THE DIGITAL CONSUMER

Are automotive OEMs ready for the "Digital Autobahn"?

Abstract

The rise of multiple brands and choices, in the current market scenario, has caused a compulsion for business to stay on top of emerging technologies. This phenomenon is continually pressurizing automotive Original Equipment Manufacturers (OEMs) as well. Just as the strength of the tools define the power of the automotive, the business plan defines its sales.

eBusiness is emerging as the key tool for a successful business plan. The auto industry is witnessing the necessity to realize the power of Web 2.0 to increase productivity and profitability through various means – such as social commerce. The potential gains are immense and the momentum of progress - rapid and revolutionary. This paper describes how the Infosys Automotive eBusiness Maturity Model draws out a well planned eBusiness strategy that will raise OEMs to the highest level of competitiveness leveraging the power of Web 2.0.

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Life of Digital Consumerism

With a continuous rise in product proliferation, the consumer is faced with a phenomenal increase in the choice of products and services. Brands, across the world, are struggling to acquire and retain customers, and automotive OEMs are no exception. New brands and technologies - such as Toyota Prius, a hybrid and Nissan Leaf - are necessitating higher spends on product development and innovation. Product lifecycles are shortening and demand for cars - like the TATA Nano - is on the rise. There is a significant amount of pressure on the top and bottom-line of auto OEMs.

In the meantime, with the rise of the digital consumer, the Internet has emerged as a key medium for influencing a consumer's decision making process, while buying a car. Digital consumerism has arrived in a big way, as reflected by the following fast facts:

1. According to a survey conducted in 2008, majority of car buyers spend between 6-8 hours on the internet before purchasing a new vehicle. Similar surveys suggest that consumers rely on three types of websites for their purchase-related information:

   — Third party auto websites for recommendations

   — Automotive OEM websites for product information

   — Dealer websites to search for inventory

This same trend is also seen when it comes to used car purchases and other auto-related services - such as insurance and loans.

2. Over 30% of car buyers pay heed to user-generated online content, before making their purchase decisions.

3. Only 10% of consumers use e-mail to share content – the majority has shifted to Facebook, Twitter, etc.

4. Currently, there are over 12 million active blogs and close to 400 million Facebook users, averaging 100 friends each.

Hence, implementing eBusiness effectively is substantially more efficient at reaching target communities/ prospects/ customers than advertising.
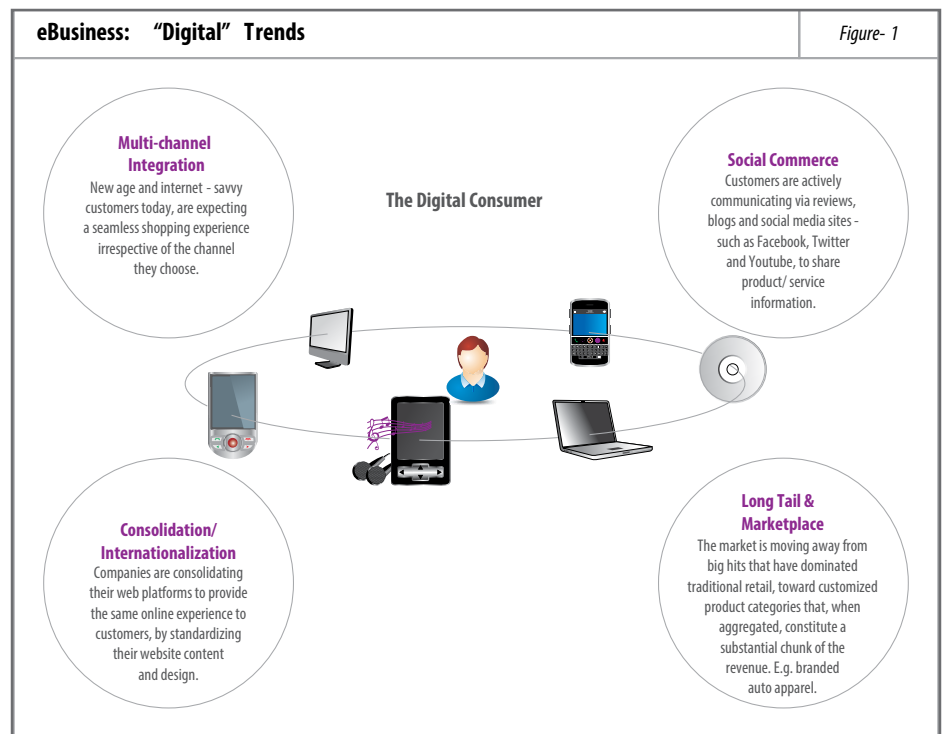
While there is still a lot of ground that the auto industry needs to cover, some OEMs are already setting standards through pioneering eBusiness initiatives to increase consumer engagement. Figure 1 depicts the 4 trends that summarize these pioneering eBusiness initiatives.

Let's look at some of the examples:

1. Social Commerce[1]: Ford Motors set a new benchmark for online engagement with its Fiesta Movement. 18 months before the US launch, the company gave 100 European Fiestas to people in the USA, to drive and live with. All these 100 people were supposed to record their experiences on the 'Fiesta Movement' website. This unprecedented move resulted in 37% awareness level among Generation Y making it the #1 'Social Automotive

brand in 2008'. The campaign also resulted in 50,000 non Ford customers showing interest in buying the new Fiesta.

eBusiness: "Digital" Trends	Figure- 1

Multi-channel Integration
New age and internet - savvy customers today, are expecting a seamless shopping experience irrespective of the channel they choose.

The Digital Consumer

Social Commerce
Customers are actively communicating via reviews, blogs and social media sites – such as Facebook, Twitter and Youtube, to share product/ service information.

Consolidation/ Internationalization
Companies are consolidating their web platforms to provide the same online experience to customers, by standardizing their website content and design.

Long Tail & Marketplace
The market is moving away from big hits that have dominated traditional retail, toward customized product categories that, when aggregated, constitute a substantial chunk of the revenue. E.g. branded auto apparel.

2. Long Tail and Marketplace[2]: Niche product segments when aggregated, constitute a substantial chunk of the business. Recognizing this fact, BMW has enabled the consumers to buy original accessories on a separate eCommerce site. Another example of a bold eBusiness initiative in the auto segment would be the GM & eBay tie-up to auction GM cars in the California region for a limited time. The consumer can bid for the cars of their choice on eBay, though the actual exchange takes place offline.

3. Consolidation and Internationalization[3]: French car maker Renault has consolidated and streamlined its online presence by offering similar web experience to their consumers in different countries. GM's homepage is designed to make it easy for the customer to navigate across the GM online world (Country websites, product websites, social media presence, etc.).

4. Multi-Channel Integration[4]: As customers are becoming progressively aware and internet-savvy, they are expecting a seamless experience across channels (websites, mobile, social media, and dealerships) that they select to purchase products or view information. For example:

Nissan developed an iPhone app. for a Car 2.0 concept that allows users to connect, via iPhone, to Nissan's global data center to view information about their vehicle - such as its battery charging, air conditioning, and heating.

Industry Ranking in Terms of Consumer Engagement [5]   Figure - 2
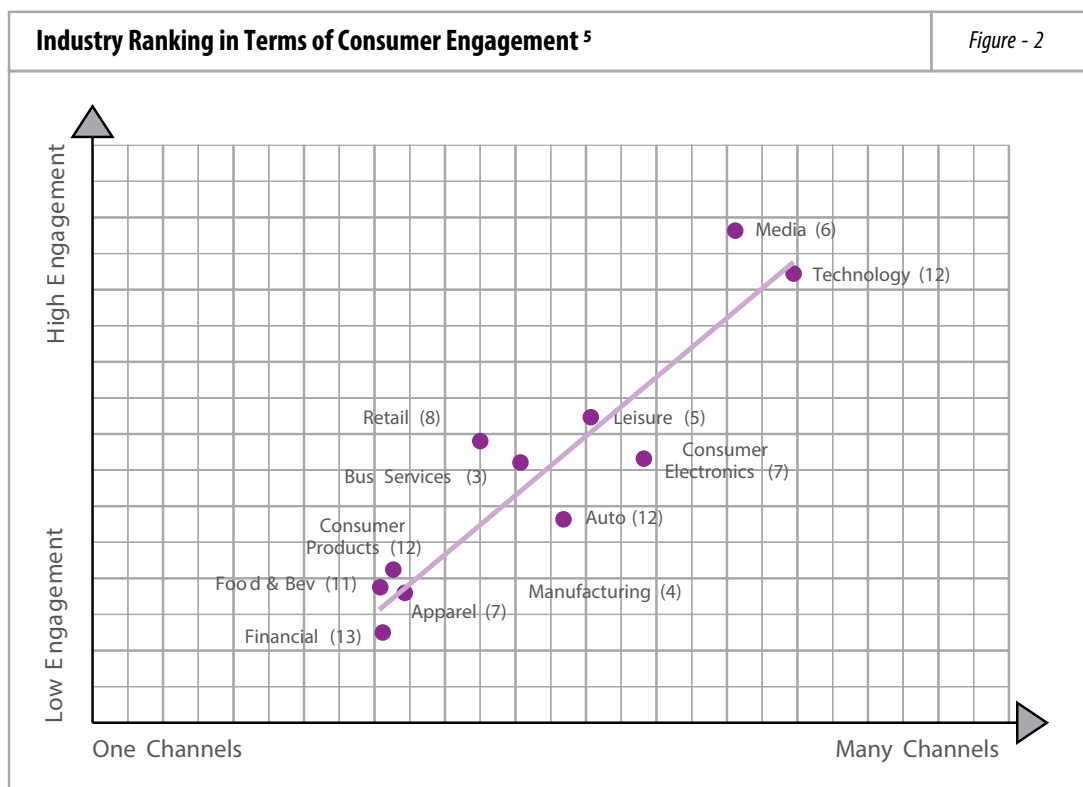
Footnote: The numbers in brackets indicate the no. of companies surveyed/researched.
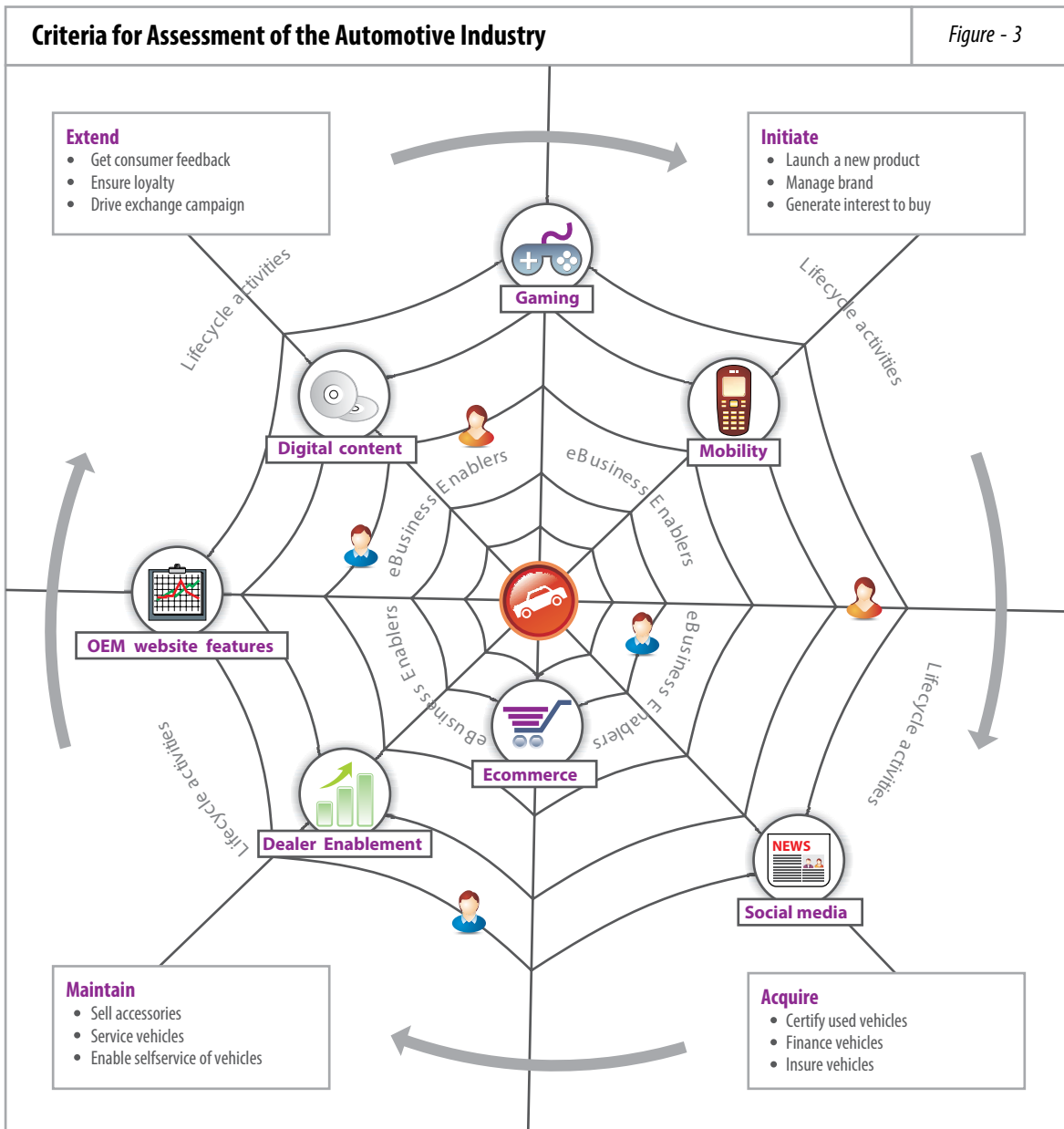
eBusiness and the Auto Industry

Cars are indicators of personality, statements of personal style, subjects of interest, objects of passion, and one of the most researched topic on the Internet. With over 75% consumers 'logging-in' before purchasing a car, it is difficult for any auto OEM to achieve continued Year-on-Year (YOY) growth without getting its eBusiness strategy right. Some Fortune 500 companies have dedicated as much as 50% of their marketing spend to the digital medium and the results have been quite encouraging.

Auto OEMs are deploying a host of e-business tools - such as website features, digital content, mobility, social media and gaming - at every stage of the customer lifecycle – Initiate, Acquire, Maintain, Extend - to augment the convenience and interest of the customer, thereby boosting sales and loyalty.
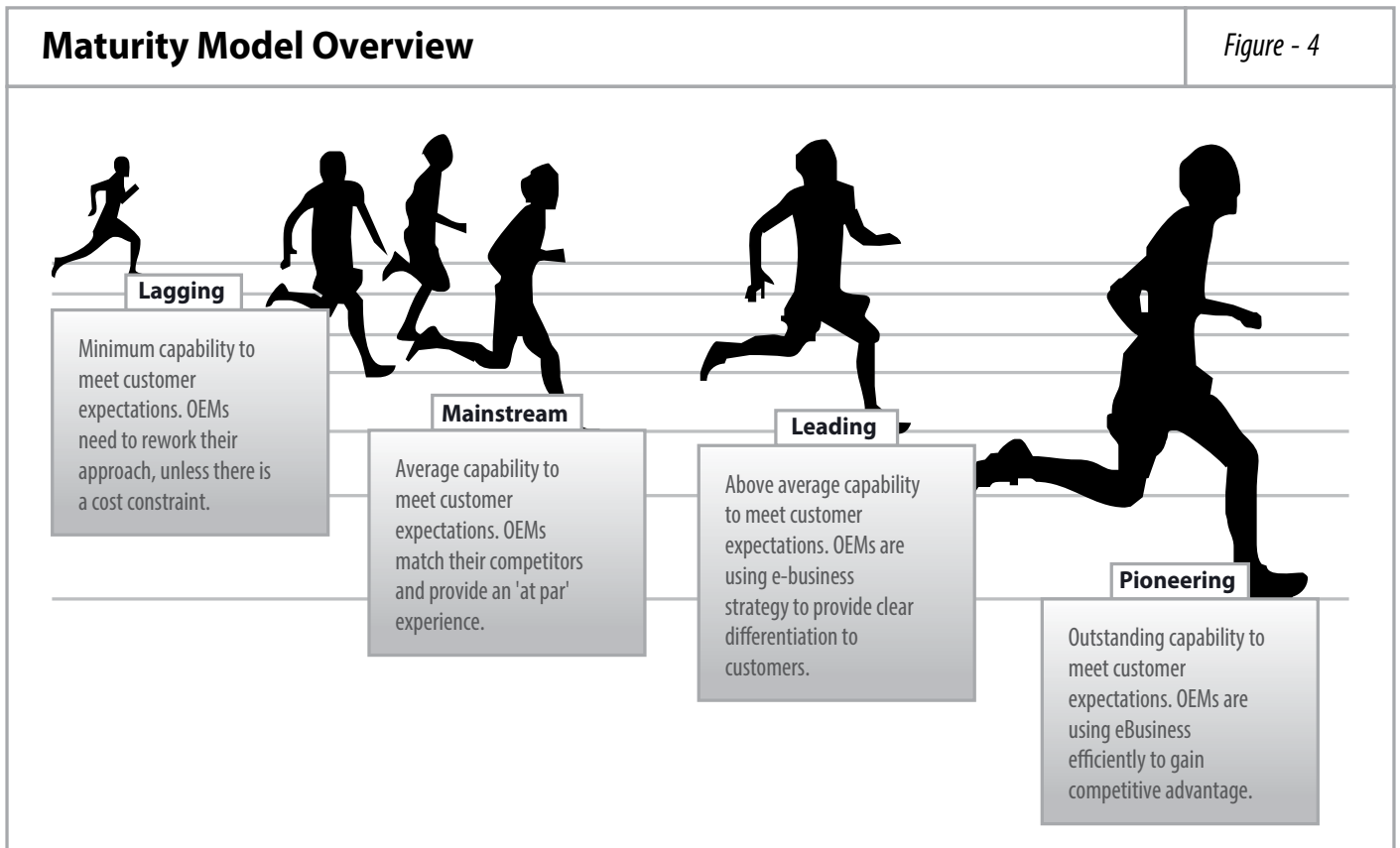
While some OEMs have shown the way in adopting and integrating e-business enablers in their overall strategy, the auto Industry still has some way to go. As shown Figure 2 (Source: http://www.engagementdb.com/downloads/ENGAGEMENTdb_Report_2009.pdf), the auto industry is average, at best, when it comes to online consumer engagement and there is a lot that it could learn from, for instance, the technology sectors.

The Infosys Automotive eBusiness Maturity Model – an aide to crafting an effective eBusiness strategy by mapping the present and charting the future.

So, are we talking about fads or facts? Infosys has taken a business-centric approach by considering all the relevant business activities of customer life cycle, then applying the key eBusiness enablers to all the activities and creating a maturity model. This process is depicted in Figure 3.

Criteria for Assessment of the Automotive Industry *Figure - 3*

Extend
- Get consumer feedback
- Ensure loyalty
- Drive exchange campaign

Initiate
- Launch a new product
- Manage brand
- Generate interest to buy

Gaming

Digital content

Mobility

OEM website features

Ecommerce

Dealer Enablement

Social media

Maintain
- Sell accessories
- Service vehicles
- Enable selfservice of vehicles

Acquire
- Certify used vehicles
- Finance vehicles
- Insure vehicles

Lifecycle activities

eBusiness Enablers

Maturity Levels (depicted in figure 4) are assigned to individual lifecycle marketing activities, based on the level of effective usage of the enablers.

Maturity Model Overview

Figure - 4

Lagging

Minimum capability to meet customer expectations. OEMs need to rework their approach, unless there is a cost constraint.

Mainstream

Average capability to meet customer expectations. OEMs match their competitors and provide an 'at par' experience.

Leading

Above average capability to meet customer expectations. OEMs are using e-business strategy to provide clear differentiation to customers.

Pioneering

Outstanding capability to meet customer expectations. OEMs are using eBusiness efficiently to gain competitive advantage.
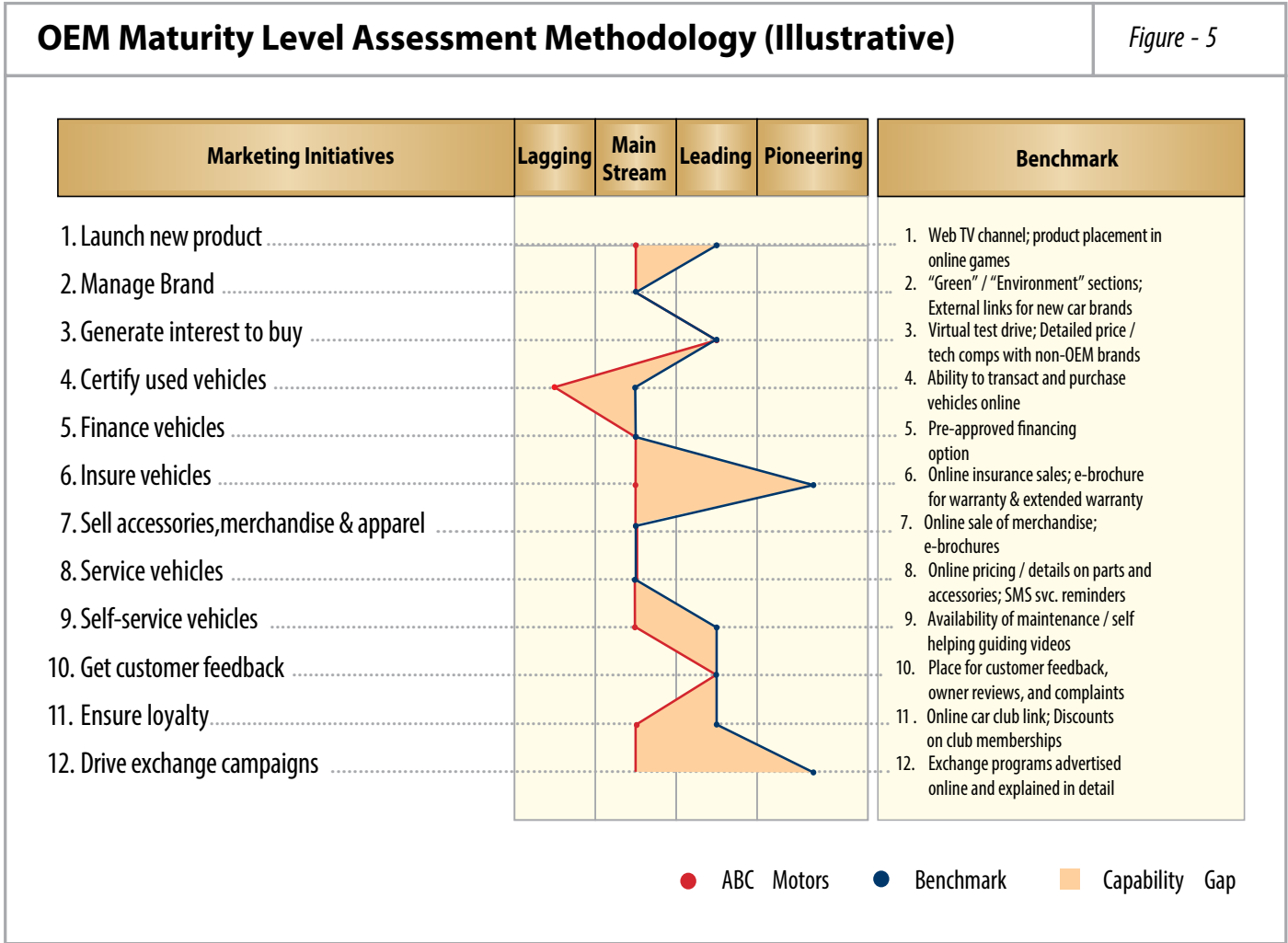
The Infosys Automotive eBusiness Maturity Model is a tool designed to assess the automotive eBusiness competitive position of an OEM, identify opportunities for differentiation and build a roadmap for future capabilities.

As depicted in figure 5, the approach to evaluate and create an automotive eBusiness strategy is briefly described as follows:

1. Multiple enablers can be used for each activity, within each phase of the customer life cycle.

2. Depending on the maturity or effectiveness of the way an enabler is used, the auto OEM lifecycle activities are assigned a rating of pioneering, leading, mainstream or lagging.

3. The enablers for each activity are given some weightage and the maturity levels are assigned a score (Lagging = 1 and pioneering = 4). Based on the weighted score average, the overall maturity level of the activity is assigned for the auto OEM.

4. Pioneering initiatives ('Benchmarks') -

by local as well as global competitors - are mapped, an auto OEM is then compared to them, and the gap is analyzed.

5. A roadmap of initiatives is then defined, based on the gaps that are critical to enable an auto OEM to achieve its business objectives.

6. The metrics related to the initiative are measured and base-lined for Value Realization/Return on Investment (ROI) calculation and for monitoring the initiative effectiveness.

OEM Maturity Level Assessment Methodology (Illustrative)

Figure - 5

Marketing Initiatives	Lagging	Main Stream	Leading	Pioneering	Benchmark
1. Launch new product					1. Web TV channel; product placement in online games
2. Manage Brand					2. "Green" / "Environment" sections; External links for new car brands
3. Generate interest to buy					3. Virtual test drive; Detailed price / tech comps with non-OEM brands
4. Certify used vehicles					4. Ability to transact and purchase vehicles online
5. Finance vehicles					5. Pre-approved financing option
6. Insure vehicles					6. Online insurance sales; e-brochure for warranty & extended warranty
7. Sell accessories, merchandise & apparel					7. Online sale of merchandise; e-brochures
8. Service vehicles					8. Online pricing / details on parts and accessories; SMS svc. reminders
9. Self-service vehicles					9. Availability of maintenance / self helping guiding videos
10. Get customer feedback					10. Place for customer feedback, owner reviews, and complaints
11. Ensure loyalty					11. Online car club link; Discounts on club memberships
12. Drive exchange campaigns					12. Exchange programs advertised online and explained in detail

● ABC Motors   ● Benchmark   ▮ Capability Gap

Conclusion

While there are some bold initiatives by some OEMs in the digital space, so far, none of the OEMs seem to have an integrated and seamless approach to eBusiness, which is quite evident in the low consumer engagement levels (Fig. 2).

The Infosys Maturity Model combined with Infosys' domain and eBusiness expertise in the automotive sector, helps develop a customer oriented mindset stemming from deep social interaction and an effective eBusiness Strategy. This allows the company to identify and meet customer needs in the marketplace, generating superior ROI and key differentiation vis-à-vis competition – thereby making you ready for the "Digital Autobahn".

Biography

Point of View Authors:

1. Sudhir Chaturvedi is the VP and Head in the Manufacturing Business Unit (Europe) of Infosys. He joined Infosys in the UK, in 1999, as one of the founding members of the European operations.

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Industry	Channels	Score	Companies Surveyed
Apparel	4.1	20.0	7
Auto	6.3	31.5	12
Business services	5.7	40.2	3
Consumer electronics	7.3	40.9	7
Financial	3.8	13.8	13
Food & Beverage	3.8	21.0	11
Leisure	5.5	27.6	4
Manufacturing	5.5	20.5	4
Media	8.5	76.7	6
Retail	8.5	43.8	8
Technology	9.3	70.0	12

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