SPOTLIGHT:
THE FUTURE OF MOTOR RETAIL

Preparing for the car dealership of 2030

How will dealerships be shaped by still-emerging technologies? We ask suppliers, dealers and industry experts what changes we can expect over the next 12 years

Technology has radically altered almost every sector of retail, and motor traders are no exception.

The internet has allowed some car brands to move their marketing, specification, test-drive booking, finance arrangements, and even purchasing online, and we are already seeing the first forays into virtual reality (VR) and artificial intelligence (AI) taking their place in the dealer's toolkit. But what changes do these developments herald in the franchised dealer's business model? What will dealerships of the future look like and how will they be shaped by technology?

Here we look at four key areas where dealers are likely to evolve most – new cars, used cars, aftersales and architecture/hardware.

NEW CARS

While there are new cars being sold through manufacturer online platforms such as Hyundai, Peugeot and Volvo, or in digital-only transaction and subscription models by the likes of Polestar and LYNK & Co, the transactions are still something of a rarity. But few people see the trend towards direct online sales declining.

Frost & Sullivan's director for growth consulting automotive and transportation, Julia Saini, said digitalisation will fundamentally change the way dealers operate. This is being driven by the increase in new platforms and aggregators, she said.

"Dealers still use the conventional channels to sell the majority of their vehicles, but there has been an emergence of complementary formats, such as digital flagship stores," she said.

"We will also see the advent of more lifestyle and pop-up stores as well as online and mobile retailing."

The use of car-buying platforms, such as Carwow, enables the customer to compare prices directly online and to save time on visiting multiple dealers, said Saini. They can also do their financing online using third-party websites, she added.

"The model is so flexible," she said. "There are so many new business models emerging, that the customer now has a multitude of options to choose from in the car-buying journey."

Karl Davis, the managing director of Coachworks Consulting, said as more car sales move online, dealers will need to focus on the experience of specifying and driving a car. That includes the use of virtual reality, he said.

"Virtual reality will become an expedient way for dealers to showcase every exterior colour and trim level, with buyers able to fine-tune their final option – something that is already starting to happen with some brands," he said. "The next logical step will be using virtual reality in driving simulators, where customers can experience a car's driving dynamics, especially in extreme conditions, or to simulate the track-handling capability of high-performance cars."

In some franchises, the traditional sales executive's role has already become more of a 'product genius' position – are they at risk of being replaced altogether by AI?

Dealerweb Showroom allows dealers to automate key sales functions, including enquiry

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management, real-time reporting and full website integration. It also enables sales teams to generate sales documentation and finance quotes at the click of a button.

Martin Hill, Dealerweb's managing director, said: "For enquiry management, a single interface and customer database automates the full enquiry-to-order process, allowing dealers to establish rigorous follow-up procedures, ensuring that all prospects are contacted in a timely manner, and when promised. Automated real-time reporting provides live metrics on all aspects of sales department performance."

Darren Williams, director at Elements PRMC, said: "There's a lot of scope for automation. The traditional sales executive is becoming very much a thing of the past and it cuts out middle management from the process altogether."

USED CARS

Sourcing, marketing and retailing used car stock and the part-exchange process can already be automated and the advent of AI will only accelerate that trend. Meanwhile, the adoption of self-driving cars is also likely to change the way used vehicles will be delivered.

Neil Hodson, the chief executive of Aston Barclay, said once autonomous cars have been inspected, they could be programmed to drive to the relevant auction or refurbishment centre where work is completed before being sold. That would reduce the need for a fleet of trucks for collection and delivery, he said.

"Auctions are constantly working on ways of improving site efficiencies, so cars could be programmed to park themselves and then move themselves onto the next stage of the preparation process prior to being lined up ready for auction," he said.

"Cars could also be sent through the auction hall remotely, but many of these tasks couldn't be done without some human intervention."

Hodson added that while dealers can already download the details of some cars by plugging the ignition key into a computer, this connectivity could be further utilised to enter more used vehicles into auction. It would also provide the buyer with details such as driving time, average speed, fuel consumption and tyre use, he said.

"Details of any problems with the car could also be highlighted, such as a breakdown or accident," he said. "This would lead to greater transparency, which buyers love, which in turn could result in them being prepared to spend more money for stock, particularly on the higher-value prestige models."

Jeremy Evans, Marketing Delivery's managing director, said by subscribing prospects to the company's automated stock alerts relevant to their enquiry, dealers can also recapture leads that may otherwise go elsewhere. As a result, dealer groups with about 10 locations can expect incremental business of about 25 to 30 sales per month and a cost-per-sale figure significantly lower than that of other digital services, he said.

"Integrating new stock alerts with targeted Facebook advertising can deliver even greater returns," he said.

"Targeted according to a prospect's previous interaction with the dealer, interactive lead generation adverts make it possible for a pre-populated enquiry to be sent direct to the dealer, broadening the pool of highly qualified leads for sales staff to pursue."

Stuart Pearson, chief operating officer of BCA's remarketing division, said the combination of advances in data and technology will also radically reduce the time it takes for vehicles to move along the supply chain. He added that a vehicle can now be appraised using mobile technology, from de-fleeting to forecourt.

"The growth of both physical and digital platforms means more choice and better access to used vehicles 24/7, 365 days a year," he said.

"Alongside this, better-quality data and considerable improvements in the inspection, appraisal and preparation processes have driven convenience and transparency in the remarketing sector."

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> NEIL HODSON, ASTON BARCLAY

Dealers in future could take stock details and imagery directly from the remarketing operation.

Tom Leathes, the chief executive of Motorway.co.uk, said verifying information such as the condition of a car, its history and mileage can also be automated to make transactions faster, more efficient and secure, as well as being able to carry out the role of traditional negotiation. New technology has already made that possible, he added.

"In-depth vehicle profiling with smartphone apps, video and augmented reality can provide much deeper vehicle overviews than simple photos can ever do," he said.

"Blockchain technology [a constantly expanding list of records, called blocks, connected to each other and secured using cryptography] could also be harnessed to lock in vehicle ownership history, mileage and other data, and significantly reduce the risk of fraud in used car transactions."

AFTERSALES

Digital technology is already being used to link online booking systems directly to workshop management systems – for example, CDK Global's connected workshop concept, which can send service reminders and allows customers to book appointments online. Parts stocking and delivery can also be refined, with automation being used to order and deliver parts.

Paul Inness, CDK's international strategy director, said the connected workshop enables the dealer and manufacturer to work together to deliver a seamless customer experience, while optimising their own performance. He also believes there is a big opportunity for retailers to maximise the use of their digital marketing and machine learning in the workshop.

"It's like an Airbnb-style online booking service, where the customer knows what to expect before they go there at a time of day of their choice," he said. "It also enables the retailer to communicate to the customer via a notification of their choice as soon as it is ready for collection."

Iain Nickalls, eDynamix director, said dealers and manufacturers should already be building their aftersales programmes with Generation Z in mind, to ensure a faster and more efficient delivery of service tailored to the customer's needs.

"Autonomous cars that deliver themselves to a workshop once seemed like science fiction. I believe it will only be a few years until we see this reality," he said.

"While the industry is working towards this, there is currently a big shift towards customer self-service throughout the whole aftersales process."

Karsten Seifert, Volkswagen's head of international fleet, rent-a-car and used car strategy, also believes the biggest changes in aftersales will be through remote diagnostics and updates. This new 'connected car' technology will enable them to read error codes remotely and, if necessary, solve problems directly by means of updates, he said.

"The connected car will also have predictive maintenance functionalities that, in combination with the customer and vehicle ID, enable service and repair requirements to be transmitted directly to the defined preferred dealer," he said.

"Automated scheduling, drop-off points and efficient parts management are immediate simplifications that can result."

Industry observers suggest dealers will reduce their payroll costs as a result of this combination of predictive maintenance and efficient automated parts management.

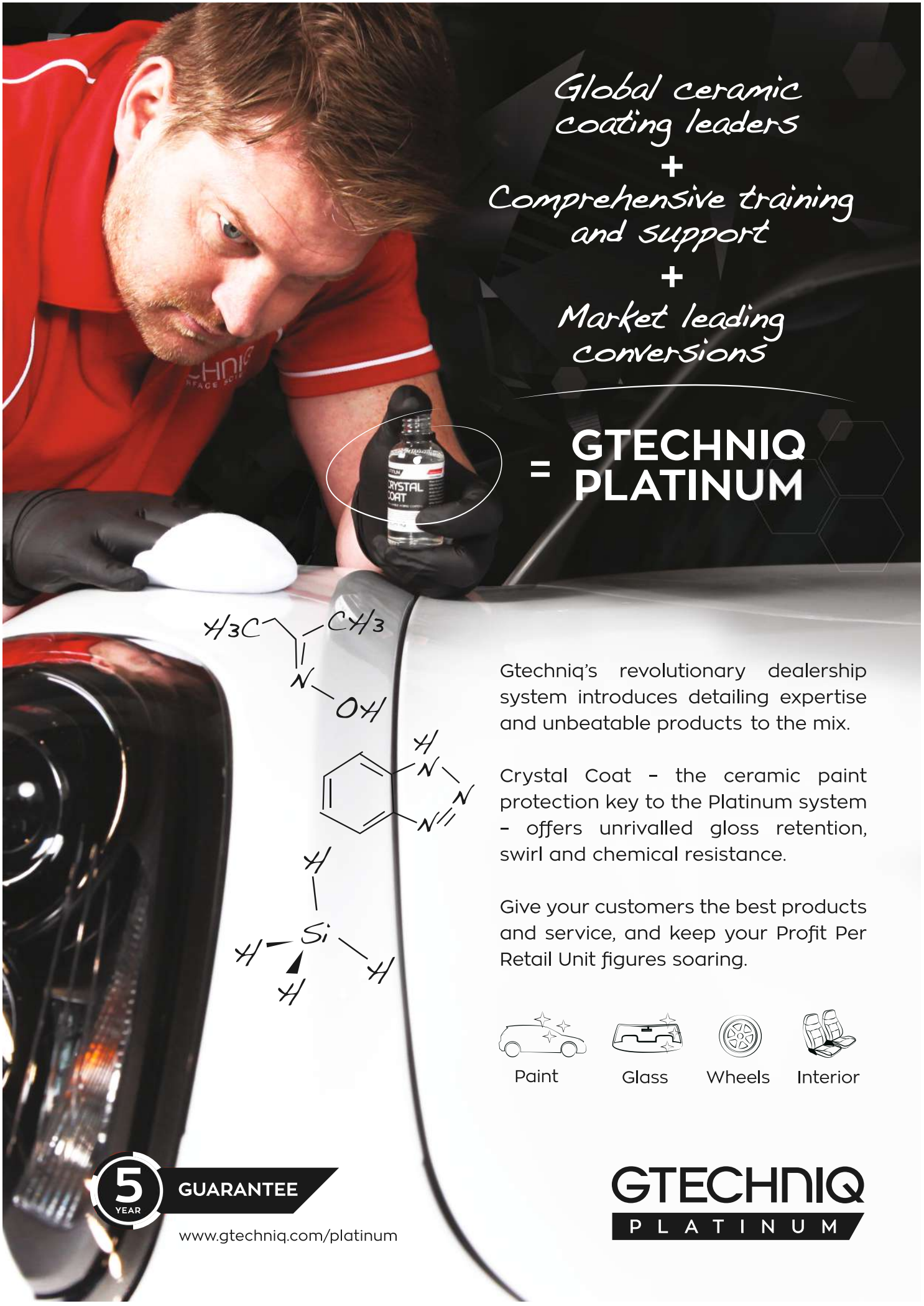
Gary Brooks, chief marketing officer at Syncron, said dealers must streamline the way they do business in the vein of online companies, such as Amazon and Uber. In order to achieve this and to improve customer service and efficiencies, he said they need to automate their pricing and inventory processes.

"Cost-plus formulas and Excel spreadsheets must be replaced by automated, scientific and dynamic pricing methods that offer a data-driven approach to the optimised price of a part," he said. "If implemented, this can immediately translate into better margins."

Brooks added that a more scientific approach to inventory management can prevent dealers running out of stock. By adopting advanced service parts inventory management solutions, companies can keep tabs on the products needed by location, he said.

"Specifically, such solutions play a pivotal role in controlling and gaining visibility over dealer inventory and sales," he said.

"This improves forecasting for an entire network by taking into account specific feedback from each dealer; easily disseminating informa-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tion on new products for better customer education and service; and decreasing the write-offs and carrying costs associated with stock that goes unsold and sits on the shelf."

Not everyone is ready to predict the end of dealer outbound service marketing, however.

Evans said automating the contact process through an email-based electronic customer relationship management communication (eCRM) programme can ensure consistent and informed targeting of customers, significantly improving conversion rates. Reminders emailed to customers up to eight weeks in advance of a service or MOT can already significantly increase inbound calls to their service departments or contact centres, he said.

ARCHITECTURE/HARDWARE

The greater adoption of EV and alternative cars will require more charging points. However, some Volkswagen dealers, including Paul Tanner, the managing director of Alan Day Group, have already raised concerns about the cost of miniature sub-stations to power rapid chargers.

As for the evolution of the dealerships' forecourts themselves, Jim Saker, director for the centre of automotive management at Loughborough University's business school, believes drive-in service areas are already becoming the norm, with self-service vehicle drop-off points allowing customers to register their arrival and drop off their keys.

He also foresees automated state-of-the-art workshop architecture that can dispense tools and parts to technicians.

"In the future, I believe we will see larger but fewer dealerships," he said (See 'A change is gonna come' on page 49).

> **"SHOWROOMS NEED TO STAY RELEVANT... RETAILERS SUCH AS TOYS 'R' US AND MAPLIN FAILED BECAUSE THEY HAD NOT KEPT AHEAD OF CHANGING CONSUMER BEHAVIOUR**
>
> KARL DAVIS, COACHWORKS CONSULTING

"This includes one-stop shops like Sytner's BMW operation, where the customer can deliver their car for servicing and have a coffee, check their emails or even have their hair cut while they wait."

Davis said dealers will need greater investment in bigger premises to display their ever-expanding car ranges as brands push for more network capacity. He cited the example of Audi, which has grown from just a handful of cars to a full range of more than 20.

"The upside of this investment is they can offer customers a more experiential showroom experience and that has to be an important future consideration," he said.

"An infrastructure investment which gives customers an experience, whether it be through a dedicated handover area, virtual reality simulators or drive-in servicing, has an upside and provides an opportunity for a dealer to over-deliver on the customer's expectations, which they will tell their family and friends about and promote on social media. That's got to be good for business.

"Dealer showrooms need to stay relevant and fit for purpose in a world where established retailers such as Toys 'R' Us and Maplin have recently failed because they had not kept ahead of changing consumer behaviour. One of the real success stories, which could be emulated by other brands in the future, is the introduction of the Jaguar Land Rover 'Arch' showrooms.

"We're already seeing tremendous returns among groups who have resourced them appropriately – you really have to understand how to make that investment sweat and make them destination facilities."

Seifert said VW's trading companies will also have to change their infrastructure and equipment in the future to meet a shift in customer demand. He added that greater efficiency can also be achieved through the likes of loaning out rather than buying specialist tools outright.

"Larger-scale efficiency can bring service factories where vehicle maintenance and repair is carried out on a more industrial scale," he said. Some dealers already approach PDI work in this fashion.

"As far as the charging infrastructure is concerned, charging stations will be set up at each dealer location, so that we will make a significant contribution to the expansion of the infrastructure for electric vehicles."

James Tew, chief executive at iVendi, said: "Big changes are coming – from ownership of vehicles to how they are powered and who's going to drive them. There are a lot of moving parts right now and we'll have to see how those settle down and what the knock-on effect is."

ALEX WRIGHT