



The future of automotive retail strategy in Europe



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Introduction

Automotive retail in Europe is truly ripe for disruption, thanks to rapidly evolving consumer demands, CASE (Connected-Autonomous-Shared-Electric) mobility trends and increased regulation. This comes on top of margin pressures, new business models and economic uncertainty, all of which continue to provide challenges.

However, we are far from predicting the 'death of the dealer'. Rather, at KPMG we believe that the role of the car manufacturer's dealer partner will change to become part of a broader set of channels through which existing and new customers can be accessed more easily, effectively and regularly. Taking a customer-centric approach will be key to capturing value over the course of the customer relationship, and collaboration between car manufacturers (OEMs), National sales Companies (NSCs), dealer partners and other third parties will be instrumental to success.

The journey for OEMs, NSCs and dealers will not be easy. We have identified five strategic steps that can help players in the automotive retail market future proof their business against the challenges ahead, and capture some of the opportunities at hand.



Automotive retail – already a challenging market

When we talk about the future of automotive retail, there is an increasing tendency to focus on the mid-to-long term impacts arising from connected, autonomous, shared and electric (CASE) business models.

The market is, however, already very challenged – margin pressures, competition between brands, stock levels, economic uncertainty, and some new entrants all raise questions for the future of the market. These shorter-term factors need to be considered when addressing future automotive retail strategies.

Profit margins across the retail value chain have historically been thin, with OEMs, regional headquarters, NSCs and dealers all taking their share. In the past, NSCs supported their local networks by building in additional new car margin. In the current European car market, however, OEMs are under pressure to cut costs and free up investment capital, and NSCs cannot continue to provide the same level of support as before. Dealer profit margins have fallen considerably as a result. In the UK, average net profit margins fell from c. 1.4% in 2013 to 0.8% in 2018.¹ We've seen similar margin pressure reported across continental Europe.²

On top of this, online price transparency is driving down prices, particularly thanks to brand-agnostic platforms, such as new car reverse-auction platform CarWow in the UK. Fees on third-party listing platforms, such as AutoScout24 in Germany, further reduce dealer margins on used cars.

Growing dealer groups through consolidation has been one way to address this challenge over recent years. Bigger dealer groups have a number of advantages: they take a larger cut of volume-based tiered incentives structures;³ often diversify risk by representing multiple brands; access the best stock, afford to invest in stores and systems, and drive cost efficiencies. The reverse is typically true for smaller dealers. This drive for scale continues, with the top 100 dealers in the UK hitting 60% of the market in 2019.⁴

Meanwhile, OEMs are considering ways to optimise their dealer footprint in Europe. There are limits to what the OEMs can control, for example, dealer group

agreements can generally only be reviewed periodically and terminated when contractual terms aren't met. OEMs must also manage this process carefully, given the relative power of many larger dealer groups in Europe and the ongoing role dealers will continue to play as the dominant route to market for new vehicles.

However, there are signs that OEMs increasingly recognise the shift in demand and that to continue to access customers in the future, they must optimise their routes to market. This is likely to include consolidating the dealer network over the mid-term in order to make best use of working capital and fixed assets. A number of OEMs have made announcements to this effect, including Audi and BMW, who will look to re-structure their networks across Europe. Volkswagen Group has described a smaller future network but one with larger individual outlets that can handle a greater range of services.⁵

Other recent challenges have included the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emissions-testing regime, which came into force in 2017. It has impacted the availability of compliant cars from some OEMs, with many dealers struggling to source and sell certain models.⁶ Non-franchised used car supermarkets – such as Car Giant (UK), Iper (Italy) and Carnovo (Spain) – have also increased competition for stock alongside the franchised dealer groups. Meanwhile, the shortage in supply of electric vehicles to the market continues to be an issue.

In addition, Brexit uncertainty – at least in the UK – has led consumers to delay large purchase decisions. Other economic factors, such as a slowdown in China and the US-Chinese trade wars, have also had a knock-on impact on OEMs from a manufacturing perspective, and in turn on the automotive retail market in Europe.

1 AM100 Revealed and Analysed report 2019

2 KPMG Mobility 2030 analysis of various press reports

3 Such volume-based incentives often encourage dealers to pre-register vehicles, which further exacerbates the advantage held by larger dealer groups.

4 AM100 Revealed and Analysed report 2019

5 Press articles including 'VW and Audi plan big dealership network changes' – Autovista Group, May 2017 and 'BMW predicts major change for car dealerships as we know them' – Autocar, Nov 2016

6 Autocar and Autovista Group – Oct 2018

Regulatory, consumer demands and CASE disruption to automotive retail

Beyond these shorter-term challenges, significant longer-term developments are set to transform the automotive retail market.⁷

With nearly 21% of the EU's total CO2 emissions coming from road transportation in 2016,⁸ governments are using regulation to address the health and environmental impacts of our mobility choices. This is especially true in growing, congested urban areas, with many European governments announcing future outright sales bans on traditional internal combustion engine (ICE) vehicles and cities declaring that ICE vehicles will be banned from entering them in the near future.

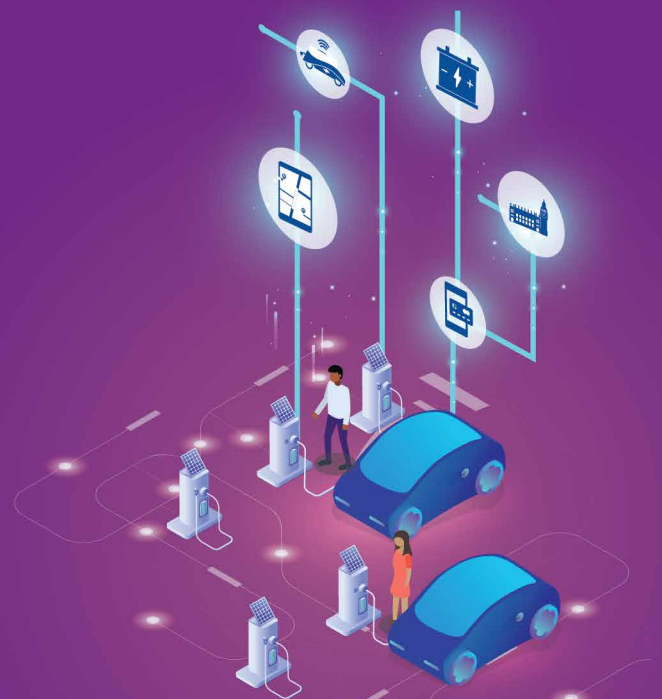
Customer demands on mobility are also changing. They are making cleaner and greener choices, with 80% of European customers supporting targets to cut new car CO2 emissions.⁹ Customers are also looking for options to better manage the cost of mobility, e.g. financing their vehicle through Personal Contract Purchase (PCP) or taking advantage of cheaper, pay-per-use type models.

Then there are the CASE (Connected-Autonomous-Shared-Electric) mobility megatrends. From the angle of 'shared' mobility, often referred to as Mobility-as-a-Service (MaaS), travellers have signalled their shift in preference towards accessing miles travelled, flexibly and on-demand, away from personal vehicle ownership. This is reflected in the declining percentage of young people with driving licences, ageing customer segments of many OEMs and growing membership of new mobility services, such as car-sharing offers.

Digitalisation has been key too – new platform models accessible on hand-held devices (e.g. the Uber app) has encouraged adoption.

Similarly, the focus and investment into emerging electrification and autonomous technologies is growing every day. Recent forecasts put total passenger electric vehicle (EV) sales in Europe at an estimated 4.9m units by 2027 or around 23% of sales, compared to 375k units or 2% of sales in 2018.¹⁰

Meanwhile, Level 4 and 5 autonomous vehicles (AVs) are expected to be publically used on our streets from mid-2020s, with most major OEMs having announced a launch.¹¹ European trials are taking place, and we expect around 25% of passenger car sales to be Level 4 or 5 AVs in major European markets by 2030.¹²



7 Read KPMG's Mobility 2030: Transforming the mobility landscape paper for more detail on these trends

8 European Commission – Road Transport data

9 Transport and Environment study - 2018

10 Jato Dynamics and LMC Automotive global hybrid and EV forecast sales – accessed 2017/18. Electric vehicles here includes battery electric vehicles and plug-in hybrid electric vehicles.

11 For more information on levels of driving automation, view SAE International's J3016 automated-driving graphic update, <https://www.sae.org/news/2019/01/sae-updates-j3016-automated-driving-graphic>

12 KPMG Mobility 2030 analysis

In our view, the significant impact of these forces on the automotive retail market over the period to 2030 will include:

Decline in vehicle unit sales

Whilst we are currently seeing some short-term increases in car sales across Europe (e.g. due to ageing populations driving for longer), we expect a 10-20% decline by 2030.¹⁰ This is mainly due to the shift from ownership to access, which will lead to the growth of heavily utilised, multiple occupancy MaaS fleets. This will put pressure on the scale of dealerships that can be sustained. 52% of European executives in our 2019 *Global Automotive Executive Survey* were highly confident that the number of physical retail outlets will be reduced by 30-50% by 2025.¹³

Change in products and services offered

EV sales will replace ICE vehicle sales. We also expect product sales to be gradually replaced by mobility services, such as subscription and car sharing models, which will often come together with bundled services, such as access to charge points for EVs and energy contracts. OEMs and dealer partners will need to make sure they put in place continued, integrated and convenient touchpoints with customers – this is a very different approach to the one-off product interactions we see today.

Evolution of key customers

MaaS fleet operators will become the key customer group, with the business-to-consumer market declining. Potential implications include the need for larger, urban 'hub' dealers to serve major city MaaS fleets, whilst smaller network 'spokes' (both in urban and rural areas) continue to serve consumers.

OEMs and dealers will need to consider the relevance of their current customer value propositions, segmentation and targeting, whilst a deep focus on the customer and their experience will be key to 'winning'.

Role of routes to market

As digitisation advances and consumers grow ever more comfortable with online purchases, OEMs will need to develop credible direct-to-consumer online channels. Indeed, new mobility services are ultimately more easily accessed through these digital platforms. Meanwhile, new store formats, such as city stores, should be considered by OEMs for brand repositioning, advertising and to generate leads for the network.

Specific customer channels may need to perform specialised roles, as opposed to the current dealer model where all services are offered under one roof. For example, marketing might be done through city stores, financing and insurance carried out online, while vehicle handover as well as service, maintenance and repair (SMR) will take place at dealers.

Change in optimal locations

The optimal location of dealers and other physical sites is likely to change. In the short to medium term, retail sites must be closer to the customer – providing more convenient, flexible access in major urban areas or efficient coverage of customers in less densely populated rural areas. However, as AVs begin to take hold around 2030, will the location of physical dealer sites even matter in a world where cars can drive themselves to and from the point of vehicle handover or for SMR?

Impact on the aftersales business

There are threats to the value of the aftersales business, which many dealers have relied upon heavily. Battery EVs are expected to reduce SMR requirements by 40-60% compared to ICEs.¹⁴ Value will shift away from hardware to software, challenging traditional skillsets and introducing new competition. In fact, 92% of executives believe that the aftermarket will become part of the OEMs to some extent.⁷

New competitors and the importance of partners

New competition will arise beyond tech-savvy AV developers and software-related SMR providers. Finance and insurance, where new online, alternative finance companies are already competing against the OEM captives and major banks through better terms and customer experiences, will also heat up. Collaborating with these players, rather than seeing them solely as competitors, will be absolutely critical for the survival and success of OEMs and dealer partners.

Of course the degree and pace of change is likely to vary by country and region. In our view, those urban areas where ICE vehicles are no longer permitted enter, which also have the necessary population density for new MaaS models, where younger consumers cannot afford or store their own car, or have greater awareness of the health and environmental concerns around ICEs, will inevitably be the crucibles where this first plays out.

¹³ KPMG's Global Automotive Executive Survey 2019

¹⁴ KPMG Mobility 2030 analysis, including publicly available information and stakeholder engagement

The response to date – trials and adoption of wider retail trends

So, how are OEMs and dealer group partners starting to address some of the current challenges and disruptions ahead?

We are still in a period of experimentation as players test how potential future routes to market. To date, this experimentation has largely focused on:¹⁵



New store formats (e.g. 'city stores', 'pop-up stores', virtual reality/augmented reality):

- Hyundai City Stores in Bluewater and Stratford shopping centres in the UK.
- “Tesla On Tour” pop-ups in France, Spain, Italy and Portugal.
- Mercedes buying and converting dealer sites in Spain to offer new mobility services.
- Volvo using Microsoft’s HoloLens VR for customers to visualise the car in 3D.



Online sales (“Direct-to-consumer”):

- Whilst there are as yet almost no examples of end-to-end online new car sales (most include the purchase of an online voucher for handover at a dealer), Hyundai’s Click-to-Buy in the UK and PSA Group’s Peugeot Webstore and Citroen Carstore are examples of trials.
- ‘True’ online sales in the used-car space include PSA’s peer-to-peer used car online marketplace carventura.com, and Autotorino in Italy (a major car dealer), which has now extended its used online platform into the new car sales market.



Third-party channels, such as:

- Trive’s platform in Spain, which offers VR experience and test drive booking.
- MiaCar’s new car sales website in Italy (which includes financing, delivery direct to customer or via dealers and an offer to return after 14 days).
- Fiat (Arona) sales via Amazon in Italy, which still involve a dealer handover.

¹⁵ KPMG Mobility 2030 analysis of public announcements by OEMs and dealer groups

Meanwhile, wider retail developments – driven largely by technology, customer expectations and increased competition – are also influencing the trials being undertaken.

Customers expect the same seamless, omni-channel experience when they buy their car as they have had from other retailers. KPMG's *Global Retail Trends 2019* highlighted key factors such as hyper-personalisation, experiential retail, the importance of social media and the shift from selling transactions to services as all being at the forefront of the evolving market. Early examples of such trends being adopted in automotive retail include:

Hyper-personalisation

BMW worked with Poggenpohl to add personalised content to its mobile site, using customer data analytics. Meanwhile, Renault and Octo have partnered in Spain to use telematics data from vehicles to offer personalised finance and insurance.

Experiential retail

A number of OEMs are trialling stores that target consumer demands for immersive experiences, selling them a lifestyle rather than just a product. Examples include Mercedes and Porsche in Europe, and Intersect by Lexus in the US and Asia.

From transactions to services (e.g. through membership)

PSA Group have a membership programme trial in France whereby they offer discounts on aftersales and maintenance, where rewards and discounts are offered to the customer based on their specific needs and preferences.

However, despite a number of announcements by OEMs and dealer groups on their future retail strategies – such as Volkswagen's statements that it would rationalise its network and accelerate the move to online¹⁶ – our view is that the automotive retail market has yet to move beyond experimentation.

Indeed, we would contest that many players aren't even at the experimentation stage yet. For such organisations, it will be critical to define and understand the purpose of trials they want to pursue, what KPIs to use, what success will look like, and how to make the trial viable economically or strategically if pursued at scale.

Why is it so important to act now, by moving away from traditional retail approaches and early experimentation, to designing and developing coherent, future-proofed retail strategies, business and operating models? In KPMG's view, the automotive retail market faces a burning platform because:

- **Current approaches are financially unsustainable:** margins continue to fall and the only way many smaller groups survive is to be swallowed up by larger ones or supported by NSCs.
- In the mid-term, **new car sales will decline**, reducing the number of automotive retail groups, and OEMs, that can be supported by the market.
- Consumers increasingly **no longer accept the 'product push' approach:** their demands for convenience, affordability and environmentalism, amongst others, will only continue.
- **Expectations from broader retail** are increasingly embedded in automotive retail, such as omni-channel, experiential and hyper-personalised customer journeys, which are no longer differentiators at this point but really only 'hygiene factors.'
- The challenges underpinning the above, such as **poor customer experience, lack of affordability and limited innovation in the market** (until recently), all indicate a market ripe for disruption. If the incumbents don't do it, others will, and new competitors are already making progress, including the likes of Amazon selling cars and parts.

Moving beyond experimentation, we believe there are a number of strategic steps that will enable this journey towards a fit-for-purpose, future retail strategy.

¹⁶ 'VW to reduce size of dealer network, launch online sales' – Reuters, Oct 2017

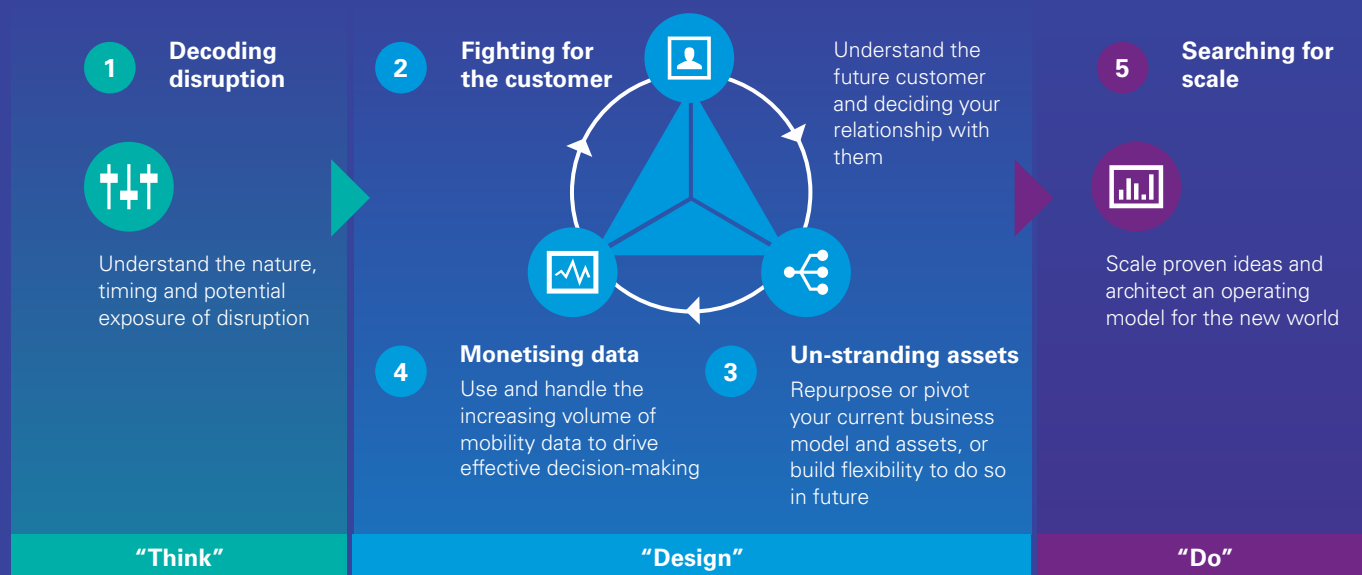
So, what should OEMs and dealer groups be doing?

Based on our discussions with clients, we have identified five recurring themes which can act as a framework to guide the design of your future retail strategy.

For organisations at the beginning of the journey, your focus should be on understanding the impact of disruptive changes we have highlighted, and conducting test-and-learning from small-scale experiments.

Once the impact on your organisation is better understood, there are three key elements to designing your future automotive retail strategy: understanding how you will build great customer experiences; how data can be harnessed to understand the future customer and generate value, and; setting up your organisation to be flexible in managing future change.

Once these steps have been taken and there is strategic alignment for vehicle retail, it is imperative to scale this rapidly to realise the benefits before competitors are able to close the gap.



1. Decoding disruption

As outlined above, the first step for automotive retail players is to understand the nature of disruption, including the likelihood, scale and timing of potential impacts. OEMs and dealers may be tempted to wait for others to make the first move, due to a lack of proven options or enlightened management causing 'action paralysis', but these delays represent a significant risk.

Instead, organisations should distil the key leading indicators of disruption and monitor these triggers for associated actions. For OEMs, this could be (customer) dealer satisfaction metrics or online traffic as an indicator to trial an integrated online-offline channel, whilst for dealers this may be customers who have configured their vehicle or agreed their finance and insurance (F&I) online before visiting the showroom.

The more proactive approach is to commit resources to small-scale experiments – such as those examples given above – to test new retail ideas as the first step to providing platforms for future growth (see step 5). For instance, both OEMs and dealers might consider trialling online channels in a specific territory, whilst an OEM might also experiment with a city store concept in certain large, urban areas, in turn looking for a dealer or third-party agent to operate that initiative.

One challenge to date has been the financial viability of these experiments. Given constraints on human, financial and other resources for both OEMs and dealers, the careful scoping of the business model of these small scale experiments and the identification of partners will be key. The same is true for the ambition setting and KPIs used to measure trial success, and ensuring governance is agile and appropriately incentivised to oversee them. For example, trials could be used to identify future critical success factors, rather than as an immediate money-making exercise.

Practically speaking, OEMs and dealer groups may also look to develop an aligned European view – or even a pan-regional one – to identify potential synergies across markets for these experiments, or which country takes a lead on particular initiatives.



2. Building great customer experiences







Historically, the automotive world has been very product-focused rather than focused on the customer and their experience. Indeed, 80% of executives still believe that the product is the core focus for automotive retailers and continues to be the driving force behind retail strategies.¹⁷

In a future mobility world, with greater transparency, accessibility and options for the customer, this cannot continue. Traditionally, customers bought their vehicle from an OEM partner dealer. In a world where we move from ownership to access, and customers increasingly become fleets, the fight for the customer interface is up for grabs.

In our *Global Automotive Executive Survey*, 49% of executives and 42% of customers believed that OEMs will win the race for the customer relationship by 2025.

However, the reality is that many OEMs don't know where their customers are on the journey – beyond the actual purchase and handover activity – and customers are still identified by their vehicle ID (a product rather than customer-centric approach). Large multi-brand dealers and newer online platforms are also typically in a better starting position in terms of their direct customer interaction.

KPMG's view is that for great customer experiences, organisations must focus on six key pillars:¹⁸

	Personalisation	Demonstrating an understanding of the customer's specific needs and adapting the experience accordingly.
	Integrity	Consistent organisational behaviour to build trust and rapport with the customer.
	Expectations	Understand, deliver on and exceed the customers' expectations.
	Resolution	When things go wrong, put the customer back in the place they should have been quickly.
	Time and Effort	Enabling customers to meet their objectives quickly and easily.
	Empathy	Demonstrating a genuine understanding of the customers' circumstances.

¹⁷ KPMG's Global Automotive Executive Survey 2019

¹⁸ <https://www.nunwood.com/excellence-centre/the-six-pillars/>

Some OEMs have already started to show progress on customer experience. For example, Audi's 'Innovation Space' in Berlin allows customers to engage in the products being developed and share their preferences. Meanwhile, Volkswagen has talked about introducing a Volkswagen 'User ID' to help customers manage their mobility and infotainment services on the Volkswagen digital platform.

There is, however, more to be done. We suggest that to build great customer experiences:

- OEMs, dealer groups and other third-party partners will need to work together to ensure seamless, integrated online-to-offline journeys to make it easy for customers.
- Digital customer platforms must be developed – likely by OEMs or white-labelled by third-parties – to integrate customer touchpoints and for access to new mobility services.
- The industry should move from a vehicle ID to a customer ID basis, to better understand a customers' needs and preferences and to be able to address them. This could be combined with an OEM-run membership scheme to boost touchpoints, access new services (e.g. subscription offers) and incentivise and reward behaviours.
- Customer segments that generate value over a longer relationship should be targeted by OEMs and dealers, rather than engaging in price wars with those who often switch brands.
- Focus on communicating messages and values that increasingly resonate with customers – monthly cost, impact on the environment, accessibility and convenience.
- Underpin the experience e.g. with a fit-for-purpose CRM system, dealer management system (DMS), tailored marketing and lead generation activities.



3. Un-stranding assets

Much of the commentary about future automotive retail focuses on the demise of the traditional dealer.

Whilst we agree that there will be some further dealer consolidation, we also believe that dealers will continue to play a key role in future automotive retail, not least because 72% of European consumers still prefer to buy their vehicle at a physical retail outlet.¹³

Instead, our view is that the role of OEM dealer partners will change dramatically. The entire sales cycle is currently delivered under one roof. This means that the dealer isn't perfectly set up to execute brilliantly on any specific stage of the customer experience journey, or to deliver against any concrete customer need (e.g. education, inspiration, purchase, access to mobility, F&I, SMR etc.). Indeed, 77% of European executives believe physical retail outlets must undergo transformation into service factories, used car hubs or focus on an ID-management approach, in order to be successful in the future.

There is a real opportunity for dealer partners to shed some of the non-value adding functions, streamline and start to provide some higher margin services. This may include repairing and maintaining both the asset hardware and software for individual customers and fleets, or indeed using the sites as dedicated fleet service and support hubs.

Our view is that OEMs could generate additional value from the vehicle assets they manufacture. In future, OEMs must consider whether to keep some of their vehicles on their books for longer (which carries capital risks, for example), and how to best use data generated by connected cars to track the longer-term usage of vehicles (see step 3).

OEMs will need to design new business models to generate value from the vehicle beyond its first and second life, perhaps through car sharing or vehicle subscriptions models. If OEMs don't do this, others will find a way to capture this value.



4. Monetising data

Connected and autonomous vehicles will generate terabytes of data. In our *Global Automotive Executive Survey*,¹⁹ OEMs were seen as the most trustworthy owner or guardian of vehicle data by industry executives (34% of respondents).

Whilst consumers believed that they themselves are the most trustworthy (50% of respondents), OEMs came in second (18%). This stresses the importance for OEMs to demonstrate the value to consumers giving away their data – for something in exchange – and to ensure the right cyber and data security protocols are in place to maintain trust.

Indeed, capturing, storing and analysing connected car data would enable retail players to better understand customers' driving behaviours, vehicle usage and preferences, in order to better target and tailor offers. Moreover, analysis of customer data could be used to better understand consumer behaviours, including in new retail trials and concepts, which we discussed above.

All of this will require data sharing and aggregation activities across the retail ecosystem. The question is, do OEMs have the appetite and capabilities to play this role? Our view would be that to generate significant future value, OEMs must have some involvement.

Key steps for OEMs include potential M&A or partnerships in the data & analytics market, internal capability development and ensuring dealer partners have the right skillsets and capabilities to support a data-enabled future retail strategy. Taking this one step further, monetising data often requires investment in new assets and capabilities, whilst NSCs typically operate in a very 'lean' way. Therefore OEMs could consider tasking their regional organisations with developing the business beyond the day-to-day operations, centralising capability and sharing knowledge.



¹⁹ KPMG's Global Automotive Executive Survey 2019

5. Architecting for scale

After understanding the nature of potential disruption and designing the appropriate strategic response, the last step will be to grow scale. Principally in the automotive retail context, this will be scaling the new customer channels. However, it is likely to also include the rollout of new propositions and targeting of new customer segments.

Fundamentally, we believe that in future OEM dealer partners will provide one route to market amongst a diversified set of channels. Following initial small-scale experiments, architecting for scale will see each channel playing a specific role in terms of customer experience and satisfying specific needs, as illustrated below.

In this future model, dealers will continue to play a role in lead generation, however, their focus will be on the physical purchase handover and the aftermarket, including servicing and spare parts. New city stores and pop-up stores in high footfall urban areas will focus on the brand awareness, marketing and communication roles earlier on in the customer journey, whilst also

generating leads for the dealer network and selling new mobility services. The online channel will also play a brand awareness and lead generation role, but we also expect to see new car sales truly shifting online in future (c. 80% of executives expect this).¹³ Online also has a key role to play in the sale of new mobility services, and as the platform for OEM-led membership and loyalty schemes.

Lastly, we see third-parties as playing a role in building awareness and supporting leads, as well as providing vehicle services (e.g. SMR) and supporting the OEMs and dealers across the broader spectrum of automotive retail activities.

Illustrative diversification of routes-to-market and change in roles

Channel category	Channel	Role in channel strategy	Brand/Awareness	Research	Lead generation	Purchase	Aftermarket	Membership
Offline	Dealers	Traditional sales (e.g. PCP), aftersales, and new mobility services			✓ ^a	✓	✓	
	City stores (OEM run, agents)	Sale of new mobility services only (in high footfall locations)	✓	✓	✓	✓ ^b		
	Pop-up stores (OEM run, agents)	Sale of new mobility services only (in demand responsive locations)	✓	✓	✓	✓ ^b		
Online	Online platform (OEM run)	Sale of new mobility services, F&I solutions and bundled propositions	✓	✓	✓	✓ ^c		✓ ^d
Third-parties	Offline (stores)	Supports bundled propositions (e.g. including charging equipment etc.)	✓		✓			
	Online (websites)						✓	

Notes:

- a. Lead generation for new mobility services only
- b. Purchase of new mobility services only
- c. Currently involves purchase of vouchers to be exchanged at dealer sites. In future, true end-to-end online sales may be possible, with handover taking place at the customer's home. Purchase of new mobility services online will also be key.
- d. Membership scheme managed by the OEM through online channels, with offline channels and third-parties driving new customers into this loyalty scheme.

Another area worth highlighting is F&I. In our view, this step in the customer journey will shift from physical dealerships to online, in large part as digitalisation enables this and it mitigates some stress consumers feel at that stage. Beyond this, our view is that architecting for scale in the future automotive retail model is heavily dependent on the role of the OEM finance captive. Not only will captives remain important for their current role, but they will be increasingly key for the development of new financing propositions (e.g. for subscriptions), to support dealers through broader network transition and to enable OEMs to pivot to mobility services and fleet ownership.

Whilst architecting for scale will prove challenging, we believe that careful scoping of experiments, balancing initiative 'playbooks' versus local market nuances, re-allocating capital effectively, securing the right partners, and developing appropriate internal capabilities and governance will be key.

It should also be remembered that this isn't 'carte blanche' for OEMs or dealers. There are mutual dependencies and contractual arrangements in place meaning that both parties will need to identify the partners they want to work with, provide the right incentives for the roles being asked, and go on the journey together. Whilst it may seem that the negotiating position sits with the OEMs, many larger multi-brand dealers operate at such scale that the balance of power is reversed.



Conclusion

The automotive retail market is one that continues to face well-known challenges, whilst also starting to address some of the uncertain headwinds relating to changing consumer behaviours, regulation and CASE trends. To meet this disruption, we have outlined five steps to take advantage of opportunities in this space and to support the development of future automotive retail strategies.

As an OEM, NSC or dealer, KPMG can support you along this journey, particularly in areas such as automotive retail market insight, business model and business case development, customer experience and journey diagnostic and design, partnership strategies, and data & analytics. For more information, please contact the authors listed on the back of this document.



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