

Eliminating friction in automobile path to purchase



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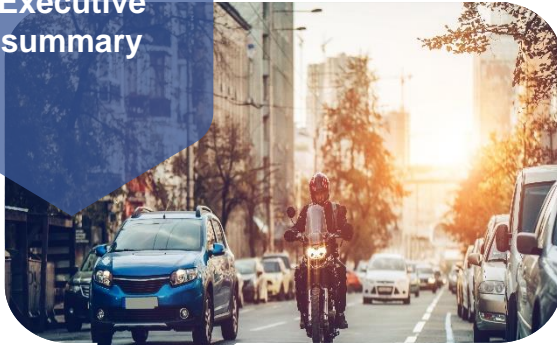
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* Friction to be explained in the forthcoming chapters

Executive summary

India has emerged as one of the world's largest and fastest growing automobile markets over the years, with production of 29 million vehicles in FY18 and an estimated production of about 60 million vehicles by 2022¹. It is also the leading manufacturer of two-wheelers in the world and a global hub for small cars, contributing approximately 30 per cent of the global small cars sales.²

Low vehicle penetration (20 vehicles per 1,000 people³) and growth of Indian middle class with increasing purchasing power along with strong growth of the Indian economy over the past few years have inspired major OEMs around the globe to turn their attention towards the Indian market. At the other end of the spectrum, cab service providers and automobile rental models are already shifting consumers' perception of automobile from an asset to a service. Environment-friendly mobility technologies — such as hybrid and electric vehicles — are becoming commercial realities. Such shifts in business models and technologies around mobility could also compel automobile marketers to re-evaluate their marketing strategies.

Automobile purchase, by its very nature, is a high involvement process, and is usually pre-planned with near certainty of completion. Therefore, loss of a potential lead by a brand could be a gain for another. In such a competitive market, it is critical for brands to understand consumer preferences at different media touch points and grab their attention.

The report aims to understand the reasons that lead to dropouts in the path to purchase of an automobile, referred to as 'friction', which may lead to potential loss of revenue for brands. The study focusses on B2C purchases of four-wheelers and two-wheelers. The sales of commercial vehicles and enterprise sales of four-wheelers and two-wheelers are not included in the study.

Sources:

1. Automobile sector report, IBEF, April 2017
2. SIAM Automotive mission plan 2026, SIAM
3. India Turns Tesla's Business Model on Its Head, Bloomberg, January 2018

The study revealed that more than two-thirds of four-wheeler addressable market does not even enter the purchase funnel. It is because of the high investment nature that renders the purchase cycle of automobile significantly longer than one year. However, these non-decision-makers of today could be influencers or buyers of tomorrow. Further, nearly four in every five four-wheeler and two in three two-wheeler aware decision-makers do not complete their purchase journey after initiating it. To understand the peculiarities of the automobile purchase journey and associated friction at its different stages, a survey was conducted by Nielsen India among 987 respondents in the automotive category across varied demographic and socio-economic groups. KPMG in India, also interacted with industry experts to obtain their perspective on the possible approaches to reduce friction and improve upon the conversion rates.

Following are the report findings:

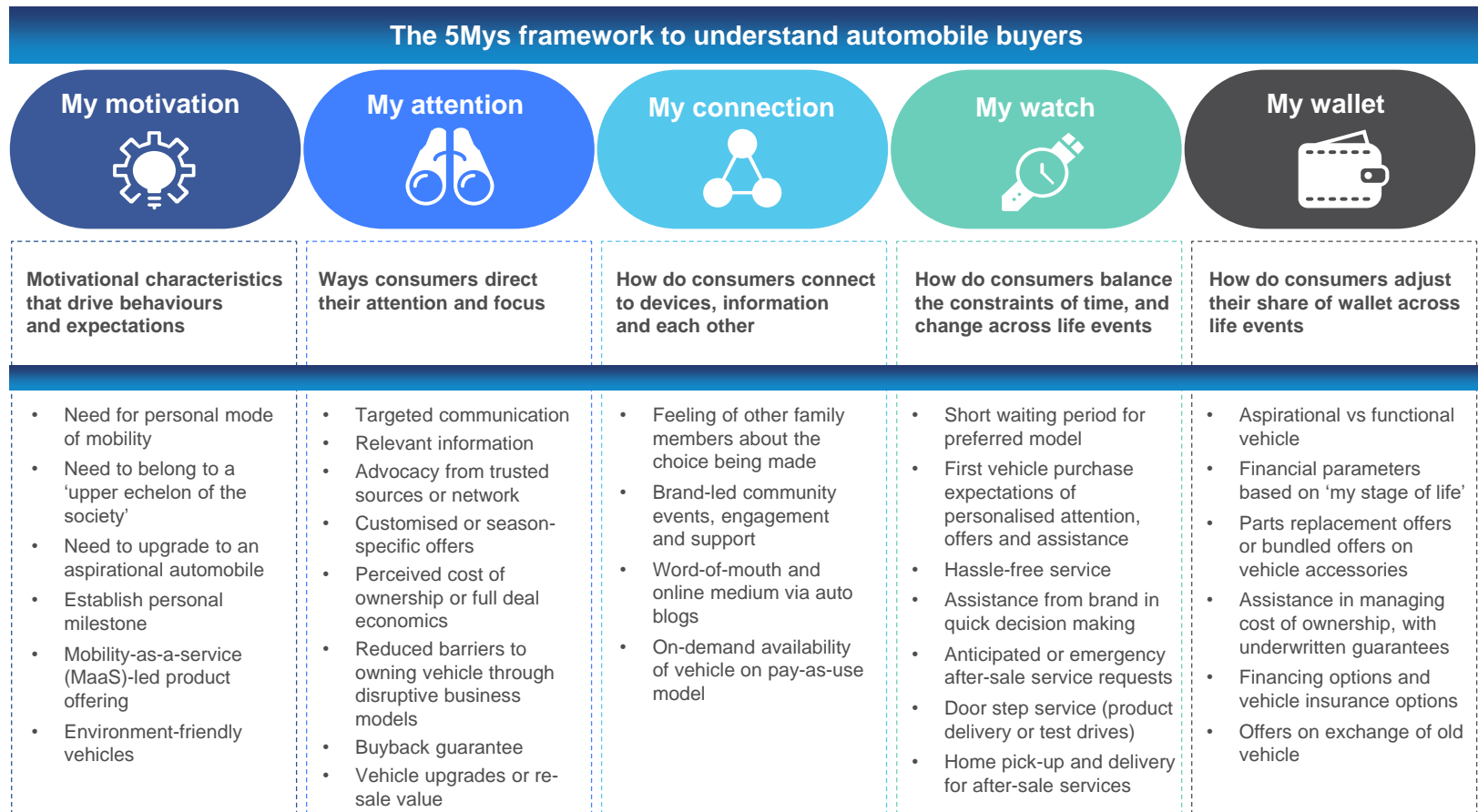
- ***In the four-wheeler category, friction accounts for 26 per cent of consumer dropouts, and one-third of this friction is caused by media***
- ***In the two-wheeler category, friction accounts for 34 per cent of consumer dropouts, and nearly half of this friction is caused by media***
- ***Mobile is expected to influence 8 out of 10 four-wheeler, and 7 out of 10 two-wheeler purchases by 2022***
- ***Facebook is expected to influence nearly one in two purchases of both four-wheelers and two-wheelers by 2022***
- ***Mobile could reduce media friction by 1.2 per cent for four-wheelers, allowing the brands to tap into about 1 million units sales opportunity***
- ***Mobile could reduce media friction by 1.6 per cent for two-wheelers, allowing the brands to tap into 2.6 million units sales opportunity.***



Understanding the multidimensional automobile buyer

The purchase of a new automobile is often referred to as the quintessence of a high involvement buying process; the financial investments and personal relevance of the automobile category suggests that four-wheeler buyers put forth much effort before making the final decision. In a significant number of cases, a consumer does months of planning before purchasing a vehicle. The vehicle sought may act as the status symbol, or the sole source of mobility for the family. Purchase motivators range from aspirational to functional for different consumer groups. Currently, automobile consumers are evolving rapidly and adapting to digital disruptions in the mobility industry. Predicting the future is also not easy as we can no longer use only age as a proxy for understanding consumers.

The 5Mys framework is designed to help identify the real drivers of consumer behaviour, along with the critical trade-offs among purchase decisions across the breadth of the consumer wallet, leading to more targeted and contextualised experiences, products and services that create value for both consumers and companies.



Source:
Me, my life, my wallet report, KPMG International, 2017



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Friction decoded - Scope of opportunity

Understanding and defining friction

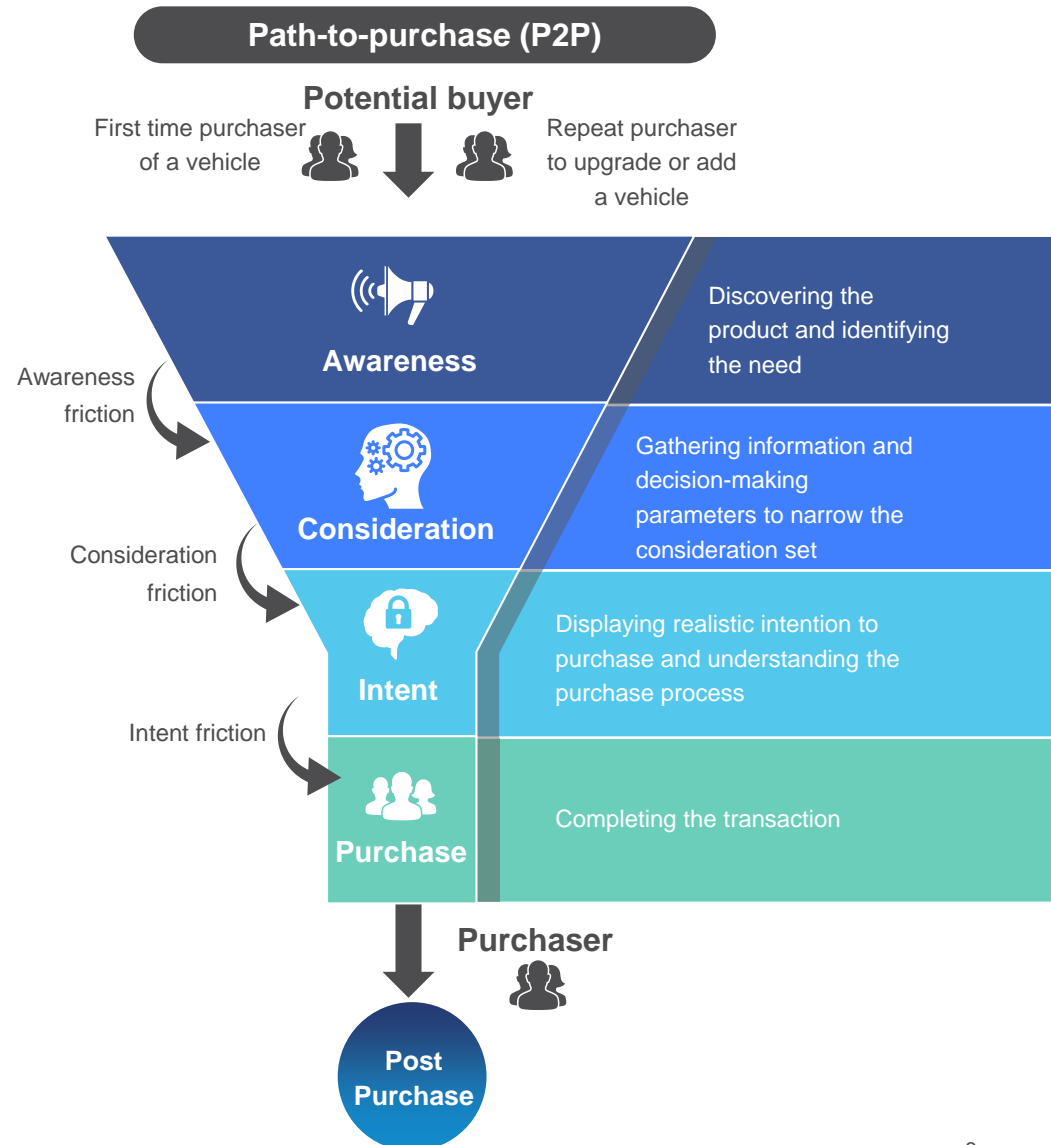
Consumers prefer to follow the path of least resistance and avoid anything that makes it challenging for them to move to the next step or make a purchase. Traditional path to purchase has transformed with the advent of technology, smartphones and digital assistants, and is likely to be replaced by personalised journeys.

Today's consumer expects and demands convenience, speed, automation and simplicity that were not possible a few years ago. Any unnecessary additional effort, incremental step or inconvenience which leads consumers to abandon their purchase journey is defined as 'friction'.

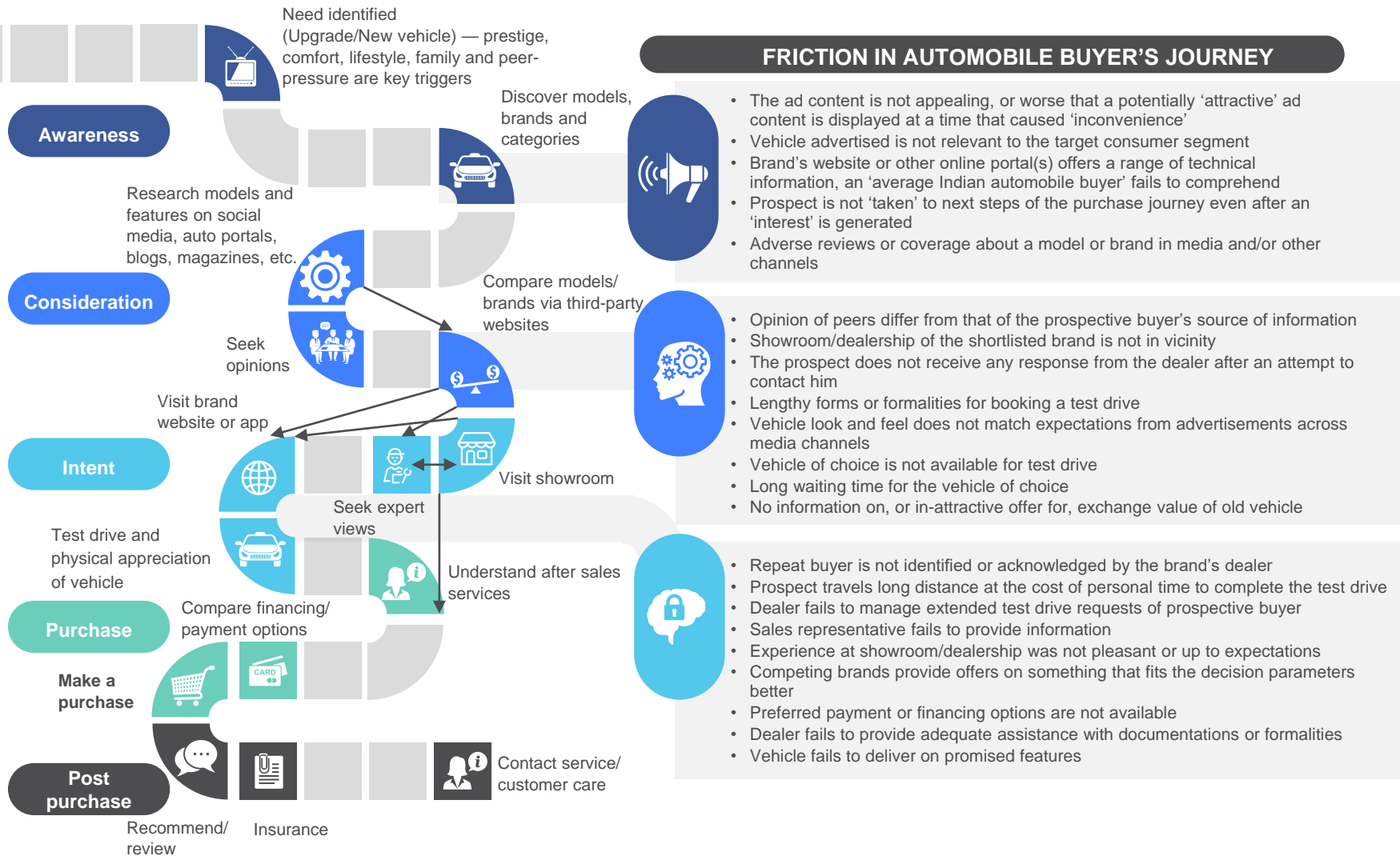
Friction may occur offline or online, subjecting consumers to unnecessary waiting, queuing, clicking, typing and form filling. On their journey, they may also have to load an application, buffer a page, switch channels/windows or hold for service. This can adversely impact consumer experience, which, in turn, could affect the consumer purchase journey.

The conducted research shows that consumer pain points that lead to friction can occur across three main stages of the consumer journey: awareness, consideration and intent, as listed below. Businesses may be offering friction unknowingly, hindering the efficiency of customer experience, and in turn, the consumer journey.

- **Awareness friction:** Every touch point or missing touch point that requires prospective consumers to make any effort to discover a brand
- **Consideration friction:** Every touch point or missing touch point that requires prospective consumers to make any effort to consider a brand
- **Intent friction:** Every touch point or missing touch point that requires prospective consumers to make any effort to purchase a brand.



Decoding an automobile buyer's journey and friction across purchase stages

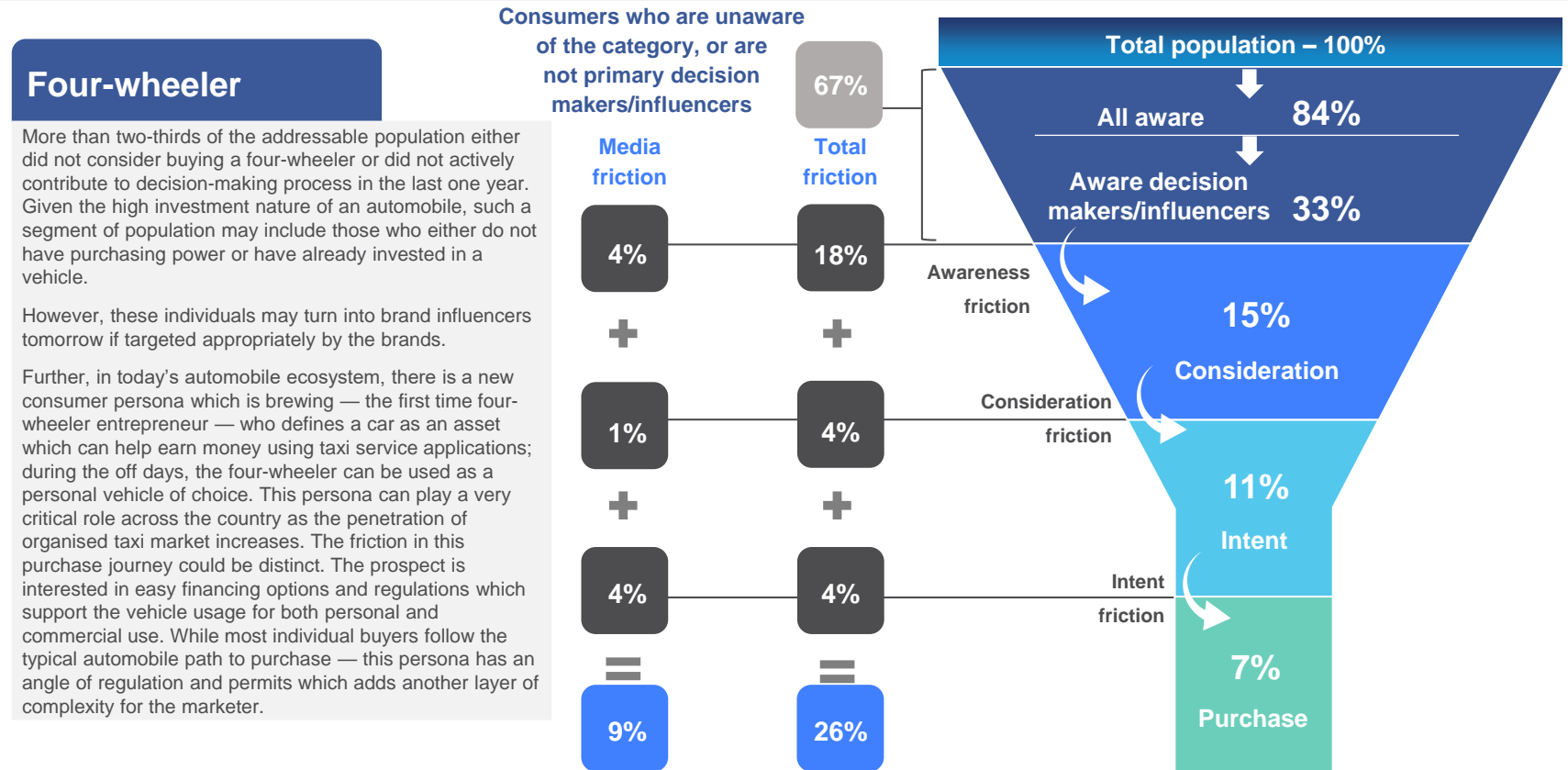




One-third of friction loss is caused by media touch points in four-wheeler purchase journey

Currently, only one-third of the addressable population enter the purchase funnel as aware decision-makers/influencers of four-wheelers. Of these, a significant proportion of prospects abandon the purchase at different stages of the journey. Such dropouts could be on account of personal decision or unavailability of choice of product, or on account of dissatisfaction caused by media touch points at some stage of the purchase journey.

One-third of total friction loss in four-wheeler purchase funnel is attributable to media-related friction loss. Highest drop out — more than half of aware decision-makers/influencers — occurs between the awareness and consideration stages, where a prospect is looking to 'develop an interest in the category' and usually enters the awareness stage with shortlisted models in mind.



Base = 374

- 'Deep Dive' is only among 33 per cent of the population who are aware decision makers for the four-wheeler category
- At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction

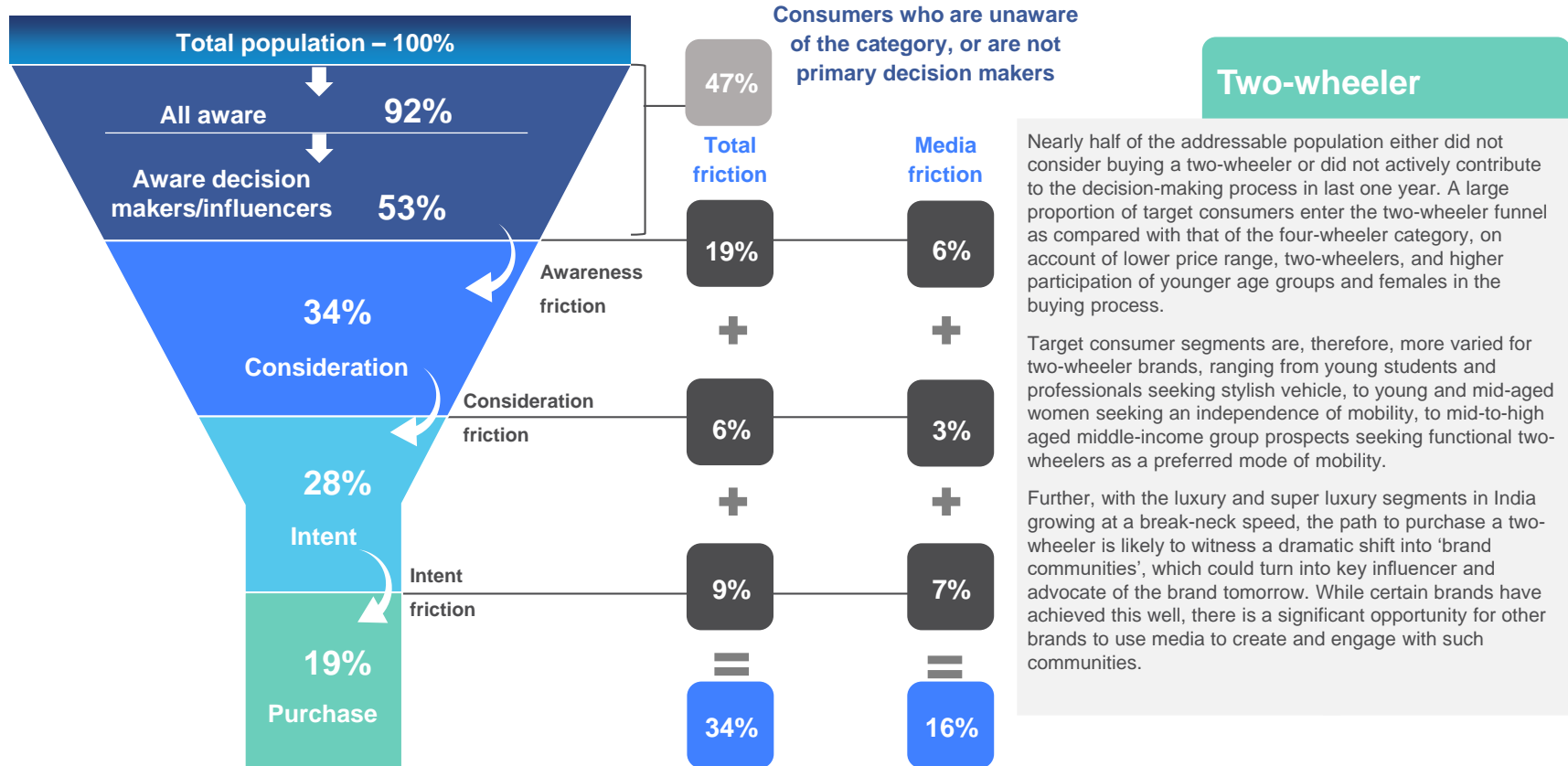
- Four-wheeler Buyers** – Aware Decision Makers who have purchased or tried to purchase a four-wheeler in the last one year
- Four-wheeler Considerers** – Aware Decision Makers who have considered purchase of a four-wheeler in the last one year but have yet not purchased
- Four-wheeler Aware non-considerers** – Aware Decision Makers who have not considered purchase of four-wheeler in the last one year



Media related friction accounts for nearly half of friction loss in two-wheeler purchase journey

Only about a half of the addressable population enters the purchase funnel as aware decision-makers/influencers of two-wheelers, of which more than two-thirds abandon the purchase at some stage of the purchase journey.

Two wheeler purchase journey shows considerably high friction at awareness stage, where almost more than one-in-three 'aware decision makers/influencers' do not proceed to the consideration stage. Moreover, one-third of this friction loss in two-wheeler purchase funnel is caused by media-related friction. Given the relatively smaller variance in price points of different models or categories in two-wheelers, it becomes more important for brands to capture a larger mind-share of prospects at the top of the funnel.



Base = 613

- 'Deep Dive' is only among 53 per cent of the population who are aware decision makers for the two-wheeler category
- At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction

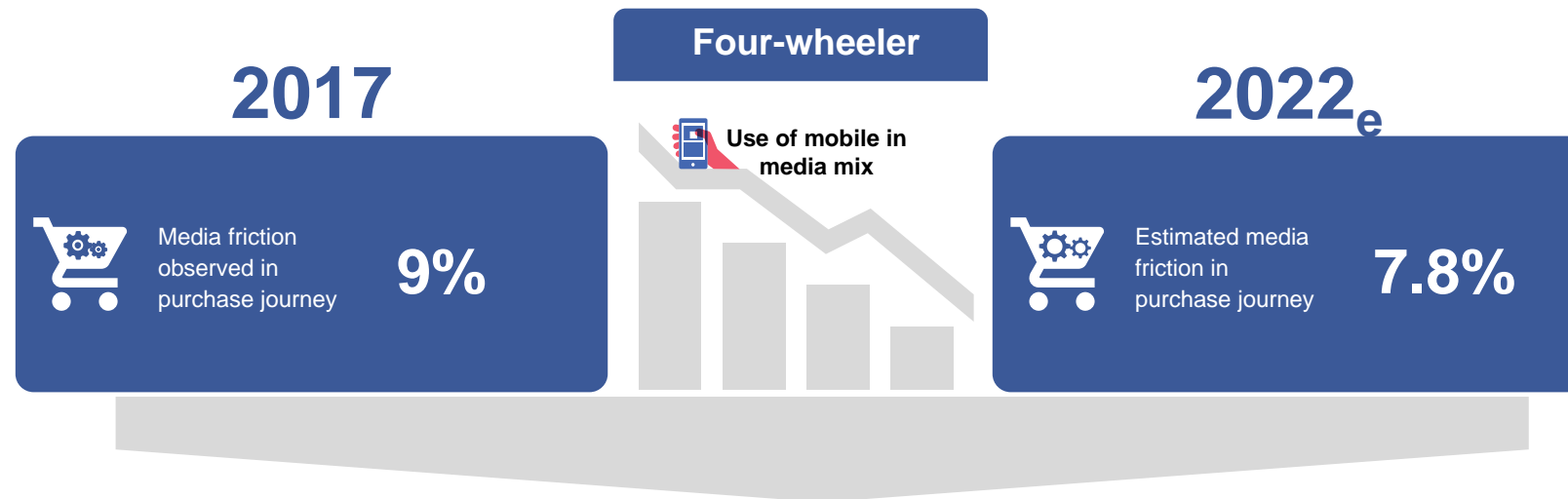
- Two-wheeler buyers** – Aware decision makers who have purchased or tried to purchase a two-wheeler in the last one year
- Two-wheeler considerers** – Aware decision makers who have considered to purchase a two-wheeler in the last one year, but have yet not purchased
- Two-wheeler aware non-considerers** – Aware decision makers who have not considered to purchase a two-wheeler in the last one year



Mobile could help four-wheeler brands to tap into potential sales opportunity of about one million units in 2022 by reducing media friction

Friction can impact marketing ROI and significantly hit a brand's bottom line. The loss of even a single prospect can add to revenue loss, more so in case of luxury or high-end vehicles. Each and every sale counts, and according to this study, mobile has the ability to reduce media friction by 1.2 percentage points, creating a sales opportunity of approximately one million units between four-wheeler brands^{[1][2]}.

Currently, nearly 70 per cent four-wheeler purchases are influenced by mobile, and by 2022 more than four out of five four-wheeler purchases are expected to be influenced by mobile. Hence, it becomes imperative for marketers to strengthen their media mix by having a larger share of marketing activities on mobile. Furthermore, in this segment, the influencer plays a key role, and past experience of purchase and after-sales service could decide the next purchase. While this report explores the path to purchase of the sales cycle, we believe that this path is likely to have key opportunities to improve sales through enhanced consumer experience with after-sales servicing.



By reducing media friction with mobile, brands can tap into
~1 million units* of sales opportunity

Note: Potential opportunity by KPMG in India is based on the potential reduction in consumer dropout. Modelling for reduction in dropouts is based on the potential friction reduction, which may get impacted due to the usage of mobile-based media.

*This number can be achieved by reducing the friction, thus increasing the addressable market opportunity

Source:

[1] Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017

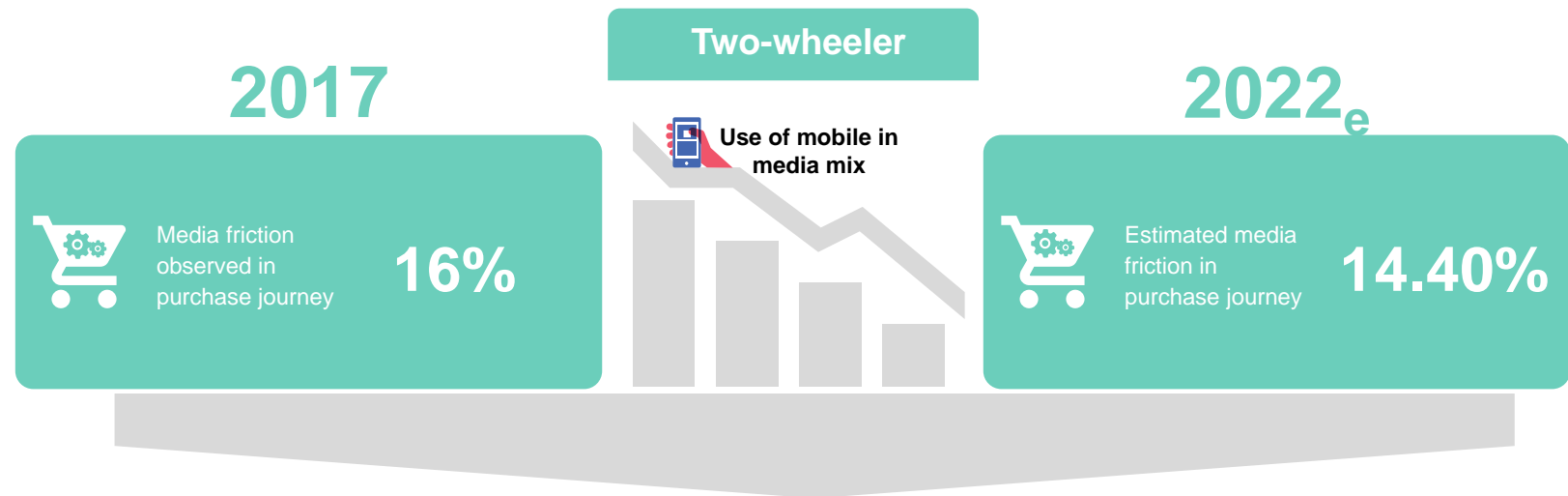
[2] KPMG in India's analysis, 2018 based on data obtained from multiple industry reports and primary survey conducted by Nielsen, 2018



Mobile could help two-wheeler brands to tap into potential sales opportunity of 2.6 million units in 2022 by reducing media friction

Mobile has the ability to reduce media friction, and by adding mobile to the media mix, brands can improve the conversion rate. Mobile could not only enable brands to add additional revenue, but also enhance consumer experience leading to more satisfied consumers.

In case of two-wheelers, mobile can reduce media friction by 1.6 percentage points, creating a sales opportunity of 2.6 million units between two-wheeler brands^{[1][2]}. Currently, nearly half of two-wheeler purchases are influenced by mobile, and by 2022 over 70 per cent of such purchases are expected to be influenced by mobile. Hence, it becomes imperative for marketers to strengthen their media mix by having a larger share of marketing activities on mobile.



By reducing media friction with mobile, brands can tap into
2.6 million units* of sales opportunity

Note: Potential opportunity by KPMG in India is based on the potential reduction in consumer dropout. Modelling for reduction in dropouts is based on the potential friction reduction, which may get impacted due to the usage of mobile-based media.

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Source:

[1] Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017

[2] KPMG in India's analysis, 2018 based on data obtained from multiple industry reports and primary survey conducted by Nielsen, 2018



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Friction mapping - Understanding friction



Select model

Exterior design features

Door handles - Body colour

Door mirrors - Electrically-operated

Front upper grille - Satin aluminium (light finish)

Front lower grille - Satin aluminium (light finish)

Front bumper - Body colour with dark valance

Rear bumper - Body colour with dark valance

Rear bumper applique - Mid grey

Tailgate handles - Silver finish

Front fog lights with silver surround

Headlights with signature lighting

Silver front surround with silver bars



Select model

Exterior convenience features

Headlights - Halogen with LED signature lighting

Side mirrors - Courtesy delay (home safe)

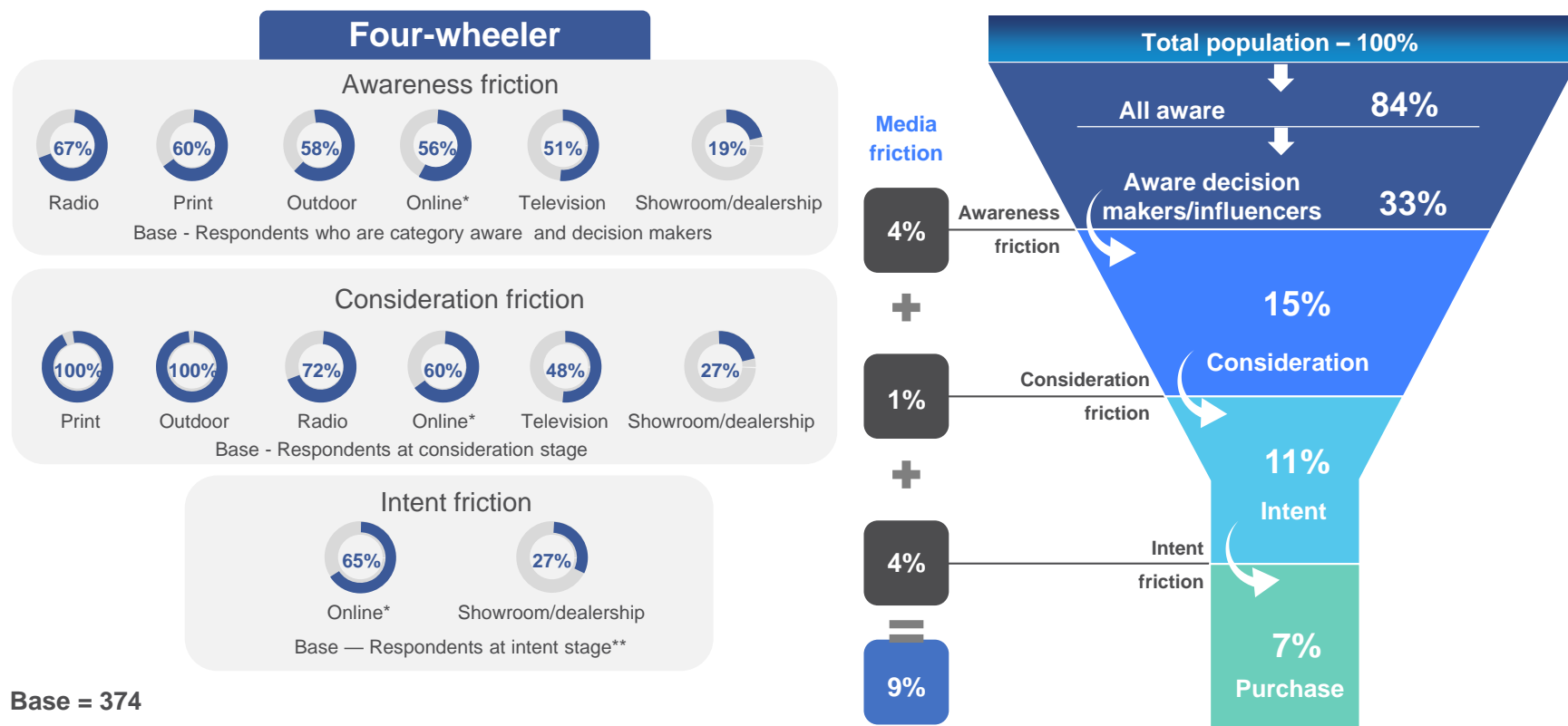
Side mirrors with daytime running lights

Sensors - Rear



Nearly 7 out of 10 people face friction on print, outdoor and radio at the top of four-wheeler purchase funnel

About 90 per cent media-led friction is observed at the awareness (4 per cent) and intent (4 per cent) stages. Print, outdoor and radio contribute to maximum friction at top of the funnel, which increases drastically as prospects move ahead in the purchase journey. Furthermore, automobile purchase is a high engagement decision, and prospects usually enter the funnel with a pre-decided set of options and decision parameters. Brand communications often address these parameters at the awareness stage in order to differentiate from other brands, and further reinforce them at the point of sales, potentially leading to low friction at the consideration stage. However, consideration stage onward, consumers seek further level of detailed information on shortlisted models, which static media touch points are not designed to fulfil. Online media, on the other hand, are more appropriately positioned to offer targeted content to consumers at each stage of the journey. Leading global automobile brands have launched online portals — to implement a full-funnel strategy — which act as singular source for meeting consumers' expectations regarding education on models, and providing incentives — including exchange offers on pre-owned cars — for successfully closing the lead.



Base = 374

Four-wheeler buyers — Aware decision makers who have purchased or tried to purchase a four-wheeler in the last one year

Four-wheeler considerers — Aware decision makers who have considered to purchase a four-wheeler in the last one year, but have yet not purchased

Four-wheeler aware non-considerers — Aware decision makers who have not considered to purchase a four-wheeler in the last one year

Note:

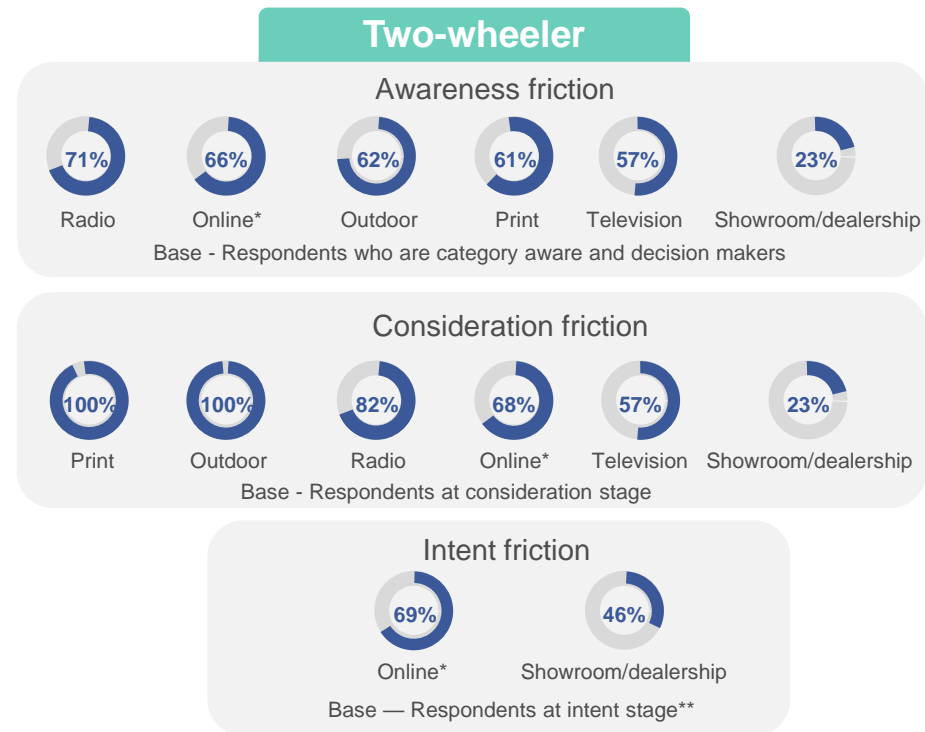
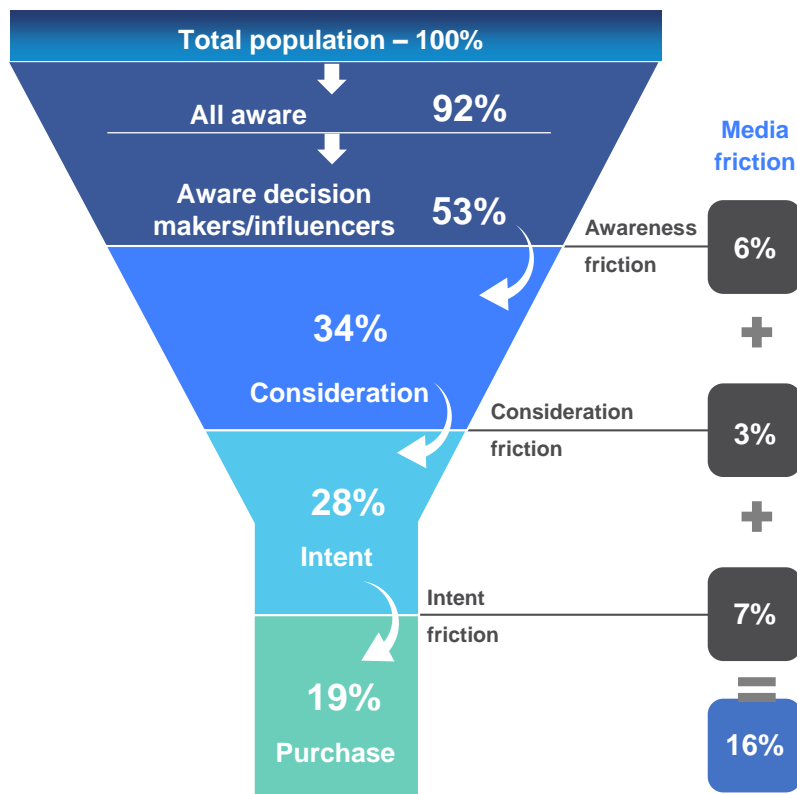
* Online includes top five media touch points accessed by respondents at respective stage of the journey

** At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate



Print, outdoor and radio lead to friction for nearly 3 out of 4 people in two-wheeler purchase funnel

For two-wheelers, awareness and intent stages together cause 80 per cent of media friction, with the intent stage contributing to more than 40 per cent of media friction loss. Currently, most online platforms display technical specifications of vehicles, with little focus on 'relevance' to specific needs or aspirations of prospects. While traditional media such as print and outdoor leave nearly 75 per cent of prospects dissatisfied, almost 70 per cent two-wheeler prospects, who access digital channels at any stage of the journey, also face friction. An average automobile buyer in India is not well versed with technical specifications of automobile and seeks a vehicle that matches his/her personality, aspirations, financial constraints, fuel efficiency and other functional benefits. Digital channels have the potential to address such needs of automobile buyers, especially consideration stage onward, which traditional media is unable to address. Brands, therefore, could leverage full potential of digital medium in managing the transition from capturing the mind-share of consumers, to fulfilling the decision parameters, and finally, assisting in closing the purchase. Several automobile players have started graduating their booking or lead generation platforms into engagement platforms which are designed with a 'mobile first' view driving deep user engagement on feature awareness and integrating into the omni-channel sales network.



Base = 613

Note:

* Online includes top five media touch points accessed by respondents at respective stage of the journey

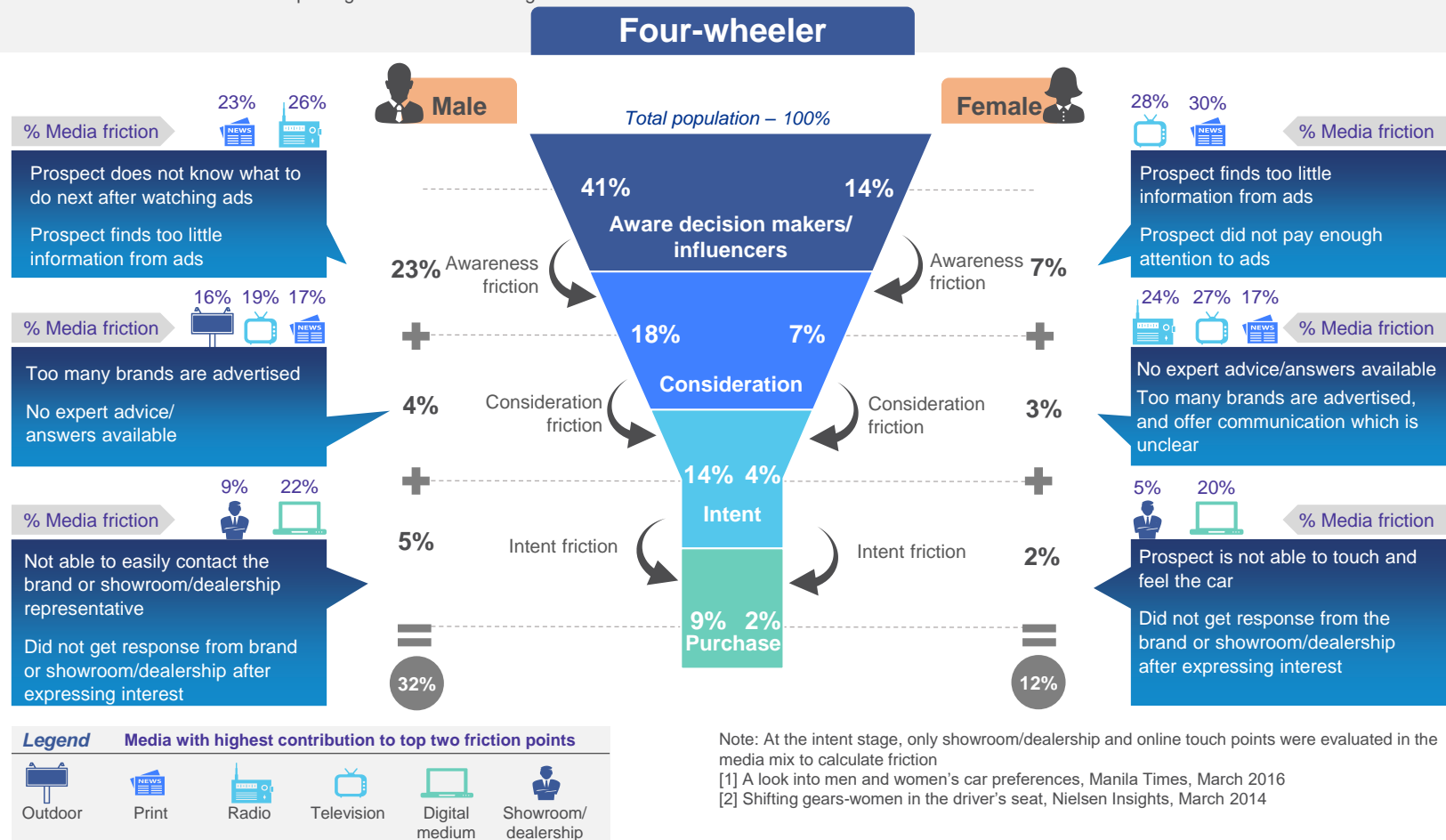
** At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate

Two-wheeler buyers – Aware decision makers who have purchased or tried to purchase a two-wheeler in the last one year
Two-wheeler considerers – Aware decision makers who have considered purchasing a two-wheeler in the last one year, but have yet not purchased
Two-wheeler aware non-considerers – Aware decision makers who have not considered purchasing a two-wheeler in the last one year



Women expect sales assistance, while men want swift response from four-wheeler brands

While women may not overly indulge into knowing all features, they continue to ask for stronger brand connect during the intent and purchase phases. Their tendency to ignore advertisement at the top of the funnel indicates that one-size-fits-all approach is not effective in automobile marketing. Brand communication contextualised to women's decision parameters could result in higher conversion at the top of the women funnel, translating into significant market opportunity for brands. Leading luxury car brands around the globe are engaging with women drivers not only through their four-wheeler advertisements, but also by expanding their brands to fashion accessories targeted at women, as the brands have realised the growing extent of influence of women in a four-wheeler-buying decision^[1]. Functionally, women value space, convenience, interiors and safety more^[2]. After commencing purchase journey, women prospects seek more assistance with the purchase, given the highly technical nature of content on most media channels. On the other hand, men focus more on engine power and mileage. Men appreciate timely response from brands and prefer validating their own research through one-on-one interaction with brand representatives. Differentiated communication for men and women could provide better results to automobile brands in capturing attention of their target consumers.

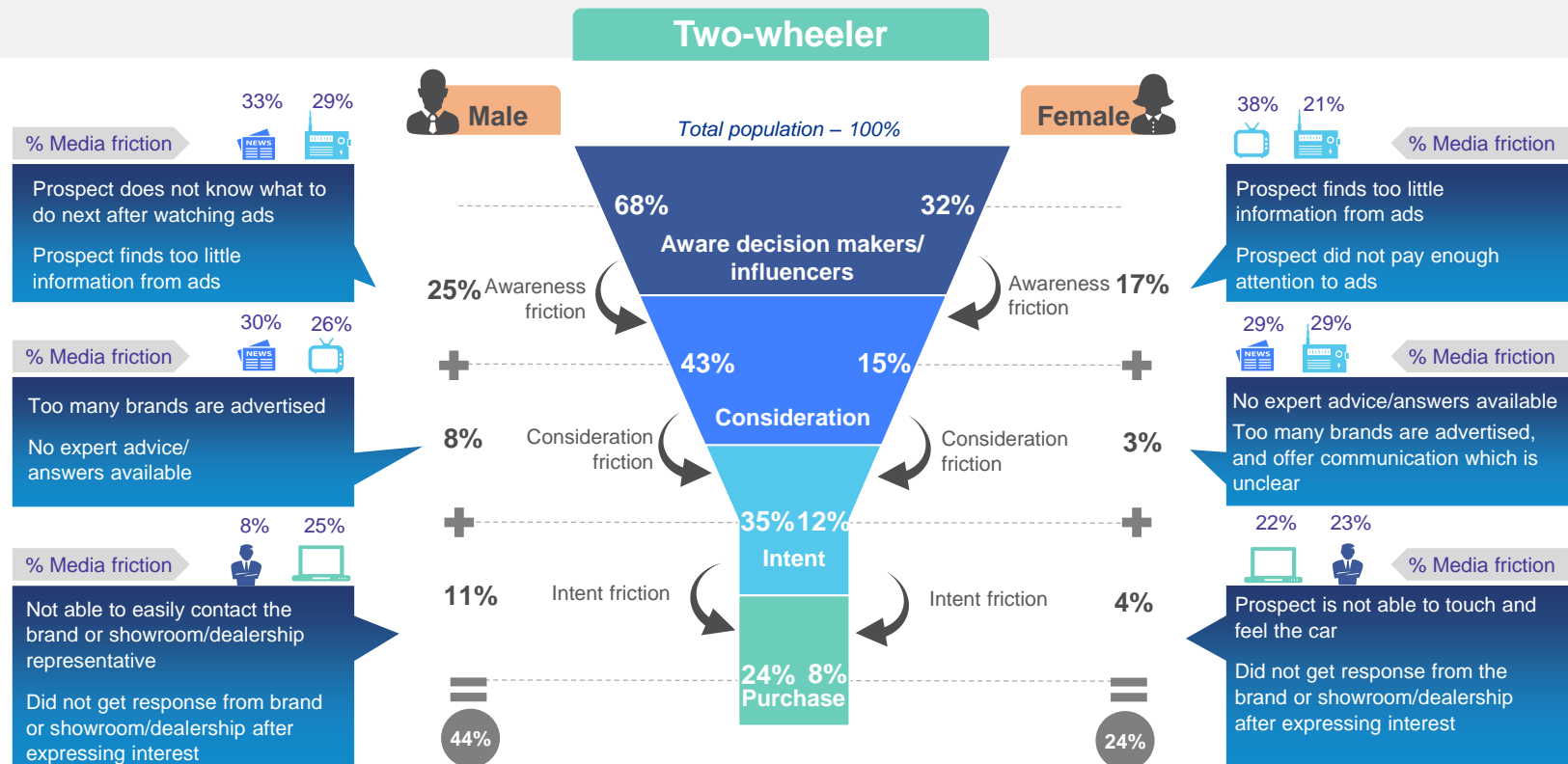




Men seek assisted buying while women seek utility based communication for two-wheeler purchase

Two-wheeler category observes higher involvement of women as compared to that of four-wheelers. Scooter category among two-wheelers has seen 20 per cent CAGR in sales between 2012 and 2017^[1], which is gaining momentum on the backdrop of increasing propensity of women drivers. Women making two-wheeler purchase look out for specific product information, test drive and financing options, as they move down the funnel. Four-wheeler category could extend the learning from two-wheelers, where women-centred product designs and marketing campaigns successfully create a targeted market for women.

Men display a clear preference for models or brands that they have already shortlisted as they enter the consideration stage. Unlike women, who evaluate two-wheelers on utility, safety and basic preferences on exteriors, men seek more technical, performance-based information, and may consider exterior looks and style statement of the vehicle as an important parameter for decision-making. Men, therefore, seek more expert advice and direct interaction with brands to validate their decision parameters. Responsiveness and consumer centricity from brands could differentiate their offerings for male prospects.



Note: At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction

[1] Urbanisation, rising women users, better roads add speed to two-wheeler sales, The Economic Times, May 2017

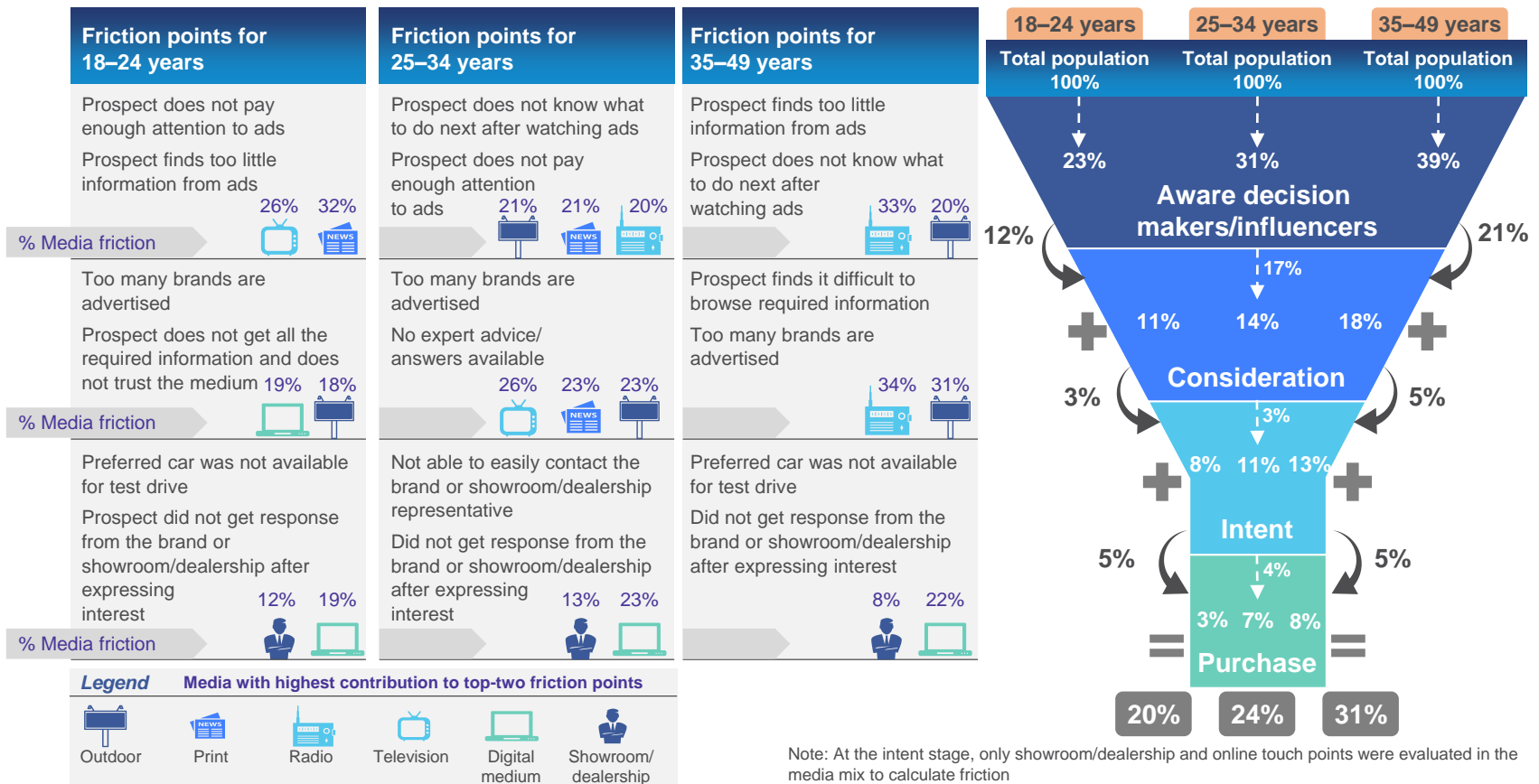




Lack of contextualisation to age-specific needs causes high friction at the top of the funnel

In case of four-wheelers, 35 to 49-year-old prospects are most likely to pursue a purchase. However, they are also less tolerant to friction as nearly 80 per cent of both age groups — 25–34 years and 35–49 years — abandon their purchase after commencing the journey. These potentially high-value prospects seek a clear direction toward next steps after watching an advertisement, and once they have shortlisted a vehicle, they seek only targeted information. While the younger population is usually making their first four-wheeler purchase and, therefore, seek assistance, the middle aged group, i.e., 35–49 years, are more likely to have a pre-decided four-wheeler model and appreciate one-to-one interaction with the concerned brand to close the deal. These days, most advertisements on traditional channels of print and outdoor are templatised and, hence, lack differentiation for different age-groups; this leads to nearly 50 per cent friction loss among both 25-34 and 35-49 years age-group prospects at the awareness stage itself. Furthermore, disruptions in the market through Mobility-as-a-Service (MaaS) model are inspiring young prospects to defer their purchase decision. Hence, the role of marketing is likely to become pivotal in engaging the new-generation consumers to new business models, which could help drive consumer life cycle value even after the purchase is complete.

Four-wheeler



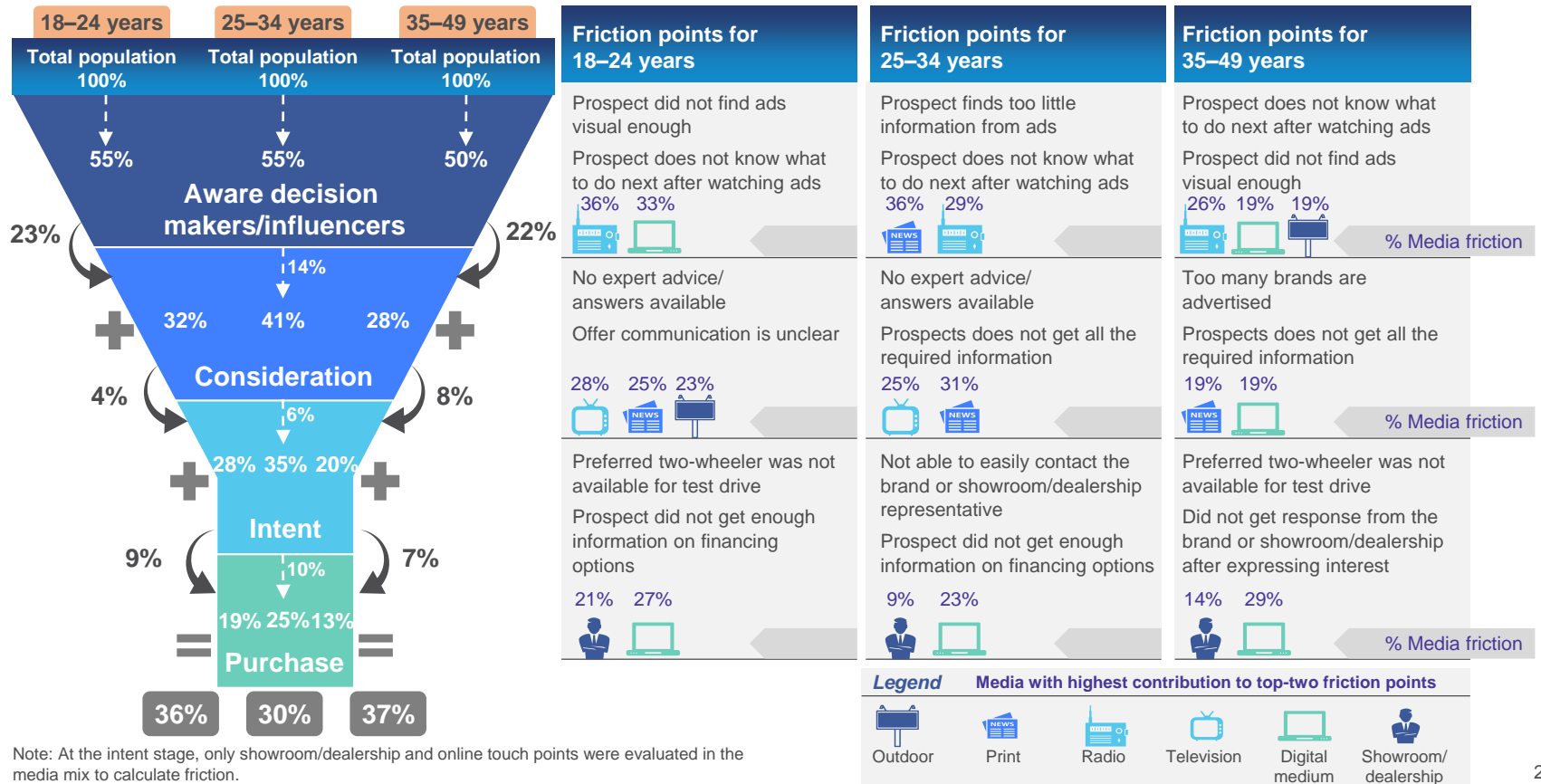
Note: At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction



Young prospective buyers abandon purchase at the final stage due to lack of information on financing options

For two-wheelers, 25- to 34-year-old age group is most likely to culminate into a successful purchase, with nearly one in two aware decision makers/influencers completing their purchase journey. This age group seeks more information about the product throughout the product journey. The 18–24 years and 35–49 years prospects, on the other hand, expect additional advice from experts or information on shortlisted set of brands or models and prefer to physically test the product to arrive at an informed decision. Although automobile advertisements are not often targeted at 18–24 years consumers, this age group is equally likely to enter the two-wheeler purchase funnel. As the average age of consumers across categories in India dips, brand communication and media channels targeted at 18–24 years could generate significantly greater number of leads at the top of the funnel. Furthermore, both 18–24 years and 25–34 years consumers seek information on financing options, as they are more likely to be either young professionals buying their first vehicle independently or students taking the role of decision makers while family supports the purchase financially. Innovative business models or alliances to offer and communicate attractive financing options could reduce significant proportion of media friction at the final stages of the purchase.

Two-wheeler



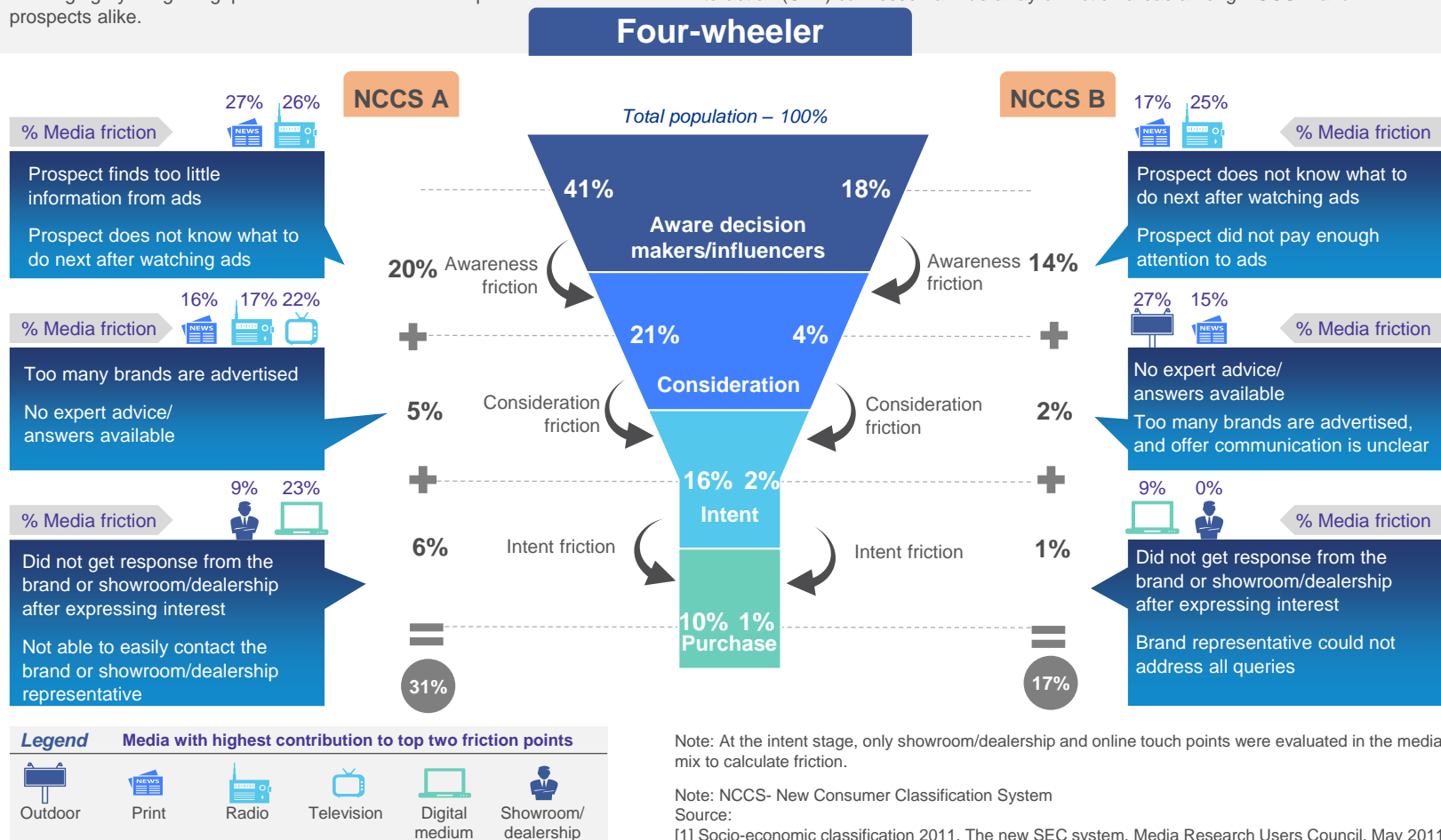
Note: At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction.



For NCCS A, lack of expert advice and difficulty in contacting a brand's showroom/dealership can lead to dropouts

Given the high-value nature of the product, an NCCS A person is 10x more likely to purchase a four-wheeler than an NCCS B person. However, NCCS B constitutes around twice the number of households as NCCS A does^[1], and therefore, the former could provide attractive opportunities for entry-level four-wheelers. Innovative financial products and marketing strategies that address the 'affordability' constraints of NCCS B become key differentiator in creating a larger pipeline of NCCS B leads.

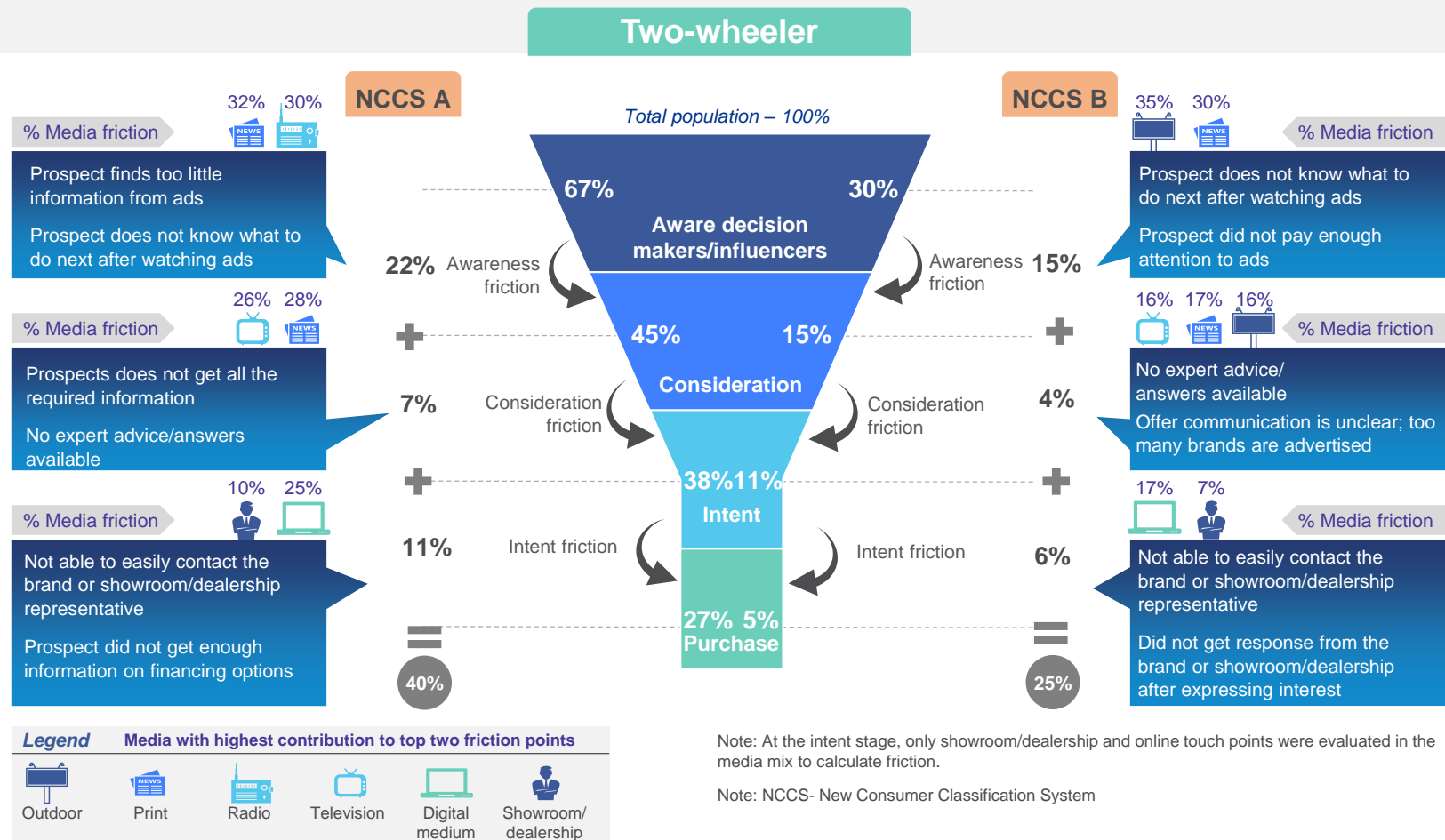
Nearly half of NCCS A and more than three-fourths of NCCS B prospects drop out at the awareness stage itself. Both socio-economic groups seek more information on the product, clear advice on next steps of the purchase journey and expert opinion to assist them in making decision as they move down the purchase funnel. However, print, outdoor and radio media are perceived inadequate at the awareness stage in gathering requisite information for moving ahead in the journey; at the consideration stage, they fail to understand and provide selective information for the considered set of vehicles or models or brands in consumers' mind. Contextualisation of messaging by integrating 'personalised content' with expert reviews and clear call-to-action (CTA) can lessen a wide array of friction areas among NCCS A and B prospects alike.





Relevant information — Key ask of NCCS B buyers for two-wheeler category

NCCS A prospects are more than five times likely to complete a two-wheeler purchase as compared to NCCS B prospects. One in six NCCS B prospects abandon the purchase due to friction. However, NCCS B prospects are 66 per cent more likely to commence a two-wheeler purchase journey, than the four-wheeler one. NCCS B consumers need more targeted and contextualised communication which grabs their attention, and provides transactional incentives — such as a value-for-money deal with a lower full-deal economics. Targeted information and response from the brand hold more importance for NCCS B prospects, than financing support. Further, being more risk-averse, NCCS B prospects are likely to have longer replacement cycle of their existing two-wheeler and defer their planned purchase until they save sufficient wealth to support financing of the vehicle. Advertisement recall and ad contextualization catering to customer's needs could lead to immediate locking of prospective lead while enhancing customer experience significantly. NCCS A consumers, on the other hand, feel the lack of streamlined system does not enable their movement from one stage of the purchase journey to another.

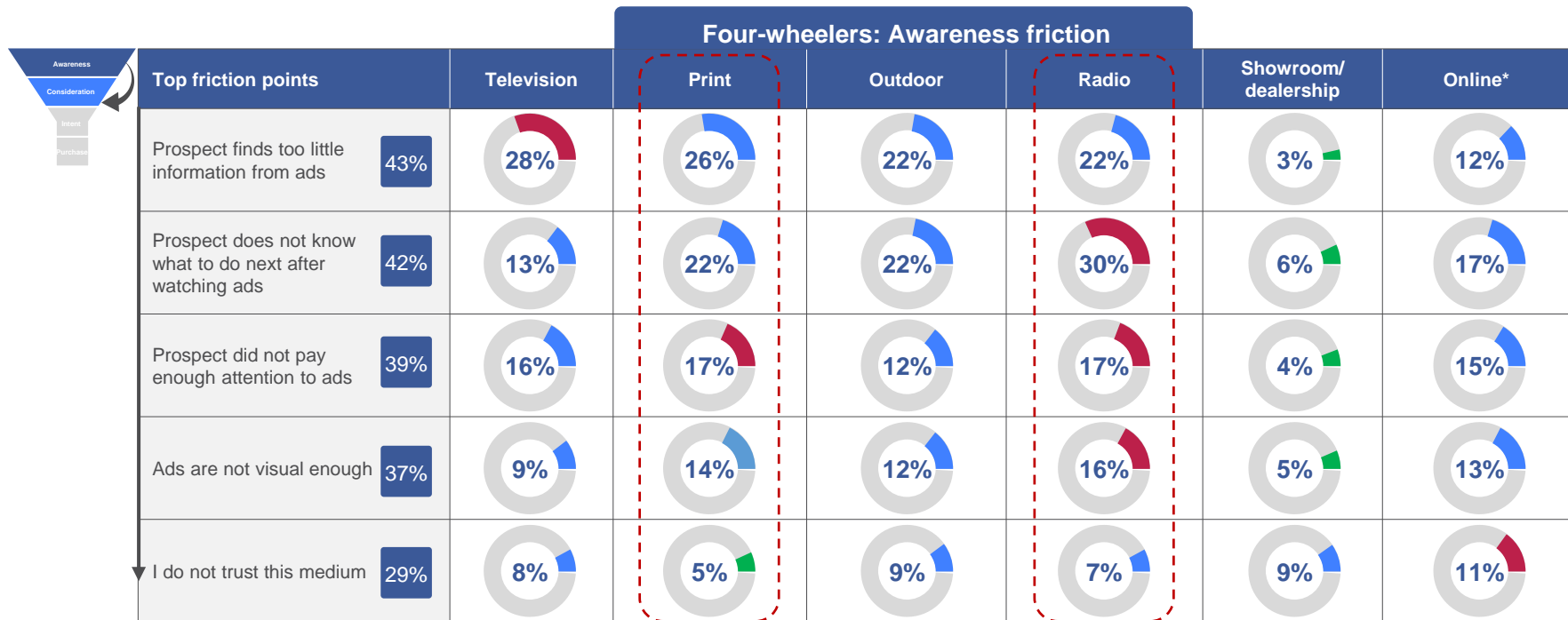




Consumers need more information — direct them to a digital platform to fulfil information needs at awareness stage

At the awareness stage, content offered by brands must not only visually entrench the vehicle in target consumers' mind, but also establish brand identity on the foundation of trust, while providing sufficient information and direction to drive consumers to the next stage of purchase journey. Traditional medium such as television, print and radio are less efficient in providing detailed information to the prospect and garnering attention from specific target markets in a cost-effective manner. Social media platforms, consumer analytics and tools such as 360° video / AR / VR could both personalise a brand communication and provide engaging information to prospective consumers at the top of the funnel.

Discrepancy between the content viewed in ad and the product at showroom/dealership, or lack of ownership of the content from the brand are instances of common pain points that lead to lack of trust on source of information at top of the funnel. Online information portal, user community, digital forums for information sharing and referral programmes are few tools that some leading organisations, such as Tesla, have successfully used to create a buzz around new launches and capture consumers' mind share at top of the funnel^[1].



% Percentage of respondents experiencing the mentioned friction in respective media touchpoints

Media with lowest friction for the given friction point

Medium causing high friction

Media with highest friction for the given friction point

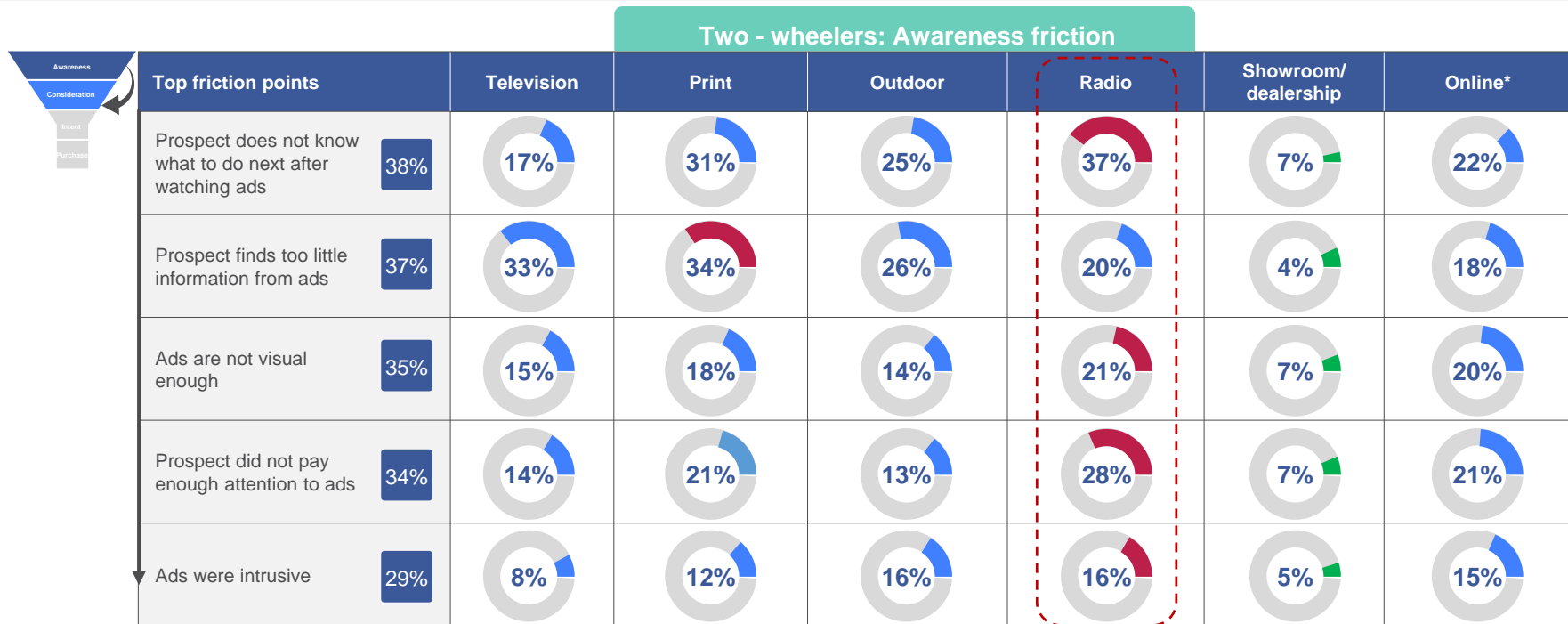
* Online includes top five media touch points accessed by respondents at respective stage of the journey

[1] How Tesla's new-age marketing builds overall consumer EV awareness, Teslarati.com, January 2017



Keep it personalised and non-intrusive to reduce friction at awareness stage

Marketers must evaluate how to use digital real estate, without obstructing intended consumption of content. Push notifications from apps, e-mails advertisements and forwarded messages on messenger apps usually broadcast unwarranted information to a large segment of consumers. They are therefore perceived as intrusion. Brand channels on video portals or social media platforms, digital tools such as 360° videos, credible information on auto-portals and engaging mobile optimised content could capture the attention of prospects without breaching their personal digital space. For instance, in Australia and New Zealand, Harley Davidson used Instagram for creating localised content in the form of carousal cartoons by engaging local Australian artists. Such content resonated with the identity of the brand, and successfully achieved reach among 1.4 million 18- to 35-year-old men within two weeks^[1]



% Percentage of respondents experiencing the mentioned friction in respective media touchpoints

Media with lowest friction for the given friction point

Medium causing high friction

Media with highest friction for the given friction point

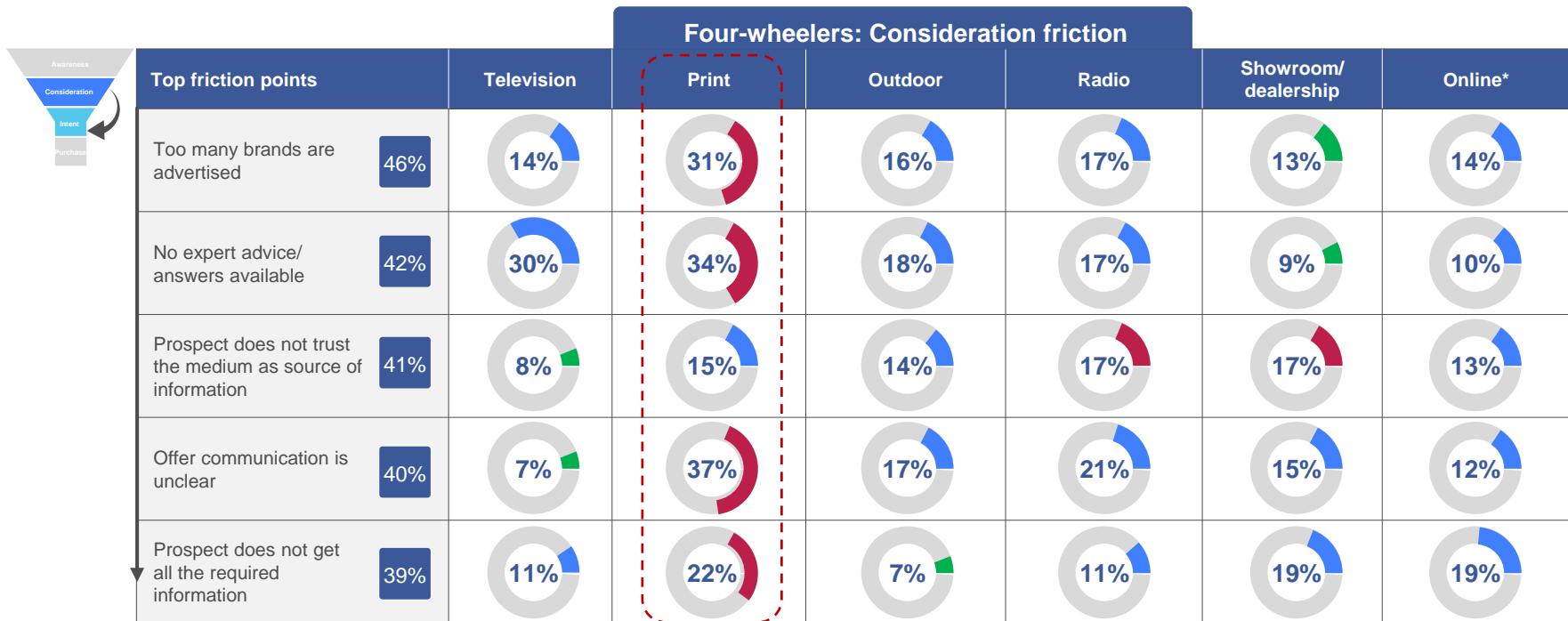
* Online includes top five media touch points accessed by respondents at respective stage of the journey

[1] Instagram case study: Harley Davidson uses carousal cartoons to win over adventurous Australians, Digital Training Academy, 2016



Identify leads and target them with appropriate information at consideration stage

At this stage, businesses aim at converting the acquired leads into prospective buyers by communicating personalised product suggestions, relevant offers and service offerings, which is suitable to meet their needs and wallet. An abundance of information or multiple product advertisement would make it difficult for prospects to assess their options at this stage, leading to dissatisfaction. While print and outdoor, together, consume more than 40 per cent of market budget of automobile brands^[1], primarily aimed at creating larger mind-share, their efficacy beyond awareness stage gets limited in terms of providing in-depth analysis, expert opinions and vehicle comparisons to consumers. In addition, using the same digital creative or brand communication as full funnel strategy has undermined the needs of consumers at different stages of their purchase journey, leading to high friction from digital channels when it comes to gathering more information about the vehicle. Brands could deploy creative ideas targeted at different stages of the purchase journey. Digital platforms are excellent tools — to identify a prospect who has moved to the consideration stage by analysing his/her digital footprints and then provide immersive and sequential content to equip the prospects for moving ahead in the purchase journey.



% Percentage of respondents experiencing the mentioned friction in respective media touch points

Media with lowest friction for the given friction point

Medium causing high friction

Media with highest friction for the given friction point

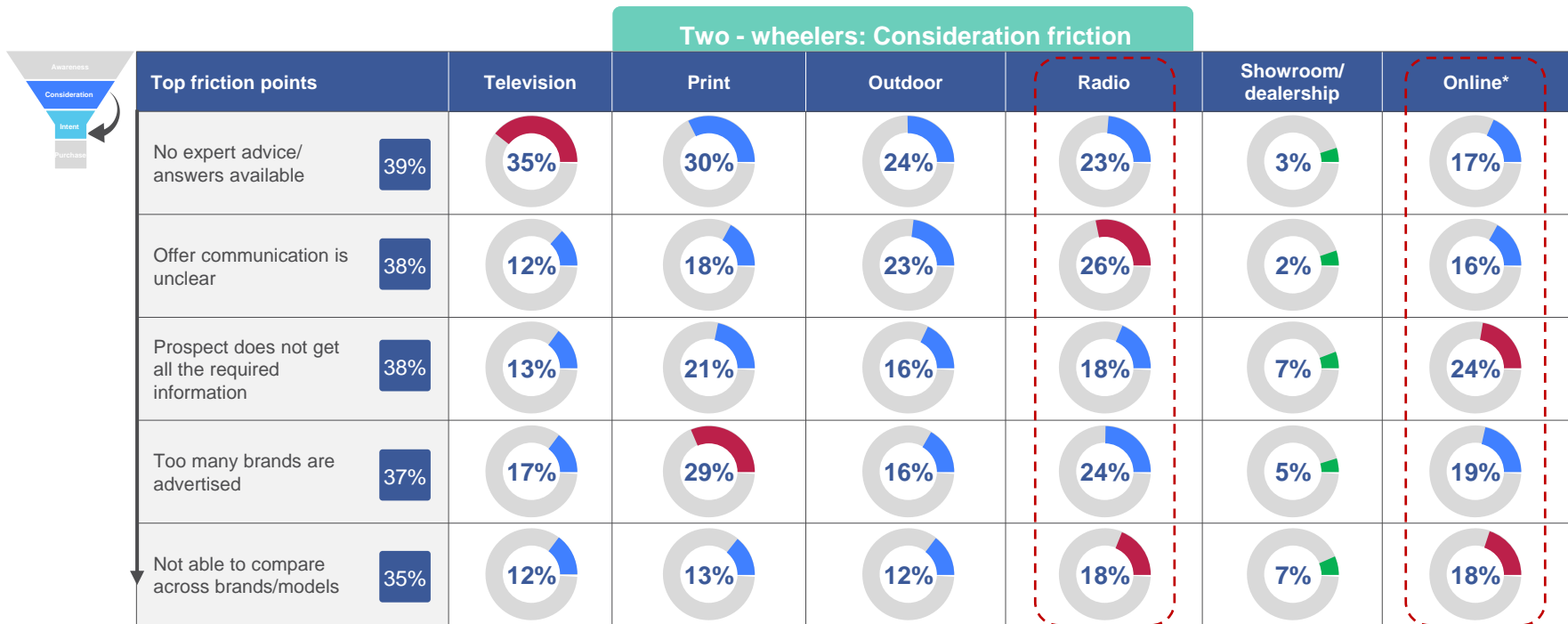
* Online includes top five media touch points accessed by respondents at respective stage of the journey

[1] Digital Advertising in India 2018, Dentsu Aegis Network



Resolve queries and highlight offers to increase conversion rate for two-wheelers at consideration stage

Among two-wheeler prospects, traditional medium fail in both differentiating the brand from competitors and offering relevant information which could assist to graduate to the intent stage. Further, more than one-fifth of those who accessed online channels reported that they lag in providing either detailed information on models or comparison of brands and models. These prospects have limited set of models under consideration, which they compare on functional, technical, and value-for-money benefits, without getting confused with unwarranted information on or exposure to new brands. Brands can leverage digital to identify and flag leads at different stages of the journey, and supply them appropriate information. In addition to auto-portals, brand-hosted content on website and social media channels, including brand community, can anchor the brand or model in the prospect's mind by providing relevant and easy-to-comprehend information. For example, Royal Enfield uses digital channels, including social media, video platforms and web search to host content around the brand, products and lifestyle of its community in various formats^[1]. Brands could utilise digital channels to also engage with their prospective buyers and generate personalised, analytics-based offers for them — in kind or as cash discounts — that address the prospects' latent needs.



% Percentage of respondents experiencing the mentioned friction in respective media touchpoints

Media with lowest friction for the given friction point

Medium causing high friction

Media with highest friction for the given friction point

* Online includes top five media touch points accessed by respondents at respective stage of the journey

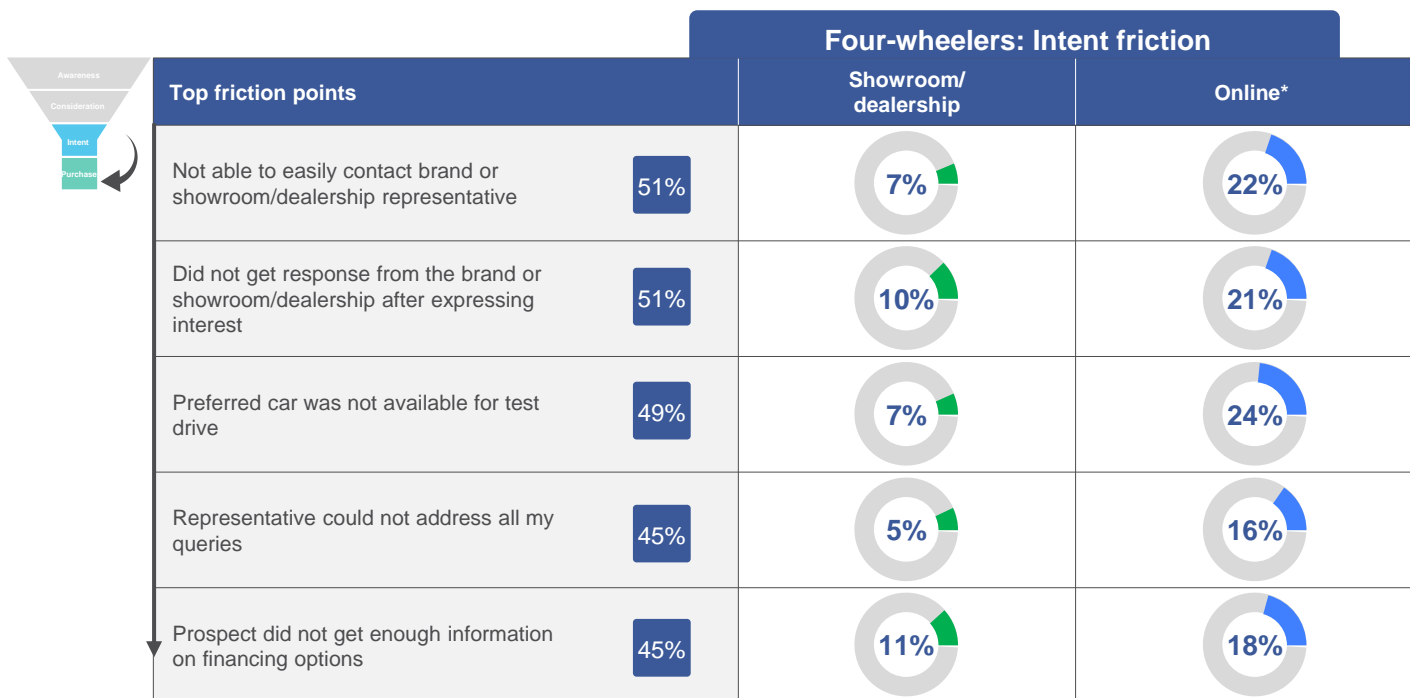
[1] How Royal Enfield Is Engaging On Social Media, Lighthouse Insights, October 2012



Keep your showroom/dealership contacts updated, make it easy for consumers to reach them at the intent stage

During the intent stage, the consumer expects responsive assistance in completing the purchase. The intent stage leads have high level of buying intent and losing them can impact a brand's ROI significantly. OEMs and technology players have already tested leading solutions for managing leads that provided immediate and measurable results. In November 2017, Facebook released closed beta version of messenger platform 2.2 with customer chat plugin that allows advertisers to continue a single conversation thread with customers on their business websites and in messenger across mobile, tablet and desktop –which helps in conversation continuity^[1]. Jeep ran a Facebook campaign to launch Jeep Compass, and received 55 per cent of its online bookings from Facebook^[2].

Brands could leverage such tools, coupled with machine-learning-based insights about the prospect to understand the probability of sale-closure with better accuracy, and then smoothly transition such prospect from awareness to purchase stage. Commercialised technologies, such as 360° videos, Augmented Reality (AR) and Virtual Reality (VR), can help engage a prospect at the top of the funnel, complemented by test drive for providing prospects with the essential touch-and-feel experience at the bottom of the funnel, enhancing their overall experience while potentially improving the cost of acquiring consumers.



Note: At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction

% — Percentage of respondents experiencing the mentioned friction in respective media touch points

* Online includes top five media touch points accessed by respondents at respective stage of the journey

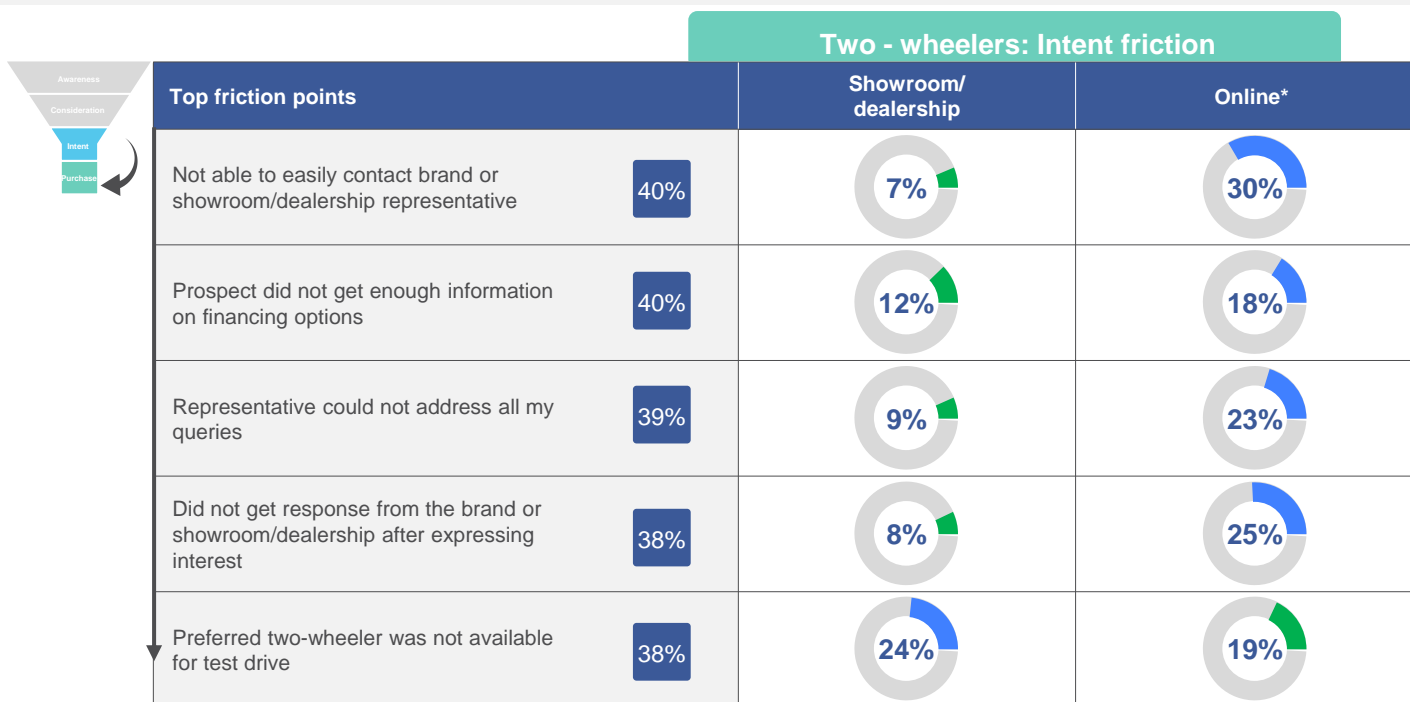
[1] Introducing Messenger Platform 2.2: New Customer Chat and Improved Engagement Tools, messenger.fb.com, November 2017

[2] Jeep India: Going off-road to drive sales with Facebook video ads, Facebook business, Extracted in May 2018



Two wheeler prospects also demand a test drive to finalise a deal at the intent stage

Among two-wheeler prospects, higher dissatisfaction from 'showroom/dealership' on account of 'unavailability of preferred vehicle for test drive' indicates relative failure of the offline channels to address the needs of prospects. Showroom/dealership and digital channels are crucial touch points for any brand at this stage of the purchase journey. Often sales representatives lack the understanding of 'brand perception' among consumers, and fail to effectively manage specific queries of the prospects. Consistency in messaging from the dealer with brand communication at the top of the funnel also becomes important at this stage. Currently, two-wheeler dealers perceive a consumer walk-in as a near-certain sale, and therefore tend to emphasise lesser on test-drive. Investing in in-shop demonstrators training, enabling them with digital devices, chat services, omni-channel play and deployment of 360° video / AR- / VR-based solutions at the top of the funnel to complement physical test drive at the intent stage can help ease the friction. KTM India used the Facebook collection ad format as part of a full-funnel strategy to increase brand and business impact. The collection ad format used by KTM allowed users to browse products, and learn more about their features. KTM complemented this with 180° tilting canvas ads that offered a call-to-action button, allowing people to browse more information and book test drive. The strategy generated 10-point lift in ad-recall and 70 per cent of sales from leads so created^[1].



Note: At the intent stage, only showroom/dealership and online touch points were evaluated in the media mix to calculate friction

% — Percentage of respondents experiencing the mentioned friction in respective media touch points

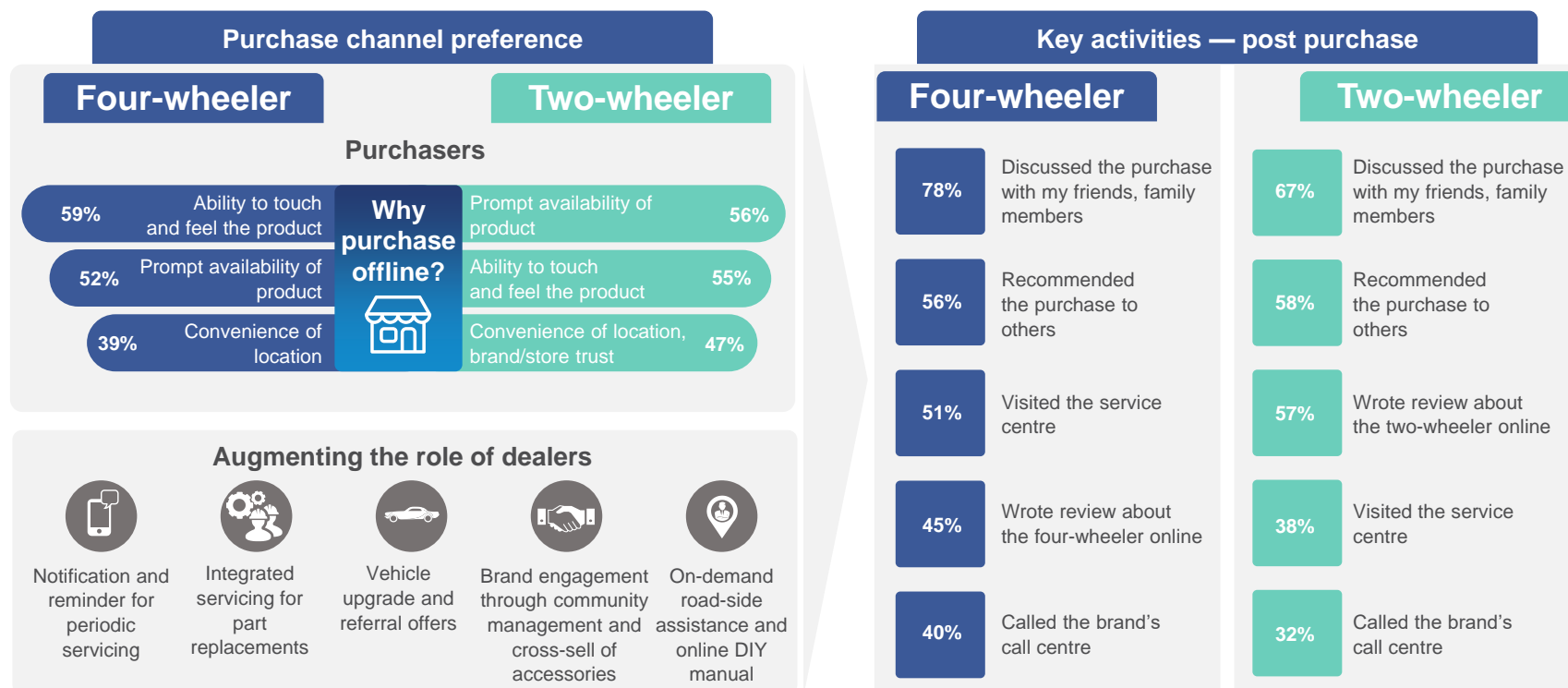
* Online includes top five media touch points accessed by respondents at respective stage of the journey

[1] KTM India: Revving up sales with the Facebook collection ad format, Facebook business, Extracted in May 2018

Digitally enabled direct at home services could differentiate consumers experience

Touch and feel still remains one of the key factors influencing offline purchase. Brands, by strategically leveraging consumer-friendly digital technologies and adopting omni-channel strategies, can either replicate or complement the offline experience to amplify consumer experience. For instance, migrating documentation procedures online, eliminating the need for consumers to visit showroom/dealership for pre- and post-purchase formalities could, in effect, reduce the number of visits required to showroom/dealership, while enriching the experience and engagement of the buyer with the brand. Since test drive and touch-and-feel experience are inevitable in automobile purchase, process of booking test drives, responsiveness from dealers and turn-around-time (TAT) in addressing consumers' requests are key activities where digital can make the process more efficient, cost-effective and consumer-centric. Integrated lead management to establish a single view of prospect at brand level for both first-time and repeat purchases is also a key to executing consumer centric full-funnel marketing strategy. Training, coaching and consulting of dealer network personnel (including sales, after-sales, systems and processes) can further drive effective consumer communication and resolution of their queries.

As per the report, after the purchase more than 70 per cent of buyers are expected to become advocates of the brand or vehicle, and more than 50 per cent directly recommend their purchase. Such advocacy plays the most quintessential role in generating valuable leads. A buyer's experience across the purchase funnel, therefore, can not be ignored. Brands can actively engage with consumers in post-purchase promotional activities and use the power of social media to spread positive sentiments around the brand and/or product. Automobile brands have the a distinct avenue of after-sales service to interact with their consumers. Brands could leverage digital platforms to follow-up and engage with buyers, creating a sustainable, cost-effective brand equity in the process.



[1] Client Interaction; KPMG in India's analysis, 2018 based on data obtained from multiple industry reports and primary survey conducted by Nielsen, 2018



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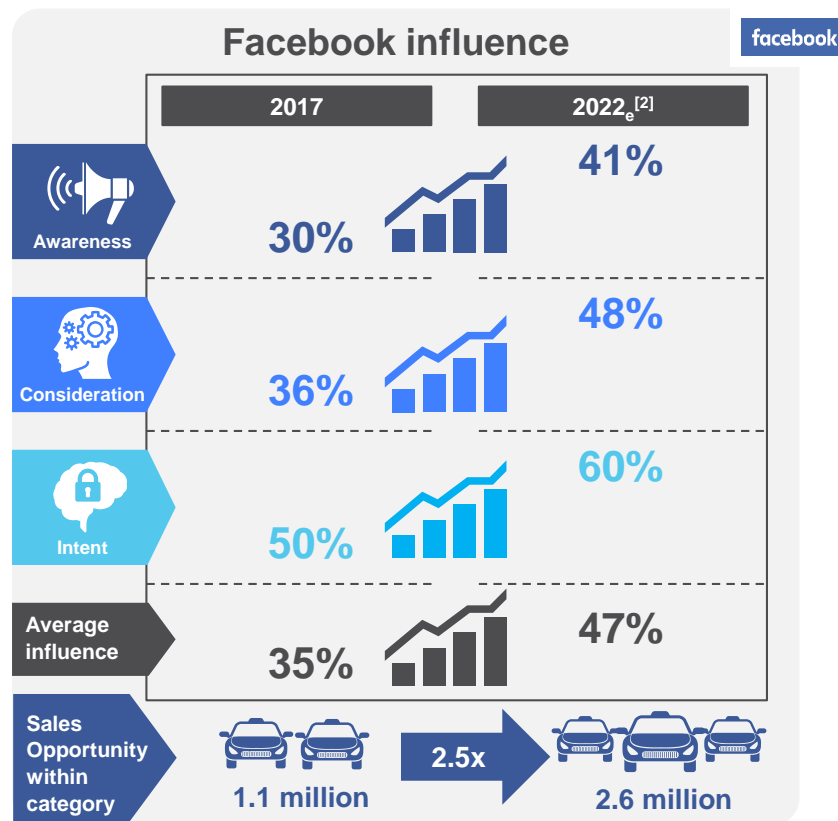
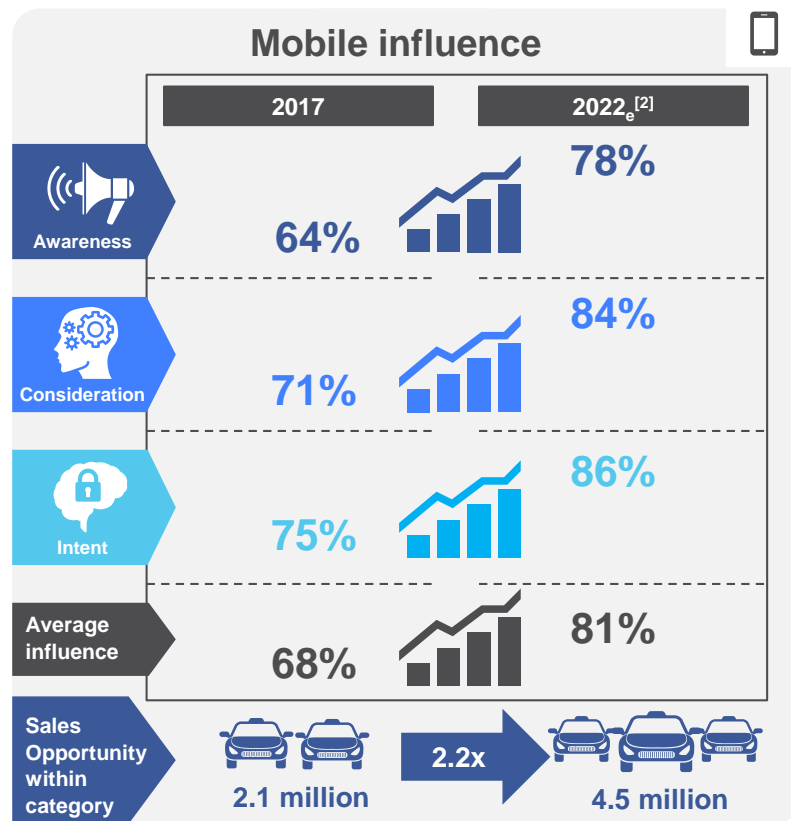
Friction busting - Increasing sales opportunity with mobile



Mobile is expected to influence about 8 in 10 four-wheeler purchases by 2022e

By 2022, mobile internet users in India are expected to rise to 677 million, up from 420 million users in 2017^[1]. Nearly 80 per cent of four-wheeler purchases in 2022 are expected to be mobile influenced, while nearly one out of two purchase is expected to be Facebook influenced — both more than double the current levels. This growth is expected to be driven on the backdrop of organic penetration of internet, social media and digital technologies over the next five years. Brands, therefore, have 4.5 million four-wheelers^{[3][4]} worth of incentive to re-look at to implement their marketing strategies, and adapt to the fast-evolving mobile-first internet economy of India.

Four-wheeler



Sources:

[1] [2] Internet users to touch 420 million by June 2017: IAMAI report, The Economic Times, May 2017; Internet users in India expected to reach 500 million by June: IAMAI, Economic Times, February 2018; eMarketer Forecasts Strong Growth in Facebook Users in India, eMarketer, June 2017

[3] Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017;

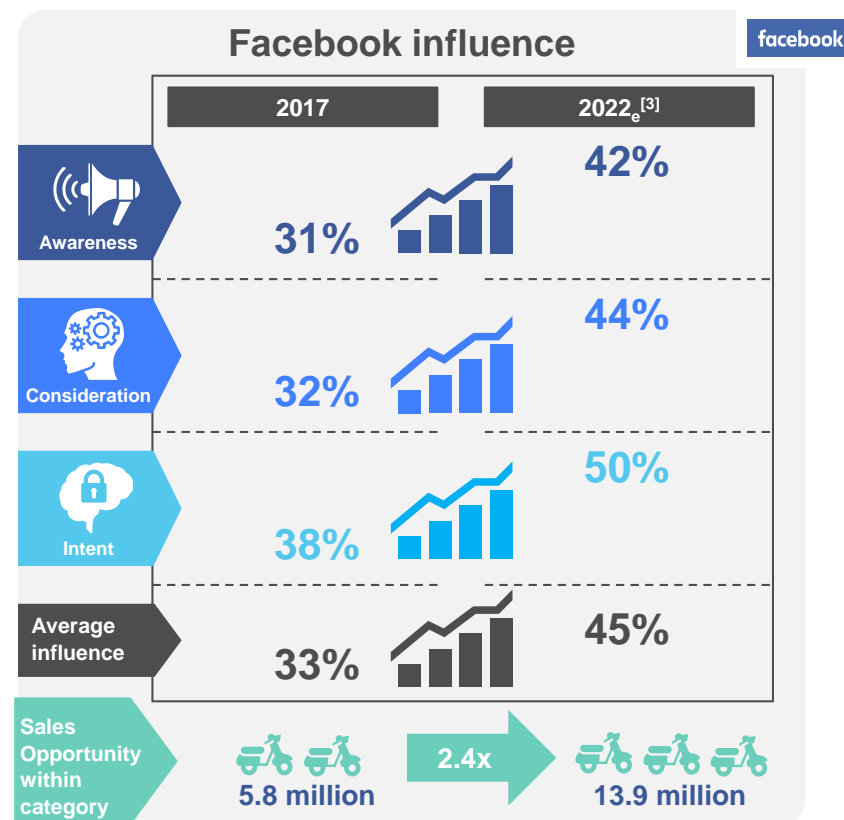
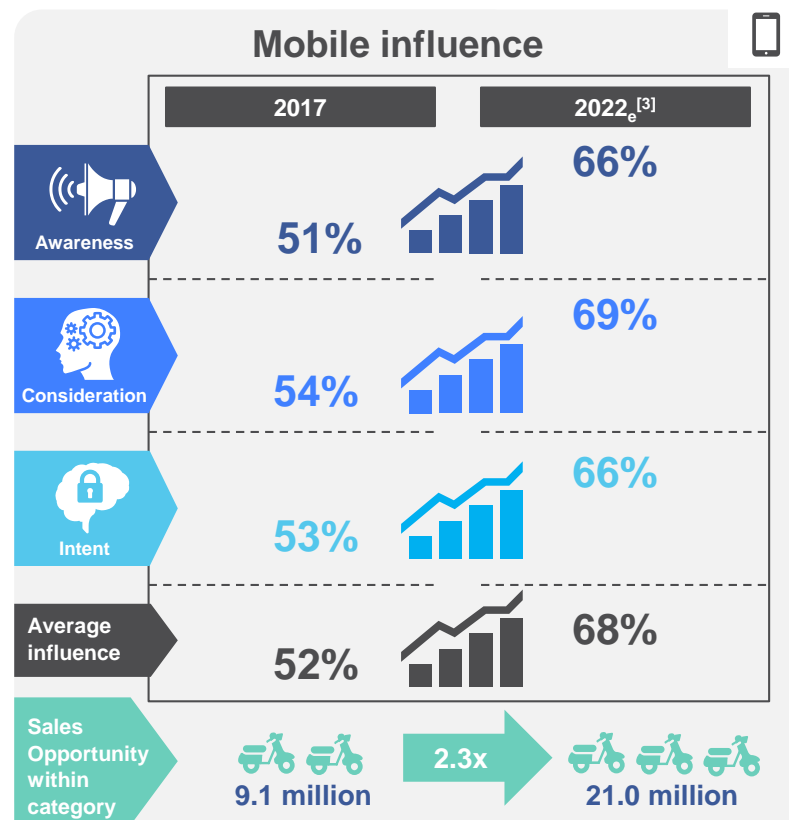
[2][4] KPMG in India's analysis, 2018 based on data obtained from multiple industry reports and primary survey conducted by Nielsen, 2018



About 7 in 10 two-wheeler purchases in 2022e are expected to be mobile influenced

By 2022, nearly 70 per cent of two-wheeler purchases are expected to be mobile influenced, while nearly one out of two two-wheeler purchases in 2022 are expected to be Facebook influenced — both more than double the current levels. This growth is expected to be driven on the backdrop of organic penetration of internet, social media and digital technologies over the next five years. Brands, therefore, have a 21 million bikes^{[1][2]} and scooters worth of incentive to re-look at to implement their marketing strategies, and adapt to the fast-evolving mobile-first internet economy of India.

Two-wheeler



Sources:

[1] Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017;

[2][3] KPMG in India's analysis, 2018 based on data obtained from multiple industry reports and primary survey conducted by Nielsen, 2018

[3] Internet users to touch 420 million by June 2017: IAMAI report, Economic Times, May 2017; Internet users in India expected to reach 500 million by June: IAMAI, Economic Times, February 2018; eMarketer Forecasts Strong Growth in Facebook Users in India, eMarketer, June 2017





Methodology - Friction reduction by enhancing the media mix



Interpret media-related friction individually at each stage of the journey - awareness, consideration and intent



Calculate potential friction reduction opportunity for areas where mobile can help bring down frictions



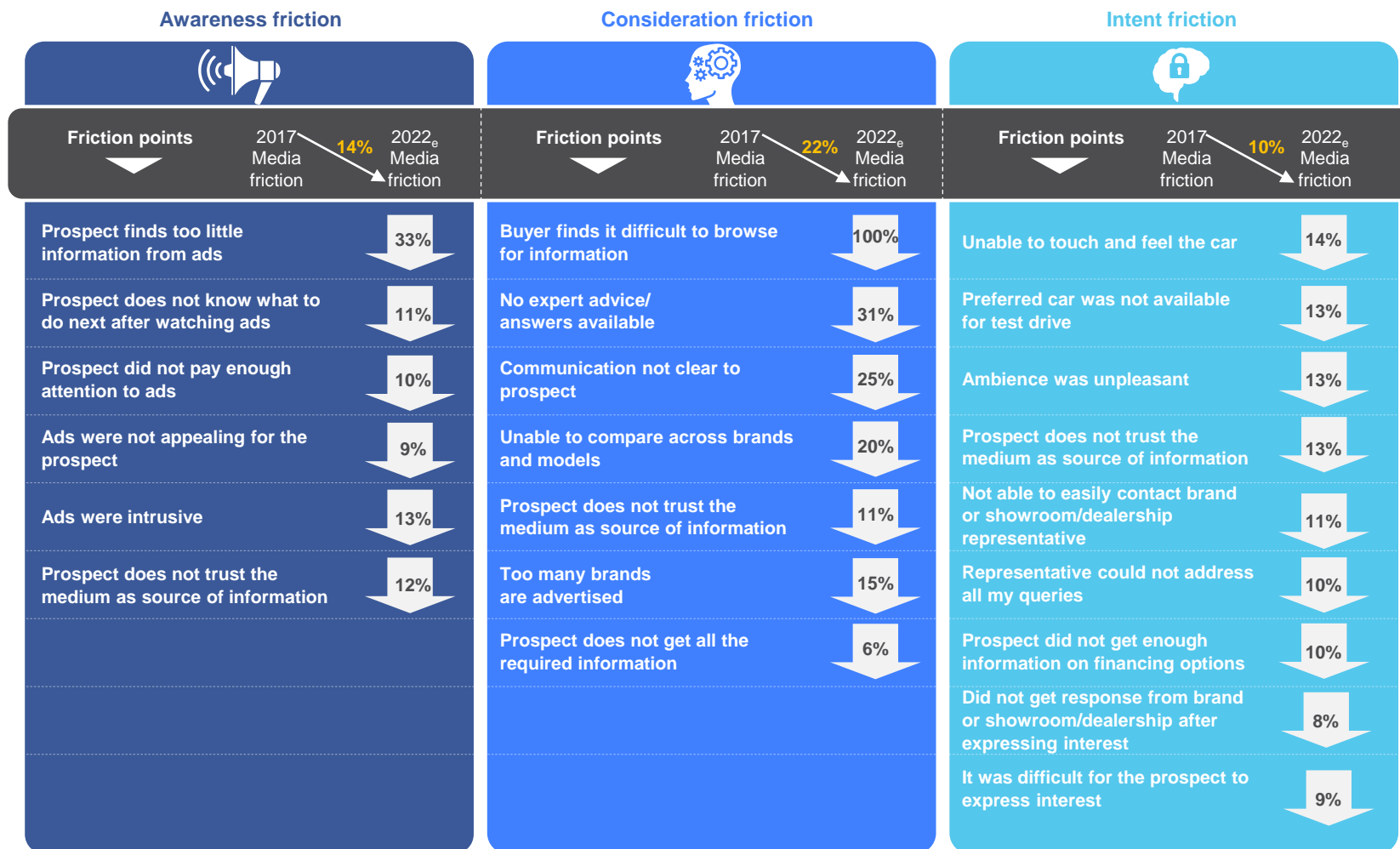
Calculate potential opportunities for a brand to reduce frictions in future by enhancing mobile in the media mix



Recommend feasible and scalable approaches on the basis of identified friction areas and possibility of technology fitment



Mobile has a potential to reduce media friction by 1.2 percentage points along the purchase journey for four-wheelers



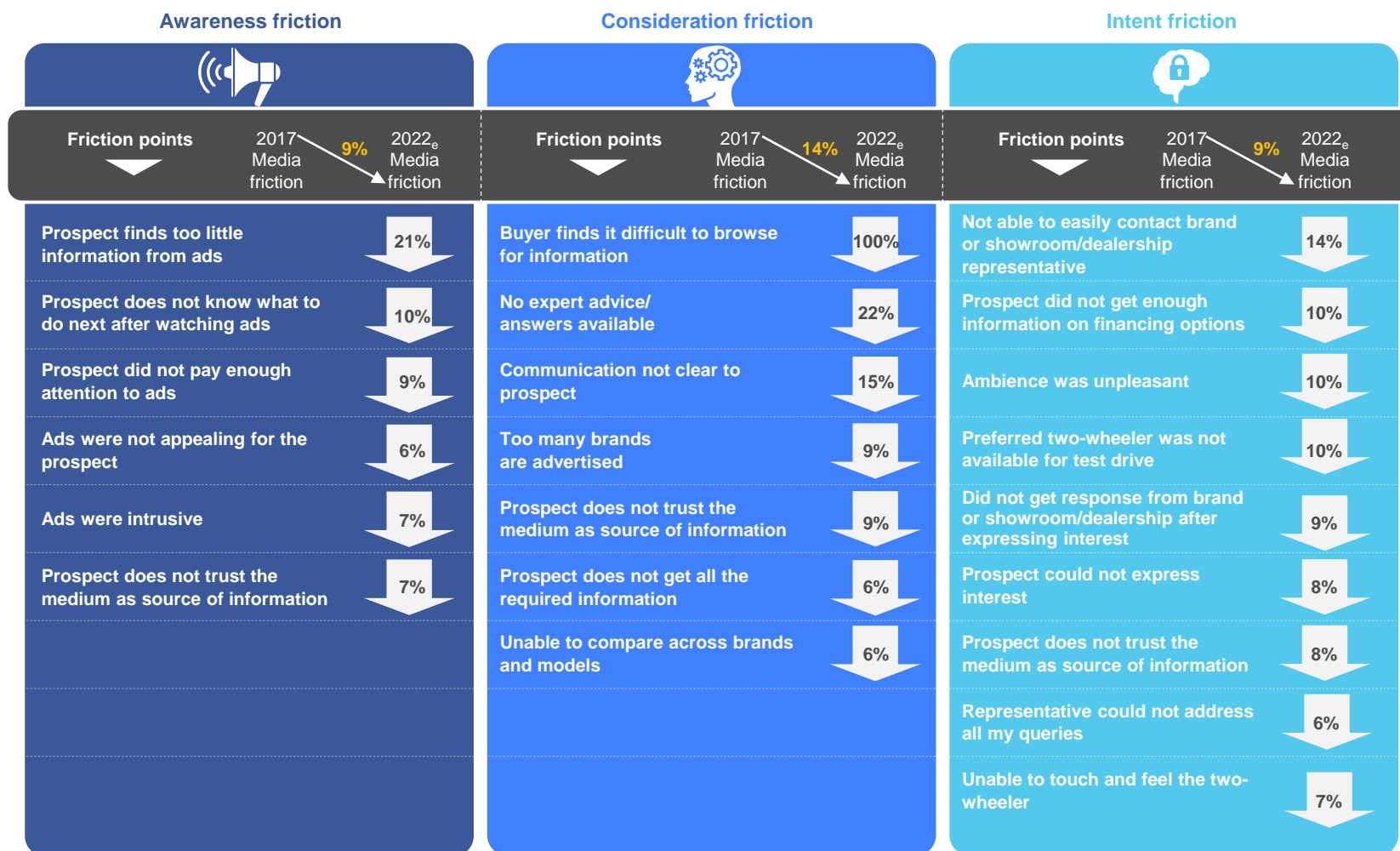
Note: KPMG in India's analysis, 2018 based on primary survey conducted by Nielsen, 2018

For all three stages — awareness, consideration and intent — the reduction in friction on offline media is based on the weighted average of friction scores for all online media, obtained from primary research.

The calculation took into account the reduction in friction that could be achieved if offline friction percentages are replaced with the weighted averages of online media. It has been assumed that the values of online media can be used as proxy for mobiles since nearly 80 per cent of the online usage was reported to be on mobile devices.



Mobile has a potential to reduce media friction by 1.6 percentage points along the purchase journey for two-wheelers



Note: KPMG in India's analysis, 2018 based on primary survey conducted by Nielsen, 2018

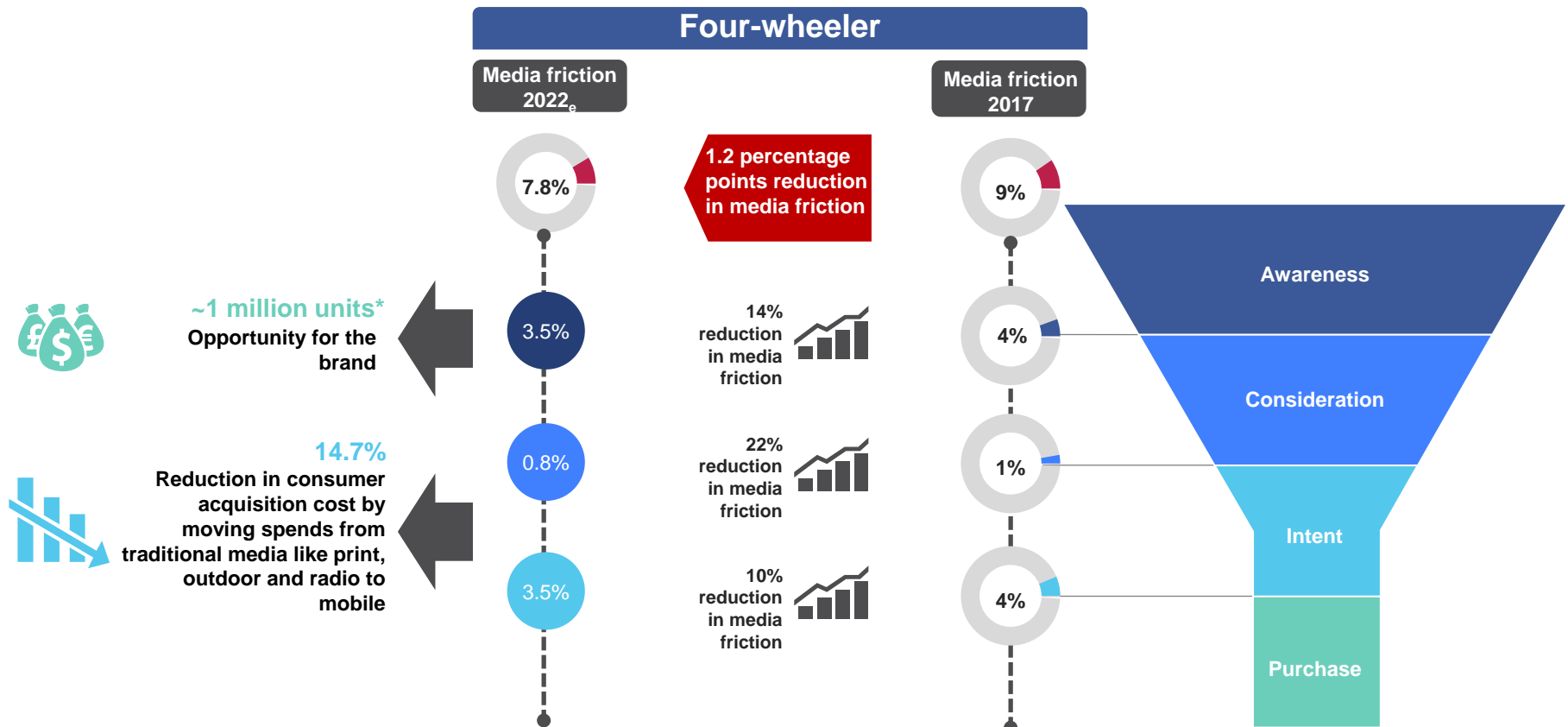
For all three stages — awareness, consideration and intent — the reduction in friction on offline media is based on the weighted average of friction scores for all online media, obtained from primary research.

The calculation took into account the reduction in friction that could be achieved if offline friction percentages are replaced with the weighted averages of online media. It has been assumed that the values of online media can be used as proxy for mobiles since nearly 80 per cent of the online usage was reported to be on mobile devices.



By enhancing mobile in the media mix, brands can tap into sales opportunity of about one million four-wheelers and reduce CPA by 14.7 per cent

Opportunity of about one million four-wheelers generated, by replacing less efficient offline media touch points with mobile-based advertisement approaches, can create value for marketers by reducing their average cost of acquiring consumers (CPA) by up to 14.7 per cent. CPA of mobile-based digital medium is today only a fraction of traditional media, thereby, offering better experience to the consumers and higher economic value to the marketers.



Source: Digital Advertising in India 2018, Dentsu Aegis Network.; Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017; KPMG in India's analysis, 2018

Methodology: The projection is based on estimated ratio of average cost of consumer acquisition for online and offline media in the automotive industry. The ratio is assumed to be consistent in 2022, and is used to project incremental spend on mobile-based digital advertisement to tap about 1 million units of opportunity.

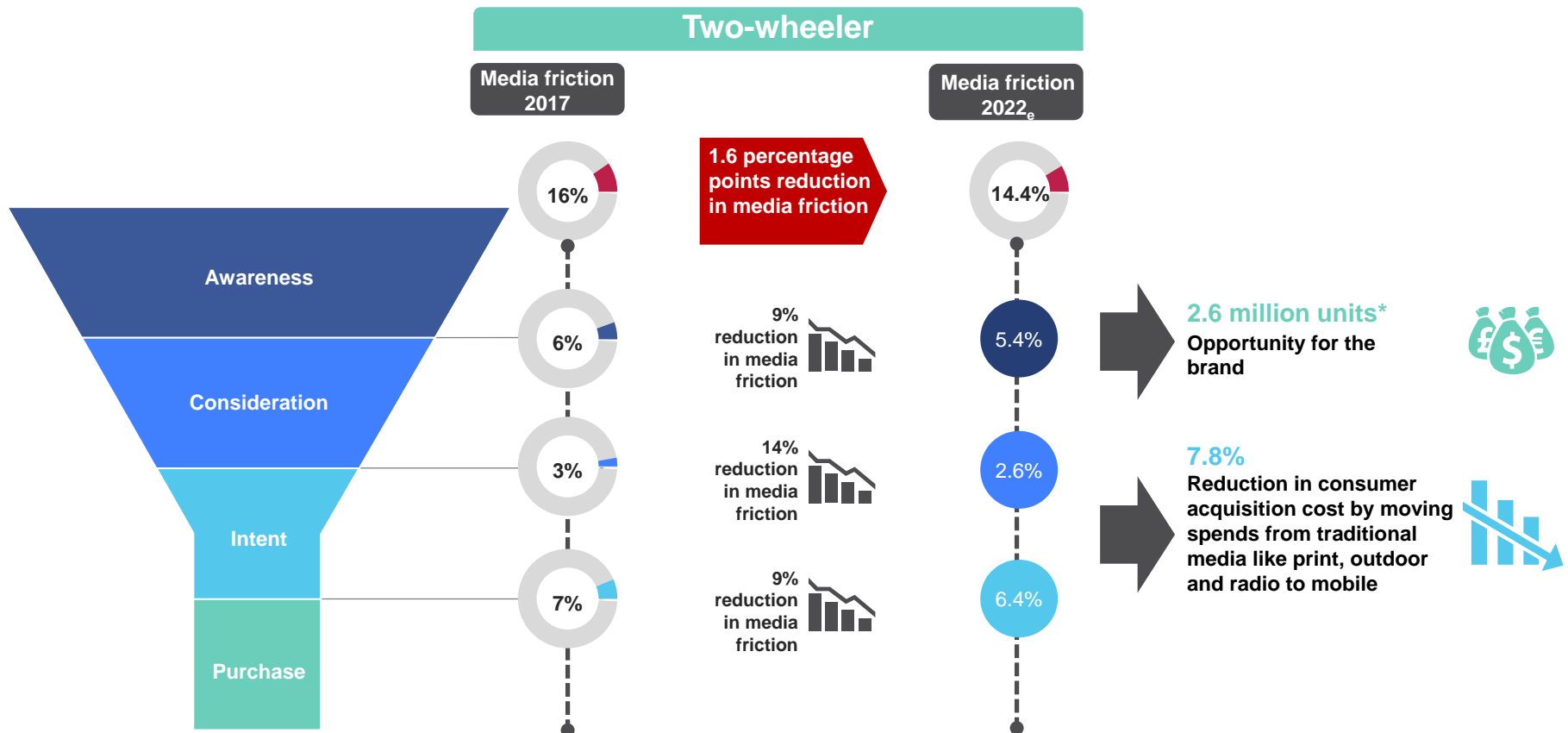
*This number can be achieved by reducing the friction, thus increasing the addressable market opportunity

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By enhancing mobile in the media mix, brands can tap into sales opportunity of 2.6 million two-wheelers and reduce CPA by 7.8 per cent

Increasing the portion of mobile-based advertisement platforms in the marketing media mix can produce sales opportunity of 2.6 million two-wheelers between the brands and reduce their average cost of acquiring consumers (CPA) by up to 7.8 per cent. Mobile-based marketing approaches could, therefore, not only enhance consumers' experience in treading the purchase journey, but can also improve the cost economics of the brand, providing them the additional edge in the ever-increasing competition within the two-wheeler market.



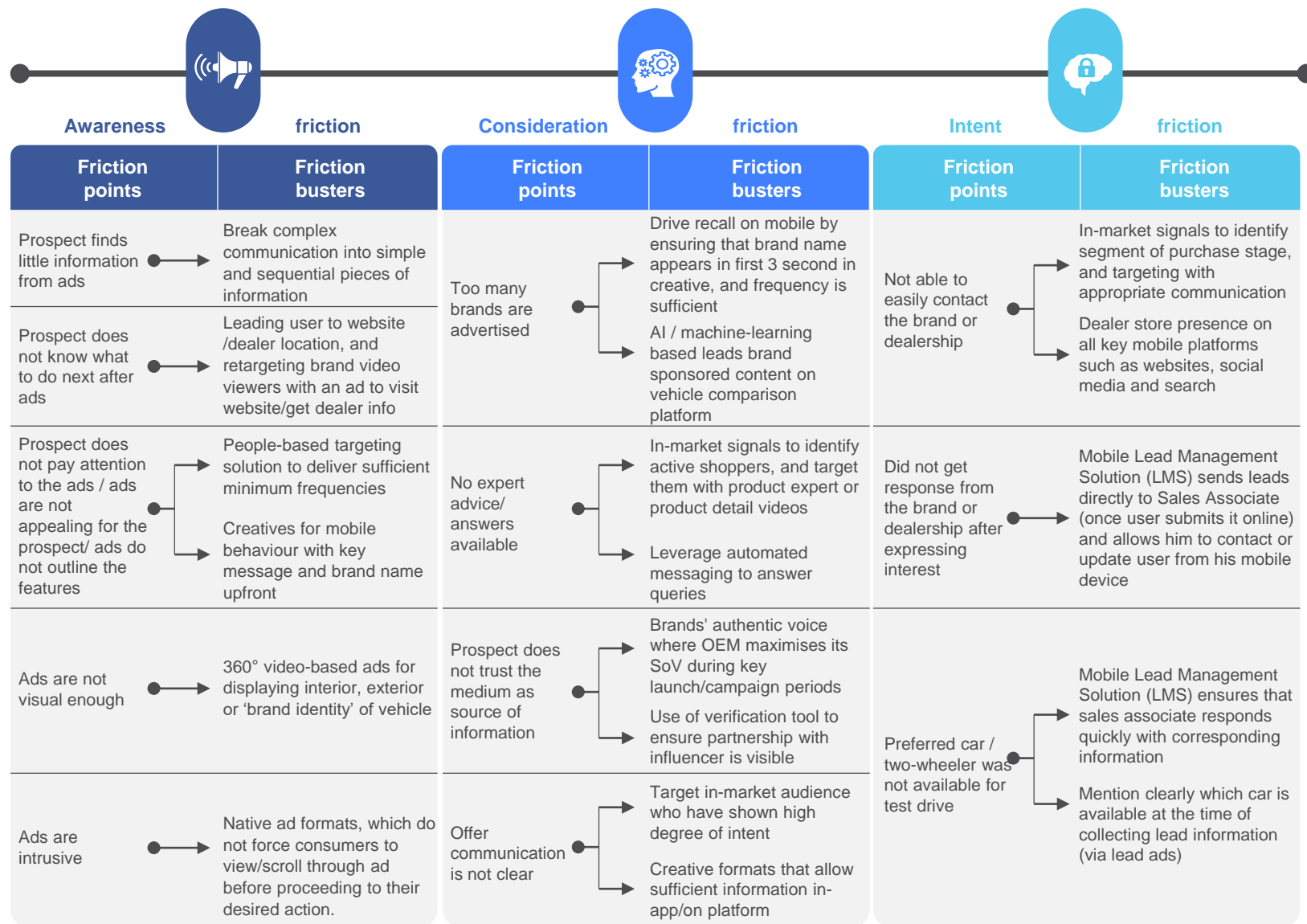
Source: Digital Advertising in India 2018, Dentsu Aegis Network.; Automobile Domestic Sales Trends, SIAM; Automobile Sector report, IBEF, April 2017; KPMG in India's analysis, 2018

Methodology: The projection is based on estimated ratio of average cost of consumer acquisition for online and offline media in the automotive industry. The ratio is assumed to be consistent in 2022, and is used to project incremental spend on mobile-based digital advertisement to tap the 2.6 million units of opportunity.

*This number can be achieved by reducing the friction, thus increasing the addressable market opportunity

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Incremental spend on mobile medium could reduce the cost of consumer acquisition by 14.7 per cent and 7.8 per cent for four-wheelers and two-wheelers, respectively



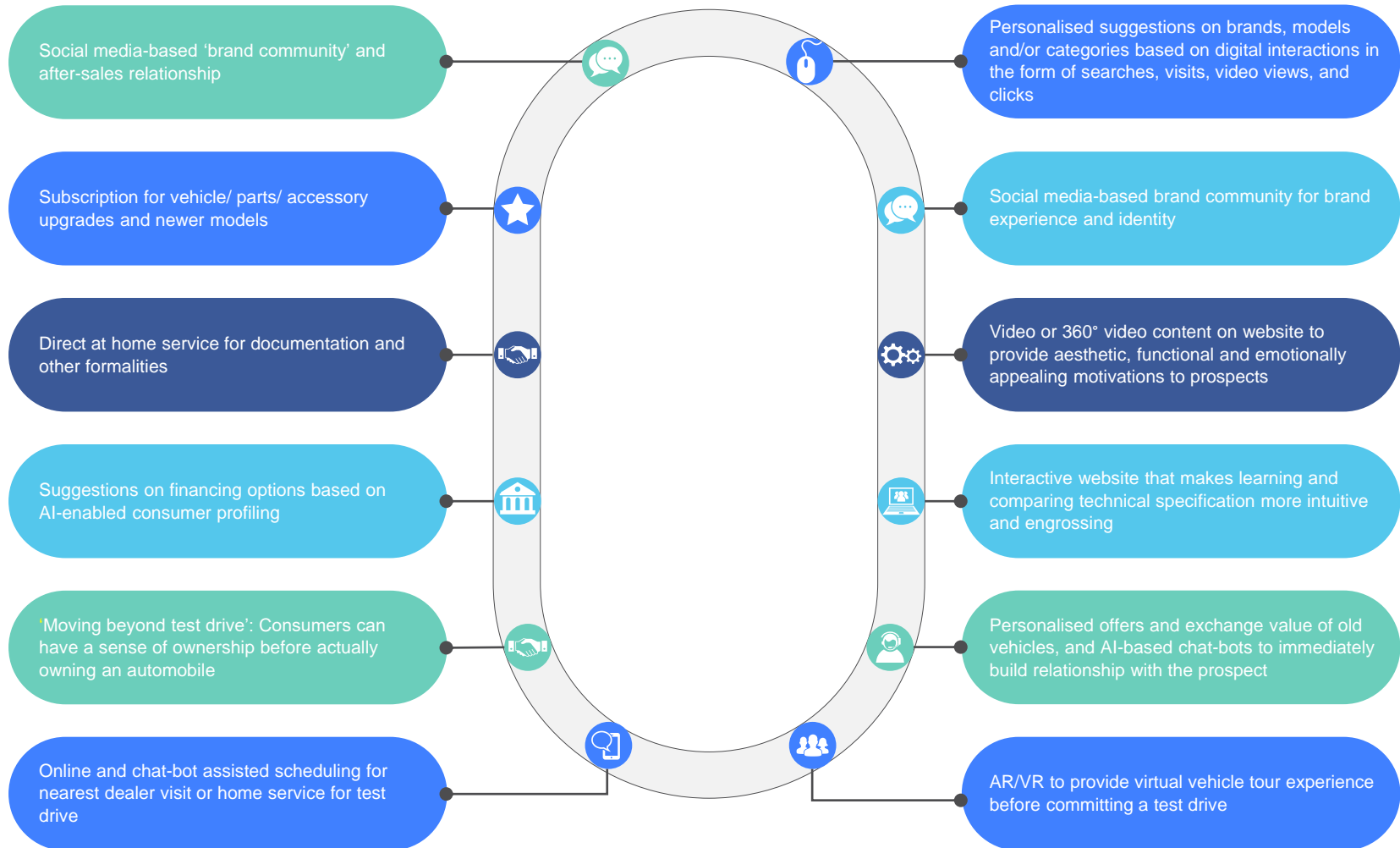


ZERO
FRICTION
FUTURE
by facebook

Zero friction Future - reimagining the purchase journey

Reimagine the automobile path to purchase

Consumers in this category no longer belong to a homogenous segment. This has led to the emergence of different pathways, with digital playing a key role in shaping most, if not all, of the pathways. With increased adoption of digital, rapid enhancement in consumer-friendly technologies such as AR/VR, consumer analytics through AI, machine learning and personalised offers, the path to purchase is expected to be shorter and smooth. With this increasingly non-linear journey, the world is gearing up for a frictionless future.



Methodology

The study entails the following approaches to identify in-depth understanding of the consumer purchase journey and friction areas therein

Primary research methodology

Primary research was undertaken by Nielsen India to cover the overall purchase journey of a consumer and to understand the friction points at each step of the journey. The study is based on 987 respondents split as:

Vehicle category	Gender	Age group (years)	NCCS*	Cities
Two-wheeler: 613	Male: 851	18-24: 200	NCCS A: 786	Mumbai: 168
				Delhi: 145
		25-34: 403		Bengaluru: 149
Four-wheeler: 374	Female: 136	35-49: 385	NCCS B: 201	Chennai: 203
				Kolkata: 216
		35-49: 385		Pune: 105

Primary interviews

Detailed interviews were conducted with sector experts to understand key industry trends, friction areas, future pathways and outlook.

Secondary research

Detailed secondary research was undertaken to understand the automotive industry, market growth and future trends.

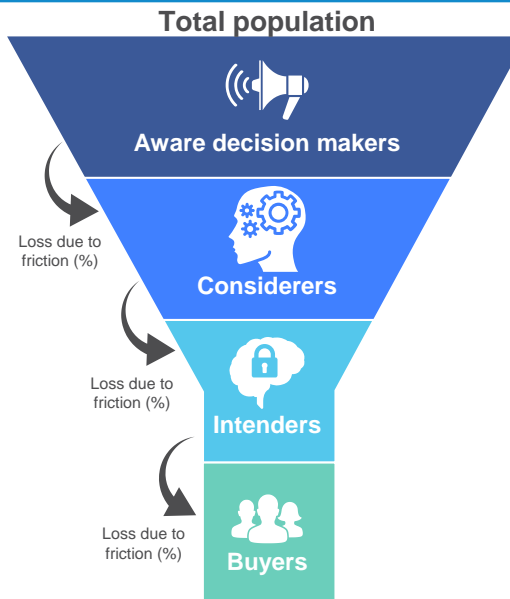
Primary research methodology

Phase 1: Listing

- Listing exercise was conducted to better understand the proportion in the universe that falls under each individual cohort at any given time and to derive the size of these cohorts to be applied in the deep dive phase
- It captures incidence of respondents falling under the different cohorts of consumers i.e., buyers, considerers and aware non-considerers.

Phase 2: Deep dive

- Purposive sampling to recruit respondents for each category, and each cohort
- Each cohort helped provide detailed information at different stages of the purchase journey



Aware Non considerers

- Reasons for non-consideration

Considerers

- Influence of media touch points
- Reasons for friction

Intenders

- Influence of media touch points
- Reasons for friction

Buyers

- Analysing different paths to purchase
- Influence of touch points
- Reasons for friction

- NCCS — New Consumer Classification System
- Listing exercise conducted to derive the dropouts at each stage of the journey for the categories separately among randomly selected respondents
- Size of the cohorts from listing was used as weighting inputs for the outputs from the quantitative deep dive
- Base has been considered as those who are aware of the category and are either primary decision makers/have actively contributed to the decision-making process

- Four-wheeler buyers — Aware decision makers who have purchased or tried to purchase a four-wheeler in the last one year
- Four-wheeler considerers — Aware decision makers who have considered purchasing a four-wheeler in the last one year, but have yet not purchased
- Four-wheeler aware non-considerers — Aware decision makers who have not considered purchasing a four-wheeler in the last one year
- Two-wheeler buyers — Aware decision makers who have purchased or tried to purchase a two-wheeler in the last one year
- Two-wheeler considerers — Aware decision makers who have considered purchasing a two-wheeler in the last one year, but have yet not purchased
- Two-wheeler aware non-considerers — Aware decision makers who have not considered purchasing a two-wheeler in the last one year

ABOUT KPMG IN INDIA

KPMG in India, a professional services firm, is the Indian member firm affiliated with KPMG International and was established in September 1993. Our professionals leverage the global network of firms, providing detailed knowledge of local laws, regulations, markets and competition. KPMG in India has offices across India in Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Jaipur, Kochi, Kolkata, Mumbai, Noida, Pune and Vadodara.

KPMG in India offers services to national and international clients in India across sectors. We strive to provide rapid, performance-based, industry-focussed and technology-enabled services, which reflect a shared knowledge of global and local industries and our experience of the Indian business environment.

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Founded in 2004, Facebook's mission is to give people the power to build community and bring the world closer together. Over 2.2 billion people globally use Facebook every month to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them. millions of businesses, big and small, use Facebook's apps and services to connect with real people and grow their business.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Nielsen Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com



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