

salesforce

# OEM EVOLUTION

A new customer journey for  
new customer expectations



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## Introduction:

# A global shift in car buying

When 2020 began, steady growth was expected for Global GDP. But the pandemic brought a great deal of change. The U.S.'s GDP for the first quarter shrank by 4.8%, and we've seen record unemployment. With factories across China, Europe, and North America closed for a portion of the year, there's no question that vehicle sales will fall globally.

Recovery is underway, but it will take time. While perceived risk around car-sharing will increase the appeal of personal vehicle ownership, customers will be cautious about venturing into public spaces, and conservative about spending. However, by embracing the digital transformation needed to address these emergent customer trends, the industry will set itself up to increase sales efficiencies, service retention, and customer loyalty.

While many industry players have already undertaken this transformation and the revolution of customer-centric thinking it enables, the industry as a whole needs to accelerate its evolution. The shift was always an imperative – and the pandemic is not a change agent, but an accelerant. That's why Doug North, Chairman of the North

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# 4.8%

American International Auto Show said, "We're seeing a fundamental change in the way cars will be sold, this pandemic is going to create some permanent changes."

In this paper, we'll be exploring how more effective digital engagement in three areas can carry OEMs and the auto industry into a new era of success: from the shopping experience, to the ownership experience, to alignment with dealers.

# 1.0

## Engaging customers during the car-shopping journey

With the right tools, OEMs can create a digital experience for every step of the car buyer's journey – from research, to shopping, to buying. Not only does such an experience foster stronger customer relationships, but it's simply what customers have come to expect.

Many customers are excited about buying a new car – very few are excited about shopping for it. They value their time, and they don't want to spend it driving from dealer to dealer. Mobile-enabled digital tools allow them to do their research efficiently, anywhere, any time. Bringing digital innovation to the later phases of the customer journey can be even more powerful, because negotiating a price/lease and finalizing the paperwork is one of the top frustrations customers have with the process. In fact, a Cox study shows that two out of three customers care even more about the time it takes to negotiate price and sign paperwork than how much they pay. And while the same study showed that a very low percentage of customers have handled their negotiation, add-ons, etc. digitally, the satisfaction among that group is very high – as much as 9% higher than typical buyers.<sup>1</sup>



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But the bottom line is that the current climate will certainly drive tremendous demand when it comes to shopping for and comparing vehicles digitally. This presents a huge opportunity. By utilizing customer data and insights gathered through digital listening, demographic and psychographic data, purchase and service history, OEMs can understand customer needs better, becoming proactive or even predictive with their outreach. Armed with that understanding and the right tools, they can accelerate buying decisions by efficiently

<sup>1</sup> Cox Automotive, 2019 Car Buyer Journey Study, June 4, 2019: <https://www.coxautoinc.com/learning-center/2019-car-buyer-journey-study/>

moving customers deeper into the research and consideration process, quickly narrowing their search, determining their personalized payment plan, etc. And don't forget, content and reviews can be leveraged to build the customer's confidence in their purchase.

The numbers don't lie: "18% of auto shoppers would purchase a vehicle sooner if there was an online option".<sup>2</sup> And industry leaders are reading the writing on the wall. According to Ryan LaFontaine, COO of LaFontaine Automotive Group, "People are changing their buying habits. Online platforms are as important as brick and mortar".<sup>3</sup> In short, the absence of easy-to-use online shopping tools will soon become a deal breaker for customers.

But even as things change, they stay the same. As OEMs work to digitize the car buyer's journey, they must make sure that journey builds an emotional, human connection. Their digital showroom should leverage engaging multimedia

# 18%

*of auto shoppers would purchase a vehicle sooner if there was an online option.*

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technologies to simulate an in-person shopping experience – from video reviews, to video tours, to augmented and virtual reality experiences. One example of how some OEMs are putting these tools to work was the **Ford F-150 launch** – a primetime YouTube event replacing the in-person experience typically staged at an auto show. Another great example was the **Lexus AR Play app**, which enabled users to virtually walk around the 2021 IS, explore its design, performance, and safety features, and much more.

Granted, real time connections will always be necessary and valuable, even if the current environment demands the peace of mind that comes with low or no contact interaction. That means ensuring dealers are investing in video conferencing tools to walk customers through their purchases live, and utilizing concierge and valet services to reduce, or eliminate contact for test drives, vehicle deliveries, etc. Of course, this brings us to the overall need to dramatically improve the alignment of OEM touch points with dealer experiences – and we'll talk about some of the mission critical challenges in that area a bit later.

<sup>2</sup> Kyle Keogh and Thomais Zaremba, "5 trends shaping the auto industry's approach to a new normal," Think with Google, May 2020: <https://www.thinkwithgoogle.com/cdn.ampproject.org/c/s/www.thinkwithgoogle.com/consumer-insights/auto-industry-impact-during-coronavirus/amp/>

<sup>3</sup> Mark Phelan, "Coronavirus has dealerships moving to online sales – and car buying may never be the same," Detroit Free Press, April 10, 2020: <https://amp.freep.com/amp/5120203002>

## 2.0

# Building loyalty during the vehicle ownership journey

Nurturing customer relationships post-sale is critical to navigating near-term uncertainty and building long-term stability. But what's the best way to do that? Well, under current market conditions, the vehicle lifecycle may be prolonged and sales will likely contract as customers delay their next vehicle purchase or lease.

Therefore, it's imperative that customers are effectively transitioned into the service stream after the sale. Historically, this has been a challenge – 70% of customers who purchase a vehicle from a franchise dealership do not return to the dealer for service during the first year. Plus, those who use dealer service centers mostly do so only while under warranty. In other words, there's plenty of room for improvement – and the rewards will be greater than ever, because if customers are hanging on to their cars for longer, they'll spend more on service.

Meanwhile, OEMs can use the service relationship as a platform to build loyalty. Customer data insights around purchase history, service history, financing preferences, vehicle preferences, etc. can enable OEMs to craft reassuring, timely, omni-channel messages, focused on proactive service reminders, emergency financing offers, etc. It goes without saying



***of customers who purchase a vehicle from a franchise dealership do not return to the dealer for service during the first year.***

that all of this benefits both the OEMs and the dealers, earning service revenue throughout the life of the vehicle and forging a bond of familiarity that will heavily influence the customer's next car purchase or lease.

For instance, Toyota Canada developed automated, dynamic customer communications, based on each customer's journey phase and past interactions, while partnering with dealers to ensure a seamless online to offline transition. The result is a loyal and engaged customer base built from authentic 1:1 communications with a 200% increase in email opens, 250% increase in email clicks, and a positive impact on sales.

"We focused on creating personal relevance through a centralized marketing system that delivers personalization at scale," says John Bortolotti, Data Analytics and Direct Marketing Manager for Toyota Canada.

*Automated, dynamic communications helped Toyota Canada increase email clicks by*

**250%**

"Now, we can congratulate customers on their new vehicle, proactively remind customers of maintenance, and offer up new vehicle promotions to customers who are nearing the end of their lease, all with the same system."

## 3.0

# Improve customer engagement by augmenting OEM-Dealer collaboration

As business and markets reopen and beyond, collaboration between OEMs and dealers will become increasingly important to facilitating digital purchases and building customer loyalty. Of course, that means aligning on on-premise safety and sanitation measures. But it goes far beyond that.

OEMs and dealers must work together to address what is currently a somewhat disconnected customer experience. At present, pricing and promotions are inconsistently communicated across the hundreds of dealers in play. OEM advertising and dealer advertising aren't achieving synergy. Local dealer inventories aren't meeting the promise of vehicles specified through OEM site configurators.

These factors damage consumer confidence and slow sales under ordinary circumstances. But the current circumstances amplify the problem, with all interaction taking place in virtual space, an unfamiliar test driving process, and other obstacles disrupting traditional interactions between customers and OEMs/dealers. But digital innovation can unify the experience to carry customers through the journey smoothly, no matter where they begin the process.

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Furthermore, digital innovation can help OEMs and dealers communicate better, enabling them to share knowledge more efficiently, through a single platform, with dedicated communication portals. Better collaboration will result in better lead management/acquisition by better identifying qualified leads coming in through OEM touchpoints and smoothly transitioning them to dealers. Having a platform that functions as a dealer one-stop shop can help both OEMs and dealers reduce cost and increase productivity.



At the moment, the clear opportunity is CPOs and used vehicles, which take center stage when the nation is coming out of a recession and consumers are looking to save money.<sup>4</sup> So as markets recover and supply chains ramp up, having an online OEM/dealer marketplace for CPOs and used cars can help dealers manage inventory levels against customer demand, ensuring dealers are able to quickly offer a vehicle in which a customer shows interest. Audi do Brasil embarked on a journey to change how they traditionally worked with dealers and improve collaboration. Audi do Brasil built an online commerce marketplace to facilitate pre-owned car sales to dealers

*An e-commerce marketplace helped Audi do Brasil reduce sales cycle time by*

**92%**

which improved partnering with dealers and increased efficiencies. “We were able to utilize a B2B auction marketplace for used vehicle distribution which increased integration with dealers and reduced sales cycle time by 92%,” says Nils Radsak, Head of Digitalization & IT at Audi do Brasil.

<sup>4</sup>Ivan Drury, “Car Values Won’t Be Immune to Coronavirus,” Edmunds: <https://www.edmunds.com/industry/insights/car-values-wont-be-immune-to-coronavirus.html>

# Conclusion:

## Building a foundation for the future

The current climate demands a true reimagining of the customer experience, driven by digital transformation. So what will that experience look like?

- Online shopping needs to be engineered to be faster, easier, and more intuitive.
- Loyalty needs to be built more intelligently, with marketing messaging that resonate with customer needs, as those needs emerge.
- Car life cycles need to be tracked effectively – enabling timely, relevant “next car” sales messaging.

What will it take to make it happen? OEMs need to utilize intelligent data analytics and insights to gather and understand data that lives across organizations, powering more informed customer communication/marketing, sales/lead management, etc.

OEMs also need to continue to explore new and immersive technologies that bring the car-shopping experience to life on desktop and mobile devices alike, as consumers continue to embrace digital showrooms, VR test drives, and other alternatives to dealer visits.<sup>5</sup>

Finally, OEMs must plan for future demand trends and new audience segments, with consumer thinking around mobility solutions and car ownership in flux. A survey conducted in China shows most of those who do not own a car intend to buy one for health and safety reasons, and a recent survey shows the same trend developing in the U.S.<sup>6</sup> Moreover, millennials are becoming more interested in buying cars – and catering to the different expectations and behaviors of this growing segment is critical. Within the last year, millennials surpassed Gen X to become the 2nd largest consumer cohort and they are expected to overtake baby boomers as the largest consumer cohort within a few years.

Adapting to this rapidly changing landscape can be daunting, but the potential for increased margins and additional revenue streams is tremendous. And with the right support, OEMs can achieve that potential. So when you're ready to get started, click [here](#).

<sup>5</sup> Kyle Keogh and Thomais Zaremba, “5 trends shaping the auto industry's approach to a new normal,” Think with Google, May 2020: <https://www.thinkwithgoogle-com.cdn.ampproject.org/c/s/www.thinkwithgoogle.com/consumer-insights/auto-industry-impact-during-coronavirus/amp/>

<sup>6</sup> Kyle Hyatt, “Coronavirus has people changing their minds about ride-hailing, study says,” CNET Road Show, March 24, 2020: <https://www.cnet.com/roadshow/news/coronavirus-transportation-survey-covid-19/>

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