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*Executive Whitepaper:*

*The Road Ahead for Automotive Ecommerce Part I*

# OEM Automotive DTC Ecommerce Set for Rapid Acceleration



The auto industry has paid lip service to digital sales for years, but with the growth of Tesla's direct sales model and Carvana's customer service-focused strategy, coupled with consumer behavior changes driven by COVID-19, now is the time for auto manufacturers to address what they've put off for years – truly embracing a direct sales model that takes advantage of their dealer network while meeting the expectations of the modern car shopper.

This two-part whitepaper outlines rapidly emerging business opportunities in automotive ecommerce for industry thought leaders and key players, from car and truck OEMs and dealers to aftermarket accessory and parts manufacturers and retailers.

In Part I, we look at the inflection point that has been reached for online car buying, and the complete transformation that is materializing in the car buying process.

In Part II, we will discuss the other side of the equation—the huge business opportunity presented by aftermarket ecommerce marketplaces.





*“This is an inflection point, a strategic shift, and it’s not going back,”*

– Mike Jackson, CEO of AutoNation

In May 2020 Mike Jackson, the CEO of AutoNation, an automotive retailer chain that now boasts 325 dealerships, said that he and his team hit an inflection point with no turning back – referring to his company’s jump in online-only sales in March and April 2020 during the first wave of COVID-19. Jackson believed online sales would continue increasing even as stay-at-home restrictions were eased. *“This is what the industry has needed to do for a long time,”* he added.<sup>1</sup>

COVID-19 has absolutely accelerated the pace of change in ecommerce. And it’s not going back. Dale Pollak, a senior vice president at Cox Automotive, believes we are heading into a period where consumers and auto companies will rapidly adopt new digital tools and processes to modernize the car-buying process. He also notes that not all dealerships will be able to adjust quickly, which will likely lead to consolidation. *“Any downturn or crisis is capitalism’s form of natural selection. It will absolutely weed out the weak,”* says Pollak.<sup>2</sup>

However, there is more to this story than just the consumer and industry reaction to coronavirus. The pandemic may have been the accelerator, but

consumers have been slowly shifting their car buying habits for quite some time.

**\$1.1**  
trillion US  
vehicle sales

**\$14.6**  
billion in  
online sales

**1%**  
share of  
vehicle sales

It’s important to note that there’s a tremendous amount of opportunity in online automotive sales. Out of the \$1.1 trillion US vehicle sales reported in 2019 by the US Department of Commerce, automotive ecommerce generated only \$14.6 billion in online sales in 2018. That’s a mere 1% of US vehicle sales, according to the Digital Commerce 360, 2019 Automotive Ecommerce Report.<sup>3</sup>

The automobile industry is not unique in seeing massive changes in consumer behavior driven by new, digitally focused entrants. The internet has long disrupted industries that have historically relied on middlemen and a lack of transparency in pricing that discouraged comparison shopping. From travel agencies, to airlines, to complex financial products like insurance, upstarts have emerged to work directly with consumers to make pricing more transparent and product purchase much easier.

1. Neal E. Boudette, *“Pandemic Forces Car Dealers to Do the Unthinkable: Sell Online,”* *New York Times*, May 29, 2020

2. Joann Muller, *“Car-buying will never be the same after coronavirus,”* *Axios*, April 17, 2020

3. Digital Commerce 360, *“2019 Automotive Ecommerce Report,”*

# Driving Change

In 2020 the focus rapidly shifted to a process that is much more customer-centric than the traditional dealer-centric buying process. The transformation began with an online presence that makes it easy for car shoppers to quickly find the car information they need before they engage with the dealer. And when they do begin to engage with the dealer, the experience will be easy, fast and transparent – close to what shoppers conditioned by the Amazon experience now expect.

Chris Sutton, the Vice President of Automotive Retail at J.D. Power, recently noted how the customer experience begins with the website. *“The key for dealers is to ensure they don’t lose the sale before a customer even steps foot on their lot. If a new-vehicle shopper isn’t satisfied with the dealer website or facilities, they aren’t going any further in the sales funnel, and that sale is lost before a dealer can demonstrate how well it does everything else.”*<sup>4</sup>

Today’s car shoppers don’t want to set foot on the dealership lot until they are ready. And “ready” means they have done their research, know the pricing, have input their data, and are either eager for a test drive or nearly ready to sign the papers. Some customers even want contactless car buying, from dealers who will bring the car to their driveway for a test spin.

Research has shown that car customers typically spend an average of three hours at the dealership buying a car the traditional way, much of it waiting for sales agents to get back to them with next steps. Every time they



are left alone by the agent, their customer satisfaction drops. For instance, customers left alone three or more times in the process reported a 30% drop in satisfaction.<sup>5</sup>

## Three hours? Can you blame them?

Car shoppers are now primed and ready to go online. The 2020 Cox Automotive COVID-19 Consumer Impact Study found that 60% of shoppers want to complete more of the purchase steps online compared to the last time they purchased a vehicle.<sup>6</sup>

There are operational challenges to making the process smooth for consumers who visit the dealership later in their research. According to the 2019 Survata and Roadster Study<sup>4</sup>, customers reported that during their dealership visit, they were asked to provide information they had previously submitted online. Collecting and processing this duplicate information accounted for much of the time sales agents had to spend away from their customers at the dealers.

The redundancy must cease or consumers will simply shop elsewhere – at dealers who have successfully streamlined the process.

4. Chris Sutton, Vice President of Automotive Retail at [J.D. Power](#).

5. [Survata and Roadster Survey 2019](#), “It’s About Time,”

6. [2020 Cox Automotive Covid-19 Consumer Impact Study](#),



# The Future of Car Buying

The car buying experience is no longer just a dealer experience. The new sales funnel now combines online and offline components that are currently in a state of evolution moving toward a new normal, which will be shaped by the confluence of consumer desires, new platform technology and the combined leadership of OEMs and dealer groups. Now is the opportune time to shape the next generation of car buying experience so that everyone—consumers, dealers and OEMs—all feel like winners.

In fact, a major opportunity exists for OEMs and dealer networks to gain competitive advantage by providing seamless continuity for their online car shoppers moving from OEM brand sites into dealer sites and showrooms in order to consummate the sale.



# Will Dealers Still Play A Significant Role?

*“I’m not among those naysayers who predict the death knell for physical dealerships,”* says Sarwant Singh, Managing Partner, Frost & Sullivan, writing in Forbes. *“On the contrary, I believe they will thrive as critical elements of new bricks-n-clicks retail paradigms, transitioning into vibrant touch points that will be integrated into the customer’s digital journey. As Volkswagen has envisioned, they will become experience centers and test drive centers, among other things, and, fittingly, places from where customers collect the vehicles they have purchased online.”*<sup>7</sup>

As Singh suggests, a huge opportunity exists for dealers to recreate the entire buying experience with a new optimized car buying process that truly nurtures the customer relationship—from the first online clicks to the dealer showroom to aftermarket service, parts and accessories.

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7. Sarwant Singh, Managing Partner Frost & Sullivan, [“10 Brands Are Now Selling Cars Online,”](#) *Forbes*, Feb 3, 2020

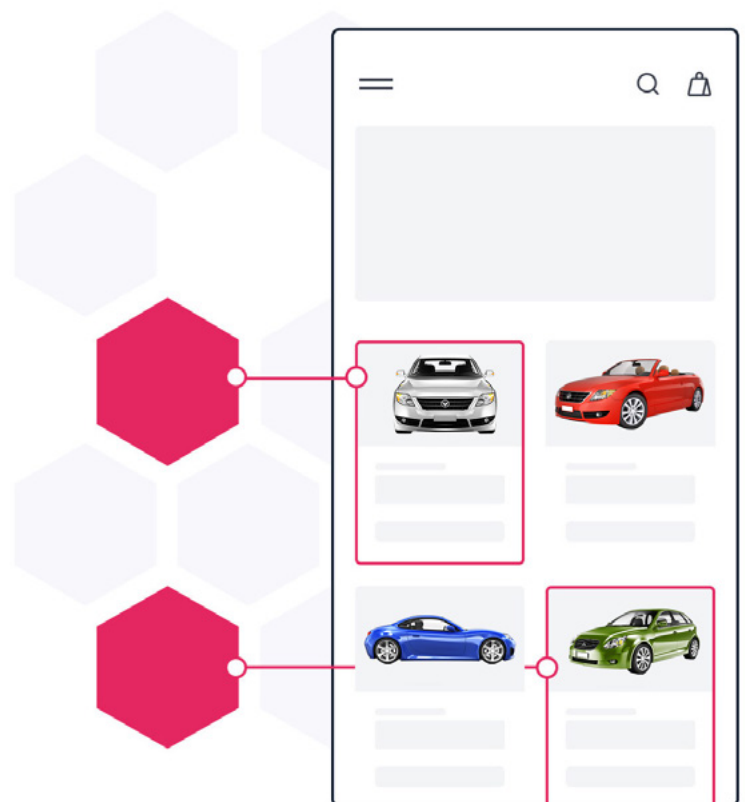
# So What Will The Next Generation Fully Integrated Car Ecommerce Marketplace Deliver?

Fortunately for car shoppers, we're seeing the first steps toward this new vision. The advent of the new ecommerce marketplaces will seamlessly optimize the collaboration of car OEM brand sites with easy-to-shop dealer sites that re-define dealer roles to become local touch points for the highest level of personalized customer experience.

In the not-too-distant future, car shoppers will experience fast, comprehensive car shopping online with immediate access to all of the key information that customers want both from OEMs and dealers. There will be a one-time, efficient entry of their customer information at the point of dealer contact online, and customer data will remain consistent throughout their dealer

experience. As a result, customer waiting time will be minimized and there will be no need for their sales agent to disappear into a back room. In fact, the back room will itself disappear.

Dealers who embrace the vision will add value with timely, personalized customer experiences that humanize the car brand and buying experience. For example, "in-your-driveway" car shopper test drive opportunities of multiple cars, plus an easy car return option within a limited time period for customers who change their minds about a vehicle. Localized dealer



messaging and chat will become more focused upon providing helpful information about available options and personalized deals based on greater accessibility to regional inventories. For customers who may be avoiding car dealerships during the duration of COVID-19, there will be a touchless process. And dealers will provide helpful and personalized brand, vehicle, accessory and

service information, therefore building stronger customer relationships for the future service and sales opportunities they are looking for.

Without a doubt, the OEMs and dealers who get the personalization part right will be the winners, and so will their customers.

### **Deliverables for the Next Generation Car Buying Experience:**

- Fast, comprehensive, satisfying car shopping online
- Fast search and access to key information from both OEMs and dealers
- Seamless continuity for online car shoppers moving from OEM brand sites to dealer sites
- One-time entry for consistent customer data throughout the dealer experience
- Minimal customer waiting time and agent disappearance at dealerships
- Provide “in-your-driveway” car shopper test drive opportunities of multiple cars
- Easy car return option within limited time for customers who change their minds
- Dealers who add value with timely, personalized customer experiences
- Localized dealer messaging and chat (as popularized by Cars.com)
- Localized “deals” from dealers based on greater accessibility to regional inventories
- Touchless brand engagement for car buyers avoiding car dealerships during COVID-19 period
- Personalized, knowledgeable conversations that build customer relationships for the future
- Strong customer connections to dealers for ongoing service, accessories and parts





# How Will OEMs Adjust?

Changing the car buying process won't be driven solely by dealers. OEMs and dealers will need to work together to redefine the car buying process around customer satisfaction.

In fact, customer satisfaction must become the shared goal.

OEMs and dealers must work together to ensure that data collected from car buying consumers is consistent and efficient to avoid redundancy, unnecessary waiting and customer dissatisfaction at the dealer. And OEMs must find new ways to provide dealers with the added value of more consistent, higher quality anonymized consumer data.

Dealers will need to take the lead in providing improved customer satisfaction during the car shopping and buying experience, which includes a faster, more responsive, more informative digital shopping experience. Dealers need to refine their portion of the car shopping process, so they not only sell the customer the right car, but so they build a level of trust that will lead to revenue generated from aftermarket parts and service.

The customer's online car shopping experience should also serve to improve the dealer's understanding of the customer. For one thing, dealerships have an incentive to use the online tools: they're rich in the kind of data that most retailers have been exploiting for years.

# How Forward-Thinking OEMs are Already Leading The Way.

The J.D. Power 2020 Manufacturer Website Evaluation Study – Winter, is a semiannual study released in January, prior to the economic impact of COVID-19, but it reveals an industry already moving toward evolving the automotive shopping experience with greater “personalization, customization and digital retailing”.<sup>8</sup>

Among OEMs, GM is currently the ecommerce platform leader. GM offers a simple “Shop Click Drive” option where customers can order a vehicle and pay online, either picking up the car at a dealership or receiving it through home delivery.



Very telling is GM’s FAQ #1 on its site that nails the issue of too much waiting at the dealership: “We want you to have the option to get your new vehicle on your own time. This will give you more control over the process and limit the time you need to spend at the dealership.”

GM gets it. Respecting today’s car shopper is about respecting their time.

According to General Motors CEO Mary T. Barra, 750 GM dealers have signed up for its “**Shop Click Drive**” ecommerce system since the outbreak began. And more than 85% of its dealers in the US now use it.<sup>9</sup>

8. J.D. Power 2020 Manufacturer Website Evaluation StudySM–Winter

9. Neal E. Boudette, “Pandemic Forces Car Dealers to Do the Unthinkable: Sell Online,” *New York Times*, May 29, 2020,



GM isn't the only manufacturer making strides. In April 2020 Fiat Chrysler introduced its own online retail system to help dealers affected by COVID-related shutdowns. Ford, too, has seen dealers offering the ability for customers to manage the paperwork process online, though they still need to pick up the car at the dealership.

While OEMs are making positive moves, the industry is closely following Carvana, the publicly-traded digital used-car dealer, that seems to be taking a quantum leap ahead into an Amazon-like marketplace for car shoppers. The digital-first company has made waves with their automobile vending machine, but their real power comes from the transparency and convenience they've introduced to car buyers. And customers are responding, with SimilarWeb reporting a nearly 50% increase in site visitors from February to July 2020.

Carvana is clearly in the rearview mirror. And gaining. They have grasped the significance of online marketplaces.

The capabilities of emerging digital commerce platforms to enable both new and used car ecommerce to drive growth and improve customer satisfaction in a redefined car buying experience is already moving the automotive industry toward a new car buying process. More importantly, it is moving the car buying experience toward new levels of customer satisfaction.





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