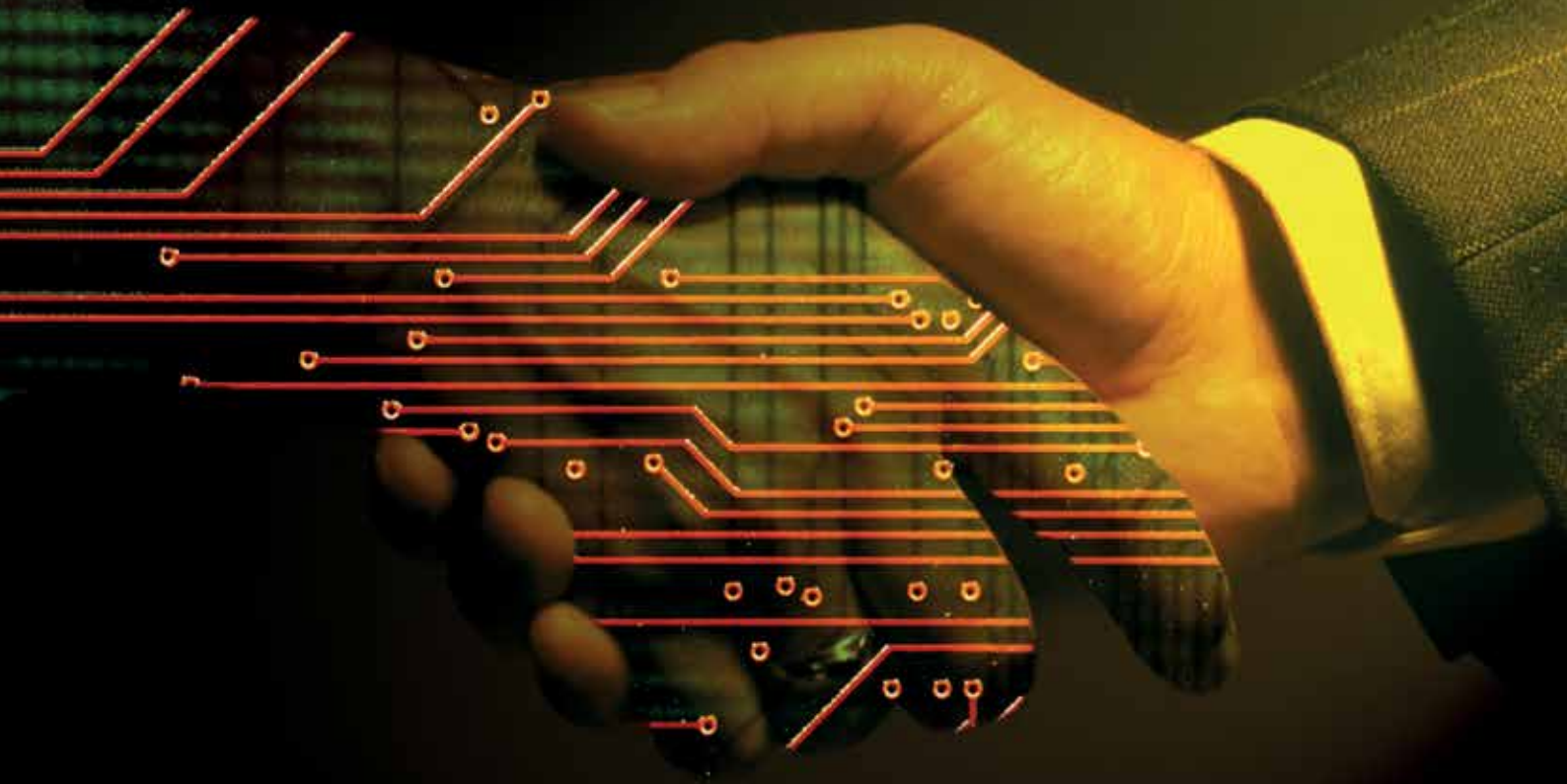
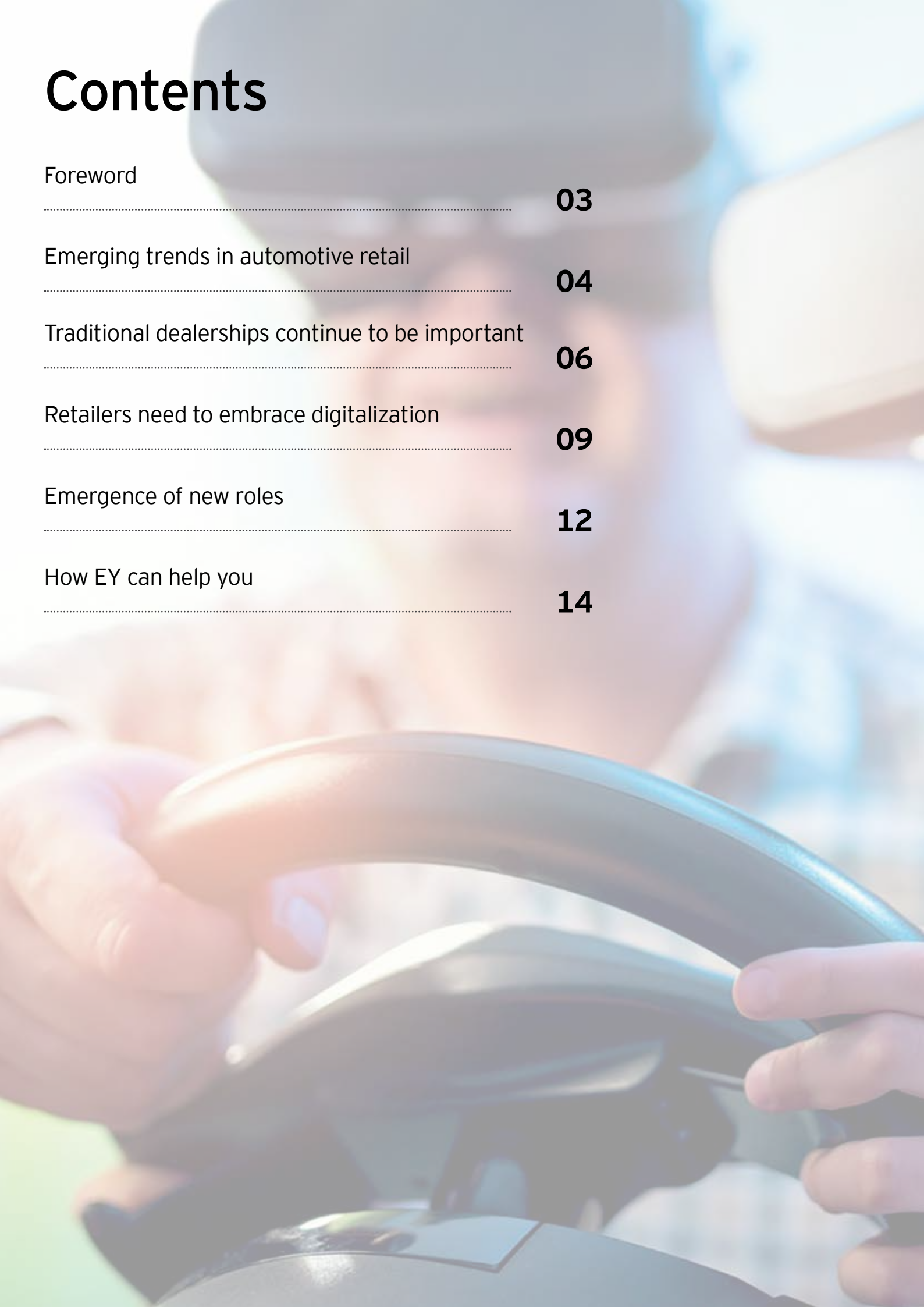


# Automotive retail 2030

Evolution of dealerships and  
potential new roles in retail



# Contents



Foreword	<b>03</b>
Emerging trends in automotive retail	<b>04</b>
Traditional dealerships continue to be important	<b>06</b>
Retailers need to embrace digitalization	<b>09</b>
Emergence of new roles	<b>12</b>
How EY can help you	<b>14</b>

# Foreword

This point of view is the first in a series of publications discussing the future of automotive retail in 2030. In this issue, we will discuss the key forces at play, and the steps that dealerships should take to meet the needs of customers and to remain relevant and competitive. Below is a summary of our key observations:

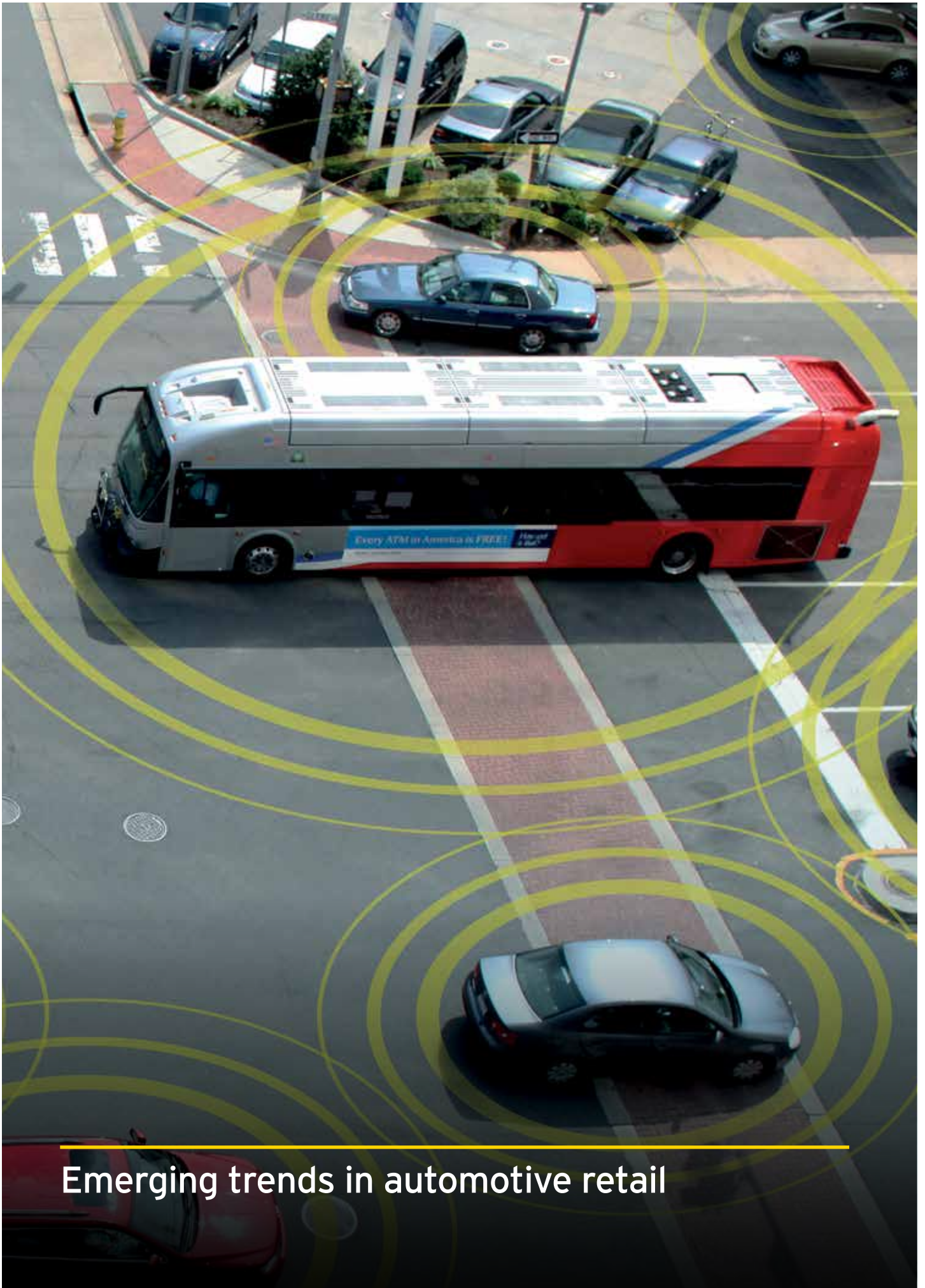
- ▶ The pace of change across all industries is accelerating. Automotive dealerships are facing disruption from multiple directions: evolving mobility solutions, intensifying competition, product innovation, technology proliferation, stringent regulations and changing customer preferences.
- ▶ Even with the ongoing transformation, the role of traditional dealerships as a link between the original equipment manufacturer (OEM) and the customer is not likely to diminish. Meanwhile, reduction in the number of visits to dealerships has made the initial visit even more crucial while also increasing the prominence of sales personnel.
- ▶ Digitalization is the prime driver of change in the vehicle distribution industry, impacting everything from customer acquisition and vehicle delivery to aftersales. From point of sale via digital tools (3-D screens, media walls, virtual and augmented reality,

etc.) to customer data analytics, remote servicing and predictive maintenance – the way vehicles are purchased, distributed and serviced is changing dramatically.

- ▶ Online presence is increasingly becoming critical to attract first-time customers. However, it continues to be a blind spot for traditional dealers as most of them do not intend to increase online presence. Whereas, select OEMs, captives and brokers are offering sophisticated portals capable of performing entire customer journeys online.
- ▶ New products and technologies require the upskilling of the existing salesforce and the introduction of new roles to augment customer experience throughout the purchase journey. Consequently, hiring efforts at dealerships need recalibration as the salesforce will continue to play a critical role and be a key differentiator.

**Achieving this transformation in automotive retail requires a concerted effort from dealerships. Clearly, dealers need to undertake significant change management to catch up with the evolving mobility ecosystem.**

Automotive retail faces digitalization and disruption. Dealers look to adopt new operating models and upskill salesforce or risk irrelevance.

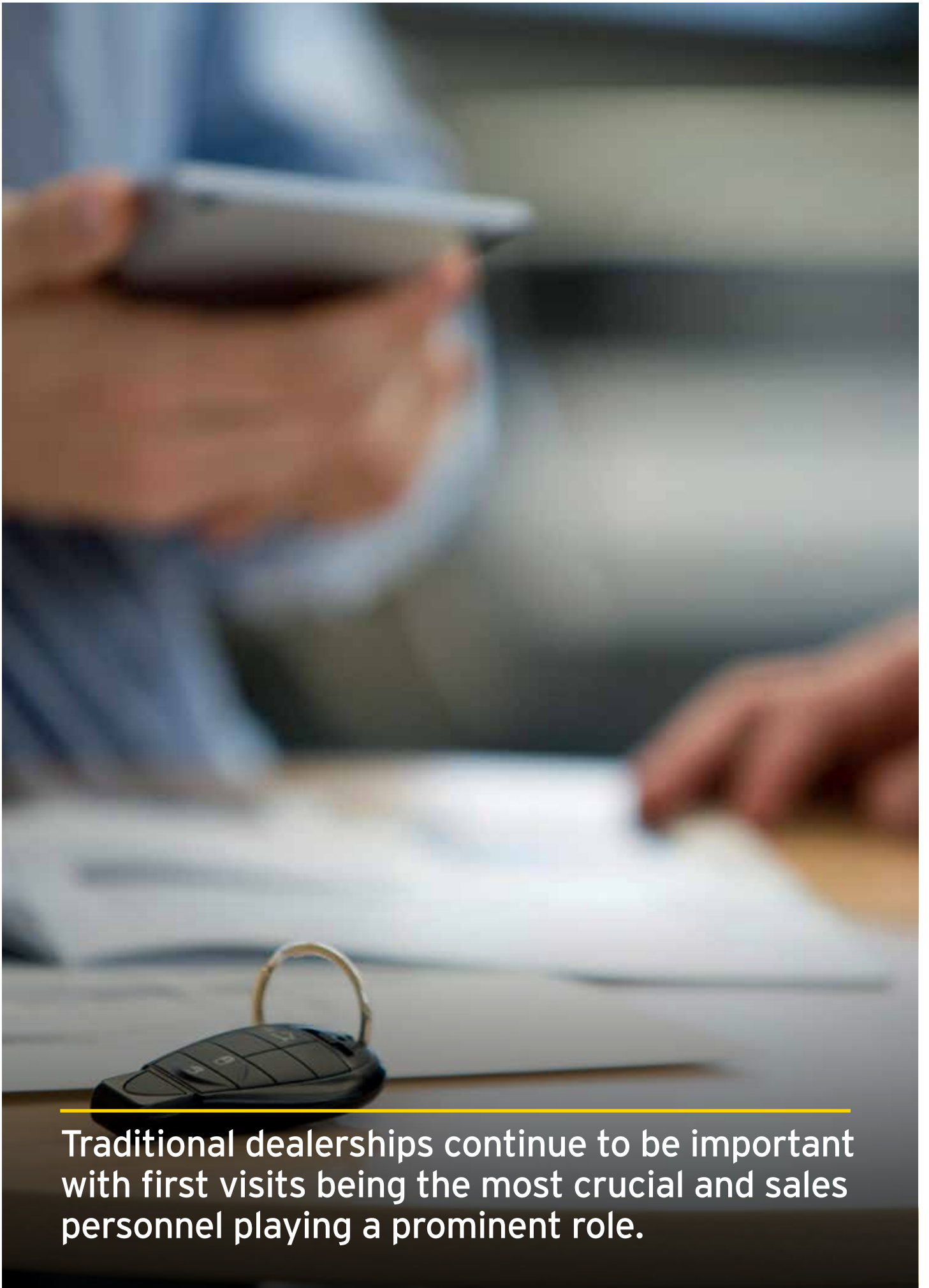


## Emerging trends in automotive retail

# Accelerating pace of disruptive innovation and changing customer preferences will drive the shift in the way automotive retail and aftersales businesses operate



These emerging trends are causing automotive retailers to rethink their current business models and undergo significant transformation in order to remain relevant and viable over the next decade.



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**Traditional dealerships continue to be important with first visits being the most crucial and sales personnel playing a prominent role.**

## Traditional dealerships continue to be the leading sales channel for customers.

Automotive retail is undergoing a significant transformation with increasing digitalization, evolution of mobility-as-a-service and with OEMs taking an even larger role in managing the customer journey and experience. This, however, does not dilute the role that a dealership plays – linking the OEM and the customer.

Most OEMs lack the necessary people, processes, technology and, most importantly, the seller mindset to make the shift from a wholesaler to a retailer. Further, a majority of the customers prefer visiting a dealership to take a test drive and conclude the vehicle purchase. Dealerships remain critical for customers, as evidenced by the EY-Puls survey in Germany.<sup>1</sup>



**27%**

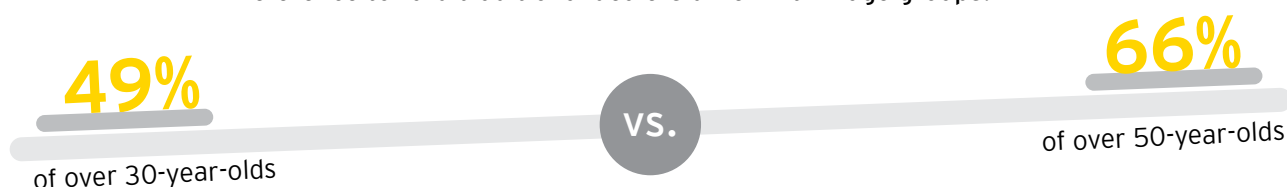
New car buyers consider dealership and salespeople as crucial criteria followed by price and brand.



**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:



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

## The first visit to the dealership is crucial for the customer purchase decision and the sales representative plays a critical role.

Dealers need to actively increase their online presence and optimize their efforts on traditional marketing channels.

Digitalization has reduced the need to contact the dealer in the first instance. Customers are able to quickly interact and easily access information across media and devices. Over time, the average number of customer visits to dealers before buying a car has dropped considerably, as most customers now visit the dealership only to close the vehicle purchase.



**70%**

New car buyers who intend to buy from the dealer they first visit



**2.1**

Average number of dealers a new car buyer visits

<sup>1</sup> Study results are based on a survey in Germany with 1,151 consumers and 400 dealerships – conducted by an independent market research institute in 2017.

## Dealerships need to focus on imparting new skills and exploring creation of new roles to align with the changing industry dynamics.

Sales representatives hold prominence for not only closing sales with willing customers but also persuading unwilling customers. As per our survey, lack of social skills in a salesperson is the biggest barrier to successful sales, followed by brand image and price. While visiting a dealership, customers consider service orientation and expertise of the salesperson as most critical. The salesforce needs the relevant skillset to stay impactful.



**4 out of 5** customers buy from the first salesperson they come into contact with (in-person, online or on-call)



**Dealership and sales agents can significantly influence the purchase decision of a brand-neutral customer. Our survey also found that the skills and expertise of the salesperson and a sophisticated ambience in the dealership are positive influences.**





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**Dealerships need to embrace digitalization and create a holistic digital and social media strategy covering the entire customer purchase journey.**

## Introducing digital would help in both enhancing and understanding the customer experience journey.

Online visibility is critical to attract first-time customers. However, it continues to be a blind spot for dealers. Consumers' approach to purchasing vehicles has changed completely over the last decade. Internet and social media are now the first source of information. While a customer presently prefers to purchase a vehicle offline, a large part of the purchase journey is already digital.

However, most dealers do not plan to invest in increasing their presence online.



**>80%**

Dealers who do not plan to expand online presence by 2020



**80%**

Customers who research about the vehicle online

Traditional marketing continues to be vital as it requires less cognitive effort to process than the digital feed. Dealers spend a significant amount to acquire customers; however, most times there is a wide gap between the dealer's perception of their current initiatives and the actual customer experience.



**~10**

Hours spent on the web by customers for product and dealership information



**78%**

Dealerships that regularly organize events to acquire customers



**2/3<sup>rd</sup>**

Customers who consider these events as uninteresting



**>50%**

Customers who receive offers online

Data analytics can reduce such inefficiencies by driving fact-based decision-making. Analytics can support interventions across the customer life cycle. It will not only define and identify the potential of different customer segments, but also support acquisition of new customers, and improve customer experience and loyalty quotient. To optimize data analytics, dealers need to employ an integrated data management strategy managed by a data scientist. It will break silos across the organization and aggregate customer data from multiple sources such as CRM, dealer management systems, third-party sources, etc., to a single platform.

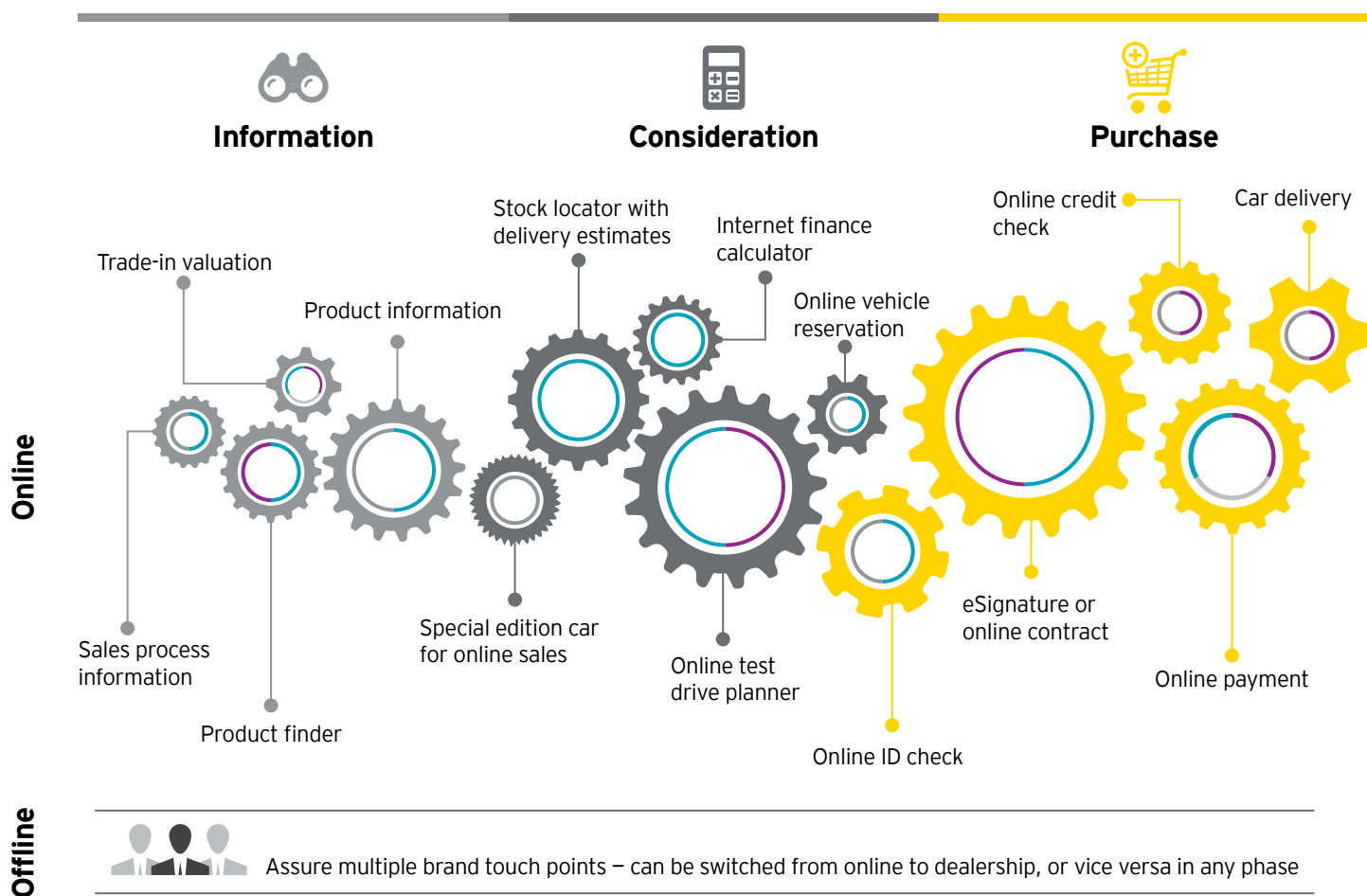
**Dealers need to redesign their value proposition adapting digitalization to provide an engaging interaction and compelling experience across all touch points.**

## While some of the OEMs, captives, brokers or special concept companies are excelling at the online purchase journey, dealers have not aligned resources in this direction yet.

Today's technology permits implementing the entire customer journey online, offering a faster and easier buying process while also enhancing trust and quality. According to an exercise conducted by EY around online vehicle sales, below are some of the best-in-class features exhibited by leading online vehicle sales portals:

- ▶ **Information phase:** enhances the customer experience with digital tools to help select a product based on select requirements while providing product and sales process information via different channels such as videos, chats and texts

- ▶ **Consideration phase:** provides the customer an interactive 3-D view, 360-degree videos and a virtual reality experience; allows comparison of vehicle financing products and booking test drives, including "bring" services
- ▶ **Purchase phase:** provides flexibility and access to reserve a vehicle online (without any charges or with short-term online credit), allows for virtual documentation with e-signature, provides preferred mode of car delivery with real-time status



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.



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**Emergence of new roles in automotive retail  
to align with changing industry dynamics and  
customer expectations**

## Specialized staff along the customer journey is critical to provide an exceptional brand experience and outdates the employment of traditional sales agents.

Dealership staff has a lasting impact on customers' perception of the automotive OEM. Our survey suggests that the salesforce plays an important role not only in retaining the 70% of buyers who intend to buy at the first-visited dealership, but also in persuading the 30% of buyers who did not intend to buy in the first place. Therefore, it is imperative for the sales personnel to gain customers' trust and manage their experience throughout the purchase journey.

Rising complexity of retail operations and customer needs is rendering the traditional roles obsolete. Dealerships need to upskill existing staff and additionally deploy specialized staff to stay relevant in the evolving ecosystem.

We envision the new job portfolio to constitute new roles spread across product sales, customer experience and aftersales.



Product sales

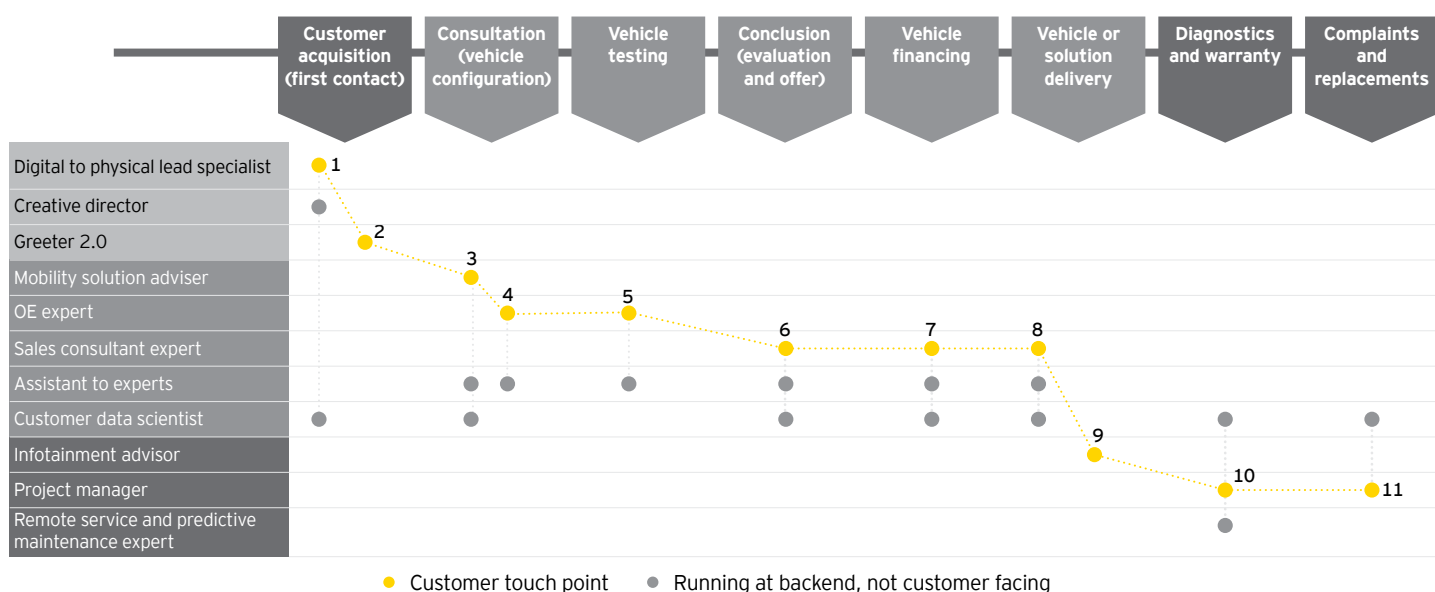


Customer experience



Aftersales

This new job portfolio works for divergent customer groups while ensuring a seamless customer experience across all channels.



The above job portfolio comprises both completely new roles (such as digital to physical lead specialist, creative director and mobility solution adviser) and adaptations of existing roles (such as greeter 2.0, OE and sales consultant expert), to ensure an exceptional

customer experience throughout the purchase journey. Also, while some roles exclusively include facing customers, in others the idea is to work in the background and support the front-end staff.

**Transformation in the automotive retail is triggering a war of specialized staff: a new kind of talent capable of meeting requirements at each customer touch point.**

# How EY can help you

## Why EY?

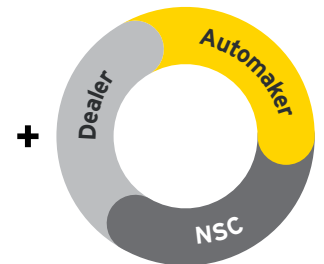
Strong global network

Deep regional knowledge

Change management experience in diverse environments

## EY automotive retail solution portfolio

Dealer operations	Dealer management system performance improvement	Customer relationship management tools	Distribution cost assessment and reduction
Dealer risk management	Dealer risk assessment and management	Data analytics	Dealer audit services
Dealer performance	Dealer performance improvement program	KPI enhancement and improvement	Customer and sales satisfaction improvement
Financial advisory	Incentive modeling	Financial recovery plans	
People and organizational change	Dealer training and coaching	Skill assessment	
Dealer system, process integration	Aftersales and sales systems, definition and review	Optimization, integration, implementation, roll out	
Mobility strategy	Operational design	Business model evaluation	



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**How EY's Global Automotive & Transportation Sector can help your business**

The global recession reset the automotive sector landscape. As the sector recovers, automotive companies across the value chain must focus on profitable and sustainable growth, financial and operational stability, investments in new technologies and seizing opportunities in high-growth markets. If you lead an automotive business, you need to anticipate trends, identify their implications and make informed decisions that support your business goals. Our Global Automotive & Transportation Sector enables our worldwide network of more than 13,000 sector-focused assurance, tax, transaction and advisory professionals to share powerful insights and deep sector knowledge with businesses like yours. These insights, combined with our technical experience in every major global automotive market, can help you accelerate strategies and improve performance. Whichever segment of the automotive sector you are in – from component suppliers to commercial or light vehicle manufacturers or retailers – we can provide the insights you need to succeed.

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GA 1006860

ED None.

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