

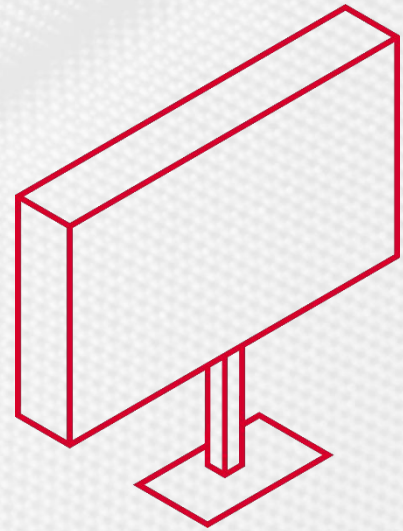
Navigating the changing tides of automotive retailing:

Adapting to the Amazon and Tesla effect.

In an ever-evolving landscape where convenience and innovation rule the road, Automotive retailing is at a crossroads. Rapid technological advancements and shifting automotive consumer behaviors are contributing to the profound transformation of automotive retailing. The rise of e-commerce giants like Amazon and innovative automakers like Tesla has redefined customer expectations and set new standards for convenience, simplicity, and efficiency in the vehicle buyer journey and process. As traditional automotive retailers grapple with these challenges, they must strategize and evolve to remain competitive in a marketplace where ease of shopping has become paramount.

The Amazon and Tesla effect: Revolutionizing automotive retailing.

Amazon's influence on the retail sector is undeniable. With its user-friendly interface, vast product selection, streamlined purchasing process, and speedy delivery, Amazon has conditioned consumers to expect a frictionless shopping experience. It only was exacerbated by COVID-19. The allure of virtual showrooms and hassle-free vehicle purchasing experiences beckons, and the traditional dealership model is being reshaped. Tesla's direct-to-consumer model, which allows customers to customize and order vehicles online with ease is disruptive, all while setting a new benchmark for the automotive industry. Amazon and Tesla have shifted consumer preferences to convenient, online-driven transactions, leaving traditional dealerships with a pressing need to adapt to remain competitive.



Challenges faced by traditional retailers.

This evolution has triggered many challenges automotive retailers must now address to stay competitive and relevant:

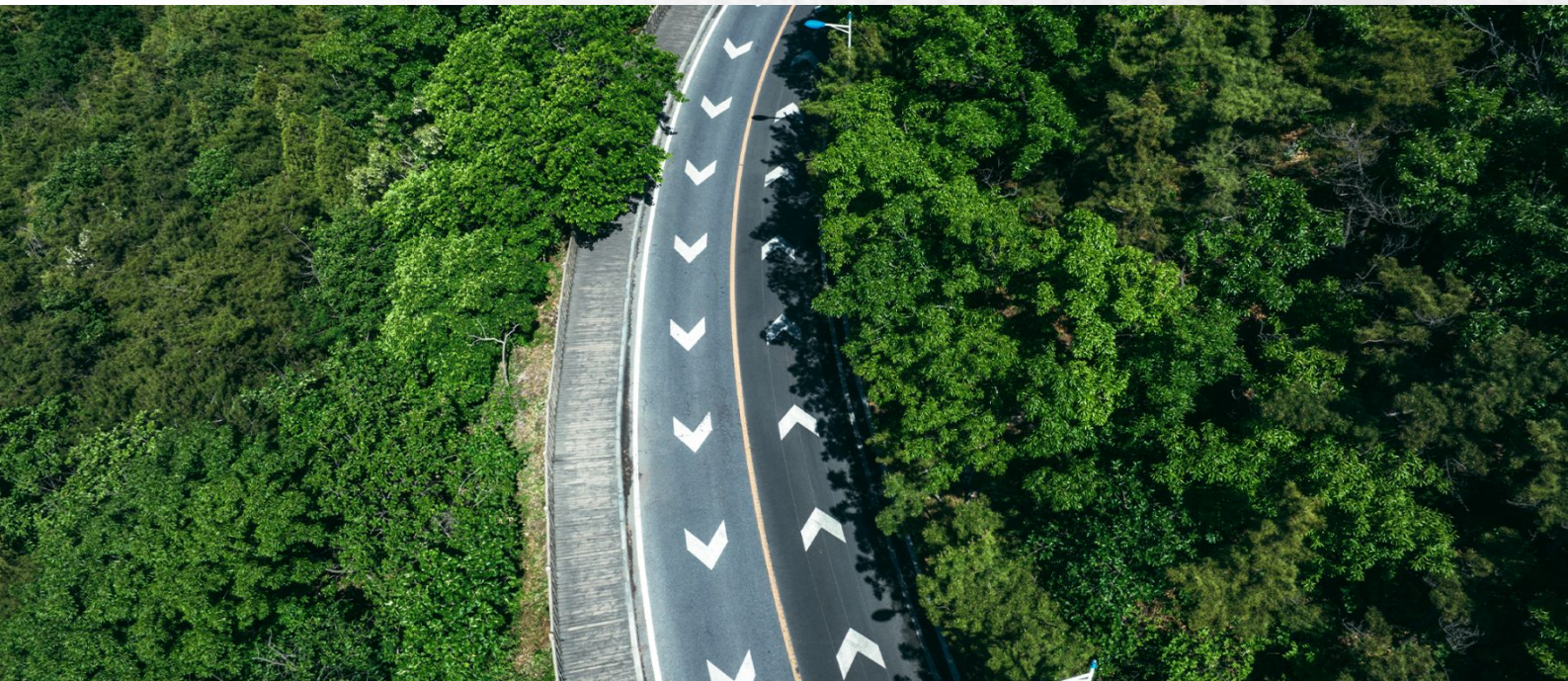
1. **Customer expectations:** The convenience offered by Amazon and Tesla has raised the bar for all retailers, including those in the broader automotive sector. Consumers now anticipate a seamless digital shopping experience, quick delivery, and personalized service. Amazon and Tesla have elevated customer expectations to unprecedented heights. The simplicity and transparency they offer have become the new standard, casting a daunting shadow over traditional retailers. As the demands for convenience and service soar, this seismic shift challenges the ability of traditional dealerships to retain their customer base.
2. **Competition:** Traditional dealerships face intense competition from online platforms, especially regarding price, transparency, and convenience. Customers can easily compare prices and features online, making it imperative for dealerships to compete with price as a primary parameter.
3. **Efficiency:** The intricacies of traditional automotive sales, involving lengthy negotiations and paperwork, are being juxtaposed against Amazon's "1-click" efficiency and Tesla's user-friendly and intuitive online ordering. COVID-19 also turned the tables on the car buying process; consumers were able to have a vehicle delivered to their homes and complete the paperwork in their driveway. Dealerships made it work. This approach is a radical departure from traditional, legacy retailing with an unprecedented impact on the customer journey, prompting questions about the sustainability of outdated processes as we return to a more normal environment.
4. **Digital Presence:** The wheels of innovation turn slowly in traditional automotive retail, leaving tech-savvy consumers disenchanted. Establishing a robust online presence is crucial, but many dealerships have struggled to transition from traditional showroom-based sales to effective digital engagement.
5. **Transparency:** Amazon and Tesla have set the stage for transparency in pricing and order tracking; for Tesla, vehicle specifications can be added to that equation, as well. Traditional retailers must adjust their practices to match this transparency to retain customer trust. And when it comes to automotive retailing, consumers are now payment buyers as opposed to price shoppers.



Strategies for adapting and thriving: Ten tips to help your business.

The traditional retail model is no longer sustainable. It's a fact. To earn a larger share of the market, automotive retailers must innovate and rethink how they market as well as how they interact with their consumers to be relevant – and to survive.

1. **Embrace omnichannel retailing:** Develop a cohesive strategy that seamlessly integrates online and offline experiences. Enable customers to research, configure, and order vehicles online, while also providing the option to visit physical locations for test drives and in-person assistance.
2. **Enhance online retailing:** Invest in user-friendly websites and mobile apps that provide detailed product information, virtual vehicle tours, and easy-to-use customization tools. Enable customers to start the purchase process online and finalize it at the dealership if desired.
3. **Transparent Pricing:** Be upfront about pricing, discounts, and available financing options. Transparency instills confidence in customers and eliminates the need for time-consuming negotiations.
4. **Consolidate customer management tools.** Retailers are generally inundated with technology bundles that offer the latest in “customer management”. It's critical for a retailer to control the customer data and how that data is shared with technology partners. CRM (Customer Relationship Management) and CDP (Customer Data Platforms) solutions are integral parts of managing customers. To be effective, the dealer must have solutions with an open architecture to control all customer communications and create meaningful individual customer relationships, as well as to control the logic when creating audiences for marketing initiatives.
5. **Personalized customer service:** Leverage data analytics to understand customer preferences and tailor recommendations accordingly. Offer personalized recommendations, promotions, and after-sales services based on individual needs.



Strategies for adapting and thriving: Ten tips to help your business. (Cont.)

6. **Streamlined purchasing process:** Just as Amazon has revolutionized online shopping with its one-click buying process, automotive retailers can benefit from simplifying the purchasing journey. All-inclusive, and fully executable payments eliminate the need for customers to negotiate separate deals for financing, insurance, and additional services. This streamlines the process, saving time and reducing the friction often associated with traditional car buying.
7. **Virtual test drives:** According to recent research from S&P Global Mobility¹, 82% of car buyers indicated they still want to test drive their desired vehicle prior to completing any transaction, but today many car shoppers want the test drive to occur when the vehicle is delivered to their home or office, instead of at the dealership. Supplement the test drive with virtual or augmented reality test drive experiences that allow customers to experience the vehicle's features and performance from the comfort of their homes.
8. **Flexible delivery options:** Provide various delivery options, including home delivery and pick-up from dealerships. Ensure that the delivery process is smooth, punctual, and well-communicated.
9. **After-sales experience:** Focus on building long-term relationships with customers by providing exceptional after-sales service. Offer maintenance scheduling, warranty information, and efficient problem resolution.
10. **Invest in training:** Equip staff with the necessary skills to navigate the digital landscape and provide excellent **personal** customer service across various channels – and leave room for “old-fashioned” true and tried gestures; when was the last time you received a handwritten thank you note?!



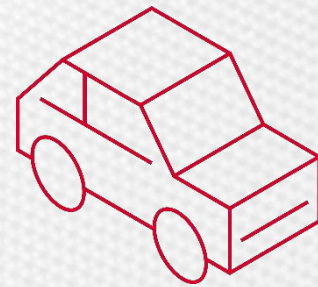
The value of an actual, all-inclusive payment versus a generic payment.

All stakeholders focused on automotive commerce need to recognize they need the proper tools, technology, data, and platforms that enable them to accommodate the consumers in the manner they prefer.

There is one constant when shopping on Amazon or when buying a Tesla: the consumer is presented with ONE all-inclusive payment. Contrast that to what happens when you shop for a car online and in a store: the consumer is presented with a multitude of different prices, which **may - or may not -** include sales tax, title, registration fees, and warranties, just to name a few.

Presenting consumers with inconsistent, inaccurate, or incomplete payments across platforms in an omnichannel shopping environment is unacceptable and isn't competitive. And most importantly – **it's exactly the opposite of what consumers want!**

The evolution underway has redefined customer expectations, emphasizing convenience, transparency, and efficiency in the shopping process. Retailers face the challenge of adapting their practices to align with these shifting consumer behaviors. Embracing available technology solutions, such as Market Scan's Automotive Payments as a Service™ platform, which calculates dynamic consumer payments for more than 10,500 dealer rooftops, empowers retailers to serve up all-inclusive, executable lease and finance payments across channels and in the store. Subscribing to the latest cloud-based technology solutions that have no bandwidth limitation, retailers are poised to not only survive but thrive in this dynamic environment by delivering personalized customer experiences.



The key lies in understanding the new normal of automotive retailing and proactively reshaping business models and practices to exceed customer expectations to earn the desired market share.

¹[Americans appear ready for the European car-ordering model | S&P Global \(spglobal.com\)](https://www.spglobal.com/mobility/en/insights/2020/01/americans-appear-ready-for-the-european-car-ordering-model)