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This article continues our new mini-series on what we call the “new fronts for the establishment”. This week, we provide a detailed explanation of a new competitive cluster – verticals & new digital media platforms

+++++ Management summary +++++

- Online Verticals and new digital media platforms like Autohome and Bitauto emerged in China within the recent years. High traffic and fast information spread are their remarkable characteristics
- With the advantage of large amount of vehicle information from all brands and detailed comparable vehicle data, they influence potential customers on the first half of the customer journey, from awareness to deciding their preference
- Since the digital strengths of these verticals are hard to beat, OEMs must find ways to co-exist with them, create win-win situations through integration and cooperation
- Verticals can be used by OEMs as referral platforms to attract more customer attention
- New digital media platforms such as Douyin, Toutiao, Kuaishou have high popularity among young people – a good conduit for OEMs to reach young customers

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- Key opinion leaders (KOLs) who make appearances on these platforms act as the foremost “messengers” reinforcing OEM communications

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The threat could not be more counterintuitive

When making purchase decisions of almost any kind, Chinese consumers fully exploit the digital media landscape to its fullest extent in order to be well-informed. This is especially true when it comes to a car purchase. And digital players have answered the Chinese demand for vehicle information in an unprecedented manner as the rise of verticals of platforms like Autohome, PCauto prove. Various new media platforms like Douyin and Toutiao have emerged in the recent past, pushing themselves into the center of attention via live-streaming, today’s most popular way of information exchange. Where is the threat? After all, these verticals and digital media platforms simply provide virtual space to exchange information. Let us find out.

VERTICALS & NEW DIGITAL MEDIA LANDSCAPE



Source: Berylls

Verticals – goodbye customer data

Verticals’ functionalities are spread widely across the entire customer journey. Customers use them for many queries, including product information, test drive reports, product reviews, pricing information, product reviews, quality performance and also entertainment.

As mentioned above, these players intuitively do not pose a direct threat to OEMs. Matter of fact, they help OEMs to increase sales by providing transparency and leads. In fact, platforms like Autohome originate from business models around dealership subscription services to promote and enhance dealer sales. Yet, a new front is emerging in the battle for OEMs’ customer data. In a time where customer know-how is critical to enhance customer engagement, access to that kind of insights is absolutely important.

With the rise of verticals, OEMs lose touch with customers since they do not know what customers are searching for, looking at or discussing about. Verticals have built a stronger

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bridge towards retailers by providing transaction pricing transparency, trade-in and financing options as well as enabling easy test-drive bookings from their website linked to the retailer. This makes data collection very difficult – customers can buy a car without getting in touch with the OEM at all.

The market leader is Autohome, followed by several others like Bitauto, PCauto, iFeng, Sina Auto. Fortunately, OEMs can use and co-exist with these platforms by focusing on a few things to divert customer traffic into their channels.

These companies attract large investors: e.g. Bitauto count Tencent, Baidu and JD.com among its investors, XCar has investments from Alibaba, PICC, CICC, CITIC. Autohome has been acquired by PingAn (source: Crunchbase). With these investors in the back, the platforms have the firepower to attract more customers and retailers, thus increasing their sphere of influence at the expense of the OEMs.

Differentiation through engagement

Instead of substituting these verticals, OEMs can use them as an outlet for communication and marketing, and as an extension of their ecosystem. Among the plethora of functions these sites offer, OEMs can focus on a specific few to engage customers.

First, OEMs need to understand that verticals are a place for users to share their pleasant experiences, but more importantly a forum to vent their anger. Typically, these angered customers complain about bad dealership experiences or product issues. If OEMs really want to actively engage customers, they must have someone within the forums to directly interact with those angered customers. At the very least, a bot can be used, e.g. for detailed explanation, apologies, combined with a recovery offer. This way OEMs can get closer to their customers and convert some of the detractors into advocates.

Secondly, OEMs can deploy multiple “connectors” to attract users into their native channels and collect user information:

- Use verticals as “referral platforms”, e.g. for special financial services deals – advertise them on verticals, yet make them unlockable only on the OEMs’ native site via a log-in
- More detailed vehicle information, e.g. details on customization and corresponding prices – show that they are available, but they can only be shown and experienced on OEM native sites and after a log-in
- Integrate virtual product launches into verticals – but only after user log-in so that OEMs have full transparency on customer data and can address them after the launch event

All that should happen in an OEM specific domain of the vertical.

New digital platforms – the teleshopping renaissance

Besides verticals and their vast information offer, a huge number of new digital formats has sprung up, the most popular form being live-streaming, represented by platforms such as Douyin, Kuaishou and Bilibili. Douyin is the most popular, which achieved a record in April

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with 400 million daily active users (DAU). A mixed form of live-streaming with e-commerce has also emerged, e.g. Taobao Live. During the Covid-19 pandemic and due to lack of an alternative, OEMs and dealers alike used live-streaming to get or stay in touch with their customers and sell cars. This tool appears to be so effective, that even nowadays, despite dealerships being operational again, live-streaming is continuously deployed as a sales tool. The most notable form is where a star KOL drives the show.

Here are some interesting examples of live-streaming:

- At the end of April, Tesla partnered up with a star KOL for a show on Taobao Live primarily to market the Model 3. The show attracted 4 million viewers, which is nearly 4 times the number of visitors in the Shanghai Autoshow last year. Within 1 hour, 2,600 viewers booked a test drive
- In May, SAIC-Roewe also partnered with a star KOL to pre-sell its RX5 Plus model. The show had a viewership of 38 million, and the limited number of available vehicles of 4,180 units was sold within 30 seconds
- The Lincoln Aviator launch in July was broadcasted across 25 platforms and generated over 57 million viewers

It is quite obvious that KOL led live-streaming attracts many viewers and buyers. Hence, OEMs need to exploit that fully.

TESLA ANNOUNCES ITS LIVE-STREAM IN APRIL



Source: Berylls

These players also attract large investors, e.g. ByteDance (the parent company of Douyin and TikTok) with Sequoia, Goldman Sachs, Morgan Stanley, and KKR among its investors. Even though the majority of these players can be considered another channel for marketing and sales (similar to traditional e-commerce platforms like Tmall), their ambitions remain ambiguous. For instance, Bytedance, who is rumored to be moving into the in-car connectivity domain leveraging its entire eco-system incl. Douyin and TikTok.

The streets streams are paved with gold data

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Live-streaming shows do have a feature, where viewers can instantly interact by commenting. But too often, their comments, questions and feedback go unnoticed. OEMs can deploy and use bots to automatically answer questions and while doing so, collect the data and evaluate the conversations to enhance the next live-streaming show.

KOLs can be used for product launches and special promotions where the goal is to amass a huge number of viewers. In addition, KOLs can be used for product reviews and test drives.

Unlike the conventional way of deploying KOLs, the goal here is always to create larger media buzz, i.e. higher number of viewers.

Don't fight, exploit.

Verticals & new digital media platforms stimulate the development of auto retail digitalization in China. The new communication modes and channels can help OEMs to cover the customer journey in broader and more diverse way beyond what they would be able to do on their own. OEMs should smartly use these digital platforms and formats for their own businesses, such as connecting their own website to the verticals' platforms to enrich their digital ecosystem and make it more diversified.

This article continues our new mini-series on what we call the "new fronts for the establishment". Continue reading in the upcoming week for more insights. Up next: Why can't we be friends? How long will car retailers and OEMs maintain their symbiotic relationship in China?

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