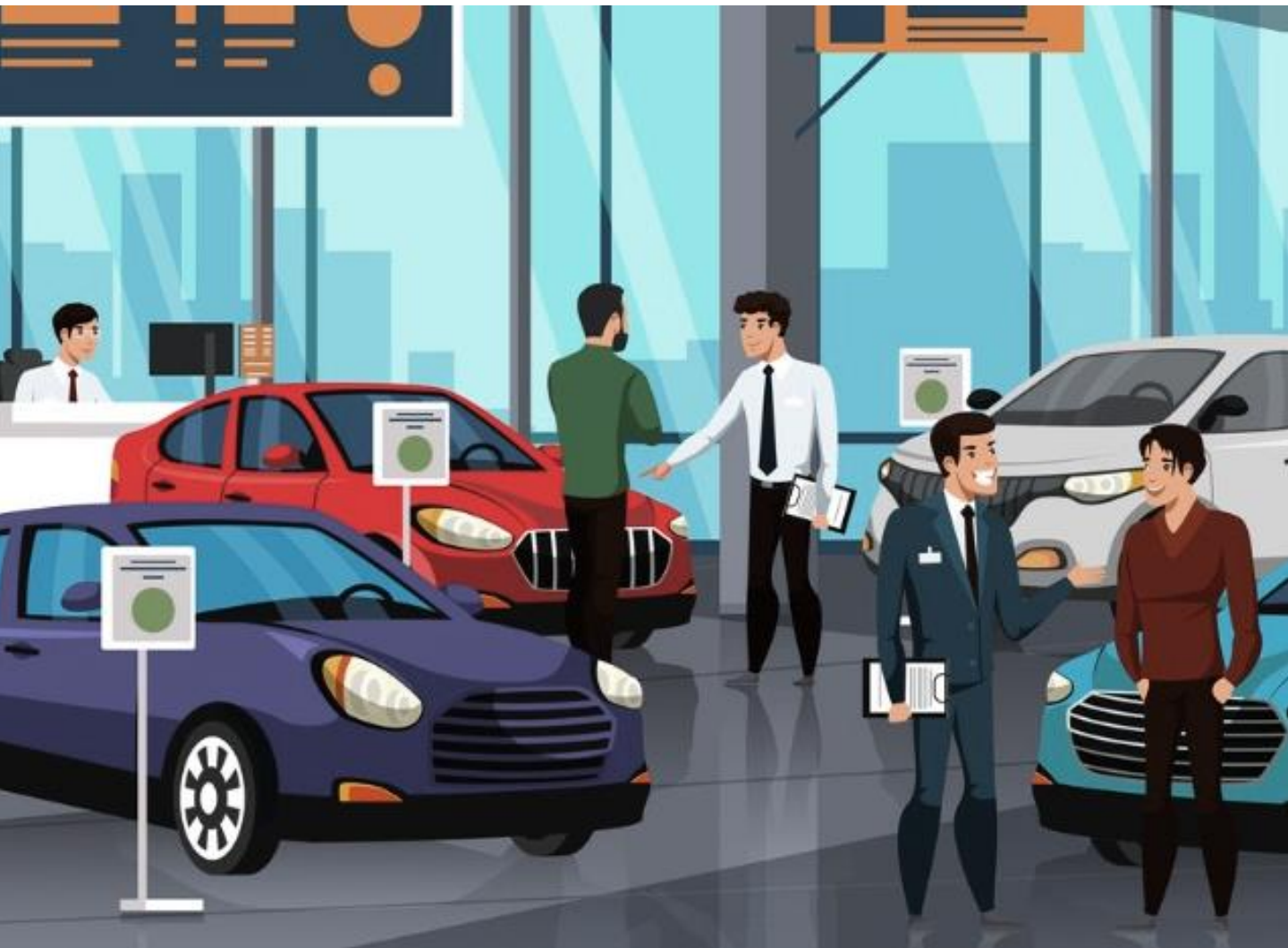


5 Reasons New Car Retailing Needs to be Digitized Now



Author



Dr. Thomas K. Hamann

T. K. Hamann Gesellschaft mbH
Executive Director

Car dealers in Germany have opened again ca. four weeks ago. But the situation has hardly changed since then; new car sales are still down (Helmut Kluger in Automobilwoche 11/12 2020). Do customers simply no longer want to buy new cars? Or is this due to hurdles that can be lowered by dealers, e.g. through digitization?

#1: People Want to Buy New Cars Again

On March 13, 2020, the German Chancellor Merkel had asked to cancel all non-essential events and to stay at home. As a result, Google searches for the keywords “Auto kaufen” (buying a car) and “Neuwagen” (new car) plummeted massively. In calendar week 16 the first eases of the curfew were announced. After that, the number of those Google searches rose sharply again (Exhibit 1).

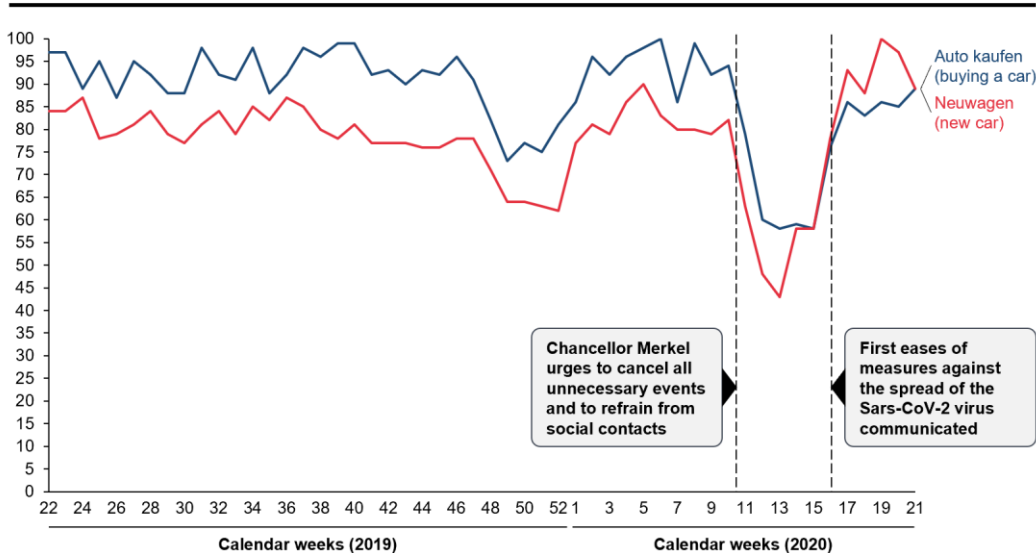
On carwow Germany, i.e. a car buying comparison site, the number of new car configurations has been growing again since mid-

April. In mid-May, a level 20 percent higher than at the beginning of March was reached (Exhibit 2).

The number of inquiries to car dealers via carwow Germany shows a similar trend. However, they have not yet returned to the level of early March (Exhibit 3).

On carwow, there are two types of inquiries to car dealers—by message or phone. Phone calls point to a much stronger buying intention than messages. This is why a high proportion of phone calls is desirable. Indeed, an increasing number of phone calls has been seen since mid-April. The number of phone calls even exceeded the number of messages (Exhibit 4).

EXHIBIT 1
SEARCH INTEREST ON GOOGLE OVER THE LAST 12 MONTHS, GERMANY
IN PERCENT*



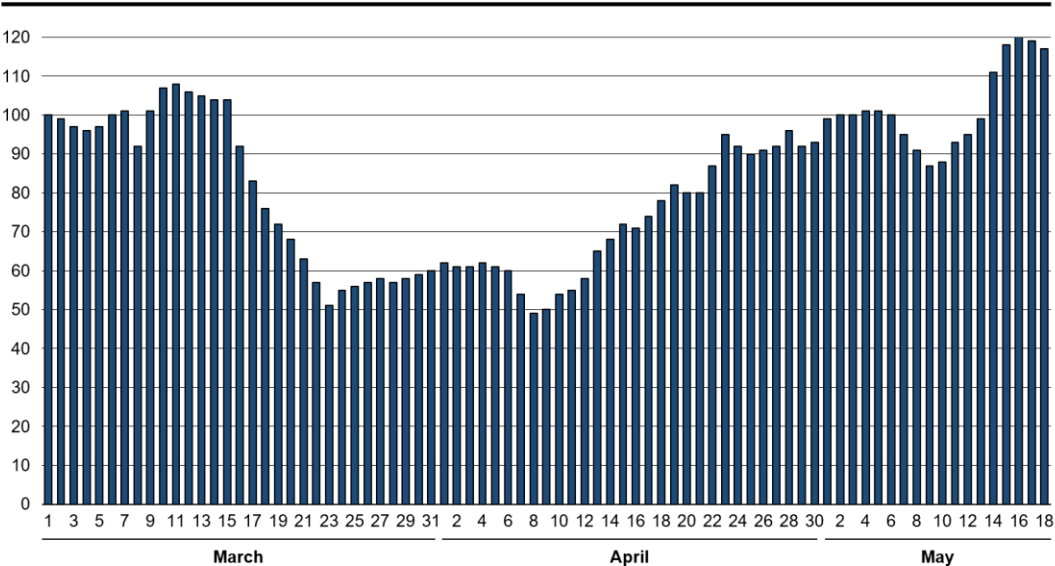
* The values indicate the search interest relative to the highest point in the chart for the selected region in the specified time period; the value 100 represents the highest popularity of this search term

Source: Google Trends; tagesschau.de; absatzwirtschaft.de

5 Reasons New Car Retailing Needs to be Digitized Now

EXHIBIT 2

CAR CONFIGURATIONS BY CUSTOMERS, GERMANY 2020*
IN INDEX POINTS

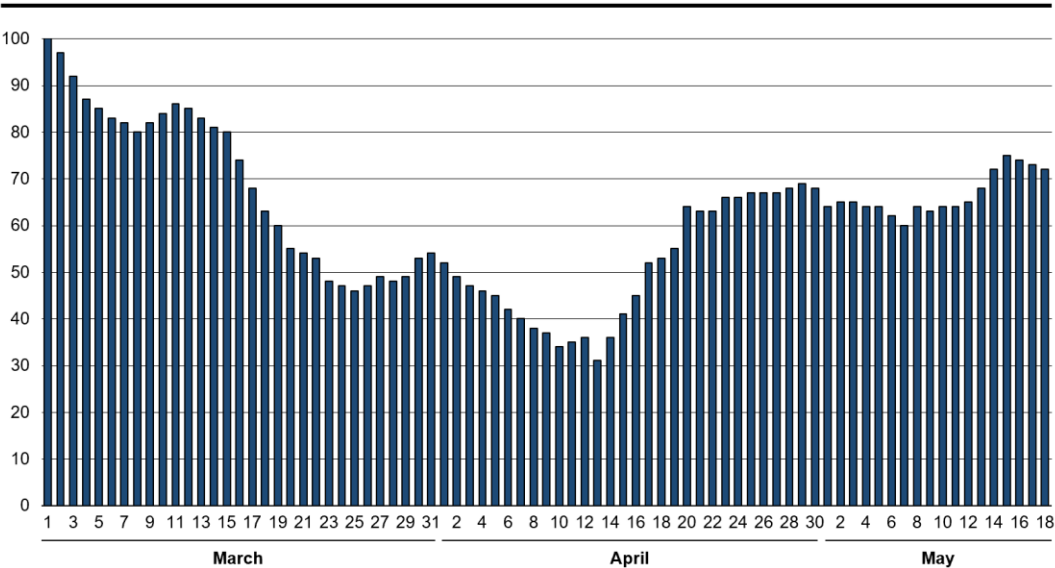


* On carwow.de
Source: carwow



EXHIBIT 3

CUSTOMER INQUIRIES TO CAR DEALERS, GERMANY 2020*
IN INDEX POINTS

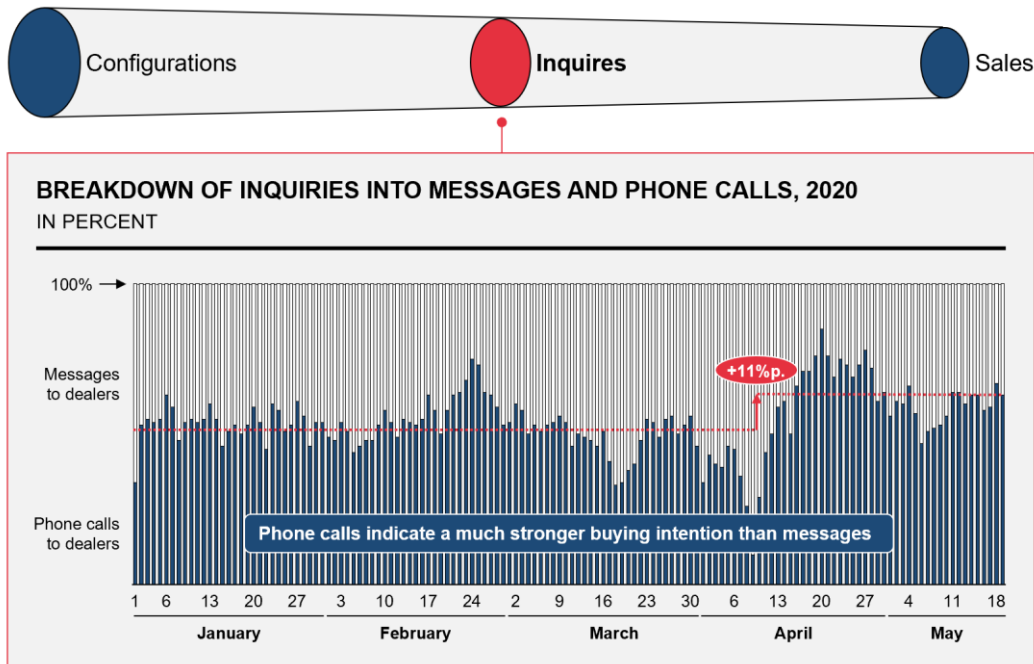


* On carwow.de
Source: carwow



5 Reasons New Car Retailing Needs to be Digitized Now

EXHIBIT 4



Source: carwow

T.K. HAMANN
digital lab

MING LABS

All these facts indicate that there is great interest in buying new cars again.

Nevertheless, new car sales are not really picking up again. Most car dealers bemoan the current state of their business. Last week, Autohaus, i.e. a German professional journal, carried out an online survey on this issue with car dealers. 1,224 persons have answered. 72 percent of them are unhappy with their business at the moment. But ca. a quarter are also (very) contented. So, there is—probably with good reason—not every car dealer in a bad mood (Exhibit 5).

In addition, the German industry association Zentralverband Deutsches Kraftfahrzeuggewerbe (ZDK) ran a survey between May 4 and 11, 2020. The question was asked to what extent new car sales declined compared to the same period last year. 1,357 people took part in this survey. Of these, ca. 53 percent stated that they have so far sold only half

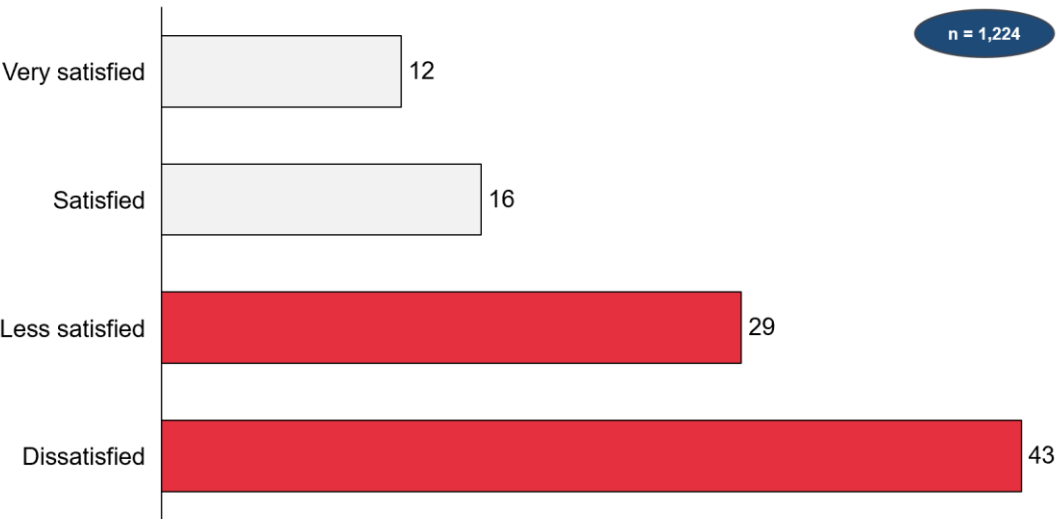
or even fewer new cars compared to the same period in 2019. Around 29 percent complained of a drop in sales between 30 and 49 percent. At around 16 percent, the slump in sales was 10 to 29 percent. And mere 3 percent have only suffered a drop in sales of up to ten percent (Exhibit 6).

Despite the fact that buying interest has risen again, there is thus a strong reluctance to buy. At the moment, there is a discussion in Germany if there should be government grants for new car purchases. This is why some of the people interested in buying a new car do not buy yet. They wait for the outcome of this discussion. But not everyone can or wants to postpone their purchase because of this. However, many of those willing to buy do not come to the car dealerships.

5 Reasons New Car Retailing Needs to be Digitized Now

EXHIBIT 5

PROPORTION OF CAR DEALERS BY DEGREE OF SATISFACTION WITH THE BUSINESS DEVELOPMENT SINCE REOPENING*, GERMANY
IN PERCENT



* Question: For about two weeks now, car dealers in Germany have reopened their showrooms. How satisfied are you with the new start of business so far? (as of May 25, 2020)

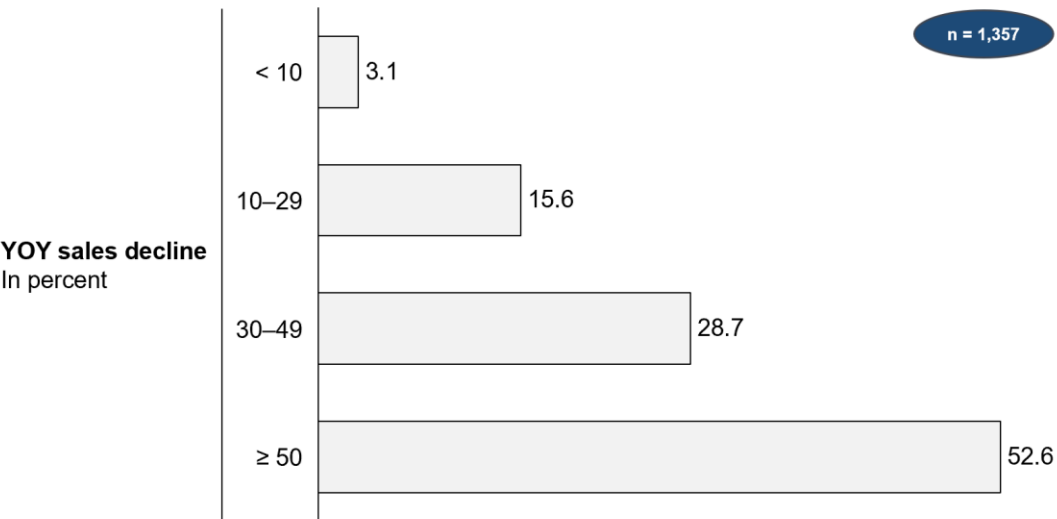
Source: autohaus.de

T.K.HAMANN
digital lab

MING LABS

EXHIBIT 6

PROPORTION OF CAR DEALERS BY DEGREE OF DECLINE IN NEW CAR SALES COMPARED TO THE SAME PERIOD LAST YEAR, GERMANY*
IN PERCENT



* Survey conducted between May 4 and 11, 2020

Source: Zentralverband Deutsches Kraftfahrzeuggewerbe (ZDK); automobilwoche.de

T.K.HAMANN
digital lab

MING LABS

#2: People do Not Necessarily Return to Car Dealerships But Want to Buy Remotely

60 percent of consumers do not like shopping at the moment (INNOFACT Corona-HandelsTracker, as of calendar week 20, n = 1,048). Most of the people feel uneasy during a stay in a re-opened shop and find fault how other customers behave; 85 percent of the respondents only visit shops when it is really essential (INNOFACT Corona-HandelsTracker, as of calendar week 20, n = 1,048). As a result, after the gradual re-opening of the shops, still less is bought in the brick-and-mortar stores.

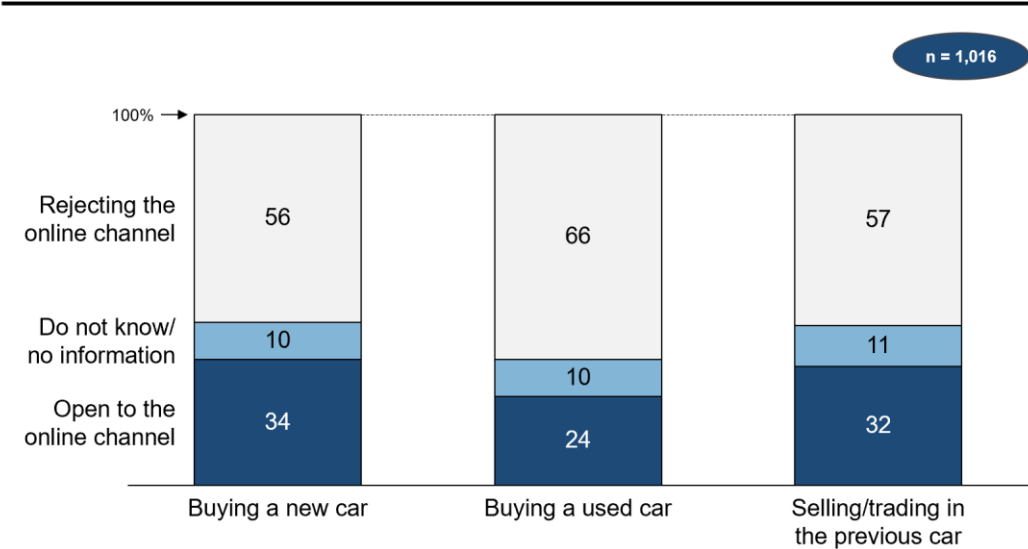
Against this background, it is more likely to convert a lead into a deal if remote buying is offered. In 2017, long before the Corona crisis, 34 percent of 1,016 new car buyers surveyed were already open to the online channel. More-

over, 32 percent of car buyers could also envisage to sell their old vehicle online (Exhibit 7). It is easy to think of how the Corona crisis might have changed these figures.

A survey by carwow Germany showed that at least 87 percent of car buyers want additional services from their dealers these days. In total 69 percent of the people surveyed want additional services to reduce the need to visit a dealer. These measures are listed below:

- Complete online purchase without visiting the dealer
- Test drives with disinfected vehicle delivered to your home
- Delivery to your home free of charge
- Online video consultations to virtually explore available vehicles

EXHIBIT 7
PROPORTION OF CAR BUYERS WHO CAN IMAGINE AN ONLINE TRANSACTION, 2017*
IN PERCENT



* Question: Please think about it for a moment: Could you generally imagine to complete the purchase of a new car and also the sale of your current/previous vehicle completely online in the future?

Source: TÜV Nord, Autohaus and effisma group

If dealers offer these services, they receive more customer requests at this time. This increases the chance to make actual sales. Of course, not all of these measures are digital.

#3: Dealers That Sell New Cars Remotely Are More Successful

Prior to the Corona crisis, not more than five percent of the car dealers in Germany offered remote buying. According to carwow Germany, there are some dealers that did not face a drop in sales—even during the lockdown. These are the same few dealers who had offered remote channels before the crisis. Other dealers have noticed this quite quickly. It is no wonder that they have added remote buying to their services without delay. Internet platforms for new car sales are reporting stable sales at pre-crisis levels (Mirabell Schmidt-Lackner in *Automobilwoche* 11/12 2020). Also, according to Porsche, more cars are now sold over the Internet (Michael Gerster in *Automobilwoche* 11/12 2020). And the brick-and-mortar outlets, on the other hand, remain empty. This is not a coincidence. So, other brands too, like Peugeot, and dealers are setting up webstores. In most cases for vehicles in stock at first.

Despite this, in mid-March, as much as 40 percent of retailers still did not plan to use online channels more (autohaus.de; n = 621). These seem to just want to bury their heads in the sand and carry on as before.

Most of the dealers who got active realized spontaneous solutions at short notice. These are in many cases improvised and fragmented. Now, the challenge is to professionalize and complete them.

#4: Carrying on as Before Will Hardly Solve Problems

It is wrong to think that the world will look the same after the Corona crisis as before. As already mentioned, the SARS-CoV-2 virus has caused many dealers to change their sales approaches. Customers will like some of these changes—whether or not they are anti-infection. This is why such changes will also remain in place in the time after Corona. A short story is given as an example of this:

Prior to the curfew, a friend of mine had booked a yoga class for the first time. The course was postponed due to the restrictions in force. My friend was sad. But then the yoga teacher called again. She asked if my friend would also like to take part in a web meeting. If at least five people came together, the course would take place in this way. My friend was not over the moon but agreed. Three people were able to set up to take part live in the web meeting. The course was held anyway. Because for two other persons it was all right to watch the session as a video later online. So, the course was recorded. My friend was happy. Two days later she bought a ticket of ten at this yoga studio. At her first session, not all had worked well. My friend lost her glasses once in a while during the training, and her tablet was not well placed. But as a customer she learned fast how to take advantage of the new service. The next time she used contact lenses and placed the device on a small table, not on the floor. A short time later she told me why she has come to like the new format so much. She does not have to go to the yoga studio after work. Moreover, she does not feel any inner need to wear make-up at web meetings. This saves her time and means she can attend yoga classes more often. This is why she will still take virtual yoga classes when the Corona crisis will be long over.

The yoga studio could have just stuck to what they were used to—as 40 percent of car dealers do now. Then they would not have offered online courses. They would not have won new customers. They would not even have sold any classes during the lockdown. But the yoga studio has made a new venture. They have thus added new services to their portfolio. People quickly started to love these new services. Because of the benefits they will not stop asking for them. There will be no going back to “old times”. To do nothing just means to give the competitors a head start. Some of the big car dealership groups have already grasped this point. So, the Emil Frey Group has founded their own company for this purpose—the Emil Frey Digital AG.

If my friend had been asked a few weeks ago whether she would like online yoga classes, she would have said no. Now she does not want to miss them anymore. A customer survey would have failed in this case. For this reason, some changes should simply be tried out on a small scale. Afterwards it should be quickly checked if people jump on it or not. On this basis, it should then be decided whether to continue and scale up if need be.

#5: Digitizing New Car Retailing Creates Superior Customer Experiences

Products and services with great benefits get their way. Customer experiences play a key role in this. These must be improved. Digital approaches can help to achieve this. Just two small examples shall show this.

When it comes to car dealerships, mystery shopping is a common practice. Among other things, it is looked into if and how fast the sales team reacts to inquiries via the website or email. It is hard to believe what this regularly brings to light. Half of all inquiries or even more are not answered at all. The people who made the inquiries are of course not happy. Such tasks can be performed by computers in full. No inquiry would be left without an answer then. There are Internet platforms that do just that. Users get five offers on each new car configuration within 24 hours. This service delights. 86 percent of the more than 4,000 users rated carwow Germany as “hervorragend” (excellent), 11 percent as “gut” (great); this means an average rating of 4.8 of five stars (Trustpilot). In the United Kingdom almost all of the 20,000 reviews are superb—89 percent “excellent” and 8 percent “great” (Trustpilot).

Customer data is a huge treasure. But the treasure is hidden. It must be lifted. This is done by analyzing the data. Salespeople have to spend a lot of time on this. They do not always do this in a systematic and structured way. So, they make mistakes or leave gaps. Algorithms can do this work faster and better. They can, for instance, search for customers with old, high-mileage vehicles in the CRM systems. This would allow the sales staff to focus their precious time on phone calls with “hot” customers. Software could also be used to track whether all people on the list have actually been called. By comparing the dialed phone numbers with the master data.

The list of other ideas is long...

T. K. Hamann, founded in 2016, is a top management consultancy.

Our major concern is maximizing the performance capability of our clients. We achieve this by strictly adhering to our values—as a result of combining precision, sustainable value creation and integrity.

We pool our activities relating to digitization in the T. K. Hamann digital lab.

More information can be found on our websites:
www.tkhamann.com and www.tkhamann.io

MING Labs is a digital innovation company with profound professional and technical competence in developing digital services that make for convincing business cases by creating superior digital experiences, defining the required tech setup and developing turnkey solutions (screens, code, and architecture).

We have 80+ digital experts in 6 offices across global hubs (Berlin, Munich, New York, Shanghai, Singapore, Suzhou).

Established in 2011, we can draw on a decade of experience in digital transformation across industries.

More information can be found on our website:
www.minglabs.com



T. K. Hamann Gesellschaft mbH
Frei-Otto-Straße 22
DE-80979 Munich

T: +49 89 99947511
Email: info@tkhamann.com
Internet: www.tkhamann.com
www.tkhamann.io



MING LABS

Berlin | Munich | New York | Shanghai | Singapore | Suzhou

MING Labs GmbH
Hotterstraße 3
DE-80331 Munich

T: +49 89 21268593
Email: hello@minglabs.com
Internet: www.minglabs.com