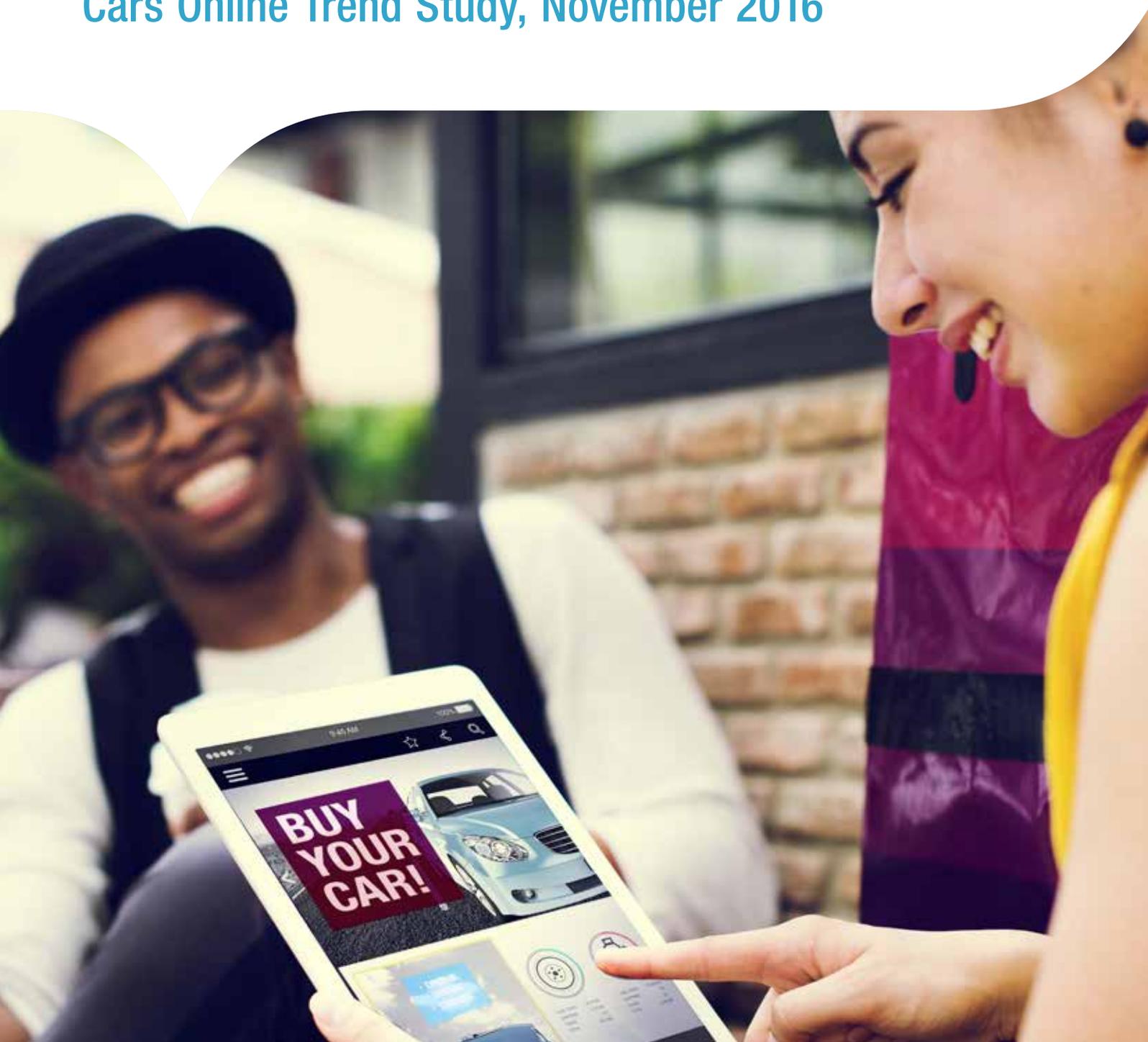


Automotive Online Sales: The direct route to the customer

Cars Online Trend Study, November 2016



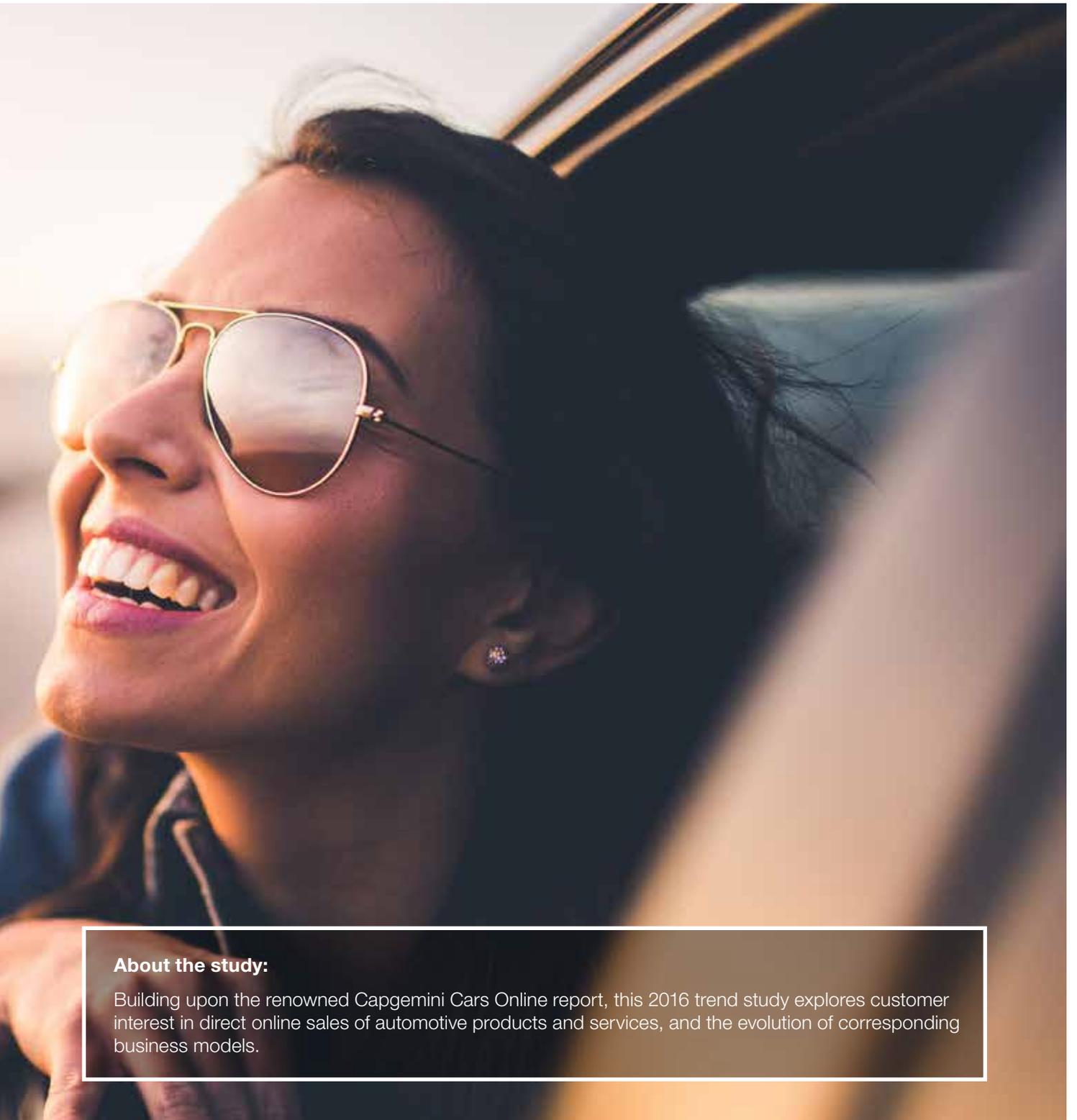
Automotive companies have started to respond to changing customer buying behavior by piloting new online business models. However, most current initiatives are still removed from what customers expect.

Our Cars Online Trend Study 2016 shows an ever-growing demand across online sales for a wide variety of products and services in the automotive industry. This increasing appetite will drive automotive companies to develop new business models that allow customers to buy new vehicles completely online.

Online Sales is a MUST-DO for OEMs, who have to respond to burgeoning customer expectations.

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About the study:

Building upon the renowned Capgemini Cars Online report, this 2016 trend study explores customer interest in direct online sales of automotive products and services, and the evolution of corresponding business models.

Methodology:

The report consists of the following:

- Customer feedback derived from a survey of 16 questions to 756 customers in three separate markets: USA, Germany, and China. We also undertook social media listening across all three markets.
- Interviews with industry experts working within Original Equipment Manufacturers (OEMs).
- Interviews and Points of View from Capgemini experts.



Introduction

Disruptive changes in the automotive industry are currently occurring on several fronts. In addition to the development of electric vehicles, connected car technologies, mobility services, and autonomous driving, new business models around selling cars online are on the agenda of automotive companies. This picture contrasts strongly with other industries. E-Commerce has become the standard in retail, for example, as all age groups access the internet with increasing frequency. Across industries, customers can purchase a variety of different products and services completely online, and no longer require brick and mortar retailers. Many industries have transformed their business models because it's what customers want – those that failed to act lost out to new entrants. Groundbreaking innovators, such as Amazon, have completely changed customer buying expectations, followed more recently by companies such as AirBnB, Uber, Lyft, and Didi (Chinese mobility giant that recently acquired Uber China). The latter three disrupted the auto industry by offering convenience-at-the-fingertips mobility to urbanites. Online sales are the next area within the auto industry to present this level of disruption. There is an ever-growing demand to shop online for both vehicles and a wide variety of additional products and services. We see that some OEMs (such as Tesla, BMW in the UK and Japan, Volvo with the launch of the limited edition of the XC90, as well as SAIC and Changan in China) have piloted online multichannel sales initiatives on their own direct channels. More recently in the Italian market, Fiat Chrysler has partnered with Amazon to offer customers price incentives for buying online.

Add into the mix the other disruptions the industry is facing – mobility options, autonomous driving, the arrival of new players, and shifting revenue pools – and the need to transform is clear. This report looks at the opportunity e-commerce presents for the automotive industry, the challenges with adoption, and recommendations on what to do next.

Executive summary

An appetite for online sales

Our survey demonstrates a huge appetite for new online car sales across different markets, with almost three quarters of respondents showing increasing interest in buying cars online.

Highest trust in automotive e-commerce lies with proprietary OEM offerings

Customers indicate a preference for purchasing new vehicles online directly from the vehicle's manufacturer. Although tech companies are evolving, there is currently little trust in purchasing cars via tech company portals such as Google, or third party retailers such as Amazon.

Customers expect additional benefits from online sales

Obtaining price benefits, negotiation options, timesavings, and the ability to compare products and brands are key drivers for online sales.

Benefits of traditional points of sale must be made available online

Most customers say that direct online sales by OEMs do not yet meet customer expectations in regards to product experience. Two major obstacles mentioned were a lack of product advice and limited price negotiation.

Integrating the physical and online sales experience is key

The physical experience of seeing a car in real life and performing test drives cannot be fully replaced by digital channels. However, for those customer groups with a strong interest of buying cars online new technologies come very close to a similar experience. Customers value augmented or virtual reality solutions, as well as the ability to speak with online agents.

Improving the seamless online sales experience with additional features can significantly increase customer willingness to buy online

Data security and bank cooperation, price transparency, and a reduction in paperwork increase the enthusiasm of customers to purchase vehicles online.

In addition to car sales, customers expect a huge variety of add-on products and services online

Customers are open to cross-selling and up-selling. Parts and accessories, insurances, service bundles, connect, and lifestyle services are expected as part of an end-to-end customer offer. They expect a wider product and services portfolio online than they would otherwise receive at their chosen dealer.

New business models surrounding ownership and mobility are in high demand

Customers are constantly requesting innovative mobility concepts and different use models such as pay-per-use. In order to build new revenue streams, for example, mobility solutions need to be added to an OEM's online sales portfolio.

1. An appetite for online sales

While online sales are expected as standard in many other industries, selling cars online directly to customers has not been a top item on the agenda of automotive OEMs until relatively recently. Digital initiatives have existed mostly in regards to brand awareness, seasonal offers and car configuration, whereas sales models have remained traditional. The online channel is mainly used to gather information during the buying cycle: a customer configures a car online and then the local dealer picks up the configuration and concludes the sale. There have been a few pilots for online sales (Tesla, Volvo, BMW in the UK and Japan, Mercedes-Benz in

Germany, FCA in Italy, SAIC and Changan in China), but on a limited scale. With almost 75% of the customers expressing a willingness to purchase a vehicle online, it is clear that there is a huge untapped interest in a radically different kind of car sales and thus new business models. Responding to this appetite will be a crucial part of the customer offer within a short period of time. Put simply, OEMs must do more to satisfy the expectations of the digitally savvy customer. Everyone knows there are obstacles, but none of them is insuperable. What matters most is how to stimulate this new digital channel for car sales.



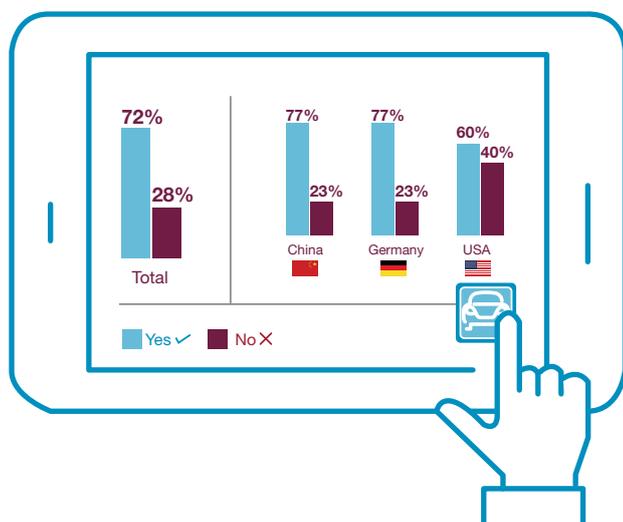
“We think the opportunity provided by online sales is big – some of our initial experiments have given impressive results.”

Jakob Nyborg

Head of Marketing, Maserati (FCA)

Figure 1: Almost 75% of customers in 2016 are willing to buy a new car online

Would you consider buying a new car online?



An era of disruption

This large desire for online purchasing power is evident across all respondent markets. 72% of customers surveyed indicated a willingness to buy a new car online. This ever-increasing hunger for a completely digital purchasing cycle continues to disrupt manufacturers, and we believe we are on the edge of a major change in the industry. OEMs should strive towards digital mastery and embrace changing business models. This will facilitate a closer connection with their increasingly internet-savvy customers. A more direct customer relationship can push forward an increase in retention rates. Given that so many customers have a hunger for a holistic online purchasing experience, including finance contracts, inspection packages, insurance, other add-ons, and less paperwork, this begs the following question: when will this become just another channel to market, a mainstream way of selling cars? Some OEMs have already realized that seizing the opportunity to digitally transform is crucial, and that this will decide whether or not they will be able to survive in a changing market. In the future, it won't be enough to only produce vehicles and offer them through the dealer network. Car manufacturers will have to transform their business models to become completely customer-centric to and deliver on online sales expectation.

The rise of new players

Customers show willingness to purchase from the online platform of OEMs (57%); however, there is a keen interest in purchasing via new third party players, such as TrueCar in the USA or Tmall in China. Tmall is an offshoot of Taobao, which is operated by the Alibaba Group, and is one of China's largest B2C online marketplaces. Also, it currently cooperates with many OEMs for online car sales. Many customers stated that they would already be willing to purchase their car from one of these third party online platforms.

Currently, the data indicates that across all surveyed markets only 11% of respondents would prefer to purchase a car online from retailers such as Walmart, with up to 23% favoring pure-play online retailers such as Amazon. Such retailers have online sales infrastructure currently in place, and customers can already buy nearly all consumer products from them, so it is not unfeasible to imagine cars being purchased from them in the future. The willingness to buy from online-only companies like Amazon in China is higher attaining almost 40%, which means that in the future it cannot be ruled out that these retailers become important players in automotive e-commerce in particularly receptive markets. This, of course, would further increase pressure on OEMs to digitize their purchase process. Indeed, according to FCA's Jakob Nyborg "the biggest take-up of online sales geographically will be in Asia, and especially

China." Amazon's recently announced partnership with FCA in the Italian market also poses some interesting questions.

Although there is a slight interest in purchasing vehicles through third party technology company platforms (11%) like Google or Apple, this is greatly overshadowed by the preference for buying cars from the platforms of the more established automakers (57%) and automotive retailers.

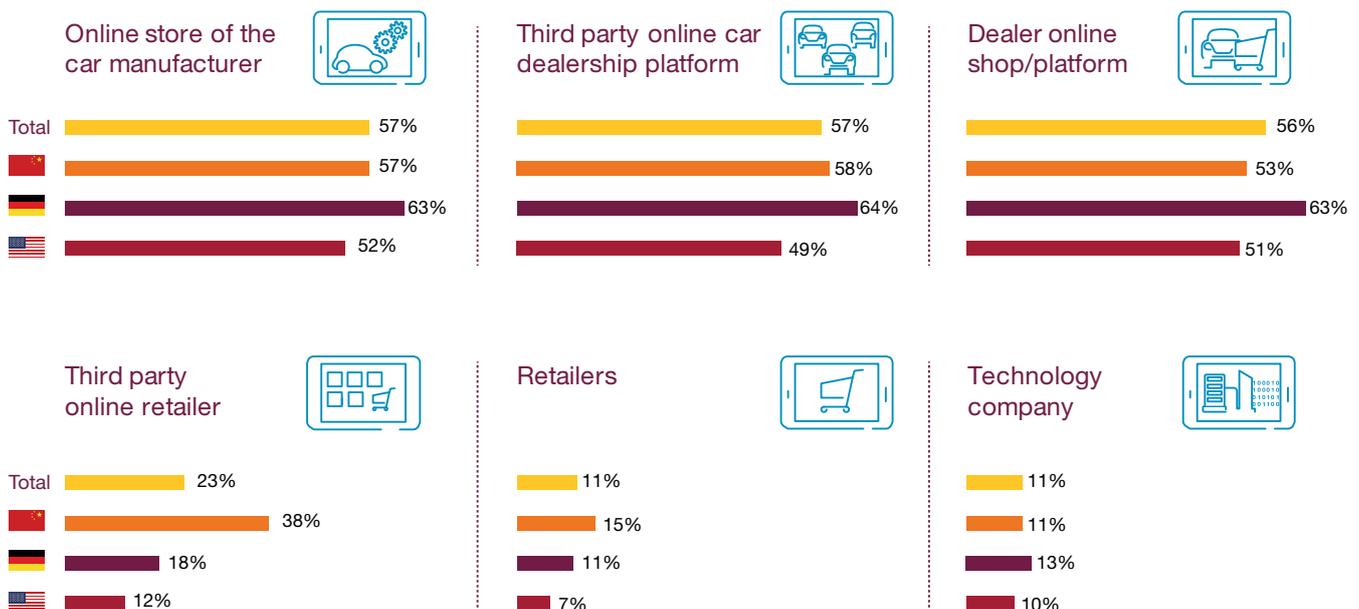
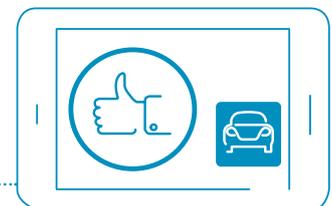


"We are experiencing a large demand for online sales from our customers. In the future online will become an additional standard sales channel. However the traditional sales channels will still exist."

Dr. Rainer Feurer
Head of Sales Strategy, BMW Group

Figure 2: There is a deep trust in OEMs and established 3rd party online car dealerships and little trust in new tech companies

In order of preference, from which online platform would you prefer to purchase your car?



■ Total ■ China ■ Germany ■ USA

2. OEMs: There's work to do to deliver on expectations

Customers have indicated that they are ready to buy cars online, however the industry has not yet seized the opportunity. OEMs realize that they need to harness digital channels to meet customer expectations. Barriers include a lack of clarity about the roles to be played by both OEMs and dealers, and the transformational change that would arise in terms of dealer footfall, cross-selling, and up-selling. Furthermore, the need for a legal and commercial framework for online sales and the financial burden of creating necessary processes and IT changes. Customers do not want to wait any longer and expect convenience and timesavings (51%), price benefits (55%), and location independence when shopping for new cars (44%), not to mention avoiding of sales pressure at the dealerships (41%). All of these requirements must and can be fulfilled. Future online car sales must aspire to be seen as no different from buying a book or flight ticket.

The Amazonification of the auto industry

Online platforms offer customers the ability to make swift purchases while benefiting from price transparency and convenience. Increasingly, those in the market for a new vehicle expect to be able to purchase a vehicle online as they would any other type of digital purchase. Currently, customers perceive they can receive a more competitive price in-dealership than they do online. However, over half of those surveyed cite a low price guarantee as one of the main drivers behind their appetite for online purchasing. Furthermore, the modern digitally native customer expects to have the ability to shop for deals irrespective of location, just as they would when purchasing a new television, for example (44%). The ability to compare features and pricing with other brands, as they would for any other customer product, is another key factor driving online new car sales with over half of Chinese respondents ranking it of high importance. More widely, just under half of respondents across all markets echoed that sentiment.

Moreover, as customers become increasingly shrewd, they expect to see what others have paid, to make sure they are getting a fair deal. So, they are seeking transparency when purchasing online. This is heightened now that customers often browse social networks and review sites when considering a new car purchase. Well-known platforms for used cars already offer transparency, and dealers are selling off their stock on these sites (truecar.com, mobile.de, autonation.com). If OEMs do not move to offer this then others will. Also, customers cite low price guarantees as a key driver for direct sales; OEMs must address this by utilizing an array of solutions. These can include online sales auctions with or without dealer interaction, discounts for standard models, seasonal offers, special editions, and general negotiation options. Furthermore, a simplified and standardized product portfolio of preconfigured cars or even stock cars can result in simplified online process management and deliver significant cost benefits. Customers will profit from an accelerated, user-friendly sales process and an improved customer experience with potential for attractive pricing options.

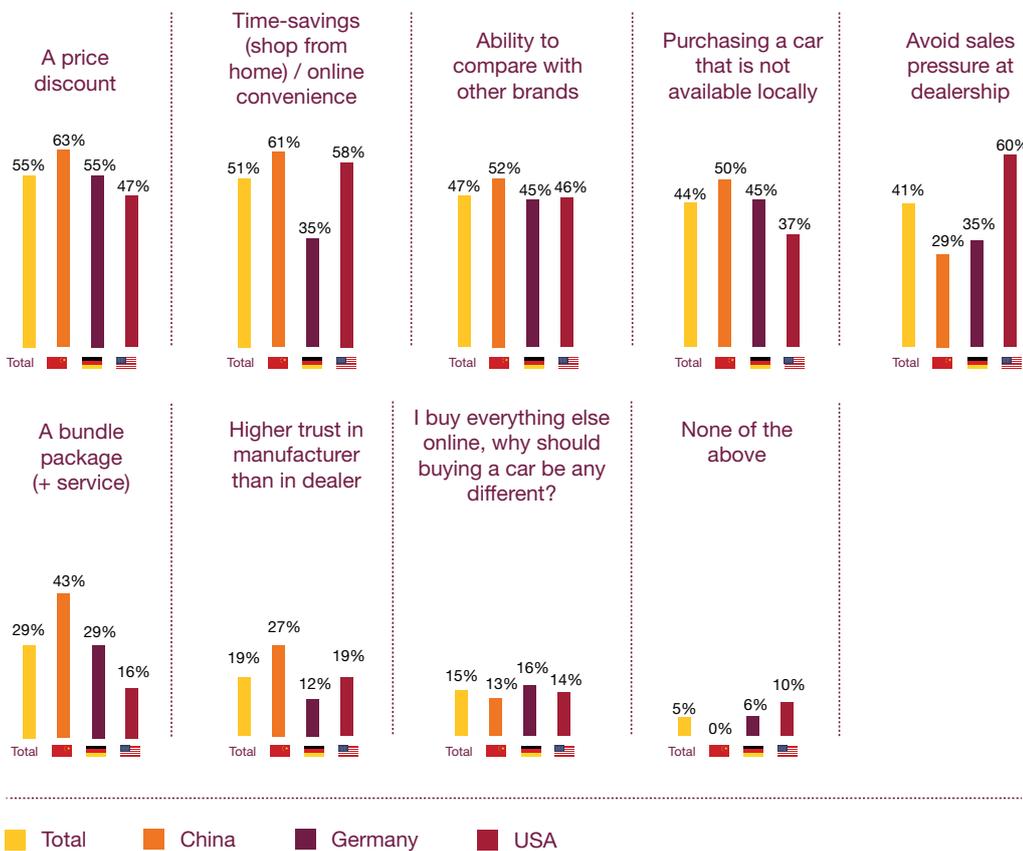
The evolving nature of car retail

Only 29% of Chinese customers said that avoiding sales pressure at the dealership was a significant benefit of buying a car online. The story was different in the North American market. More than double the percentage of US customers surveyed cited pressure from salespeople as a key driver towards online car purchasing. This is in some ways to be expected, especially in the US where sales are a matter of instant gratification. Nevertheless, it highlights the gap in the market for online sales, where the chat button is to initiate a conversation with a product expert rather than a sales consultant.

Simultaneously, customers want to receive a tailored experience that they will enjoy in the dealer showroom. Manufacturers such as Mercedes-Benz, Audi, and Hyundai are addressing some of these customer expectations by opening physical showrooms with various digital elements. These stores include Mercedes me, Audi City, and Hyundai Rockar. These initiatives, as well as popup stores, deliver the brand to the customer at a convenient location and present a plethora of exciting digital features. Audi City in Beijing, an earlier example of these types of offerings, presents virtual vehicles that customers can experience and with which they may interact. This allows customers the opportunity to sample the portfolio, and can be used as a compliment to online sales. Another example of forward thinking OEMs is Tesla. Its showrooms in prime big-city locations are optimized to convince potential customers of the brand's appeal before they decide which car to buy next, or even think about buying a new car. In contrast with the traditional scenario, where people only visit showrooms after deciding which brand to buy, Tesla intends to leave a lasting impression, which the customer will recall when thinking about buying a new car, even if that's months or years after the initial showroom visit. On-site product experts (such as BMW's Product Geniuses) in these hybrid showrooms, pop-up stores, and dealerships mean the customer can also

Figure 3: A low price guarantee, time savings and comparability are significant customer expectations in terms of new car online sales

What do you think could be the main benefits of purchasing your car online?



“Our experience with online sales pilots shows that customer satisfaction can be greatly increased. The main benefits for customers are flexible shopping hours and online assistance.”

Dr. Rainer Feurer
Head of Sales Strategy,
BMW Group

avoid unwelcome sales pressure. Tesla’s showrooms have no individual sales targets; they are all about lead generation through brand experience. As virtual technologies develop, we may approach a point where new vehicles are bought without being viewed in real life, as OEMs develop the ability to deliver the showroom experience entirely online.

Different challenges, new opportunities

The possible “Amazonification” of automotive sales raises both challenges and opportunities for the industry. Online retailers in other industries have had to respond to customer demands regarding convenient delivery options, while also factoring in what options they offer for returns and after sales. Due to these e-commerce retailers leading the pack, customers have come to expect complete convenience. For the automotive industry, coping strategies could include initiatives such as home delivery for test drive (27% of customers surveyed expressed an interest), and pick-ups ordered online for vehicles requiring servicing or those with malfunctioning in-car technology.

Looking further ahead, with the mass advent of driverless cars, buying a vehicle may become a slightly different type of purchase. As customers will no longer be driving themselves,

they will place more emphasis on product features and benefits and less on the “feel” or physical experience. Customers may purchase a vehicle with a similar emotional investment as when purchasing a laptop or smart television, because less time driving means more time to enjoy a holistic customer experience. Such disruptive commodification may drive online sales.

“Online sales will be a game changer in terms of meeting the customer’s demands. This will include new sales models and also opportunities for our dealers.”

Clemens Ollmert
Head of Digital Business Sales, Audi

3. OEMs: Overcoming obstacles

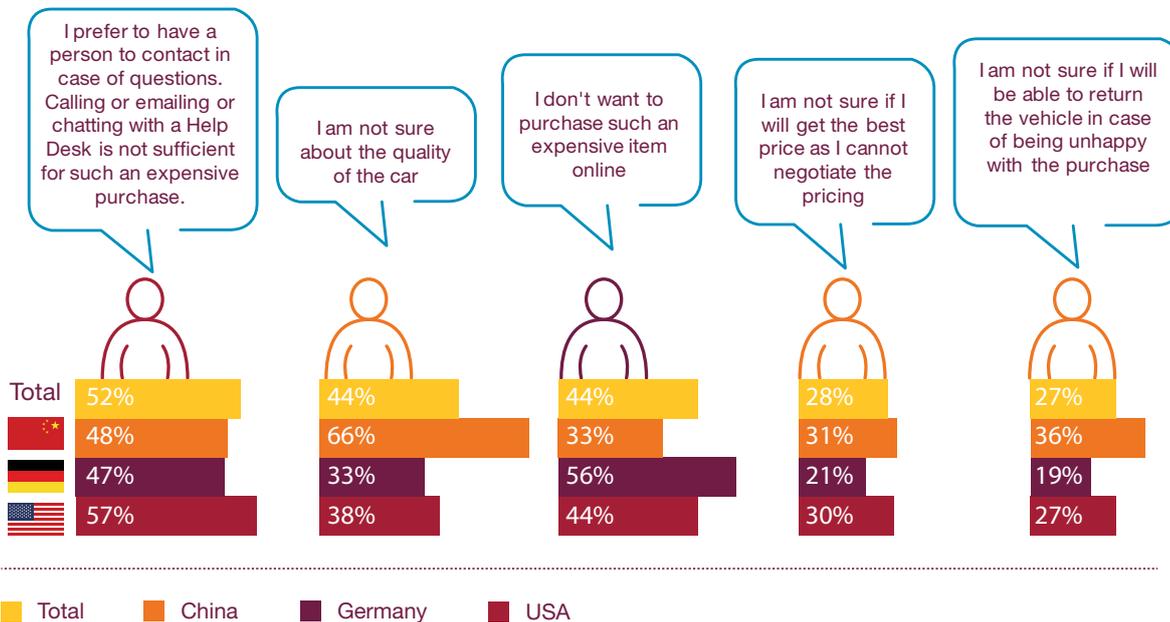
There are certain hurdles the industry must overcome to deliver the customer experience that customers demand. These include personal contact and test drive fulfillment options. Other services customers want available online include product bundles and price negotiation. An acceptable substitute for in-person test drives and physical experiences is not yet being offered, Augmented Reality and Virtual Reality solutions for example, are only beginning to be implemented by some OEMs in pilot

markets. Concerns, such as data security, especially for financial transactions, alongside confidentiality, must be addressed in the future by creating trust through new technologies. Customers in the Chinese market in particular want to be reassured of product quality by seeing the vehicle in real life. Almost 70% of respondents reported this as a key barrier, echoed by 33% and 38% in Germany and the United States respectively.

Figure 4: The ability to get in contact with a person for guidance and support questions is the biggest gap in current new cars online sales processes



What prevents you from purchasing a car online?

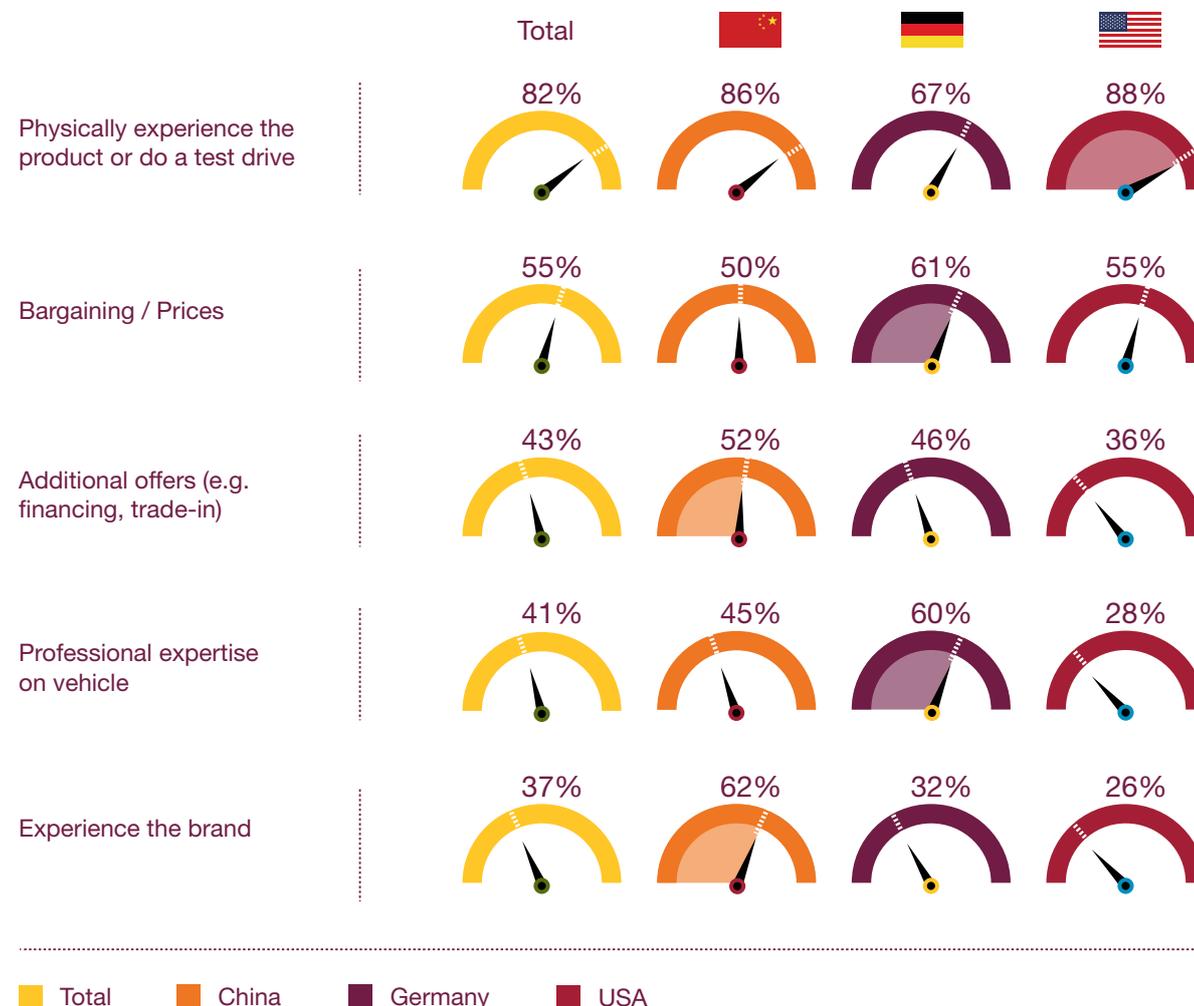
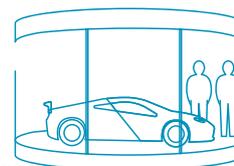


“The customer journey for digital products can be completely different. The most challenging task is how to solve IT complexity, in order to have a seamless customer journey within the Digital Audi world.”

Clemens Ollmert
Head of Digital Business Sales, Audi

Figure 5: The relevant drivers for offline sales are the physical product experience, bargaining at a retailer store, and service bundles

Why would you prefer to buy your car offline?



One customer, multiple channels

Customers expect personal interaction and support in the online sales process. Echoing the findings of our other research in recent years, they expect a seamless experience, throughout the customer lifecycle. Respondents cite the ability to contact a real person, for guidance and support questions, as one of the biggest barriers in current new car online sales processes (52% across all markets). OEMs need to ensure live chat support via their sales portals as a business standard practice going forward. Our research shows that test drives remain a key barrier, with 82% of respondents across all three markets highlighting it as a major hurdle to completing the purchase online. However, there is a willingness to test drive via third party platforms, particularly in the Chinese market¹.

Some automakers are expecting a rapid shift in the way cars are bought, thinking forward to a time when a visit to the showroom is no longer required for some customer groups. Volvo is one of the first brands to develop a virtual reality test drive experience via a mobile application. Customers are keen on these new augmented and virtual reality technologies, as evidenced by positive social media chatter in relation to pilots by Audi, BMW, and Tesla.

“See what it’s like to be behind the wheel of the #BMW #M2 in Nitro Nation Online!”



¹ 73% of Chinese customers surveyed reacted positively to the statement “I would trust a 3rd party test drive platform and do a test drive there instead of a test drive at the dealer”

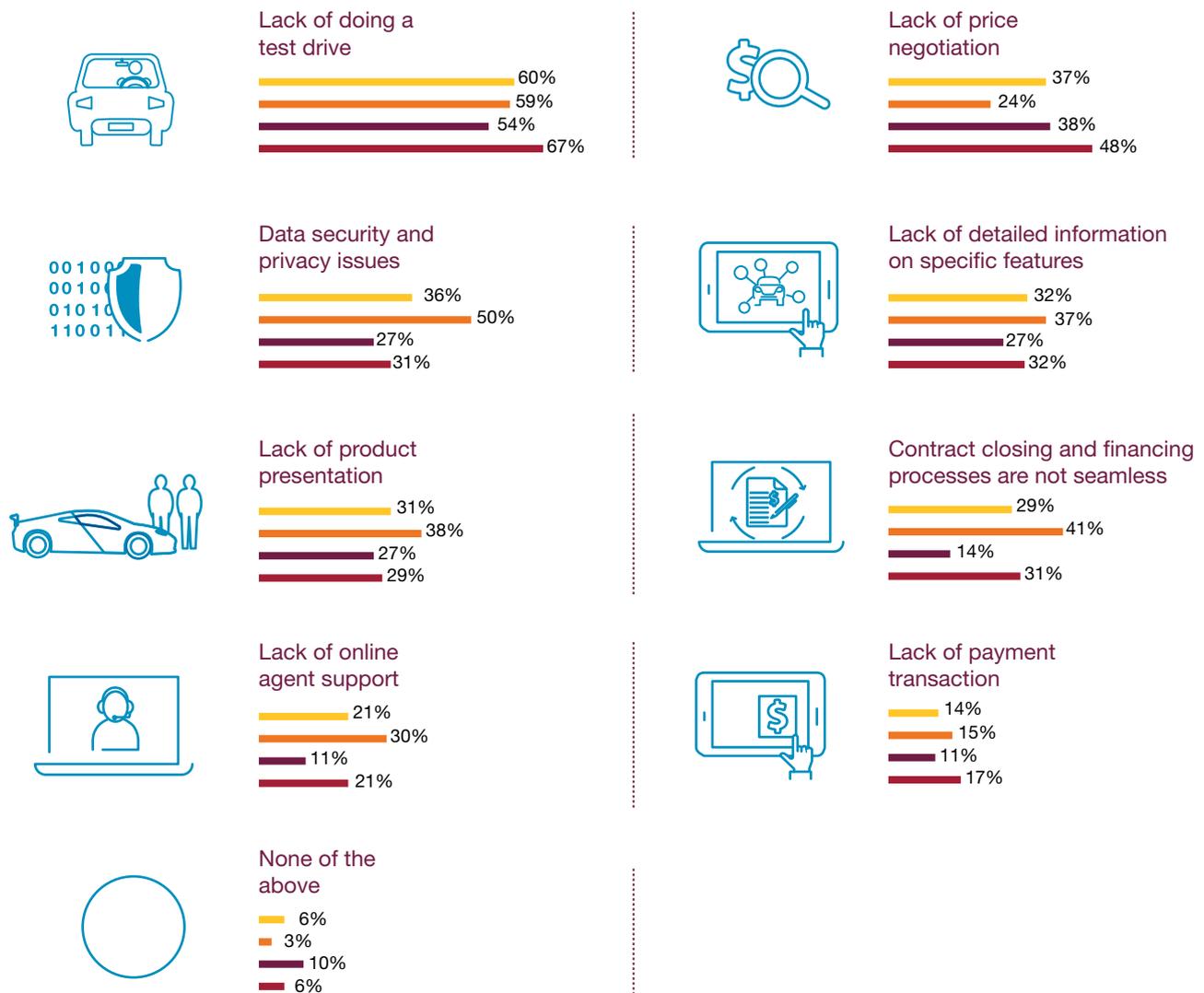
Negotiation remains key

Although avoiding sales pressure is cited as a driver for online sales, customers want the ability to discuss price and negotiate. Customers highlighted the lack of an ability to discuss the best deal for their new cars and product bundles online as a significant pain point (55%), which is something that needs to be addressed by OEMs.



Figure 6: Beside the missing test driving experience and the lack of price negotiation, data security is the most relevant customer doubt

What, if anything, could prevent you from a 100% online vehicle purchase?

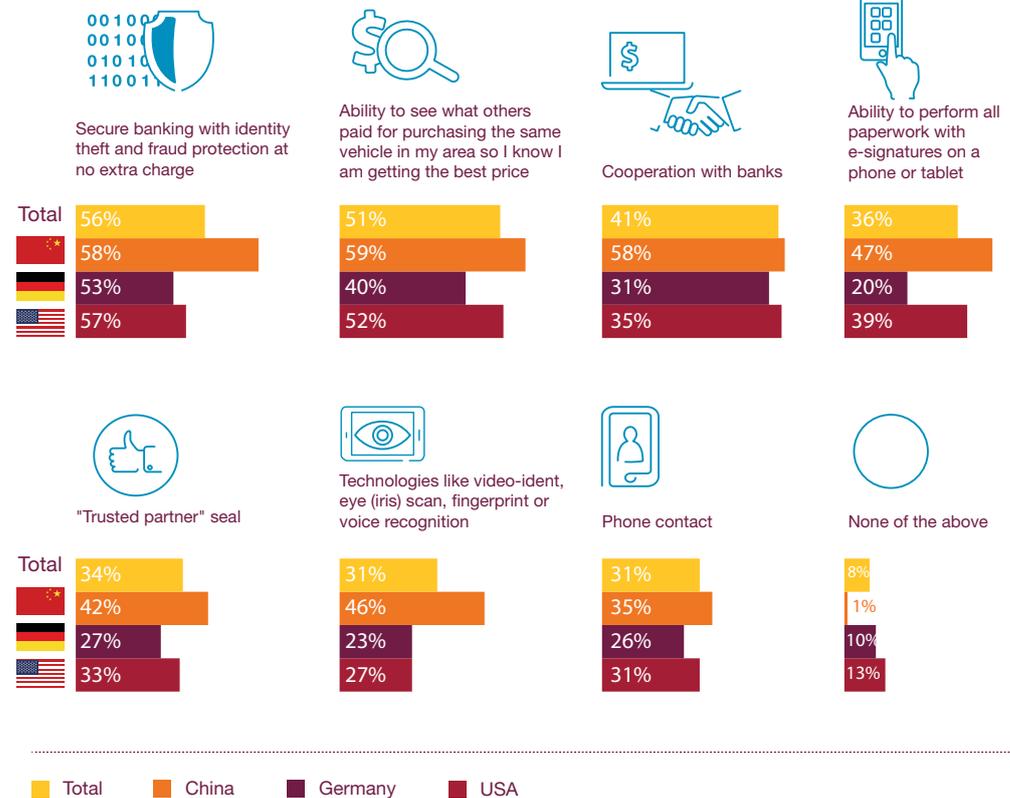


■ Total
 ■ China
 ■ Germany
 ■ USA



Figure 7: Technologies, which promise customers data security and price comparability, are key drivers for online sales

Which technologies or ordering capabilities would increase your willingness to purchase online?



Providing data security is crucial

Aside from test drives and the personal experience, there remain other hurdles for OEMs to overcome. Data security comes next after physical product experience and negotiation in terms of barriers, with 36% of customers citing it as a key factor in the prevention of a 100% online purchase. This concern was higher in growth markets (50%). This indicates that OEMs must respond if they want to channel more customers through their sales portals.

As of today, most OEMs have not yet established the credit approval and the payment process online. Furthermore, ensuring payment security is key for all respondents, particularly in the Chinese market, with half of the respondents presenting it as a barrier for online purchase. Strategies to solve this may include promising a more secure data environment to allay existing concerns, or new investment in technologies that will, in turn, increase customer trust such as further integration with online banking platforms.

New technology to drive online sales

Current payment security standards used in e-commerce may not be sufficient for high-value purchases such as cars; therefore OEMs must be provided with solutions to address the requirements. A consistent communications message across all touchpoints is required, and the questions regarding data and payment security will need to be addressed in order to build trust in the online platform. Moreover, customers want the ability to deal with paperwork, such as signing contracts and confirming direct debit authorization, virtually. Solutions need to be implemented that allow for a seamless online process that both reduces the paperwork and allows the customer to sign documentation digitally. Technologies such as video identification and voice recognition can also be introduced to assist with the implementation of online sales. Obstacles to a direct online sales business model are only just beginning to be met, as OEMs move towards delivering a more seamless online experience that offers convenience and security.

4. Think wider, think customer

OEMs need to expand their horizons to include attractive end-to-end offers. At the very least, customers expect from an online sales process, at a minimum, the same virtual product portfolio as they are used to from physical dealerships. These products include financing and insurance offers, as well as parts, accessories, and maintenance packages. Customers also have an ever-growing expectation of access to connected services in their cars, with 51% of Chinese respondents citing it as an influence for purchasing online, and 36% across all

surveyed markets. There certainly exists a latent hunger for product bundles, which could for example combine the vehicle with connected car services and maintenance packages. More action needs to be taken by OEMs to ensure that customers can purchase add-ons in all phases of the customer lifecycle online, and also from within the vehicle. 56% of customers stated a willingness to purchase parts and accessories from their dashboard. It has never been clearer that the industry has an opportunity to deliver tailored services to their customers online.



“

“OEMs selling directly have a competitive advantage over pure play online retailers because they can deliver a consistent omnichannel experience. They can offer all car models online, as well as servicing and warranty. They can also provide a complete offer including the vehicle, financing and insurance.”

Dr. Rainer Feurer
Head of Sales Strategy, BMW Group

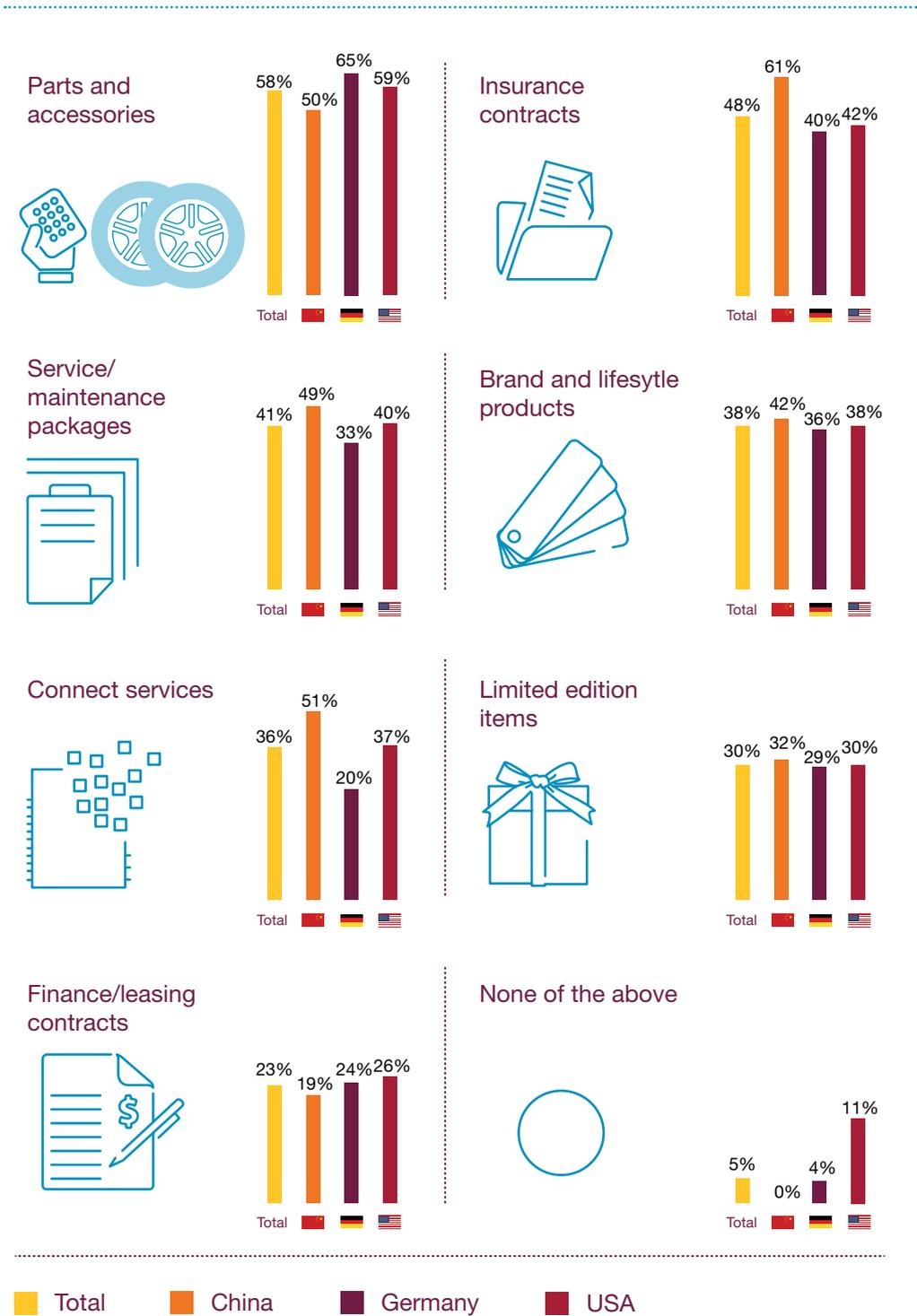
Connected vehicle, connected customer

With the “Internet of Things” on the rise, customers increasingly expect their car to be an extension of their home or office space. The car becomes a vehicle with far more capabilities than moving from point A to point B. The industry is rapidly developing and adopting a wide range of new technologies. Paying bills, buying fuel, ordering food, and organizing leisure activities must be actionable from within the vehicle. Digital services offered by OEMs range from safety features such as traffic information and driving behavior recommendations, to aftersales services such as service booking. Notably, over half of respondents (rising to almost three quarters in the Chinese market) expressed an interest in buying parts and accessories online directly from their car’s dashboard. In the truly connected vehicle, onboard telematics will inform OEMs about a vehicle’s current condition, and then the manufacturer will be able to offer the customer the appropriate products and solutions straight to their dashboard. This will become an increasingly important part of the customer offer in the age of autonomous driving.

36% of those surveyed overall would consider purchasing infotainment products, however customers are generally satisfied with the services currently offered by providers such as Google and Apple. This does not mean, however, that OEMs cannot push towards further integration with these technology providers, as we may see such a push with the launch of Android N. Google intends its in-car infotainment system to be open source, allowing automakers to customize it themselves. This enables them to control their own in-car experience as an extension of their brand.

Figure 8: Not only cars should be offered online. There are a wide range of products and services which customers expect to be available to buy online

What products/services would you consider buying online?



5. Don't just sell cars, sell mobility

Increasingly, digital natives are looking beyond individual car ownership, and are exploring new models of mobility. These new mobility models include car and ride sharing, ride hailing, and packages where customers can drive more than a single vehicle over the course of a year. Looking ahead, we may see autonomous mobility solutions, such as robo-taxis for example. These pose a disruptive threat to the traditional auto market, while also opening up potential new revenue streams. Half of survey respondents reacted positively to the statement: "I would be more willing to buy a car online in combination with a flexible ownership model such as a car, or ride sharing, or pay-per-use." Chinese customers expressed the highest amount of interest, with over 70% of those surveyed answering positively.

OEMs must be more proactive in offering more services and packages in relation to mobility solutions in conjunction with online car sales. This would include wider

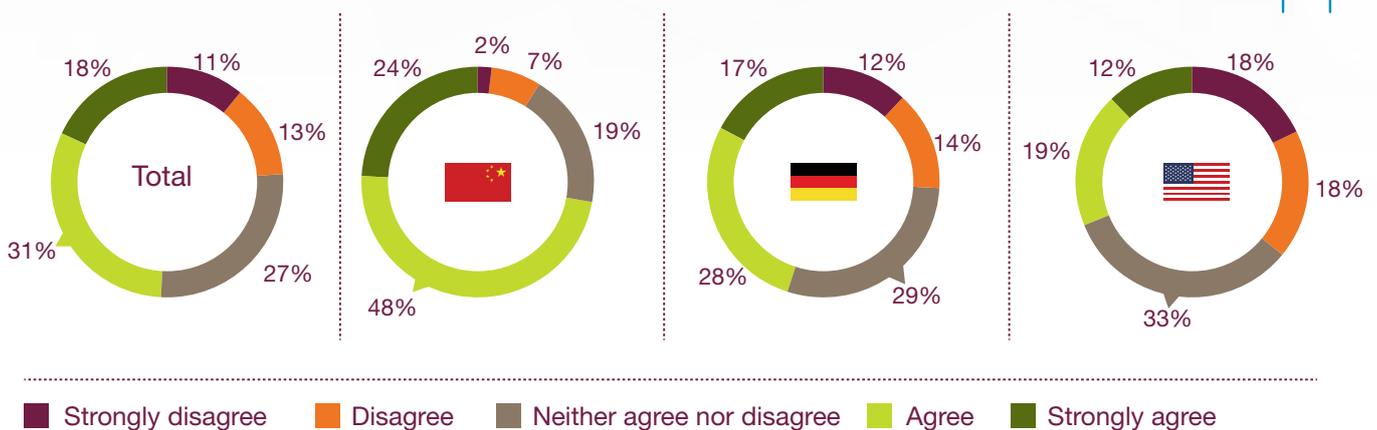
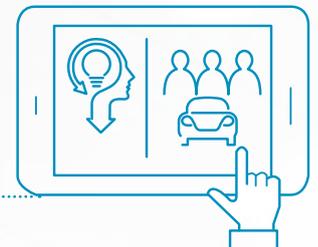
transportation subscription packages that cover different means such as car and ride sharing, bicycle rental, and public transport for events where the car ownership model is not suitable.

With the eventual implementation of autonomous driving, the line between public and private transportation will become less distinct. OEMs must begin to plan for such large-scale disruption and start to provide end-to-end intermodal mobility solutions online as an alternative revenue stream in preparation, and prepare for when their main product will have fully lost its differentiating potential.

Accordingly, it becomes crucial that OEMs transform from a traditional car manufacturer towards a mobility provider, to offer customers the mobility options that they expect, and to put the customer at the center of the business.

Figure 9: It is not only about new car online sales but also about offering innovative ownership models, flexible usage and service bundles

To which extent do you agree with the following statement: "I would rather buy a flexible mobility model (e.g., car share, pay-per-use) online than a traditional vehicle ownership model."



"Audi's objective is to offer individual premium mobility. We will offer products and services through the digital ecosystem of myAudi that fit with our customers' personal values and needs."

Clemens Ollmert
Head of Digital Business Sales, Audi



Interview with Markus Winkler, Global Head of Automotive, Capgemini Consulting

Automotive companies have to offer a new online sales experience to avoid falling further behind new players

1. Why are many OEMs working on online purchasing models at the moment, what are the challenges, and why have so few succeeded?

The automotive industry is undergoing a dramatic digital transformation to tackle the various disruptions taking place. These include changes in ownership model preferences, autonomous driving, as well as environmental targets. One of the most significant disruptions is the desire among customers to buy cars online, so OEMs have no choice but to go digital. However, these online sales initiatives are still very much in the pilot stage.

There are many reasons why many online sales pilots have not been successful so far. The major reason is the heritage of the automotive OEMs in building cars and selling via the dealership model, and therefore they simply aren't used to offering direct sales at this present time.

Previously, it was only the dealers who possessed the competencies/capabilities to actually sell cars, and it may take some time for the OEMs themselves to gain these. Other challenges include delivering on customer expectation in terms of product advice. Replicating the on-site staff support experience presents a barrier, for sure.

OEMs are also concerned about the impact that online sales may have on offline sales. They perhaps need to realize direct sales are an additional channel, rather than a competing one that will eat into their existing revenues. Manufacturers are wary of offering online price discounts for example, due to fear of cannibalizing the existing dealership framework.

2. What is the future role of the dealer within an online purchasing model?

This represents one of the largest challenges in automotive digital transformation. Going forward, the dealer will continue to participate, for example being incentivized to offer test drives and home deliveries for new cars.

In ten years, there will still exist a retail model involving dealerships, as there will still be customers who want to experience the product physically. Existing dealerships need to start talking to OEMs right away to participate in online sales.

3. What role will third parties and new market players like Tesla, Google, Apple, or Amazon have?

Technology companies such as Google will deliver worldwide transparency. Customers will be able to compare, via Google or other third party comparison portals, price, mobility options, location information, and offerings. I don't see the technology companies as major competitors for selling cars, however I can definitely see them becoming a key player in telematics and in-car interfaces. This will become more significant if autonomous driving becomes widespread and customers have more free time within a vehicle. I can certainly envision Amazon selling cars in the future, in a similar fashion to Alibaba in China currently. These kinds of third parties are definitely a threat to the traditional OEMs sales models and traditional dealers.

Regarding Tesla, they have undoubtedly disrupted the industry in terms of traditional retail models, particularly with their focus on customer service/experience. They are clearly the vanguards of the online model, like Uber is with mobility. Tesla does not have the traditional heritage of the older OEMs, from connectivity, spirit, to organization.

4. What do OEMs have to do now to successfully drive online sales?

OEMs need to develop sales approaches based on clearly segmented customer groups. Some customers still wish to visit the dealership for test drives and for personal product advice. Other customers, a significant and growing segment that we call the digital natives, know exactly what they want. They prefer a convenient and easy to use end-to-end online process with, ideally, a best price guarantee. It's crucial for OEMs to manage these personal preferences across the channels, and especially to build the online processes for a rapidly growing customer group.

OEMs: What happens now?

Understanding and responding to the demand for online sales will be the key driver for automotive companies. This will help them develop new business models that allow customers to buy new vehicles completely online. Driving online sales is a must-do for OEMs in order to increase both profitability and customer retention. Based on our study, six key recommendations have been derived to ensure increased online sales.

1. Integrate the physical and online sales experience

OEMs must do more to merge and improve both the physical and digital channels. Options must cut across people, processes, and technology: technologies such as Augmented Reality and Virtual Reality solutions; convenient test drive offers; customer queries answered either in-showroom by product experts or via online live agents on OEM sales platforms; and a way to ensure the online and offline experiences blend into each other so that customers can enter either channel at any stage of the process.

2. Simplify and standardize your online product portfolio

Using existing customer insight, manufacturers should consider standardized vehicles that meet customer demand, while allowing more individualized customization for premium models. Also, have models available only online, or at a special price for a short period of time.

3. Price benefits and negotiation options

OEMs have to offer customers low price guarantees online. This demand may be sated by the creation of integrated price negotiation modules within an OEM's or a dealership sales platform. Automakers need to ensure they offer pricing transparency, so that customers are reassured of best price.

4. End-to-end portfolio options

Automakers have to integrate their complete offline portfolio online, and vice versa to create a seamless customer experience. This can be achieved by offering bundled product portfolios online, including financial services and after sales support. OEMs can also offer on-demand functionalities and connected vehicle products at an in-car store.

5. Building trust and secure data environments

OEMs need to provide best-in-class security solutions in relation to fraud, data protection and online payments. Solutions include further integration with existing high-trust banking platforms. Communicate these solutions to customers to build trust in the brand in regards to online security.

6. Launching mobility options to complement traditional car sales

To open up new revenue streams, automakers must look to an alternative mobility solution that they can offer in addition to selling cars. Customers demand car sharing, pay-per-use, and other flexible ownership models.

Automakers must grasp the opportunities that selling online holds for them, and they have every possibility to do so. However, to ensure effective transformation, we have shown that there needs to be more than just the vehicle made available for online purchase. OEMs and dealers need to match customer expectations in the digital age, and therefore must continue to adapt their collaboration and business model to effectively establish online sales.



“One of the key lessons we have learned already is that we cannot just rebuild the current processes online. We have to learn from other industries and transform our business to digital.”

Jakob Nyborg
Head of Marketing, Maserati (FCA)

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