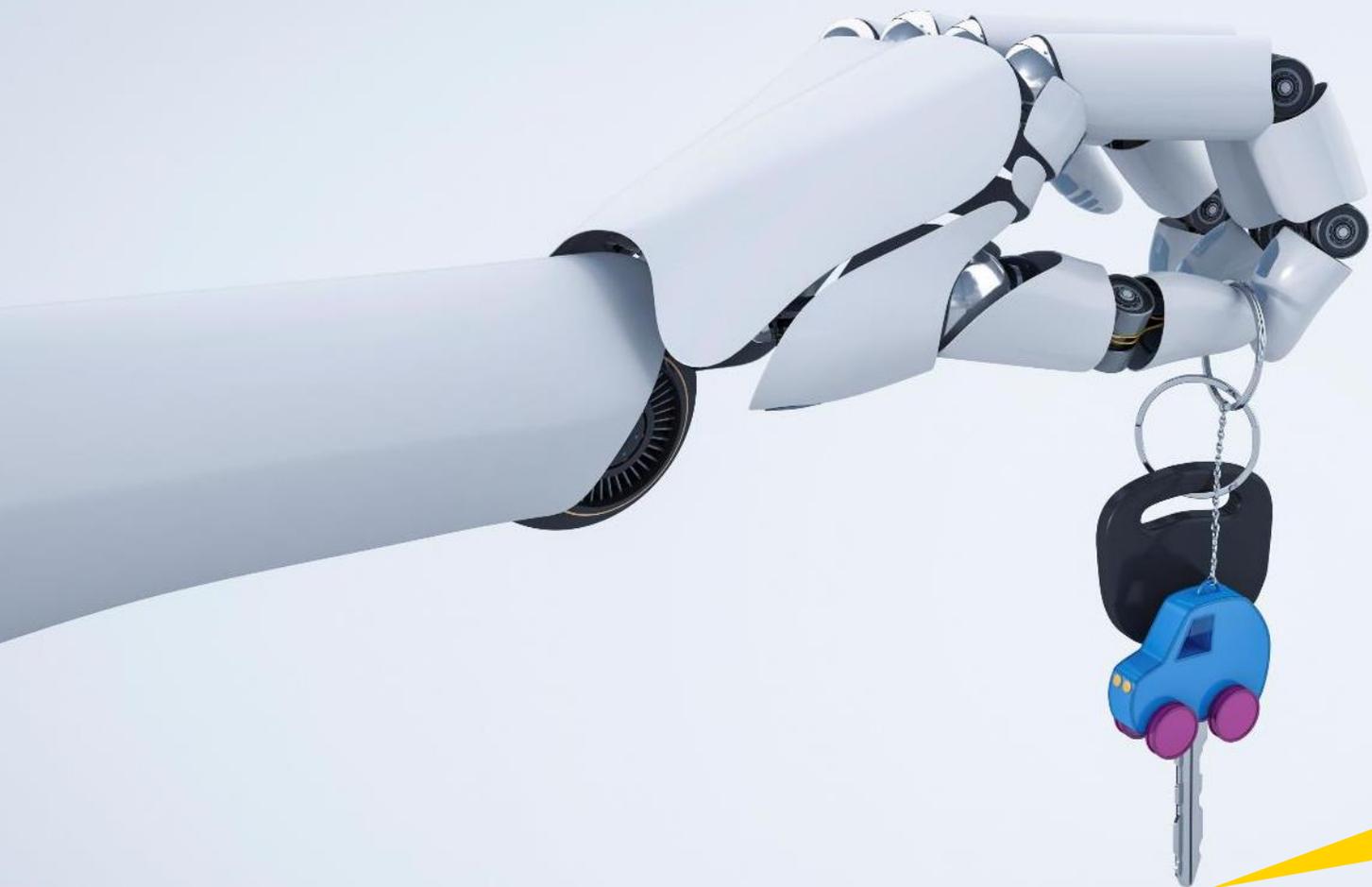


The Invisible Car Salesman

How OEMs & dealerships will need
to map the new 'Path to Purchase'
and adapt to the changing
consumer buying behaviors?

April 2020



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Table of content



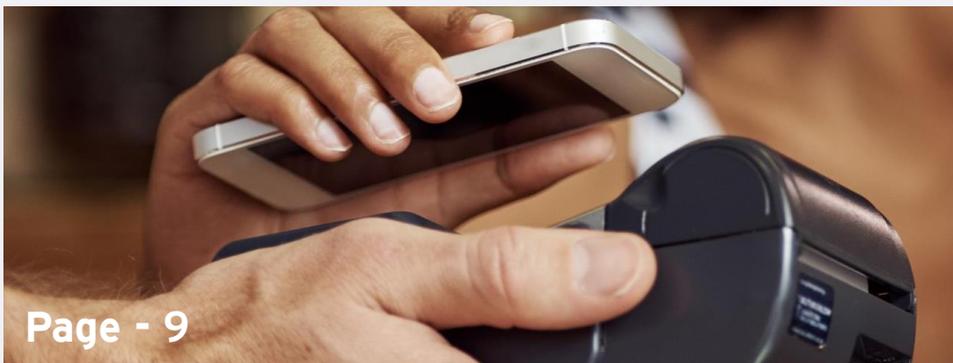
Page - 4

Online Car Sales - will it be a reality sooner than expected?



Page - 7

Consumers are changing purchase behaviours but is the auto ecosystem keeping pace?



Page - 9

A true contactless sales channel - The Invisible Salesman



Page - 13

Can the 24/7 Invisible Salesman become the new normal?



Page - 19

How can EY help?



Page - 20

Key Contacts & Our offices

There has been a significant and **rapid transformation**

in consumer behaviors and their expectation of experience during their purchase cycle. This is especially apparent in the Automotive sector. In the recent past, many of the key nodal points in the Consumer's purchase journey of a passenger car like the pre-test drive touchpoints have already moved to an online environment. There is a segment of consumers who prefer 'contactless' digital touchpoints in their purchase journey for the purpose of comparison, consultation, selection and booking, which need to be seamlessly enabled by OEMs and dealerships. An integrated '**phygital**' platform with a digitally enabled agile salesforce will become a critical criterion for consumer satisfaction and sales conversion. This opinion paper assesses the likely impact in a post COVID scenario on channels used for car sales.



Online Car Sales - will it be a reality sooner than expected?

Never has the need for digitalization in automotive retail been felt so strongly. The ongoing COVID-19 crisis has managed to cripple automotive businesses, supply chains and taper demand all over the globe. Recovery from this has to be a well-thought out process, as firms also need to work on crisis management and building resilience to prepare for such events in the future. In such a scenario, digital is emerging as a powerful medium across industries.

Post the COVID-19 crisis, there is no denying that customers would lean further towards online and contactless modes of purchasing. Vehicles may very well fall in the same category too. While Indians are already more inclined towards researching online while buying cars, online sales are rare due to limited awareness, options & flexibility.



90%

Indians research online while buying a new car



44%

Indians are willing to purchase a car online

Source: Kantar Research, 2019



Pre COVID outbreak

Post COVID outbreak

Private car

34%

66%

2 wheelers

45%

45%

Bus / Metro

56%

24%

Taxi

21%

15%

Cab Hailing

21%

12%

Cab sharing / rentals

3%

5%

Consumer Sentiment on Preference of Mobility Option

Source: Ipsos China



One of the many fallouts of the COVID-19 crisis is likely

to be people's proclivity to own and travel in a personal vehicle rather than use shared mobility or public transport. A recent study conducted in China confirms that fear of infection and lack of hygiene will move people's preference back to personal mobility.

This is likely to reverse the trend of declining car sales. Consistent with this consumer sentiment, combined with better online experiences, we anticipate an uptick in online car sales.

This raises the question of how well-equipped OEMs and dealerships are in managing this sudden accelerated change in consumer behaviour. Imagine a scenario where an OEM today has a robust online sales platform, with integrated car configurator, finance and insurance options. Would it have retailed cars during the COVID-19 lockdown? Would it have managed to liquidate some more of its BS4 stocks?

Automotive retail needs to become virtual, lean and flexible, while the existing sales channels need to become more efficient to accommodate these changes. Now is the perfect time to have our contactless Invisible Salesman 'Anytime, Anywhere'.



A young woman with dark hair, wearing white headphones and a blue and white striped shirt, is sitting on a couch. She is looking at a laptop screen which is partially visible in the foreground. She is holding a dark credit card in her right hand. The background is a blurred living room with other people and furniture.

Consumers are changing **purchase behaviours** but is the auto ecosystem keeping pace?

While there are plenty of digital interventions in the current car purchase journey, their effectiveness is in question due to their limited usage, fragmented built and an inability to measure contribution to sales conversions. AR and VR have become more of 'good to have' showcase aids, without enabling any meaningful conversations about the car and sales conversion. OEM and Aggregator websites do not offer an interactive experience to support the purchase decision. Despite booking a test drive slot online, often sales executives are not able to deliver a test drive in that slot due to poor time and car management. Further, the biggest piece missing in the online sales journey is the integration of the final negotiation and purchase process. Deal negotiation is a very critical process in the Indian context and consumers are sceptical of getting the best deal online.

Nevertheless, efforts have been made to make parts of the consumer's buying journey digital (ref Table 1). OEMs are also tying up with other ecosystem players to facilitate online purchases. Take the case of MG - It partnered with online portal Myles for making Hector available on subscription. It also tied up with CarDekho for a buyback program, wherein customers are promised 60% ex-showroom price after 3 years. BMW India has recently launched a campaign on 'Contactless' purchase process which further underpins the importance of online sales.

Table 1 - Current digital touchpoints across customer purchase journey (not exhaustive)

Awareness	Consideration	Purchase
<ul style="list-style-type: none"> ▶ Product videos & testimonials ▶ OEM and aggregator websites ▶ Product comparison / Information kiosks 	<ul style="list-style-type: none"> ▶ Car configurator at dealership ▶ VR and AR experience ▶ Online Booking 	<ul style="list-style-type: none"> ▶ Online finance facilitators ▶ Subscription / Leasing websites ▶ Banking and Insurance portals

Source: Secondary Research



A true contactless sales channel - The Invisible Salesman

In a true online sales channel, the automotive ecosystem players come together and create an integrated platform for the complete purchase journey, across the 3 decision stages of Information, Consideration and Purchase.

Awareness Stage

Customers will have full access to vehicle related information like ongoing offers, product features, testimonials and reviews, videos, variant stock availability, 360-degree view, VR experience and product finder tool. This experience can be made more conversational by allowing customers to chat with specialized online technical assistants anytime, anywhere. The conversation can be carried out via video calls or live messaging to help customers with more information, address queries and enable them in making the right decision. Responsiveness to all queries is very critical. Chatbots with self-learning capability can also be deployed on all online platforms.

Benefits for OEMs:

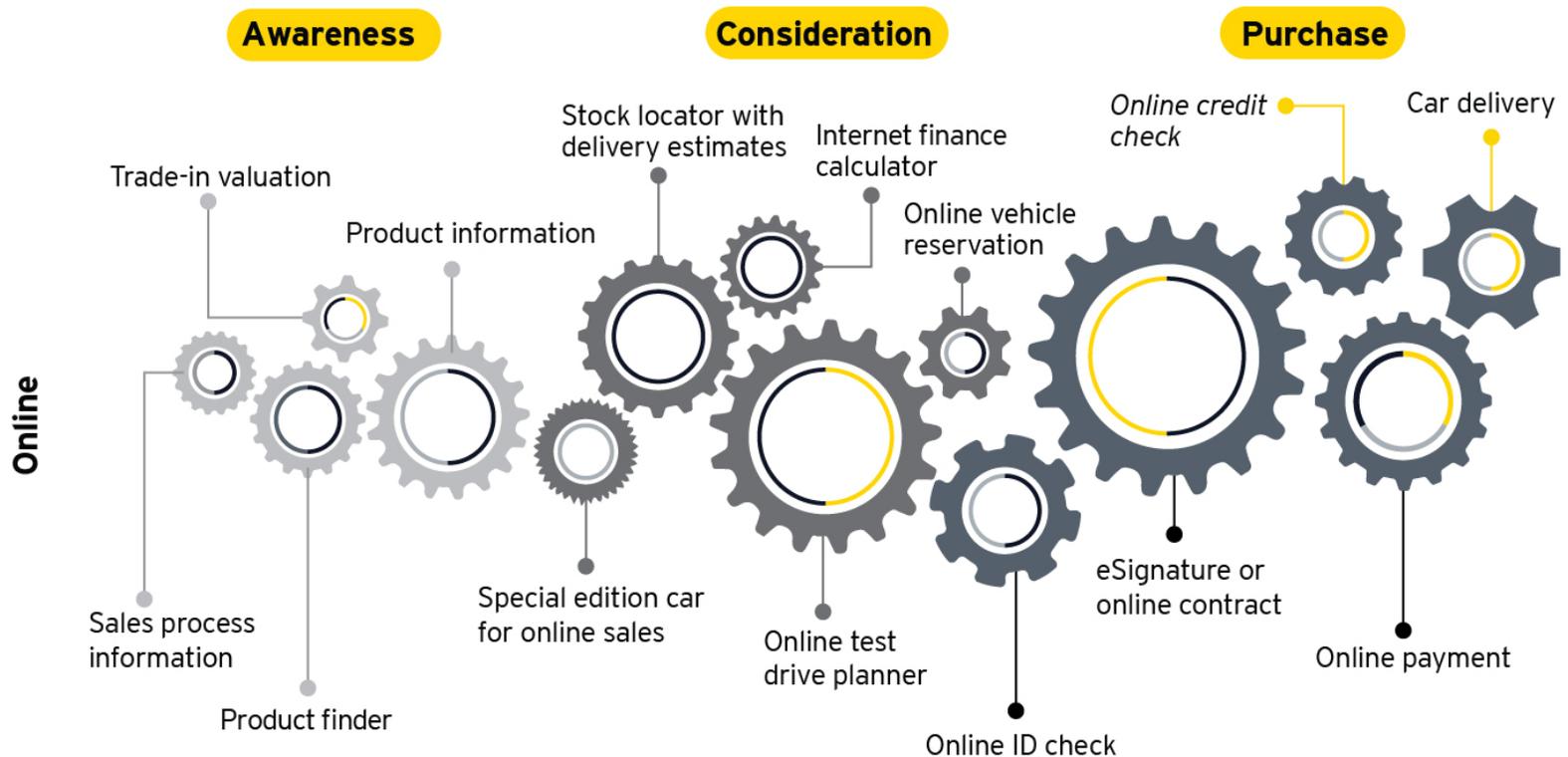
- ▶ Increase sales, reduce abandonment rate and support upselling & cross-selling opportunities.
- ▶ Access to customer data which can be integrated with offline and marketing databases to obtain holistic insights.

Benefits for customers:

- ▶ Access to complete vehicle related information across channels, anytime, anywhere



Digital tools along a contactless car sales process



Relevant factors for online processes from the customer perspective: ● Easy ● Fast ● Trust and Quality

We believe that vehicle financing will continue to hold dominance in customer life cycle and could move to the front, providing information on affordability, upgrades and subscription options.

Consideration stage:

Customers can customize their preferred model using the car configurator, while instantly viewing the prices and nearest store locator for that variant. A finance calculator will enable customers plan payments basis information on the best available loan and leasing options. The customer can also request a test drive and an AR or VR experience at home or visit a dealership or a test drive centre. After finalizing the car model and preferred payment, the customer can make the booking on the portal itself. Few Indian OEMs and aggregators allow online car booking today.

Benefits for OEMs:

- ▶ Quicker stock liquidation
- ▶ Deeper customer insights

Benefits for Customers:

- ▶ Instant view of prices basis selections and customizations

Benefits for BFSI Firms:

- ▶ Access to new customers



Purchase stage:

This stage will contain online ID checks, credit scores, eligibility checks and e-signature facility that will speed up the instant loan disbursement and final purchase process. A liability sharing arrangement can be explored with the OEM or aggregator for bad loans. The negotiation process can also be carried out through a chat window or over a call with the sales representative, with a best price guarantee. Registration & insurance processes can be made more transparent reducing the dependency on the 'agent'. The final delivery of the vehicle can be done as a home delivery or allowing the customer to pick up from an OEM stockyard or from a dealership. Customer care and aftersales introduction can be done via a video conference post purchase and delivery of the vehicle.

Benefits for OEMs:

- ▶ Access to never before financial data of customers

Benefits for Customers

- ▶ Instant loan approvals without hassle of interacting with multiple bank representatives

Benefits for BFSI Firms:

- ▶ New customer acquisition

The Indian customer's views and behaviour towards an online car purchase platform is only going to evolve. Indian OEMs and car aggregators can take a cue from global players and gradually develop their capabilities to support this transformation. Globally, OEMs like BMW, Peugeot, Hyundai and Volvo have successfully deployed almost contactless online sales.



Trive, a Spanish car aggregator, has managed to successfully develop a completely online contactless car sales platform, inclusive of the final purchase stage.

Phase



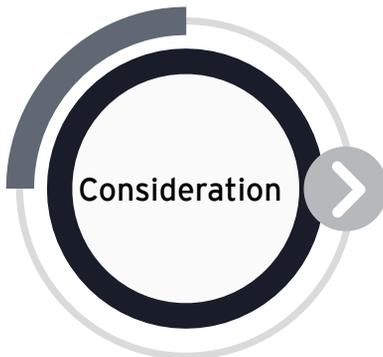
Tools

- ▶ Product finder
- ▶ Product information
- ▶ Sales process information
- ▶ Trade-in valuation

How Trive does it?

- ▶ Find products suitable to your budget and lifestyle
- ▶ Obtain information via website details videos, chat & video chat
- ▶ Complete information mentioned on the website and explained via chat and video chat
- ▶ Valuation will be done at home

Consideration



- ▶ Configurator
- ▶ Stock locator
- ▶ Internet finance calculator
- ▶ Online test drive booking
- ▶ Online vehicle reservation

- ▶ Vehicle 3D configurator with pre-configured options as well
- ▶ Locate new vehicle stock at a nearby dealership along with delivery period
- ▶ Calculator for loan cash payments, with comparison feature
- ▶ Test drive provided at home
- ▶ Book the selected vehicle online

Awareness



- ▶ Online ID check
- ▶ Online credit check
- ▶ Online purchase (Buy Now button)
- ▶ Registration service
- ▶ Vehicle delivery

- ▶ KYC like process carried out for customer identification
- ▶ Credit score check
- ▶ Verified by e-Signature
- ▶ Facilitated by the aggregator
- ▶ Delivery done at home by the dealer

Source: Secondary Research



Can the 24/7 **Invisible Salesman** become the new normal?



Can the 24/7 Invisible Salesman become the new normal?

Despite the increased need for digitalization, the role of dealerships will not get diluted as customers would still visit them for test drives or final purchase. Dealerships will continue to remain the link between OEMs and customers. A study conducted by EY in Germany found that 58% customers would prefer to buy a car from dealerships even in 2025.



27%

New car buyers consider dealership and salespeople as crucial criteria followed by price and brand.



58%

Respondents say they will choose a traditional dealership over other channels to buy a car even in 2025.

Preference toward traditional dealers differ within age groups:

49%

of over 30-year-olds

vs

66%

of over 50-year-olds

would select traditional dealers as the preferred sales channel in 2025.

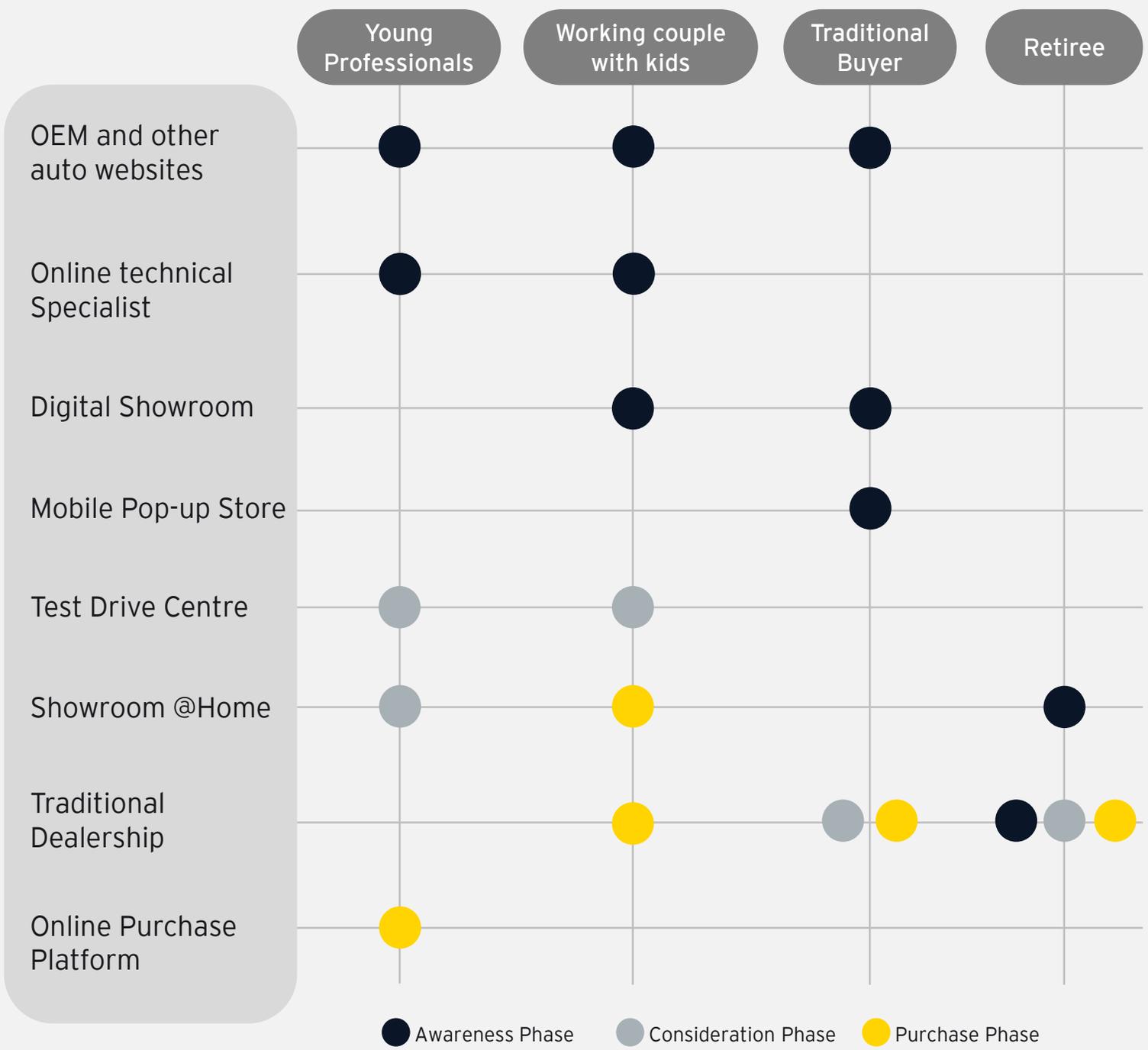


OEMs therefore need to carefully plan the transformation to an Omni-channel retail experience- where customers can seamlessly move between online and offline channels. Following are some guiding steps:

Identify Target Customer Segments

The transformation must consider the journey and expectations of different customer segments while purchasing a car, and how they can facilitate the switch between online and offline channels.

The future automotive retail needs to ensure seamless experience for different customer profiles across multiple touch points - Illustrative

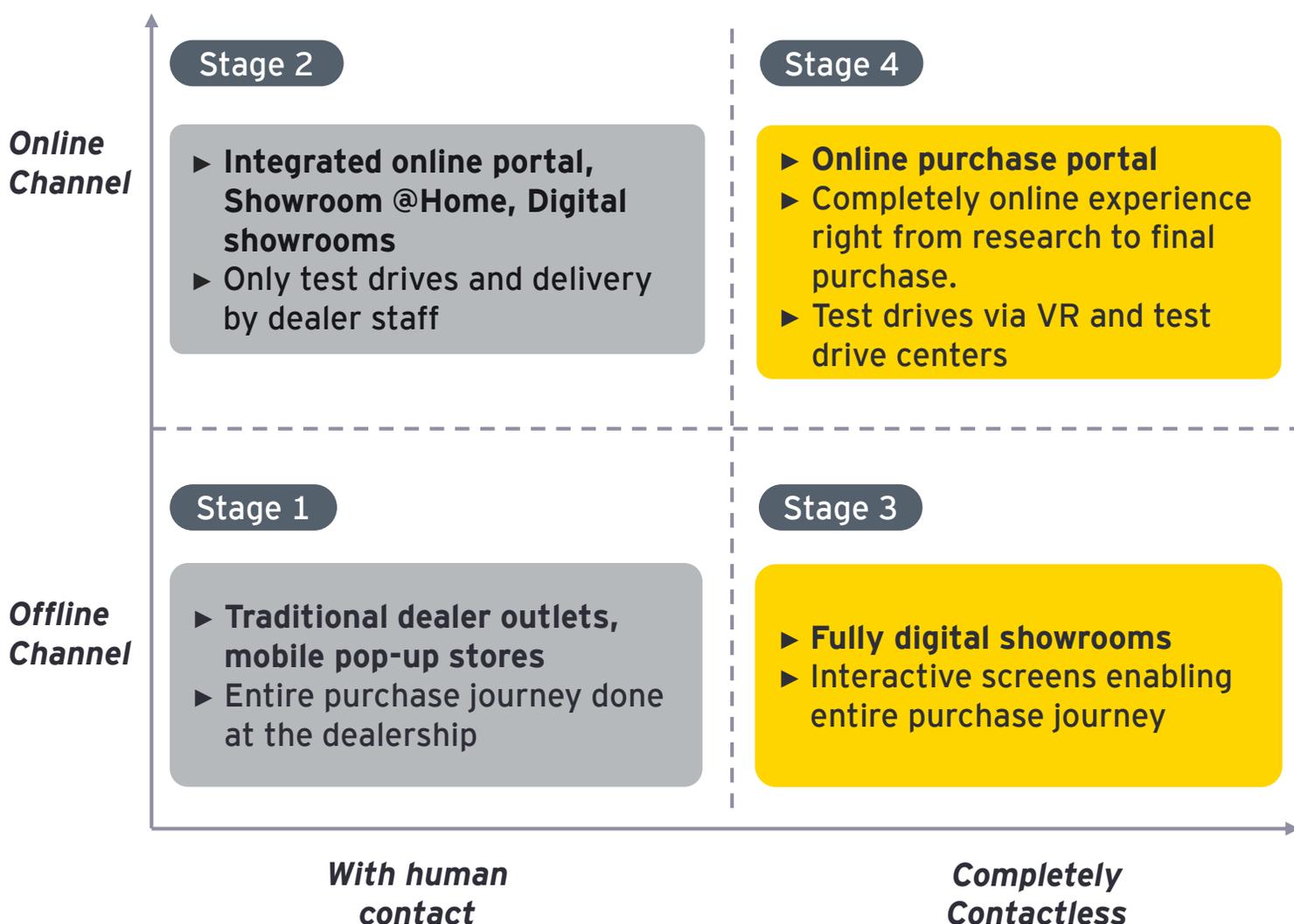


Innovate new formats & revamp the existing business model

New non-traditional showroom formats will be crucial in delivering this omni-channel experience, for example, smaller Digital Showrooms, dedicated Test Drive Centers and mobile pop-up stores. Showroom@Home can be an option as well, wherein all the operations can be carried out by a dealer representative at the customer's home or office. These can help OEMs increase their geographical reach, while maintaining extremely lean operations.

Several OEMs like Mahindra and Tata Motors have already announced launches of Digital Showrooms across India, which will be smaller showroom formats of approximately 100-300 sq. ft. as opposed to a traditional showroom of 2000-5000 sq. ft. Meanwhile, OEMs and aggregators should also deploy an integrated online portal and ensure that the online conversations are seamlessly integrated into offline conversations.

OEMs and dealers can plan their retail strategy in stages for a seamless transformation.





New roles and processes

Increasingly, there will be limited specialized manpower like Technical Experts and Test Drive Specialists at the physical outlets. The role of the typical sales person may no longer exist as the interactions that a customer desires would be taken care of by the new roles. On the online front, the role of a Virtual Technical Specialist will become crucial to carry out intelligent technical conversations and engaging interactions with the customers. A structure around sales, marketing and CRM will have to be built encompassing all channels. Also, the Covid-19 pandemic makes it imperative to ensure hygiene and sanitisation mandates are well integrated in the sales process



Unleash the power of Data Driven Digital Marketing

Meanwhile, the online sales channel will open new avenues for marketing and data analytics. Potential customers could be identified and approached with the right messaging basis their online behaviours. OEMs will be able to play a far greater role in the pre-sales funnel and deploy personalized marketing across the purchase journey. Prospects propensity to purchase can be gauged right from the time he starts his online/website search.

Social media listening can also be used as an avenue to identify sentiment of potential buyers. BFSI organizations too will have greater customer visibility and outreach. Further, this will also enable sales of Value Added Services and Accessories & Lifestyle products.



Test & learn - Manage the change

OEMs & dealers need to manage this transformation by re-thinking their sales strategy, re-aligning their existing sales staff to the new roles and giving their customer a renewed digital experience and offer greater convenience. It will be a mammoth change management exercise for the OEMs and dealers alike, many of whom are still inclined to the traditional ways of automotive retail. There are multiple approaches that can be taken to be online which include launching a new model on an existing or new online platform, partnering with a 3rd party aggregator, moving all products online, or choosing to be online in a select geography, etc. A safer approach would be to pilot and test the success of the model before scaling it up.

In summary

As far as the Passenger Car segment is concerned, “The Invisible Salesman” can become a market reality in India, if all players in the ecosystem come together to redefine the automotive retail journey. It will have a myriad of benefits for them in terms of better customer reach, better data insights and improved efficiency in operations. For the customer, it will be yet another product that they can buy online - Anytime, Anywhere.

The contactless sales phenomenon will hold true not just for cars, but also for the two wheeler segment. For other segments like commercial vehicles, tractors, and three wheelers, the ‘phygital’ channel will grow into being a market phenomenon gradually. We will share our PoVs for these segments soon!

How can EY help?

EY India is helping various organisations revisit their channel and go-to-market strategies with an objective to enhance customer centricity and profitability. Apart from extensive domain expertise, we have a set of unique capabilities, that can help you effectively chart your end to end “Phygital” sales experience map. (Refer Table below)

Asset	Description
FCUX	Design thinking led customer segmentation, journey design, development of front end customer communications & digital engagement tools.
Customer Experience Management	Capture real time customer feedback across various stages of the sales lifecycle (in search, in store & in use).
MarkTech Platform	Data driven personalised marketing platform with capability of self-learning, automated campaigns, NBO/ NBA and lead nurturing.
C Centric	Conceptualizing and implementing CRM solutions - on-premise CRM implementations, that includes Propensity modelling social CRM cloud CRM, SaaS CRM, and Artificial Intelligence (AI) and Robotic Process Automation (RPA) powered CRM
EY's Wavespace™	It is an innovation lab which simulates end to end customer journey, enables creative design, brings alignment and collaboration.
Alliance Partner	EY is a major alliance partner for Microsoft, SAP, Adobe and Salesforce.



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