

WHAT AUTOMOTIVE CAN LEARN FROM RETAIL

Hugh Fletcher

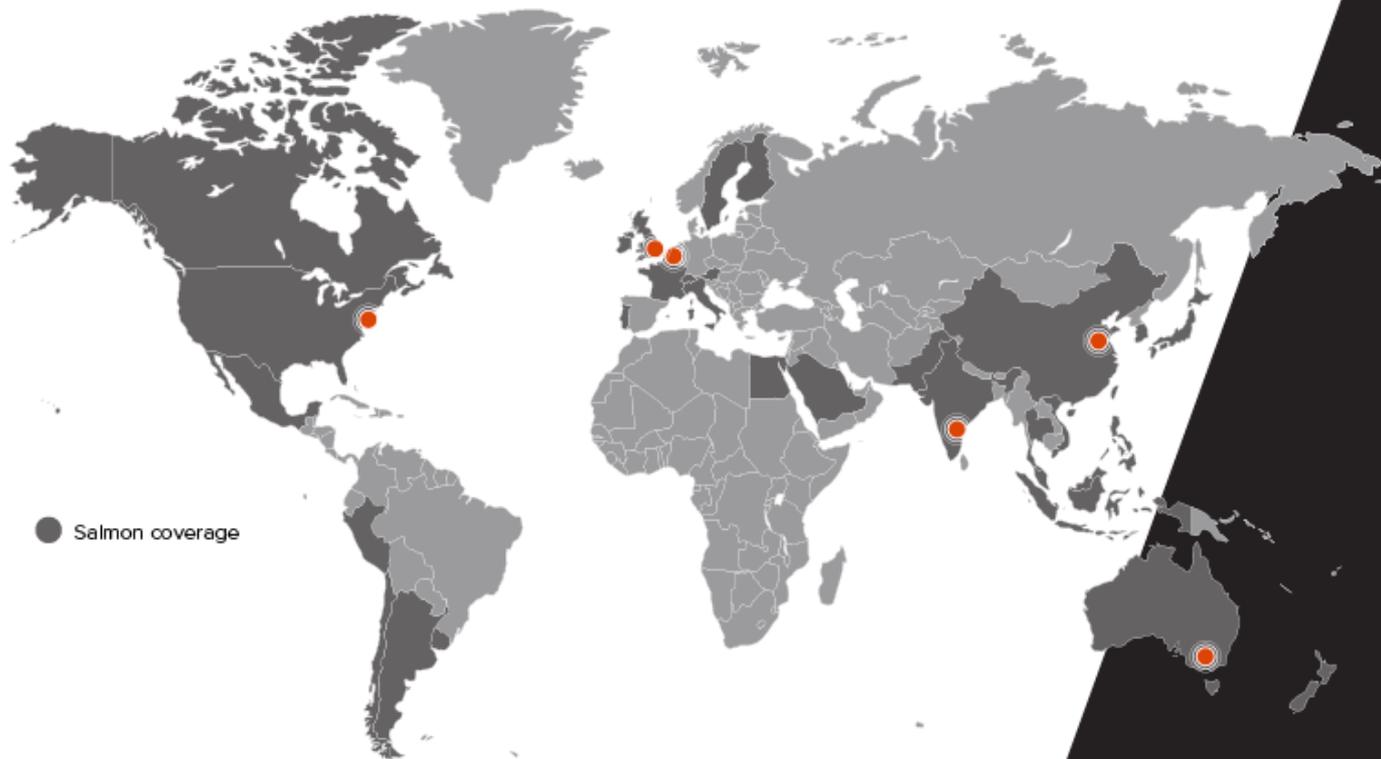
Global Head of
Consultancy and
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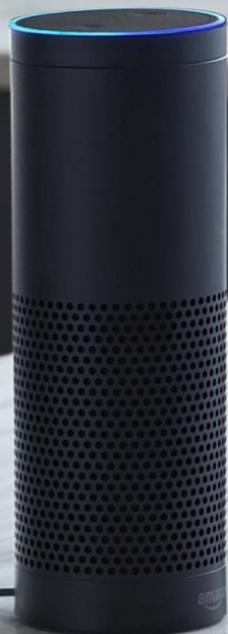
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The world is
changing





Connectivity has revolutionised the way we search for and share information. It's revolutionised how we purchase. And it's revolutionised our relationships with Brands and organisations.

But when it comes to *buying* a car, the experience remains largely unchanged...



But this doesn't mean that the automotive industry is immune. It just means it's resisting





And the longer the resistance, the greater the revolution when it eventually hits – because the gap between what the customer wants, and what the customer gets, will be even larger.

**SO WHY DO
AUTOMOTIVES
RESIST CHANGE?**

4 KEY REASONS



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Business model is heavily entrenched in a single-channel retail model – with vested interest in keeping it that way - when omnichannel is taking over



The franchised dealer business model is strangling progress

Decision making is non-democratic and not driven by the customer...it's driven by a small number of "experienced" executives



What customers want plays second fiddle to what the Executives think they want

**There is no burning
platform –
registrations
continue to grow**



Short term business success means hard, long-term decisions are not being taken

The industry is heavily product focused – it's about producing the “best” car...



...not producing the best omnichannel experience

What have
retailers learnt
that the
automotive
market needs to
think about?



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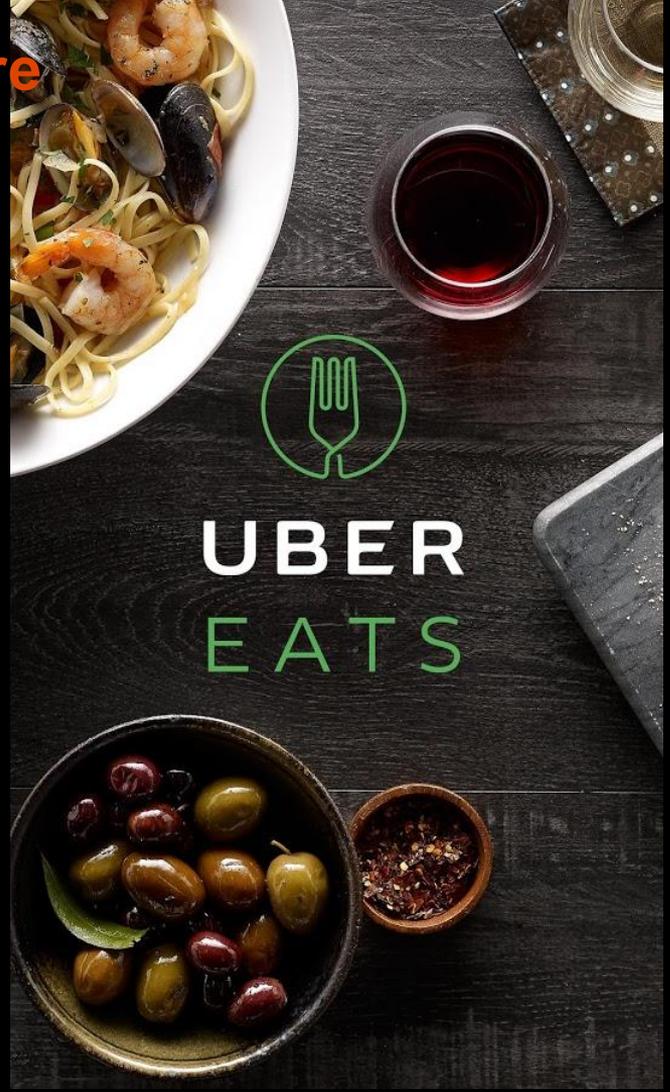
**COMPETITION IS CHANGING,
NECESSITATING INNOVATION**

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Competition can come from anywhere

“Aggressive horizontality”

- Amazon has redefined “competition”
 - Grocery
 - Amazon Basics
 - Amazon Baby
- Organisations looking at their core offerings to enable movement across verticals.
 - Uber Eats
- The concept of “competitors” and “competitor sets” is a risk in automotive.
- Automotive needs to broaden its vision of its core offering and potential competitors



Try, test, fail, learn, try again...

The aim should be learning, not perfection

- Because of new entrants, retailers have been forced to innovate – store formats, delivery, payment, relationships...
- Innovation is in itself, a gamble.
- But without taking a risk, it's hard to build for the future.
- Manufacturing perfection leads to a culture of no risk-taking. Edge cases stifle innovation.
 - Tesla automated driving death





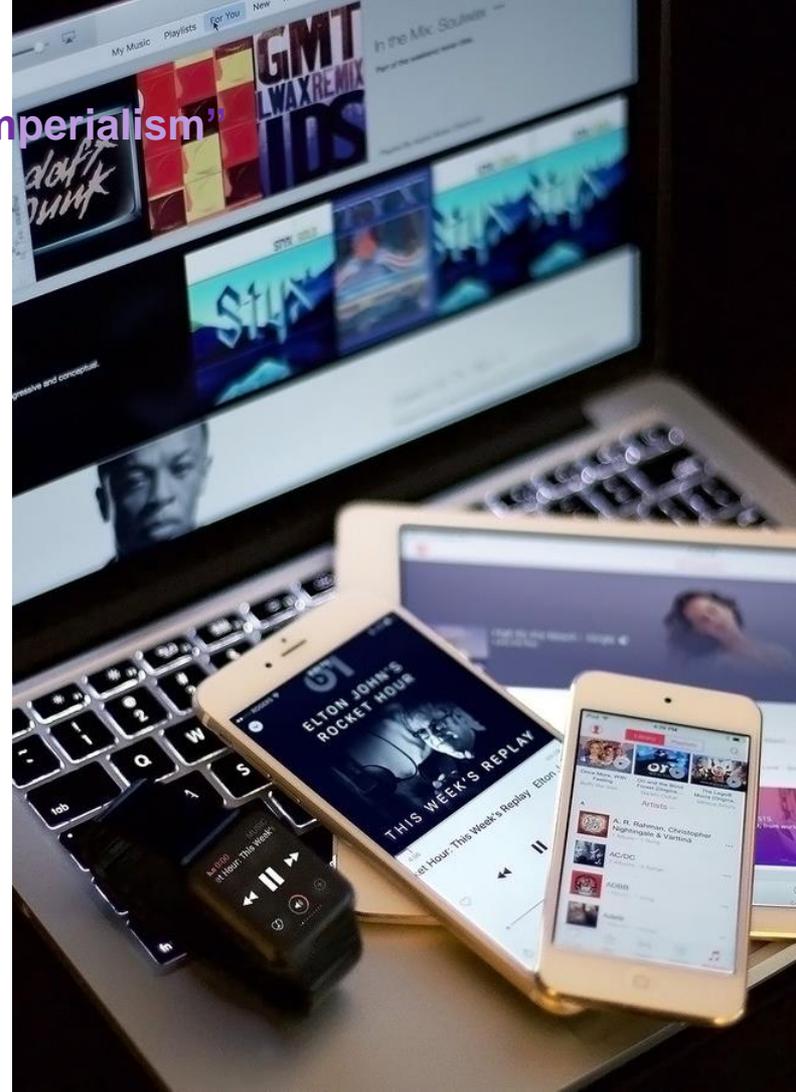
THE TECH GIANTS ARE CONSOLIDATING THEIR OFFER & TRYING TO “LOCK IN” THE CUSTOMER



The product is not enough...

The service ecosystem is the future / “Interface Imperialism”

- Automotive market is heavily “product” focussed.
- Tech giants and retailers all trying to create omnichannel offerings across products, services and experiences.
- What is the automotive ecosystem?
- There *should* be one due to the frequent use of the car.
- But instead once you’ve bought, the only contact is about servicing and issues.



**He who owns the
interface, owns
the customer.**

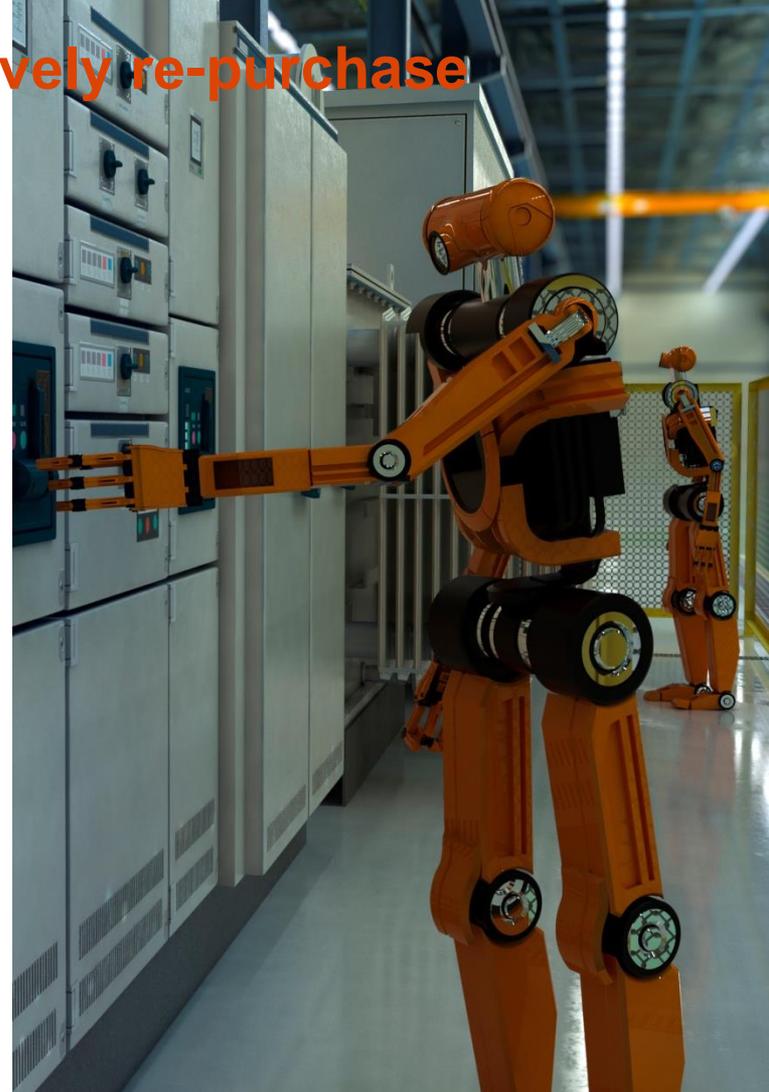
**He who owns the
customer, owns
the data.**

**He who owns the
data, owns the
future.**

Don't rely on the customer to proactively re-purchase

Programmatic Commerce

- Future is programmatic, where machines will re-order and replenish goods based on customers' preferences, data and predefined parameters.
- Number of trends pushing us towards this:
 - Zero UI
 - Subscription
 - Semi-automated JIT replenishment
- How can automotive take advantage of this?
 - Tyres
 - Upgrading cars through auto finance





**WHAT THE CUSTOMER WANTS, IS WHAT IS DRIVING
RETAIL INNOVATION**



The “last” (customer centric) mile

An integral touch-point in the purchase experience

- Consumers judge the whole end to end interaction.
- Innovation is based around getting products to customers quicker and with less hassle.
- Amazon Prime has skewed customers’ view of what is acceptable in terms of waiting and delivery.
- From BOPUIS, to droids to drones...retailers are innovating.
- How is the last mile managed in automotive?



The truth will out

How objective data sourcing will kill Brand perception

- Customers are looking for a perfect market
- Organisations like Blockchain are looking to build objective data banks to feed customers with up to date and relevant data.
- New world of Democratised Data E-Commerce (DDEC)
- Which means that comparison will be easier – with UGC and third party data giving customers “real” information
 - Are Alfas actually unreliable?
 - Are Volvos safer?
 - Which cars are right for you?

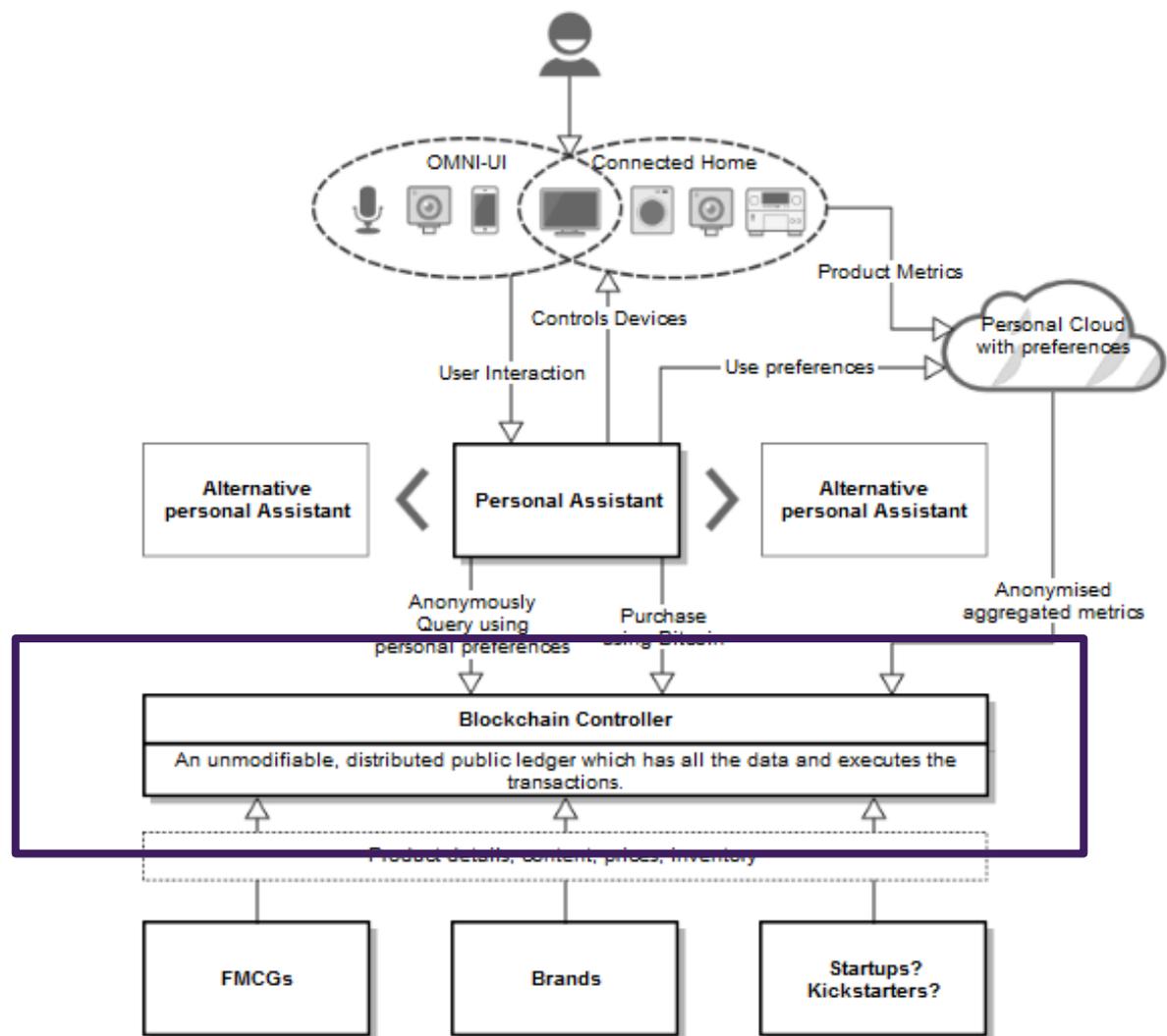


BLOCKCHAIN



Democratised Data Ecommerce (DDEC)

Where we get
clever with big
(objective) data



A black and white photograph showing a woman's hands. She is holding a smartphone in her right hand and a credit card in her left hand. She is wearing a white lace top, a watch on her left wrist, and several bracelets on her right wrist. A Louis Vuitton bag is visible on the left, and a Gucci shopping bag is on the right. The Gucci bag has the word "GUCCI" printed on it.

**BOTH THE CUSTOMER AND THE RETAILER CAN
BENEFIT WHEN YOU GET THINGS RIGHT**

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Create reasons to buy

“Proactive Peak Formation”

- China’s Singles’ Day
 - \$17.8bn of revenue in one day!
- Black Friday / Black Friday month
 - \$3.bn of online sales in the US
- Amazon Prime Day
 - Biggest day in the history of Amazon
- When do customers want to buy cars?
- When is the best time to sell cars to them?
- What is automotive’s equivalent to Black Friday?





**DIGITAL IS CENTRAL TO THE COMMERCIAL SUCCESS
OF THE FUTURE**



Generalism is fine, if what you're a generalist in is still relevant

"The fall of the ecommerce illiterate CEO"

- Automotive believes in generalists.
- But what that really means is that you need to have worked in the "field".
- But that assumes that yesterday's field, is also today's field....it isn't.
- So is it any surprise that at C-level, the people who have grown up with one business model perpetuate it?
- With over 20% of retail now coming through ecommerce, retail CEOs who cannot operate across digital are being replaced.





BUT IT'S NOT ALL BAD!



But it's not all bad!!!

- Product-less retail
- In a connected world, having hardware is a key component in having a presence. The automotive companies are based on hardware.





So what's the conclusion?:

Retailers have been forced to change and innovate...Automotive hasn't ...yet.

They have been forced to put the customer at the heart of their experience.

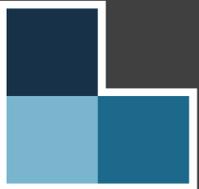
They have been forced to change their business model.

Those that have not, are no longer with us.

So if automotive should take anything from retail, it's that the customer, not the automotive industry, should define the future of the automotive industry.

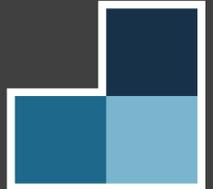


**What is OEM's greatest barrier to customer experience innovation?
(in 3 words)**



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