

Why human interaction remains essential to the car buying journey

Four key themes emerged from the latest EY Mobility Consumer Index



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In brief

- **Even digital savvy electric vehicles (EV) buyers seek in-person reassurance when making a large financial commitment.**
- **Dealers have an important role to play across the five groups of customer personas.**
- **Dealers and original equipment manufacturers (OEMs) need to adapt existing skills and assets to exploit adjacencies to emerging products and services.**

It's no secret that major shifts are underway in automotive retail – from the product-centric and dealership-driven physical sales models of the past to the customer-centric, digitally enabled models of the future. But what are the consumer behaviors and expectations underpinning these changes, and have OEMs and dealers got their priorities right when it comes to addressing them?

The findings of the latest EY Mobility Consumer Index (MCI) survey suggest that becoming customer centric is only partly about providing an enhanced digital experience. The physical dealership remains a powerful draw for consumers, who continue to place a high priority on the human factor when buying a car. This heightened focus on customer centricity is also an important factor in identifying and accessing emerging value pools in the automotive ecosystem. These value pools represent emerging and adjacent avenues for revenue and profitability growth. OEMs and dealers need to align their customer-centric strategies to maintain sustained growth in the long term.

Now in its fourth year, the EY MCI report has become known for its detailed analysis of the mobility patterns and car-buying intentions of 14,500 consumers in 20 countries across the globe. Our results show that the dealership retains a crucial role for buyers of both EVs and internal combustion engine (ICE) cars, particularly in terms of experiencing a new car physically and for assurance that they have made the right vehicle choice. The relationships that consumers develop with dealer staff are important to them and drive loyalty. Even the more digitally savvy cohorts of EV buyers still like to have dealership staff on hand to answer questions about what remain relatively novel and fast-changing products in the minds of consumers, especially compared with the familiarity many feel toward ICE vehicles.



At the same time, the use of digital channels for some parts of the buying journey is on the rise, particularly for stages such as pre-sales research and information gathering, and aftersales support.

Consequently, the overall picture is more complicated and nuanced than the prevailing narrative suggests – beneath the overarching digital transition trend lie many different groups of automotive customers whose preference is for a varying combination of digital and physical channels.

The challenge for both dealers and OEMs alike is how to become more truly customer centric through providing the omnichannel buying experiences that consumers want, while simultaneously maximizing long-term value for their own businesses by accessing novel as well as existing value pools.

This article will look at four key themes inherent to that challenge, as revealed by the MCI report:

1.

Navigating the EV vs. ICE buyer divide

2.

Customer persona analysis: reassure enthusiasts, convince skeptics

3.

Shifting gears: OEMs transform sales models

4.

Finding your place in the emerging value pools

1

Navigating the EV vs. ICE buyer divide

Even digital savvy EV buyers seek in-person reassurance when making a large financial commitment

Our study suggests that for all buyers, whether ICE or EV, the purchasing journey increasingly starts online. While the buyers initiate their car buying journey online, they swiftly transition to dealerships for subsequent stages.

Buyers also show a preference for digital channels in presales activities, such as using online car configurators, virtual reality car viewers and booking test drives.

However, digital first does not mean digital only. As the buying journey progresses, consumer preference shifts to include dealer visits to interact with real salespeople, to experience cars in the metal and to obtain in-person quotes.

And when it comes to the actual purchase, the preference among all buyers for dealerships over online channels has seen a steady increase, up from 54% in 2021 to 61% in 2023.

Perhaps most strikingly of all, more EV than ICE buyers prefer a dealership sale, despite EV buyers being ostensibly more digitally savvy: 64% of EV buyers prefer to make a purchase at a dealership rather than online, compared with 58% of ICE buyers. Cars are not mobile phones, and even digital natives seek in-person product information and reassurance when making what is still the second largest financial commitment for most, after their homes.

Our findings suggest that consumers look to dealers to bolster three key elements of the experience that they are not comfortable getting entirely online:

1

Education and assurance

EVs are still relatively novel in the minds of consumers; many will be considering their first EV after many previous ICE purchases. They arm themselves with information gleaned online but look at knowledgeable dealer staff for a richer level of interaction and for assurance that they are making a suitable choice of vehicle for their needs.

2

Product experience

While virtual tours are a valuable hook for dealers and OEMs alike, consumers still prefer to physically experience a car before they commit to buying it. The proportion of all car buyers visiting dealers to experience a car is slightly up 3% from 2022 at 66%. We still believe there is a gap in sharing the EV experience, i.e., what it's like owning and operating an EV at home that can help the buying experience.

3

Price discovery

Despite the growing popularity of fixed-price retail with OEMs, most consumers polled in the survey (over 60% of both EV and ICE buyers) prefer to visit multiple dealers to secure the best quote for a particular vehicle. The proportion of all car buyers visiting dealers to get quotes is up 6% on 2022 at 61%.

2

Customer persona analysis: reassure enthusiasts, convince skeptics

Dealers have an important role to play across the five groups of customer personas

This year's MCI survey includes a segmentation analysis of all respondents, based on attitudinal questions to establish their level of EV mindedness. This revealed five groups of customer personas ranging from EV skeptics – the least EV-minded cohort – at the left-hand end of the scale to EV enthusiasts – the most EV minded – at the right-hand end. Our findings suggest that dealers have an important role to play across this spectrum, from reassuring the enthusiasts to persuading skeptics to consider an EV.¹

EV enthusiasts

13% of all buyers

EV enthusiasts are notable for the commitment to sustainability; they are risk seekers, and they prioritize performance over cost. They show the greatest preference for digital channels for initial research and information gathering and are the most likely group to use digitally advanced experience centers for product testing.

But despite being the most digitally forward of buyers in the survey, EV enthusiasts still seek reassurance that they are making the best choice and show a marked preference for visiting a dealer for the later stages of the journey. Around two-thirds of EV enthusiasts choose to visit multiple dealers for quotes and to experience the car, while 64% prefer a dealer to make their final purchase (compared with only 12% and 9% who prefer a manufacturer or dealer website, respectively). By engaging actively with EV enthusiasts through events and on social media platforms, dealers can make powerful allies out of this group, converting them to ambassadors not only for EVs but also for the dealers themselves.

EV skeptics

11% of all buyers

EV skeptics by contrast are eco-doubters, naturally conservative and risk averse, and seek affordability above all. They show a marked preference for using dealerships at all stages of the buying process – 67% use dealers for information gathering, 65% to experience the car and 69% to complete the purchase. Educating this group is crucial for achieving the transition to EV powertrains, and it will be dealers who get this job done, via personal interactions tailored to individual concerns. Skeptics can't be recruited to the EV cause via digital channels because they either aren't in those channels as much as other cohorts, or they don't trust them enough.

3

Shifting gears: OEMs transform sales models

A more customer-centric approach is the key to unlocking future growth

In response to changing customer behavior and the need to accelerate the EV transition, OEMs and automotive OEMs are amid transforming their sales models from product centric to customer centric. They are doing so because they recognize that a more customer-centric approach is the key to unlocking future growth, allowing them to better fulfill customer needs at the same time as reducing costs.

Consumers are more willing to go to a physical dealer to complete the purchase, as well as visiting multiple dealers to get the best quotation. Therefore, the traditional dealership is being challenged by two alternative sales and distribution models to make this shift: the agency retail model and the direct-to-consumer model.

The direct-to-consumer model. This model is favored by new entrant OEMs who do not have a legacy distribution network, and long-standing, well-established automotive OEMs. The direct-to-consumer model promises a high degree of control around pricing and the customer journey. But building reach and scale requires substantial investment from the manufacturer, and being close to the customer is only of value if the business can identify changing customer needs and agile enough to respond to them quickly. The shift aims to enhance the customer experience, give OEMs more control over the sales process and ultimately improve profitability. But while the direct sales model certainly has advantages for OEMs, but these advantages are based on assumptions not found from real-world consumer behavior.

The agency retail model. For incumbent automotive OEMs looking to transition their legacy dealer networks, the agency retail model is increasingly becoming the favored option. This model offers more exposure to the customer and greater control of pricing and experience to the manufacturer while also making best use of their legacy dealership distribution networks.

It's still early days for the transition from traditional to agency retail models and many OEMs are experimenting with how – and how fast – to make the change. In addition, with the shift of activities from dealer to manufacturer, the customer experience could be worsened. As much as OEMs may invest in processes and systems, centralization of back-office activities and related control could lead to a loss of flexibility for the customer and an experience with frictions in the buying journey, for example, with customer document control, trade-in process or customer payment control.

Trials include making new outlets in some geographies agency only, and splitting sales models between powertrains, with EV sold via the agency route and ICEs by traditional dealerships. OEMs also need to look at the scale and scope of their existing networks with a view to rightsizing them for the needs of new sales models.

Too far, too fast?

Whatever strategies OEMs are employing and whatever stage they are at in understanding and implementing these new models, they are all based on a few assumptions around consumer behavior:

- Buyers prefer fixed prices to haggling for the best deal.
- Virtual channels can replace physical ones for product experience and test drives.
- Online channels will naturally become the predominant way of buying cars.

But these assumptions are not entirely borne out by the findings around real-world customer behavior and preferences. As the segmentation analysis shows, there are many different types of car buyers, each at a different stage on their journey toward buying an EV. OEMs need to meet all these potential customers on their own distinct terms and at whatever stage they have reached, rather than expecting those customers to conform to predefined expectations.

In their eagerness to embrace digital channels and cut costs associated with dealerships, OEMs risk not only damaging their established relationships with dealers, but also missing out on long-term value by becoming less customer focused rather than more and detracting from rather than enhancing the buying experience. A blended approach is key in the mid-term. Continued focus on more model choices, range improvements, infrastructure and charging times, and cost still need to be on the forefront for making EVs as the desired choice for consumers.



4

Finding your place in the emerging value pools

Adapt existing skills and assets to exploit adjacencies to emerging products and services

If customer centricity is about giving the customer what they want rather than making assumptions, the MCI data indicates their preference is for an engaging and essentially physical experience that is enhanced by digital.

But to really unlock sustainable long-term value, dealers and OEMs also need to find their place in the emerging landscape of new value pools. Where are your adjacencies – the emerging customer-led products and services that are nearest to those you already provide? How can your existing skills and assets best be adapted to exploit them?

Customer data

While OEMs aim to gain greater control of customer data, they also need to identify the best way to leverage that data for better product, service and aftersales offerings while managing data confidentiality (this can be enabled by two-way data sharing between dealers and OEMs, and enhanced data analysis and insight). They can also explore new ways to monetize the resulting closer relationships with customers. For example, investing in mobility services, such as ride-sharing and aaS models, offers new revenue streams and cater to changing customer preferences for flexible transportation options.

Retail footprint

OEMs need to implement rightsizing initiatives in dealer network (e.g., store formats, terminations) while fostering deeper online engagement with customers. OEMs and dealers also need to revise their current operating model (back and front office) by integrating new technologies that enable leaner operations and an improved customer experience.

The EY Mobility Value Pools framework offers an understanding of the new revenue opportunities emerging in passenger mobility to help equip dealers and OEMs to make informed, long-term strategic decisions about their own place in the value pool ecosystem of the future. As they explore opportunities in the emerging value pools specifically within the sales and distribution of vehicles, it is imperative for them to make the following key considerations:

Sustainability

This includes investing in connected cars, software-defined vehicles and electrification – focusing on developing and integrating electric vehicle technologies to reduce carbon emissions. The use of eco-friendly materials, efficient processes and considering the entire lifecycle can also help automakers get ahead in this area.

Pricing

As OEMs gain greater price control, they can look to adopt dynamic and customer-centric pricing strategies. These can include bundling prices with service offerings to drive customer loyalty and using artificial intelligence to provide predicted discounts and personalized prices. Plus, diversifying the product and service portfolio allows for tapping into new markets and aftermarket services such as upgrades and customizations.

So the sweet spot for dealers and OEMs lies at the point where customer insight meets digital and physical channels and where existing assets and skills meet emerging value pools. Find that sweet spot and you will earn not only the right to play in the auto retail market of the future, but also the right to win.

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