



Iskander Business Partner

Digitalizing the Automotive Customer Relationship – Changing Dynamics in Customer Communication

Discussion Paper

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If challenges can be overcome a large commercial opportunity for Big Data usage lies in CRM and marketing via new digital touchpoints

Introduction



Past & Current Situation

- After the car has been purchased at the dealership manufacturers maintain only indirect contact to their customers via their dealer network and therefore have limited control on the relationship
- Dealers are in the drivers seat alone to decide what and when to communicate to their customers
- Due to often low CRM capabilities and high margin pressure many dealers are not able to do a good job in maintaining the customer relationship

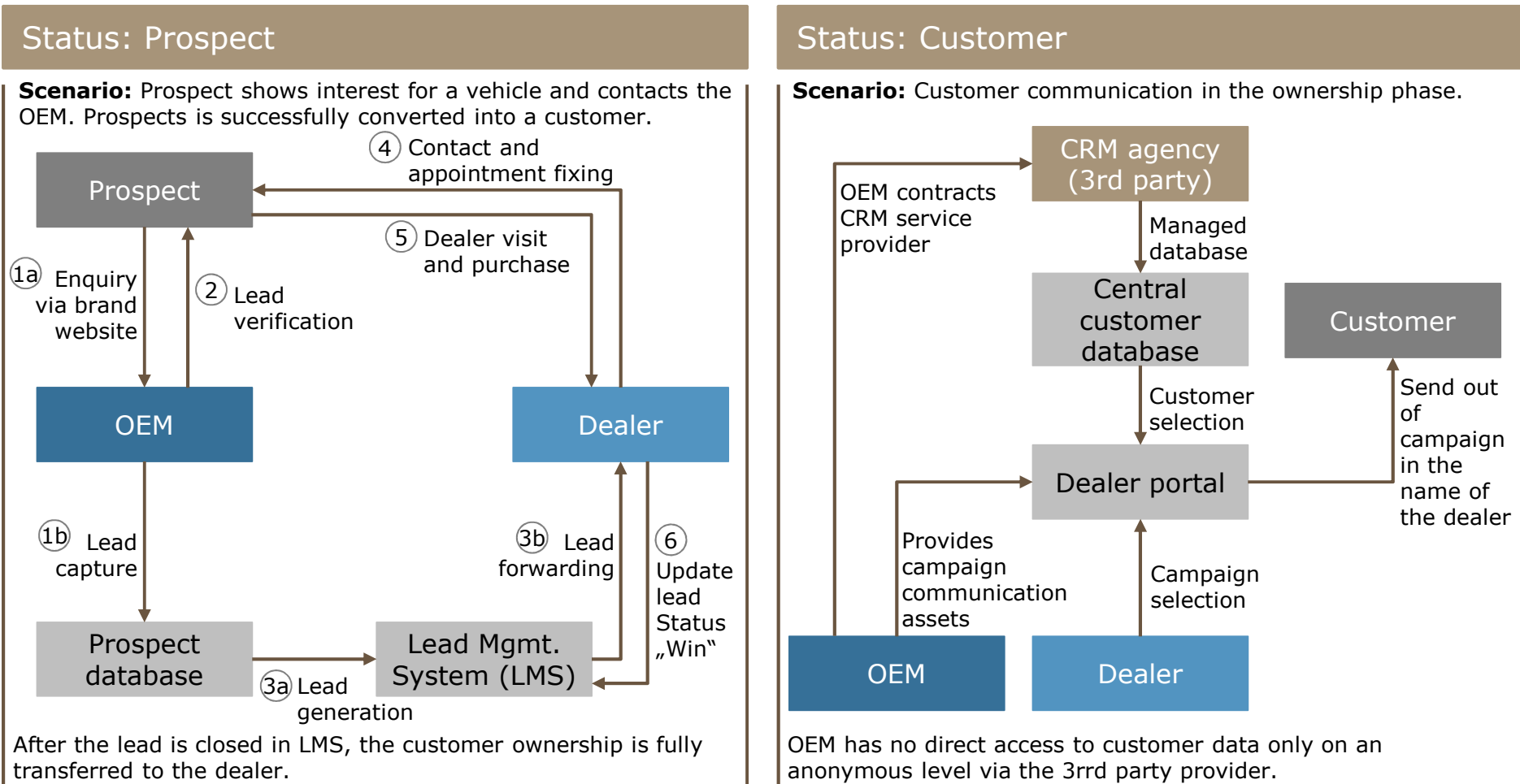


To-Be Scenario

- Ongoing digitalization of touchpoints and the connected car enable a more proactive and customized communication than before
- New digital touchpoints, which serve as data sources such as the connected car & owners pages, will be mainly managed by the OEM
- As the dealership will remain an integral part in the automotive value chain as primary sales and service channel, in order to exploit full future CRM potential, car manufacturers and their dealers have to find ways to manage the customer relationship together hand in hand

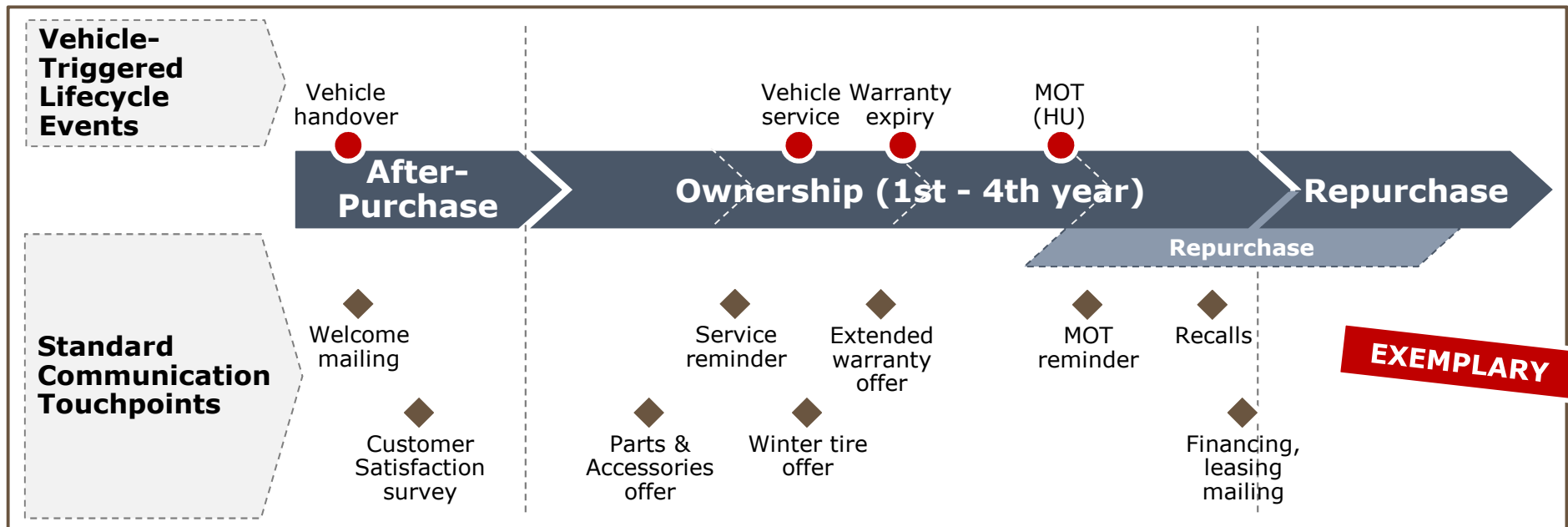
For most OEMs the customer relationship is currently fully owned by the dealer after the vehicle purchase without any transparency for the OEM

Status-Quo General Prospect & Customer Data Ownership



Current customer communication is standardized for all customers and usually is not being sent out at the right time and via limited channels

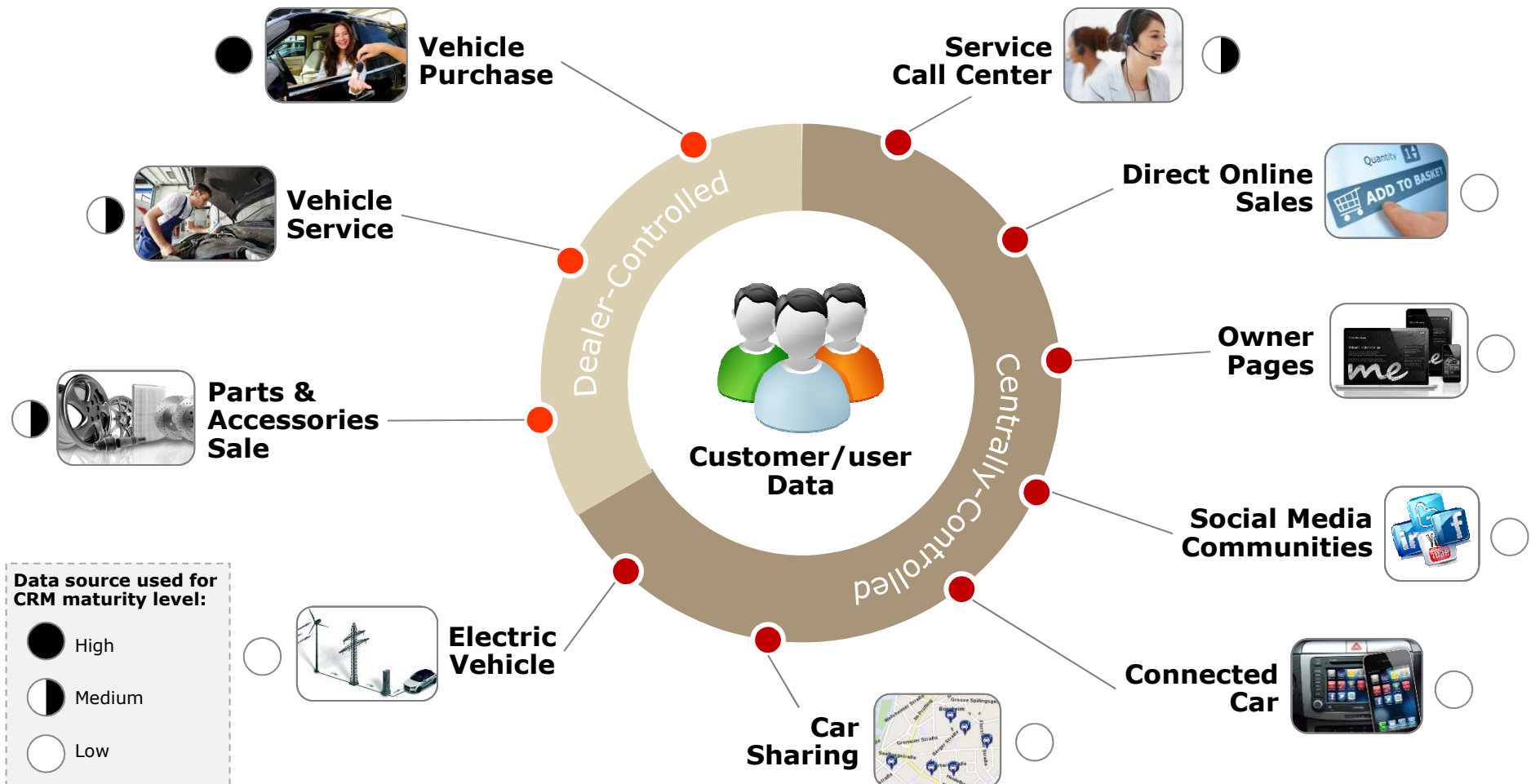
Status-Quo Typical Customer Dialogue Touchpoints



- Current customer communication is mainly based on vehicle-triggered events, sent out at a standardized date based on vehicle age (e.g. 20 months after registration) and does not reflect the exact date of the target event
- Communication focuses on standard events, leaving out a number of potential communication possibilities with the vehicle owner
- Some dealers also provide a customer loyalty program ('Owner Club'), which includes sending a regular customer magazine and/or newsletters, etc.

More customer data will come from centrally managed sources, it is key to combine them with the dealer-owned data for an effective CRM approach

Evolution of Additional Customer/User Data Sources



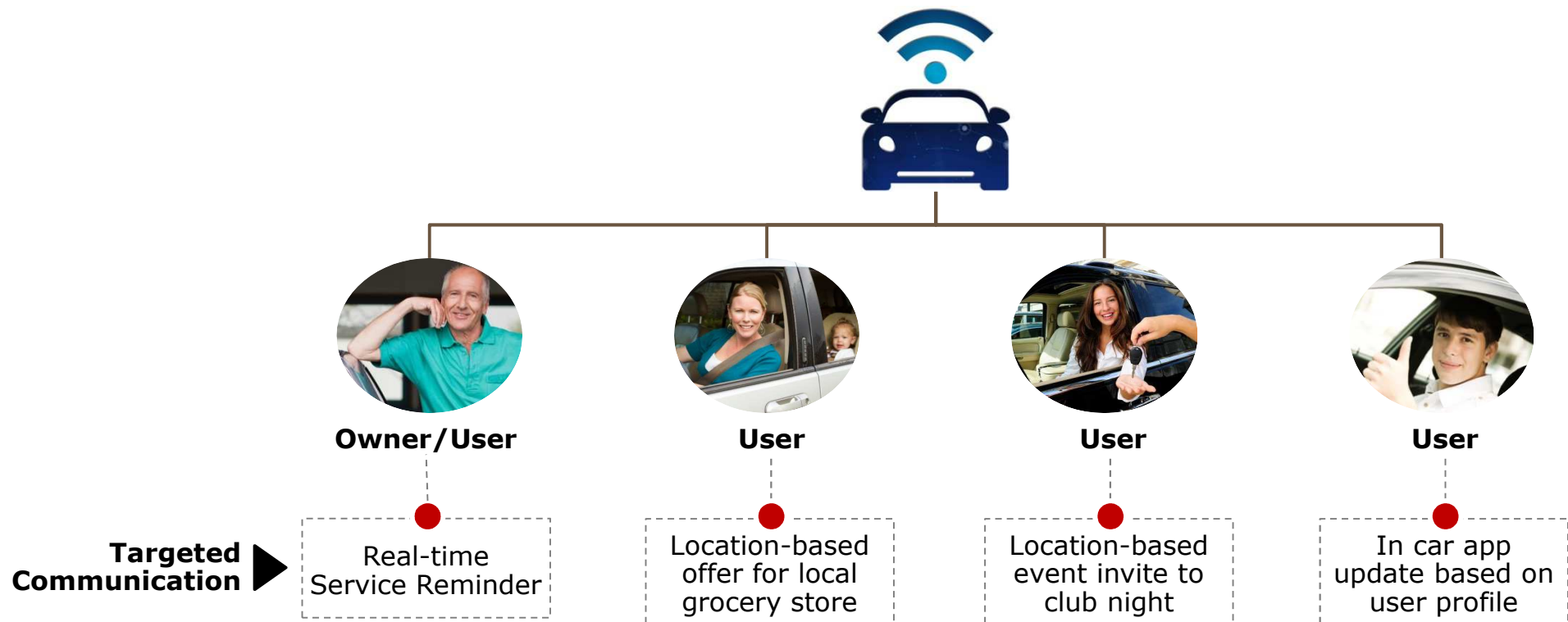
Centrally controlled data sources will enrich existing customer data profiles to enable a more customized CRM approach

Sample Data Types per Source (Centrally Controlled)

| | Data Types (extract) | Data Availability (relative to overall share of customers) | Ease of Integration (to existing customer data) |
|---------------------------------|---|--|---|
| Service Call Center | <ul style="list-style-type: none"> • Contact reasons • Contact frequency • Satisfaction | High | Easy |
| Direct Online Sales | <ul style="list-style-type: none"> • Purchases • Products of interest | Low | Easy |
| Owner Pages | <ul style="list-style-type: none"> • Log-In frequency • Activity types | Medium | Easy |
| Social Media Communities | <ul style="list-style-type: none"> • Posts • Likes • Interests | Medium | Difficult |
| Connected Car | <ul style="list-style-type: none"> • Telematics • Driving behaviour • Diagnostics • Users | Low | Medium |
| Car Sharing | <ul style="list-style-type: none"> • Usage frequency • Telematics | Low | Medium |
| Electric Vehicle | <ul style="list-style-type: none"> • Battery usage • Telematics | Low | Medium |

New digital touchpoints such as the connected car will enable vehicle user identification allowing a more targeted CRM approach

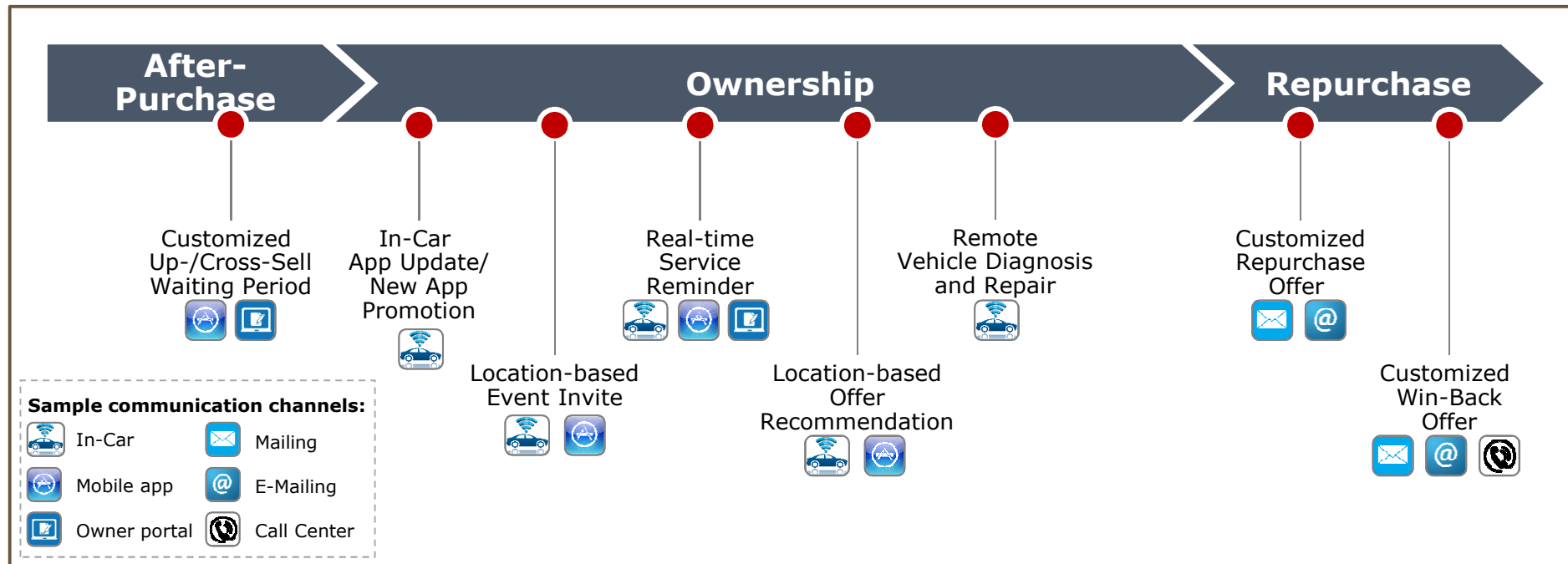
Vehicle User Identification & Communication



- New digital touchpoints such as the car itself or owner portals potentially allow to create specific user profiles for a vehicle
- Identification of vehicle users in addition to vehicle owner allow to make user-targeted offers or increase effectiveness of up-selling/cross-selling offers towards the vehicle owner (e.g. second car for wife, children)

'Big Data' and digital channels enable a more targeted and proactive dialogue with customers

Data-Enabled Customer Communication Possibilities

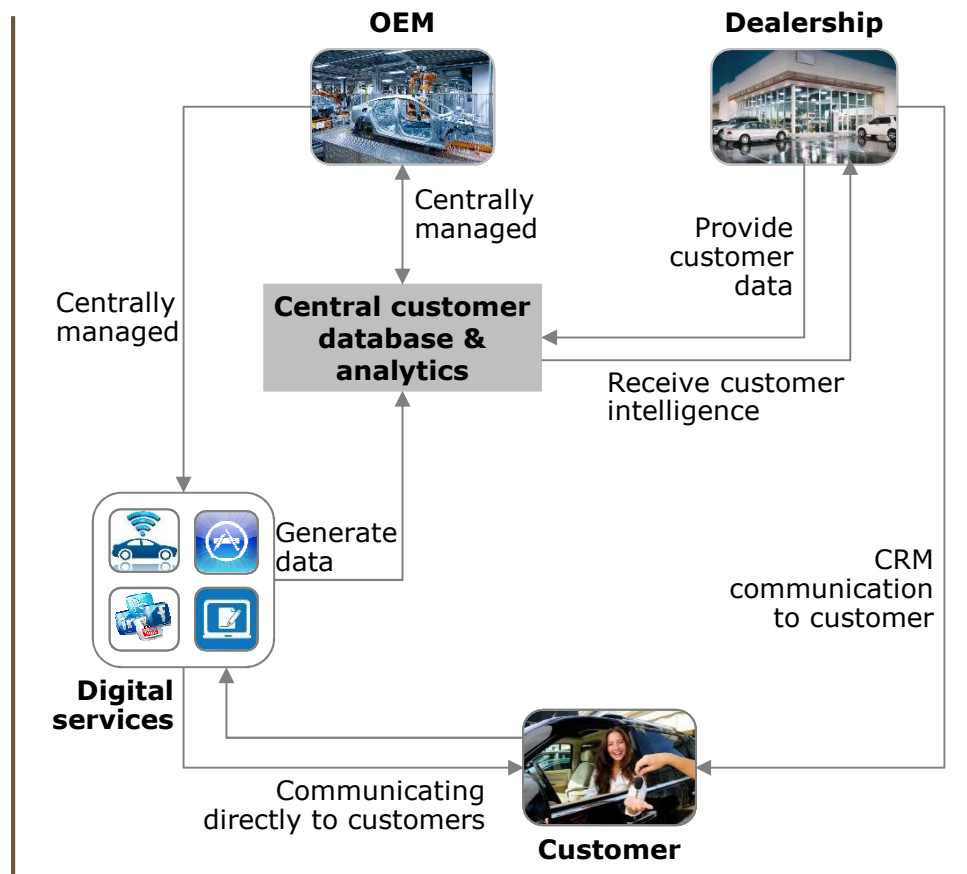


- New digital touchpoints such as owner pages, apps and/or the connected car itself allow for various new communication possibilities along the customer journey
- These data-enabled communication touchpoints create an uplift in upsell and cross-sell opportunities through a better targeted and customized interaction
- Overall a closer dialogue can be established and improve relationship-building with customers throughout the entire the customer lifecycle

To exploit the full potential of new customer communication touchpoints, it is essential to combine customer data from dealers and central sources

Collaborative Approach between OEM and Dealerships

Scenario for a OEM/Dealer Collaborative Set-Up



- In order to consolidate different data sources from centrally managed sources as well as dealer sources, the OEM provides and controls a centrally managed customer database together with internal analytical capabilities
- Dealers have direct access to customer intelligence and are empowered to execute own CRM activities
- In addition, also the OEM will communicate directly to customers through centrally provided touchpoints such as apps, social media, owner pages and the car itself
- All communication from dealer and OEM towards the customer have to be aligned
- Call-to-action will predominantly be 'drive to dealer' for traditional offers such as test-drives, servicing, etc., but will also include drive to online or feature instant offer conversion inside the car or via app

New CRM opportunities arise through the new data sources, but challenges have to be faced in order to exploit full potential

Main Challenges



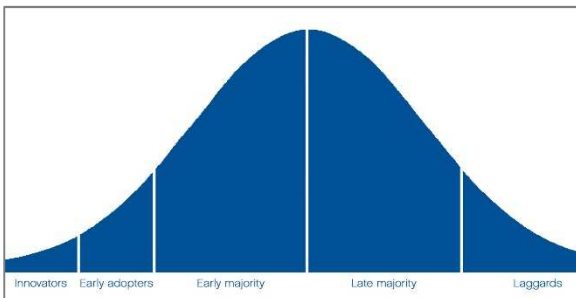
Dealer Willingness to Collaborate:

- Currently for most OEMs, their dealers are owning the customer data without transparency for the OEM nor the possibility to communicate with their customers directly
- But in order to use customer data from the new sources to their fullest potential, it is crucial to combine this information with the customer data that is owned by the dealers
- Dealers have to be convinced about the benefits of sharing their customer data with the OEM and at the same time have to be ensured about their continuing importance as touchpoint in the automotive value chain for the OEMs



Customer Willingness to Share Data:

- In the connected world today, many customers are very sensitive in providing unrestricted access to their personal data due to privacy reasons
- In order for customers to increase their willingness to share their information with the OEM or the dealer, they will need to see a clear benefit for them (e.g. analyzing driving habits to provide tips to increase fuel efficiency)
- Therefore it has to be transparent to customers, which kind of data is collected and for what reason



Speed of Consumer Adoption:

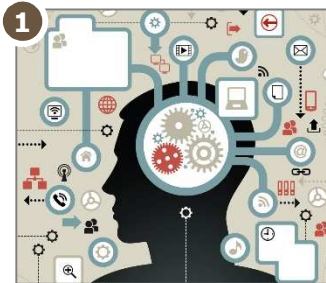
- At current stage, familiarity with new services such as the connected car itself or online owner's portal is still underdeveloped in most markets, but with an increasing trend
- Familiarity and attractiveness of these new services will be key factors to drive speed of consumer adoption
- Having a significant amount of consumers using these new services is a prerequisite in order to use the data generated from these sources for CRM purposes

Future CRM will be a combined effort by OEM and its dealers including the usage of new digital touchpoints such as via the connected car

Key Success Factors

Create a 360° customer view

- Moving forward customer data will come from even more sources compared to in the past
- Already in the past OEMs were not only dealing with the challenge of not having direct access to customer data from its dealers, but also consolidating further data sources such as aftersales data and data from online sources into one customers profile
- Establishing a groundwork by creating a 360° customer view will be the crucial prerequisite for all further steps in the CRM value chain



Develop all embracing CRM analytics

- Connected cars, owner pages, social media presences, etc. will create huge volumes of data that can be potentially useful for CRM purposes
- OEMs that build up the capability to structure and analyze the vast amount of 'Big Data' created will have a strong competitive advantage
- Sophisticated CRM analytics that deliver tangible insights will allow to send highly targeted and proactive offers based on owner behavior and react to situations in an instant



Execute effective multi-channel communication

- CRM communication in the past was mostly standardized in a "one size fits all approach" and limited to traditional channels such as postal mail and email
- The rise of 'big data' and new communication touchpoints such as inside the vehicle or owners pages provide many more opportunities to establish a more effective CRM communication
- Brands have to exploit the most effective touchpoints together with the best communication formats to reach customers



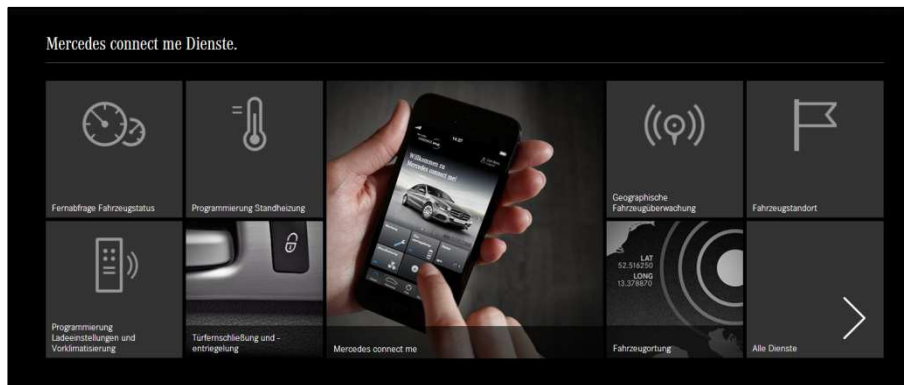
Establish strong collaborative ties between OEM and dealer

- The current scenario in which the dealer has the sole ownership of the customer and its data cannot longer remain if full CRM potential shall be deployed
- Dealers have to give OEMs full access to their customer data, which will be combined with data from central data touchpoints
- Dealers will remain responsible for executing vehicle sales and servicing, but OEMs will also communicate to customers directly via new touchpoints, e.g. in-car or owners pages for additional offers



With the umbrella brand 'Mercedes me' Mercedes aims to create a seamless physical and digital customer experience throughout the ownership cycle

Industry Best-Practice: Mercedes Me



- 'Mercedes Me' was launched as a new service brand in beginning of 2014 as key initiative of the 'Mercedes-Benz 2020 – Best Customer Experience' strategy aiming to create a seamless digital and physical customer experience
- 'Mercedes Me' serves as an umbrella brand for all of Mercedes' current and future services and aims to increase customer loyalty to a stronger customer connection throughout the customer lifecycle
- A unified digital platform provides five different kind of service areas from vehicle management, mobility solutions, financing to appointment booking
- With "Finance Me" for the first time Mercedes starts with direct sales of specific vehicles without dealer involvement via the online platform
- The first physical Mercedes Me store opened in central Hamburg (40 stores worldwide until 2020) focusing on an interactive brand and product experience



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