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AUTOMOTIVE RETAIL RECALIBRATED

UXUS



MOOD:MEDIA™

Thank you for downloading our ebook.

Mood Media, LG Electronics and UXUS have joined forces to create a webinar series called ‘Automotive Retail Recalibrated’, exploring the future of the automotive industry and how the new high-velocity consumer is transforming its retail landscape.

The series included three, 1-hour webinars, each bringing together unique perspectives from category experts and automotive industry representatives to brands’ thought leaders.

The three core topics we covered were:

- Consumer channel is the new Omni channel
- Driving Auto Brands with purpose
- Next Generation Auto Retail: Dealership in 2030

Conversations revealed the impact of technology, social values and environmental issues on the car ownership mindset. We explored the influence of electric vehicles, autonomous futures, and mobility as a service. Finally, we re-imagined the dealership experience, and how it can amplify a more purpose-driven retail in the future.

This ebook is the result of all of these conversations and the whitepapers that derived from each of them. It has been a wonderful ride for us and we hope you’ll enjoy reading about these discussions as much as we enjoyed having them.

Retail is moving at a supersonic pace, with consumers in the driving seat. Evolving customer values, behaviours and expectations mean automotive brands need to quickly adapt. Join us and leading industry experts in figuring out how.

Enjoy the reading and don’t forget to follow us to continue the conversation of the future of automotive retail.

Mood Media, LG Electronics, UXUS

CONSUMER CHANNEL IS THE NEW OMNI-CHANNEL: THE FLUID FUTURE OF AUTOMOTIVE RETAIL

On-demand, anytime customization will be a future focus for customers. Services, technology, features, and entertainment will no longer be a one-time point of a purchase decision. In the future cars will continually react to their needs.

Erich Wohlmuth, program manager digital retail/digital sales, AUDI AG

More digitally connected than ever before, consumers are driving change in cities all over the world. As they radically alter the experience of shopping, automotive brands have to align to the new mindset.

Today's consumer is fluid, moving seamlessly from one channel to another and effortlessly connecting in the physical and digital world. They seek harmonized experiences that don't detract from their daily journeys but come to their fingertips.

As the result, purchase is no longer a linear process. New modes of shopping turn omni-channel on its head, as consumers demand fluid brand experiences that meet them wherever they are, whenever they want. How can automotive retailers embrace the fluid revolution and re-ignite the thrill of buying a car?

Blended Worlds

61% of Gen Z and Millennials believe online aesthetics have altered what their generation expects to see in the real world.

Spotify Trend Survey among 500 U.K. respondents 15–37, February 2019

From URL to IRL, the new generation is driven by emotion and meaning. In an effort to create serendipitous emotional connections, brands are placing products in unexpected places that blend digital and physical worlds, and turn retail into an always-on, anytime discovery.

Examples like [Mercedes-Benz Immersive Car Launch](#) with Virgil Abloh use augmented and virtual reality to bring the car into the home at the press of a button. Customers can walk around the car and look at it like it is right in front of them, recreating a dealership experience in the comfort of their home. Unexpected partnerships, such as [Travis Scott's Battle Royale concert](#) hosted on Fortnite, are fusing physical and virtual to create epic, globally connected live experiences that take people on a shareable journey.

Faced with a plethora of choices, consumers want more. By playing in uncharted spaces between physical and digital, car brands can forge unexpected connections with the next generation of fluid consumers.

Consumers don't think in channels;
they shop wherever they are in that moment.
They expect flexibility, consistency and
excellence, regardless of being on a mobile
device or inside a dealership.

Scott Lachut, partner/president of research & strategy, PSFK

Capsule Experiences

77% of luxury consumers would prefer to buy a product or service simply for the experience of being part of the community built around it.

Global Web Index, May 2020

While virtual retail is gaining traction, the always-on generation remains hungry for unique physical experiences. 67% of Generation Z prefer to make purchases in a shop as opposed to ordering online ([source](#)).

Paving the way for the era of nimble retail, future-forward pop-ups offer temporary but highly immersive brand moments that drive hype and awareness. Experiences like the [YSL Beauty station](#), show how snackable stores and thought-provoking experiences can pop

up in people's lives and create a moment people want to experience time and time again. Brands like [SSENSE](#) fuse online commerce and in-store experience with a 360, seamless product tailoring experience, fluidly merging digital and human connection to build trust.

As the race for consumers' attention results in never-ending digital content, brands can provide a welcome escape with unforgettable physical experiences and lasting human connections.

Access vs. Ownership

It's not about buying a car, it's about buying into your brand. We need to think beyond products and start to consider new services for a multi-consumer end-to-end user journey.

Seamus Walsh, enterprise sales manager automotive, LG Electronics

Beyond blended engagement and capsule experiences, the new consumer expects something more meaningful than a transactional relationship. Today the most successful brands leverage their communities to propel growth, inspiring them to share their story with like-minded people. As social status and wealth shifts from what we own to what we can access, the retail game is evolving. Access drives desirability.

Brands like Bodega are leading a new wave of hidden retail where only those in the know are able to find the exact location, creating a sense of exclusive brand community. [HYPR](#) is an app-based membership that combines customers passion for streetwear, music and art with hyper curated car rental.

Access and knowledge of brand experiences and spaces create loyal fans who feel more like a community of members than customers.

George Gottl, chief creative officer, UXUS

Looking into the future, ownership will become personal. As the relationships between people and products become ever more complex, brands can explore new models of ownership that allow people to participate in value creation.

What should automotive brands do next?

To leverage the future of automotive retail brands should ask, are we informing, are we engaging, are we inspiring? Because tomorrow, the emotional connection will drive the sale.

Jaime Bettencourt, SVP of global account management, Mood Media

In 2030, the consumer will drive the experience. Armed with the tools to purchase everything online consumers will expect brands to work harder. Future-proof your experience with three actions.

- (1) Embrace the fluid revolution and go beyond traditional channels.
- (2) Pioneer new models of ownership.
- (3) Prioritize lasting connections over short term wins.

DRIVING AUTO BRANDS WITH PURPOSE

Customers are demanding that brands engage with transparency, meaning and purpose. How's the automotive industry doing today, and where is it headed tomorrow ?

The mobility of the future is set to be much easier, sustainable, more flexible and connected as well as personalized. To remain successful, both car manufacturers and suppliers alike will have to offer user-oriented innovations that are meaningful for their audience, the environment and future generations. What do purpose-led brands mean to the market and customers and what does the automotive industry have to teach, and learn, in this field?

“The future of consumption in general is about that emotive aspect. It's that emotional engagement with the product. And I think the automotive industry unfortunately has not really kept pace up until this point where I think it's being forced to simply because there's a huge generational shift happening in terms of how people buy.”

George Gottl CCO, UXUS

Sustainability – Who's grass is getting greener?

“The automotive industry is recognising that they need to do things differently, to enable a fully EV future.”

Sam Clarke Chief Vehicle Officer, Gridserve

The number of people who want an alternative engine in their next vehicle is growing rapidly. Interest in alternative powertrain technology continues to expand, as fewer people want traditional internal combustion engines in their next vehicle.

Carmakers Ford, BMW, Honda and Volkswagen¹ recognised such a change in consumer demand, and in 2019, they signed a voluntary agreement with California's air pollution regulator to tighten standards for gas mileage and greenhouse gas emissions. Meanwhile in June 2020, US-based ride-sharing platform Lyft² pledged to convert its entire fleet to electric vehicles by 2030. The company committed to reducing the rental price of EVs to the same rate or lower than diesel cars and to negotiating with automakers to help drivers get discounts on EVs through bulk-buying.

Consumers' increasing demand for sustainability within the automotive industry couldn't be more evident than in Norway, where electric cars had a 54% market share in 2020, making it the first country in the world where electric cars have outsold all other types of vehicles combined.³

Opting for a slightly different act of sustainability, in October 2020 Hyundai teamed up with high-end fashion designers to turn automotive scrap parts into a sustainable fashion line for Selfridges department store.⁴

Governments are also playing their part. In June 2020, the UK's Department for Transport⁵ announced plans to add a green label to licence plates of zero emission vehicles to easily identify them for benefits such as cheaper parking and free entry where congestion fees are typically in place for cars in order to encourage more consumers to adopt the technology. The plan also included increased funding for zero-emission vehicle research and infrastructure.

1 - <https://ww2.arb.ca.gov/news/california-and-major-automakers-reach-groundbreaking-framework-agreement-clean-emission>

2 - <https://www.lyft.com/blog/posts/leading-the-transition-to-zero-emissions>

3 - <https://www.reuters.com/article/autos-electric-norway/electric-cars-rise-to-record-54-market-share-in-norway-in-2020-idINKBN29A0ZL>

4 - <https://blog.hyundai.co.uk/progress/future/hyundai-unveils-sustainable-fashion-range-at-selfridges>

5 - <https://www.gov.uk/government/news/green-number-plates-get-the-green-light-for-a-zero-emission-future>

What are the threats and opportunities for the automotive industry?

Younger generations across Europe, US and most of Asia are the ones more in tune with alternative mobility, to the point of wondering if they even still need to own a vehicle.

Consumers continue to see a series of benefits linked to ride-hailing services such as the ability to multitask, lower costs vs. owning a vehicle, reduced concerns regarding drunk driving, and finding a place to park. July 2019 saw Singapore-based automotive group Cycle & Carriage launch its car leasing business⁶. The service offers daily rentals, long-term car rentals of up to three years, as well as car leasing for private hire services which provide customers access to dedicated customer service personnel, 24/7 roadside assistance and an exclusive service line.

That said, for the most part consumers see ride-hailing services as a replacement for a traditional taxi vs. an owned vehicle. Many want their car to be unique and reflect their personality, but this is even more important as a purchasing factor for millennials. Therefore, marketing messages, customer service, and communication with younger customers all need to be personalized.

“There is a new opportunity to create an entirely different business model. The new entrants to the market who are creating predominantly electric vehicles, but they are not the traditional players.”

Seamus Walsh Enterprise Sales Manager Automotive, LG Business Solutions

6 - <https://www.cyclecarriage.com/sg/leasing/vehicles-available>

How's the automotive industry doing with Inclusivity?

As the consumer population changes, dealerships composed of diverse teams are in the driver's seat. Understanding the customer is imperative when it comes to growth. In the United States, the face of the automotive customer is changing, dramatically. Considering that:

- Women play a leading role in 85 percent of auto purchasing decisions.
- The Hispanic demographic account for 35 percent of new vehicle sales growth.
- African Americans spend \$1.2 trillion annually, and they were the demographic segment most likely to purchase vehicles in 2017.

In an industry where just 16% of the UK workforce are women, a new paternity leave policy recently introduced by Volvo Car UK⁸ illustrates the way the company is challenging traditional norms to encourage a more diverse and inclusive workplace culture. Auto manufacturers GM, Toyota, Ford and Nissan are all rolling out updated diversity programs intended to identify, educate and mentor minority owners and employees to increase the number of minority owned retailers, service centers and other automotive support businesses.

When devising strategies and business models, automotive companies should not only consider direct product purchasers but all users and groups affected by transport issues.

Automated vehicles, for example, are seen as a unique opportunity to provide independence, freedom and improved quality of life for those who have limited access to our present transportation system. For this to really happen a multi-modal mobility approach that takes into account the entire journey—before, during, and after traveling in a vehicle—is necessary, as the RISE Research Institutes of Sweden⁹ instructs that designers, manufacturers and procurers need to adopt a 'whole-journey' mindset.

What about projects that promote sustainable urban transport and lift up underprivileged citizens? In January 2020, US-based ridesharing company Lyft¹⁰ partnered with basketball star LeBron James' athlete empowerment brand, Uninterrupted, to offer free bikeshare access to eligible 16–20-year-olds in New York City, Chicago and the San Francisco Bay area. Eligibility for the LyftUp program will be decided in collaboration with the YMCA. The project, which offers one-year bikeshare memberships along with education on bike safety, aims to help young people reach their full potential.

7 - <https://www.cbtnews.com/why-the-automotive-industry-needs-diversity/>

8 - <https://www.media.volvocars.com/global/en-gb/media/pressreleases/252085/volvo-cars-introduces-six-months-paid-parental-leave-for-emea-region> Sweden-based Volvo announced in May 2019 the introduction of a pilot gender-neutral parental leave policy for its sales employees in Europe, the Middle East and Africa. Both mothers and fathers will be offered up to six months of leave at 80% pay, a benefit the company says is the most generous and inclusive in the industry. The aim of the pilot is to address any practical issues that may emerge from the policy before rolling it out to its 43,000 employees globally.

9 - <https://www.automotiveworld.com/articles/automated-vehicles-the-opportunity-to-create-an-inclusive-mobility-system/>

10 - <https://www.lyft.com/blog/posts/lyftup-bikes>

“Traditionally, the automotive sector has been very much based around technical capability and when we look at the new vehicles coming out, especially with the EV, that technical requirement of knowledge is very much removed from the selling experience, the whole experience becomes more about what the user wants, presenting products in a way which is about the experience of the brand rather than the technical capability. I think that’s going to break a lot of barriers down”

Jonathan Wharrad VP Global Brands – Technomedia, Mood Media

Is the automotive industry going at the right pace?

“Consumers today are expecting to have a connection to brands. It seems like the automotive industry has an old model that is beginning to evolve.”

George Gottl CCO, UXUS

Only a few sectors are going at a higher speed than their consumers' demand, and in some areas this might be the case for the automotive sector. According to Deloitte's 2020 study¹¹ even as car manufacturers continue to spend billions on R&D in advanced vehicle features, consumers' willingness to pay for them isn't increasing at the same rate.

One core topic is vehicle connectivity, where consumer sentiment is split. While Asian consumers are embracing the idea at more than twice the rate of Europeans, concerns around the security of biometric data generated and shared by connected vehicles make consumers reluctant to pay for advanced connectivity features in most markets, even when it means increasing road safety.

Consumer perception regarding the safety of self-driving vehicles remains low globally; yet, in April 2020, autonomous driving tech company AutoX partnered with Alibaba-owned mobility platform Amap to offer self-driving taxis to residents in Shanghai.¹² When users enter their pickup and drop-off locations, the app lists all of the available vehicles, including RoboTaxis. The collaboration marked the first time self-driving taxis were available via a major ride-hailing platform in China.

“The OEMs need to work on making retail look more like online and online more like retail until the two connect. That's a pretty major challenge, especially as you have a lot of other platform holders coming in and eyeing this very interestingly.”

Darren Jobling CEO, ZeroLight

11 - 2020 Deloitte Global Automotive Consumer Study

12 - <https://mobile.amap.com>

What does an in-store meaningful experience look like in dealerships?

“It’s all down to personalisation. People judge their buying journey regardless of vertical. If I turn up at a car manufacturer’s to spend £30k on a new vehicle, it’s crazy that they don’t know very much about me.”

Darren Jobling CEO, ZeroLight

At a time when customer demands and expectations are soaring, there is great opportunity for automotive brands to upgrade the car-buying experience in their stores, to be more flexible, anticipate individual needs, and enable customers to personalize their experiences on their own terms. Future-proof your automotive in-store experience by considering the following:

Brands should look to provide a sense of community, membership and added value services that go beyond the sales. What do you do as a brand for/with your consumers outside of the car itself? Brand spaces are the perfect venue for brands to offer consumers events and experiences which are emotionally connected to the brand, but also serve the consumer beyond pure vehicle ownership. This could be classes, or experiences with a particular type of retailer or a cafe/bar/club etc. who has a concession in their brand space. Whatever it is, it should complement the brand but also the target consumer (business execs are looking for something different to millennials of the perma-rent ultra-urban generation for example).

It’s all about Personalization and Digitalization

In an increasingly digital world hyper-personalizing the car purchase experience will be a path to success. For years, a car dealers’ main focus was to simply make a sale. Now more than ever, the brand must understand exactly what type of customer just walked in. According to a think piece from the global consulting group, McKinsey & Company, dealerships will deliver the brand experience to the customer, personally. They write that by the time they show up at the dealership, the customer is well known and understood. Everything they decided upon during their online search will be waiting. The dealer will know what brand experience will be the one that best appeals to them and the salesperson will know so much about them that they will feel as if the time spent was designed for them and them alone. The aim is for the customer to feel that the service they received matched

who they are and therefore they will receive the exact vehicle that they want.¹³ A customer's entire buying/leasing/membership experience should be based on their vehicle, which they can create and keep in a digital format until they are ready to make the purchase and beyond, and will allow the dealership to offer a tailored car-buying experience. Brands can offer a flexible business model, based on membership, allowing for periodic (more frequent) changes of vehicle, or vehicle sharing, and providing extras beyond just car parts and services.

“If you look at membership models, which is going a step beyond what went from selling a car, leasing a car, now you become a member of a club which is about more than just owning a vehicle, it's about what you do with it.”

Seamus Walsh Enterprise Sales Manager Automotive, LG Business Solutions

Location matters more than size

Thanks to digitalization, the physical space can justify being smaller than many traditional dealerships due to less requirement for physical vehicles. Therefore it can also be more urban. Being nearer to where more people will naturally be, it is better than somewhere out of town.

The brand space is about how that brand forms part of the “mobility thread” running through consumers' lives. Therefore situating the brand space alongside public transport, car charging, public e-bike and e-scooter stations should all be considered positives. Cars won't make up every journey, so brands should embrace that in a collaborative and complimentary way to other modes of mobility.

Foster the relationship with your consumers building trust through communication and interaction.

Brand authenticity and humanisation are key. Brands need to be approachable and harness clear communication. They can do this by allowing the consumer to interact and engage in the process. For example, in June 2020 Volkswagen announce plans for the Mach-Mit ('Take Part') manufacturing experience, allowing visitors to help build a car at the automaker's 'transparent factory' in

¹³ - <https://www.forbes.com/sites/larrylight/2020/11/02/personalization-will-change-your-car-dealership-experience-forever/?sh=20312b8e6e9f>

¹⁴ - <https://www.volkswagen-newsroom.com/de/pressemitteilungen/nur-bei-volkswagen-besucher-koennen-am-e-golf-in-der-glaesernen-ma-ufaktur-in-dresden-mit-bauen-6133>

Visitors who have pre-ordered an electric Golf can see the production line of their vehicle and can fit some of the parts themselves, under the supervision of Volkswagen employees.

The events of 2020 have impacted many industries, not least automotive, and have shaped the future of the sector. The need for a more sustainable, flexible and connected future for the automotive industry is clear and the way to get there is through purpose-led branding, personalized marketing and a transparent approach. The next webinar will explore further how automotive dealerships are expected to evolve over the next decade as they continually need to reinvent their experience to keep up with the ever-changing automotive landscape.

“It’s not just about selling cars anymore. It must offer something that’s broader than that in terms of the experience. It must be thematically aligned with the brand, and I still think that applies even if it’s a multi-branded retail space. But it’s for the brand to understand what is our purpose and how do we make sure that lines up with our consumer’s lifestyles. Your physical retail footprint as a brand is your opportunity to make that connection with the customer. It’s not just about selling a car, it’s everything else you’re going to put around it.”

Seamus Walsh Enterprise Sales Manager Automotive, LG Business Solutions

NEXT GENERATION AUTO RETAIL: DEALERSHIPS 2030

The automotive dealership is poised to be drastically reformed in part because it has proven so resistant to change. The franchise dealership model evolved to answer the needs of the nascent and growing car industry but has been kept from continuing its evolution by a mix of industry standards, agreements between dealers and manufacturers, and laws that were intended to protect dealers and foster competition. We've now reached a tipping point that means we are likely to see a lot of change happening very quickly in the next decade.

“If you could travel forwards 10 years and look at a shopping mall or a busy high and you see an automotive retail space, it will look like a multi-functional space.”

- Seamus Walsh, Enterprise Sales Manager Automotive, LG Business Solutions

Why are dealerships changing?

There are reasons that the dealership system evolved the way it did, and it served the industry quite well for a time. If you look at the experience of buying a car today, however, it's actually quite shocking. It's a competitive industry, with huge price points and a complex supply chain. The stakes for each company expanding their sales and winning over customers couldn't be higher.

The car-buying process, however, is set up in a way that many customers find deeply unpleasant. One report¹ found that 33% of Americans would go to the DMV, sit in an airplane's middle seat or file their (incredibly complicated American) taxes rather than buy a new car. Another² found that 65% think car dealership practices are unethical while yet another³ found that selling cars is considered to be the least honest and ethical profession, below politicians, advertisers and lawyers.

Impact on customers

A car is the most expensive thing that most people buy, except perhaps a home.

Think about what those statistics say. Most high-priced goods have a sales experience that feels like pampering, but customers find car-buying painful. This is an opportunity for brands to connect with customers, creating loyalty for their next purchase and improving their reputation by turning their customers into brand ambassadors. In a crowded field with slim differentiators, this is quite possibly their biggest chance to influence the customer journey.

Instead, the system has evolved in a way that feels adversarial to many customers. They can go to an Apple store and try out every product with or without a helpful attendant to figure out the right product for them. Even farther down the price scale, they can spend ages trying Lush products and hear only useful advice and friendly conversation from the salespeople, regardless of whether or not they buy anything⁴. The car-obsessive site Jalopnik recently reported⁵ on dealerships refusing to give prospective customers their own car keys back when they couldn't agree on a trade-in deal. The comments below the article were flooded with similar stories.

¹ <https://www.autoblog.com/2014/06/03/americans-hate-car-shopping-so-rather-give-up-sex-do-taxes/>

² <https://www.totaldealercompliance.com/Code%20of%20Ethics%20Press%20Release%20-%20TDC%20-%20Final.pdf>

³ <https://news.gallup.com/poll/274673/nurses-continue-rate-highest-honesty-ethics.aspx>

⁴ <https://econsultancy.com/how-lush-is-raising-the-bar-for-in-store-experience/>

⁵ <https://jalopnik.com/apparently-some-car-dealers-think-its-ok-to-detain-cust-1846238476>

Impact on dealerships

Unsurprisingly, this model is also really difficult for dealers. It takes a heavy toll on hard-working ethical salespeople to be constantly associated with the worst members of their profession. The high-pressure sales pitch that consumers so dislike is a natural result of tying the KPIs of franchise dealerships and individual salespeople entirely to sales. Like many other professions, their business model was born in response to a need and has ramped up in intensity as margins became slimmer.

What is surprising, however, is that the model isn't even that profitable anymore. The National Automotive Dealers Association reports⁶ that new vehicle sales don't make money for dealers. They rely on manufacturer incentives, service and parts to drive revenues. Meanwhile, the surging price of land⁷ makes dealerships' sprawling lots and large showrooms more expensive, even as customer demand changes to make them less necessary. As NADA chairman Rhett Ricart noted, "Customers really don't care how big your showroom is⁸."

“The future of dealerships is rapidly changing. They're not really bringing in and attracting the customer into their environments today, when so much of it can be well-presented online. How does the dealer network retain that customer interest and bring their customers into the physical location?”

- Jonathan Wharrad, VP Global Brands - Technomedia, Mood Media

Changing market demands

Changing customer demand is leading to a tipping point. Several consumer trends are coming together to drive substantive change. While Generation Z is getting a lot of the credit, values-driven purchasing has been growing for years. A couple of years ago, Forrester found that 7 in 10 millennials actively consider company values when making a purchase⁹. This focus on values and the idea of consumption as expression have made relationships with brands even more important. The theory that a good product can overcome a bad customer experience is fast becoming a thing of the past.

Another major influence is the growing acceptance of mobility as a service (MaaS), as well as subscriptions in general. Millennials and Gen Z are more experience-oriented than purchase-oriented¹⁰, so this fits well within the worldview of the largest mass of consumers. MaaS companies, which offer convenient transportation without the inconveniences of daily parking and car maintenance, are shifting relationships to transportation. As we discussed in our previous white paper¹¹, younger consumers across Europe, the US and most of Asia are so tuned into alternative mobility that some are questioning individual car ownership. Consumers and urban planners alike are looking to a future in which fewer cars drive more miles through shared usage.

⁶ <https://www.forbes.com/sites/larrylight/2019/04/10/why-avis-and-enterprise-are-beating-car-dealerships-to-the-future/>

⁷ <https://www.ft.com/content/2606dd0d-d009-4fc6-8801-2a089d76bdc5>

⁸ <https://www.autonews.com/dealers/dealers-seek-flexibility-facilities-pandemic-alters-consumer-behavior>

⁹ <https://www.forbes.com/sites/forrester/2018/05/23/millennials-call-for-values-driven-companies-but-theyre-not-the-only-ones-interested/>

¹⁰ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>

¹¹ https://uxus.com/volumes/uploads/2021-Automotive-Dealerships_UXUS-White-Paper-Part-2-1.pdf

The final thread is online buying. Even before the pandemic, customers were becoming more open to buying a car online. A 2018 report¹² found that 31% of UK consumers were interested in purchasing a vehicle online without a dealership visit. In our previous webinar¹³, Zerolight CEO Darren Jobling told us that at the digital-oriented Audi City dealership, 50% of car purchasers never took a test drive. 2020's universal crash course in online shopping has only accelerated this willingness. A Capgemini survey found that the percentage of car buyers who'd prefer to do the entire transaction online went from 39% before the pandemic to 64% by April of 2020¹⁴.

And that's without even taking into account women and racial minorities, who have traditionally faced specific challenges in their buying process. For example, the thriving independent online dealership SheCar was founded in response to women feeling that they were more likely to be targeted by bait-and-switch or high-pressure sales tactics. Their model of serving as an online consultant has been so successful that it's exceeding its target group. Their Forbes profile¹⁵ included a quote from an older white male surgeon, who would traditionally be a prized dealership client. "I strongly dislike going to car dealerships. Time is money, and I'm sure a lot of busy people feel the same way."

"I've been in the industry for 30 years and I think the next 10 years are going to be the most dynamic we've ever seen." - Martin Sewell, Managing Director, Rockar

¹² <https://www.statista.com/topics/5284/car-purchasing-experience-in-europe/>

¹³ <https://www.gotostage.com/channel/6845ee7584f446588dcf0ec4717ad97d/recording/4fe872deccad44b8be66bf817f005db9/watch>

¹⁴ <https://www.forbes.com/sites/edgarsten/2020/05/12/coronavirus-pushes-auto-dealers-to-remove-pain-points/?sh=6201378319b6>

¹⁵ <https://www.forbes.com/sites/reneemorad/2018/12/20/the-woman-owned-online-car-dealership-thats-saving-customers-thousands/>

¹⁶ <https://www.automotiveworld.com/news-releases/success-rockar-hyundai-bluewater-leads-new-site-westfield-london/>

¹⁷ <https://www.pwc.nl/en/publicaties/five-trends-transforming-the-automotive-industry.html>

Industry developments

Changes in the market are also drastically accelerating this tipping point. Challenger companies and spinoffs from major players are seizing the opportunity to build their sales systems from the ground up. Many of these are entrants in the booming electric vehicle (EV) market, which will only grow as cities and countries across Europe phase out combustion-engine cars. These challengers have the advantage of designing the entire thing from scratch for today's customer, rather than trying to adapt an early-20th-century legacy system to the modern consumer.

These challengers are reimagining the dealership as a brand experience. Tesla may have been an early example of an OEM (original equipment manufacturer) that sells directly to the consumer, but plenty of others are following suit. Lucid, an aggressive Tesla competitor, makes the point on their website that they own and staff their sales locations. These brands are trying to take ownership of the dealership experience by staffing them with their own product experts.

“Nothing’s going to change if you keep digitizing 100-year-old processes.” – Martin Sewell, Managing Director, Rockar

Rockar represents another model for upending car sales. The digital retailer partners with automotive brands to create a user-oriented sales or leasing experience. Though the model varies per client, with some largely online and others having some form of physical footprint, the uniting factor is educating customers about the vehicle in a relaxed way, rather than pressuring them to buy. Rockar calls its product experts Angels and expects them to provide honest facts and figures. And the approach works. When they ran a retail space for Hyundai, they found that 94% of their customers were entirely new to the brand¹⁶.

“All people – not just millennials – when they identify with a brand, that’s what builds loyalty and connection. Supporting that is what people should do with their physical spaces.”

– David Green of Lynk & Co

Lynk & Co, represents another model, one aimed squarely at millennial and Gen Z consumers. This membership-based system offers usage as needed. There’s a higher level that gives you a specific car while a lower level functions as what the CDO calls an “Airbnb for cars.” Key to their model is the community of members. They want people to interact a lot with their brand, and their physical space is key to that community.

Lynk & Co’s footprints are referred to as Clubs and are designed to be a place to go and spend time. They carefully inculcate a nightclub or wine bar feel and the space takes on different functions. It can be a café, car showroom and lounge. The key to their success is using digital signage as a building material, allowing it to transition between functions quickly and easily.

This mobility as a service (MaaS) is growing quickly across the continent. Part of it is driven by the environmental impact of cars, as both countries and densely populated cities are looking to reduce traffic and air pollution. A more European factor driving this change is the abundance of narrow medieval (or earlier!) city centers that are ill-equipped for modern traffic. In fact, just down the road from Lynk & Co's Amsterdam home, a canal wall collapsed from the weight of modern traffic. MaaS solutions are so obviously the solution to these issues that PriceWaterhouseCooper forecasts that by 2030, more than one in three kilometers driven in Europe will be through some form of vehicle share¹⁷.

The linking thread of all of these concepts is that the car the customer accesses isn't physically onsite. The car can move directly from the factory to the customer's house, or it can move from a central site to the customer. Customers can explore the brand and customize their options without seeing the physical car that they'll be using. Moreover, they appear happy to do so.

“I find the multi-brand location very intriguing, being someone who enjoys shopping. It plays into a natural proclivity for consumers to browse and spontaneously buy and could become more common in the future.”

- George Gottl, CCO, UXUS

What will dealerships look like in 2030?

So, what does this mean for dealerships in 2030? It's likely that the overall number of dealerships will go down. Traditional franchisee dealers could relaunch as a multi-brand dealership. However, only a small number are likely to do that.

Others will move towards leasing companies, partnering with lenders. One example of this is Macquarie's MotoMe project. One of Australia's biggest banks and car finance companies launched a retail space in a shopping center. The brand-neutral set-up allows customers to explore all of their options and work out a leasing agreement with representatives right there. The bank, not the consumer or a middleman, takes ownership of the relationship with the OEM.

The remaining dealers will get closer to the OEMs as the brands take more creative control. Branded dealerships will move away from being solely sales-oriented spaces into branded multipurpose spaces. Branded dealerships will become places where people go to live the brand, not where they go when they've already made the bulk of their purchasing decision. The dealership of 2030 will, in fact, not be a dealership but a mobility brand hub.

Mobility brand hubs

Mobility brand hubs will vary by brand, but they'll be places that customers actively go to.

Retail spaces in malls and other high-traffic areas are one option. The previously discussed Audi City concept has the highest revenue per square meter of any Audi store, as well as the highest revenue per staff member with its consultant idea. Membership clubhouses like Lynk & Co are another, where people can get close to the brand instead of the product. A third option revolves around the growing EV infrastructure.

Gridserve, a British company launching fully electric charging forecourts, and other energy companies, including oil companies, have announced similar plans. Because charging takes time, these stations will need to have amenities like retail, post offices or shared workspaces like WeWork. It's an opportunity for EV dealers to build multi-brand showrooms and EV OEMs to build brand experiences.

Digital transformation

The spaces themselves are undergoing a digital transformation that will only accelerate. For established dealerships, digital is a great way to transform existing spaces. Changing space usage and appearance is as simple as changing content. A space can go from showroom to workshop space to wine bar with the push of a button. The showroom can include touch screen AR solutions to let any customer at any time configure the car of their dreams while the clubhouse vibe makes them more likely to walk in the door.

“We are moving away from the acquisition of a vehicle to the appreciation of an experience.”

– Jonathan Wharrad, VP Global Brands Technomedia, Mood Media

Conclusion

The future will belong to dealerships and brands that seize the chance to make a truly consumer-oriented space.

Dealerships are undergoing a sea change. The automotive industry is moving towards a model of customer-oriented spaces, whether for shared usage or privately owned EVs. The dealerships of 2030 will be brand mobility hubs with a transformation effected through digital technology.

This ebook is part of the Automotive Retail Recalibrated Webinar series.

Exploring the automotive industry's future and how the new high-velocity consumer is transforming its retail landscape.

SESSION 01

The Death of Omni - The Rise of Consumer Channel

Omni-channel has been the driving strategy for brands to engage customers. With the high velocity customers' evolving lifestyles and mobility needs, it's about providing products and services at the right place, right time.

SESSION 02

Driving Auto Brands with Purpose

Customers demand that brands engage with transparency, meaning and purpose. How's the Automotive industry doing?

SESSION 03

Next Generation Auto Retail, Dealership 2030

In a time where brands need to continually reinvent their experience. How will automotive dealerships evolve over the next decade?

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About UXUS

UXUS is a global strategic design consultancy that re-imagines consumer experiences for the 21st century. We harness the power of retail, hospitality and experience to transform the world's leading brands – from creating the ultimate peer-to-peer education hub for Sephora to the new dining experiences for McDonald's. UXUS is proud to be recognized by the industry for its creative excellence. Our award-winning team recently won the Best retail Experience at the World Retail Congress for the L'Occitane flagship on Regent Street.

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