HCLTech | Supercharging Progress™

Road to tomorrow:
Auto sales reimagined

Table of Contents

Executive summary

Increasing adoption of EVs is dramatically changing the dynamics of the automotive market. Customers increasingly demand speed, convenient transactions and transparent pricing. Many automotive OEMs, dealerships and finance companies recognize that direct-to-customer (D2C) sales are the way forward, but are still working on the intricacies of the model.

Despite the disruptive nature of these trends and their potential impact on revenue and profitability, many OEMs, dealers and finance companies are not well prepared for digitalized sales due to their lack of digital capabilities. The new sales channel requires new capabilities and significant investments in the technology. At HCLTech we believe that these players can proactively focus on building the capabilities and flexibility that will prepare them better for future sales and growth.

At HCLTech, our point of view is that to succeed in this digital transformation, automotive players need to:

• Digitalize key sales processes,
• Digitalize dealers and experience centers
• Enhance ecommerce and retail capabilities
• Modernize the IT landscape and tools
• Develop a differentiated, seamless customer experience

These areas will benefit from digital technologies such as the cloud, advanced data analytics, generative AI, IoT and others. Digital technologies, along with business process redesign and flawless execution, will help OEMs and dealers succeed in the D2C sales model.

Introduction

The automotive industry is undergoing extensive transformations, necessitating significant process changes for many traditional market players such as OEMs, dealers and finance companies. These changes challenge practices that have been in place since almost the dawn of automobiles.

To meet increasing consumer demand for a digital car-buying experience, market players need to make substantial operational shifts. Many OEMs have traditionally been product-focused and have employed push-based selling methods. Sales were primarily driven by commissions and incentives provided to dealers and other intermediaries. Previous attempts to implement build-to-order models had limited success due to a production capacity oversupply in the industry.

However, with the increased adoption of electric vehicles (EVs) and autonomous vehicles (AVs), the picture is changing as EVs and AVs have inherent technological differentiation. Present-day customers insist on user-centric retail interactions and are likely to abandon retailers and OEMs that fail to meet these expectations. Therefore, it's important for OEMs and retailers to shift their focus to individual customer needs, relationship management and customer retention throughout the retail sales interaction.

The future of automotive sales is an omnichannel process that integrates websites, showrooms and financing. It will leverage features such as virtual vehicle tours, virtual agent chats powered by generative AI and customer interactions with live sales team members on a mobile device. Customers should be able to seamlessly complete the purchasing process, whether online or offline, without having to repeat steps.

Trends

Customers' growing preference for direct sales has challenged deep held beliefs that auto sales were best conducted in conventional face-to-face interactions. Due to the EV and AV revolution, the market is tilting toward direct sales as the leading sales model. Many OEMs are still challenged by the complexity, costs and risks of building this capability.

One *study* found that 48% of customers still prefer to purchase from dealerships, followed by 22% who prefer dealing directly with OEMs.

By 2030, EVs will be 32% of *global car sales*. This has major implications for both sales and aftersales revenue.

Tesla, which employs digital-only sales and aftersales support, recorded a 33% higher lead-to-order conversion, reducing sales effort for each sale by five hours.

A reduction in EV *aftersales* profits of up to 60% is leading dealers and OEMs to search for new revenue streams.

Preorders are going mainstream, with about 41% of recent shoppers planning to preorder their next vehicle.

More than 900-plus digital interactions may be needed before a sale occurs.

85% of car buyers do web research before purchasing.

Fewer than *one in five* auto companies believe their digital storefronts are engaging, mobile-friendly and accurate regarding inventory.
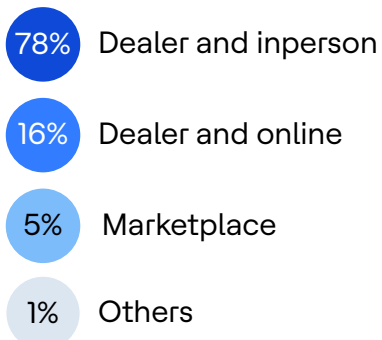
Sales Channels

- **78%** Dealer and inperson
- **16%** Dealer and online
- **5%** Marketplace
- **1%** Others
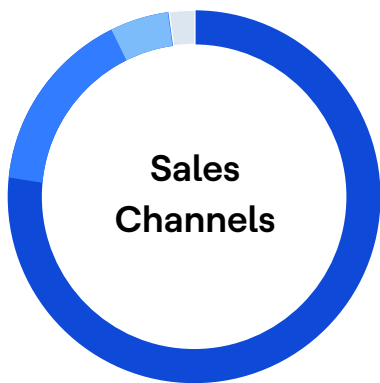
Fig 3 – Sales Channel

Technology Affinity

	60 50 40 30 20 10 0
Direct to customer	
Online purchaing and pick up at retailer	
Digital showrooms to experience	
Online purchasing with home delivery	
AR (metaverse) to test cars virtually	
Subscription ownership	
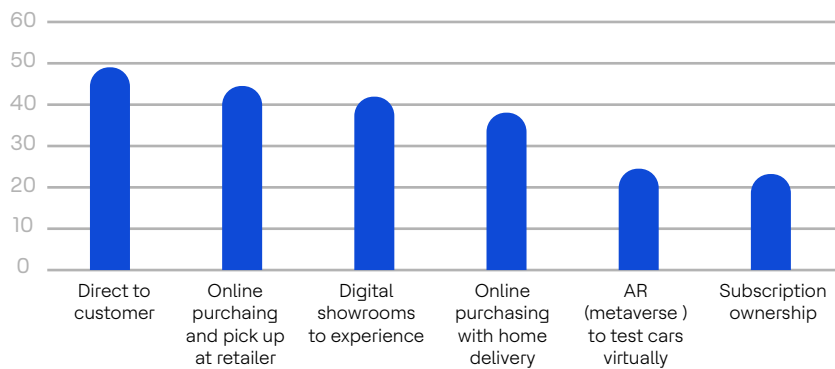
Fig 2 – Online adoption of purchase in other industries

US Customer Preference

Authorised dealers | OEM | Online | Others
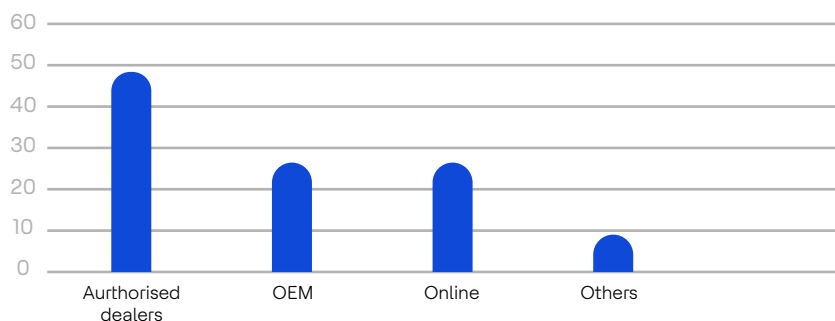
Changing industry landscape

Role of digital enablers in building new capabilities and improving competitiveness

Customer experience	Software-defined vehicles	Enterprise efficiency	IT modernization	Sustainability
End-to-end digitalization of the sales process will meet customer expectations of easy, reliable and convenient options as well as price transparency when buying vehicles.	Transforming vehicles from just hardware with a one-time sales event to software-defined products connected to a service platform requiring a continuous sales approach. OEMs and dealers will improve sales by tapping into customer insights.	With changing business models, apply a "clean slate" view of organizational processes and define a path to more effective and cost-efficient B2B and D2C models.	• Landscape: advanced DMS and CRM • Data platform and analytics • New IT architecture and technology-driven business transformation	Organizations are evolving their processes to become sustainable with innovations across the value chain.

- ↓ Decrease in sales cost
- ↑ Increase in revenues
- ↑ Seamless customer experience
- ↑ Improved customer acquisition and retention

Customer experience

Customers want easy, reliable and convenient options with price transparency when buying a car. End-to-end digitalization of the sales process will meet these expectations.

Example:

- On GM's new website, evlive.gm.com, consumers can schedule a meeting with a live product expert who can answer any question and take consumers on virtual tours inside GM EVs, from a Bolt EV to a Bright Drop commercial vehicle, all from a space inside GM's Tech Center in Warren.

Software-defined vehicles

Traditional vehicles were viewed as hardware, but more and more vehicles are defined by the software that controls them. This software is connected to a service platform that requires a continuous sales approach — not a one-time sales event. OEMs and dealers need to improve sales conversions by tapping into their customer insights.

A few examples:

- BMW's Functions on Demand offers premium subscription-based features such as a dash cam and remote engine start through software uploads that use data and sensors from factory-option hardware built into BMW vehicles.

- In a patent filed with the US Patent and Trademark Office that outlined the ability to activate "performance mode with intentional wheel spin for tire heating in EVs", Ford could bring burnouts to its electric cars.

Focus on automotive enterprise efficiency

With changing business models, there is a need to apply a "clean slate" view of organizational processes and define a path to more effective and cost-efficient B2B and D2C models.

Example:

- Cox Automotive retail brands (including Autotrader, Accelerate My Deal, Dealer.com and Kelley Blue Book) will have face-to-face video chats with automotive dealers, finance managers and consumers to assist them throughout the digital retailing process.

IT modernization of core IT, cloud and data platforms

Accelerated speed to market requires a focus on new IT architecture and AI-driven business transformation. Enterprises are becoming experience-driven organizations, which require an integrated data-driven decision-making capability.

A few examples:

- Salesforce is bringing Generative AI to the car-buying experience. Einstein AI and CRM analytics provide real-time intelligence and actionable insights on vehicle inventory and dealer performance, parts forecasting, lead scoring and inventory analysis.

- Adobe and Stellantis are expanding their relationship to reimagine the automotive customer experience. Stellantis already uses Adobe Creative Cloud and Adobe Experience Cloud applications for websites, digital channels and car displays and with their new agreement, Stellantis will use Adobe Commerce as its integrated ecommerce engine for car sales.

- GM has adopted Adobe Experience Cloud to personalize customer interactions. With the target of selling one million EVs by 2025, and most of these sales likely to be online, GM will use applications running on top of Adobe Experience Platform (Adobe Real-Time Customer Data Platform, Adobe Journey Optimizer and Customer Journey Analytics) as integrated tools to unify customer insights and orchestrate experiences across online and offline touchpoints in real time.
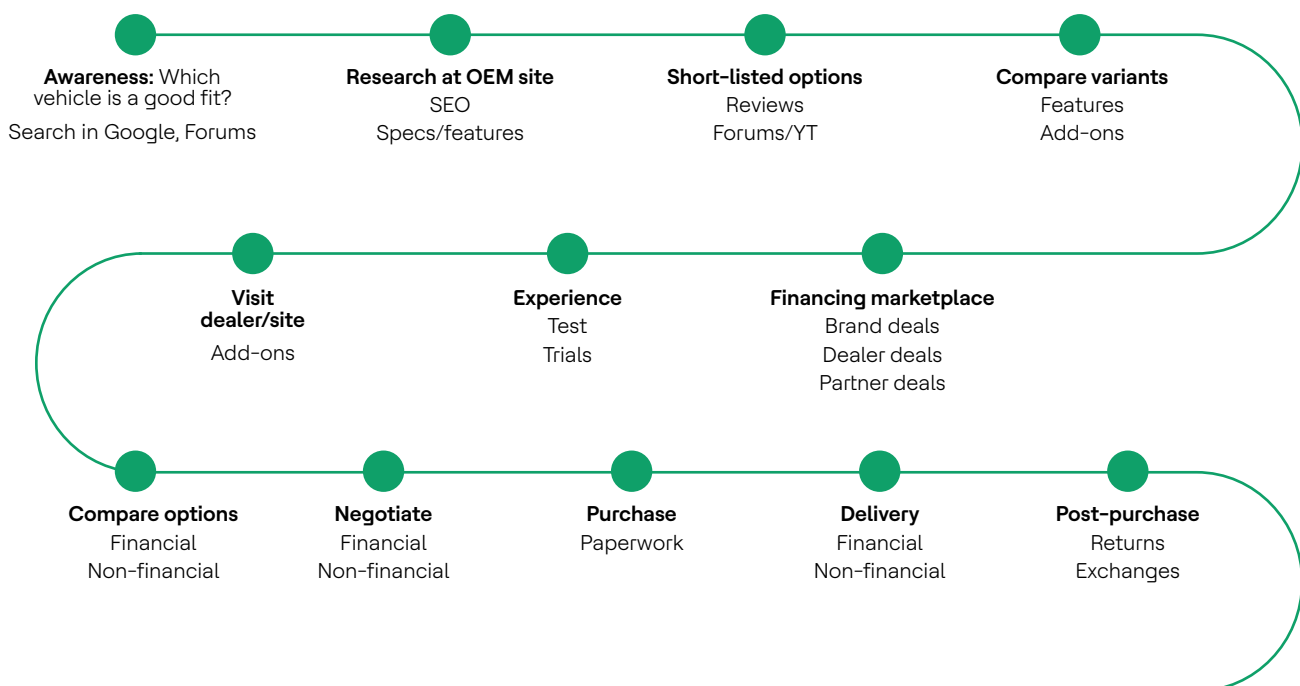
Sustainability

Organizations are evolving their processes to become sustainable with innovations across the value chain.

Example:

- Ford is using audits to reimagine EV battery sourcing. As part of this initiative, Ford is broadening its compliance scope to include all of their 4,600 tier-one suppliers. In 2022, Ford trained 844 purchasing employees, 2,647 other Ford employees and 979 suppliers in supply chain sustainability.

Representative automotive sales process and typical pain points

Awareness: Which vehicle is a good fit?
Search in Google, Forums

Research at OEM site
SEO
Specs/features

Short-listed options
Reviews
Forums/YT

Compare variants
Features
Add-ons

Visit dealer/site
Add-ons

Experience
Test
Trials

Financing marketplace
Brand deals
Dealer deals
Partner deals

Compare options
Financial
Non-financial

Negotiate
Financial
Non-financial

Purchase
Paperwork

Delivery
Financial
Non-financial

Post-purchase
Returns
Exchanges

Pain points include the lack of several factors:

A clear buying process: Many consumers find car buying confusing and sometimes frustrating. This is usually due to their not understanding what can be done online, in person and through self-service, as well as where they need input from a dealer, manufacturer or finance company.

Searchable inventory: Consumers find it difficult to search inventory across multiple local dealerships, and they're frustrated by the limited information on dealership websites.

Pricing transparency: Digital customers expect discounts such as rebates and incentives to be integrated into an offer. Dynamic and time-bound pricing also impact purchasing decisions.

Test drives and flexibility in returns: Online consumers need experience centers that allow them to see and test drive vehicles before committing to a purchase. More flexible return and exchange policies would also incentivize them to buy online.

End-to-end online financing and payment systems: Dealers and finance companies using legacy tools and processes create hurdles in the purchasing experience. A marketplace-based approach with multiple options will create more trust and more sales.

A seamless, omnichannel customer experience: Due to multiple handshakes between various systems and processes, an omnichannel experience is often lacking.

Our viewpoints on initiatives that can improve the vehicle sales process and lower sales costs

	Awareness	Order management	Ecommerce	Data and analytics	Platforms	IT modernization
Initiatives	Digitalize the POS Build trust Enable self-service Integrated social media mgmt	Simplify configuration Customer experience Virtual and experience-driven digital showrooms	Build seamless omnichannel experience End-to-end data analytics driven	Build data infrastructure to aggregate data horizontally Build customer data self-service and security	Revamped Platform for various ownerships – Purchase, lease, subscription etc) Customer data platform	Integrated data model for E2E value chain Modernization of IT systems Robust integration and API management solutions
Technology	CRM, AR/VR-based digital showroom in the metaverse 3D configurator	Adobe OMS (order management system) SAP CAR	HCLTech Ecommerce Snowflake, SAP Retail, Adobe	Snowflake, Denodo, Informatica	SAP Mobility AWS, Azure, FleetWise	AWS, Azure, GCP SAP S/4HANA Apigee

HCLTech recommends that automakers take the following key actions:

Customers want easy, reliable and convenient options when buying a car. They also look for pricing transparency. The end-to-end digitalization of the sales process will meet these expectations.

Awareness

- **Digitalize the point of sale:** Equip showrooms with digital infrastructure for key vehicle information.
- **Build trust:** Drive conversion by engaging customers as brand ambassadors and build trust by allowing longer test drives and flexible return/exchange options.
- **Enable self-service education:** Provide digital channels to let new owners educate themselves about their vehicles using Generative AI conversation agents.
- **Integrated social media management:** Engage with customers and brand enthusiasts through social media.

Order management

- **Simplify configuration:** Streamline vehicle configuration so that customers can configure their preferred vehicles by themselves.
- **Customer experience:** Transform the customer experience, which currently involves many disconnected interactions, into a holistic personalized experience using generative AI .
- **Virtual showrooms and configurators in the metaverse:** Allow customers to customize and visualize vehicles, preview features and take a virtual test drive.
- **Experience-driven digital showrooms to bring an end-to-end dealership experience online:** Provide an immersive ecommerce experience with an interactive vehicle visualizer with which customers can choose and visualize accessories and take virtual test drives.

Ecommerce

- **Digital sales board:** Enrich sales leads by providing sales teams with a view of every customer interaction, from car browsing and purchase histories to service records, through continuous touchpoints and customized alerts.
- **End-to-end data analytics:** Provide customer insights to dealers selling online or offline. Use cases include order planning based on customer online and offline behavior, such as the length of visits to a page or showroom, what they're browsing and what products they add to their carts.

Platforms

- **Scalable cloud-based platform to manage online booking:** Enable seamless online ordering and booking (even at the peak of rush) that allows customers to select models, choose financing, add accessories and schedule delivery without paperwork. Provide features such as chatbots, agent live chats and follow-up emails on offers and discounts so that customers can receive prompts, assistance and answers to their queries.
- **Comprehensive customer data platform:** Centralize and integrate customer data from sales, marketing, service and social media to enable personalized interactions.

IT

- **Integrated data model for E2E value chain:** Implement consistent rules for a distributable data model across the value chain from sales, service, resell, exchange etc.
- **Modernization of IT systems:** Implement customer relationship management solutions and dealer management systems.
- **Robust integration and API management solutions:** Ensure seamless data flow among dealers, operations, call centers and other key touchpoints.

Recommendations

Automakers should take steps now to build a comprehensive digital sales experience. Dealers, too, need to move quickly to align their business with digital sales. Now is the time to reimagine the new- and used-car purchase experience with an eye to the many ways that online disruptors are changing the sales process.

Dealers and automakers will have to embrace flexibility, simplicity and convenience to meet customer expectations, just as other industries do. They must remain flexible about consumer preferences regarding which steps of the purchase are conducted online or in person.

Automakers should take the lead by investing in change management with dealers and providing them with the resources and support they need to make the transition. Benchmarking other industries and their transition to ecommerce can help both automakers and dealers define their approach.

Automakers and dealers who make these adjustments now will be in the best position to capture this unique opportunity.

References

www. carmax. com/akicles/evolution-of-car-buying-trends

www. thinkwithgoogle. com/consumer-insights/consumer-trends/consumer-car-buying-process-reveals-auto-marketing-oppokunities/

https://explodingtopics. com/blog/auto-industry-trends

https://web-assets.bcg. com/fe/f5/a443c0b34ea4a3e40c92fdd026fa/bcg-will-consumers-finally-be-able-to–buy-new-cars-online-sep-2020.pdf

www2. deloitte. com/content/dam/Deloitte/tr/Documents/consumer-business/auto-retailing.pdf What Is the Vikual Car Dealership of the Future?- https://www.gakner.com/en/documents/4009730

www. gakner. com/en/newsroom/press-releases/2022-02-17-gakner-identifies-top-five-automotive-technology-trends-for-2022

https://web-assets.bcg. com/fd/de/20c24ec2407d9622175e45e84a2c/bcg-shift-ing-gears-in-auto-manufactu ring-sep-2020.pdf

www. autofi. com/blog/automotive-digital-retailing/

www. knacksystems. com/blog/the-hybris-sap-integration-what-hybris-with-sap-can-do-for-you

https://blogs.sap. com/2020/11/08/sap-car-omnichannel-akicle-availability-and-sourcing-oaa/

https://learn.g2. com/automotive-digital-retailing

https://auto.economictimes.indiatimes. com/news/aftermarket/living-the-digital-dream-of-car-sell-ing/754443 95

The Evolution of Automotive E-Commerce and Digital Retail | CDK Global

BigCommerce Finds Automotive Ecommerce is Poised for Growth as the Industry Shifts Gears to Online | Business Wire

Authors

Ganesh Radhakrishna
Associate Director & Industry
Principal, Manufacturing – Automotive,
HCLTech

Gary Meadows
Director & Industry Principal,
Manufacturing Vertical,
HCLTech

HCLTech | Supercharging Progress™