

How to Meet the Demands of Today's Knowledgeable Car Buyer



Contents

3	Executive Summary
4	Why dealerships need to rethink the customer experience
4	Online research means more knowledgeable customers
6	Less inventory, more options
6	Pricing pressure
7	The need to rethink the customer experience
7	Immersive technologies deliver the customer experience of the future
8	Furnish a seamless and personalized in-store and online experience
9	Enable customers to self-configure vehicles
9	Personalized sales assistance
10	Improve the car delivery experience
10	Analytics—Increase sales and operational efficiency
11	Conclusion

Executive summary

Digital technology has utterly transformed the car-buying experience. While customers once relied on auto dealerships to provide everything they needed to make their car-buying decision, they now do the bulk of their research online. This trend will only accelerate. Many buyers would be all too happy to complete the entire purchase process—from research to financing—online.

Even when customers do step into the dealership, the relationship has become far less personal. While many customers still go to dealerships for a test-drive, they have strong incentives to purchase the vehicle from a different, cheaper source.

Dealerships can compete in this new car-buying environment. But not by sticking with business as usual. They need to rethink the car-buying experience they provide to their customers to make it more compelling, more engaging, more informative—even more fun. The face-to-face experience in a dealership must exceed expectations and delight the customer.

This white paper describes how new immersive technology can enable dealerships to do just that. These new technologies create a compelling and completely personalized in-store experience that answers customers' questions fast. More importantly, these solutions collect data from actual customer interactions and provide analytics to enable dealerships to continually improve that experience to further bolster competitive advantage. Better yet, these technologies are completely scalable. Dealerships can start small and add new capabilities as necessary to address new emerging demands.

Why dealerships need to rethink the customer experience

Not so long ago, the auto dealership was the center of the car-buying universe. Customers gathered most of their information regarding makes, models, and options from dealership sales associates. After narrowing their choices, customers could take their picks from well-stocked dealerships and go for test-drives.

Today, the way customers shop for cars has been revolutionized due to the online proliferation of vehicle information and reviews. These changes, in turn, are driving the need for dealerships to reevaluate their in-store experiences.

Online research means more knowledgeable customers

Two-thirds of auto buyers refer to online information,¹ according to a recent survey by cars.com, Insights, and C+R Research. The top three customer influencers are consumer reviews (46%), search engines (45%), and local dealership websites (44%).²

Top three customer influencers

Consumer Reviews	46%
Search Engines	45%
Local Dealership Websites	44%

With online sources placing so much information at their fingertips, auto buyers have been making fewer, more focused visits to dealerships. While auto shoppers paid an average of 4.5 visits to dealerships in 2005; that number plummeted to 1.5 by 2013.³

Average visits to dealerships

2005	4.5
2013	1.5

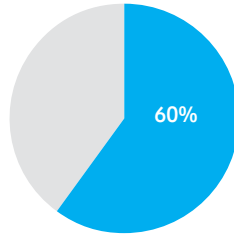
¹ https://dealers.cars.com/assets/pdf/auto_marketing_digital_influence_study.pdf

² <http://pub.lucidpress.com/netsertiveautosurvey/#HFQhYtu8kz7D>

³ https://dealers.cars.com/assets/pdf/auto_marketing_digital_influence_study.pdf

If it were up to consumers, they'd do even more online. Sixty percent of respondents to a 2016 CapGemini survey of U.S. consumers said they'd be willing to buy a new car online, and 60 percent said they want to avoid sales pressure at the dealership.⁴

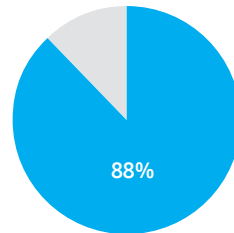
60% of U.S. consumers said they'd be willing to buy a new car online and avoid sales pressure at the dealership⁴



But despite the fact that customers visit dealerships less often than they used to, dealership visits remain essential to the car-buying process. The flood of available—sometimes conflicting—information has created growing confusion as to which sources to trust. Customers look to dealerships to help them evaluate their research findings, test-drive vehicles, and negotiate prices.

More importantly, nothing replaces the experience of seeing, touching, smelling, and test-driving a new car. In fact most customers (88%) won't purchase a vehicle without a test-drive.⁵

88% of customers won't purchase a vehicle without a test-drive⁵



Unfortunately, even when customers want to come in for a test-drive, the Internet is reducing the dealership's ability to build a relationship, since customers want to schedule a test-drive online. Furthermore, with today's online tools, auto shoppers frequently go to dealerships to get test-drives with no intent to buy. They purchase the vehicle from other, less expensive sources, such as auto brokers, personal auto

shopping services, or through email, selecting the dealership that can commit to the lowest price. In other words: impersonal technology is replacing the interpersonal relationship between the car buyer and the dealership salesperson.

⁴ <http://www.chicagotribune.com/classified/automotive/sc-dealer-franchise-model-autocover-20170511-story.html>

⁵ <http://www.v12data.com/blog/90-car-shoppers-prefer-dealership-where-they-can-start-buying-process-online/>

Less inventory, more options

When potential customers visit a dealership, most aren't looking for the base model. They usually want to see their vehicle of choice customized with the options they've selected.

Yet delivering on this demand is nearly impossible for most dealerships. First of all, the number of available choices is overwhelming. Over the past 15 years, the total number of available models has increased considerably—from 223 in 2000 to 275 in 2016.⁶ Unlike other expensive consumer goods, each vehicle comes in a near-infinite number of variations due to colors, models, options, and accessories.

Over the past 15 years,
the total number of
available models has
increased considerably⁶



Dealerships are unable to tie up too much capital in the current year's models when they know they'll need to soon move out inventory to make way for the next year's models. Additionally, manufacturers can only provide dealerships with a sampling of vehicles to keep on hand. This assortment may not include top-of-the-line models that so often appeal to customers.

Pricing pressure

Having considerable information available online also means that customers are much better informed about pricing. They know the MSRP and dealer invoice costs, they can see comparables from actual car sales, and they can determine the true cost of ownership.

With more educated customers, traditional sales negotiating strategies that once boosted profits are no longer as effective. Customers now walk into the dealership with greater awareness of these strategies.

Instead of using traditional sales tools and strategies, sales associates now need to impress customers with an authentic relationship and guide them to what they want, rather than pressuring them to buy what management wants to sell.

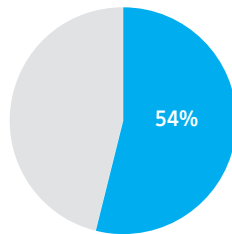
⁶ <https://www.statista.com/statistics/200092/total-number-of-car-models-on-the-us-market-since-1990/>

The need to rethink the customer experience

Dealerships' most profitable price-negotiating strategies are becoming a thing of the past. Since customers are more educated and making fewer visits, dealerships are finding themselves under pressure to cut back on one of the key things customers demand—the ability to experience the exact vehicle of interest in person. How can dealerships meet the needs of their modern, educated auto buyer?

Customers are looking for a better car-buying experience. According to a recent survey by Autotrader, 54 percent of customers say they would buy from a dealership that offers their preferred experience, even if it didn't have the lowest price.⁷

54% of customers say they would buy from a dealership that offers their preferred experience⁷



To provide the best customer experience, dealerships need to provide premium service that helps customers complete the buying process faster, more efficiently, and more enjoyably. This means that dealerships need to offer a consistent experience across showrooms and online resources, provide customers with service without the wait, and ensure that sales associates are knowledgeable

enough to answer questions quickly. Dealerships must also enable customers to experience their vehicle of choice—even with fewer inventories on hand.

Immersive technologies deliver the customer experience of the future

Although technology has caused considerable disruption for dealerships, technology can also be part of the solution.

Immersive digital technologies are now available to support the sales process and help dealerships strengthen relationships with customers by offering a more valuable, friction-free shopping experience.

These technologies make shopping for cars more enjoyable and engaging. By gamifying the experience with virtual reality and artificial reality, they turn the dealership into an interesting destination that customers look forward to visiting again. Simultaneously, these technologies allow dealerships to collect real-time, in-store data that enables them to continually improve their showroom to boost sales and enhance operational efficiency.

The examples below illustrate how dealerships can use these technologies to deliver a superior customer experience that will attract potential buyers into the showroom.

⁷ <http://www.v12data.com/blog/54-consumers-would-buy-dealerships-who-provide-better-experiences-compared-lower-prices/>

Furnish a seamless and personalized in-store and online experience

As customers increasingly rely on both online and in-store resources to make their buying decisions, they look for a consistent and personalized experience that spans both resources. New digital technologies enable auto dealerships to meet this expectation.

The dealership can now display content-targeted promotions for particular demographics on strategically placed large-screen monitors throughout the showroom. These targeted messages can highlight the most suitable options and accessories based on customer segment analysis—and drive upselling.

As the customer proceeds through the showroom, the technology captures data about the customer's journey and where they spend more time, as well as how they interact with both the content on digital signage and cars in the showroom. Analytics can be performed on this information that can enable the dealership to ultimately improve the in-store customer experience. For example, this type of analytics might provide insights that a manager can use to improve the showroom floor plan.

This technology can also create a “digital catalog” for all of a customer's interactions in the store to ensure that the customer doesn't have to rely on their memory or on easily misplaced paper notes. These interactions include self-configurations, virtualized experiences, and personalized recommendations from sales associates.

After customers leave the dealership, they can later access their digital catalogs to review their in-store experience or share the experience with others. This can be done on mobile devices or personal computers. The dealership has insight to customer buying intent and frequency of information updates to identify when a particular customer is close to purchase and provide targeted content. The buying intent includes seeing how often customers visit, which areas of the dealership caught their attention the most, and how much they interacted with displays within the dealership and their use of applications outside the dealership. These engagement levels can help measure the responsive activity of the sales team.

Technology can also help dealerships deliver content in a consistent manner across their operations. Sophisticated content-management capabilities enable dealerships to easily manage complicated governance structures to distribute content more effectively. For example, store managers can take content about seasonal promotions from headquarters and upload it to the local systems they use to schedule the displays in their stores. This allows large dealer groups to deliver consistent customer messages to customers across the organization while giving individual stores the freedom to control content delivery.

Enable customers to self-configure vehicles

Although customers perform a great deal of research online, once at the dealership, they often continue to gather information about specific trim levels and options. New digital technologies improve the in-store experience by making it easier for customers to gather and save this additional information.

Dealerships can install large-screen displays that allow customers to browse and configure vehicles with selected options and compare options and configurations. As customers make their choices, the technology can save these interactions in the digital catalog for later review. This makes the entire experience even more helpful and convenient.

In dealerships with limited room for inventory, sales associates can use virtual reality to showcase car models that are not available on-premises. The associate simply gives the customer a Gear VR, and they can virtually experience the configurations and colors for their chosen vehicle. With a tablet, the sales associate can simultaneously view the content from the customer's perspective and even control it. Customers benefit from a full, in-person experience for every vehicle option they are considering while the dealer minimizes the expense of in-store inventory.

Personalized sales assistance

One of the main reasons customers go to dealerships is to ask sales associates questions. The more knowledgeable the associate, the better the customer experience. New digital technologies enable sales associates to provide better, more personalized information that fills the gaps from online information sources.

With these technologies, customers interacting with the large-screen display in the dealership can ask for immediate support from a sales associate at any time with the click of a button. An associate can be notified on their mobile or wearable device and given the customer's name and in-store location. Customers are free to ask for help whenever they want without feeling pressure from sales associates or having to take the time to find a representative.

Because customers have already identified themselves when they entered the dealership, the sales associate can come prepared with information on their in-store browsing history and preferences. The associate is empowered to provide a personalized consultation and can recommend the vehicle that best meets the customer's needs and preferences.

The sales associate can dynamically present information and recommendations using a tablet that is synchronized with the large-format display screen. Not only is this a more exciting and engaging experience, it eliminates the need for sales associates to waste time hunting for information and bringing it back to the customer. Since information can be presented rapidly, there's less confusion and wasted time.

Improve the car delivery experience

Every time a dealership interacts with the customer, it has a chance to burnish or tarnish its reputation. The dealership should therefore take the opportunity of the vehicle delivery experience to enhance the customer experience. Immersive digital technologies enable the dealership to deliver a personalized experience at the point of pickup. Dealerships might, for example, display messages congratulating the customer on their new vehicle in audiovisual format or deliver online training for sophisticated on-dashboard features and apps.

Analytics—Increase sales and operational efficiency

Wherever customers interact with dealership systems, whether online or in-store, immersive digital technologies collect real-time data. Analytics can enable dealerships to take advantage of this data to further improve the customer experience, boosting sales while increasing operational efficiency.

INCREASE SALES

Because the technology follows customers' experiences as they walk through the showroom, dealerships have the opportunity to:

- Analyze the number of customers entering and exiting the showroom in real time
- Classify the sales floor into multiple zones and count the number of visitors to each zone
- Create a heat map that analyzes customer dwell time in specific areas to identify products of interest

This data gives managers a better understanding of conversion rates at each stage of the sales experience. Managers can also use this data to generate new insights that can help increase customer engagement. For example, they can develop more effective product placement, optimize the dealership layout, improve staffing schedules, or design better product promotions.

IMPROVE OPERATIONAL EFFICIENCY

Utilizing data can also enable dealerships to manage digital devices used across the store. The solution allows information technology (IT) managers to centrally monitor anomalies, on/off status, and network errors of digital devices, then notify the appropriate staff as necessary for immediate action. This increases the operational efficiency of the IT department while minimizing downtime.

A SOLUTION FOR EVERY DEALERSHIP

Engaging the customer using interactive and immersive technologies doesn't have to be costly. Dealerships have the option of starting small and growing from there. For example:

- Solutions are available to digitally enhance pop-up stores in malls and other locations with extremely tight space and provide a rich brand experience without any actual cars.
- Small- or medium-size dealerships that only display a few vehicles in their showrooms can use immersive digital technology to allow customers to explore all available models and options.
- The digital experience can also complement large traditional dealerships with many cars on-site by identifying the exact vehicle and options digitally without having to wander around large lots trying to find the right car.



Conclusion

The number one criteria for customers choosing and then **remaining loyal to a dealership is the service and experience a dealer provides**. New immersive technologies provide the platform for dealers to create an interesting, helpful, and memorable experience throughout the buying journey. Customers benefit from a consistent online/offline experience, education about car configurations on a large screen, virtual test-drives, and a “digital catalog” to take home and share. These technologies simultaneously collect in-store data for use in analytics. Analytics can empower dealerships and auto OEMs to make data-driven decisions that optimize their sales and continually improve the customer experience to deliver a lasting competitive advantage.

About Samsung SDS America, Inc.

Samsung SDS America (SDSA) is the U.S. subsidiary of Samsung SDS, a \$8B global software solutions and IT services company. SDSA helps companies optimize their productivity, make smarter business decisions, and improve their competitive positions in a hyper-connected economy using our enterprise software solutions for mobility, security and advanced analytics.

Contact Us

To learn more about Samsung SDS America, Inc. visit www.samsungsd.com/us/en or email us at bd.sdsa@samsung.com.