



# THE CHANGING LANDSCAPE OF AUTOMOTIVE RETAIL

An era of opportunity and challenge for retailers in a new digital environment



## **EXECUTIVE SUMMARY**

2016 was a record year for the auto industry, with over [88 million](#) vehicles sold worldwide. Despite its success, the automotive industry is one of the remaining industries selling its products mostly offline. However, with the new digital era, consumers are changing the way they purchase online. How is that affecting the auto retail industry?

**W**e've conducted research to find out how and why the auto retail market is adapting to a new digital environment, and how you can keep up with new consumer and industry trends. Here are the major takeaways from our research.



## CHANGES IN CONSUMER BEHAVIOUR

Technology is actively changing interaction and communication patterns, with the rise of social media, online shopping, and easy access to the internet, altering consumer behaviour as a result. Digitalisation is affecting the sales and service process in every category, and other industries are leading the way in innovating their retail formats to match consumer trends and expectations. The auto retail industry, while slow to adapt, is already feeling the effects of digitalisation.

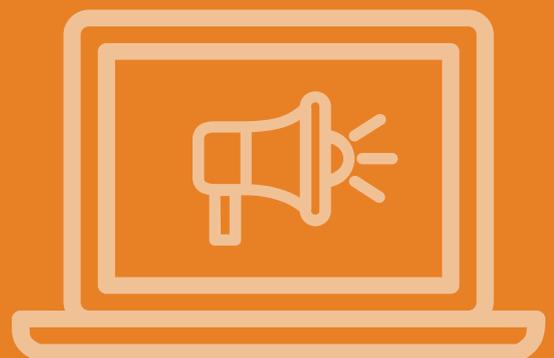
## CONSUMER EXPECTATIONS REQUIRE AN INNOVATIVE SALES PROCESS

As automotive technologies progress, consumer expectations of the sales process, the products, and service levels are reaching higher levels. Consumers are looking for a new, quicker, and simpler way to buy cars. The auto retailers who meet these expectations are likely to end up ahead in this quickly changing industry.



## A DIGITAL PRESENCE IS NECESSARY FOR AUTO RETAILERS

As competition increases and digitalisation becomes the norm, it's necessary for dealers to implement an omni-channel customer experience. Having an integrated digital strategy with an active online social presence, online reviews, live chat support, and sales events that are available online as well as offline, will help drive online sales.



# 1

## THE DIGITAL TRANSFORMATION OF THE AUTO RETAIL INDUSTRY

The automotive retail industry has been slower to adopt new consumer trends in the UK, as the primary mode of selling remains through physical locations. However, that's about to change with the industry realising that many consumers prefer the convenience of buying online rather than negotiating in person with a salesperson.

The digital environment is changing the auto retail market. In the UK, [20%](#) of consumers are willing to buy a car online, while other major regions are following suit much faster, with [60%](#) of consumers in China and India willing to buy a car online. Overall, fewer dealerships are visited, and sales are now moving to digital channels.

According to Capgemini, [45%](#) of consumers admit they make purchases through an online channel to get a better price, and [23%](#) do so because of how easily and quickly they can complete a purchase.

When online, consumers can choose the precise specifications they want, including colour, engine size, and optional features. They can also part-exchange their old car, arrange financing, choose their shipping options, and then click "pay", all under 30 minutes. Negotiations disappear and a transparent transaction takes place.



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Now that access to the auto market is available online, the competitive advantage of a convenient location has flattened out. Consumers are not as willing to blindly trust their closest retailer. Dealerships now need to win consumers over, rather than rely on their location. Some brands have already begun to pick up on this trend and have shifted their strategy.

Brands like [Jaguar](#), [Land Rover](#), and [Hyundai](#) have models on display, but invite their customers to buy online. Hyundai transformed its online shop 16 months ago and found that just 53% of customers opt to drive a car before buying one. This buying journey that incorporates various channels is becoming more and more popular as it allows consumers to go to a dealer if they want to, and then continue their purchase online.

Major manufacturers are now leading the transformation and succeeding in the market because of it. This month alone, [Smart](#), [Peugeot](#), and [Citroen](#) have launched new sales websites, with others expected to follow.

*Auto retailers need to differentiate themselves from competitors, and constantly improve their customer experience as much as possible in order to win consumers over. As the industry changes, brands who keep up and get ahead of the competition by adopting new digital trends and putting the consumer first will end up reaping the rewards.*

# 2

## THE FUTURE OF AUTOMOTIVE RETAIL - HOW RETAILERS SHOULD ADAPT

New studies have found that [20%](#) of all UK cars are expected to be sold online within the next 10 years, representing a [£41 billion](#) revenue shift from offline to online sales. The average number of customer visits to dealers before buying a car has recently dropped from up to [5](#) to [just 1](#). Worldwide, more than one third of customers would now consider buying a car online.

However, the benefits aren't confined to consumers.

GForces, a leader in providing digital technology, marketing, and consultancy services to the automotive industry, believes online sales are an opportunity, not a threat, to the UK's vehicle retailers.

Tim Smith, Group Strategy Director at GForces, explains:

*“ More of the car-buying journey takes place online than ever before, and that online environment allows us to have more sustainable, productive, and engaged relationships with our clients. Ultimately, that means greater insight, allowing us to respond better to customer needs, and see improved conversion as a result.”*

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# 1/3

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Online, the cost of each sale could be as little as **3-4%** of the car's price, whereas selling via a dealer costs, between, **10%-13%** of the price. Auto-retailers have an additional financial incentive to adopt a digital strategy for their business. But what's the best way for these retailers to reach businesses?

A digital omni-channel presence that matches messaging, ensuring there's no disconnect across channels is now necessary for auto retailers. Brands with a disjointed message across digital and traditional channels, or brands that outright refuse to keep up with digital trends will end up losing ground in the market.

As companies like Hyundai, Tesla, Peugeot, and Smart adopt digital-first strategies, other manufacturers and dealers will follow, naturally

increasing competition and the need for differentiation.

Trustpilot UK Managing Director **James Westlake**, explains:

**“** *Competition between dealers will be stiffer than ever, as they will be forced to compete across both traditional and digital sales channels. Key to winning this race is not just having the best price, but generating enough trust and confidence so that consumers are happy to buy a car through your platform.* ”

**DEALERSHIPS ARE LOSING A COMPETITIVE ADVANTAGE PROVIDED BY PHYSICAL PROXIMITY, AND NOW HAVE TO COMPETE WITH DEALERSHIPS ON A WIDER SCALE. PUTTING CUSTOMERS FIRST AND RELYING ON THEIR TRUST AND REPUTATION TO STAND OUT FROM OTHER RETAILERS IS NECESSARY TO SUCCEED.**



# 3

## WHY 'CUSTOMER-FIRST' IS THE BEST FIRST STEP FOR YOUR COMPANY

Now that customers are maneuvering through multiple touch points across digital channels, a retail strategy that incorporates those touchpoints is key for addressing the customer, regardless of where they are in the buying journey.

Customers are making use of offline sources, such as referrals from friends or colleagues, as well as online and dealer-related information to evaluate dealerships, products, and services during the information gathering and the decision phases.

This means that companies now need to improve and integrate their data sources to be able to better understand their customers. Integrated data sources allow them to offer the right messaging and product across various customer touch points, improving the customer experience via personalisation, retargeting, price matching, and data-driven offers.

Etsy

### How Etsy [Digs Deep in Data](#) to Understand Their Customers

Etsy personalises and optimises the user journey so consumers see products that resonate with them. The eCommerce website can recommend products based on factors beyond search history. Thanks to collected data, Etsy delivers a unique and personalised experience that surprises visitors and increases engagement. Etsy's web and mobile engagement really took off after the business instituted enhanced data analytics.

Having an optimised customer experience can lead to new customers becoming repeat customers. With an omni-channel buying journey, it's important for auto retailers to build trust during the online journey to differentiate themselves from competitors. Focusing on a great user experience and leveraging social proof at points of conversion are proven methods to achieve such differentiation.

An Omni-channel strategy provides the consumer with an integrated buying experience. Whether your customer is shopping from a desktop, mobile, by telephone or in-store, the experience should be coherent, smooth, and flawless.

A retailer may be present on multiple channels, but if they don't work together, it's not an omni-channel strategy and its collective performance may suffer. An omni-channel strategy should consist of building an aligned experience across multiple platforms.

With more and more car dealers switching to omni-channel strategies, it's essential for auto retailers to start optimising their digital channels to stay in the competition and grow their online presence.

Auto retailers need to use data to understand their customers better and improve their user and customer experience. This will ensure that their sites are optimised for mobile, have a social media presence, and their customers are utilised in their marketing as part of a customer advocacy strategy.

With user-generated content, retailers are winning their consumers' trust through [social proof](#). Today, over [92%](#) of consumers now read online reviews before purchasing online.

Customer experience is also very important when purchasing online. Consumers want to buy from brands who care, and brands they can trust, especially when investing in big-ticket products they haven't necessarily tested, like cars.

Customer feedback helps optimise all channels: digital, paid, social, and more. This feedback can also be used to identify potentially problematic areas of a company and improve them, further tailoring the business strategy to the needs of a customer. The auto retailers who place the customer as the central focus of the business strategy will be able to adapt and keep up with new changes while also meeting the customer wherever they're making purchases.

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# 4



## CONCLUSION

Current consumer trends and the advent of digitalisation are reshaping the automotive retail industry. Car retailers and dealerships will have to adapt to survive.

One of the most important insights to emerge from our [research](#) is the importance of the new omni-channel buying process that consumers are now adopting. Companies need to tailor their strategies to different audiences and expectations by optimising all channels, giving their customers the option of using both online and offline methods of purchasing a car.

To survive this digital transformation, it's essential for retailers to have a coherent and flawless buying process across all channels. A digital strategy should take priority, websites should be optimised for mobile devices, and companies should learn from successful eCommerce companies in terms of how to approach digital marketing, social media, and customer advocacy marketing.

As big car retailers are now relaunching their sales websites and optimising all channels, other dealerships will likely follow suit. That places a priority on differentiation, especially if online sales continue this upward trend. Customers are key to overcoming this challenge.



User-generated content is a powerful tool to help companies survive the industry changes. However, without a focus on building trust and a customer relationship, retailers won't be able to utilise a highly trusted advocate for their business - their customers.

Collecting and using customer reviews improves digital marketing performance, customer experience, drives business insights and is highly sought after by other consumers. In 2017, it was found that more than [80%](#) of online buyers trust reviews as much as personal recommendation.

Keeping up with the new auto retail environment means you should opt for a digital customer-first strategy that is focused on getting ahead of the clear direction the industry is moving towards.

As competition is getting tougher than ever, digitalisation gives you the opportunity to stand out from competitors on all touch points. Growing your online presence with reviews and an omni-channel strategy will help you stay in the competition and stand out from other retailers.

**YOU CAN GET  
STARTED  
TODAY.**

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## TOP TIPS FOR GETTING YOUR BUSINESS READY

- ✓ If you haven't already started, develop and launch a digital strategy
- ✓ Optimise your sales website for mobile  
Implement a coherent and flawless buying journey across all channels
- ✓ Minimise clicks throughout the customer buying journey
- ✓ Make sure it's easy for customers to switch from offline to online (in-store tablets, QR codes redirecting to website, etc.)
- ✓ Use data to understand your customers' needs and personalise the shopping experience
- ✓ Have an active social media presence using personalities from the business itself
- ✓ Optimise the buying process, knowing customers are looking to make decisions faster
- ✓ Collect online reviews to learn from and leverage those reviews in your marketing channels.

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