BERYLLS BY ALIXPARTNERS

NAVIGATING ONLINE AUTOMOTIVE SALES

Key insights from consumers around the globe

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Navigating Online Automotive Sales

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MANAGEMENT SUMMARY

- OEMs struggle to sell cars in volume online when many customers are not even aware of online purchase options. In Germany, China and Korea only 50% to 59% of customers are aware that online purchase is available, meaning OEMs must significantly raise awareness of their online offers.
- Online channels are preferred to offline by 24% of all survey respondents. For younger people and prospective electric vehicle (EV) buyers these numbers increase, making online the preferred channel for more than a quarter of these target groups, setting up a key focus for OEMs.
- The main motivator driving customers to purchase a vehicle online is price – but in some markets, OEMs can also convert customers to online channels through offering a larger number of vehicles to select from, and faster delivery.
- The rate of customer adoption of existing OEM online functionalities is slow. While 16% of respondents state that they have previously purchased a vehicle online, 13% report they haven't tried out car comparison, configuration functions, or asked for an offer online. Manufacturers need to both raise awareness of online and convert awareness to active engagement.
- AI chatbots for consulting along the online journey are still a niche product. Only 13% of respondents prefer chatbot interaction, while 67% prefer consultation in person. Successful online sales strategies must blend human and digital elements.
- The survey results show that published OEM targets of converting at least 25% of sales to online channels are achievable with the right blend of features and marketing. At least a quarter of customers want to buy online, even though individual customers may not choose to use all elements of a full online customer journey. The challenge for OEMs is to choose what online features to invest in and market, and in what geographies.

1

DIGITAL AUTOMOTIVE COMMERCE: BEYOND THE CURVE OF DISAPPOINTMENT

Online vehicle sales have been lower than expected. What are OEMs doing wrong in digital commerce? And how can they shift gear, and get it right?

For many years OEMs have been striving to create a compelling digital sales offer. Online auto commerce offers the opportunity to reframe the customer purchase journey from a labor-intensive largely manual work model to a partly or fully automated lower cost and data-rich digital opportunity. At the same time OEMs should be able to reduce their existing infrastructure as they transition to digital.

However, developing these digital capabilities has required substantial investments to enable both customers and dealers to replicate existing processes in the digital world. And while early research indicated that a large proportion of customers would shift to purchasing vehicles online, actual sales numbers have fallen short of targets and forecasts. Whatever customers want from digital auto sales channels, it seems that OEMs have yet to fully deliver it.

How can manufacturers move beyond this phase of online under-performance and discover what customers really want from digital auto commerce? To answer this question Berylls by AlixPartners teamed up with Civey and conducted a survey in four major automotive markets: Germany, China, Korea and the US. We analyzed data from more than 4.000 respondents planning to purchase a new car in the upcoming 24 months, to understand which steps along the journey they want to conduct online and which offline, and what could convert potential customers into online buyers.

The survey results have been structured to give insights into four key areas of concern. We identify preferred channels across several phases of the customer journey, and report on the knowledge and experience participants already have with online commerce. We also identify critical attributes customers want to experience both offline and online, and evaluate which of these features are most likely to shift customers to online.

2

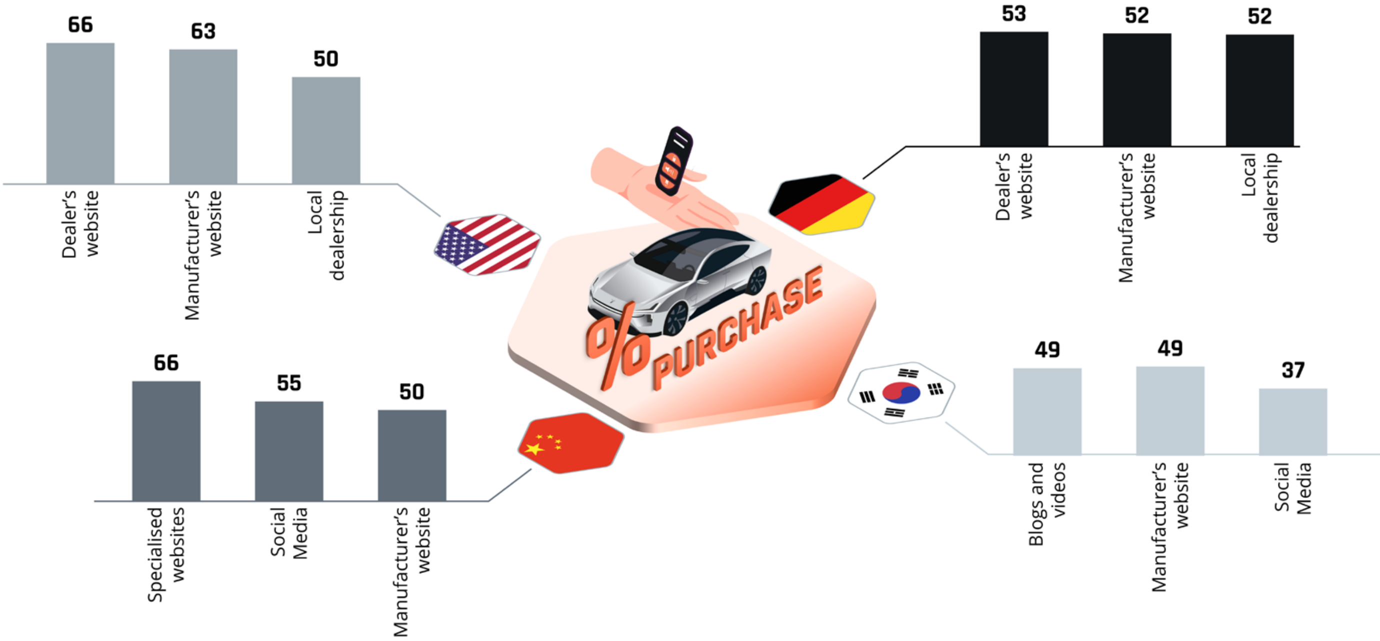
INFLUENCING CAR BUYERS ATTENTION

Online is already the most important source of pre-purchase information. Leveraging this built-in advantage means creating additional content outside of owned-and-controlled channels, especially in Asian markets.

Most customers rely on online research for information about new vehicles. Yet while the manufacturer's website is always in the top three sources of information, other information sources are significant and in some markets more significant than OEM sites. In the US and Germany, dealer websites play an important role, while in China specialized independent websites are the main source of information (66% of respondents use them as the primary information source) and in Korea blogs and videos share first place with OEM websites. The lesson is that OEMs need to create content beyond their own channels.

Manufacturers should note that social media channels play a decisive role for very specific customer segments. Both prospective battery electric vehicle (BEV) customers and those looking for a premium vehicle rely on information from other users in social channels significantly more than prospective internal combustion engine (ICE) vehicle buyers (42% versus 29%) and significantly more than volume car customers (47% versus 31%).

FIGURE 1: WHAT SOURCES DO YOU USE FOR INFORMATION WHEN YOU PURCHASE A CAR?

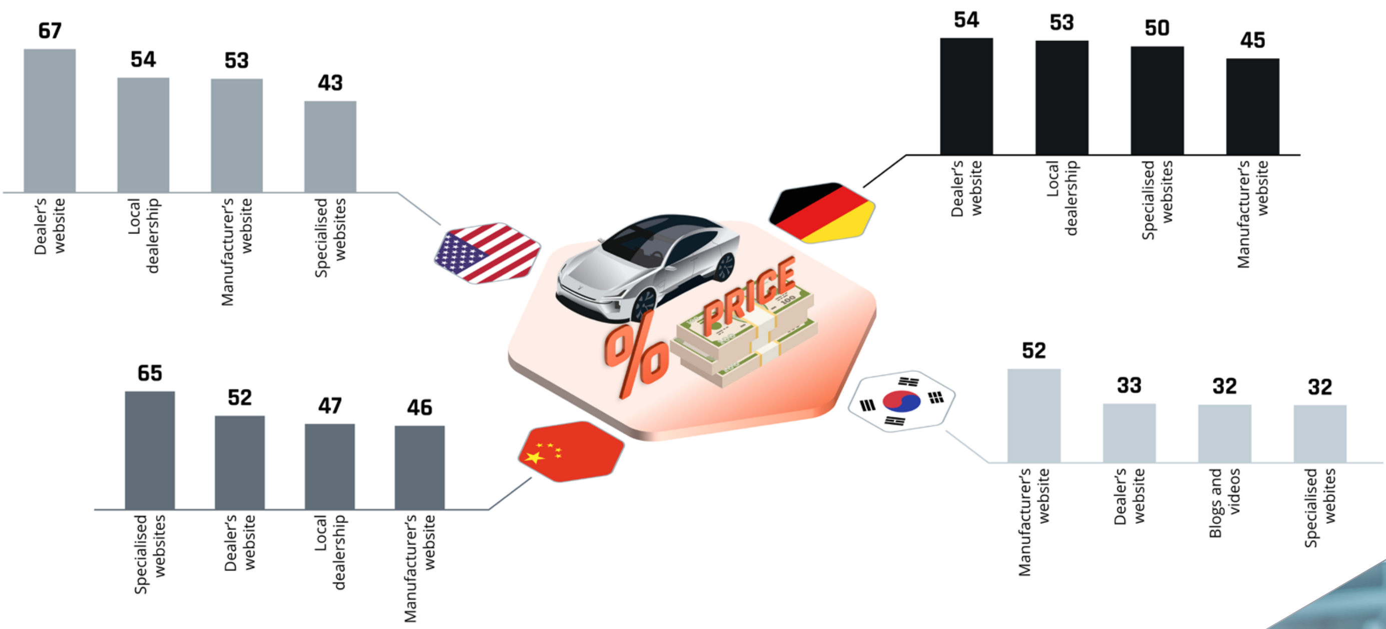


Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

DEALERS ARE THE PRIMARY PRICING INFORMATION SOURCE.

In all markets except for Korea[1] the dealer's website is one of the main sources of price information and in-person visits to local dealerships are also important, while the OEM website is markedly less important. For markets other than Korea OEMs should invest to boost customer awareness about the availability of the transactional prices on the manufacturer's website (at least for OEMs using a traditional indirect dealer-focused sales model).

FIGURE 2: WHAT SOURCES DO YOU USE FOR CAR PRICE INFORMATION?



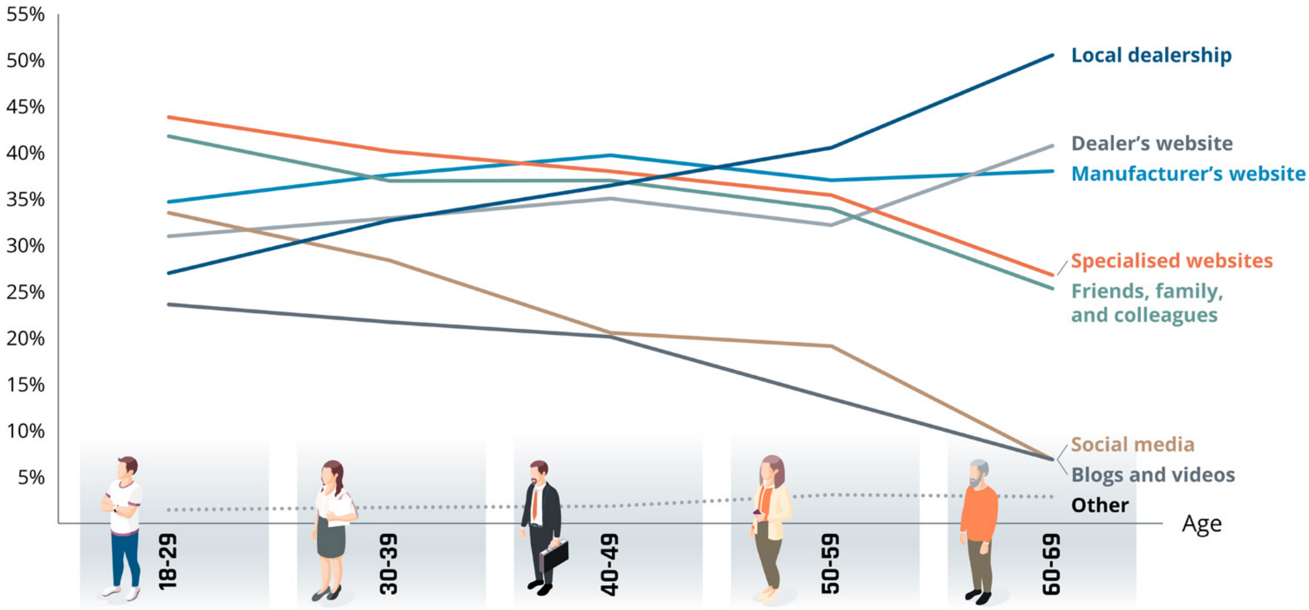
Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

AGE DETERMINES THE CRITICAL PURCHASE TOUCHPOINT.

Which online or offline touchpoint will influence the conclusion of the customer journey, when the prospective customer becomes a buyer? The answer is that markets are heterogenous in this respect, and that the age of the customer is the factor most likely to determine which touchpoint is critical. While local dealerships and dealer websites are more influential in the decision-making process with increasing age, manufacturer-independent sources such as specialized websites, recommendations from friends and family, and social media platforms are more influential in the decision-making progress of younger customers. Blogs and videos play a minor role over all age groups.

1 Korea is the special case that the market is predominated by a structure where domestic brands have no dealerships, while importer brands maintain a high level of control over the information the dealers can share with the customers, so that the manufacture's website rises to the first information source about prices.

FIGURE 3: WHICH OF THESE INFORMATION SOURCES IS MOST INFLUENTIAL IN YOUR DECISION TO BUY A CAR?



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

This means that OEMs need to adjust their focus and allocation of marketing resources to their target customer groups. This may include co-operations with specialized websites such as AutoScout24 (the dominant German third-party online marketplace) and guidelines for dealers online as well as offline that are adapted to relevant age groups.

Overall, markets show a very mixed picture when it comes to the most influential touchpoint for purchase decisions. While US customers are influenced mainly by the manufacturer's or dealers' websites (46% and 51%), these two channels play a minor role for customers in Germany (29% and 34%) where customers are more likely to rely on visits to the local dealership. In China and Korea manufacturer-independent websites such as blogs and specialized websites play a bigger role than in either the US or Germany. Chinese customers rely heavily on specialized websites with 54% saying this is the most influential touchpoint across all markets, while Korean customers are strongly influenced by blogs (39% versus 11% in the other three markets). The lesson is that channel and age-group localization is critically important in optimizing the impact of the decision-making touchpoint.

3

UNDERSTAND THE DIGITAL CUSTOMER'S KNOWLEDGE AND EXPERIENCE

Knowing what the customer knows, helps to shape the online offer and shift buyers to online channels. Knowledge, experience and demographic trends vary market-by-market: there is no one-size-fits-all solution.

Building on the survey data on customers' preferences, the logical next question is what does the customer already understand about online opportunities? The answer will determine how OEMs can extend what customers have already done or considered in the past.

CUSTOMER AWARENESS REMAINS UNDERDEVELOPED.

The Berylls by AlixPartners survey shows that customer awareness of the capabilities of auto manufacturer websites is highly variable, and in some markets the awareness level is low.

One of the most recognized features of OEM websites is the ability to compare cars online. This feature enjoys high awareness across all surveyed countries, with the US leading at 79%, closely followed by Germany (76%), China (75%), and Korea (74%). Yet as we follow the customer journey further down the funnel, awareness drops significantly for online features such as reserving, purchasing or financing a car (although Chinese customers stand out in their higher propensity to ask for an offer online – 79% of Chinese respondents are aware of this option versus 31% in Korea). Meanwhile, almost 70% of respondents in the US are aware of the possibility of purchasing a car online but this contrasts with other markets, where only 50% to 60% of consumers are aware of this option.

FIGURE 4: WHICH OF THE FOLLOWING ACTIONS DO YOU KNOW THAT YOU CAN CARRY OUT ONLINE ON A CAR MANUFACTURER'S WEBSITE?

	Compare cars online	Configure a car online	Ask for an offer online	Reserve a car online	Buy a car online	Finance a car online	Trade in a car online	None of the above
	79%	51%	62%	53%	69%	59%	46%	3%
	76%	64%	66%	52%	59%	53%	17%	3%
	75%	58%	79%	64%	53%	44%	39%	1%
	74%	37%	31%	56%	50%	44%	33%	5%

Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

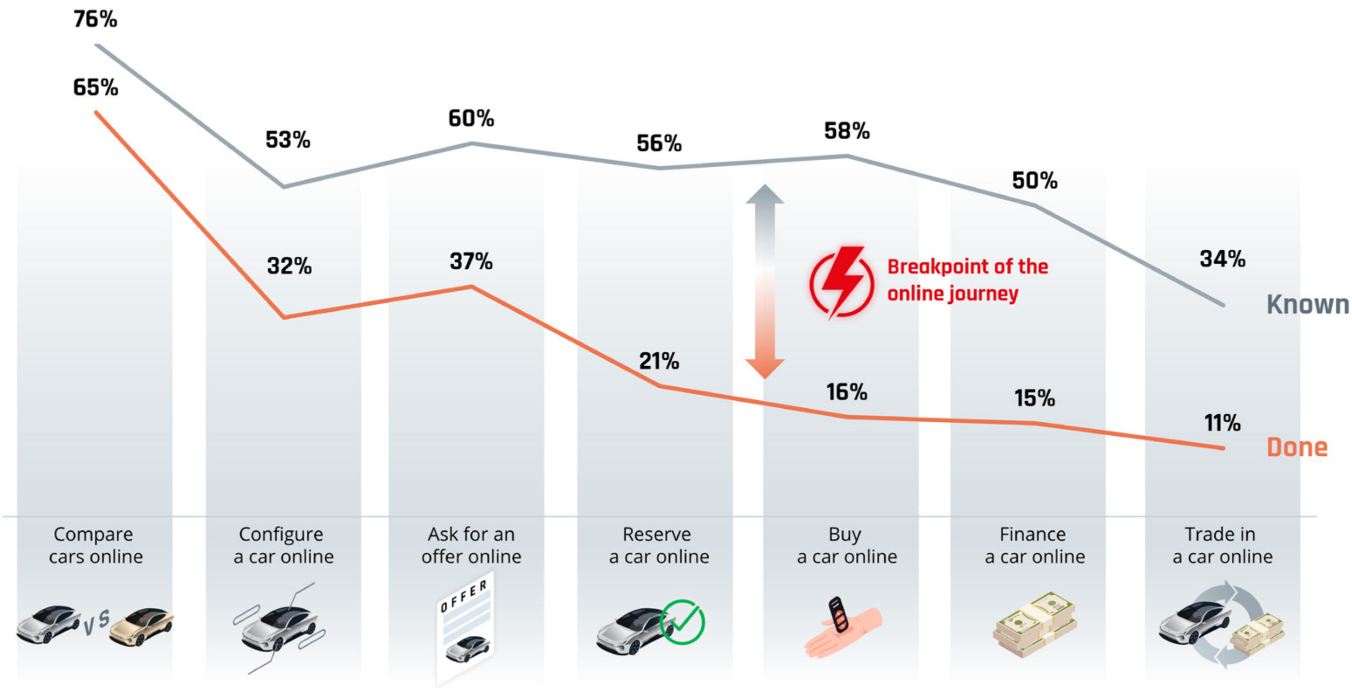
These findings show the challenge that OEMs face in guiding customers through the digital sales journey from the very beginning. Manufacturers will need to reconsider which functions need to be better marketed, and to which demographic segments and in which markets. In some countries, awareness of certain functions is especially low – in Germany for example only 17% of customers are aware of online trade-in opportunities. However well executed, such features are unlikely to attract and convert customers without higher levels of awareness.

ONLINE ACTIONS LAG ONLINE AWARENESS.

Throughout the customer journey there is a large gap between awareness of online engagement options, and actual engagement. This disparity tends to grow as customers move further along the journey toward reservation, purchase, finance or trade-in.

For example, while over half of customers in the entire survey are familiar with the opportunity to compare or configure cars online, to ask for offers, or reserve or buy a car online, few have done more than compare cars. The greatest disparity comes in the purchase segments of the journey, and 13% of respondents say they have not used any purchase features online.

FIGURE 5: ALTHOUGH MANY CUSTOMERS ARE AWARE OF MOST ACTIVITIES THEY CAN DO ONLINE, SIGNIFICANTLY FEWER ACTUALLY USE THEM.



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

As always, there are sharp differences between markets. While German customers have the most experience in configuring a car online, they have the least experience across almost all other touchpoints of the sales journey. China by contrast is highly online-oriented and in comparison to the other three markets, has higher levels of online purchasing and much higher levels of online price negotiation.

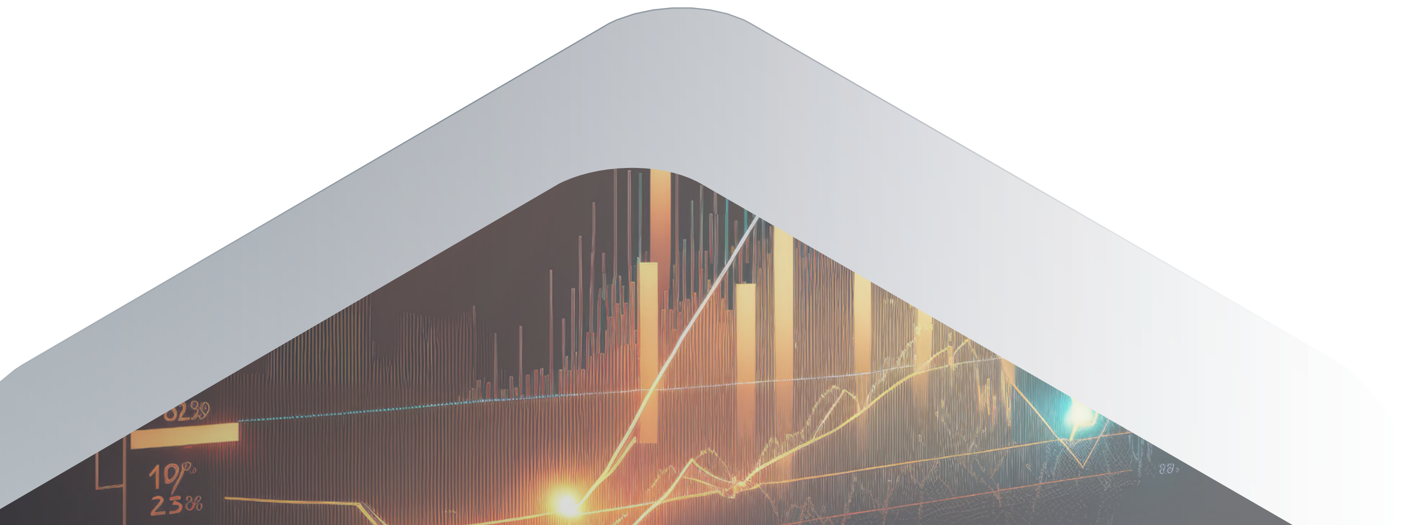
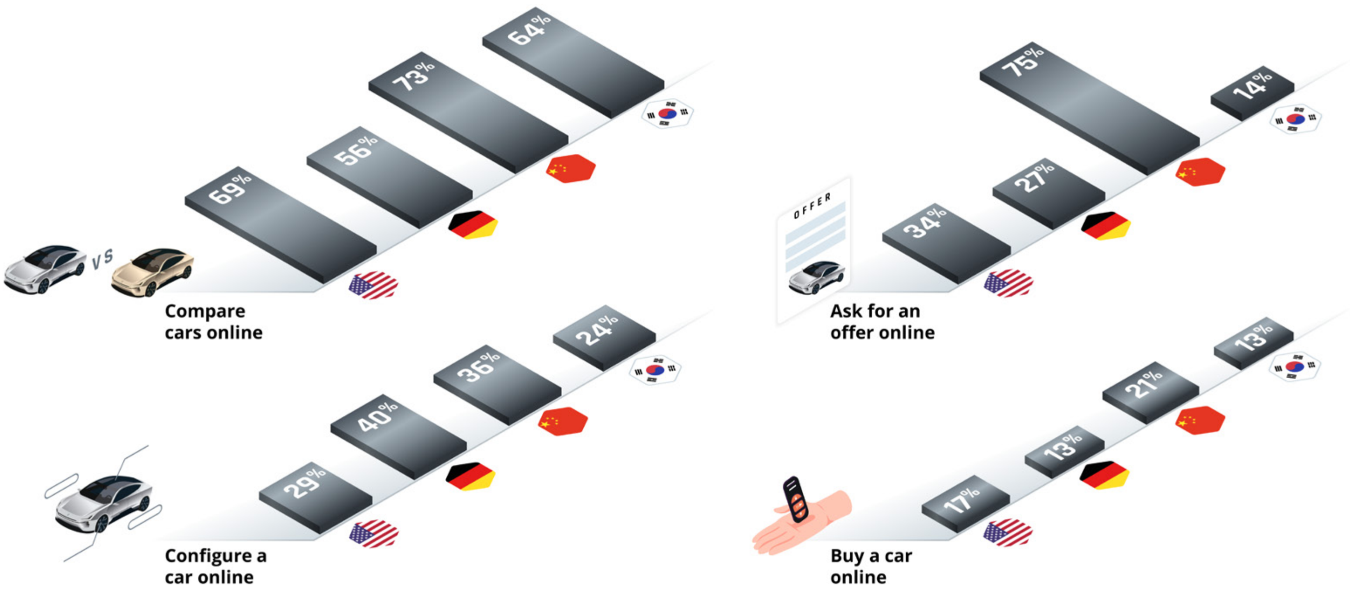


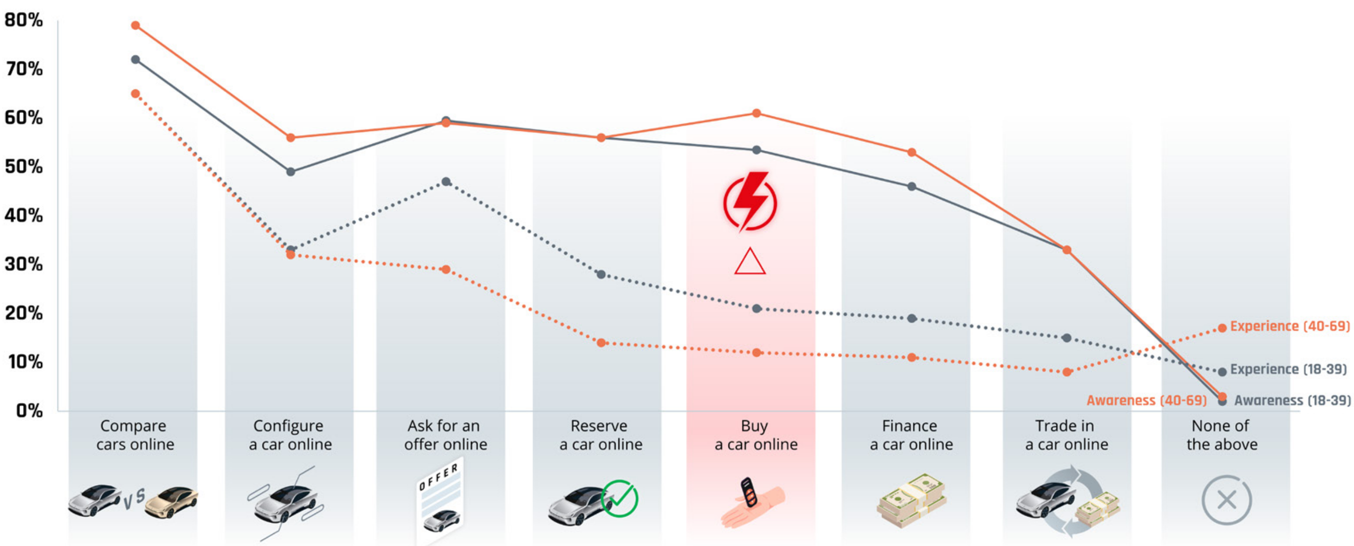
FIGURE 6: WHICH OF THE FOLLOWING ACTIONS RELATED TO BUYING A CAR HAVE YOU DONE ONLINE?



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

It is also worth noting that while the older target group is somewhat more aware of online use cases, they are more reluctant to act on their knowledge (see chart below). The lesson is there are two challenges for OEMs seeking to convert customers to online channels. One is to increase awareness in specific target groups and specific markets, by focusing marketing and crafting messages in areas where the knowledge deficit is greatest. The other is the challenge of turning awareness into action, by demonstrating the advantages (e.g., speed, flexibility and availability) of online journeys, and by removing any obstacles that make the online experience less than seamless.

FIGURE 7: WHICH OF THE FOLLOWING ACTIONS DO YOU KNOW THAT YOU CAN CARRY OUT ONLINE ON A CAR MANUFACTURER'S WEBSITE AND WHICH ONE YOU ALREADY HAVE DONE ONLINE?



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

4

BUILDING BETTER CUSTOMER JOURNEYS

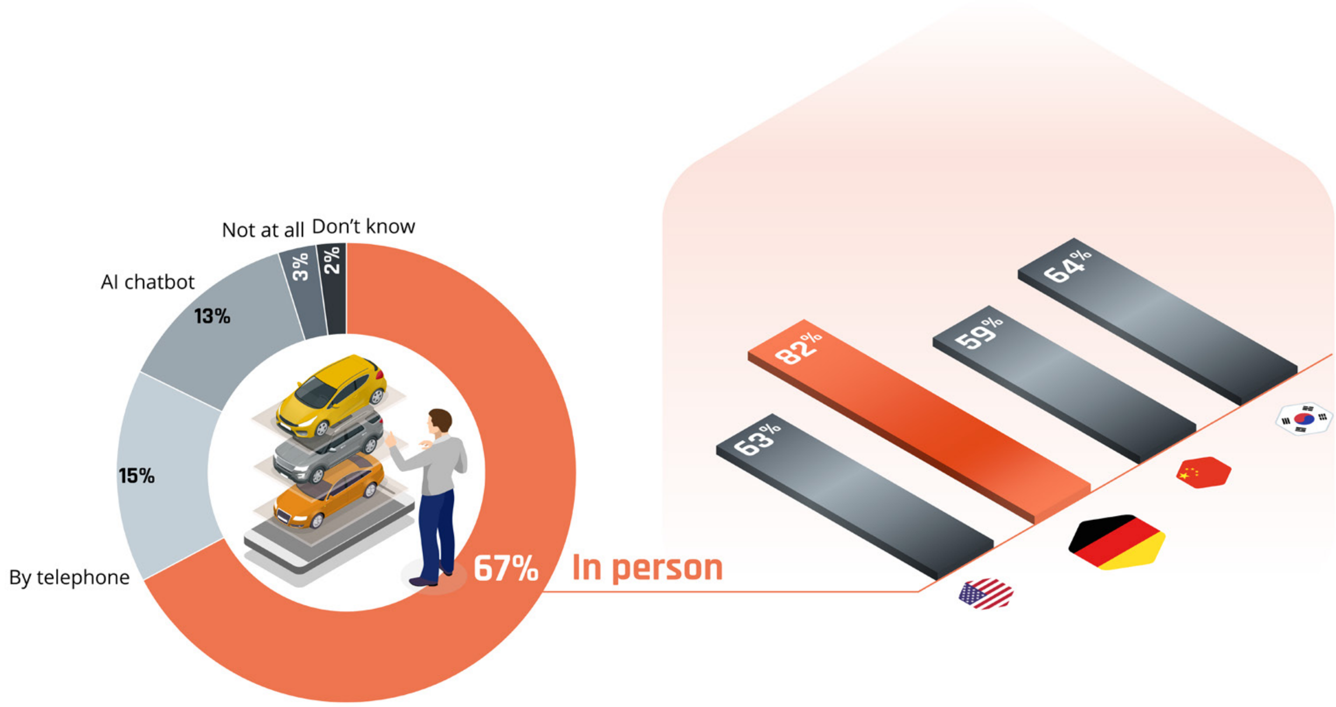
The survey data clearly indicates a large gap that needs to be bridged to achieve targets of 25% to 50% of sales through online channels. While OEMs have frequently replicated the offline journey step-by-step in the digital journey, that may be less than optimal. It is important for OEMs to improve their understanding of how and where customers prefer to be informed and consulted, and which steps of the journey they actually wish to complete online instead of through a dealer.

CUSTOMERS STILL FAVOR PERSONAL CONSULTATIONS.

Purchasing a car is often one of the most significant transactions in a person's life. It is a non-routine purchase, which means many customers have limited experience of it – certainly much less experience than the sales advisor. It was in part to address this knowledge gap that OEMs introduced the agency sales model, with the intention of providing a more service-oriented and less sales-driven experience. Additionally, OEMs have implemented various sales and consulting channels, such as AI chatbots and phone support, to further assist customers in the absence of traditional dealer consultations.

However, our survey reveals that many customers still prefer in-person consultation at the dealership as their advisory channel. Germany stands out with a remarkable 82% of respondents citing the dealer as their preferred channel. In addition, in all markets it appears that people interested in BEVs are not only more progressive in their choice of engine but also more receptive to other new technologies. This is reflected in their preference for chatbot consultations, with 15% favoring this option compared to just 9% of the more hesitant ICE buyers.

FIGURE 8: HOW WOULD YOU LIKE TO BE ADVISED WHEN BUYING A CAR?

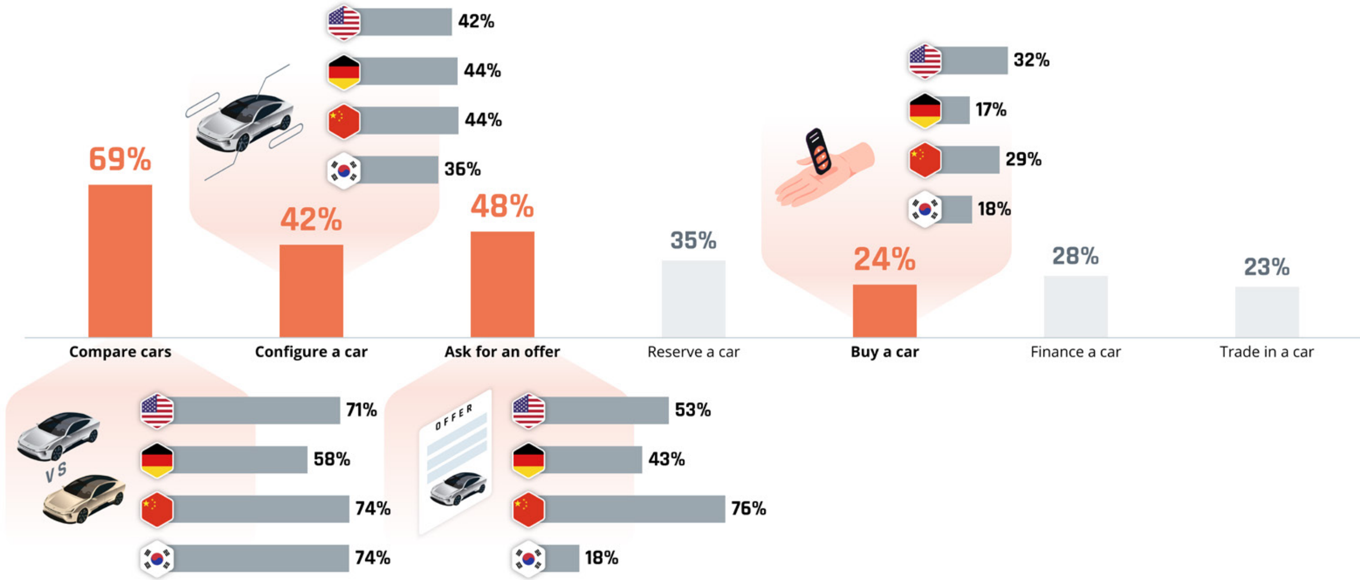


Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

THE VOICE OF THE CUSTOMER REMAINS UNHEARD.

To better understand which features potential auto buyers find essential for a successful online experience, and which steps along the journey they would prefer to complete online rather than at the dealership, OEMs need to listen to the voice of the customer. And our survey shows that currently, only a minority of customers consistently prefer online channels for all the functions in the auto purchase journey.

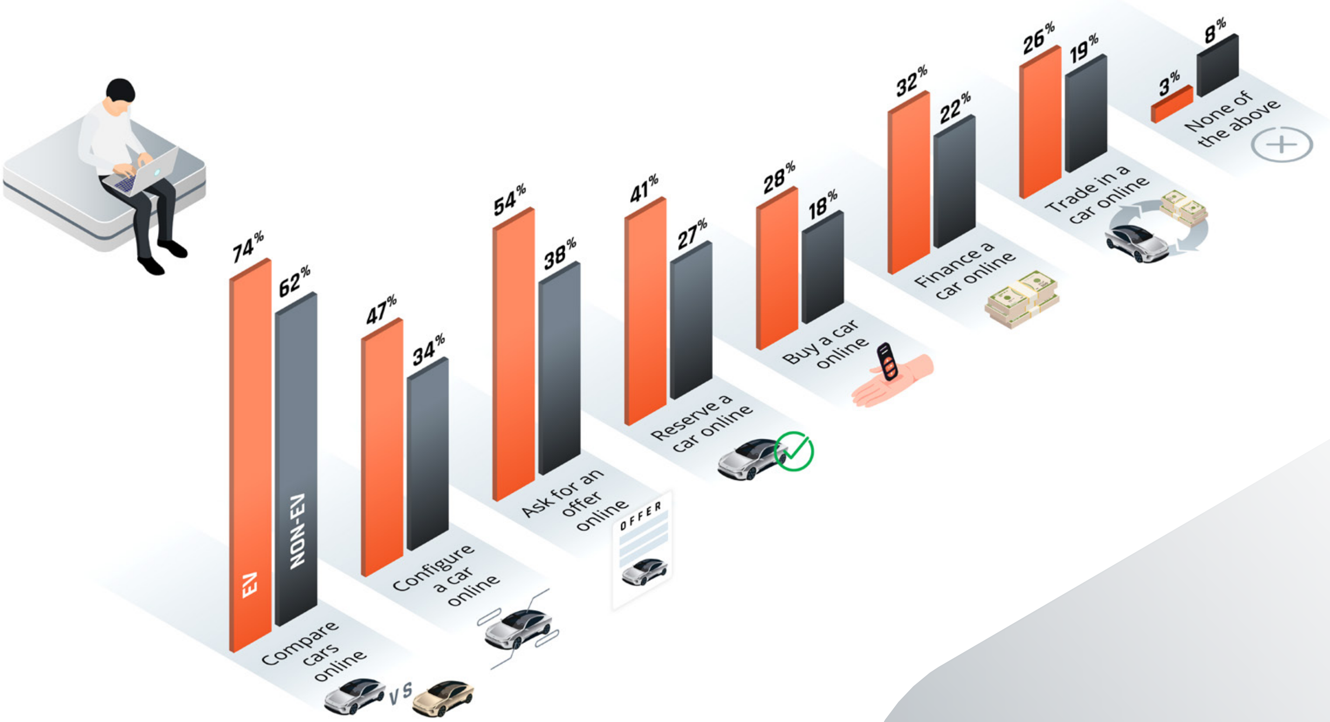
FIGURE 9: IF YOU WERE BUYING A CAR, WHICH OF THE FOLLOWING ACTIONS WOULD YOU PREFER TO DO ONLINE ON A WEBSITE RATHER THAN OFFLINE AT THE DEALERSHIP?



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

While this overall result may be disappointing for online enthusiasts it is important to unpick the detail in what these numbers tell us. In fact, 24% of all respondents actually prefer to purchase a car online (close to the 25% online sales targets that Mercedes-Benz and BMW have set for 2025, for example). While most respondents from Germany are unenthusiastic about online purchases, in other markets such as the US and China the potential for online sales is around 30%, and in the US as many as 40% of respondents would prefer to finance a car online. Buyers in the younger demographic segment (aged 18 to 39) are also somewhat more receptive to digital engagements, especially in the financial stages of the customer journey.

FIGURE 10: IF YOU WERE BUYING A CAR, WHICH OF THE FOLLOWING ACTIONS WOULD YOU PREFER TO DO ONLINE ON A WEBSITE RATHER THAN OFFLINE AT THE DEALERSHIP?



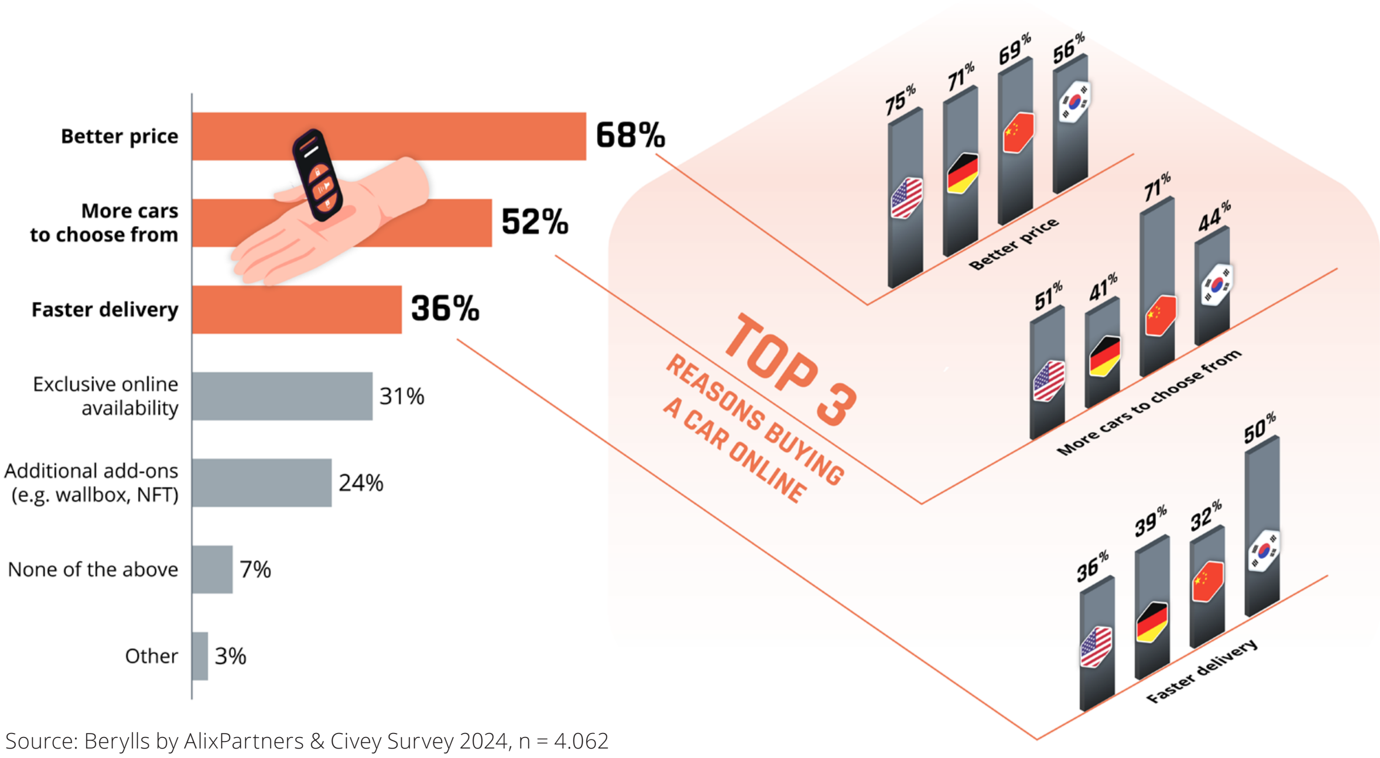
Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

All of this indicates that a proportion of customers that is in line with OEM online sales targets is indeed willing to purchase vehicles online. To capture those potential sales OEMs need to concentrate on marketing their online capabilities to the appropriate customer segments with a focus on converting receptiveness into actions.

HOW TO CONVERT CUSTOMERS TO ONLINE CHANNELS

If OEMs are to achieve their online sales targets they need to better understand potential customer motivators. They need offers that stand out from what already exists: while price discounts are important especially in Asian markets, other factors will also prove influential.

FIGURE 11: WHAT WOULD CONVINCE YOU TO BUY A CAR ONLINE RATHER THAN OFFLINE AT THE DEALERSHIP?



Source: Berylls by AlixPartners & Civey Survey 2024, n = 4.062

Auto manufacturers can leverage existing service gaps in specific markets or customer segments and use online offers to close those gaps. For example, in China the limited availability of vehicles creates an opportunity for greater differentiation in online channels, where OEMs can showcase more vehicles beyond those available at the dealership. In Korea meanwhile, many respondents express a strong desire for a faster delivery process. Putting online shoppers at the front of the delivery queue might be a critical offer to convert Korean customers.

While price plays a similar and significant role for both volume and premium vehicles, people interested in premium vehicles show more interest in the range of cars to choose from (58% versus 48% volume customers), more interest in faster delivery (47% versus 30%), and more interest in additional add-ons (32% versus 20%). These differentials also suggest opportunities for premium OEMs to create attractive online offers for their customers.

TRANSFORMING DIGITAL AUTOMOTIVE COMMERCE

Key Takeaways

1. **HERE TO STAY:** Post covid hype – where vehicle availability was limited & willingness to pay was high – is over! Yet, Digital Automotive Commerce is here to stay, as some customers (especially EV customers) prefer digital over physical touchpoints. OEMs must create a decisive and clear USP (over offline retail) for customers when deciding to drive online sales

2. **ONLINE SALES AWARENESS:** Still a significant number of customers do not know about the possibility to buy online – as communication for sales is rather allocated in the retail arena – OEMs need to go towards a more transactional (incl. prices) communication

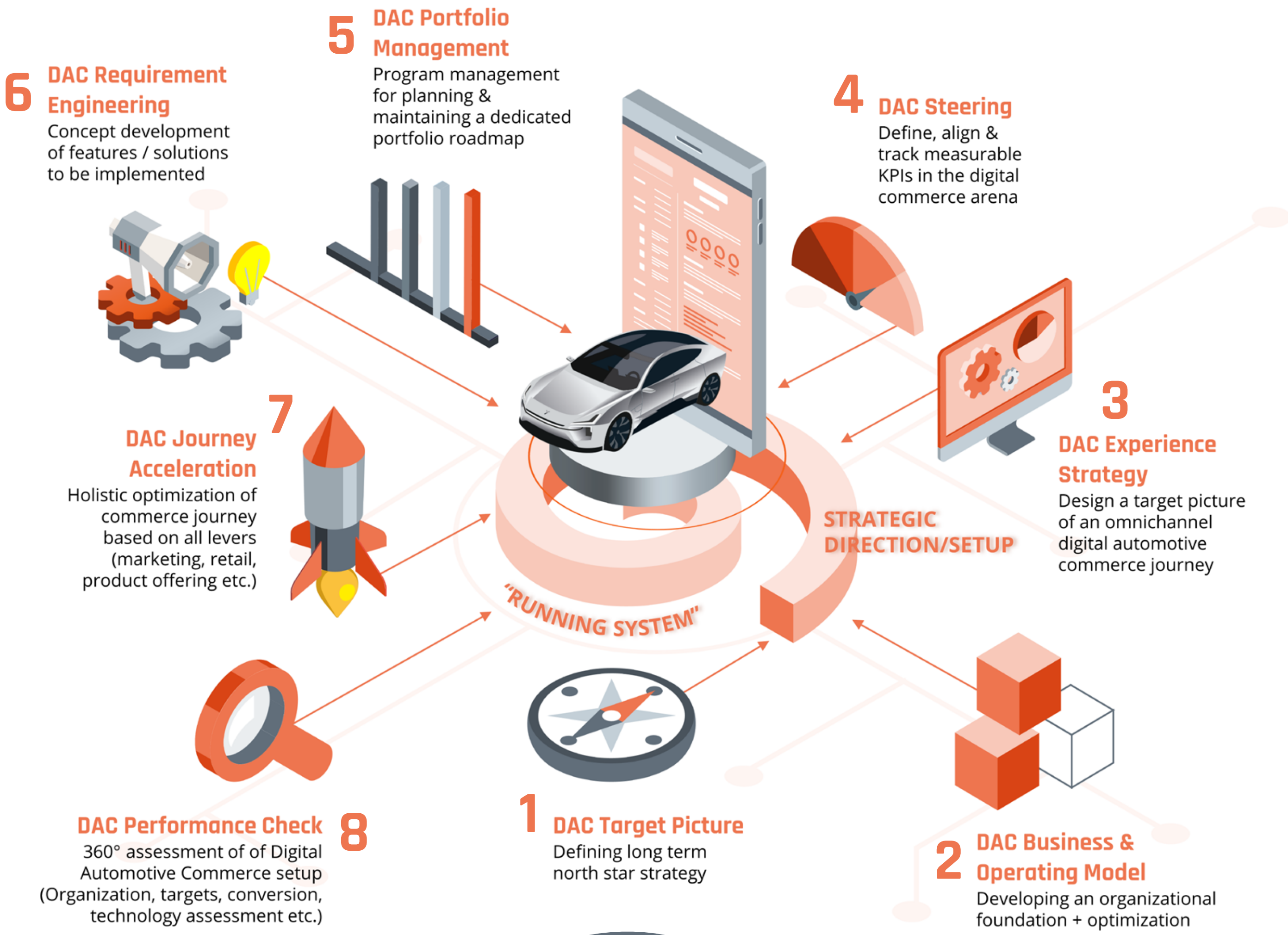
3. **„POWER OF CHOICE":** In parallel, OEMs need to enable the customer to switch between online & offline (a.k.a. "true omnichannel") – Especially for more complex steps such as trade-in and financing and price negotiations, OEMs must create digital journeys forwarding hot leads to the dealer to be converted for the neuralgic sales steps

4. **ROLE OF THE DEALER:** Speaking of offline: The dealer role is and will remain critical, especially for digital sales as retail is "part of the system" – also the customer requests advice primarily in person, which can also be enabled using digital channels (e.g. via virtual consultation)

5. **FOCUS FOCUS FOCUS:** There is no one fits all solution for digital sales journeys – neither across the age groups, nor across the countries. Therefore, OEMs must create straightforward features (always check for conversion) for their target groups (B2C, B2B etc.) with the right offering (assortments) across different markets while aligning with activation & marketing activities

6. **CONVINCE THE SCEPTICS:** Though 24% may want to purchase their next vehicle online, three quarter are not convinced yet. Besides a decisive USP and a more attractive offering, the customers need to be educated online through tutorials and testimonials, but even more through a dedicated offline to online campaign, incentivizing dealers to offer a seamless journey switch back and forth

WE ARE EXPERIENCED IN DELIVERING SOLUTION ALL ALONG THE DIGITAL SALES VALUE CHAIN – BERYLLS BY ALIXPARTNERS DIGITAL AUTOMOTIVE COMMERCE (DAC) OFFERING



Source: Berylls by AlixPartners

If you would like further insights from our study of over 4,000 customers in four countries please reach out to us. We can't wait to discuss your thoughts and your challenges.

GET TO KNOW US.

Berylls by AlixPartners – 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 by AlixPartners stand out with their broad experience, their profound industry knowledge, their innovative problem-solving competence and, last but not least, their entrepreneurial thinking.

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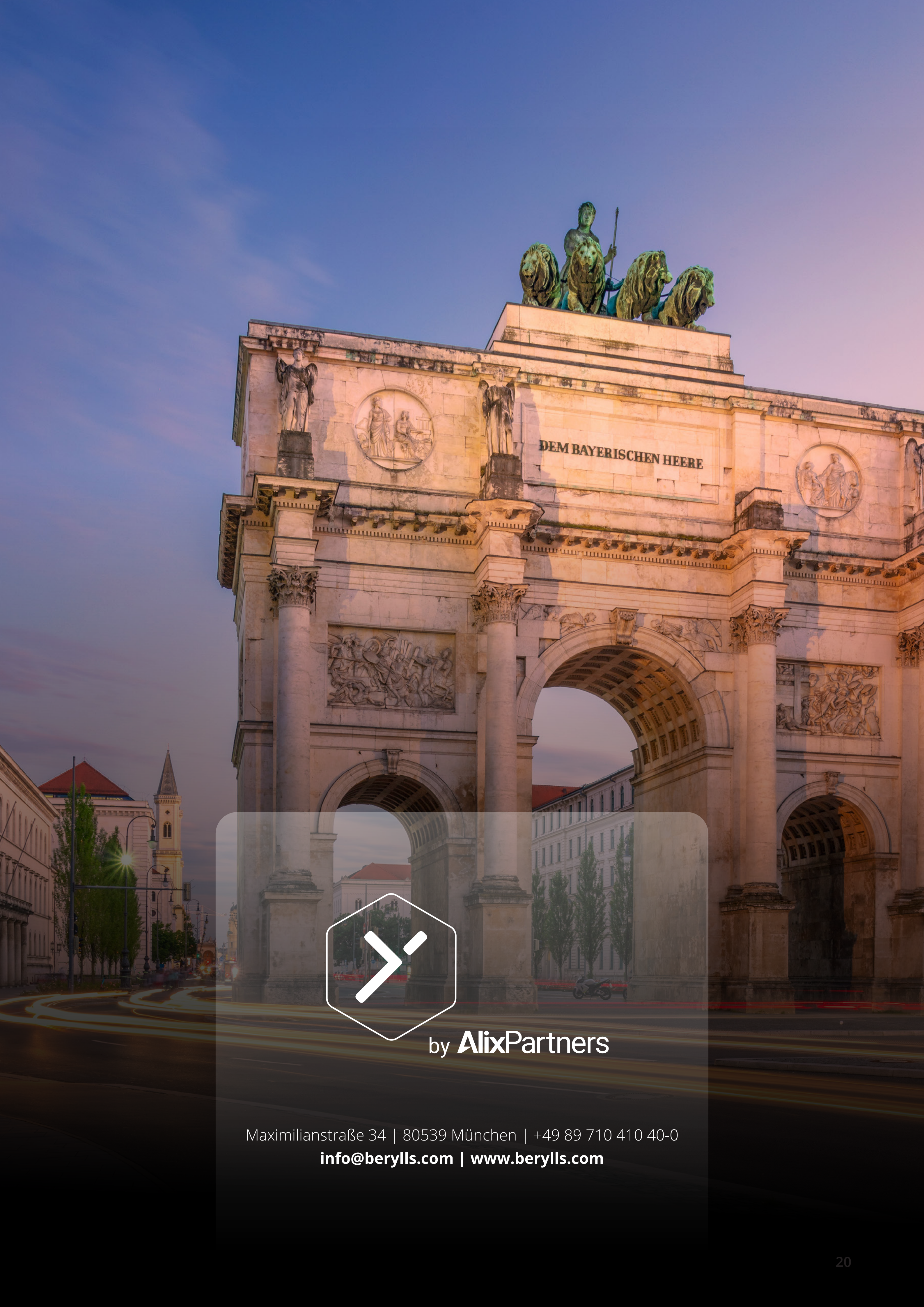

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