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# DIGITAL AUTOMOTIVE COMMERCE OEM'S CHALLENGES & ASSETS ON THE ROAD AHEAD



# AGENDA

- 1    **Why the time is now for OEMs**
- 2    **What challenges to overcome**
- 3    **How to leverage the assets**
- 4    **Areas for action**




# DIGITAL AUTOMOTIVE COMMERCE: THE TIME IS NOW FOR OEMS

Automotive technology is changing faster than ever before – yet the industry's sales model remains locked in the past. The time has arrived for radical change.

Automotive e-commerce has been around in various forms for more than 20 years. From the online-first used car sector to Tesla's "5-Click" online purchase journey for new EVs, the range of digital automotive commerce models is already extensive. **However, for traditional OEMs, the level of engagement with transaction across digital channels**

**remains marginal. The full potential of digital automotive commerce is yet to be unleashed.**

Automotive OEMs continue to operate a largely dealer-dominated sales model that gives limited access to the customer and little control over final prices. Manufacturers continue to communicate with customers nearly entirely with brand focus and lack the ability to systematically form the customer journey towards in the pursuit of transactions.



**CUSTOMERS ARE NOW READY FOR A DIFFERENT KIND OF AUTOMOTIVE SALES PROCESS. THE ONLY QUESTION IS: ARE MANUFACTURERS ALSO READY TO SHIFT TOWARDS DIGITAL COMMERCE?**

Customer perspectives have changed. Online is already the most relevant channel for gathering information prior to a vehicle purchase – still one of the most important purchase decisions in a consumer's life. Customers gather product information from browsing Instagram spy shots to YouTube vehicle reviews, as well as exchanging data through expert forums, and engaging with the OEM's website.

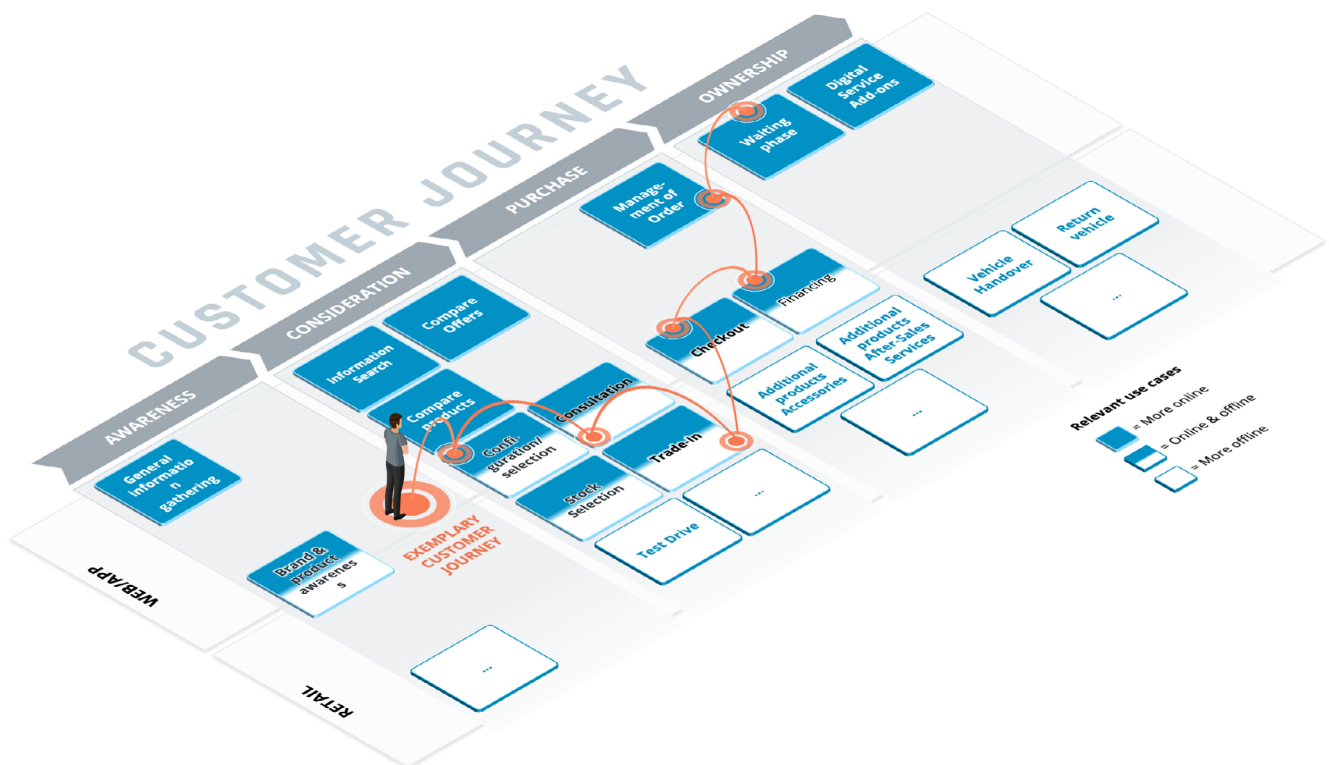
Meanwhile, the arrival of predominantly Chinese EV manufacturers in the European market has accentuated the trend toward online-first and direct-only sales, building on the growth of third-party auto platforms which already make 100% of their sales online.

**This gradual but powerful shift toward a direct sales model will be the key matter for OEM sales over the coming years in Europe.** Automotive OEMs already understand that customers expect a seamless sales experience and a transparent purchase process that they can trust, irrespective of whether they are engaging with an OEM or an intermediary platform.

**For established OEMs the question now is how to deliver that online experience and leverage their brand power online in a way that is competitive, compelling, and differentiating.** We identified key challenges and assets for digital sales for manufactures.

# FIVE CHALLENGES FOR OEMS IN DIGITAL AUTOMOTIVE COMMERCE

Established automakers have exceptional strengths in product development, manufacturing footprint and understanding of the business environments they operate in. However, the proliferation of online market channels and the competitive threat from new makers of software-defined EVs have begun to undermine this position of strength. OEMs need to be aware of the following challenges when realizing digital commerce solutions.



OEMs need to be aware of the following challenges when realizing digital commerce solutions:

- 1 **PRODUCT COMPLEXITY**
- 2 **THE UNKNOWN CUSTOMER**
- 3 **FRAGMENTED IT LANDSCAPE**
- 4 **PRICE CONSISTENCY**
- 5 **ORGANIZATIONAL LEGACY**



# PRODUCT COMPLEXITY

Digital sales channels work best when vehicle purchase process journey is simple and transparent: they are naturally suited for electric vehicles, which are simpler to configure than conventional automobiles. This reality has disadvantaged incumbent OEMs with large and complex product portfolios.

As an example, Tesla has sold its vehicles online since its inception. The company's internal sales operation is built around the digital channel, and the reduced product complexity means that the purchasing process at Tesla can be finalized within minutes and only a few clicks. Tesla is not alone: other EV brands such as NIO and Polestar follow a similar digital-first approach.

**Traditional automakers struggle to duplicate this simplicity and clarity in the customer journey towards purchase.**

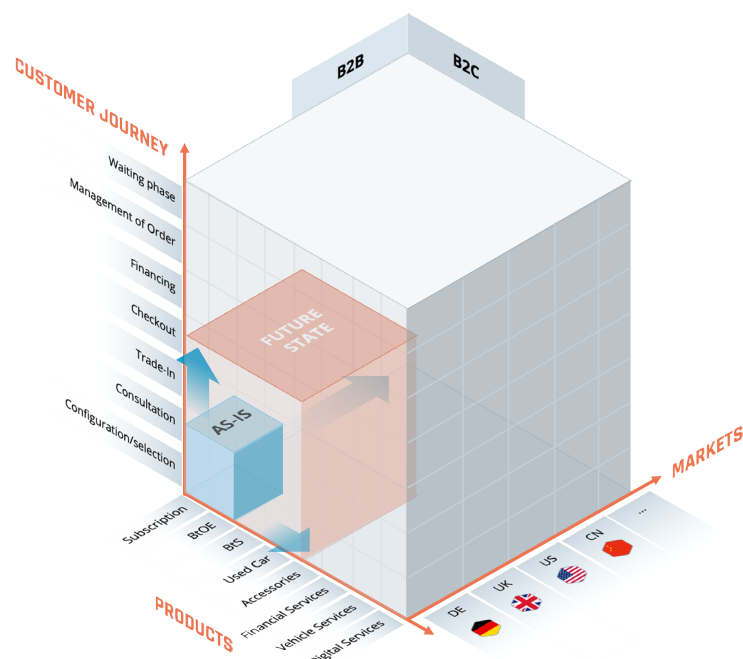
Faced with intrinsically complex products, customers are frequently overwhelmed by the number of decisions they need to

make when purchasing a car, or even more when it comes to accessories & co.. Customers also must choose between different ownership models, from outright purchase, to financed ownership, to subscription and everything inbetween.

Traditional OEMs already recognize this challenge and are addressing the need to guide the customer. They are moving to facilitate and clarify navigation through the digital sales process, by providing "shop the look", integrating online support, call centers and explanatory information that demonstrate the benefits of the e-commerce journey for the customer. At the same time, they are streamlining their upstream departments to address complexity of internal cost structures and production cycles. But it remains a work in progress for established automakers to create a simplified stepwise digital sales approach that will prevent would-be customers falling out of the sales funnel long before completing a transaction.

## ” SIMPLIFYING THE PRODUCT AND OFFERING WILL RADICALLY IMPROVE THE CUSTOMER INTERACTION AND TRANSACTION

Christian Barbuia  
Senior Associate Berylls Mad Media.



## THE UNKNOWN CUSTOMER

For most people the vehicle order process is the second most impactful purchasing decision in their life. Making such a purchase demands reassurance, data and certainty, and customers tend to rely on multiple touchpoints - both online and offline - during the journey from initial engagement to the purchase phase.

**This journey is rarely a straight line: customers often take a step sideways or backwards in search of new data or reassurance.**

This means that tracking the customer is critical. Knowing where the customer stands in the journey is essential for maintaining trust. For automotive manufacturers this is particularly challenging due to the multi-layered sales model that is likely to involve the OEM, the national sales company, and the dealer. The customer journey becomes a 'black box' for all involved, while the customer ends up getting lost between systems. The OEM may not be able to determine whether a lead has converted, making marketing or re-marketing or connecting after-sales activities very difficult.

” **AN E2E MEASUREMENT, INCLUDING COMMON TAXONOMY, ACROSS ALL OMNICHANNEL TOUCHPOINTS IS KEY TO DRIVE CONVERSION ALONG THE CUSTOMER JOURNEY INTERACTION**

Henry Lundt  
Principal Berylls Mad Media.





## FRAGMENTED IT LANDSCAPE

The automotive OEM IT legacy typically consists of bespoke and on-premise systems that lack flexibility for seamless omnichannel customer engagement. Yet while incumbents have been slow to transform their infrastructure, third party e-commerce platforms and dealer groups have often moved ahead, rolling out their own online sales capabilities to offer their customers an online journey in addition to their offline interactions.

This has left many OEMs faced with an unenviable decision: to integrate the technology developed by the market or attempt to replace locally developed solutions with their own in-house solutions which may well be less customized in the beginning. To meet the demands of customers, national sales companies, and retailers they may need to evaluate and cluster their portfolio to enable

several different or incremental customer journeys and not wait for a fully-fledged in-house solution.

**An additional challenge is the fact that data sharing between OEMs and dealers is limited, and the customer remains “unknown”.** It is hindered by a lack of mutual trust, complex multi-entity constructs, and inter-brand competition. There are also legal constraints on data sharing in the form of data privacy and consent requirements.

The net result is that OEMs find it exceptionally difficult to gather integrated insights on customer decision processes, leaving the manufacturer uncertain of how to manage customer interactions and leaving the customer wondering whether the advantages of online engagement really outweigh the difficulties.

**” A HOLISTIC IT ARCHITECTURE WITH AN INTEGRATION LAYER OF DATA AND INSIGHTS AS WELL AS AN AGILE PORTFOLIO MANAGEMENT IS KEY TO PREVAIL IN DIGITAL COMMERCE**

Christian Barbuia  
Senior Associate Berylls Mad Media.

## PRICE CONSISTENCY

Price consistency of vehicles is a major challenge for OEMs as they venture into the e-commerce space. The digital sales model enforces a higher level of price transparency, disrupting the traditional dealership model where wholesale pricing is set by the manufacturer while retail pricing is negotiated at the local dealership level. **The shift to a customer-centric approach in which OEMs either sell directly to the final buyer or where dealers become franchised agents of the manufacturer demands a new approach to pricing.**

A direct and predominantly online sales model offers OEMs an opportunity to regain control over pricing and pricing consistency. Although current competition rules in several jurisdictions limit the ability of OEMs to

dictate prices to dealers, the online model is already undermining this retail model and new entrant OEMs such as Tesla and other EV producers have begun to negotiate local exceptions to the established dealer model.

Nevertheless, OEMs must navigate this uncertain terrain carefully. Customers still expect to negotiate discounts, and fixed prices may lead potential customers to switch to competitors that still discount (in a wholesale model). Established OEMs need to build up trust and consistency that the online offered price will not be discounted in the long run but is the “best price” guaranteed: OEMs will need to stay ahead of the curve by continuously offering incentives and promotions to encourage customer adoption without undermining the goal of price consistency.

**” TRUST AND CONSISTENCY WILL BE THE KEY  
PILLARS OF PRICING SUCCESS AND WILL HEAVILY  
RELY ON THE CUSTOMER DATA & INSIGHTS THAT  
OEMS CAPTURE AND DEPLOY**

Philipp Purucker  
Associate Berylls Mad Media.



# ORGANIZATIONAL LEGACY

The automotive industry has been around for over a century. Yet the operating model is based on an engineering-driven mindset that led to historic success of the industry but is not fit for purpose in an online world. The legacy of the milestone-driven “waterfall” planning process has become increasingly out of line with the needs of a technologically advanced market and fast-changing consumer expectations.

In markets that are dynamic and where customers have higher expectations for a seamless and personalized shopping experience, the traditional waterfall approach falls short. It does not deliver flexibility, adaptability, or collaboration between departments. In many cases,

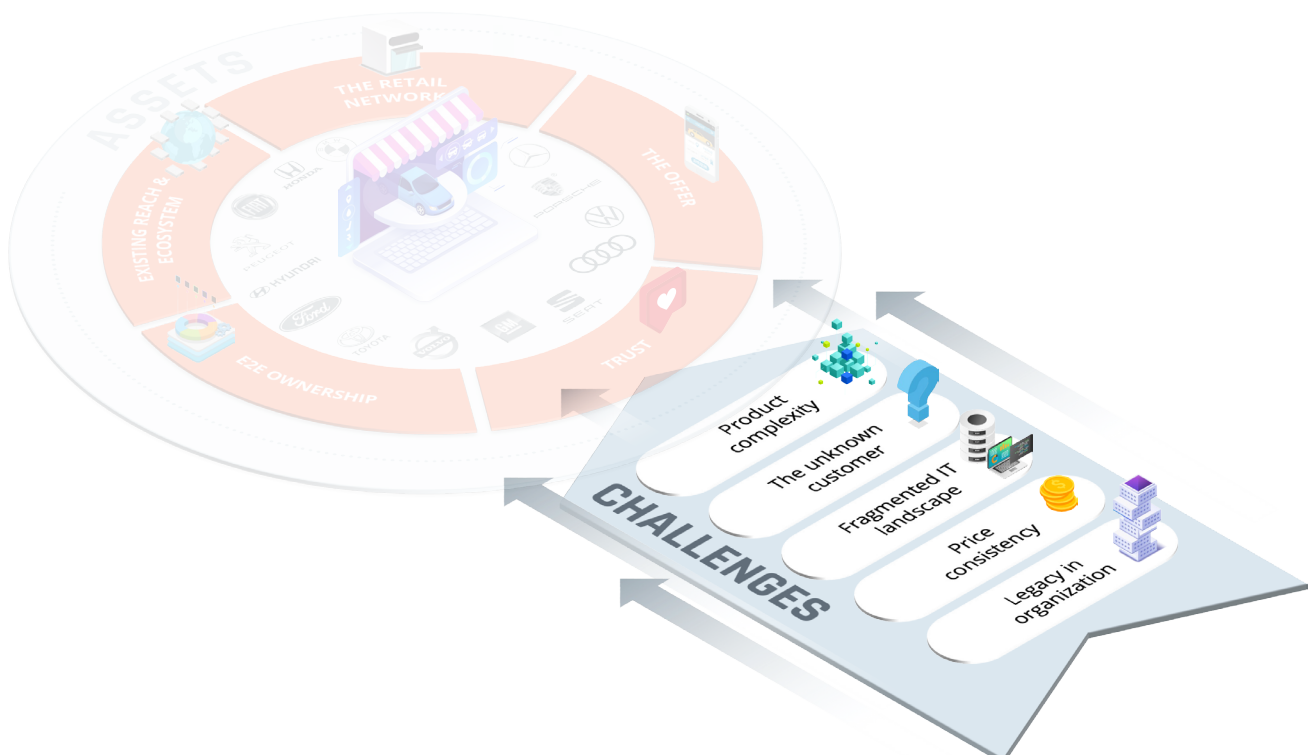
different departments within an organization work in isolation, leading to a lack of unified strategy and failure to deliver a cohesive response to rapidly evolving customer demand. It also makes it hard to attract and maintain tech talent, which expects to work collaboratively and iteratively as a default.

**Customers see the atomized departmental structure of the waterfall organization reflected in the customer journey.**

Brands take precedence over sales, and the fragmented corporate ‘ownership’ of different elements of the value proposition such as the vehicle, maintenance, and financing along with multiple checkout destinations all result in a customer journey that is anything but seamless.

## ” FLEXIBILITY, ADAPTABILITY AS WELL AS AGILE COLLABORATION AND CO-CREATION ARE KEY REQUIREMENTS TO ESTABLISH A MODERN FLOW ORGANIZATION

Henry Lundt  
Principal Berylls Mad Media.



# HOW OEMS CAN LEVERAGE THEIR ASSETS

Although established OEMs face many challenges when following the path to digital commerce, they also have strengths that should not be neglected. They have reach, they understand the automotive ecosystem, they have powerful retail networks that they can influence and evolve, and they have unique brand power.

They have reach, they understand the automotive ecosystem, they have powerful retail networks that they can influence and evolve, and they have unique brand power. Therefore, they need to leverage these five assets:

- 1 EXISTING REACH & ECOSYSTEM
- 2 THE RETAIL NETWORK
- 3 THE VALUE OF E2E
- 4 THE TRUSTED BRAND
- 5 THE HOLISTIC OFFER





## EXISTING REACH & ECOSYSTEM

The global reach and market influence of OEMs is represented by their media purchasing power, media tracking and analytics capabilities. They can use these assets to shift away from a purely brand-driven marketing model, and direct end customers toward a clear and dedicated online offer.

**For established OEMs many of their target customers are already within the ecosystem of the brand.** As they build up their own digital transactional offer, they can focus on brand loyalists or potential customers that are predisposed favorably towards the brand.

This is an audience that is already in reach via owned channels such as social media or e-mail marketing, offering opportunities to weave an online transaction-focused marketing process into existing brand messaging.

Some OEMs have also made progress in better identifying customers through their dealer or call center interactions. While data exchange between OEMs and dealers remains far from perfect, customer “identifiers” are helping to spot potential and existing customers whenever they engage, opening personalized opportunities to generate aftersales commerce.

## THE RETAIL NETWORK

Although retailers are often seen as the losers in digitalization and the switch towards a direct sales model, OEMs should see their retail network as a source of continued strength. Dealers offer a “personal frontend” for the brand and are capable of delivering customer insights that third-party digital platforms cannot match.

The increasing shift toward dealers as franchised OEM agents rather than independent businesses will help to cement brand trust, enabling a true omnichannel

experience without the danger of cannibalization. **Dealer sales knowledge can be integrated with a dedicated online information and consultation center designed to support first purchases or transitions to electric vehicles.** And where dealers have already implemented online journeys separate from standard OEM solutions, they can deliver valuable insights into how these digital touchpoints work in balance with offline interactions in a retail setting.



## THE VALUE OF E2E

Established OEMs own the end-to-end (E2E) dimension of the automotive business. While third-party platforms often act as intermediaries they are only focused on their roles and have limited access to data, while OEMs have almost complete knowledge of the value chain from upstream operations and supply issues to downstream activities such as sales and after-sales. This allows OEMs to crunch data at a scope and depth that other automotive businesses cannot match: **they can develop a holistic sales strategy to provide customers with information on**

**possible availability of the vehicle or even promote vehicles that are planned but still in the production pipeline.**

Such E2E ownership means that OEMs can manage their entire product via different channels of choice and can offer online benefits such as a clear production slot or an exclusive model that cannot be purchased locally at the dealership. They can use online marketing to both please brand loyalists and address new audiences that have not been reached previously.

## THE TRUSTED BRAND

Many automotive OEMs enjoy high levels of trust through brand strength – there are 14 auto brands in the Interbrand list of top 100 brands, including three in the top 13. This is a strength that OEMs are under-exploiting.

Third-party platforms already use visual and data tools to boost trust, from testimonials to badges. Established OEMs should leverage their existing high levels of trust to enhance their digital appearance. **For customers engaging with OEMs digitally the experience should reflect the specific brand aspects that differentiate the customer experience: there should be no need for a Trustpilot badge on an OEM website.**

While third-party digital sales platforms often capture customer data and then resell it, OEMs can associate their brands with customer data integrity, guaranteeing that data will remain within the OEM ecosystem. A clear statement of how customer data is stored and used is one effective way of leveraging existing brand power. To maximize the brand impact, OEMs need to establish a nearly real-time monitoring of their brand sentiment and health in order to leverage their brand strength in the online world.



## THE HOLISTIC OFFER

Established OEMs are much more than just manufacturers of vehicles. Over the years they have extended their customer-facing portfolios to provide financial service products, accessories, after sales services, Vehicle-as-a-Service models, and more. Such OEMs can increase value for the direct sales customer through packaging a holistically combined offer tailored to the interest and usage data of the customer. **Such pre-prepared offers will reduce the tendency of customers to exit the digital journey because combining various products in a digital checkout is experienced as too complex.**

In addition, online-exclusive offers including a special edition vehicle in combination with a set of accessories plus a special warranty would further differentiate OEMs from competitors in online sales. Given that there will always be price-competitive alternative offers in the marketplace, OEM differentiation is key: to achieve this differentiation OEMs will need to move toward a single checkout choosing products from various categories and enable cross- and up-selling across all product categories.





## CONCLUSION

Most OEMs are confronted with an acute challenge: they need to structure their digital transactional offer as a holistic omnichannel journey. Customers expect this, and they will go wherever the digital journey is easiest.

But OEMs should not devote themselves exclusively to any one sales channel. **They need to enhance the customer experience through all phases of the journey, enabling digital commerce no matter what channel is used.** And despite the many challenges brought about by the shift to more online and more direct automotive sales, OEMs bring decisive strengths to the table that can be leveraged to be successful.

We see five core areas of action for OEMs:

- » Transform the marketing interaction from pure branding to a seamless transactional journey.
- » Enable and integrate dealers to drive digital sales, using technology and data to foster relationships and drive conversion.
- » Use customer data gathered in all sales channels and establish one joint insight layer to optimize upstream and downstream operations.
- » Maximize the brand power to drive online transactions and loyalty along the customer and vehicle lifecycle.
- » Enrich the customer offer, providing all the OEM portfolio – from new to used vehicles, from finance to after sales or digital services.



# HOW CAN BERYLLS BRING YOUR DIGITAL AUTOMOTIVE COMMERCE GAME TO THE NEXT LEVEL?

As OEMs move towards digital sales, they are facing a complex mosaic of challenges. To navigate through these challenges, they need to leverage their assets to truly kickstart the digital sales transformation – this is where we come into play. At Berylls Mad Media, **we build strategies & guardrails** for OEMs that ensure they continuously evolve into resilient, agile organizations when it comes to digital commerce. We at Berylls managed to establish an extensive track record: from **developing omnichannel sales approaches** across sales levels & product lines, building innovative **customer-first journey** visions, while **realizing product roadmaps** using agile **portfolio management** and developing **concepts of journey-overarching use cases**. But there is more as we do not stop setting up the ideal journey. **Creating a holistic promotion concept of digital sales** – from KPI definition to involving all stakeholders to leverage full digital sales potential. By putting our experience to use, we help OEMs effectively prioritize and manage their assets so that the rubber meets the road. Let us help you execute on your sales strategy and ensure your success in the age of digital automotive sales.

Interested in learning more? Reach out to us.

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Munich, May 2023