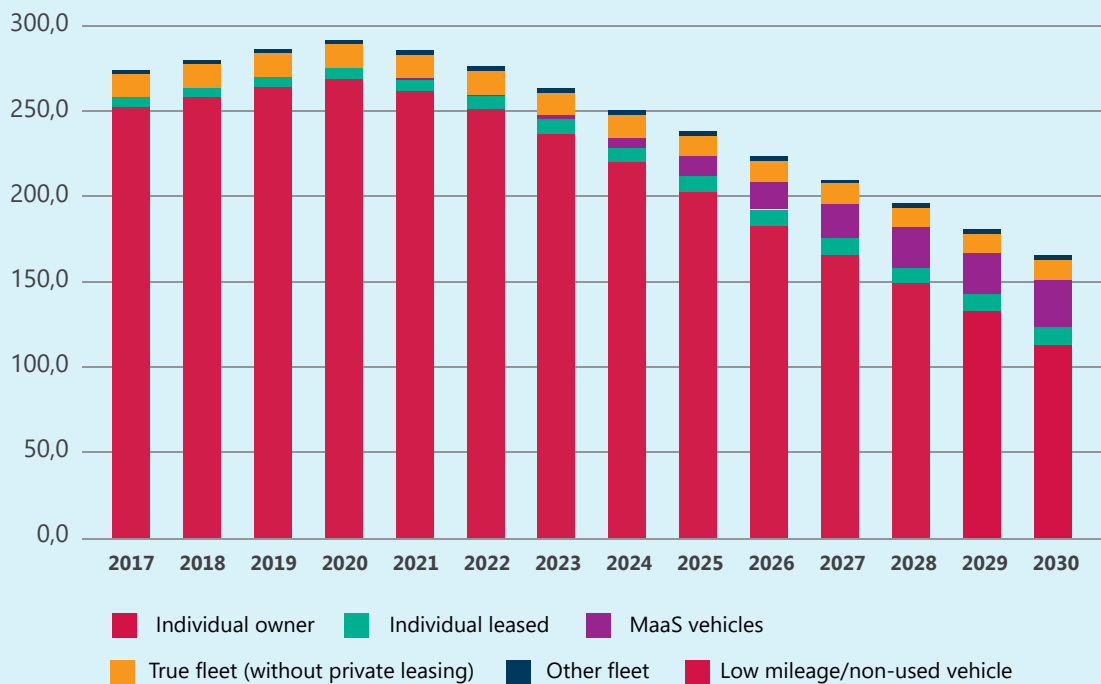
Source: MSXI research

- The Car à la Carte business is gaining significance, offering flexible full-service leasing contracts over the short term

- Smart Mobility offers employees mobility budgets to use as they see fit rather than leasing them a vehicle

- Usage based insurance such as Renault's partnership with Scope Technologies are still in early stages due to data privacy but expected to grow

- In France, we are seeing an increase in battery leasing with 93% of Renault's customers leasing their battery packs

- New leasing avenues include private leasing plans for corporates that do not generate any additional costs to the company

- Fleet owners are investing in connectivity/ telematics solutions to manage their vehicles. This includes connected services such as vehicle monitoring and maintenance, driver digital logs, and intelligent reporting and analysis for fleets (such as Connect Business by Daimler Financial Services)

Key drivers in the fleet and leasing market

Firstly, we will continue to see a growing demand from large and medium-size corporate companies for new fleet vehicles. Secondly, with governments supporting the growth of eMobility, many firms are expected to upgrade their fleet to include more electric and hybrid vehicles. Thirdly, connectivity and telematics are allowing leasing companies to further customize and individualize their offers to mobility customers. Finally, car-sharing and other forms of mobility services will also power fleet growth for providers able to offer a holistic service. OEMs will need to focus more on new business models that position them as holistic service providers and to regain their pole position against the independents.

DRIVING AFTERMARKET PARTS DIGITALLY

Winning the aftersales market is far from easy. OEMs have to compete against independent wholesalers operating on a larger and global scale. At the same time, consumers and independent repairers have far more choice about where to source parts. Price is a dominant factor here, but price alone will not win business. Premium quality, innovative and personalized service offerings, as well as an optimized parts distribution strategy, all play a critical role. Digital technologies are essential to optimizing planning processes, consolidating consumer and vehicle data to better understand purchasing behavior, and opening up new after sales channels such as e-commerce. In this article we will examine the changing market and how OEMs can best plot a strategy to exploit the growing opportunities in the aftermarket.

> **Marketplace providers** will dominate in delivery times and cost; **traditional participants** must develop capabilities to compete.

Source: Frost & Sullivan

Choice is driving a dynamic after sales market

The most significant change in the after sales market is choice. OEMs need to communicate service and parts within a holistic offer both online and offline. Ease of contact is absolutely vital. If the customer cannot contact the OEM dealer easily and quickly they won't be offered the business. Parts availability and fast delivery are also key. Typically OEM dealers offer maybe 1 to 3 deliveries per day, but in today's competitive arena the average repairer can't afford to wait even two or three hours for a part. Some independent aftermarket parts suppliers are already offering guaranteed delivery in under 45 minutes.

ANTHONY BARTLETT

Senior Account Manager

Tony joined MSX International almost ten years ago in September 2008. His current role within Retail Network Solutions is Global Subject Matter Expert for wholesale parts business, with responsibility both for existing global OEM programs and wholesale business strategy for the future. In his over 40 years' experience within the automotive industry, his previous roles included being Owner/Director of Independent Repairers and as Dealer Principal of OEM franchised Dealerships including PSA, Toyota/Lexus, Fiat/Alfa Romeo and Renault. Tony can be reached at **abartlett@msxi-euro.com.**

The aftermarket suppliers are making this possible by consolidating their resources in order to increase buying power and breadth of offer. Small family-run repairers are rapidly being replaced by franchises and buying groups able to purchase in bulk and pass cost savings on to their customers. Furthermore, there are also aggregators – online search apps – that allow

consumers to search for the best repairer by entering location and cost. And more than 30% of repairers are already buying online and this continues to grow year on year, as does the growing number of consumers purchasing their own parts to deliver to their local repairer so they only have to pay labor costs.

Finally, online giants like Amazon and eBay are having an impact on the market with their highly developed distribution network. This is on a relatively small scale now, but in the future their involvement will likely increase. Distribution is king in this turbulent arena.
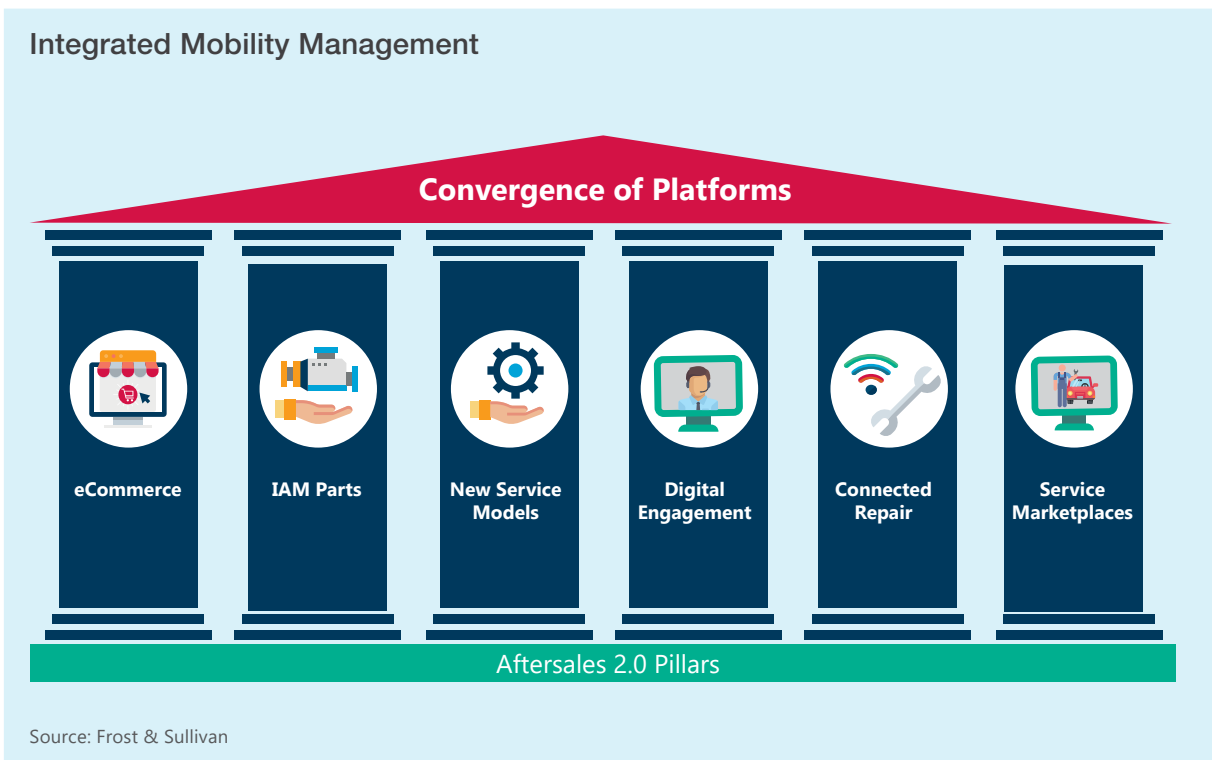
OEMs have to invest in distribution and quality of service

There are four key strategic drivers that can increase OEM competitiveness. However, these need to be based on a comprehensive analysis of the marketplace across the retail network in order to understand both customer and competitor behaviors and needs. Customers include vehicle owners, independent repairers, buying groups, franchises, fleet companies, private fleets, body shop groups and insurance companies – each of which require a different approach.

Disruptive models, mostly driven by technology and centered around making **B2B trade** convenient for the customer, will emerge as the winning formula in the future.

Source: Frost & Sullivan

This leads to the first strategic driver: developing a multichannel strategy targeting individually each customer group's needs. MSXI is currently managing parts solutions for OEMs spanning up to 25 different markets and flexibility has been key to success. The other success factor relies on a fundamental shift from OEMs and dealers seeing independents as competitors, to valuing them as partners.

The second strategic driver is how well OEMs manage customer data to understand what is being sold, to whom and for how much. Digital tools with user friendly dashboards that make parts sales data available 24/7 help consolidate reporting so that OEMs can identify gaps in business and identify new areas of opportunity for both the competitive and highly competitive parts segments across all aftermarket sales channels.

The third strategic driver is after sales customer loyalty strategies using CRM technology to understand

Integrated Mobility Management

Source: Frost & Sullivan

OEM Aftersales Transition, Global, 2000-2025

← **2000** —— **2005** —— **2010** —— **2015** —— **2020** —— **2025** →

Traditional Aftersales	Aftersales 1.0	Aftersales 2.0
■ Business from scheduled maintenance mostly during warranty period	■ Retain customers in OEM channel – extended warranty periods	■ Expanding customer touch points – mobile apps and telematics system, in-vehicle systems
■ Major customer touch point through telephone alone	■ Multiple touch points – mobile and email	■ Multiple service models – express service options and remote servicing
■ Own vehicle brand parts sales with premium pricing	■ Building long term relation-ship-loyalty programs, subscription contracts	■ Integrating multiple digital platforms for parts and service sales-in-vehicle diagnosis and sales
■ Primary revenue generation through the authorized service centers for parts sales and services	■ Compete with national brands in IAM – offering value-line parts	■ Compete in IAM – offering multibrand vehicles parts and service
	■ Omnichannel approach – OES, IAM and eRetail	■ Multiple mobility options such as car-as-a-service

Source: Frost & Sullivan

buying behaviors. E-commerce is becoming ever more important and OEMs will have to increase their online presence in both the B2B and B2C areas. These platforms have to be designed using an omnichannel approach – there is no one size fits all solution in our digital world. Marketing also plays an important role here in terms of communicating new offers, campaigns and loyalty programs.

Finally, the fourth strategic driver revolves around optimizing and digitalizing the distribution model. The independent wholesalers have logistic warehouses throughout the market with teams of people to deliver, and online ordering. OEMs in larger mature markets may have 300 dealerships or more, it is impossible that all of these can profitably compete in today's competitive wholesale parts environment. They need to leverage their existing infrastructure and identify strategically located dealers and partners to be wholesale parts distributors in order to remain competitive and increase penetration.

Back to the future of parts and service

We know it's coming. A future with more connected cars, autonomous cars and electric cars. This will completely change the automotive service and parts industry but although these vehicles will need less parts, they will still need parts. OEMs have to prepare for this change. It may take 20 years for new mobility solutions to take hold on a massive level, but the clock is ticking and OEMs need to be highly proactive change leaders in this domain – with innovative new services, premium service quality and optimized digitally supported distribution strategies.

CONNECTING WITH THE NEXT GENERATION

Loosely defined as those customers currently under 20 and the first generation to be born into the digital era, Gen Z will make up a staggering 40% of all consumers by 2020.

While ownership is viewed as less of a necessity, **92%** still plan to **own a car.**

Source: Auto Trader

For OEMs and dealerships that means starting now if you want to gain the upper hand in connecting to what promises to be the largest group of automotive buyers worldwide within the next 5-7 years.

The good news is that according to a new survey by Kelley Blue Book and Autotrader, 92% of polled youths between 12 and 17 plan to own a vehicle.

Many claimed they would be willing to give up social media for a year if they could have a car instead. The same survey also reported that 68% of Gen Zers want face-to-face interaction at the dealership when they reach their car-buying years. And they are more practical than millennials – making decisions on price and safety rather than on social status and style. Surprisingly, unlike millennials, they are not too keen on transportation sharing services. This may change as they grow into adulthood. However, understanding what makes the next generation tick will translate into success for OEMs and dealers. Let's look at a few areas that will resonate with today's youth and tomorrow's auto buyer.

Price, efficiency and product knowledge

If OEMs and dealers get these three things right they've already made a huge leap in the right direction.

Price: Today you can go online and see exactly what people have paid for your exact model in your area. This takes the guesswork out of buying a car and dealers are forced to be highly transparent and honest about pricing. Gen Z is also highly competitive and has a survivalist mentality having been born during the Great Recession. They pride themselves on getting the upper hand, the best deal, the most value for their money.

Only **26%** of **Gen Z** said they would want to **buy a car online** – just over **52%** said they would need at least **two test drives** before buying a vehicle.

Source: FleetEurope

Efficiency: More than 50% of Gen Zers say they would need at least two test drives before buying a vehicle. That means visiting a dealership. However, what they don't want is to spend three hours repeatedly providing personal data for each step of the purchasing process. Most often they will already have configured their car on a mobile device and, when ready to purchase, want a dealer to get them through the process and the financing as quickly as possible. Dealers can streamline this process with pre-approval software and appointment scheduling tools which collect and collate all customer and vehicle data before a visit.
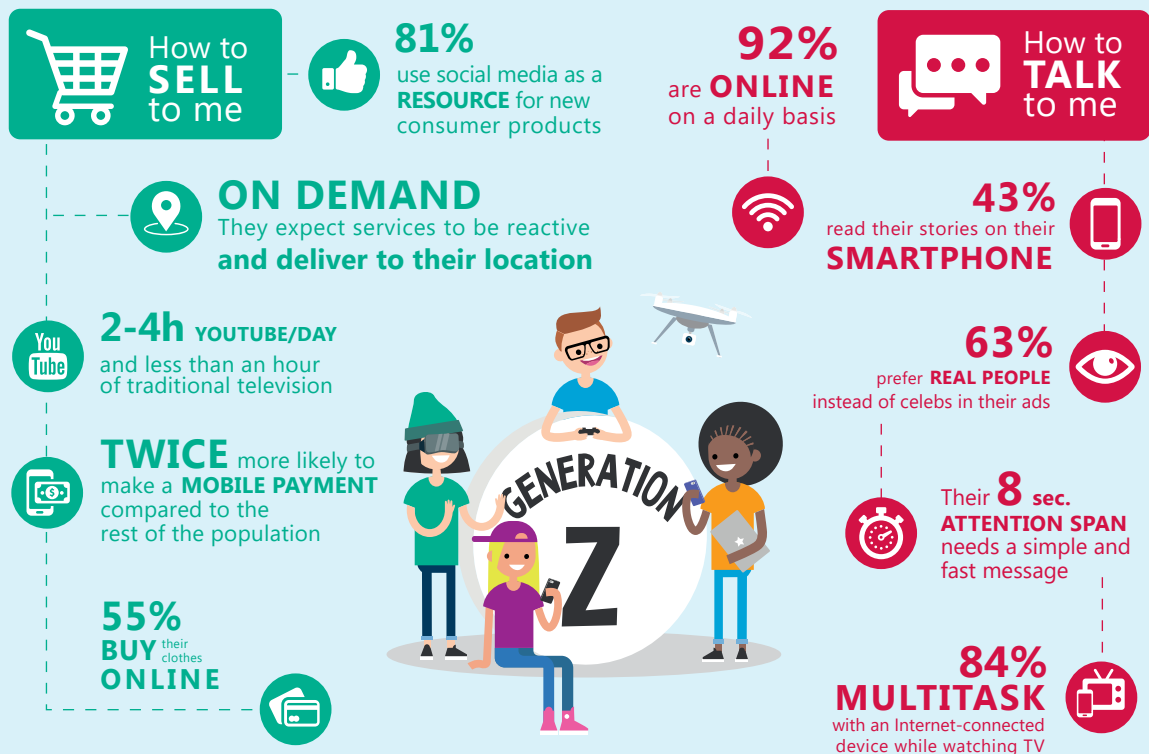

DAVID GRAFF

Vice President Sales and Marketing

David was named the Vice President of sales, Retail Network Solutions (RNS) at MSXI in October 2013 and is responsible for the company's sales strategy and execution for global automotive accounts. He has extensive experience throughout the manufacturing field including automotive, industrial equipment, aerospace and technology and can be reached at **dgraff@msxi.com.**

Your customer of tomorrow

How to SELL to me

81% use social media as a **RESOURCE** for new consumer products

ON DEMAND
They expect services to be reactive **and deliver to their location**

2-4h YOUTUBE/DAY
and less than an hour of traditional television

TWICE more likely to make a **MOBILE PAYMENT** compared to the rest of the population

55% BUY their clothes **ONLINE**

GENERATION Z

92% are **ONLINE** on a daily basis

How to TALK to me

43% read their stories on their **SMARTPHONE**

63% prefer **REAL PEOPLE** instead of celebs in their ads

Their **8 sec. ATTENTION SPAN** needs a simple and fast message

84% MULTITASK with an Internet-connected device while watching TV

Tools like docuPAD (R) even allow buyers to sign documents electronically. The main challenge today is choice: there are more than 150 software tools offered to dealers and it's critical to establish which one best serves their needs. That's where professional support can help.

72% of **Gen Z teens** would rather have a **car for a year** than use social media.

Source: Kelley Blue Book

Product knowledge: Practical Gen Z customers will come with specific questions about functions and features, and salespeople need to be well educated at delivering the right answers using the best technology tools for the job. This generation does not see digital as cool – they just expect it to work. When used correctly, mobile sales tools allow salespeople to use digital materials to demystify complex technologies – not just for customers but for themselves. OEMs will need to support dealers here with materials that can be locally adapted while still communicating their brand promise and identity across the globe. As vehicles are transformed from transportation goods into telecommunication devices, there are also lot of new technologies outside the scope of today's automotive dealership training. This will demand tweaks in training programs and partnerships with third party vendors.

Leverage digital to drive up sales and loyalty

Having embraced technology from the crib, Gen Z and many millennials are masters of the digital world. They see no blur at all between physical and digital. The embracing of omnichannel retail experiences will continue, but supercharged. Sure, browsing will start with Google but quickly move to multiple platforms were product feedback and price information will be systematically and instantaneously co-analyzed with peer groups. Gen Z enjoys the hunt for a retail win and they will broadcast their potential purchases to a much greater degree. Gen Z will readily accept "Beta" product. In other words, a product that they themselves can help co-create – buying into a "good enough" product today, with the promise of a better one tomorrow. The savvy Gen Z shopper is also very likely to know more about a product problem or promotion before you do. And they will only be loyal to brands who keep their promises online AND offline.
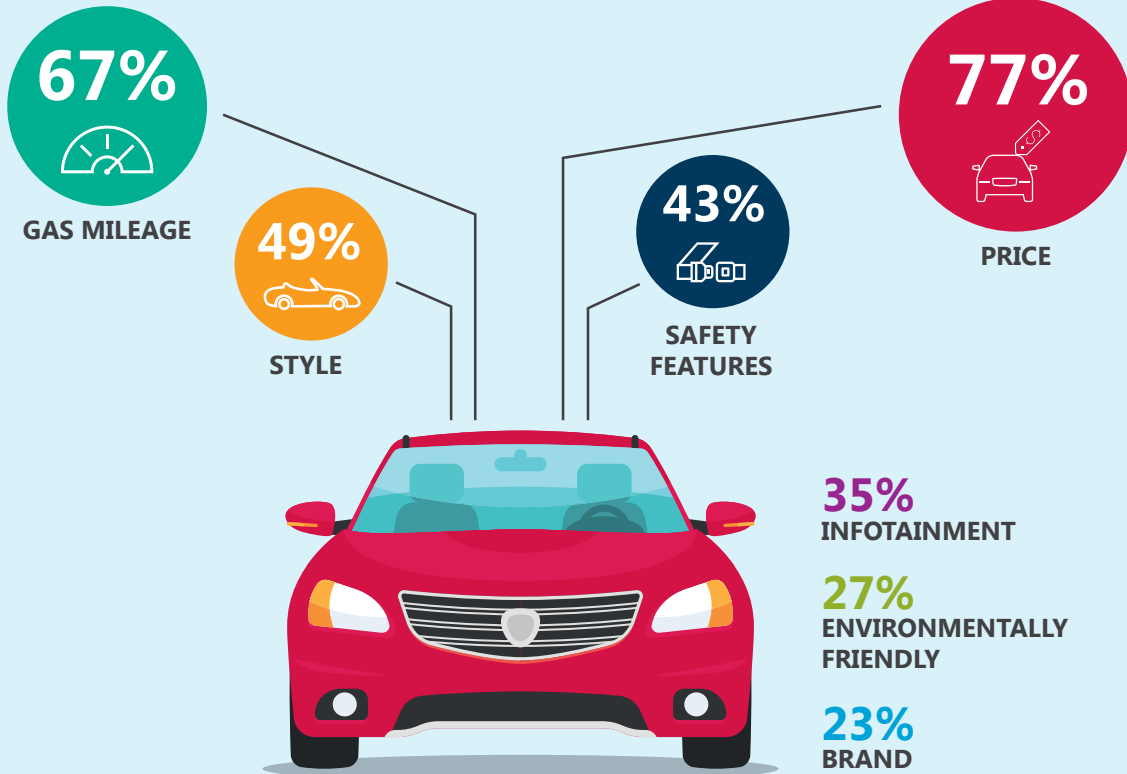
At a time when we are experiencing a levelling out of new car sales we can take heart that the evolutionary path that Automotive Retail is on is correct, and will become more prevalent as Gen Z begins to add to the developments created out of the demands of Gen X and Y. The way is clear: embrace the desire for a seamless retail experience; support customer groups happy to pay less for access rather than more for ownership; and brace yourselves for an environment where upgrades and updates are expected. Soon perhaps, your newly hired Chief Experience Officer (CXO) will be the one to help connect your business, positioning your solutions throughout the Gen Z aspirational browser. Get this right and your business will continue to be onto a winner.

Generation Z will account for 40% of all consumers by 2020.

Source: Fast Company

Most important components when selecting a vehicle to buy

67%
GAS MILEAGE

49%
STYLE

43%
SAFETY FEATURES

77%
PRICE

35%
INFOTAINMENT

27%
ENVIRONMENTALLY FRIENDLY

23%
BRAND

Source: Auto Trader

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