

YOUR DIGITAL COMMERCE GUIDE FOR THE AUTOMOTIVE INDUSTRY

THE AUTO INDUSTRY OF TOMORROW

PART 1: AUTOMOTIVE ECOMMERCE TRENDS

The fear of scams and unclear buying processes has kept the automotive industry sales model in the dark age, sheltered from the eCommerce revolution. But the industry is changing—the ease of searching for cars, parts, and auto accessories online is transforming car shopping.

This automotive eCommerce guide discusses the renaissance of the automotive sales model and how eCommerce is altering the future of the automotive industry.

Global marketplaces, such as Amazon, have raised the bar for retailers, brands, and manufacturers. In particular, Amazon views itself as a customer service company doing whatever it takes to win customer loyalty. Shoppers want personalised, easy, and engaging shopping experiences—regardless of industry.

With the habits and behaviours of the average shopper changing, automotive manufacturers must adapt. After all, millennials and Gen-Zers are making up an increasingly larger portion of the car-buying industry. They want the most convenient purchasing options, and this extends to cars. This poses big questions and challenges for automotive manufacturers.

“ We're experiencing massive disruption in automotive retail—all the way from our relationship with cars to how we make the final purchase. The expectations of how we research, select, and buy vehicles are constantly changing in this new normal. Ecommerce is key in remaining relevant throughout the new digital customer journey.

DAVID HOLENDER

Chief Executive Officer, Vaimo

AUTOMOTIVE ECOMMERCE STATISTICS

- In a recent survey by Progress, 55% of respondents said that due to COVID-19, they are now expediting digital experience initiatives that they deferred in the past.
- COVID-19 will cause the top 20 original equipment manufacturers (OEMs) to lose an estimated 100 billion USD in profit, which is a 6% decline from two years ago, according to McKinsey & Company.
- Auto part eCommerce sales are set to grow by 29.9% in 2020, according to DigitalCommerce360.
- Mobile purchases of automotive parts will increase by 40.2% in 2020, according to DigitalCommerce360.
- A Digital Trends study found that 87% of Americans dislike at least one aspect of car shopping at dealerships and that 61% feel they're taken advantage of while there. 52% of car shoppers feel anxious or uncomfortable at dealerships. Millennials lead the pack in their dislike, with 56% saying they'd rather clean their homes than negotiate with a car dealer.

REDEFINING THE TRADITIONAL AUTOMOTIVE SALES MODEL

The dealer lies at the centre of the traditional automotive sales model. With any question you have—test driving, specific information, arranging a finance plan, picking up your car—all the signs point to the dealer. But the problem with this setup is that it conflicts with the customer experience provided to millennials and Generation Z in more and more industries. Technological changes are hitting the automotive industry, but how does eCommerce help automotive companies?

BENEFITS FOR THE CUSTOMER

First, eCommerce provides a personalised, engaging, and easy purchasing experience. It also allows customers to shift between sales channels—both digital and physical—whenever they want. An eCommerce site blends your online and offline sales channels into a seamless omnichannel experience.

BENEFITS FOR THE MANUFACTURER

From a manufacturer's perspective, the benefits of an eCommerce platform are endless. You can give your customers exactly what they want and build stronger relationships with your customers. By also going direct-to-consumer (D2C), you have much greater control over your brand and pricing — and you can cut costs by removing intermediaries.

However, selling cars and parts online is different from selling apparel, as vehicles are more expensive and complex, with thousands of moving parts. Auto parts sales often happen because of a critical need, i.e. a repair and not because of vast consumer interest.

Change is happening at a faster rate as customer expectations continue to rise. Ecommerce has entered the stage to transform the automotive industry for customers and manufacturers alike.

SELLING CARS ONLINE

Given the need for meaningful and personal experiences, digital commerce for the automotive industry is likely to increase when manufacturers want to create better relationships with their customers.

At Vaimo, we have seen a sharp change in recent years to start with eCommerce for the motor industry in one way or another. With our help, several car manufacturers, brands and dealers have begun to plan and implement their direct-to-customer business models in response to the changing landscape.

Our relationship with the car and how we use the car is changing, such as leasing and on-demand models (car sharing, lease-on-demand, subscriptions). There are, therefore, several different ways to use eCommerce. More people are starting to try selling cars online, but it is also possible to develop a digital platform for test driving or pre-ordering the car. In this way, companies help customers by weaving together the experiences online and offline.

Are you interested in creating an omnichannel strategy to attract new customers?

Click here: <https://www.vaimo.com/service/strategy/>

PART 2: ECOMMERCE IN THE AUTOMOTIVE AFTERMARKET

The automotive aftermarket e-retailing market will grow by 41.86 billion US dollars during 2020-2024, according to Technavio, with a compound annual growth rate of 19%.

What's driving this eCommerce growth in the automotive aftermarket? How are business models changing as a result? And what does this all mean in the context of eCommerce?

Before exploring the evolution of the automotive aftermarket, let's look at its characteristics. The aftermarket is a complex web of various stakeholders that can be split between the Original Equipment Manufacturer (OEM) network and the Independent Aftermarket (IAM).

Sub-categories also exist throughout the supply chain:

- Parts manufacturers (OEMs or generic manufacturers)
- Parts distributors (OEM sales locations, independent distributors and online distributors such as Amazon Marketplace and eBay Motors)
- Workshops (OEM franchises, small independent garages, and auto centres)

TECHNOLOGY, SHIFTING EXPECTATIONS AND MILLENNIALS

Technology continues to transform the automotive aftermarket. An increasing amount of car buyers are shopping—often conducting their initial research—on mobile phones. They, therefore, desire ease and flexibility when shopping for auto parts. Besides researching parts, shoppers also want to compare prices and check reviews before making a purchase. And the pressure is on parts distributors and manufacturers to offer an omnichannel experience that fulfils their needs.

Although vehicle maintenance and upkeep have driven the aftermarket in the past, now car owners personalise their cars look and feel. With a wide array available online, customers can go to Amazon and other marketplaces to locate the perfect accessory at the ideal price.

The millennial generation, soon to be the largest car-buying demographic, are fueling the automotive eCommerce trend. They want to purchase cars and auto parts that match their individuality and values. An infinite amount of customisations spring from this desire. From graphics to Bluetooth, millennials are turning to the automotive aftermarket to align their vehicles to their values.



CHALLENGES IN THE ECOMMERCE AUTOMOTIVE AFTERMARKET

The complexity of the automotive aftermarket made it less vulnerable to digital disruption. A small fraction of end-users have the skill, time or energy to carry out basic auto repairs. For most customers, an expert will need to help them to identify and install the right part. This adds an extra layer of complexity that something like the jewellery, food or apparel industries lack.

The automotive aftermarket also faces a time problem. Customers cannot predict when they'll need a new part, and repairers won't know what they need until they inspect the vehicle. With 1000s of parts per car, what are the chances that a repairer will have the right item in stock? These issues raise several challenges, especially as drivers want their problems solved immediately.

Finally, auto parts, such as engine components, require special handling, storage, and fulfilment. The river of auto parts also flows in reverse. OEMs must also dispose of old or damaged parts. This task demands an efficient reverse-logistics process that adapts to changing conditions.

YOUR ONLINE STORE VS AN ONLINE MARKETPLACE

Online marketplaces, such as Amazon Marketplace and eBay Motors, have redefined the aftermarket customer experience. For customers seeking discretionary parts, i.e. non-mission-critical, then these platforms offer the perfect solution. Customers can check reviews, view similar products and get speedy delivery at a reasonable price. It's this convenience and ease, which helps Amazon dominate the market.

The platform has same-day automotive aftermarket delivery in a growing number of cities, holds contracts with the world's largest parts manufacturers and offers its *Automotive: Home and Business Services* to help with installation. So whether a customer is taking a DIY or DIFM (do it for me) approach, Amazon is exerting its power in a big way.

Want to learn more about the pros and cons of Amazon for your digital commerce needs?

Click here:

<https://news.vaimo.com/pros-cons-amazon-ecommerce>

For OEMs and traditional automotive retailers, Amazon's presence has certainly shaken up the industry, but it doesn't necessarily signal a game over. In fact, far from it. Ecommerce presents a whole host of opportunities that automotive retailers can start implementing for long-term success to compete with Amazon.

At a time when customers crave omnichannel experiences, automotive retailers with brick-and-mortar stores can benefit from their large, physical locations and in-house employee knowledge. They can also likely leverage their national distribution network to get parts to customers quickly. These characteristics, along with an eCommerce offering, provide the foundations to offer what today's customers want.

For OEMs, there are a few routes:

- Amazon
- D2C
- Both

For OEMs, this decision between Amazon and D2C will depend on several factors. The clear benefits of Amazon (or any other marketplace) are its access to purchase-ready traffic and its brand recognition/loyalty. But one of Amazon's problems is that they own the traffic. And this has knock-on effects for building your brand and collecting customer data to offer the personalised experiences they expect.

This is where an eCommerce site comes into its own. With an eCommerce site, you have full control of every step of the customer purchasing journey. You choose how customers discover, interact, purchase and receive deliveries from your business. And now, with the native functionality of a platform like Magento Commerce, you'll have all the features you need to bring a complex parts catalogue to the masses for long-term success.

PART 3: CAR OWNERSHIP, THE MOBILITY REVOLUTION & THE FUTURE OF AUTOMOTIVE ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)

What does the future hold for car ownership and the traditional car sales model? It's a highly debated subject that continues to divide the automotive community. Some forecasts suggest that the bulk of passenger miles will be served by transport as a service (TaaS) provider—with customers accessing vehicles in exceptional circumstances.

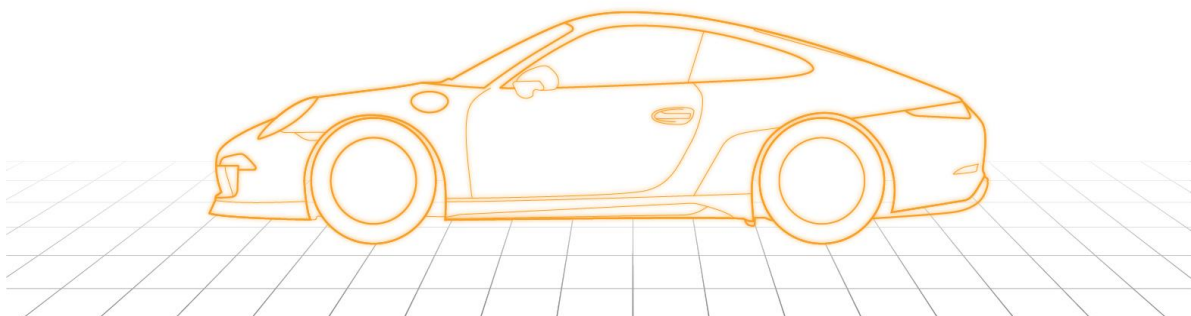
On the other hand, critics believe this doomsday scenario for the automotive industry will never occur. Car ownership, in many places, signifies status and independence that will never disappear.

Whichever argument you favour, the automotive industry is changing.

GEN Y, GEN Z & CAR OWNERSHIP

For context, it's essential to consider the influence of younger generations on not just the automotive industry but attitudes as a whole. In its landmark Global Automotive Consumer Study, Deloitte identified huge disparities between Gen Y (millennials) and their older counterparts when it came to vehicle ownership. Millennials put price, flexibility and convenience over everything else and are far more willing to embrace car-sharing/pooling services that require less commitment.

This generation has also grown up in an app-first world, and this tech-savviness has fuelled the growth of car-sharing apps the world over. Household names like Uber, Car2go, DriveNow and Zipcar are being joined by new players to the market, eager to capitalise on these mobility preferences.



AUTOMATION MEETS AUTOMOTIVE

Along with a changing demographic, people are choosing to live in cities. By 2030, 60% of the world's population is expected to live in urban areas, according to the International Organisation for Migration. This is up from 30% in 1950. As the number of megacities increase, the on-demand nature of TaaS services becomes more popular and convenient.

Many cities lack the infrastructure for cars and swelling populations. Local governments are attempting to make cities more liveable. For example, they make car ownership more costly through parking charges, park and ride, congestion fees and limiting entrance based on the number plate. As a result, owning a car has become inconvenient.

Both private and public interests are offering cheaper modes of transformation, which decrease the need for car ownership. Urban and suburban communities have access to ride-hailing apps, such as Lyft, Uber, or Bolt. In addition, users can use car-sharing and pooling. Both options limit car usage to specific occasions.

Though ride-hailing and car-sharing affected car ownership, automated vehicles threaten to overturn the status quo entirely. By 2030, TaaS providers could take up 95% of all U.S. passenger miles through fleets of autonomous electric vehicles, according to RethinkXs. They offer higher levels of service, faster rides, increased safety at a much cheaper cost than today's individually-owned vehicles. As preferences shift, automotive companies need to see their customers and join other industries to provide an unmatched experience. In this way, successful automotive companies will need to embrace eCommerce.

A SUBSCRIPTION SOCIETY

The subscription model, which gives customers autonomy in their relationship with service providers, could become a mainstay of the automotive industry. Depending on the subscription, customers access a range of cars along with insurance, breakdown cover and roadside assistance, all at a fixed price. This means customers can personalise their days—e.g. upgrading to an SUV to haul a large grocery purchase—without ever getting a 10-year loan.

This automotive subscription model already exists. Some notable examples are Carro's new subscription offering in Singapore and Carbar in Sydney. Numerous OEM subscription models also went to market: Access by BMW, Care by Volvo, Carpe by Jaguar Land Rover and Nissan Switch, among others.

MOVE WITH THE CUSTOMER

Whether private car ownership will become extinct is up for debate. However, a new model of vehicle use is coming, and OEMs need to prepare in advance.

In the sharing economy, OEMs will need to differentiate themselves and create new initiatives and products to build brand awareness, as well as nurture brand advocates. A situation may arise where customers choose readily available vehicles. As a result, the main value proposition may be found in other supporting areas that will help customers develop a relationship with the brand. Ultimately, successful OEMs will embrace automotive eCommerce.

OEMS MUST THINK MOBILITY

A successful OEM will need to diversify their portfolio to match changes in car ownership and usage. They will need to build personal relationships with users through their brand values and presence, and two-way communication. One way of considering this is focusing on mobility.

To entice customers to their vehicles, OEMs will have to refocus their efforts to drive brand engagement. Some are already diversifying their offering beyond that of a traditional automotive OEM.

CASES IN AUTOMOTIVE ECOMMERCE

1) TESLA

Tesla altered the way the automotive market works. In 2019, Tesla gave their reason for selling vehicles online: “Shifting all sales online, combined with other ongoing cost efficiencies, will enable us to lower all vehicle prices by about 6% on average, allowing us to achieve the \$35,000 Model 3 price point earlier than we expected.” Where does that decrease come from? This 6% cost reduction is spread over a couple of key areas.

Auto manufacturers produce a certain amount of cars annually, and dealers often dictate the price by deciding how many cars they can sell. In convincing the dealers, manufacturers lower their costs through several schemes or avoiding issues from overproduction with auto leasing and rental services. Tesla solved this issue of overproduction by eliminating the dealers and streamlining their brand’s connection to its customers.

2) VOLVO

Volvo Cars wants 50% of their revenue to come from digital sales by 2025. Now is the perfect moment to act on this goal as the COVID-19 pandemic forces customers to be online. Volvo Cars responded by acquiring retailers in Sweden to start taking control of their customer experience and shifting their services online. In this way, Volvo Cars is transforming the way their customers buy, lease, subscribe to, and service their vehicles.

Now, Volvo Cars can improve their customer experience through a unified online and offline experience. At the same time, carmakers, such as Volvo Cars, sell directly to the customer and control how their product is bought and sold.

3) MITSUBISHI

Ecommerce also has great benefits for your physical sales. The benefits of being in multiple channels, not just online, are many. It saw SC Motors starting to sell Mitsubishi through Mitsubishi Privatleasing.

Mitsubishi Private Leasing was launched in October 2019 at Magento, and 124 Mitsubishi cars were rented for the first 30 days.



What’s also noticeable from the project is that more cars have also been leased through our offline stores since the online store was launched. So our online traffic has helped to improve both online and offline sales!

PETER ANDERSSON
General Manager, Business Development, SC Motors

Learn more here: <https://www.vaimo.com/work/mitsubishi-motors/>

4) BMW

For instance, BMW launched a few initiatives to reach new audiences:

- The DriveNow car-sharing mobility concept
- The ChargeNow mobility service for electric-vehicle charging
- The ParkNow smart-parking solution
- BMW and Artsy joint city guide within the Artsy app

BMW's new focus on brand engagement might seem absurd. But BMW is adhering to the automotive industry's recent changes to stay relevant and competitive. Emerging technologies and fickle customers force OEMs to focus on nurturing relationships that will drive future success.

5) JAGUAR

Jaguar contacted Vaimo to create a website for the conversion of those customers who were interested in the not yet launched I-PACE model. The website had the same feel and look as an actual eCommerce site, which got customers as close to the real shopping experience as possible. During the first two weeks, 350 cars were pre-ordered by Jaguar.



The process of working with Vaimo on this site went very well—communication was efficient and decisions were made quickly. This is exactly the type of agile response we needed from a solution partner in making this project happen. We simply could not have launched the site in this timescale without Vaimo's insightful and collaborative approach.

MORTEN STIG HANSEN
Online Business Partner, British Car Import

Learn more here: <https://www.vaimo.com/work/jaguar/>

WHAT ARE THE AUTOMOTIVE ECOMMERCE BENEFITS?

1. During the COVID-19 pandemic, even late adopters are forced to shop online.
2. Align with customers that satisfy their shopping and pre-purchase needs online.
3. Manufacturers can sell directly to customers, saving money and boosting their brand.
4. Ecommerce offers customers a personalised, engaging and easy purchasing experience that blends online and offline for a seamless omnichannel experience.

ABOUT VAIMO

Vaimo is one of the world's most respected experts in digital commerce. As a full-service omnichannel agency, we deliver strategy, design, development and managed services to brands, retailers and manufacturers all over the world.

Our sharp focus, broad experience and deep expertise within B2B, B2C, PIM, Order Management and ERP integrations makes us a key partner for driving success in digital commerce. Our 12+ years track record of technical excellence coupled with our proven results in helping our clients succeed with business development, digital strategy and customer experience design is proudly manifested in our status as an Adobe Platinum Partner.

With local offices in 14+ markets across EMEA, APAC and North America and over 500 employees, we provide an international presence that allows us to cultivate close, long-term relationships with our clients.

14+

—
Countries

500

—
Employees

12+

—
Years of Excellence

