



## The new sales experience

**When buying a car, customers want a digital-first experience that combines the flexibility of virtual product interaction with the convenience of buying online and the personal consultancy of a dealer. With the use of e-commerce and expectations of brand experiences driven to new heights by the pandemic, now is the time to reimagine the car sales experience.**

### **What's going on**

The automotive sales model is primed for change.

Today, almost 90% of customers use online channels in the early stages of their decision-making journeys. While previously customers visited dealerships on average eight times before deciding what vehicle to buy, today the average is somewhere between one and two times.<sup>1</sup>



Meanwhile, many large original equipment manufacturers (OEMs) expect to achieve 25% of global passenger car sales through online channels with their trading partners by 2025.<sup>2</sup> In the world's largest auto market, China, digital sales are expected to account for 10% of new vehicle sales by 2025 and 43% by 2035.

Yet currently, most of the automotive industry's established OEMs still rely on a traditional sales model. Typically, this involves an OEM selling its cars to an independent dealer—with the dealer playing a central role in pricing, marketing and sales—then the dealer selling direct to the consumer.

New players such as Tesla, NIO and Canoo, however, are now challenging established OEMs and their dealers with a direct customer approach that offers convenient sales and mobility experiences.<sup>3</sup> And OEMs are starting to design new, more customer-centric sales models in response.

Before 2020, digitization was evolving the car sales experience and expectations around it.

It was clear that selling cars online wasn't as simple as putting inventory on a website or offering a sleek configurator, and that digital experiences that empowered and entertained were needed to transport people from browse to buy.

On top of this, the plethora of information and reviews available online had flipped the symmetry of information between dealers and buyers on its head.

Yet despite all this, the quality of the car-buying experience was falling short.

Then came COVID-19, and some important aspects of the automotive sales experience were highlighted. The first is the value of the digital experience in choosing and buying a car, which was magnified during the pandemic—a time when traditional real-world showrooms were forced to close.

Volkswagen and FAW's joint venture virtual showroom in China, for example, attracted 2.5 million customer views at its peak. More than 2,000 Volkswagen dealerships are presenting the current model line-up via livestreams.<sup>4</sup>

During 2020, car brands including Mercedes-Benz, Honda, Volkswagen and BMW launched online portals and embarked on an accelerated digitization of consumer touchpoints. Mercedes-Benz, meanwhile, launched a host of remote customer initiatives under the umbrella theme Merc from Home, which used digital tools to boost ease of purchase.<sup>5</sup>



The second issue raised by COVID-19 was the importance of OEMs meeting customers' rising expectations of the quality of the experiences associated with buying a car—expectations raised by the high-quality experiences provided by brands in other industries where digitization was more advanced.

When it comes to buying a car, customers no longer just want to be inspired and informed online. Increasingly, they want a digital-first experience that combines virtual interaction with the car with the convenience of buying online, plus the personal consultancy of a dealer.

Further, they expect all related experiences—from digital brochures all the way through to after-sales—to be joined up.

Now, as OEMs assess the lasting impact of shifts in consumer behavior caused by the global pandemic, the stage is set to address the shortcomings of the traditional sales model and pave the way for new sales experiences.



### **What's next**

The current sales model is likely to remain in place for some time. However, the time is right for OEMs to accelerate their efforts to tackle its many shortcomings.

Among the most important are an unsatisfying customer journey caused by limited online options; an inconvenient purchasing experience and insufficient channel alignment; inconsistent pricing, which results in intra-brand competition; and little engagement between OEMs and customers, which limits OEMs' access to customer information and so the capability for truly data-driven sales.<sup>6</sup>

Deserted showrooms have left lots full of cars and salespeople idle at a time when COVID-19 has accelerated people's desire for many more products and services to be delivered to them at home.

The relationships the sales model fosters in its present form are also lacking.

The fact that customers visit car dealerships infrequently—when they're shopping for a car or for a service or they're "locked in" with a particular dealer or OEM—makes the customer-dealer relationship purely transactional.



Further, car buyers are spending less time shopping and spending fewer days in market—during which time they are visiting a smaller number of dealers and making their purchasing decisions more quickly.<sup>7</sup> The knock-on effect of this is reduced time for dealers to build relationships.

Finding new ways to engage with customers more effectively—be that more personalized advertising or more convenient interactive sales journeys online—is an obvious opportunity.

Meanwhile, the limited contact OEMs have with their end customers impacts the relationship between the brand and the customer.

Customers don't really want to negotiate on price, research shows. When asked, 81% prefer fixed transparent prices, for example, yet they do want a physical, visceral interaction with the car as part of the sales process: 77% of consumers still want to buy in a physical store.<sup>8</sup>

Then there's the disconnect that often exists between the digital and physical components of the car-buying customer journey. With the majority of customers starting their car-buying journeys online,

misaligned digital and physical sales experiences can leave people feeling shortchanged.

All too often a customer who has configured a car online is either unable to access the additional information they need or test drive the precise desired car once they visit the dealership.

At the same time, it will be important to continue to evolve physical touchpoints and their role in customer decision-making and the sales journey. Some 70% of consumers find the concept of a brand experience center appealing, research by Cox Automotive shows.<sup>9</sup> Boutique-style city center locations for brand experiences such as Tesla Stores, Audi City Cyber Stores and Mercedes-Benz Visionary Stores are a few examples of new retail formats.

The case for change is further strengthened by how challenging it has become for dealers to turn a profit on new car sales as competition erodes their margins.

Another challenge associated with the existing model is that dealerships make more profit from aftercare service than the sale of the asset. This revenue pressure will only increase, however, with the rise of electric

vehicles (EVs)—the sales of which are now predicted to grow by 22% by 2026—as EVs need less aftercare.<sup>10</sup>

Yet while many dealers admit that new car sales are not profitable for them and want to change business models, they struggle to change due to capital investments, fixed sales territories and OEM relationships.<sup>11</sup>

Looking ahead, further pressure to change the current sales model will come from the growing sales of EVs—which typically last longer and have less wear and tear—and rising subscription usage models, such as Canoo's mobility in exchange for a membership fee proposition.<sup>12</sup> This will need to be balanced with the sale of services and experiences.



## Opportunities for reimagination

# 1. Meeting customers where they really are

2020 brought many changes to the retail experience, especially when it comes to what consumers will venture out for and what they expect to be delivered to their homes. Anxiety about health and safety will ease over time. Yet many shifts in behavior and expectations now look likely to endure beyond the pandemic.

It will be critical for OEMs to learn lessons from the pandemic. New digital retailing tools drove process efficiencies and achieved higher buyer satisfaction, for example, improving the automobile buying process during the prolonged downturn.<sup>13</sup>

Early in the pandemic, FCA UK launched Car@Home, a service that allows dealers to sell vehicles and communicate with customers remotely via videoconferencing.<sup>14</sup> It also introduced a chat function across all of its brand and retailer websites so, just like visiting a showroom, customers on the website can engage with their retailers in real time, receiving engaging, relevant information when they need it.

Tesla's touchless delivery experience, meanwhile, involves test-drive vehicles left in parking lots at Tesla locations, each with its unique QR code posted in the window. Interested parties scan the code, enter their information and get started on a test drive without talking or even seeing a Tesla employee.<sup>15</sup>

It will also be important for organizations to respond to habitual changes and meet customers where they can be found now: at home and online. This will require a seamless integration of the digital channel with the physical, which will continue to have an important role to play.

While customers browse and increasingly shop for their mobility online, there will still be important physical touchpoints. And it will be important that these physical touchpoints don't feel like starting from scratch or an interruption of the process.

Dealers need to take on new roles in the experience and have full access to customer data, preferences and choices in order to amplify the user's experience, not merely complement or fulfil it. In this way, disconnected and separate points of sales will turn dealerships into locations people use to explore their personalized mobility.

In India, Renault has trialed mobile showrooms, for example,<sup>16</sup> blending convenience with the tactile nature of car buying.

With a mobile showroom, the dealer can draw on a larger pool of cars to bring the closest car a prospective buyer has configured online to their home for a safe and convenient test drive. With the opportunity to touch and feel different vehicles and options seamlessly delivered to their door, the disconnect between the online and physical experience for the buyer is closed.

In the U.S., a number of dealerships are testing similar models in response to the success of new entrants. Carvana, for example, has innovated with its car vending machines, multi-story structures holding dozens of cars where buyers pick up their online purchases. It's operated using a special oversized coin the buyer puts into the machine, and out comes their car.<sup>17</sup>

Finally, nearly half of drivers want after-sales services to be integrated seamlessly into their daily lives, saving them the time and effort of having to go in person to a workshop or dealer service location, according to internal Accenture research.





## 2. Experience concierges

Today's car dealer plays the role of sales point and gatekeeper to vehicle ownership. But what if their role evolved to being a purveyor of experience?

As Experience Concierge to all our mobility experiences, a car dealer or OEM could create more reasons for authentic customer interactions and develop longer-term relationships based on trust. The opportunity is for them to play a greater role in helping consumers experience the car and truly feel what it would be like to own that vehicle.

Mercedes-Benz's User Experience team set three goals for the development of its in-car voice experience:

1. Allow drivers to talk as naturally as they would to another person.
2. Support more types of queries than typical voice services.
3. Integrate voice more naturally into the overall in-car experience so users can seamlessly switch between voice and touch control.<sup>18</sup>

Dealers need to double down on their profitable service business but not restrict this to pure car service.

Some dealerships already invite existing and prospective customers to track days to test the full potential of a car in a safe environment. Such experiences are often limited due to cost, however, which means opportunities to experience the car in a more immersive way are missed.

If a dealer were to help a customer arrange a night on the town—organizing dinner reservations, a show, perhaps even an overnight stay as part of an elongated test-drive experience—the customer could have a deeper, richer experience of what owning that car could really feel like. The dealer, meanwhile, could collect commission for the third-party referrals they've aligned to the interests of that customer.

Rethinking how dealerships create experiences in which the car plays an important part can help drive car sales, improve dealers' margins and provide customers with more emotional connection than achievable with a 30-minute test drive.



### **3. Partnering to evolve the dealer model**

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New entrants such as Tesla have proven that the direct sales model has benefits for both the OEM and the customer, starting with the lower cost of sales. Traditional OEMs are encumbered with an existing dealer network, however. This means that they need to evolve the role of and relationship with dealers over and beyond simply running small pilots.

OEMs have an opportunity to partner with dealers and move from a wholesale model to a retail model where they may finance the dealer inventory, reducing dealer costs or subsidizing online advertising costs.

Ford, for example, partnered with dealers during the pandemic to offer new vehicle home delivery. Those who agreed to participate were offered incentives for completing the entire purchase process online.<sup>19</sup>

BMW is using a collaborative digital experience management platform to solidify relationships with its dealers and customers. Dealers and manufacturers collaboratively cultivate relationships with the customers they seek, using consent-based marketing and advanced analytics to engage with pinpoint accuracy.<sup>20</sup>

Further, the company has used customer data to create relevant digital experiences that have resulted in higher levels of online conversation.<sup>21</sup>

Evolving the dealer model to a retail model will also help reconnect the customer directly with the OEM and stabilize or fix the sale price. To achieve this, OEMs will need to invest in central customer management systems and help evolve the financial model to fix pricing and mitigate discounts, creating an opportunity for dealers to maintain their current 1-3% margins.





## 4. Customer ambassadors

Borrowing from different consumer sales models will unlock other opportunities.

A satisfied customer could become a customer ambassador who shows off their own vehicle in return for a small commission—something some enthusiastic Tesla owners have been willing to do for free. This model would reduce costs and create an authentic connection between consumers. It could also help new customers by connecting them with relatable people with whom they can discuss vehicles and product features.

Chinese EV company NIO is leveraging its many customers, who pride themselves on their loyalty to the brand, by building online communities of satisfied customers to encourage them to act as sales representatives. Existing owner referrals accounted for more than 45% of its cars sold in 2019.<sup>22</sup>

Other brands are partnering with social media influencers to leverage their followings and generate sales leads. For example, Tesla worked with the Chinese online celebrity Wei Ya to present the brand's models, specs and prices in an hour-long video stream on China's

Taobao shopping platform, which attracted 4 million viewers in April 2020.<sup>23</sup>

Chery, meanwhile, launched its new Tiggo 7/7 PRO model exclusively via livestream, generating more than 7,000 sales leads, according to official data.<sup>24</sup>

## 5. Data transparency

Customers are demanding greater transparency around how their data is used by organizations. These organizations need data—and more of the most useful data—to develop the new value-added, more personalized and relevant offerings customers now expect. A rich area to explore sits where these two needs collide.<sup>25</sup>

Inspiration can be found with the data-focused start-ups that have already emerged in this space.

Cloud-based software start-up Otonomo, for example, helps companies capture and monetize connected car data by harnessing and anonymizing it for use to create apps to provide services like EV management, usage-based insurance or subscription-based fueling.<sup>26</sup>



CarDr.com provides artificial intelligence-powered transparent and comprehensive used-car inspections.<sup>27</sup> It benefits dealers by enabling them to accurately appraise trade-ins and existing used-car inventory, as well as detect odometer and VIN fraud. It benefits buyers by giving greater transparency into the health of a used car.

The experience of buying a used car is often overlooked. Yet it's growing in importance due to sustainability concerns, and it's ripe for reimagining.

As with new cars, much information concerning used cars has been democratized. Yet with critical data still trapped in OEM and dealer systems, pockets of opaqueness remain. Systems like Carfax already provide some level of transparency.<sup>28</sup> Now, community-generated insight models are also evolving.

One example of this is the bringatrailer.com community—a rich set of aficionados who regularly dissect images of cars put up for auction to offer counsel and confidence to potential bidders around issues that can arise. Many of those providing these insights have actually owned similar vehicles so speak from experience.

Community-generated validation models like this are cost effective and can help build trust for OEMs.

## 6. Recharging drivers and cars

With the rise of EVs, the time it takes to charge their batteries and the number of charging stations mean there's an opportunity for dealers and OEMs to integrate charging into customers' daily lives.

Imagine if during the time that the car was charging, a customer could grab their favorite Starbucks coffee, access some salon services and even plan their weekend with an on-site Experience Concierge? Done well, such services could be not only a reason to visit, but possibly even more compelling than simply fueling the car.



## What automotive leaders can do next

### 1. Experiment and pilot

Small-scale pilots are a useful starting point, and many brands are already trying to do some or all of these things in markets like Scandinavia and South Africa.

To pilot moving from a wholesale to a retail model, start a dialog with dealerships to change the commercial model by finding a middle ground.

To explore potential for creating experiences that allow a customer to feel what it's like to own a car, take inspiration from Airbnb-style experiences—a long weekend camping in a Subaru Outback, for example, or a racetrack experience bringing people together to test-drive a high-speed, high-performance car.

### 2. Create direct relationships with customers

Today's car dealers are the middlemen between OEMs and customers. But what if OEMs built more direct relationships or provided the glue between the digital channel and the dealerships, like a customer relationship management (CRM) system that builds one view of the customer?

By building a centralized database to better retrieve and analyze customer data, an OEM can cut siloed data waste.

### 3. Bridge the divide

Customers want a digital-first experience that combines virtual product interaction with the convenience of buying online and the personal consultancy of a dealer. So, find ways to bridge the existing digital-physical divide.

Create new experiences around taking products and services to where customers are: in their homes. Take inspiration from online used-car dealer Carvana, a new entrant already doing this—with showrooms located wherever its customers are, from living rooms to mobile devices—to prove the model works.<sup>29</sup>



# Authors

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**Axel Schmidt**

Senior Managing Director  
– Strategy & Consulting, Global  
Lead, Automotive



**Joel Van Durme**

Managing Director – Interactive



**Ankur Mathur**

Managing Director – Interactive

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