THE COVID-19 AFTERMATH:
How the Chinese car industry can turn crisis into opportunity
We’re all in this together

COVID-19 has turned into a global crisis, evolving at unprecedented speed and scale. It is creating a universal imperative for governments and organizations to take immediate action to protect their people.

Business leaders must make rapid decisions, and take immediate actions to sustain business operations to serve their customers, clients and communities, as well as protect and support their workers.

More on this topic: Human resilience
What your people need during COVID-19
No industry is immune. All are grappling with the immediate impacts of COVID-19 in varying degrees of severity and complexity. Travel and tourism companies are experiencing the largest hit to their business since 9/11. Most producing companies are dealing with production delays, disrupted manufacturing, and broken supply chains. To protect their people, organizations are implementing travel bans, restricting who they let into their offices, and reexamining how their workplaces operate, and how their people work.

The automotive industry is especially facing major challenges both on supply and demand side—new passenger car sales in the Chinese market slumped by over 80 percent in February 2020, resulting in the largest downturn in the past 20 years.1

Thanks to the focus and rigor of both government and society, China has embarked on its way back to normality, and more and more companies are moving from crisis response to recovery and post-recovery planning.

“We have experienced hard times before, but this time is different. It is the most difficult time I have ever experienced in this industry. We are facing challenges from all aspects: sales, manufacturing, supply chain.”

— An automotive OEM executive

The time to act is now. This document outlines the practical steps you should take to get automotive in China (re)started.
Looking ahead—Recovery by renewal

We at Accenture believe that the Chinese automotive industry—characterized by a disruption of the mobility playing field and changes in consumption patterns due to the spread of COVID-19—can turn crisis into opportunity with two key levers and five specific opportunities. Businesses that successfully capture them can build a decisive competitive edge and take the lead in the recovery.

<table>
<thead>
<tr>
<th>Embrace the NEW to consolidate market share</th>
<th>Rely on SMART to evolve and strengthen the core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reset the focus within Digital Marketing and Sales</td>
<td>Boost Consumer Engagement through experience and data</td>
</tr>
<tr>
<td>Upgrade to a smart supply chain</td>
<td>Balance the reliance on labor in manufacturing</td>
</tr>
<tr>
<td>Enable a smart organization</td>
<td></td>
</tr>
</tbody>
</table>
“It is inspiring to see how close companies managed to stay in touch with customers through all the digital channels in China. These tools present great opportunity, but we need to understand and master them.”

- An automotive OEM executive
Reset the Focus within Digital Marketing and Sales

The strict quarantine measures in major parts of the country meant the only way to keep up engagement with customers were digital channels. Many OEMs are enhancing digital customer engagement through initiatives such as virtual showrooms and live broadcasts, e.g. on TikTok. Geely is one of the OEMs recently advertising a more digital sales process by introducing online sales via their website.

While the online-to-offline integration proved successful in FMCG and retail, eventually even sparking useful innovation, it is significantly more challenging to move larger transactions or investments such as cars completely online.

Yet, if we take a closer look at the automotive sales process, we can see that key steps of the sales journey will still require physical interaction, as also shown in a recent study on automotive retail by Accenture.
While pure online sales for cars may not be predestined for success—even in a situation prone to digital sales—integrating digital channels and customer engagement into the automotive sales journey can make all the difference if OEMs and dealers set the right focus. We believe that through smart, targeted, and interactive customer engagement online, car companies will not only increase their potential customer base, but also foster brand loyalty and—most importantly—**increase sales conversion**.

Instead of trying to “force” the complete sales transaction online, OEMs and dealers need to focus on how to nurture brand lovers by creating **updated and dynamic digital content** on highly relevant platforms. At the same time, a clearly structured **omnichannel framework** ensures that new fans and leads are directed to the right product and to face-to-face interaction at the right time.
Integrate **online and offline touchpoints** to establish a seamless and efficient purchase experience journey

**Platform Registration**
- Register/Log On Account
- Account Management
- Brand Information
- Marketing 1.0

**Product Browsing**
- Product Dynamic
- Display Online
- Customer Service
- Model Comparison

**Test Drive**
- Online Booking
- Offline Test Drive
- Experience
- Sharing Online

**Online Ordering**
- Product Configuration
- Product/Order Management
- Dealership Management
- Inventory Management
- Loan Calculator

**Online Payment**
- Payment Management
- Customer Visit to Store
- Price Negotiation
- Offline Order Verification
- User Management

**Comment Sharing**
- Comment Management
- Sharing on Social Media

**Product Delivery**
- Contract Signing
- Product Delivery & Final Payment

**Price Negotiation**
- Customer Visit to Store
- Price Negotiation
- Offline Order Verification

**End-To-End Process**

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8 The COVID-19 Aftermath: Turning crisis into opportunity
Boost Consumer Engagement through experience and data

To deal with the travel restrictions, other industries have been innovating new service experiences to continue customer interaction, including contactless delivery and online reservation. Automotive OEMs also became more agile in terms of service offerings, such as maintenance, financing and insurance.

In fact, now is the time that OEMs can leverage new consumer behavior to create “New Experiences” which can enhance consumer engagement and boost brand loyalty. Accenture believes there are three key levers OEMs can use to create a New Experience:

- Understand consumer needs and behavior through data analytics and insights
- Consider customer experience holistically over the lifecycle
- Apply experiences and innovations from other industries

For instance, Hozon Auto learned from the consumer goods industry and streamlined their customer lifecycle by offering a new series of services that are as simple as shopping for clothes. The car company offers online sales consulting and an order placement service, two-hour delivery time with seven-day free return and risk-free refunds.
The drastically increased online interactions with customers during the epidemic not only added possibilities for more digital customer interaction, but also led to a higher inflow of consumer data. We believe that this momentum can be utilized by OEMs and dealers to emphasize and enhance customer orientation in their business. Through establishing a “360-degree single customer view” as well as end-to-end data analytics to generate customer insights, OEMs can eventually leverage individual customer insights to move to a data-driven operating model and base business decisions on the customer angle. By applying this model, e.g. detecting fraud in warranty claims through analytics, uncovering customer digital channel preference by analyzing their trace in third party platform etc. will significantly improve operation efficiency/effectiveness and customer experience.

A large Chinese car dealer group has built a 360-degree customer view by establishing a Digital Center of Excellence and consolidating multiple data sources from online, offline, and external partners. Creating a customer database with segmentation based on customer behavior and preferences, the dealer group can offer personalized products and services and in turn enhance sales conversion rate and retention.
Critical steps of **New Experience**

Car companies should leverage data to understand customer needs and provide seamless integration across online and offline channels to cover entire customer journey and lifecycle.

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**Understanding**

1. Understand Product & Brand
2. Product Browsing & Comparison
3. Test Drive Booking

**Consideration**

4. Test Drive

**Purchase**

5. Product Configuration
6. Order & Payment

**Service**

7. Delivery
8. Service Reservation

**Loyalty**

9. Service Delivery

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**Scenario Description**

- **Online**: Book test drive online to confirm date and store with the preferred model.
- **Offline**: Customize product online guided by salesperson.
- **Online**: Monitor supply chain, assembly, logistic processes through mobile after online down payment.
- **Offline**: Receive service alert & product recommendation after sending product data to backend; reserve service.
- **Online**: Oversee service progress online with pick-up/delivery service alert.

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**Online Data**

- User personal data
  - Booking number
- User personal data
  - Product order data
- Order data
  - Product delivery booking
- User personal data

**Offline Data**

- Offline test drive data
  - Test drive schedule data
- Inventory data
  - Test car configuration
- Delivery schedule
  - Supply chain & production data
- Product performance
  - Service schedule
- Service performance
  - Delivery schedule

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**Critical Integration**

- 03 → 04
- 04 → 05
- 05 → 06
- 06 → 07
- 06 → 08
- 08 → 09
Upgrade to a Smart Supply Chain

The automotive industry has faced great uncertainty in regards to parts supply since the outbreak. To cope with the unpredictable risks and chaos, establishing an intelligent and flexible supply chain will be of utmost importance to diversify risks and improve supply chain robustness.

After the Japanese earthquake in 2011, a Japanese OEM developed a supply chain database with in-depth risk assessment of all suppliers, in order to predict any possibility of production halts. In view of the assessment result, this company has restructured its supply chain by expanding its supplier network and mitigating the supply risk of parts. This company also introduced an architecture in 2012 to implement unibody automobile platforms that underpin various car models and facilitate parts sharing across different models.

Three key aspects suggested by Accenture can help implement an intelligent and flexible supply chain:

- ...establishing a control tower by collecting and analyzing data to monitor the complete supply chain and manage risks;

- ...increasing the use of common parts for different car models to enhance parts supply agility;

- ...selecting multiple suppliers/locations to diversify risks and prevent any production halts, especially during severe disasters and chaos.
Balance the reliance on labor in manufacturing

Despite that the recovery of the situation is underway, manufacturing workers are only slowly returning to factories, resulting in disruptions in production processes. Now is a good time to empower human labor, given also the long-term demographic changes in Chinese society, which underlines the need for the evolution of manufacturing. For companies in the auto industry, introducing Smart Manufacturing solutions can help to optimize engineering and automate process steps.

Smart, data-based decision making, and streamlined, augmented and more accurate production processes are a key to unlocking productivity boosts, a better balance of resources and eventually higher product quality. Accenture suggests focusing on three available Technology enablers to bring Smart Manufacturing into practice:

**Intelligent Automation via IoT and data analytics,**
to automate processes, tackle quicker response times and enable a fast machine-to-machine response;

**Digital Thread and Digital Twin,**
to link critical related processes and data across a product’s design, manufacturing and in-service;

**Augmented/Virtual Reality (AR/VR),**
to support and enhance processes of the augmented worker.
A German automobile OEM applies smart technologies and innovations in every aspect of its design and production to empower manual labor and improve its productivity. At the workshops, robots automatically handle the bodywork, reducing the rejection rate in fine production. Modular assembly injects flexibility to the production lines, so that they can quickly respond to product updates from the R&D department and changes in demand from the market department, achieving an increase of 20 percent in productivity.

A new generation of bionics-based stamping tools can improve production accuracy and slow down depreciation of equipment. Metal 3D printing is used to produce non-conventional parts, which helps to facilitate production flexibility and product innovation. In addition to the automatic workshops, a central control station has been set up to monitor the normal operation in real time to ensure immediate response to emergencies. And VR technology has been introduced in the R&D to improve design efficiency and reduce communication costs both internally and externally.
“It is great to see how my team and our organization adopted digital collaboration tools to keep the work running—this period of time proved that remote work can work, if supported by the right tools and mindsets.”

- An automotive OEM executive
Enable a Smart organization

Enhancing organizational effectiveness, employee productivity and “New Work” have been hot topics among OEMs for some time. Labor shortages, remote working and flexible working arrangements during the outbreak brought additional challenges to these topics.

Accenture believes organizational efficiency and effectiveness can be enhanced by maintaining a multisource human resources supply and analytics-based human resource management, while at the same time increasing employee productivity.

A Fluid Human Resource Ecosystem consisting of dedicated fulltime staff, resources from external partners and freelancers can be implemented by leveraging outsourcing, partnerships, crowdsourcing and platform sharing to enhance flexibility and agility in human resources and in turn manage the fluctuating workload.
By leveraging big data analytics ranging from resume screening, employee performance analysis to high churn risk employee prediction and digital tools including virtual work environment and remote collaboration applications along employee lifecycles, employee productivity and work performance can be enhanced.

There are about 509,000 Accenture employees worldwide, and flexible working arrangements and remote working are standard practices within our organization. By deploying multilayer digital collaboration toolkits in the workplace (e.g. Office 365), this can enable seamless cooperation across different teams within Accenture globally. Meanwhile, the employee turnover rate can be largely reduced by establishing employee turnover predictions with turnover alerts and initiating timely and specific retention measures to improve organizational effectiveness.
Three horizons to consider for the automotive industry

The current economic slowdown is hitting the industry hard and fast. Mastering the key industry trends, such as digitalization and electrification, continues to be essential for survival in a post-crisis world. Transformational projects should be continued or suspended rather than cancelled. We are here to assist our clients not only in navigating the immediate challenges of the COVID-19 crisis, but also in creating responsive and intelligent solutions that will pave your way to a successful future.

**RESPOND**

**Business Control Tower**
Accenture can help rapidly set up a data-driven war room to identify and mitigate immediate enterprise risks, detect early recovery signals and plan scenarios to ramp up sales and operations.

**Business Continuity for Ongoing Projects**
Accenture has put industry leading practices in place to continue to serve our customers remotely on their ongoing transformational projects throughout the crisis while protecting our own and our customers’ employees.

**RESET**

**Laser-focused Customer Engagement**
Accenture can help to ensure highly-relevant customer engagement during and after the lock-down, e.g. by sharpening digital content and channels and improving short-term digital marketing ROI.

**Production and Supply Chain Ramp Up**
Accenture is ready to develop and implement measures for AI-based production and supply chain management to enable organizations for a structured ramp up after crisis.

**RENEW**

**Evolution of Data-driven Marketing and Sales**
Accenture can support to establish the most efficient balance of digital and physical customer interaction in marketing and sales, improving ROI and sales conversion by creating customer data transparency and analytics along the sales funnel.

**Path to Supply Chain Resilience**
From end-to-end supply chain monitoring to warehousing strategy—Accenture is ready to review and harden our customers’ supply chains for future disruptions.

**Remote Working at Scale**
Accenture can help to scale up and sustain IT to enable more virtual collaboration including change management to adopt a long-term virtual collaboration culture.
Appendix: How Accenture reacts to external shocks – infectious disease planning

How does ACN monitor the threat during a pandemic?

- Operating in a **24x7 Global Watch program** that monitors global risks and threats
- **Track & assess the threat and potential risk by using intelligence** gathered from agencies monitoring disease outbreaks and leading health institutions such as WHO
- Continually assesses the situation for employees and business operations and activate crisis management protocol, if needed

How would ACN operate during a pandemic?

- Apply our **Crisis Management, Infectious Disease & Business Continuity Plans**
- Employ **regional and local business continuity teams** that execute defined response and recovery measures as required
- Following the **Crisis Management Framework** by focusing on the dual objective of continuing to serve our clients, within the parameters of the situation, and **protecting our people**

Which scenarios are ACN pandemic plan based?

- Accenture **continually assess the spread and severity** of an outbreak and the impact on operations and potential disruptions
- The ongoing assessment will also consider planning **assumptions and guidance provided by leading health organizations and government authorities** to support
- If a large scale and long running situation occurs, the crisis teams are supported by a **Pandemic Task Force** focusing on specific areas such as HR, Marketing & Legal
OEMs should follow three guiding principles while addressing the challenges resulting from COVID-19 and preparing their business for the future.

1. Be Truly Human and Protect Your People

The top priority is to ensure the safety and well-being of all employees and their families by taking the necessary protection measures. This includes making sure that affected employees receive appropriate medical treatment. It also requires empowering employees to adapt to remote working, re-examining workplace operations and providing guidance to create transparency regarding next steps to be taken by the company.

2. Care for Your Business

Ensure the right stakeholders and decision makers are involved in setting up a rapid response workforce to prioritize immediate decisions required. Establish a business control tower to perform a continuous risk analysis that monitors the response programs for regions that have been impacted by the virus and potential exposure.

3. Build Resilience for the Future

Immediate responses are critical. However, with a recession on the horizon, long-term measures along the entire value chain are even more essential. Resilience – especially, supply chain resilience – will be paramount. A continuous cycle of risk mobilizing, sensing, analysis, configuration, and operations will help to build greater resilience to protect against future disruptions.
To help our clients navigate both the human and business impact of COVID-19, we’ve created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

VISIT OUR HUB HERE
References

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5 https://www.hozonauto.com/brand.html
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