REDEFINING THE VEHICLE BUYING PROCESS

Abstract

These are the adjectives that one would generally associate with the Millennials or Gen Y buyers. They make up the new generation of car buyers and are driving seismic change in marketing strategies of businesses. The changes brought about to please these new age customers are now discernible in the retail world in most industries.

The automotive world also, is slowly catching up. Millennials have forced automakers to see the retail landscape with a new perspective. With the advent of internet boom, on-the-go information and social media explosion, the car buyers of today are better equipped than the buyers of yesteryears. Old marketing tactics don't work on them. They are forcing the entire automotive sales eco system to introspect deeply on the current buying process.

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For many automakers technology is increasingly becoming the way to deal with this sweeping change. Auto marketers are hoping to align with the changing consumer behavior and to eliminate the pain in today's buying process with the aid of technology

This article attempts to provide a perspective on what tomorrow's car buying process will look like. It also provides a sneak peak, on the changing roles of the OEMs, dealers and third party websites to accommodate the new customer touch points in the car buying process.

Automotive Retail: Existing Buying Process

The customers today feel the need of a vehicle because of factors like growing family and upholding social status among various other factors. They typically follow what is called "the buying funnel" (Figure 1). Very often the buying process starts with online research in a quest to find the right vehicle. Third party websites (cars.com, kbb.com, autotrader.com etc.) are the most relied upon online sources for this information. Offline sources include tips from the current vehicle owners, expert opinions, books and magazines etc.

Test drives further assist the prospective buyers to narrow down to the right vehicle, however they are forced to undergo a sales pressure environment. After the decision to buy a right vehicle is arrived at, the customer visits multiple dealerships in search of the vehicle at the best price. Customers often undergo heavy and painful negotiations with the sales personnel during this process. The disconnect between the information available online and 'at the dealership' adds on to the agony. Even after having finalized the deal, a customer has to then go through the time consuming F&I (Finance and Insurance) process to get the

appropriate financing for the vehicle based on credit scores (Getting the credit scores and the right financing option based on the eligibility is in itself a very time consuming process).
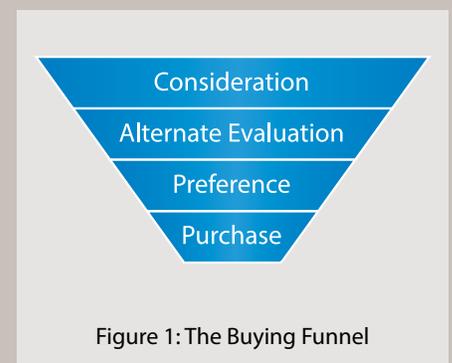

Figure 1: The Buying Funnel

Pain points and the Stats

No.	Pain Area	Statistics
1	Purchase price negotiation and haggling Getting a good value for their trade-in	• 65% of Millennials would prefer to purchase a car without negotiating with a salesperson[8]
2	Dealing with sales person	• 92% of car buyers don't trust the salesperson[10]
3	Multiple dealer visits	• 72% are more likely to visit another dealership on the same day[6] • 57% of the shoppers visit additional dealership for a better price[6]
4	Lack of information on vehicle availability	• Purchase decision could be influenced by the inventory availability[7]
5	Time taken at the dealership	• 57% of the delay in dealership is because of the amount of paperwork[15] • Average car deal takes about 4 hours to complete[9, 13, 14]
6	Inconsistent information across buying cycle	

Table 1: Customer Pain points in the current buying process

Stimulus for the Change

The internet boom and mobile commerce have triggered a shift in the way people shop and buy products. This shift has disrupted the retail model for most categories of products across most industries. The retail market for the consumer electronics, books and apparel industry are widely known to be pioneers in leveraging both these trends. One industry that is slowly catching up, is Automotive.

Shoppers are spending more time online, acquiring product information and it has been seen that, customers are sometimes better updated than the sales personnel themselves.

"*49% are influenced by online friend and social media[4, 8]*"

Social media has become indispensable part in the lives of the Millennials. Though social media as an influencer in vehicle purchase is still at a very nascent stage, it has a very huge potential for the future.

"*More than 50% of the consumers depend on independent websites[12]*"

To complement these changes, the Millennials are more and more impatient and don't necessarily like to go through the process of negotiations. This is a generation of customers who prefer transparency over negotiation.

- 75% of car buyers spend their time shopping online[9]
- About 500,000 cars are traded on eBay Motors' website every year[11]
- 41% in 2012 and 71% in 2013 use mobile App (application) in shopping process[4]

Figure 2: Shift to digital world
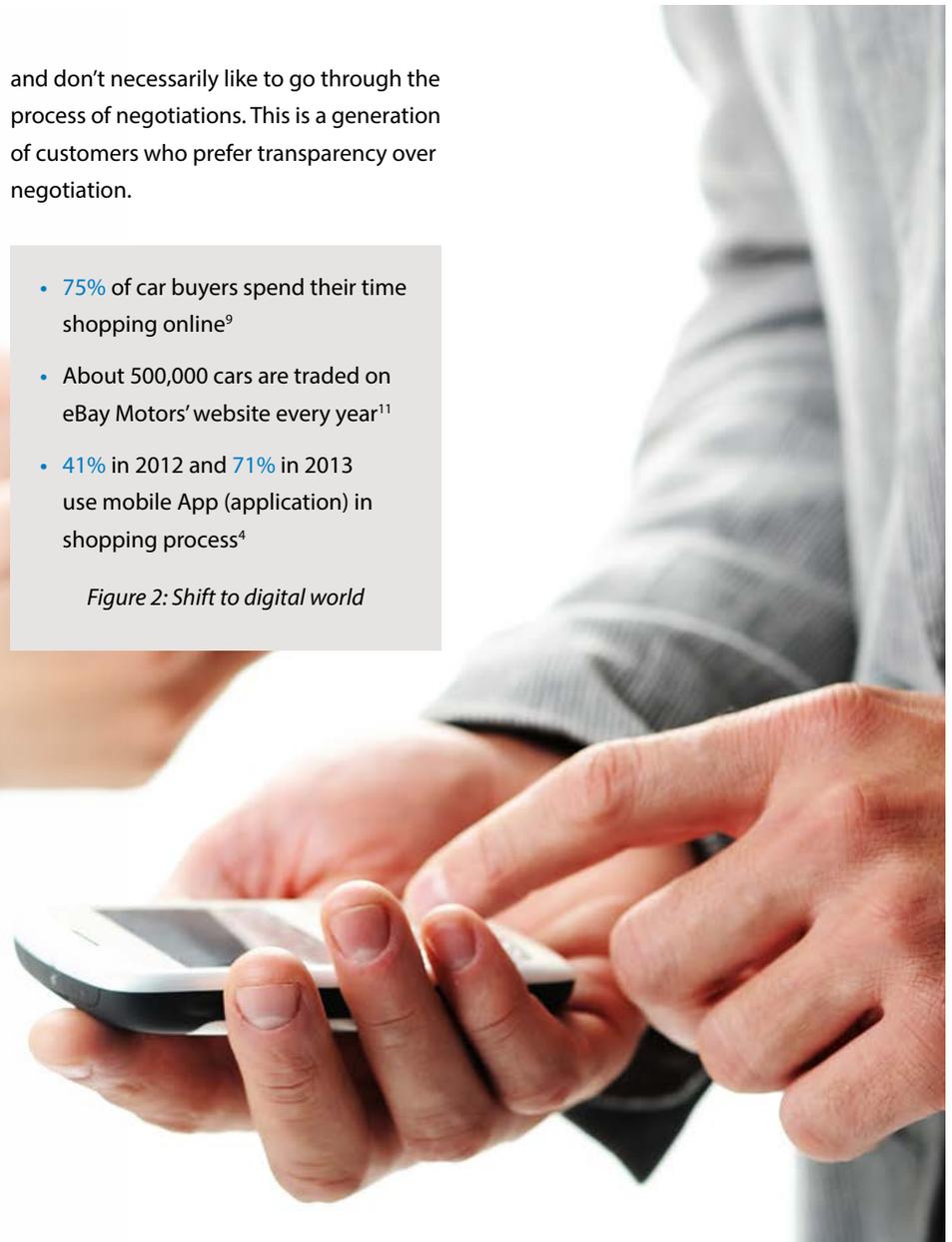
Redefining the Buying Process

"*While the core steps in the journey of buying a car would predominantly remain the same, the role of each participant is expected to change over a period of time.*" A change in the role of OEM (Original Equipment Manufacturer), dealers and third party websites is expected to give the customers a hassle free, unified and faster car buying experience.

In the future, OEMs are expected to play a larger role in branding, marketing and creating an unforgettable product experience for the prospective buyers. With multi brand shopping avenues coming to the fore, third party websites with selling capability are expected to form the core of the customer's buying journey. Dealers would continue to be a place where "rubber meets the road" and be a significant profit center. They would play a pivotal role in vehicle delivery and after sales service.

Vehicle Experience Centers: The new Purchase Stimulus

"*61% of the customers find "Vehicle Experience Centers" in city centers very appealing[11]*"

"*Pop-up stores can provide consumers "a gateway" to the brand*", says BMW's Peter Miles

Cars are no longer the cool technology young people used to love. With cut-throat competition in the industry, it is vital for the OEMs to get ahead of competition in generating the interest in their new products. Apart from a strong online presence across various websites, journals and social media, the OEMs need to create "**Vehicle Experience Centers**" in the urban places to generate interest among the public and also as an external stimulus to the purchase of the vehicle. The "Vehicle

Figure 3: Vehicle experience center

Experience Centers" become more critical considering the dealers desire to move to more suburban areas to save retail cost.

Modern Vehicle Search Approach

"*The road to a vehicle purchase starts online*"

Be it a search on a vehicle that one wants to buy or be it a suggestion from a friend or even the hunt for an expert opinion, the road to vehicle purchase starts online.

With the push for multi brand outlets looming and to satisfy the need of providing one single place of information, it is ideal to have a third party site like Edmunds.com provide all the inputs on the cars that are being considered. Additional opportunities for these sites to enhance the buying experience would be to offer live chat or a 24x7 call center which would provide responses to all the queries that a customer has on the cars that are being researched. This would add a vital personal touch to the virtual process.

Considering the significant surge of the social media and it being the new avatar of word of mouth communication, it would be unwise to ignore its potential as a selling tool. The importance of "feedback

from friends and family in the social world" can hardly be ignored. The future of car buying is expected to have social media inputs at the center stage. Separating millennials from online world is almost impossible and they definitely make their voices heard in multiple websites through their social media identity. With the extent of web crawling that is in vogue, it is safe to predict that custom content which would aid decision making would be the way forward in the buying process.

- 79% of all buyers used the Internet to shop for cars[11]
- Europe's biggest online car market place, AutoScout24, registers more than 300 million visits on profiles of cars on offer per month[11]
- Users use close to 8 different websites for vehicle search[12]
- 52% of Millennials say that if they had a bad experience with a dealership, they would never consider it again[4, 8]

Figure 4: Stats, hard to ignore

Test Drive as a Service

"*2 to 3 average number of cars test-driven before purchase[16]*"

"*78% of the consumers find it appealing to have just test drive centers in the city centers[11]*"

Multi-brand test drive services (already in the nascent stages in USA, tred.com) will prove to be an important step in deciding the car to buy in the years to come. Such services when available at the doorstep, away from the salesman pressures of a showroom environment, will prove invaluable to buyers when faced up with the prospect of choosing a vehicle.

Going a step further beyond just providing vehicle information on the websites, the third party websites could actually coordinate the appointment booking for the vehicle test drive and also the feedback.

Purchase Decision

"*More than one-third of the customers would consider buying a car online[15]*"

After all the vehicle experiences, suggestions & opinions from the social circle and expert reviews, the decision of the purchase boils down to the offers and vehicle availability. The same website which provides the choice of dealers selling the vehicle with the accurate price (inclusive of all the manufacturer and dealer rebates) and the vehicle availability details, could be a car booking platform. Price transparency and stock availability would be the key to win buyers. The

vehicle booking, credit application and delivery appointment booking all included would make it a seamless process for the customers to buy a vehicle.

At the dealership, it would be a smooth transition from all the operations performed online and dealers would be more of vehicle delivery centers. The key of future sales lies in the elimination of all the negotiations, haggling and pain staking waits.

1 Vehicle Experience Centers as a center piece of OEM's marketing

2 Online vehicle research with feeds from social media, expert opinion and reviews, all at one place

3 Select, click & test drive Multi-brand test drive service on the click of a mouse

4 Click the mouse, buy a car Vehicle booking options with price transparency across multiple dealers

5 Doorstep vehicle delivery or delivery appointment at the dealership & completion of paperwork fomalities

Figure 5: Vehicle buying process

Conclusion

"Change is inevitable" goes the saying and the world of automotive retail is no exception. With the paradigm shift in the world of retail, the OEMs-Dealers-3rd Party Websites (3PW) trio need to reinvent themselves and come together to make the car buying experience transparent , quick, convenient, and fun for the future car buyers.

OEM	Attractive & Strategy Focused	Social Media Savy
	Clarity & Transparency	

Dealer	Attractive Inventory	Transparency
	Seamless	

3 PW	Single Unified Place	Website Compatible
	Real Time Integration	
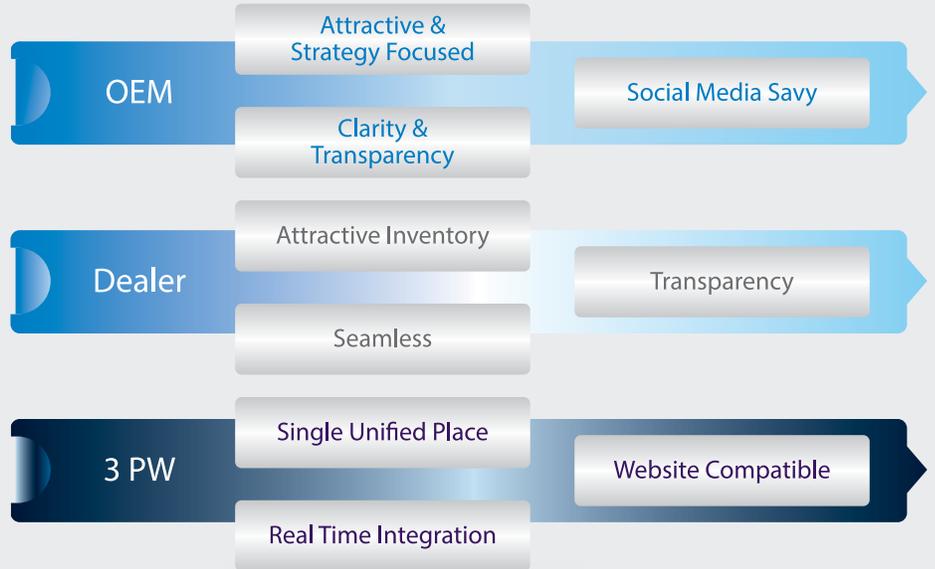
Figure 6: Future focus areas

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