Four customer service strategies for survival in the era of the connected car

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Introduction

Many think the role of car manufacturers in a connected car era is uncertain. There are fears technology companies will suddenly run the show.

But we believe manufacturers like you can come out on top. By securing customer loyalty through next-generation customer service, you'll be better prepared to face your tech competitors and maintain or increase market share.

In this white paper we outline four key strategies we think FCA should implement to ensure you remain at the forefront of the industry.

The future is connected

But what underpins all of these new models of mobility is the idea of connectivity. Cars are increasingly designed with a variety of sophisticated sensors enabling them to understand and interact with the driver's surrounding physical environment and connect with other vehicles. Meanwhile, the huge amounts of data these vehicles create can be shared via the internet and processed. This opens up a world of opportunities for manufacturers to generate insights that can drive research and development (R&D) and help them provide tailored services for drivers that increase loyalty.

From originally being a single closed-off unit, vehicles in the future will be integrated into a much wider network. In turn this is set to disrupt the traditional business models in the auto industry. Among those challenging for a share of the market are software providers, retailers/ car dealers, mobility service providers and information and communication technologies (ICT) firms.

However, manufacturers have a number of advantages that can help them continue to dominate the industry in the years to come, including production scale, brand image and loyalty, dealership networks, and capital. Also, many traditional car companies are leading the race in important technologies such as battery-powered powertrains and advanced driver-assistance systems (ADAS).

Who will own the customer relationship?

While some of the other emerging players are also developing advanced technology, original equipment manufacturers (OEMs) have another crucial advantage – the relationship with the customer. To survive in the new environment, OEMs have to double down in this area and make sure they put the customer at the heart of everything they do. But the time to act is now. Those that don't risk being left behind.

This White Paper looks at some of the key strategies that manufacturers can implement to adapt to digitalization and elevate and expand the customer experience across all of their service offerings. These are:

— **Turn data into value** – The potential revenues from car data monetization could reach $450bn-$750bn by 2030[1]

— **Optimize the purchase journey** – The future of car sales is online. OEMs need to provide a seamless digital experience from initial research through to aftersales

— **Build partnerships and collaborate** – The OEMs with the strongest partner network will be best positioned to lead the race

— **Create loyalty by providing next - generation customer service** – Companies will win or lose based on the level of customer experience they can provide. This can be a key brand differentiator, but also a challenge, in a world of increasing customer expectations.

Megatrends disrupting the automotive industry

Electric vehicles (EVs)

Improvements in battery technology have resulted in manufacturers being able to deliver on the huge potential of EVs. As a result, EVs are now the fastest growing segment in the auto industry increasing by 58% in 2017.[2] In fact, industry projections see between 15% and 25% of all vehicles globally having an electric component by 2025, whether fully electric, plug-in hybrid or full hybrid. [3,4]

Such a scenario will require a seismic shift in the infrastructure surrounding mobility. Charging stations will begin to replace petrol stations, and these are already being rolled out en masse. Utilities will have to prepare for much higher demand for electricity, while car makers are already starting to offer services such as home battery units, to help drivers with energy storage, and may start to offer more services around energy provision.[5] They will also have to handle customer requests in new areas such as the technology in the car, battery maintenance, the charging process and also the charging infrastructure that supports EVs.

Autonomous vehicles (AVs)

Assisted driving has been around in some form since Chrysler first introduced power- steering in 1951. The semi-autonomous vehicles of today include features such as automatic emergency braking (AEB), lane control and automatic parking. For the majority of these vehicles, driver intervention remains a necessity. But

rapid advances in technology, such as sensors, computer processing power and artificial intelligence (AI), are paving the way for the advent of fully-autonomous vehicles (known as Level 5 AVs) that will make the role of the driver completely redundant. In fact, some vehicles will allow the customer to choose whether he or she wants to function as a 'driver', 'controlling passenger' or 'complete passenger'. Level 4 vehicles are already being road-tested and autonomous vehicles are expected to take 5% of the auto market by 2025. Within that, 80% of the market is expected to go towards semi-autonomous add-on packages and the remaining 20% captured by fully-autonomous vehicles.[6]

The advent of autonomous vehicles will have a profound impact on society. For example, safety is expected to improve substantially, with self-driving vehicles set to save an estimated 585,000 lives between 2035 and 2045, by removing human error.[7] Crucially, Level 4 and Level 5 systems will enable passengers to use their time for a wide range of personal activities. Some visions of the future see customers enjoying media streaming, web browsing and gaming all while their car is being piloted by self-driving software. In turn this will require different levels of customer service. After all, drivers will be doing less time actually driving. Manufacturers may have to provide service support for a driver's media packages, games or software suites. There could also be more requests around billing as customers pay for and access new in-car applications.

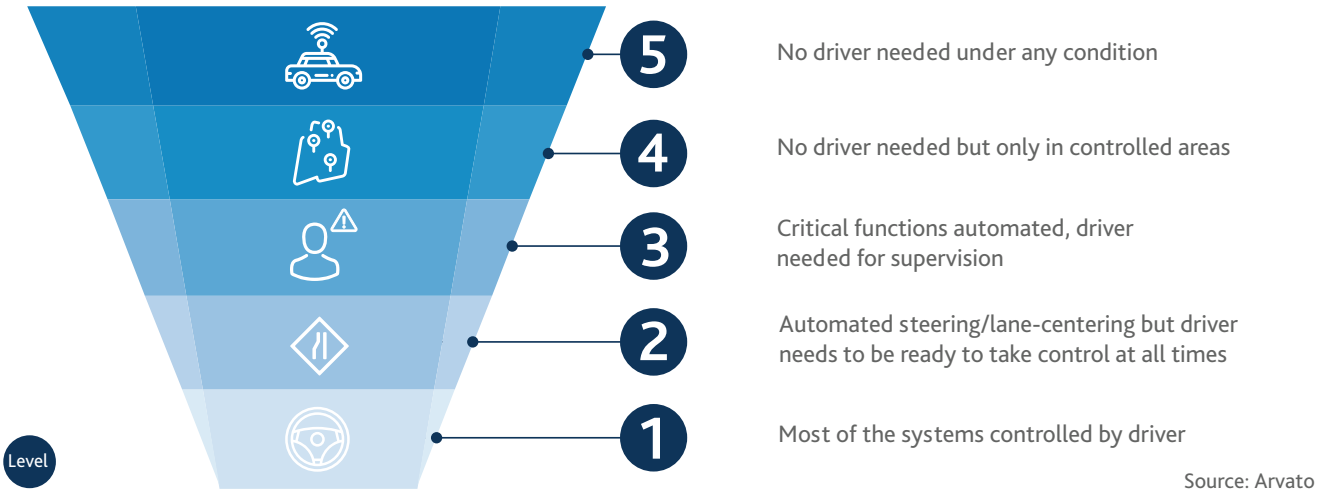
Mobility-as-a-Service (MaaS)

Mobility-as-a-Service (MaaS) is a catch-all term referring to new models of transportation that allow consumers to rent or share vehicles for short periods of time, through connected devices. One example is car-sharing schemes, where vehicles are parked in locations around a city and are available 24/7. Drivers can book the car for as long or as short as they want and then drop it off at a convenient spot when they are finished. Another common MaaS offering is mobile taxi-hailing applications, such as Uber and Lyft, which are already transforming the dynamics of transportation. Through their smartphones consumers can seamlessly order a vehicle to pick them up in minutes, at almost any location, with full transparency of the cost of the ride and cashless payments via smartphones.

Such models give customers greater control over all aspects of their journey. As a result, instead of owning a car, in the future it may be much more economical, and convenient, for passengers to use pay-as-you-go MaaS solutions for the majority of their travel needs. After all, current models of ownership are inefficient. Individuals only drive their car for one hour a day on average.[8] In Helsinki, there is already a service where a customer is able to plan and pay for any type of transportation in the city via a single integrated app. This includes train travel, taxi rides, busses, as well as car-share and bike-share schemes.[9]

By 2050, it is estimated that one in three new cars will be a shared vehicle.[10] The shift towards shared mobility will lead to new fit-for-purpose segments, with vehicles designed with a particular use in mind. In fact vehicles may start to resemble 'transportation and experience pods', tailored for specific requirements.[11] One example would be a self-driving taxi, configured with software suites and a table, turning it into a mobile office, or one that provides healthcare services. Customer service models will be built around the mobility offering rather than the specific

Figure 1: Levels of Advanced Driver-Assistance Systems (ADAS)



Source: Arvato

vehicle – which will not be owned – and this support will be informed by detailed data on passenger preferences, as well as an in-depth understanding on how they consume mobility.

Manufacturers are in the driving seat

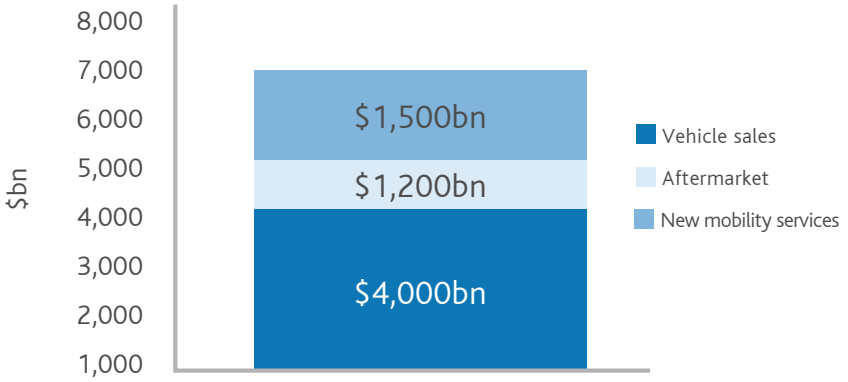
Manufacturers, technology companies and mobility providers are already beginning to jockey for position in order to seize the opportunities presented by these evolving models of mobility. Revenues are set to shift from engines, interiors and chassis to electronics, software, cloud services and batteries. Some of the best margins could be found in pure internet and cloud-based digital services, including on-board entertainment and location-based information products.

As a result, there are a number of important questions around what the future business models in the automotive sector will look like. Will OEMs sell their vehicles to tech/mobility companies, who will then bundle software and content packages along with the hardware (the vehicles) before selling the package to the consumer? One challenge is that OEMs could be relegated to providing the shell, or chassis in the future, surrendering the new profit areas to incoming challengers.[12]

However, we believe that OEMs are well placed to remain at the centre of the industry, selling directly to the customer (either online or through a dealer network) and using in-car connectivity and data management to provide high-value ancillary services and own the relationship with the driver.

The opportunities are huge. New shared mobility and connected car business models could increase revenues in the autos sector by around 30% by 2030, turning it into a $1.5 trillion market.[13] As well as deriving revenues from selling the vehicles in the retail channel (or renting them on a pay-as-you-go model) manufacturers will be able to offer any number of high-value additional services. This could include driver-assistance aids such as parking spot finders or dynamic navigation and routing based on traffic or weather conditions. Meanwhile, through the driver interface they will also be able to offer everything from infotainment and personalized retail opportunities, to dynamic servicing and maintenance. Payment models could include subscriptions, one-off payments for features, or the manufacturers could take a cut from app developers.

Figure 2: Potential new automotive

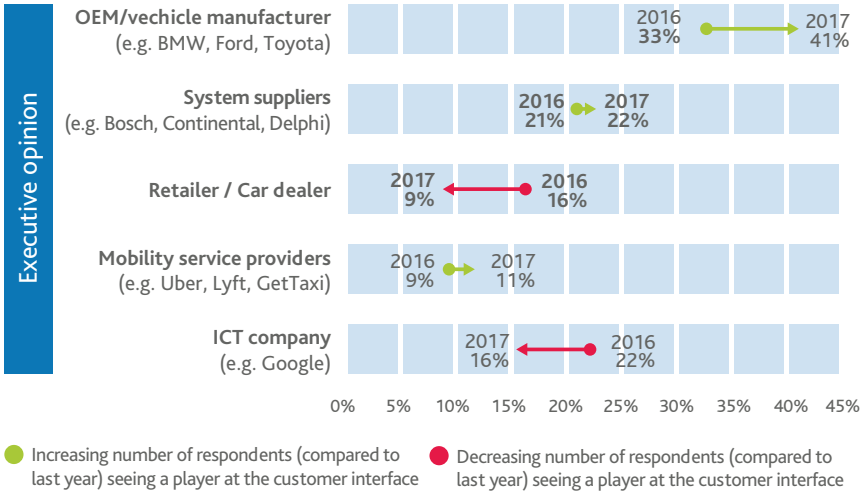


Source: McKinsey

Importantly, manufacturers will be able to communicate directly with the customer rather than being intermediaries. This is key, because in order to capitalize on the huge transformation that lies ahead, automakers have to put the customer at the centre of everything they do. If they cede control of this relationship they risk giving a major advantage to some of the challenger companies entering the space.

In the next section we offer guidance on the next actions car OEMs need to take in order to develop truly customer-centric services.

Figure 3 :Who will own the direct customer relationship?



Source: KPMG

Figure 4: Potential revenue streams for manufacturers

Source: McKinsey / Arvato

Four strategies for putting the customer at the heart of the digital transformation

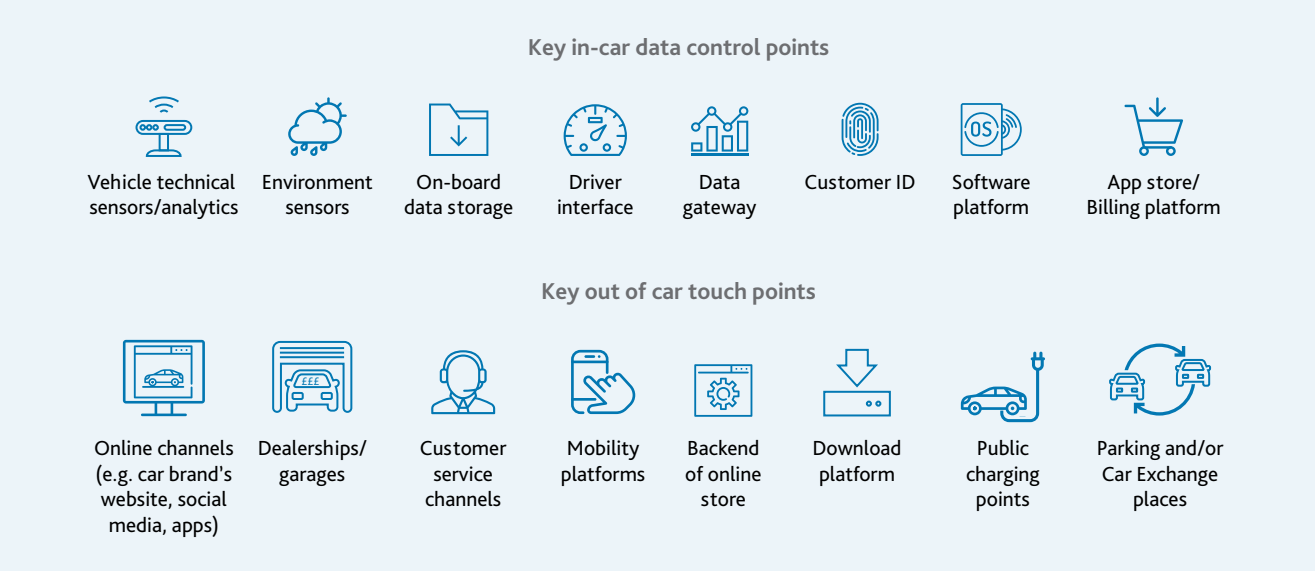
As the focus of the consumer changes from driving the vehicle to experiencing the brand, OEMs will have to rethink how they organize and manage their relationship with the customer. In fact, customer service could become a far more important selling point than traditional features such as power, speed and design. After all, if you have a car that drives itself, the only ways to differentiate are through areas such as the interior environment, as well as the service provided around the car. Making this work will require a strong understanding of how to deliver a premium customer experience, knowledge of the leading digital technologies, as well as deep insights into the unique challenges of the automotive industry.

We look at four key areas of focus that will help auto manufacturers own and elevate the customer relationship. We believe that OEMs are best placed to own the customer relationship but they need to act now in order to take competitive advantage.

1) Turn data into value

One of the key priorities for OEMs is in how they use the huge volumes of data that will become available as cars become more connected and autonomous, to create value both for themselves as well as the customer. Indeed, a self-driving car can generate an estimated 4,000GB of data per day, and that is after only one hour of driving.[14] Traditionally, car companies have not been able to utilize customer data as effectively as other industries, because they did not have frequent access to as many digital touch points. This will change, with manufacturers potentially able to access information on everything from driving patterns, vehicle condition and media preferences to favourite driver locations. Data management underpins virtually all of the emerging business models and revenue opportunities in the mobility market. For example, armed with granular vehicle data manufacturers can design and create innovative new products and services that greatly improve the driving experience. They will also be able to harvest behavioural information, allowing them to understand and anticipate customer needs, and subsequently respond with value-added services and offers. In addition, by getting visibility on all customer interactions with the brand it is possible to optimize and control the purchasing journey, from initial vehicle research all the way to aftersales and loyalty schemes. There is even the potential to share data with third parties, such as insurance companies, who can then provide personalized premiums based on exact driving specifics. Such is the opportunity that McKinsey estimates the potential global revenues from monetizing car data could reach $450bn-$750bn by 2030.[1]

Figure 5: Capturing the data



Source: McKinsey / Arvato

To capitalize, manufacturers have to maximize a number of in-car control points, which will allow them to capture the driver data, such as the car sensors that collect information on the external and internal environment. Another important area is the registration system (such as a customer ID) that allows a company to place an identity on a string of data. In order to generate the insights that can drive new services, the manufacturer has to connect the data back to the individual.

Once they've captured and collected the data, OEMs will also need extensive internal and external infrastructure in order to provide value to the customer. They need to be able to:

— Prepare, collect, cleanse and format data from a variety of different touch points
— Employ sophisticated data management and analytics systems to extract insight from the data and make predictions on customer behaviour and preferences
— Innovate and deploy new features, products and services that use this data in a way that adds value for the customer
— Continually refine and improve their services based on incoming data feedback

OEMs will also have to be very careful regarding areas such as data protection, customer acceptance and cyber risk, but these are not insurmountable.[10] Consumers are increasingly willing to share their data with manufacturers to improve the product, and as long as it provides them with real value.

2) Optimize the purchase journey

Digital technologies are not just transforming how cars will be operated, but are influencing all parts of the buying process as well. As a result, OEMs need an end-to-end digital strategy that covers the entire purchase journey. The days of visiting a dealership at the weekend in order to select a model are disappearing. According to research from Bain & Co., when it comes to buying a car, 50% of purchasers begin online, and 60% decide on their preferred brand, model and price before setting foot in a dealership. [15] In order to win in the new environment, car makers will have to be more effective in influencing consumers at the start of this process, and provide a personalized path through all stages of the buying journey.

Such approaches require technological innovation, but also integration. For example, the average consumer is expected to switch between online channels and offline channels (visiting a dealership in person, for example) approximately four times.[15] They expect their preferences to be remembered whatever channel they are operating on, without having to repeat themselves. This requires a customer relationship management (CRM) process that can seamlessly capture these different touch points and integrate the information into a single customer profile. It is estimated that in the premium sector, customers have 25% more interactions during the buying journey, so car makers should prepare more comprehensive ecosystems for these buyers.[15] Manufacturers are already innovating in this area, providing 3D immersive virtual showrooms and offering virtual reality headsets where customers can actually examine cars up close and even open doors and look inside.

Figure 6: How the purchase journey is changing

Source: Bain & Co., Arvato

In the present environment, consumers prefer dealers for the final configuration of the vehicle and for organizing test drives.[15] However, manufacturers can control this part of the process, too, with digital tools. Online apps can be used to configure cars and calculate financing options, meanwhile booking a test drive does not have to involve filling out multiple forms and visiting a dealership. Sarah Latsch, Vice-President Automotive CRM Germany, Majorel, explains: "Using new video identification communication channels, the car brand's customer service teams will be able to take a picture of the prospective buyer's driving license, organize the test drive and arrange for the car to be delivered to your home address." Finally, once the consumer has purchased the car, the manufacturer can mine data on their driving and behavioural habits, and use that to provide tailored after-sales loyalty programs. Again, this is an example of how owning the data can allow manufacturers to lock out the competition.

3) Build partnerships and collaborate

In order to build a truly customer-centric mobility ecosystem, OEMs will have to focus on innovation in smart transport solutions and platform development while entering tie-ups with non-traditional players such as utilities, entertainment companies, e-commerce providers, social platforms, insurers and software providers, among others. No company on its own has all the different elements required to succeed. The OEMs with the strongest partner network will be best positioned to lead the race.[16]

But car manufacturers will have to be strategic about the areas of the connectivity ecosystem they control, so that they are able to profit from new opportunities without allowing third party companies to penetrate too much of the value chain. The finished car will remain at the centre of the ecosystem, but the interconnection of other partners will mean that they have to work smoothly together or the system will falter. As mentioned previously, the player that controls the direct customer relationship will be the most crucial element.

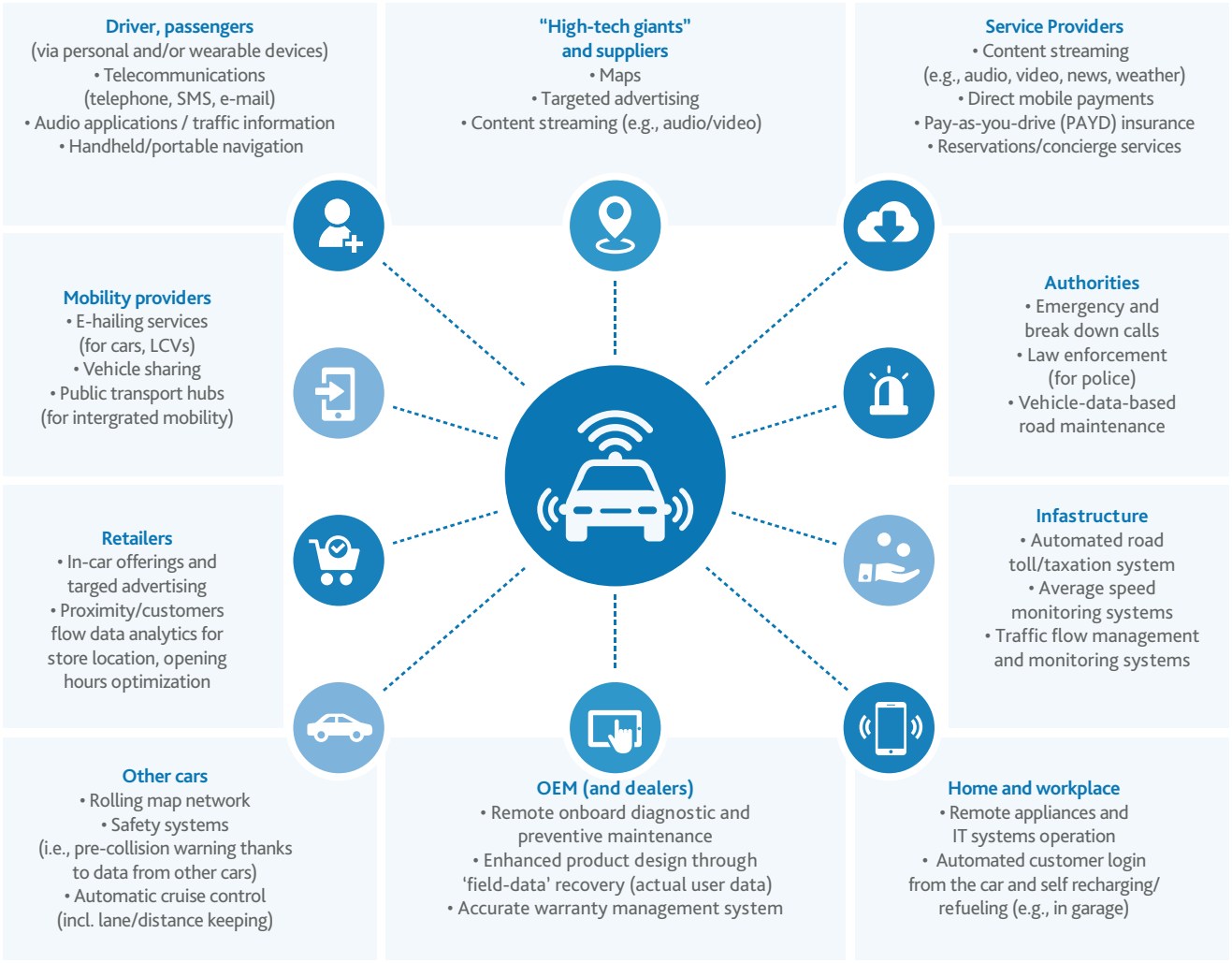
Managing and sharing data between key stakeholders will be vital and require unprecedented levels of collaboration and integration. Imagine a dashboard that can provide a driver with information on electricity usage (for their EV), driving habits, insurance premiums and suggest music based on their preferences.

OEMs have an opportunity to be at the centre of this information flow, rather than at the edge of it. Indeed, customer data that was once captured and held by the car dealer, will be increasingly channelled directly to the manufacturer. "For the first time the customer is directly contacting the manufacturer when it comes to connectivity functionality," explains Latsch. "And that changes the communication flow and the opportunities this presents in terms of capturing and analyzing information on driver behaviour."

4) Create loyalty by providing next-generation customer service – now

In order for OEMs to really deliver on the promise of customer-centricity they need to re-think how they deliver customer service and support. If they get this right now, while the market is still evolving, manufacturers can jump ahead of the competition and build the loyalty that will allow them to thrive in the future.

Figure 7: How the car will communicate with different entities



Source: McKinsey

Moving towards always-on service

"When customers are able to speak to their car 24 hours a day using voice recognition, that's also what they will expect from customer service, which will have to be more responsive, more accurate, and available around the clock," explains Latsch. "The customer is also increasingly well educated and that means the customer service representatives need to be well trained to meet their expectations." Indeed, in the future these representatives could more closely resemble an executive personal assistant, able to help with any number of requests, such as connectivity issues or giving in-depth information on how to operate the new vehicle. However, that is just one part of the picture. In order to achieve always-on service, manufacturers will need a variety of connected channels that can provide quick and accurate responses to a wide variety of queries, ranging from information about the car, to details on the many ancillary services offered. Innovations, such as artificial intelligence and chat-bots, as well as other functions like dynamic self-service (based on voice rather than touch) will be increasingly used to handle customer requests and provide valuable information.

Voice-activated virtual assistants

Contact centers have been pioneers in deploying chat-bots that, by utilizing natural language processing and artificial intelligence, can answer an ever growing range of queries. As data is generated, they use self-learning algorithms to provide ever more refined answers. In the future these 'virtual assistants' could become the key to in-car experience, with drivers using them for everything from booking travel accommodation, sending emails and organising their calendar. The key being the voice-activated element. Being able to have a natural conversation with the car interface and complete a wide range of tasks effortlessly will be a hugely valuable feature.

OEMs will also have to utilize advanced relationship management (CRM) systems in order to collect data from a multitude of different contact points and create a single, integrated view of the customer. Having a more detailed and accurate idea of each customer's wants and needs will enable OEMs to respond in more meaningful ways. OEMs will also have to develop a sophisticated omnichannel approach to enable them to respond to the customer seamlessly on their preferred channel or device, on any topic, at any time. This is especially important as channel preferences continue to evolve with the driver interface growing in importance, and functions such as video chat and call backs becoming more popular. Manufacturers will need the flexibility to work with these new areas if they want to maximize customer satisfaction.

Personalization

The increasing volumes of data provide a great opportunity for manufacturers to offer personalized communications and services for their customers. By understanding how a customer drives their car, and where, they can begin to offer tailored experiences. One example would be accurately segmenting their customer audience and providing more meaningful product offers and marketing communications. For example, if they know a driver frequently visits a restaurant they could offer them discount vouchers. But services could also include software modifications that optimize or limit vehicle performance – such as torque or fuel economy – based on the driver's preferences. Alternatively, they could offer tailored re-financing options based on car usage and driver habits. By synching CRMs with predictive analytics and machine learning, manufacturers can even begin to understand a customer's needs ahead of time, allowing them to proactively offer services.

Expanding support areas

OEMs will also have to be able to offer customer support in new areas. Take a current function, such as purchasing a replacement part. Instead of contacting their local dealer, the driver will be able to order it from the manufacturer through the interface. Or, even, sensors in the car could detect a fault and automatically re-order without human intervention. That part could then be delivered by a self-driving vehicle to the consumer's home. The growth of different mobility systems will also change the types of customer support needed. For electric vehicles this could include giving information on maintaining batteries, or locating and planning routes based on charging stations. In cases of emergency a manufacturer could be asked to activate remote software upgrades to extend battery range, as happened recently during Hurricane Irma

Conclusion

Although the future remains uncertain, technological advances in the auto industry will fundamentally change how manufacturers interact with and service their customers. The result for drivers will be highly advanced vehicles that are safer, more convenient, more enjoyable and more accessible than ever. For manufacturers, they could potentially find themselves at the centre of a marketplace larger than anything they previously envisaged, but only if they take every opportunity to move closer to the customer. The way to do this is by building value and loyalty through the data they capture and, importantly, through providing the highest levels of service, from the first time someone researches a car online through the entire life-cycle of the customer relationship.

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