



Dealers towards digitalization

# Dealers towards digitalization



### GLOBAL ECOSYST

- 1.1 Macro trends
  - 1.1.1 Urbanization
  - 1.1.2 Environmental
  - 1.1.3 Hyperconnecti
  - 1.1.4 Citizen digitaliz

## THE EVOLUTION O

- 2.1 New elements of the
  - 2.1.1 New products
  - 2.1.2 New business
  - 2.1.3 Customer evol
- 2.2 Catalysts for change
  - 2.2.1 Regulatory fran
  - 2.2.2 Infrastructure
  - 2.2.3 Technological

## IMPACT ON THE CA THE NEEDED ADAF

- 3.1 Technology and tools
- 3.2 Human skills
- 3.3 Facilities and network
- 3.4 Relationship with the

# CONCLUSIONS











P

awareness ivity 6 zation 6 PF THE AUTOMOTIVE SECTOR 8 sector 9 models & players 10 lution 12 mework 15 development 18 PTATION 20 s 21 k distribution 25 brand 26	EM: THE PLAYING FIELD	4
OF THE AUTOMOTIVE SECTOR       8         sector       9         models & players       10         lution       12         mework       15         development       18         AR DEALERSHIP:       20         s       21         s       21         k distribution       25         brand       26	l awareness iivity zation	5 5 6 6
sector 5 models & players 10 lution 12 mework 15 development 18 AR DEALERSHIP: PTATION 20 s 21 k distribution 25 b rand 26	OF THE AUTOMOTIVE SECTOR	8
AR DEALERSHIP: PTATION 20 s 21 k distribution 25 b brand 26	sector models & players lution mework development	9 9 10 12 14 15 17 18
s 21 23 k distribution 25 b brand 26	AR DEALERSHIP: PTATION	20
	s k distribution e brand	21 23 25 26

3

28



The 21st century is facing increasingly noticeable and disruptive realities, with a high impact on the automotive industry among others. Changes within lifestyle and social aspects as well as technological innovations and demographic change will shape the society and the expectations of potential customers.

This new reality is characterized by four major trends:



Urbanization:

Concentration of population in large urban areas.

Hyperconnectivity:

Objects and devices are increasingly connected and are creating information networks, that support individual activities and enable automated decisions.

- Environmental awareness:
   Citizens are aware of their environment, and therefore, of their government and its economic agents, including governmental and economic players.
- Citizen digitalization:

Citizens have incorporated digital devices into all aspects of their daily life. Both our work and our leisure constantly rely on what is digital. Nowadays, almost no activity is just physical.

The following chapter dvelves into the four identified macro trends and indicates respective consumer trends.

#### 1.1 Macro trends

#### 1.1.1 Urbanization

The redistribution of population to urban areas throughout the last decades is an unquestionable fact, creating the basis for the movement of globalization.

According to the results of the "World Cities Report 2016" of the United Nations, the current development is not sustainable. To address this influx of new residents, the cities of the future will have to adapt to the change.

The urban citizen, who is considered to live in areas of more than 100,000 inhabitants, is exposed to a greater offer of digital services and, therefore, has incorporated new technologies at a faster rate.

If we look at the ways of consumption, we identify that their patterns have become increasingly complex, and the characterization of the consumer is not as direct as it was a few years ago. The amount of information, and the variety of sources and channels it is obtained from, forces companies to develop specific technological skills.



The consumers' role within companies is also evolving. They have ceased to be passive actors who consume what they are offered and have moved on to actively participate in the value chain (design, manufacturing, etc.). The figure of the "prosumer", which describes a producer and consumer of goods or services all at once, appears. Through social networks, particular consumers are able to influence and generate consumer trends. At the same time, online platforms allow reaching a large volume of potential customers without creating high structual costs.

The collaborative city creates a completely new level of mutual support, where citizens are called to help create a new world of innovation. Once promising solutions are found, people who are willing to help fund the projects unite and help expand public resources, which are often limited. Also, digital natives are already an active part of the consumer society. For them, technology is inherent in everything they do.



#### 1.1.2 Environmental awareness

In recent years, urbanization and economic development have been accompanied by an increase in environmental awareness and commitment worldwide. The evolution of the habits related to the protection of the environment shows a greater interest in this field by taking recycling actions, using energy-efficient products, and special waste collection points in locations, among others.

A characteristic of this trend is the use of remanufacturing techniques based on recycling used products (such as the mobile ones), which are purchased, reconditioned, and introduced to the market again for their subsequent sale. In addition, this trend is motivated by an increasing use of the sharing economy.

#### 1.1.3 Hyperconnectivity

The world is continuously changing towards a system where everything is completely connected and where information will be shared entirely. For companies, this is an important change that is both organizational as well as regarding the relationship with their environment, be it downstream with the final consumer or upstream with providers. Within their organization, companies need to restructure the circle of informations by focusing on developing trends that are based on technological changes (applications that help consumers, suppliers and workers having the same information), innovation and efficiency.

Technology has been a decisive element in this aspect. On the one side, the connection protocols are increasingly powerful and accessible. On the other side, the real-time management of massive amounts of data is supported by solutions at affordable costs which constantly evolve by open communities of experts.

#### 1.1.4 Citizen digitalization

The balance between analogous and digital citizens (both digital natives and digital immigrants) is shifting in favor of the second group.

In just a few years, major changes have occurred which have led to hyperconnectivity, the culture of immediacy and easy access to information through multiple sources. In short, the relationship and communication model for citizens, as customers and consumers, has transformed. The speed of transformation to a more digital citizen has been so accelerated that, in most cases, it has been one step ahead of companies, forcing them to adapt their businesses to the demands of the customers.

The different areas of the economy have adapted in different ways to these deep changes in the behavior of citizens, customers, and resulting in big differences between them as of today. Within the banking sector, processes are carried out for the reorganization and transformation of office networks towards a more digital model focused on immediacy, self-management, experience and simplicity.

In the retail sector, the evolution of e-commerce has led to the emergence of mixed models that combine traditional physical models with digital ones. This allows creating an omni-channel experience where the sales process can be carried out in any of the two fields.



- CHARACTERISTICS
  - Less loyal
  - More information
  - More demanding
- Less Influenciable
- More connected
- EXPECTATIONS Variety of products Accessibility Excellent experience Assessment of price Personalised services

Characteristics of current citizens



The automotive sector cannot remain static facing a transformation of the global ecosystem. Actors from the sector have to proactively adapt to the new products, services, and business models derived from the evolution of the customer. Whereas the appearance of these new elements is indisputable, there is a great uncertainty concerning the speed at which the change will occur. This speed will depend on three main factors: technology, infrastructure, and regulatory framework, which we consider catalysts for change.

#### 2.1 New elements of the sector

#### 2.1.1 New products

Digitalization, technological advances, and the new needs of the customers make the appearance of new products favorable, aligned with the 4 macro trends described above. They will become part of our daily life the not too distant future.



**Connected Car** Citizen Digitalization



#### 2.1.1.1 Connected car

The connected car allows the constant sharing of a large amount of information in an unprecedented scope, turning it into a clear example of hyperconnectivity. Companies that are able to manage this amount of data will be able to obtain behavior patterns from drivers, which results in the creation of customers services and offers, that focus on more demanding digital customers.

#### 2.1.1.2 Electric vehicle

Presently, hybrid and 100% electric vehicles have started being commercialized. Although they are currently more expensive than gasoline-or-diesel powered vehicles, a bloomberg new energy finance report<sup>1</sup> states that during the decade of 2020, electric vehicles will become a cheaper alternative than cars with combustion engines, to to the reduction of battery prices.

The first cases of electric vehicles being used are in urban centers, which are boosted by governmental subsidies and infrastructural developments. However, it is important



#### **NEW PRODUCTS**

to note, that factors such as the autonomy of batteries and an infrastructure of consolidated charging stations are crucial for this development and thus their large-scale manufacturing.

#### 2.1.1.3 Autonomous car

Currently, autonomous cars comprise vehicles with partical autonomous driving functions, such as the ability to brake, turn or park. However, it should be noted, that the transition to completly autonomous driving vehicles circulating through the streets of large cities is still in its very early stages.

The development roadmap of autonomous vehicles is planned to take place over generations, with progressivley including new features and hardware elements. Since the development of autonomous vehicles is based on the integration with the city itself and its citizens, it is comprised of the following three macro trends: urbanization, hyperconnectivity and citizen digitalization.

#### 2.1.2 New business models & players

The automotive sector is currently experiencing a process of reinvention, evolving from a product-based business model to a mixed model of products and services. The starting point for the development of new services emerges with the production of the products described in the previous section: the connected car, the electric car and the autonomous car.

With the release of the iPhone, Apple invented a new business, Apps. A very successful business that is still growing year after year, reaching a turnover of more than 24 billion dollars for Apple at the end of 2016, and increasing its earnings by 20% compared to the previous year. At that time, nobody could imagine that a simple phone could generate a business induced around it, creating an industry on its own. The effect of the new products will have similar impact on the emergence of new and unknown businesses that will complete the standard automobile offer, turning it into a platform.

Can we imagine a world where all vehicles are identical from scratch? Where drivers individually activate and deactivate features, depending on current needs and only pay for actively used features and specifications? More precisely: Can we imagine activating a four-wheel drive only for the weekend, which we spent in the mountains and only pay for the function within that period? Moreover: Why do we have to pay for features that are only used on special occasions? Wouldn't it be better to own a car with only a basic configuration, including the frequent choice to add features on demand?

Mobility becomes a primary objective for different brands. By analyzing their position in relation to new business models clear patterns are identified, either by full or partial acquisition of companies or by creating their own corporate structures in order to render this type of services. The impact of mobility will be enhanced in urban areas where the current legislative changes will favor and strengthen Car Sharing models and other services.

The main impact of mobility services is the emergence of a group of non-traditional companies in the sector that will redraw the relationship and distribution model of vehicles in the market.

Although no one has a crystal ball foresee the future, Frost & Sullivan<sup>2</sup> predict a potential Car Sharing market of roughly 36 million users in 2025, with a fleet of slightly less than half a million vehicles distributed in the main cities.

TRADITIONAL AUTOMOTIVE BUSINESS MODEL



Changes in the business model

#### **FUTURE CHALLENGES**



The connected car is now the main catalyst for change in the sector. The massive amounts of data and information that are starting to be collected will allow, for example, the creation of services such as:

- Proactivity in the notification of maintenances
- Improvement in product development
- Creation of custom-made marketing

Additionally, a business can be generated around the sale of these data to third-party companies for the creation of custom-made insurance policies according to the driving pattern, the improvement of traffic in highways or cities, etc.



Furthermore, the sector is revolutionized by the entering of non-traditional companies in the sector; disruptive companies without any previous experience enter, create a space for themselves and stay there. Companies such as Apple.... prove this: they do not come from the sector itself. However, they are considered potential threats, by having the capacity to be rivals due to their disruptive services and products, the fact that they listen to their customers and offer what they ask for through the creation of unique experiences.



#### 2.1.3 Customer evolution

Nowadays, cars are no longer only sold by power, the cubic capacity of their engines or the size of their tires, but by the connectivity and digitalization options they offer.

In recent years, the car dealership has been able to observe the change of behavior that the customer has had mainly because of digitalization. One of the main elements for detecting the change has been the reduction in the number of visits the customer makes when buying a vehicle. Customers have found an endless source of information, benchmarks, opinions from other drivers, explanatory videos, etc., that allow them to know the product perfectly before making the purchase. Similarly, all of this can be done from home or work, arriving at the car dealership almost having made a decision on the brand, model, and level of finishing that is desired for purchase.

This factor has also produced the effect of increasing the level of customer demand regarding advertisements, calling for much deeper and detailed knowledge on the vehicle in both the sales and post-sales areas. Some brands are already reacting by incorporating in car dealerships profiles focused on the technological knowledge of the product. Customers have 'commoditized' certain elements of the digital economies, and cannot comprehend that any action does not cause an immediate answer. When customers want to make an appointment in the workshop for example, they do not understand, why they cannot access all possible openings in a schedule from any device and why they cannot choose the one which best suits their needs. Especially as they are used to this in other cases, such as when making an appointment at the doctor's by accessing the available openings through an application.

In the end, customers within the automotive sector possess an increasingly digital profile. Even customers belonging to e.g. generation Z that have a significant purchasing power, will find themselve to be much more digitally advanced than many of the traditional companies. Therefore, digital transformation will be one of the most important revolutions, with greater impact than the previous industrial revolutions and in a much shorter period of time. We are spectators of a change that has already begun, in a society that will only allow us to be digital. The physical and digital barriers will disappear, creating an unique space where each customer will interact in their own way, jumping from one channel to another, by doing so expecting a unique and homogeneous experience.

#### 2.1.3.1 Evolution of the customer journey

Due to the evolution of the customer, business processes have been transforming, guided by the behavior of the customers. This has led to a transformation of the customer journey where the selection of the vehicle, or at least the preparation of the short list, has been transferred to the digital field where many manufacturers do not have enough control yet for influencing the customer's decision.

The journey mapping is shown in simplified form below:

# I look for a car, I get informed I visit the car dealership I ask for an offer I make a test drive I finalize the purchase The car is delivered to me I pass the first maintenance routines The car ages I make a repair or breakdown

Journey mapping

www.nttdata.com

The here displayed customer journey shows a clear global vision of the business, that – in contrast to many car dealerships – combines sales and post-sales into one unique experience. This way, it becomes even more important to encourage the reinforment of customer loyalty in each interaction in order to manage the repurchase of the vehicle at the end of its lifespan or at the moment of renovation.

Within the proposed journey, multi-channelling is now a fact, as the customer moves through different channels in each of the stages. The first part of the journey is mainly digital, and in many cases it is done through platforms or channels not controlled by the brands.

The new journey can be described as follows: First, the customer gets information from the brand's website, identify what product they want, set it up and later view comparative videos on youtube. Then, they visit user forums to find out their opinion and perception of the vehicle, they visit the website of the closest car dealership or the one they are interested in, they also look for opinions of other customers of the car dealership on the internet, have videocalls with experts of the brand to be shown the vehicle in a live broadcast, and lastly they decide to personally visit the car dealership to touch, smell, and feel their potential new car. In the just described journey, it becomes evident, that within a short period of time, we have moved away from a predominantly physical model where customers needed to visit the car dealership to get to know the characteristics of the car and its initial price - to a mutli-channel model - where the customer controls how and when he wants to advance in the process and where brands are often far away from being able to control and monitor the sale, as digital channels are beyond the control of the brand.

One way or another, the physical presence of dealers remains an important customer touchpoint, as test drives and the handover process become emotional moments where physical contact with the product will be essential. Likewise, the vehicle will be also handed over in a physical space. Many experiments of sales over the internet have been heard of but, in the end, the sale takes place in the dealership itself to ensure an emotional and positive vehicle handover experience.

As a result, multi-channelling and the ability to offer a unique experience will be the key to success for the future transformation of the sector and the car dealerships.

#### 2.2 Catalysts for change

To define the setting proposed for the future of the automotive sector and the car dealership network, three key factors have been identified. These factors will have a direct impact, accelerating or slowing their achievement, which is why they are considered to be catalysts for change.

#### Catalysts for change



#### 2.2.1 Regulatory framework

As the concept of social and environmental responsibility is rooted in the global population, new and more restrictive laws have been established to ensure the sustainability of the environment.

#### 2.2.1.1 The future of diesel engines

In the automotive sector, the trigger is the level of toxic particles inside the big cities, which must be mitigated through the reduction in vehicular traffic. Prominent examples include cities like Paris, Athens, and Mexico City in which a joint action has been carried out to prohibit the circulation of diesel vehicles in city centers as of 2025.

#### Allowed levels of diesel-powered vehicles



The increased pollution restrictions among dieselpowered vehicles become evident when looking at the evolution of the particles allowed for these vehicles. Some clear examples are carbon monoxide (CO), which has decreased from 2.81 g/km in Euro1 (1992) to 0.5 g/km, However, there is currently an approval system in Europe that governs and sets the pollutant emission limit values of new vehicles, called Euro standards. These standards have become more restrictive over the years as a result of the increase in the awareness of pollution damage<sup>3</sup>.

a 75% reduction. Another case is nitrogen oxides (NOx), where the evolution is even more noticeable, having a reduction from 0.5 g/km in the year 2000 to 0.08 g/km at present.





After the researchers of the ICCT (International Council on Clean Transportation) showed that the European approval system (Euro) did not have the efficiency level required, it is speculated that the next emission standards (Euro 7) will be even stricter and will be carried out under real conditions. Until now, they were carried out under conditions where the emissions obtained were far below the real ones.

This situation leaves manufacturers with the troublesome question of what to do with existing diesel powered cars. Currently, the systems for reducing the pollution emitted by engines reach 50% of their price. If we add up their drop in sales after the loss in popularity of this vehicle, following the issue of diesel engines and their bans in European countries such as Germany and France, and in a near future, Spain; does investment in fuel-powered engines really continue to be profitable?

Some brands like Renault and Peugeot, which had defended their feasibility so far, have started reducing the investment in this technology.



#### 2.2.2 Infrastructure

#### 2.2.2.1 Electric vehicle

The main existing problem that causes the poor implementation of the electric vehicle is its autonomy, despite the fact that in some cases they are already capable of exceeding 400 kilometers without refueling. Companies such as Bosch operating in this field, hope that they will be able to "offer batteries that will be twice as powerful as the current ones and at half the costs" within the next view years. The objective for these firms is to reach a service life of at least 150,000 kilometers and a lifespan of up to 15 years.

In order to meet the forecasts regarding the transition towards e-mobility, a technological effort is needed and, above all, a greater impulse to fast charging infrastructures (called electric vehicle charging stations). This investment is the responsibility of the electricity companies, that must decide when the time has come to take on this investment, as well as the responsibility of the administration, that has to set strict deadlines to penalize the use of combustion vehicles.

For their part, OEMs are also starting to take actions in that regard. Brands such as BMW, Daimler, Ford, and Volkswagen are creating a network of European charging points based on Combined Charging System (CCS) technology, which will allow all cars to charge regardless of the brand. The forecast made includes 400 charging points for 2017 and thousands for 2020<sup>4</sup>.

Unlike the sales area, the electric vehicle will considerably impact post-sales. Currently, the charging point infrastructure is very small. Offering a complete service in car dealerships will require a space adapted to have vehicle charging capabilities. In addition, machines and tools that allow to work with these types of vehicles, which are totally different from the ones currently used, are likely to be needed. Being electrical carriers, the entire facility must be prepared and secured, by clearly seperating customer areas from restricted areas that only spcialists can access, in order to prevent incidents inside the workshop.

#### 2.2.2.2 Autonomous vehicle

In order to be 100% autonomous, a car needs to be able to interact with its environment. Therefore, all elements that are included in the circulation of a vehicle, such as roads, streets, traffic lights, traffic signals, and even other cars, must be adapted to constantly send and receive signals in real time.

The main obstacle when carrying out this type of projects is the investment to be made, as much in devices as in navigation and processing hardware, powerful enough to handle all the information. It is estimated that the implementation of the autonomous car within our territory will require an investment of around three billion euros just in signals, besides intelligent infrastructures. However, the commitment of new players to this technology is already starting to be seen. Uber, for example, managed to make a merchandise delivery through an autonomous truck in the united states. Another example concerns CityMobile2, that offers the first driverless buses in Spain.

#### 2.2.3 Technological development

At the automotive sector level, technological development will have a clear impact on the product evolution. As research and advances emerge, vehicles will improve, causing them to be released into the market by generations.

Technology also has a clear impact on tools and the way car dealerships and workshops do things. Considering that citizens are increasingly digital, car dealerships will have to adapt to the digital era by incorporating new technological elements, in order to create differential experiences by using elements they have never used before.

According to the study of the NTT Innovation Institute, INC "Automotive as a Digital Business", there are three main attributes regarding technology for carrying out a digital transformation.



**TECHNOLOGY CHARACTERISTICS AND DIGITAL TRANSFORMATION** 

Characteristics of technology and digital transformation<sup>5</sup>

The first attribute is flexibility. Thanks to it, companies can act quicker, decreasing the input barriers and making it easier for employees to swiftly experiment with prototypes and pilots. Also, it allows the business to adapt to the dynamics of the market and consumers.

Scalability can be regarded a second attribute. In order to build a flexible and adapted system, companies must start with small and quick solutions to test them in order to be able to evaluate whether they want to create scalability for meeting the growing demand or reducing costs. Finally, interoperability is a key factor for offering a homogeneous experience to customers in all of their interactions with the brand.

In order to ensure that the evolution of the automotive sector, as we know it today, towards a more digital model is as accelerated as possible, the degree of adoption of these attributes, together with the investment in research and the development of new technologies, must be encouraged.



# ■ O3 IMPACT ON THE CAR DEALERSHIP: THE NEEDED ADAPTATION

As it has been described throughout the report, the car dealership context is changing and will continue to experience constant changes. Therefore, it seems inevitable that it has to be transformed or, more accurately, gradually adapted to the rules of the game in order to ensure its continuity as a crucial link of the chain.

The main challenges the network faces are:

- The digital, connected, and more demanding customer who proactively and quickly expects solutions (either products or services) adapted to their needs.
- New products that allow the customer to use them in new ways, and from a technological perspective, include great changes in relation to the traditional car.
- New business models that are based on the use of the vehicle through the exploitation of information and the development of services by means of collaboration with different actors outside the sector

These different elements on which the car dealership will have to act and make decisions have been grouped into 4 blocks.

- Technology and tools
- Human capacities
- Facilities and network distribution
- Relationship with the brand

It should be noted that in none of the following cases, ground-breaking or revolutionary scenarios are suggested. However, it is important to point out that changes must be made gradually and need to be adjusted to the reality of the individual dealership. This is due to the fact, that although there is great emphasis on the digital nature of transformation, the fundamental component to successfully guide it are people.





#### 3.1 Technology and tools

The customer, not the car (as it has traditionally been the case), must be the center of all the processes and decisions made in the car dealership. Therefore, there must be technological solutions that allow:

- Providing the customer with a differentiated and consistent experience throughout the entire relationship (customer journey) with the brand. This customer experience has to be consistent, from the first interaction until the last intervention of the post-sale.
- Making timely decisions based on correct and quality information. The coexistence of multiple communication channels provides a wide variety of data that can influence each stage of the relationship. Converting this disaggregated and unstructured data into valuable information is undoubtedly another aspect that will mark the success in the relationship with the customer.

If we focus on the sales process, we see how a large part of the customers who come to the car dealership have previously made an online configuration of the vehicle. However, more than half of the customers who configure the vehicle from home observe, upon reaching the car dealership, that the advertisements do not use that configuration well. That is either because they do not have the technology to recover it or because they do not want to do it.

From that point on, technology allows to improve the interaction with the customer, such as through the use of virtual or augmented reality to guide the presentation of the vehicle or to be able to make and show a specific configuration to the customer in situ.

www.nttdata.com



ADAPTATION

NEEDED

THE

ЧЦ.

DEAL

ШHШ

NO

- Likewise, once the customer is interested in a specific vehicle, it would be ideal for the whole exchange of information between the commercial and the customer to be done digitally.
- From the point of view of the advertisement, having electronic devices such as a tablet allows to perform the entire sales process from any point in the car dealership, which makes the process smoother and reduces the use of paper.
- For the car dealership, the use of technological elements improves the image perceived by the customer and the position in relation to its competition. Furthermore, we can take advantage of listening solutions in social media or the social CRM (active social listening to identify and anticipate feelings and opinions from the environment) to identify actions, interests, and opinions held by customers regarding our car dealership, our brand, or our products/ services, with which, once again, decisions can be made based on information.





Main benefits of using new technologies and tools

Focusing on post-sales, several points of the process are identified, where the existing technology that has already extended to other sectors could be incorporated to improve the customer experience and increase their loyalty to our services.

#### Long-term:

In the not too distant future, it will be possible to conduct the entire sales process 100% virtually. Through virtual reality solutions, customers will be able to configure and see the vehicle they want, request vehicle tests that will take place where they want, and process their purchase remotely, without having to go to the car dealership, even to pick up the vehicle.

Car dealerships must have the necessary technology to make these processes available to the customer, so that the physical showroom and sales area might be reduced.

Regarding post-sales, the most significant change will come thanks to connected cars. The technical service will be able to detect, diagnose, and sometimes even remotely repair the malfunctions cars have. Therefore, technical services must be equipped with systems that allow receiving and interpreting this information.

The new competitive environment requires incorporating new skills within human teams of companies. In some cases, additional training is being discussed for current employees, but in others, there will be the need of creating and externally incorporating new positions that do not exist



ADAPTATION

NEEDED /

DEALERSHIP: THE

CAR [

ON THE (

IMPACT

in the traditional organization chart of car dealerships. The cultural transformation of companies is the most decisive and most complex one to achieve. At present, most digitalization processes fail because they do not properly manage the human element.



The new digital skills are grouped in 4 blocks:

- NET: The work will be developed in more connected environments where the ability to collaborate between different functional areas, and external agents (suppliers and customers), must be developed. Furthermore, innovation will be more present in all company areas. Thus, it is necessary to learn to work in more variable environments and even be able to participate in internally-led innovation processes.
- TECH: It seems clear that the role of technology in the day-to-day activity will be increasingly important. Raising awareness of the importance of technology, as well as the development of skills in the use and exploitation of technological tools, are two exemplary skills to consider.
- DATA: It has become clear that data will become a key business element. The ability to manage and interpret information for decision making is especially relevant. Furthermore, in some circumstances analytical skills will be required to generate more or less complex algorithms that allow anticipating or simulating certain behaviors or future events.
- PEOPLE: It refers to those skills needed by employees which allow them to provide customers with the most appropriate experience. Customers must be the center of all employee tasks and a digital mindset must be incorporated among all employees.

#### 3.3 Facilities and network distribution

One of the most relevant issues for the entrepreneurs and workers of the network is to understand how the future car dealership and its associated distribution network will be, that is, how will it affect the number of facilities? What will their size be? We will attempt to answer some of these questions below.

#### The car dealership. What for?

The first question to ask is why the customer will want to go to a point of sale or service, and what they will expect to find there.

The digitalization of the sales process will not slow down in the future. Besides, vehicle ownership will decrease in importance in many urban areas. These changes will lead to a decrease in the total number of vehicles sold at the car dealership. As a result, car dealerships increasingly start to look for ways to participante in car sharing platform projects and other mobility services. It can be concluded that the number of points of sale and square meters of showrooms will tend to decrease.

The vehicle is already becoming an increasingly technology-intensive product, and it will require spaces to interact with experts in order to help customers to understand the product features. Therefore, these spaces will not be intended for closing a sales process and will encourage the experience of the customer with the brand and product, instead.

These spaces will not be consistent with each other, but will depend on the location, the specific purpose and strategy of each brand. They will be technology-intensive spaces and will serve as means to make the customer fall in love with the brand and its way of understanding and meeting their needs. Undoubtedly, this trend will be more evident in large cities than in rural areas.

Regarding post-sales, the trend for vehicles will be to require less maintenance and visits to the workshop. Occasionally, the vehicle will be repaired or its software will be updated remotely. In other cases, the visit to the workshop will be limited to the quick replacement of a damaged component and their subsequent recovery. ADA

ШZ

ШТ

NO

5

≥

- Everything seems to indicate that the number of service points or their square meters must be streamlined.
- However, the greater technological complexity of the vehicles will have a positive effect on the loyalty of the customer to the official services of the brand.
- Another factor to take into account is the need for facilities or customer service points derived from the new business models that have already been discussed, that is, Car Sharing platforms or the marketing of new services based on the data generated by the car.
- A feasible scenario could be to manage the services of the car dealership's brand in a geographical area or one of influence that has been assigned to them, making the car dealership responsible for the maintenance, charging, and repair of Car Sharing vehicles within its radius of action. In addition, car dealerships should also be able to offer other ad hoc services to car sharing customers, according to their tastes, habits and location.
- Facilities will be smaller and designed more specifically for the purpose for which they are conceived, and will be divided according to their location:
- Car dealerships which will have to quickly reinvent themselves.
- Rural car dealerships that will have to incorporate digital elements, but will have a much less pronounced change curve.

In summary, the sector will move towards a possible reduction of the amount of physical points and their concentration around business groups (sometimes the brand itself), which can make investments in the technology that this new scenario will require.



#### 3.4 Relationship with the brand

#### Changes in the current model:

A basic factor for confronting changes successfully is the relationship that the network maintains with the brands. Dealerships cannot, and must not, embark on projects independently, without the involvement of the manufacturers and their respective importers.

Currently, various brands and car dealerships maintain a partnership based essentially on sale volume (units), which mainly encourages and fosters increasing the number of vehicles sold. This high turnover and low margin model also encourages that there might be significant price differences in the market in the sale of the same vehicle, which often impacts the loyalty of the customer to a dealership. In this way, the main competitor of a car dealership is another dealership of its same brand. In addition, dealerships engage in price wars, which results in operations that do not provide any margin.

The introduction of online sales adds another element of conflict, as the physical channel will have to compete with digital options, which, by definition, will not have to bear the same structure costs and therefore offers advantages in a battle only based on price. Price determination policies and network incentive model will play a determining role in the new model. The price must be unique per customer, meaning, the brand would have to set a price for each product and customer, considering the individual profile, their relationship with the brand, their future potential value, etc. In this model, the customer would not use (as they currently do) the dealerships to receive a reduced price, but would rely on them to know the product, understand what the brand offers, and how the relationship is managed.

In the future, the encouragement to use the network cannot be based on a number of vehicles sold, but rather it must be related to other parameters, such as the total volume of business generated (products, post-sale, and other services), the level of satisfaction and loyalty of the consumers, etc.

Another decisive aspect that must evolve in this brandnetwork relationship refers to the use of information. This use must be bidirectional and the data transformation for the decision making must be carried out on a shared basis between importers / distributors and dealership. In a not too distant future (brands are already working on it), all information and the relationship with the customer will be managed in a single platform. This single point of Retail management must have the following characteristics:

- The customer is unique: All the information of the customer will be managed in a single database, which will surely not be the property of the dealership, or even of the importer /distributor, but of the Brand (Apple ID model).
- End-to-end vision: All interactions will take place in that single point of contact, so that the exchange of information between different representatives will not be necessary, as each one will have direct access to the information they need directly and without intermediaries.
- Multi-channel: All actors, whether employees or customers, will be able to access the platform through the channel they choose at all times, be it a smartphone, tablet, PC, or a car itself, which will be yet another channel of communication.

- Unique experience: This platform has to provide the customer with a consistent experience at all times, both in the look&feel, as well as in the messages and content communicated to them.
- Open and collaborative platform: The services the customer will have access to will not be provided only by the manufacturer or the dealership, but other actors unrelated to the brand will form part of a collaborative community that will offer things such as digital content, apps that improve the sale of vehicles or customized offers.
- "Trustworthy" community: The security and protection of the data of the customer must be safeguarded and ensured at all times. For this reason, the brand must ensure that all the members who participate and all the transactions made are secure and reliable. Collaborative protocols such as blockchain will play an important role in this collaboration model.



The future is digital and what is digital will influence us in all areas of our life and our relationship with others. The automobile and its sales and service channel will not be an exception.

- The network must be gradually adapted to the new reality. Digital transformation must not imply a revolution, but 2 rather technological elements, cultural changes, and new processes must be adopted increasingly and as a result of a solid strategy. This adaptation should have already started.
- People are key. Technology is a tool, but human beings are the protagonists. Customers are the center of everything 0 J that happens and external co-workers and employees are the actors who make decisions and execute the processes to give the customer a better experience.
- Information is power. Customers want to be given an experience suited to their tastes, preferences, and needs at all times. To this end, information based on data, which must be obtained from very diverse sources and will require advance analysis capabilities to become true quality information, will be needed.
- The car dealership will play a different role. In a near future, the sale of vehicles will not be the main purpose of the Э car dealership, instead these dealerships will gradually become experience centers that the customer will visit in order to "feel" the brand.
- The distribution of the network will change. This change will be faster and more prominent in urban zones, were 6 the number and size of the points of sale will reduce and will move close to the customer, occupying places in commercial city zones. These will be places full of technology that will be conceived so that the customer knows and falls in love with the brand, its product, and services, but where the operations will not close in most cases. Post-sale installations will also undergo a transformation, turning into more technological places which will rarely be accessed by the customer, who will be able to turn in and pick up their vehicle at home, and will monitor the state of their repair from digital devices and from the comfort of their home.
- The relationship between the manufacturer and their network must also be modified, being much more open, collaborative, and based on the handling of shared and quality information. The incentive and price fixing policies must also be reviewed, in order to get away from the current low margin models.

# REFERENCES

#### Bibliography

- <sup>1</sup> https://www.bloomberg.com/features/2016-ev-oil-crisis/ Here's How Electric Cars Will Cause the Next Oil Crisis, 25th February 2016
- <sup>2</sup> Future of Carsharing Market to 2025; Frost & Sullivan, 02/08/2016, https://store.frost.com/ future-of-carsharing-market-to-2025.html
- <sup>3</sup> EUROPEAN COUNCIL AND PARLIAMENT REGULATIONS on the motor vehicle type approval
- http://www.europapress.es/motor/coches-00640/noticia-bmw-daimler-ford-volkswagen-crearan-red-puntos-recarga-europea-20161129141406.html
- <sup>5</sup> Automotive as a Digital Business, NTT Innovation Institute, INC.

#### Images

- Page 1: Syda Productions, Shutterstock.com
- Page 5: travelview, Shutterstock.com
- Page 6/7: chombosan, Shutterstock.com
- Page 8: Mikko Lemola, Shutterstock.com
- Page 11: Mr.Whiskey, Shutterstock.com
- Page 12: Rawpixel.com, Shutterstock.com
- Page 14: franz12, Shutterstock.com
- Page 16: MIA Studio, Shutterstock.com
- Page 19: Zapp2Photo, Shutterstock.com
- Page 20: Rawpixel.com, Shutterstock.com
- Page 21: Syda Productions, Shutterstock.com
- Page 24: wavebreakmedia, Shutterstock.com
- Page 26/27: Syda Productions, Shutterstock.com

# ABOUT NTT DATA



# ABOUT EVERIS

NTT DATA is one of the world's leading business and IT consulting companies with over 100,000 employees in 50 countries. In the EMEA region, we have more than 14,000 employees with the personality and passion for IT on the ground for our customers. As a global innovation partner for our customers, we combine global reach with local proximity that is closely interconnected with our innovation centres.

We accompany our customers on their journey to becoming a digital company. Our portfolio includes business and IT consulting, system integration and application management services. Our technological leadership is paired with a deep understanding of our target markets: automotive, manufacturing, banking, insurance and telecommunication.

We make our customers outstanding - especially in terms of customer focus, product quality and economic yield.

www.nttdata.com

#### Contact Persons



Dennis Tischer NTT DATA Deutschland Dennis.Tischer@nttdata.com



Mario Betz NTT DATA Deutschland Mario.Betz@nttdata.com

everis is a multinational consulting firm that provides business, strategy, technology application development/maintenance, and outsourcing solutions. The everis philosophy is based on the talent, entrepreneurship and positive attitude of our consultants. We can offer customized solutions to our clients and add greater value to our projects.

After progressive growth, everis started an ambitious international expansion across Europe, Latin America and the United States. Currently, everis has 33 offices in 15 countries. We have more than 18.000 professionals in the company and 95% of our headcount is internal staff. In January 2014 everis became part of NTT Data, the sixthlargest IT services company in the world. Being part of the NTT Data group enables everis to offer a wider range of solutions and services through increased capacity, as well as greater technological, geographical, and financial resources.

Contact Persons





Jordi Rifa Pujol everis group jordi.rifa.pujol@everis.com

Pablo Martin Garcia everis group pablo.martin.garcia@everis.com annabel.vidal.buil@everis.com







Annabel Vidal Buil everis group

#### NTT DATA Hans-Döllgast-Straße 26 80807 München Deutschland Telefon +49 89 9936 -0 www.nttdata.com/de