



THE AUTOMOTIVE RETAIL EXPERIENCE OF THE FUTURE

Since the early 20th century, automakers have focused on one overarching imperative: lead the industry by differentiating on the latest technology. But this game is getting harder to win. The speed at which automotive technology is advancing means that today's breakthrough innovation is tomorrow's standard equipment. As a result, product innovation alone is not enough to establish a lasting competitive advantage.

Ryan Kovalak

So, how can automakers gain an advantage? The answer lies in "experience innovation," looking past products to the entire experience ecosystem – the showroom environment, sales and service delivery, and Internet and mobile experiences – to find new opportunities for differentiation. It requires re-imagining the customer experience, and applying the same innovative spirit to the experience as is afforded to products. The showroom is still the

core of the car-shopping experience, with the Web and social media quickly gaining in importance. Unlike other parts of the purchase process, however, little has changed in the automotive showroom, making the car buying experience disjointed across channels. This experience falls short of what other retailers have taught today's consumer to expect. The challenge, in part, will be recasting the car buying experience to give the consumer more control.

“By looking beyond the product to take a broader view of customer issues and activities around the product, companies can find new ways to address unmet needs, create talk-worthiness, and fuel differentiation.”

Rick Wise, CEO of Lippincott

MEETING RISING EXPECTATIONS

Innovating the retail experience isn't just about building buzz – it's about driving growth. A recent study by Lippincott of more than 500 consumer-facing brands found that market-leading customer experience correlates with market-leading financial returns. The stock price of brands that excel at providing a positive customer experience appreciated an average of 7 percent more than the laggards each year between 2009 and 2014. Here are a few things automakers should consider when seeking to innovate the experience:

Look for inspiration outside of the category: Consumers' retail expectations are ever increasing. In today's hypercompetitive environment, many companies have upped their game to deliver multidimensional, engaging retail experiences. But, the typical automotive showroom has not kept pace, leaving the consumer with little reason to get excited. Together, automakers and dealers need to take note and enhance the showroom experience. They can do this by paying more attention to the details – sensory elements, media and technology, merchandising, feature displays – as well as being more in tune with what stories are being told. The showroom is more than just a place to sell cars; it's the physical embodiment of the brand and should be leveraged to its full potential to inspire, captivate, and ultimately sell.

Embrace digital: 96 percent of new-vehicle buyers use the Internet when shopping for a car. They are comfortable with shopping across channels, moving from their smartphones to their laptops to brick-and-mortar outlets and back again. A 2014 J.D. Power study of car shoppers found that over a third even accessed vehicle information websites via their smartphones or tablets while at the dealership. Recognizing this new paradigm in car shopping behavior, automakers need to develop digital strategies that both

empower consumer decision-making and provide benefits to the dealer. The key is to manage the online channel and provide the tools necessary to seamlessly extend a shopping journey that begins online into the dealership.

Empower employees as brand experience ambassadors:

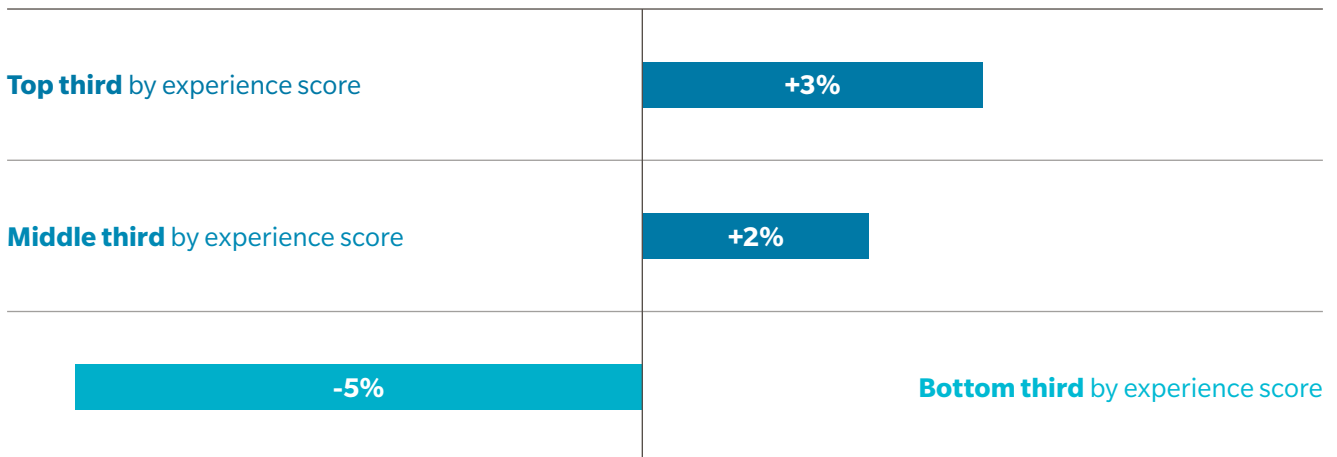
More than ever, retailers recognize and understand the role frontline employees play in shaping the customer experience. Store associates have the power to impress or turn off a potential customer in an instant through their behaviors and interactions. According to Tulip Retail’s 2014 Sales Associate study, when service by sales associates was “very helpful,” shoppers were nearly five times more likely to buy in-store. The impressions associates leave are critically important, as consumers today are quick to share their experiences and opinions both online and through word-of-mouth. In the case of automotive retail, what they say not only reflects on the dealer but also on the automaker’s brand. Because of this, automakers should aim to elevate the quality of sales and service they deliver. This means training frontline people to provide exceptional one-on-one service and to build better relationships as a way to enhance the brand. Store associates are the ultimate brand ambassadors, and, accordingly, they should be equipped with the appropriate guidelines and tools to deliver exceptional service experiences.

EMBRACING EXPERIENCE INNOVATION

Consumers are looking for a seamless omni-channel experience. Outside of the automotive retail sector, many retailers have found ways to modernize the experience to better serve demanding, well-informed consumers. Having fallen behind in delivering a compelling customer experience, automakers would be well advised to look for ways to improve. In creating a vision for the future, the key question to ask is: You’ve innovated the car, now how about the buying experience?

Incremental return as a function of the experience score

Incremental 5-year shareholder value compound annual growth rate versus average Lippincott Brand Study scores, 2009-2014



Source: Lippincott Brand Study 2014