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BERYLLS STRATEGY ADVISORS & BERYLLS MAD MEDIA

DIGITAL AUTOMOTIVE COMMERCE: CREATING WEB 3.0 EXPERIENCES AND BUSINESS FROM STRATEGY TO IMPLEMENTATION



# AGENDA



Five ways to get started



It's here: Apple's newest product Apple Vision Pro is here and brings with it the promise of reinvigorated momentum in immersive Web 3.0 applications for OEMs. The time is now to find the right customer centric Web 3.0 commerce strategy.

As we set out in two publications last year (Why OEMs cannot afford to sleep through the hype and How some OEMs can exploit the opportunities in metaverse marketing and sales and why they are not for everyone), the Web 3.0 applications - namely in "the Metaverse" - are high risk, uncertain reward opportunities that are not for every OEM. The potential downside can be seen in examples such as Decentraland, a relatively well-known metaverse that attracted prominent businesses including the auctioneer Sotheby's to buy a presence in it. It still only has around 8,000 active daily users.

However, certain parts of the metaverse are making great strides - the virtual world Roblox, for example, increased its active daily usership by 22% between the first guarter of 2022 and the first guarter of 2023 to 67.3 million. Gartner predicts that 25% of people will spend at least an hour a day in the metaverse by 2026.

Enter Apple. With its bombshell revelation - the Apple Vision Pro - the company has not only upped the game with VR headsets. In typical Apple manner, it has created a product customers aspire to which single-handedly redefines Web 3.0 interaction by embedding it more naturally into the lives of its users than any other device. A brand-new operating system designed specifically for the product allows users to interact natively with applications and opens the door to (yet) unexploited opportunities - specifically for high involvement products like cars.

To capture this reinvigorated potential, while avoiding expensive mistakes, the goals of any Web 3.0 investment and the way they are carried out must be carefully considered. With the hype surrounding the technology resurfacing, where do the real commercial opportunities for automakers lie? Some carmakers have already taken the plunge - since our previous reports, for example, the Skodaverse, set in The Nemesis metaverse, and Genesis China's Meta Studio, in the Baidu XiRang metaverse, are up and running. However, most OEMs active in Web 3.0 do not appear to have a holistic and well-balanced strategy. OEM footprints are pinpointed and driven by silos within the organization.

We believe that breaking up these silos by intertwining immersive virtual experiences with more traditional on- and offline customer interactions is key to creating a new era of digital automotive sales. The most promising routes to take, and ways to put them into action, are set out here.

## DIGITAL VEHICLE COMMERCE: CURRENT TRENDS AND HOW WEB 3.0 CAN SUPPORT THEM

Digital is an increasingly important channel for vehicle sales, with customers shifting from using websites and social media for information gathering only, to carrying out the full vehicle purchase online. Thirdparty websites have shown OEMs that the demand is there, and the growing numbers of drivers using shorter-term "Vehicle as a Service" (VaaS) contracts routinely buy via online services.

Digital services to date are about enabling the customer journey end to end, however through 3D modeling, Web 3.0 technologies are increasingly able to offer detailed experiences of what being in a vehicle looks and feels like. It also offers another route for carmakers to distinguish themselves in the eyes of existing and potential customers, with virtual products such as Porsche's non-fungible tokens (NFTs) released earlier this year.

However, the ability for potential customers to interact with product experts is as important online or in a virtual world as it is in real-life showrooms. Third-party sales sites provide consultation via phone and online advisors. In the metaverse, for example, this may be brought to the next level by introducing AI-powered product experts that can interact with customers through natural language tools such as ChatGPT. Electric vehicles (EVs) may be technically simpler than their combustion engine predecessors, but there are still important and complex decisions for customers to make, such as how to organize the right home charging set-up for a firsttime EV buyer. In many cases, retailers and physical showroom remain the point of connection with the customer.

So how can OEMs join the dots between harnessing the potential immersive web applications to drive physical and virtual product sales, and the in-person experiences that customers still value?

The first step is to map the playing field of potential digital sales opportunities, using a framework that takes into account the different types of goods that would be for sale. Those include physical goods such as vehicles and accessories, as well as virtual products such as service contracts, digital accessories, collectibles and experiences. The framework should also differentiate between the degree of immersiveness, ranging from 2D experiences on a website to augmented reality (AR) and fully immersive 3D and virtual reality (VR) experiences. The results will show multiple potential entry points into Web 3.0 sales experiences. For the sale of physical goods these range from virtual showrooms, via AR-driven applications, all the way to VR visualizers which can be used either on-premise (i.e., in a showroom) or online by the prospective customer. Selling virtual goods is harder for established OEMs to grasp, but there is undoubtedly demand for NFTs, in-game wearables and virtual vehicles that consumers will pay to use in virtual environments such as games, as well as in wider metaverses.

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# POTENTIAL WEB 3.0 SALES APPLICATIONS

## **1. Physical products**

Immersive Digital sales applications allow customers to be engulfed in the product experience from the comfort of their own home. Dealers could also leverage this virtual extension on-premise, in order to enhance the experience for customers when they come to look at or try out cars.

### Virtual Showroom

OEMs can use the metaverse to display their products, creating engaging and immersive virtual showrooms that allow participants to interact with vehicles in a 3D environment. Potential customers can explore different models in a shared experience, in both the real and fully virtual world. At the local showroom, customers could try out models that are not in stock, for example. Today, with its virtual vehicle experience, Berylls already has skin in the game.

### Virtual Configurator

Technologies such as VR and AR allow users to experience vehicles in a more customized way. Users can personalize their vehicles with different colours, features and options to visualize what their ideal vehicle would look like. This service can be offered both at the physical showroom and in a virtual showroom in the metaverse.

### Click-Through Catalog

A virtual click-through catalogue is a more engaging way to learn about different models' features and help customers make more informed buying decisions. The catalogue could allow users to compare different models side by side and highlight the differences in performance, features and price. An interactive feature catalogue may also be used to showcase the functionality of individual features such as the intricacies of digital headlights or the experience of a premium audio system. Such an option would set up the OEM as a leader in tech-enabled customer service.

### Test Drives

Virtual test drives allow users to experience the vehicle's handling, performance and features in a simulated environment. Users could test drive in a variety of conditions such as in the city, on highways and off-road. Depending on the technologies available, customers could interact with the vehicle's controls, such as the steering wheel and pedals, to accelerate, brake and steer in real time. A virtual sales representative could be present to provide information about the vehicle's specifications and answer any questions the customer may have during the test drive.

### Virtual Events

OEMs and showrooms can host virtual events where potential customers can learn more about products and interact with company representatives. This could include product demonstrations or Q&A sessions to accompany hotly awaited vehicle launches.



## 2. Virtual products

Virtual goods have become an increasingly important part of the digital world. They are digital assets that can be bought, sold, or traded in virtual environments, including the metaverse. In the case of the automotive industry, these can include virtual vehicles, branded merchandise and virtual experiences.

### NFTs

NFTs are a prominent form of virtual asset that can be both vehicle-based and non-vehicle based. They are unique digital assets that are verified on a blockchain and cannot be replicated, making them valuable collectors' items when they are rare and desirable to consumers.

Automotive brands have loyal and enthusiastic customers and would-be customers, creating a strong opportunity for companies to sell NFTs of rare or unique vehicles, as well as branded NFTs of virtual merchandise. Major brands are already experimenting with NFTs, and automotive enthusiasts can purchase virtual replicas of their dream cars, customized with unique colors and designs, wheels, and accessories. At the start of this year, Porsche launched a 911 NFT, with options ranging from license plate to design elements, color to background. There are more than 150,000 possible unique NFT designs an owner can choose from.

### Non-vehicle based virtual goods

Other virtual goods that can be sold by OEMs include branded merchandise such as apparel and accessories to wear in the metaverse. Offering different types of digital artwork is also currently being explored by various OEMs, partnering with artists to create virtual goods that feature brand-related art to be displayed within virtual show-rooms or sold as standalone products.

### Virtual experiences

OEMs are starting to offer virtual experiences such as community events and exclusive gigs. For example, McLaren is currently aiming to offer exclusive memberships to its digital community that allow them to take part in unique ticket drops and attend one-off virtual events. Cupra meanwhile, is communicating its brand identity to users by establishing itself in the Metahype metaverse to host exclusive gigs and festivals. Through virtual events, OEMs can engage with customers on a deeper level and build brand recognition and loyalty.

With a projected global metaverse market size of \$936.6bn by 2030, the time is now for OEMs to explore entry points with NFTs and other digital assets. OEMs can use them to go beyond car ownership and brand affinity as their only ways to build up a customer relationship. NFTs can also add value to physical products by linking them to exclusive benefits, products and services, creating entirely new ways to increase customer loyalty and extend customer relations beyond the period of car ownership.

# DEFINING A WINNING WEB 3.0 STRATEGY

When we look at current OEM Web 3.0 footprints, one thing is clear: there is a good deal of interest but there still appears to be a lack of coordination and a unified vision across the board. This almost certainly means there is untapped potential within organizations. For example, an OEM may be using powerful upstream Web 3.0 applications such as digital twins in production yet lack the same level of expertise downstream.

Similarly, some OEMs have put considerable effort into building proprietary metaverses, while other parts of the business invest in a footprint in third-party virtual worlds, cannibalizing addressable users for either. Lastly, in a number of cases, departments have built and run individual solutions, making it increasingly difficult to create consistent customer metaverse journeys. In short, OEMs need a clear Web 3.0 strategy. To cut through the complexity of achieving this, we created the **Berylls Magic 7**. It is made up of seven layers to consider when building a Web 3.0 presence for an organization, starting by defining a "North Star":



### FIGURE 1: BERYLLS MAGIC 7 - SEVEN CONTEMPLATION LAYERS FOR YOUR WEB 3.0 ENTRY

## 1. Define your organization's Web 3.0 "North Star"

As we set out above, there are multiple good reasons to invest in a Web 3.0 footprint. However, this must be done holistically to ensure OEMS get the most out of what they spend. Thinking upstream, the organization might aim to use such applications to reduce operational and/or R&D costs, or to improve the quality of collaboration within the organization. Thinking downstream, an immersive web presence might be the best way to engage with future customers, differentiating the brand by offering a gripping customer experience that helps convert interest into sales.

Regardless of the organization's Web 3.0 ambition, it is vital to express it through measurable KPIs. OEMs must be able to track if their applications have indeed decreased operational costs, time spent in meetings and error rates, or increased brand engagement and led to higher sales conversions to properly manage it.

Plotting the playing field of the Web 3.0 footprint should be next. There might already be immersive Web applications in use in the organization and creating transparency on these and measuring how well they contribute to the overall ambition should be the starting point.

Decision-makers should assess early on whether the organization has the capabilities in place to build a Web 3.0 presence or if it must procure it from an outside supplier. They must also set the other guiding principles for the organization's Web 3.0 strategy, such as whether to involve multiple departments in favor of having silos, to focus on the user experience rather than the technology, or to stay true to the brand in lieu of creating a digital sub-brand.

### 2. Getting the organization Web 3.0-ready

With the strategic "North Star" in place, it is time to organize the people driving the company towards its shared Web 3.0 ambition. Building an immersive digital presence requires cross-functional teams thinking through the entire user experience and ensuring links such as connecting a user avatars to an existing customer ID. This should be paired with a strong mandate for the project lead, anchored by C-level support.

Getting the interfaces right by ensuring deep integration into existing operational and commercial processes will be a make-or-break point for the OEM's Web 3.0 experience creation. Users demand seamless experiences, and any break may result in a lost user or a lost sale.

# 3. Selecting the product/customer experience area

With the organization Web 3.0-ready, it is time to travel along the customer journey and value chain, to identify the best entry points that fit with the organization's ambition. As this publication focuses on digital automotive commerce, we focus only on the customer journey steps around consideration and purchase.

### 4. Selecting the human interface layer

Web 3.0 is an opportunity to create new experiences for customers, supporting marketing and brand purpose. This latest evolution of the internet enables customers to move beyond browsing to participating in an immersive virtual environment. OEMs must consider where to use AR, VR or regular 2D applications.

AR allows users to experience the relationship between digital and physical worlds. Via AR the real world is overlayed with 3D digital objects. VR meanwhile, allows users to participate in a fully digital environment where they have no sense of the real world other than physical movement. Regular 2D applications refer to software applications that are designed to run on computer screens or mobile devices to display information in a two-dimensional format. As new technologies like VR and AR become more widely available, customers will expect a shift toward more immersive and interactive applications that go beyond the traditional 2D format.

# 5. The transactional layer - what payment types will be accepted?

### **Regular currency**

#### Financing & Leasing

Customers will be able to purchase a vehicle in immersive web applications by applying for a financing or leasing option through a virtual application process. After receiving approval, they can choose the financing or leasing offer that best fits their budget and complete the payment process with a digital signature.

#### Cash Payments

Customers can also proceed with a cash payment through a secure payment gateway using traditional payment methods such as credit card or bank transfers.

### **Digital currency**

#### <u>Cryptocurrency</u>

With the growing popularity of cryptocurrencies (including Bitcoin, Ethereum and Tether), OEMs could also offer cryptocurrency payment by setting up a digital wallet and integrating a cryptocurrency payment gateway. Customers could then transfer the cryptocurrency to the digital wallet and the blockchain network would verify and confirm the transaction.

### In-Game Currency

In-game currency is a digital currency that is used within a specific virtual environment. OEMs could allow customers to earn rewards or discounts by earning in-game currency when they purchase real world items such as vehicles.

### Setting up payments systems: do it yourself?

OEMs may consider implementing new payment structures to differentiate themselves in the market. However, there are several reasons why OEMs should not do this, and instead focus on using the existing payment structures provided by their captive financing arms. The biggest reasons are cost, complexity, risk and compliance. Captives routinely provide financing options in the form of loans and leases, as well as programs for commercial and fleet customers.

Another alternative to developing new payment structures is setting up a partnership to leverage the expertise and infrastructure of a trusted third party, which will reduce cost and time-to-market and minimize risk. Different types of payment structures can be acquired from third parties including payment providers and NFT marketplaces.

## 6. The virtualization layer

In the automotive context, virtualization enables car manufacturers to create virtual showrooms, test drives and configurators. These virtual environments provide a more immersive experience for customers, simulate the driving sensation of the car and allow customers to customize their cars and view them in a virtual environment. In short, they unlock the most exciting Web 3.0 possibilities for the auto industry. Partners include 3D animators, modeling and video companies, AR developers and avatar creators.

### 7. The infrastructure

Whether OEMs should build their Web 3.0 ecosystem or enter an existing one depends on several factors, including their resources, goals and expertise. The positives of building their own ecosystem include control over the platform and the freedom to experiment with new ways of interacting with customers, which can lead to the development of new products and services that would not otherwise have been possible.

Against this are the high costs in terms of time and money, as well as the lack of a user base. OEMs would need to generate buzz and attract users to the platform, while an existing platform would have its established user base.

The other main infrastructure choice, if focusing on a metaverse presence, is between entering, for example, a decentralized and a centralized metaverse. A decentralized metaverse is a virtual environment with a dispersed network and ownership structure, while in a centralized metaverse, one entity has complete authority over the virtual environment.

An OEM must consider aspects of platform control and privacy when deciding on the level of centralization. Although a decentralized metaverse grants users a great deal of freedom in terms of participating in and expanding that virtual universe, it can also pose many threats to user privacy. Unlike a centralized metaverse, a decentralized platform has no policies or centralized bodies to monitor the environment or enforce user privacy. The lack of data protection and the lack of control over the platform by an OEM are arguments against a decentralized platform, even if it could offer users more freedom.



## EXECUTING ON THE WEB 3.0 PROMISE: FIVE WAYS TO GET STARTED

*Collaborate with an existing metaverse platform:* OEMs can partner with metaverse platforms to create branded virtual experiences. This leverages the platform's expertise to produce high-quality virtual experiences. Examples include Journee, Unity Technologies and Roblox.

*Build an in-house team:* OEMs can build an in-house team of developers, designers, and 3D artists to create a Web 3.0 project from scratch, giving them full control over the project.

*Hire a third-party agency:* OEMs can hire an external agency specializing in metaverse development to benefit from their expertise and experience.

*Participate in existing metaverse communities*: OEMs can participate in existing metaverse communities to connect with potential customers and gain insights into what they want from a metaverse experience.

*Host virtual events:* OEMs can use virtual events to showcase their physical and digital products, generate buzz, and build a following within the metaverse. This can be done in conjunction with other channels. Hackathons with metaverse platforms such as Journee can be a great start into deployment, via dedicated platforms such as BeMyApp.

## INTERESTED IN CHARTING THE WEB 3.0 COURSE FOR YOUR ORGANIZATION? GET IN TOUCH!



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**Berylls Strategy Advisors** – The expertise of our top management consultants extends across the complete value chain of automobility – from long-term strategic planning to operational performance improvements. Based on our automobility thought leadership Berylls Strategy Advisors stand out with their broad experience, their profound industry knowledge, their innovative problem-solving competence and, last but not least, their entrepreneurial thinking.

**Berylls Mad Media** – The radical digitalization of the customer interface undermines the boundaries in the automotive sales model. Our Berylls Mad Media experts develop and operate tailored solutions, including data-driven marketing, integrated service designs, and including the agile realization of integrated process and IT architectures. We strengthen customer loyalty, market exploitation, and profitability – taking vehicles and services to market digitally.

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