Sophisticated Data will be the "Last Mile" for every Company involved in Automotive Commerce

By Rusty West, President & CEO, Market Scan Information Systems, Inc.

MARKET SCAN®

Despite a continued global shortage of raw materials, especially semiconductor chips, the demand for and sales of new and used cars has continued to run hot. Helped along by stimulus checks while mostly avoiding the impact of decreasing inventories from raw material and chip supplies, the seasonally adjusted, annualized rate of sales for April was 18.5 million cars and light trucks according to Motor Intelligence[1].

While stimulus checks and pent-up demand from the 2020 pandemic have helped to fuel the consumer appetite for vehicles, the automotive industry has had to rely on a new, sophisticated resource in order to connect all aspects of the automotive value chain to efficiently and profitably satisfy this consumer demand.

This resource isn't found in manufacturing plants, nor is it found in the vehicles themselves. This new resource is Scientific Data. Today it represents the ultimate and final connector for tying together the entire industry and its many stake holders – OEMs, lenders, retailers, technology companies, agencies, municipalities, and the consumers.
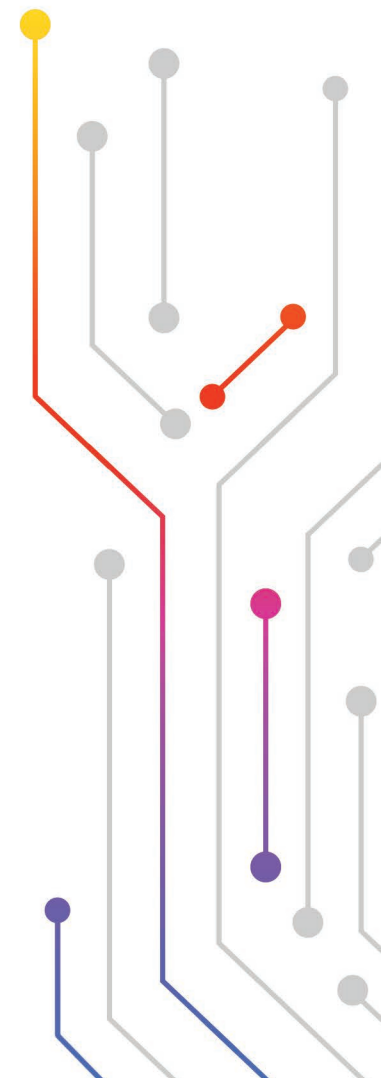
This Sophisticated Data is viewed today as the Automotive Industry's Last Mile.

This paper will address why it's time is to use Scientific Data and how its use will help companies in automotive commerce become more efficient and profitable. We will also offer several other key takeaways:

- How Scientific Data is reshaping the customer journey
- How Manufacturers are using Scientific Data to more precisely build incentives
- How sophisticated data is powering today's Modern Retailing
- The reasons why today's data connects customers with the perfect payment

What is "Last Mile" Defined?

The concept of the "Last Mile" has been central to the success of many emerging businesses, as well as the transformation of entire industries in recent years.

For example, the term "Last Mile" is used in supply chain management and transportation planning to portray the final part of a journey comprising the movement of people and goods from a transportation hub to a final destination.

The term originated in the telecommunications industry, which faced enormous challenges connecting individual homes to the main telecommunications network.
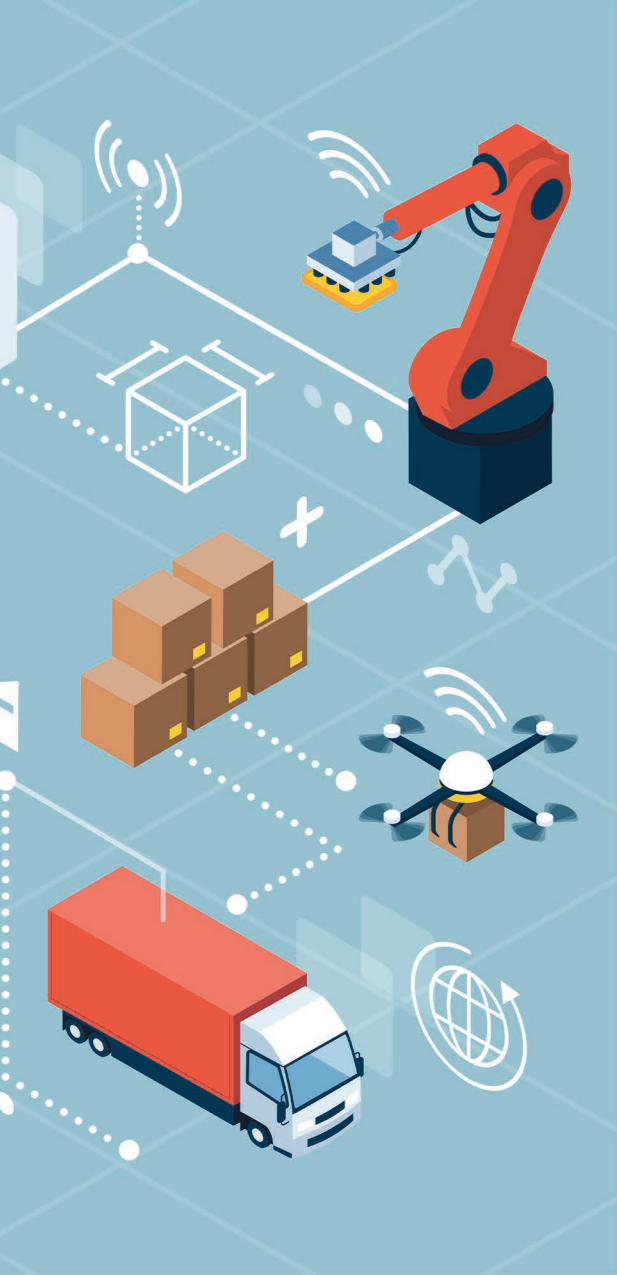
Last Mile is a Differentiator and helps improve the Consumer Experience

Amazon.com has perfected the Last Mile as part of a comprehensive transportation network of people and packages from hubs to final destinations and has become a benchmark in business best-practice. Last-mile delivery has seen explosive growth in business to consumer (b2c) deliveries, from e-commerce companies in freight transportation, and ride-sharing companies in personal transportation.

In the world of automotive, data is now the "Last mile".

All stake holders in the automotive industry; manufacturers, lenders, marketers, retailers and data companies, have built their own suite of technologies to facilitate modern retailing that seamlessly connect online shopping with the showroom. However, it's the complete, timely and accurate data that represents the industry's Last Mile. A complete data set is the key to seamlessly connecting each of the stake holders. This "virtual central hub" can facilitate a transparent, frictionless and much improved customer experience, regardless of where the consumers are in their shopping journey.

The automotive industry has had plenty of data for a long time, and a vast majority of this data does a great job of showing what the trends were 90 days ago. However, all of that data without science is just noise. Now, however, there is a platform that ties together all the pertinent data points necessary to arrive at a scientifically perfect, transact able solution for the customer.

Today, every company involved in automotive commerce has access to the most powerful analytics platforms ever created to make educated, tactical and profitable decisions – all for the benefit of the customer.

Where Automotive Professionals have lacked the Right Data

This is critical because the industry has operated inefficiently for a very long time. Incentives, rebates and subvention programs are a difference maker in influencing consumer behavior - and consumption. Approximately $40 billion dollars are being spent annually to stimulate the market and influence consumer decision making. The biggest commercial challenge facing automotive manufacturers traditionally, and currently, is to figure out how to achieve the desired market share without spending too much in incentive, rebate and subvention support.

The general practice by OEMs is to acquire registration / sales data and deploy extensive resources to analyze and perform a post-mortem, comparing what they spent in the previous days, weeks or months against their objectives. That analysis will assess and conclude whether their incentive and rebate spend yielded the desired results. It is a snapshot of – "what happened". It does not, however, provide analytical intelligence, clarity and the ability to apply a "what if" inquiry: "What would have happened if…?" "Would it have been more effective if we had applied incentives at 'X' level, or changed the residual to 'Y'…?" "What are our competitors doing in the 55 major markets this month?"

Scientific Data at the OEM Level

The OEMs are not using real-time analytics' tools driven by Scientific Data to determine the most effective structure (incentive vs. residual value vs. pricing) and the most efficient spend to influence consumer behavior and manipulate the market efficiently.

What is the right blend of incentives, rebates, rates, residual value and acquisition fees, by model variant based on exact trim levels against the relevant competitor model-set? How do you get the subvention spend exactly right to achieve the desired sales volume and market share? Those are Billion-dollar questions that this new Scientific Data, aka the "Last Mile", will help answer.

Today's Last Mile data solutions have been conceived through proprietary science, technology and data to eliminate the guess work associated with creating and publishing targeted, effective and cost-efficient rebate, incentive and subvention programs. The OEM will be able to determine the most competitive sales/lease prices, achieve sales volume and market share objectives, all while saving tens of millions, perhaps hundreds of millions of dollars monthly through much more effective rebate and incentive spend; every budgeted incentive dollar becomes much more productive. Know in advance exactly what to do in order to perfectly position each supported vehicle. In addition to extensive incentive savings, this Scientific Data delivers in minutes the analyses and reporting that large teams of analysts are unable to generate in weeks. This provides an OEM the opportunity to re-deploy existing, highly paid staff to other more important functions, and enjoy an additional direct bottom-line benefit.

Scientific Data is Revolutionizing Modern Retailing

The best solutions today are designed to empower and enable automotive professionals to excel in modern retailing, and revolutionize the way OEMs and lenders work with agency partners and technology providers to construct consumer offerings that win market share – without overspending.

What's empowering and driving this ecosystem of modern retailing for automotive is a comprehensive database containing every parameter, policy and factor that can influence an automotive sale or lease transaction. A scientifically perfect payment quoted to a consumer is incredibly complex; it must take into account a myriad of critical factors that include every lender program, every manufacturer rebate and incentive, every municipality tax and fee - and every term and condition, under which each retailer is willing to transact.

You may wonder why we need scientifically-powered data to connect everything. Because today's consumers are smarter than ever and they have plenty of tools at their disposal to help them make their decisions. Additionally, they have more options than ever before to find a car or truck outside of a traditional retailer. It all hinges on artfully combining science and technology with the right data. This Last Mile of data is now being used to connect shoppers with the right car - at the right price and payment.

It's no surprise that price and payment negotiations remain among the most important aspects of the car shopping experience for consumers. A recent survey2 showed that nearly half of all respondents (45%) say price and payments matter to them the most.

MARKET SCAN®

Solving for the Last Mile Disconnect with Consumers

The disconnect between shopping online and the experience at a dealer showroom also remains a major headache for many. In fact, when it comes to online shopping, 49% said they need to restart the entire process when they arrive at the dealership after doing all their homework online, ahead of time. Furthermore, 43% are frustrated that there are still discrepancies between the online offer, and the one they are presented with at the dealership.

Why does this matter? Twenty-one percent of shoppers say they begin to lose trust in their dealer when the discrepancy between the online offer and showroom offer is $50 or less per month. In parallel, 21% said they will actually walk away from the deal if the discrepancy is $50 or less per month, and 48% said they will walk if the difference is less than $75 per month.

This isn't all the dealer's fault, by the way. When dealers aren't seamlessly connected to their OEM and lender partners, or their agency and technology partners don't use the correct data, the whole system falls flat and the customer experiences this disconnect. What ensues is a scenario in which the offer presented to the customer online, is different from the one they receive in the showroom. And for 48% of these customers, it's enough to make them walk away from the deal.

It's time for everyone in the automotive industry to embrace the concept that combining science and technology will enable us to deploy and leverage the right data, so we can all experience the "Last Mile" moment that has transformed so many other industries. Why not give the consumers a better experience - when we can!

About the Author:

Rusty West is President & CEO of Market Scan Information Systems and has more than three decades of experience developing leading data and technology-based enterprise solutions for the automotive industry. For more information, please visit www.marketscan.com.

1: https://www.autonews.com/sales/automakers-rally-pandemic-low-saar-hits-185m
2: Market Scan Survey of consumer preferences over payments and offers; March 2021