

Trends in Automotive

Insights from 500 industry leaders on the digital imperatives transforming customer experience.

Executive Summary

The automotive industry is in the midst of a historic digital transformation. Consider that today's vehicles are [computers on wheels](#) that [increasingly drive themselves](#). Customers who used to shop exclusively in the showroom can complete transactions online. Even repairs are going digital, with over-the-air updates fixing problems that used to require a mechanic's attention.

It's exciting to watch these innovations unfold. But for the companies that must continue to navigate steep and uncertain terrain, the pressure to maintain profitability is intense as research and development investments global competition, and environmental initiatives threaten margins.

To understand the industry's challenges, Salesforce surveyed decision makers from original equipment manufacturers (OEMs), captive finance companies, and retailers. Here, we share what we learned about the risks and opportunities companies face as they plan for a profitable and sustainable future.

For the Trends in Automotive report, Salesforce Industries Insights surveyed 500 employees of original equipment manufacturers (OEMs), captive finance companies, and retailers worldwide to discover:

- The progress companies are making in providing digital customer experiences
- Why first-party data is important now
- The impact of electric vehicle investments on profits

Data in this report is from a double-blind survey conducted from April 20 to May 16, 2022 that generated responses from automotive director-level and above decision makers. Respondents are from North America, South America, Asia-Pacific, and Europe. All respondents are third-party panelists. Due to rounding, not all percentage totals in this report equal 100%. All comparison calculations are made from total numbers (not rounded numbers).

PART 1

Automotive customers ride a bumpy road

Perception and reality are two different experiences

Although customers were already patronizing digital marketplaces like Cars.com to find and price vehicles, the pandemic, inventory shortages, and high prices [are pushing them even further away](#) from the showroom.

To keep up, OEMs, captive finance companies, and retailers are building on the digital experiences offered in other industries, such as retail. In this vision, customers can do more than browse available inventory. They can also choose their own options and trim, apply for financing, and schedule delivery (and even returns). The post-purchase experience looks different, too, as customers do everything virtually, from managing their loans to purchasing additional miles on their leases to downloading service updates.



“The real drive for digital transformation for retailers and OEMs is to reduce the stress and time customers spend at the retailer agreeing on pricing and finalizing the sale.”

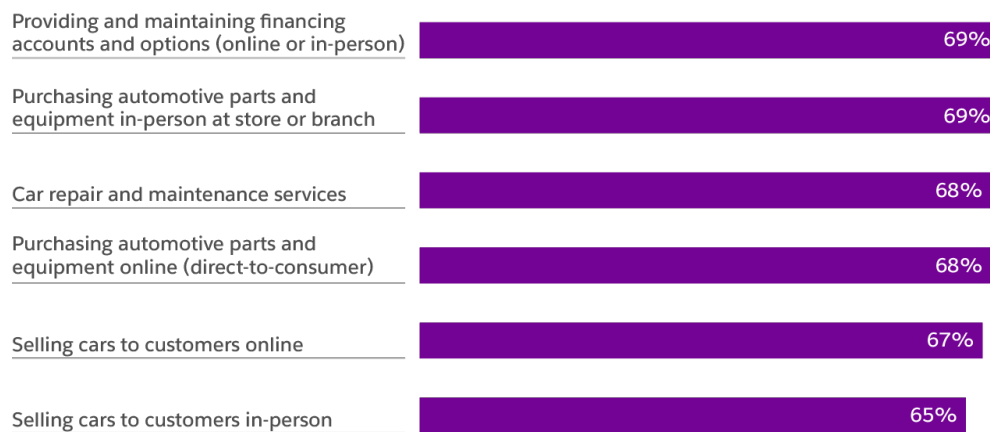
Vicki Poponi, Vice President and Automotive Industry Advisor, Salesforce

For the [99% of customers](#) who are dissatisfied with the traditional buying experience, this could be a welcome change. Unfortunately, research indicates that companies aren’t as far along on their digital journeys as they might believe. While our study found that 73% of companies believe they are overperforming when it comes to digital transformation, [recent research from McKinsey](#) shows physical touchpoints (and unsatisfying interactions) still dominate the buying experience. McKinsey also discovered that while the majority of purchase negotiations take place in the retailer’s showroom, most consumers are more interested in haggle-free, online price quoting and strongly prefer to complete loan and trade-in applications digitally.

Do you consider your company to be an over-, average-, or under-performer in terms of digital transformation and adoption of innovative software?



The percentage of companies that ranked themselves as somewhat or far above average when it comes to providing digitized and personalized services in the following domains.

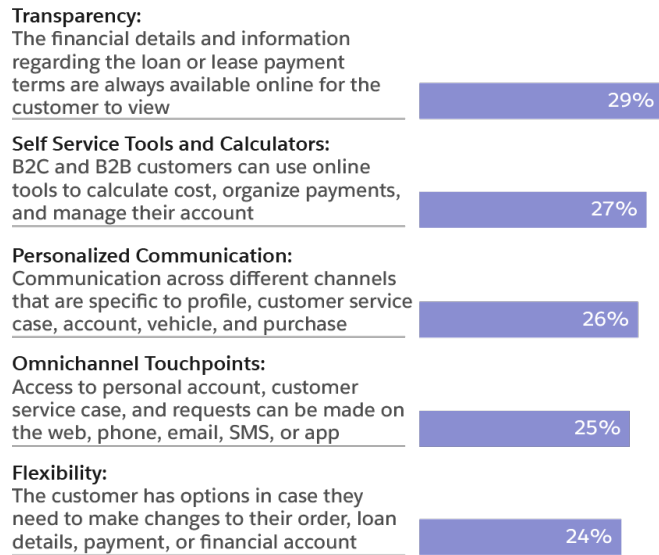


Customers want price transparency and streamlined lending, but companies aren't delivering

For many customers, buying a car starts with figuring out what they can afford. Online tools like loan calculators help them do this, but only 27% of captive finance companies rated their online automobile financing tools as far above average.

Even worse, only 24% of those surveyed report that the prices on their website consistently match what customers actually pay. That's a problem, given that [74% of consumers](#) say communicating honestly and transparently is more important now than before the pandemic.

The percentage of respondents who rate their company's ability to provide automobile financing and related customer services online as far above average:



A complex path-to-purchase is challenging ecommerce capabilities

Automotive's path-to-purchase is complicated. As a result, its [digital experiences are lagging](#) behind industries with simpler ecommerce transactions, such as apparel. Our research reflects this complexity: Less than one in five OEMs and retailers believe their digital storefronts are engaging and mobile-friendly. The same number also report inventory accuracy problems online.

Customers who want to use online channels to customize the options on a brand new vehicle also face challenges, according to retailers. For example, 79% report that customizing trim and color options online isn't easy. The amount of time it takes to complete a transaction also leaves much to be desired, with only 21% of OEMs and retailers believing they offer a fast buying experience.

The percentage of respondents who report a far above average ability to sell automobiles and parts and provide related customer services online

Omni-channel Touchpoints:

Access to your personal account, current customer service case, and requests can be made on the web, phone, email, SMS, app



■ OEM
■ Retailers

Personalized Communication:

Communication across different channels that are specific to your profile, customer service case, account, vehicle, and purchase

**Price:**

Transparent, customizable, and honored pricing for both customers and other businesses

**Selection:**

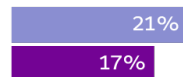
Inventory availability and accuracy; trim and color can be customized

**Speed:**

Fast end-to-end process including browsing, selecting, purchasing, payments, delivery, and potential return

**Merchandising:**

Engaging digital storefront for both customers and other businesses, mobile-friendly design, branded content and messaging, customer reviews, customization, and add-on options

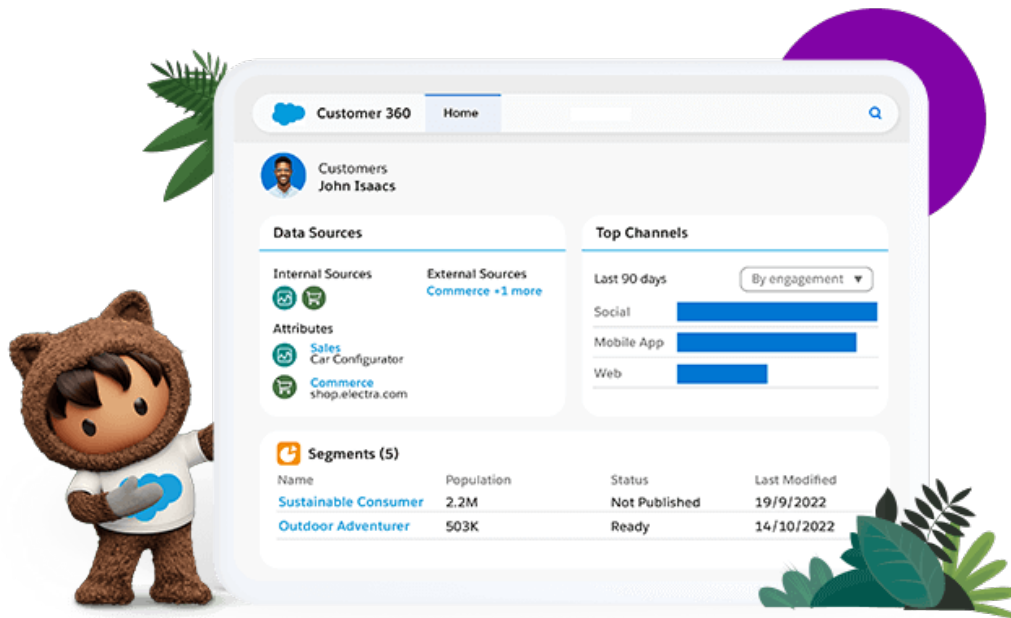


The post-purchase experience needs work

It makes sense that customer experiences are complicated before they complete a purchase — given the number of players involved in trading in, ordering, and financing a new vehicle. Caring for customers after the sale should be simpler, but right now, digital post-purchase experiences are challenging companies: 79% of OEMs and retailers report customers have trouble accessing their personal account or service case through digital channels. Similarly, in captive finance, 75% of companies report that their customers have trouble accessing their personal account or current customer service case online, over text, or on the phone.

PART 2

Companies believe customer data builds a better customer experience



Companies are having trouble using customer data

Ninety-five percent of automotive companies buy customer data from third-party sources to support marketing initiatives, but [changing internet privacy regulations](#) mean companies must gather information directly from customers themselves. In the future, customers must explicitly agree to share first-party data like an email address and mobile phone number, along with [zero-party data](#) like product preferences and purchase intentions.



93% of companies agreed that first-party data will substantially improve the customer experience.

And with the customer data they do have, companies across the industry are having trouble putting it to good use. In fact, only 46% of companies report having comprehensive data. Why is there a gap for the rest? In many cases, it's because their customers' profile data, transaction history, and customer service cases are siloed in different systems. This limits their ability to analyze data from an enterprise perspective. Making matters more complicated is that 58% of companies report that not all of their customer data is accurate and updated in real time.

These issues also prevent companies from delivering timely and relevant communications. Only 26% of captive finance companies and 22% of OEMs and retailers can personalize communications across channels like email and text — something that [73% of customers](#) already expect. This kind of messaging drives incremental sales and margin, according to 87% of executives surveyed. Yet according to our research, 78% of OEMs and retailers report they cannot customize communications based on specific accounts or even customer complaints.

Connected vehicle data lights the road ahead

Connected vehicles that link to devices or services over the internet are an important new source of first-party data. Today, connected vehicle data helps insurers deliver lower rates to safer drivers and even [warns drivers about potholes](#). But future possibilities are even more tantalizing. Using information like location and speed, for example, vehicles could [communicate with one another and prevent accidents](#) or calculate emissions and incentivize drivers to [reduce their carbon footprint](#). Unsurprisingly, connected vehicle data emerged as the top choice among companies surveyed for the type of first-party data most likely to improve the customer experience.



50% of companies surveyed reported they are currently investing heavily in activating first-party data from connected vehicles to improve the customer experience.

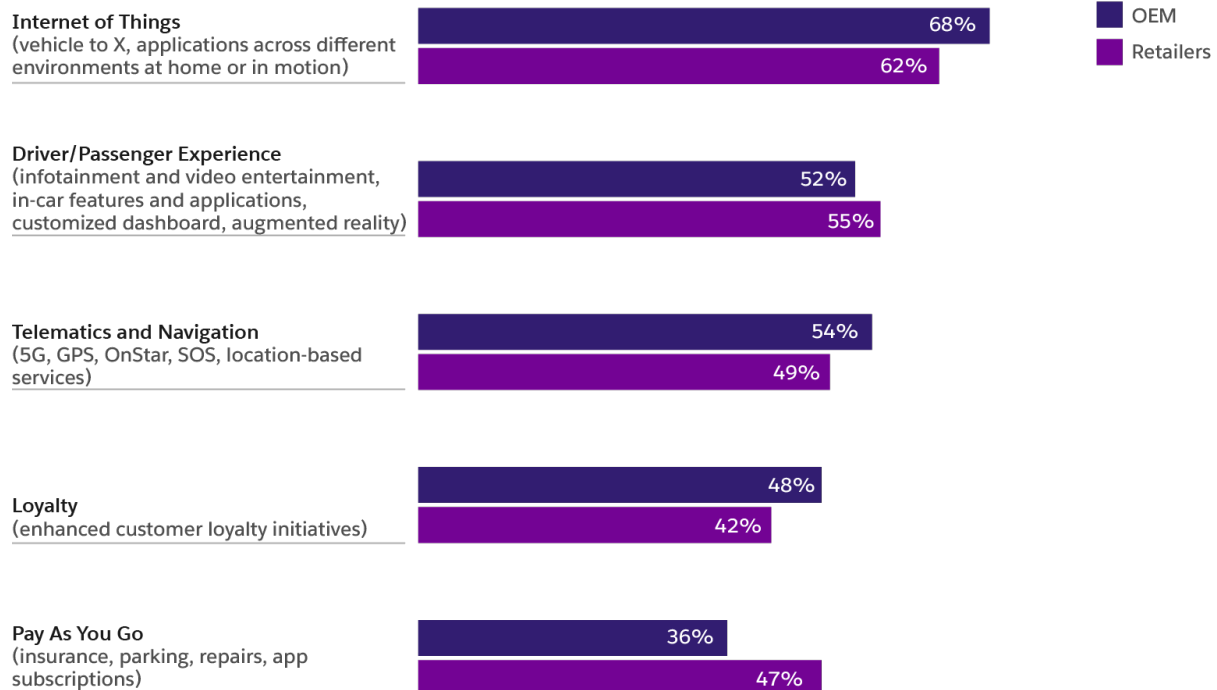
“With the advent of connected vehicles, I see several opportunities to remain competitive and to build and enhance existing customer relationships while creating new ones.”

Anonymous respondent, Vice President of Sales

Respondent ranking of the types of first-party data that would help improve customer service

- 1** Connected vehicle data
(driving, location, software, etc.)
- 2** Web or mobile app behavior
- 3** Call center interactions
- 4** Sales interactions
- 5 tie** Email engagement
- 5 tie** Purchase history
- 7** In-store/in-office interactions

In which areas of connected vehicle customer experience is your company investing?



PART 3

Research investments are pressuring profits, but new revenue opportunities are on the horizon



Electric vehicle investments and global competitors are pressuring margins

Today, entry-priced electric vehicles (EVs) are often loss leaders for OEMs, with models priced for profit out of reach for many consumers. At the same time, environmental regulations are leading OEMs to [invest heavily](#) in EVs. As North American and European companies [push consumers](#) toward environmentally sustainable transportation, their bottom lines could pay a price: 85% agreed that the research and development cost of transitioning to EVs will be a substantial risk to the industry's profits for the next five years.

“Our industry’s biggest challenge when it comes to electric vehicles is to develop an electric car that is as affordable and convenient as a traditional internal combustion engine automobile.”

Anonymous respondent, Vice President of Marketing

Chinese EVs are leading the pack

Adding pressure is an [emerging competitive threat](#): Chinese OEMs are years ahead of their global peers in terms of consumer adoption, mass-market pricing, manufacturing cost, and technological innovation. According to [Forbes](#): “The most underestimated aspect of Chinese EV makers is that they have the benefit of scale, with the China market about twice the size of Europe. Consequently, manufacturing cost is significantly lower, companies can innovate faster, and they can reach profitability sooner. Even the basic Chinese models contain advanced connectivity and driver-assistance features.”



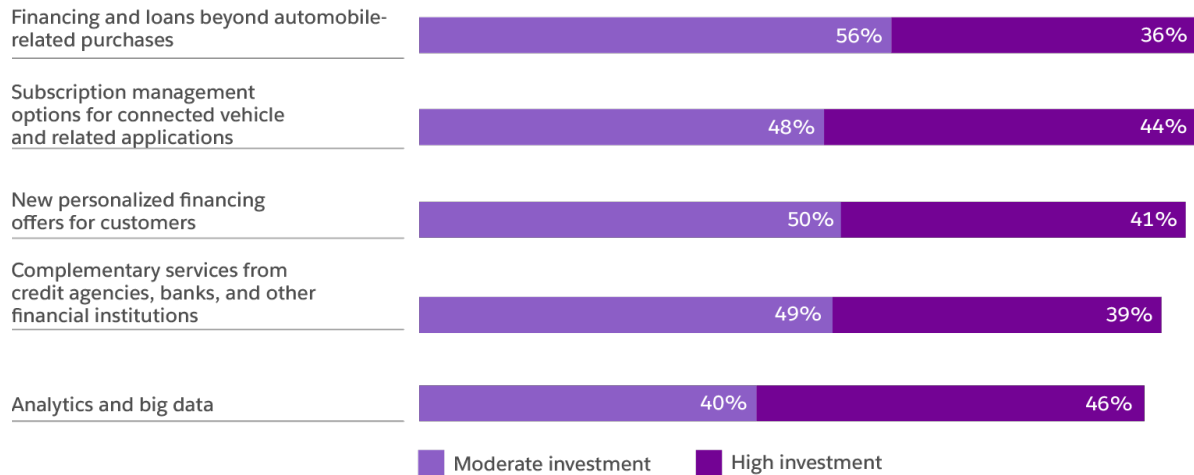
“The automotive industry in China is years ahead of anyone in this space, in terms of EV production, charging technology, and connectivity. That will become a point of competitive advantage and price differentiation as well.”

Matthew Simpkins, Automotive Regional Vice President (UK and EMEA), Salesforce

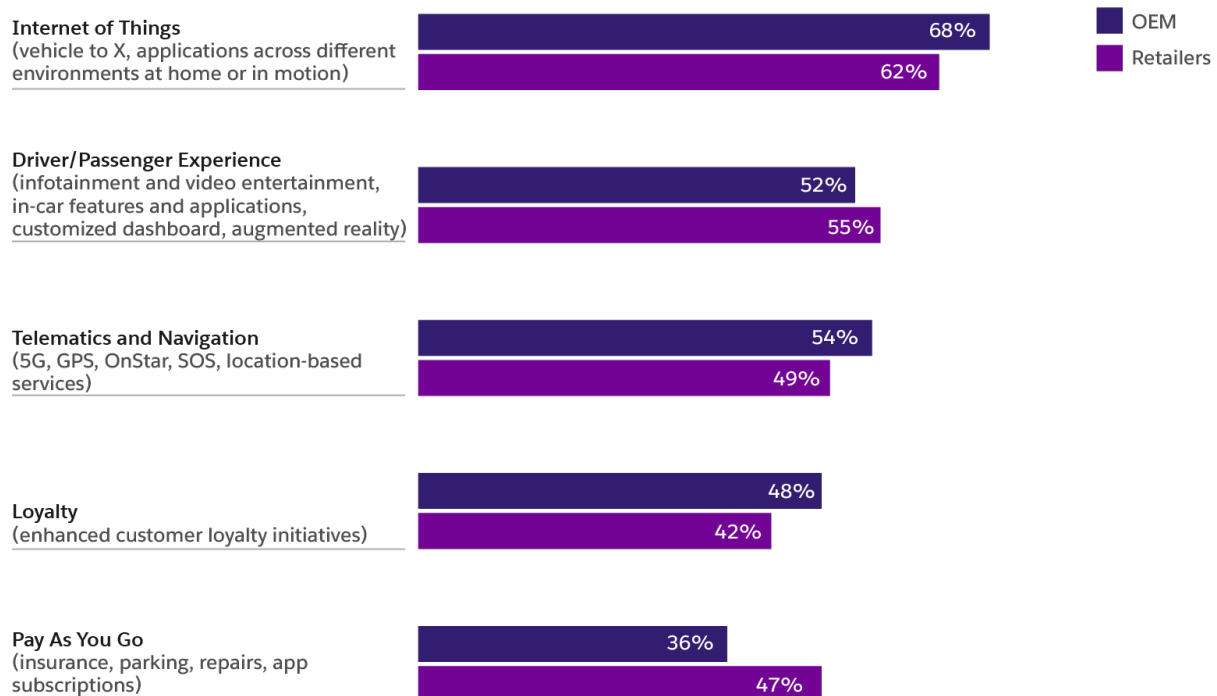
Subscriptions and partnerships offer new revenue opportunities

As companies race to develop reliable, safe, and affordable EVs, they are turning to subscriptions and partnerships as revenue generators: 68% of OEMs and 62% of retailers are already investing in Internet of Things (IoT) applications such as Apple CarPlay and smart home devices. Captive finance companies are also exploring new ideas, like giving customers the chance to buy use-based insurance products, allowing them to streamline the purchase of extra lease miles online and bundle financing and maintenance into a single payment for commercial purchasers.

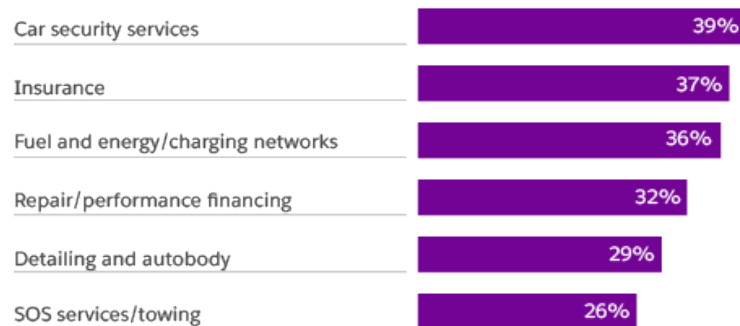
Auto Finance: In the context of connected vehicles and expanding adoption of electric vehicles, what are the new business models and partnerships that your company is investing in?



OEMs and Retailers: In the context of connected vehicles and expanding adoption of electric vehicles, what are the new business models and partnerships that your company is investing in?



In the context of a connected vehicle ecosystem, which external industry partnerships would provide the best customer experience?



A LOOK AHEAD: Out-of-sector businesses spot a new EV revenue opportunity

As EV adoption grows globally, the pressure is on companies to solve concerns related to vehicle affordability, charging station availability and compatibility, and the harmful environmental impact caused by mining battery minerals. As companies in the industry [adapt to new incentives](#) promised by the Inflation Reduction Act, some out-of-sector businesses are already [jumping on a new growth opportunity](#).

Some retail companies are installing EV charging stations at locations throughout the U.S. The goal? Attract Gen Z and millennial customers who are more likely to drive EVs and make purchasing decisions based on a product's sustainability. Giving customers the opportunity to charge their vehicles as they shop for groceries or buy a cup of coffee, they reason, will drive loyalty — and revenue for years to come.



“It will also be interesting to see how EV drivers may benefit by charging overnight at lower rates, and then potentially ‘selling’ back their excess energy to utilities.”

Vicki Poponi, Vice President and Automotive Industry Advisor, Salesforce