



THE AUTOMOTIVE INDUSTRY

Why customer experience should be driving your distribution strategy

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01

Executive Summary



Fergus Tomlinson
Strategy Director at Cognizant

After decades of comparatively slow transactional change, the automotive sector has reached a turning point as it enters a world of rapidly changing technology, distribution channels and regulatory requirements. As a result, auto manufacturers (OEMs) need to understand the new customer expectations around purchasing experience, product requirements, and the growing electric vehicle (EV) market before.

This shift has prompted many OEMs across the sector to explore new models of distribution, pricing and ownership. Online OEM direct sales platforms are part of the strategy to own the whole of the customer purchase journey but at present, they only account for a small percentage of sales: less than 10% of new and used cars of any type were purchased entirely online in 2022.

Are potential customers keen to self-serve and avoid any sales contact? Is their preference to purchase directly from the manufacturer? Where do they start their research? And how loyal are they to OEM brands when it comes to considering an EV?

Actionable insights are valuable when developing any business strategy. To help identify customer attitudes and buying behaviors, Cognizant has undertaken a quantitative and qualitative analysis of UK customers who have purchased Premium Cars within the past three years.

This report gives guidance on how to provide a winning customer experience that will help OEMs and dealerships overtake the competition in the years to come.



02

What are customers really thinking?

The implications of moving away from a traditional franchise to agency model may have advantages for OEMs and their distribution strategy, yet ultimately, it's the customer who will decide if it's the right model for them based on their expectations of what they're looking for in a customer experience.

After conducting extensive qualitative and quantitative customer research, there are six key statistics that point directly towards customer expectations when considering a new Premium Car purchase:

- **9 out of 10** of respondents say the customer experience is important when making the final decision on which car to buy, with physical interaction, trust and an existing relationship with the seller ranking high as part of their experience
- **52%** will not delay their purchase of an EV despite the government pushing the petrol/diesel sales ban to 2035
- **47%** would consider a new brand they had not purchased from before when buying an EV
- **40%** of Premium Car owners believe that availability of different vehicles to drive when visiting the showroom is especially important for their buying experience; being able to trial vehicles on the spot is a high priority for a showroom
- **92%** say trust in the dealership is important (57% very important) when deciding to purchase from a particular vendor
- **88%** expect knowledgeable sales staff – a base level of expertise is a hygiene factor that cannot be ignored

These insights should feed into developing the whole customer experience. Within the next sections, we'll run through the key stages in the customer journey to see what potential buyers value at each step.

03

Understanding the psychology behind buying habits

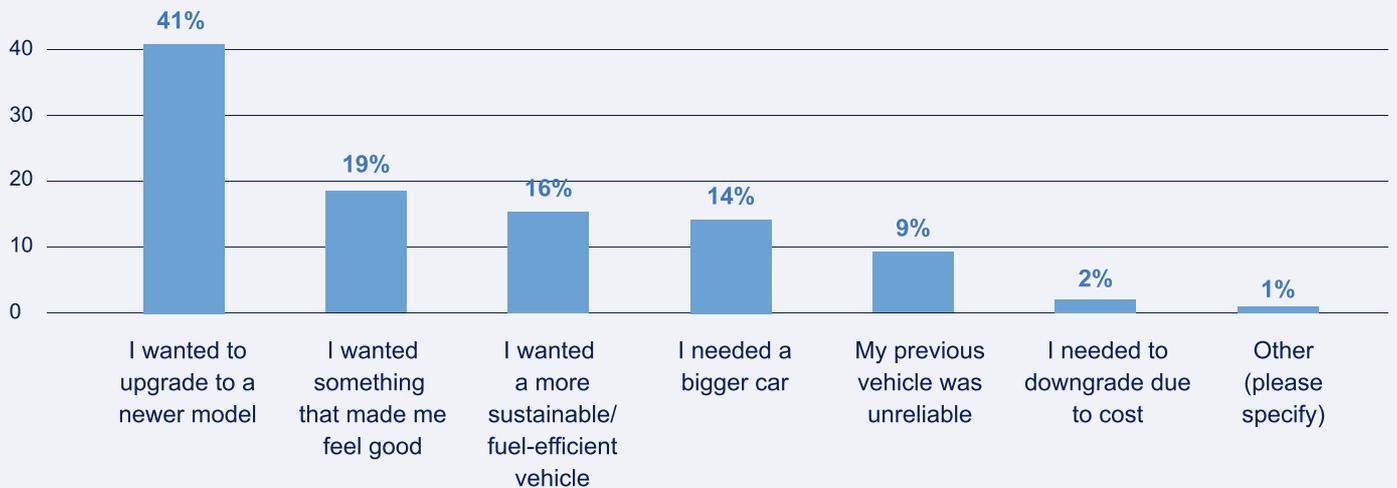
A step change to the traditional franchising strategy, the agency sales model (ASM) has the aim of setting vehicle prices centrally and reducing forecourt haggling, but it has its challenges. Both showroom sales teams and potential customers still seem keen to have room to negotiate discounts. For some customers, haggling is an anticipated and even enjoyable part of the process, while there are other aspects of the ASM model that impact the customer experience, as we will see.

Price

When we look at the factors that drive purchases for Premium Cars, price cannot be ignored, with 89% of the poll overall saying it is important (60% saying very important). But beyond price, there are deeper purchase motivators that manufacturers and dealerships need to understand if they are to provide the most enjoyable purchase experience throughout the customer journey.

What are those motivators? Upgrading to a newer model is something of a given (by 40% of respondents), but two other factors are important in understanding the psychology of the buyer.

What, if anything, was your primary reason in deciding to purchase a new vehicle?



The feel-good factor

An emotional craving to 'feel good' should not be underestimated as a sales lever for Premium Car purchases. Overall, 19% of respondents said a big reason for purchase was to own 'something that made me feel good'.

After upgrading to a new model, the feel-good factor came second as a buying motivator for half of all regions surveyed:

- **35%** of respondents in the North East
- **17%** of respondents in the North West
- **23%** of respondents in the East of England
- **22%** of respondents in the Midlands

The East Midlands placed more emphasis on wanting sustainable or fuel-efficient vehicles, while the feel-good factor ranked very low as a motivator in Scotland.

The qualitative interviews also surfaced the power of emotional drivers, with interviewees describing a desire to own a Premium/Luxury Car (often since childhood) and the importance cars hold in relation to the perception of image and status.



CUSTOMER COMMENT

I see lots of celebrities drive them [Range Rovers]. The Queen is driven around in one, also footballers have them, and I wanted to feel good. In terms of boxes, for me, they look good, you get a lot of car for your money, a lot of space, and they are comfortable.



The environmental impulse

A third motivator – and one of emerging importance – is the environmental impulse, with 16% of respondents saying they wanted a more sustainable/fuel-efficient vehicle.

When looking at Premium EVs specifically, environmental benefits lead the way as the most important motivational factor that would make people switch from an ICE (internal combustion engine) vehicle (21%) followed by the lower running costs.

Due to a growing awareness of the negative impact of carbon emissions on the whole EV manufacture and supply chain, supported by media coverage of this issue, EV OEMs need to be mindful when planning any campaign that has an environmental focus.

This reinforces the need for more education and training for staff and customers on the broader impact of EVs across the value chain, taking in production and what ownership means, alongside general practical points on range, location of charging infrastructure and other customer questions.

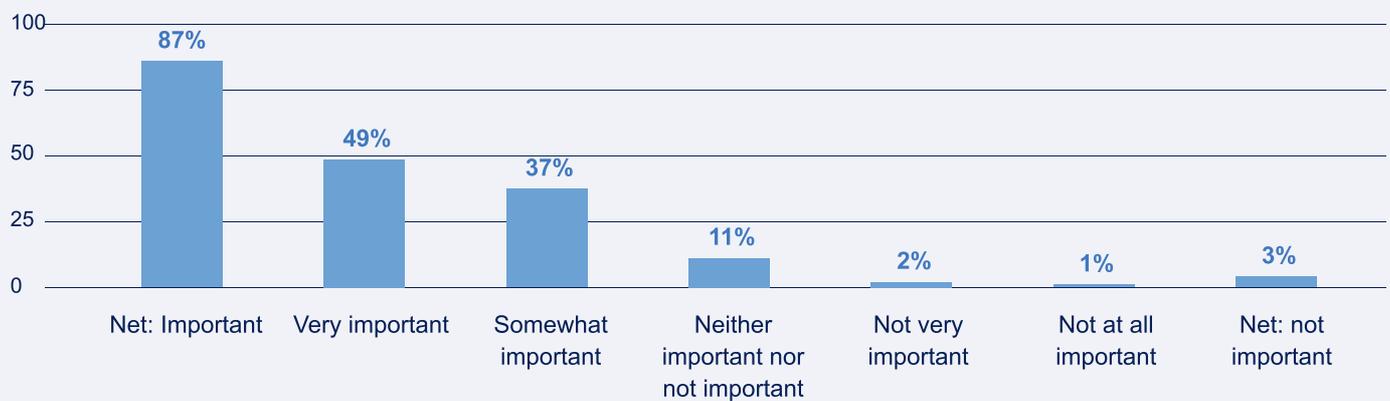


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Why brand loyalists may no longer be loyal

Our findings reinforce the importance of brand investment when consumers start drawing up their consideration set. Brand preference ranks high in importance for influencing the final decision on which car to buy, with nearly half of respondents citing it as very important.

When making the final decision on which car to buy, how important, if at all, is brand preference in influencing your decision?



However, when we turn our attention to EVs, it's noticeable that potential customers are willing to expand their consideration set, and brand loyalty to traditional OEMs is much weaker:

- **47%** of respondents were willing to **consider a new brand** when it comes to an EV purchase
- **Scotland and the East of England** are most likely to **explore new brands**: 61% and 53% respectively, would consider a new EV brand
- **25-34-year-olds** are the most open to **purchasing from new EV brands** (57%)

TAKEAWAY

This undermining of traditional brand loyalty means established OEMs need to draw up a new game plan for their EV offerings and consider whether they trade on legacy or create bespoke brands. They will need to keep a close eye on the challengers to protect their market share.

05

Consumer research methods

In the modern age, there are two very distinct environments where customers conduct research: the digital world and the physical showroom, with each delivering a different experience.

The OEM website and OEM dealership both lead the way for poll respondents when asked what sources are the most important when drawing up their research shortlist, followed by dealership websites, online review platforms and local dealerships. Social media ranks low for research among respondents.

Let's deal with the findings for each environment:

The Digital Experience

The research journey is likely to begin online, and 83% of respondents say their digital experience is important. The breakdown of customer requirements from a website are wide-ranging, but the leading factors that influence the decision-making process are pricing transparency (49%), jargon-free language (38%) and clear, easy-to-understand information (37%). OEM's must keep an eye on language and ensure that there is a human element to the content on websites.



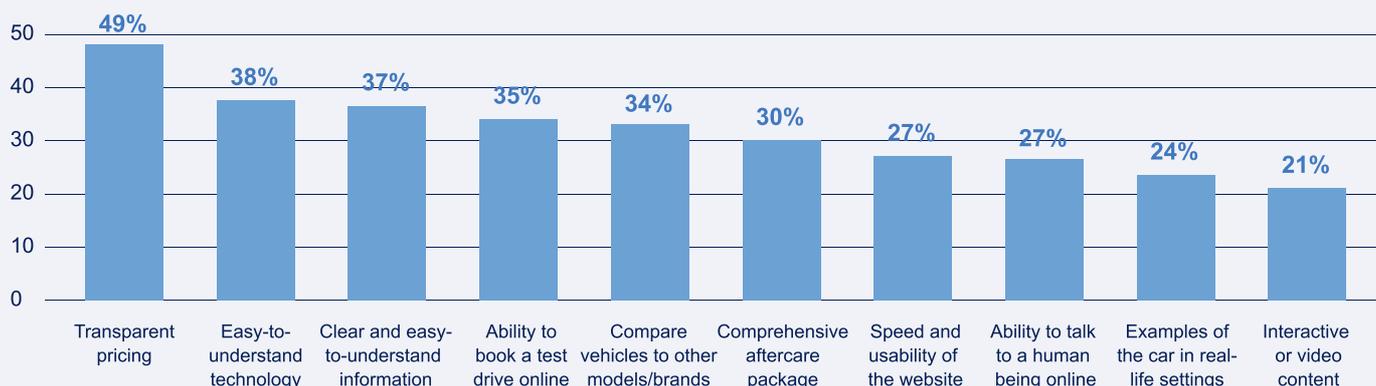
CUSTOMER COMMENT

Quite often, I'll spec up a car and look roughly how much it will cost before I even go to a dealership, and then I know if it's in my budget or not. I like that bit of the website and getting a rough idea on finance.



OEMs are constantly looking for new ways to differentiate and deliver excitement to the online experience. Augmented Reality tools for computerized test drives and customization of virtual models are all part of online engagement – but note interactive and video content rank low among respondents (21%).

When researching for cars on a manufacturer or dealer website, which of these factors, if any, have an influence during your decision-making process? (select all that apply)



It's also worth noting that the ability to book a test drive ranks high - an element which assumes increasing importance as we will see later. Overall, being customer-centric should be the guiding star.

TAKEAWAY

The point: Customers want consistent, transparent pricing and easy to locate information in clear language when they interact with websites.

The practice: Make sure hygiene factors like contact details are front and center, break down complex language and don't assume everyone is at the same level of knowledge when it comes to electric vehicles.

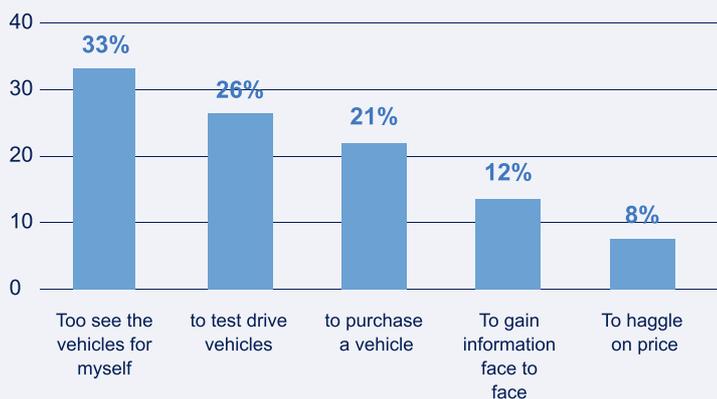
The Physical Experience

Why do potential Premium Car purchasers come to the dealership?

Because even with all the technology and visualization tools, they want to see the vehicle for themselves. This reason outranked any other in our prompted list, proving that the offline experience reigns supreme when it comes to big-ticket purchases.

With the ability to test drive ranking second, OEMs and dealers should not underestimate the importance of allowing a customer behind the wheel and giving them the test drive experience, and importantly, when they want it, not when it fits in with order patterns and forecourt delivery.

What would be the biggest reason for you to visit a car dealership/showroom in person? (select one answer)



Overall, 40% of respondents valued having a range of vehicles available to experience, second to getting a competitive price (47%). In a regional breakdown, availability of different vehicles topped the list in the East Midlands (62%) and the North East (45%).

Valued factors

- **33%** – a personalized experience
- **32%** – speed of service
- **31%** – aftercare package



CUSTOMER COMMENT

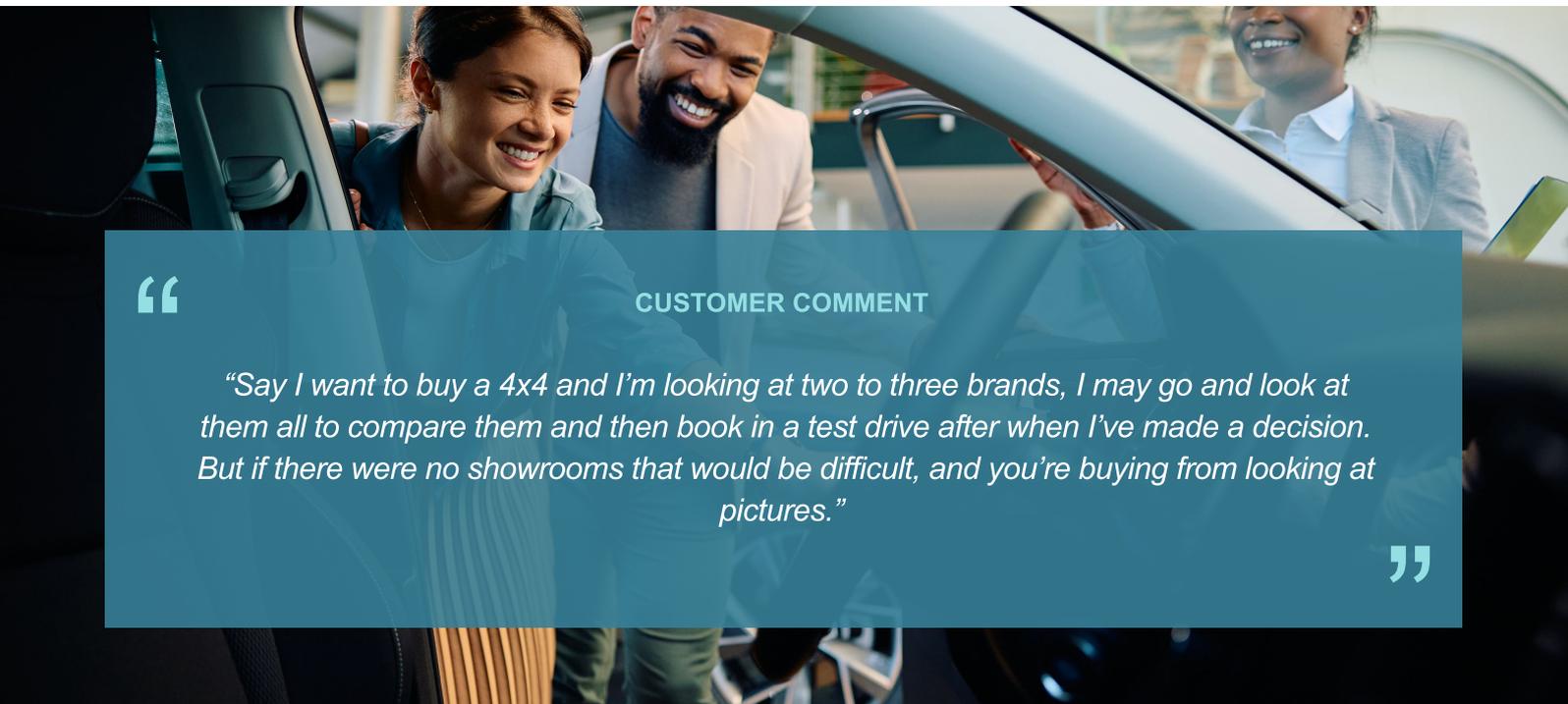
Going in and seeing the car in the showroom lights and going to sit in it and test drive the car is really important and it's having that experience. There is no better feeling than getting into a new car and driving it around and seeing if you like the feeling of it, and then you can make a decision. If you're buying a car blind, even the color may not be right, whereas in the showroom they can show you the car. It's a personal experience.



57% said that 'being able to Test Drive' made the showroom experience positive. Having a range of vehicles available might run counter to OEM strategy to build and deliver vehicles 'just in time' to minimize inventory overstocks, but there could be a real risk of disappointing prospects if doing so.

In the individual interviews, delivery time given at the point of ordering versus the actual delivery time was a point of frustration – something that is particularly important for a customer who has had their vehicle stolen.

Self-service options rank low - if customers come to the dealership, they expect attention and interaction.



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CUSTOMER COMMENT

“Say I want to buy a 4x4 and I’m looking at two to three brands, I may go and look at them all to compare them and then book in a test drive after when I’ve made a decision. But if there were no showrooms that would be difficult, and you’re buying from looking at pictures.”

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TAKEAWAY

The point: Customers want to be able to see a range of vehicles, take a test drive and expect attention and in-depth knowledge from showroom staff.

The practice: Have vehicles available for physical interaction and for test drive on the customer’s timetable, not the manufacturers; personalize the experience as much as possible and pay attention to aftercare.

06

When a decision becomes a deal

The vast majority of Premium Cars are purchased at a physical locality and dealerships deal broadly with two types of customer:

- Those who want the enjoyment and physical experience of buying a new luxury car
- Those who know what car they want, and have a more transactional and price-driven experience

Price is still the biggest influence on decision-making, but to maintain margin and avoid a discounting spiral, OEMs and dealerships need to shift the focus to other areas valued by the customer to nudge along the path to conversion.

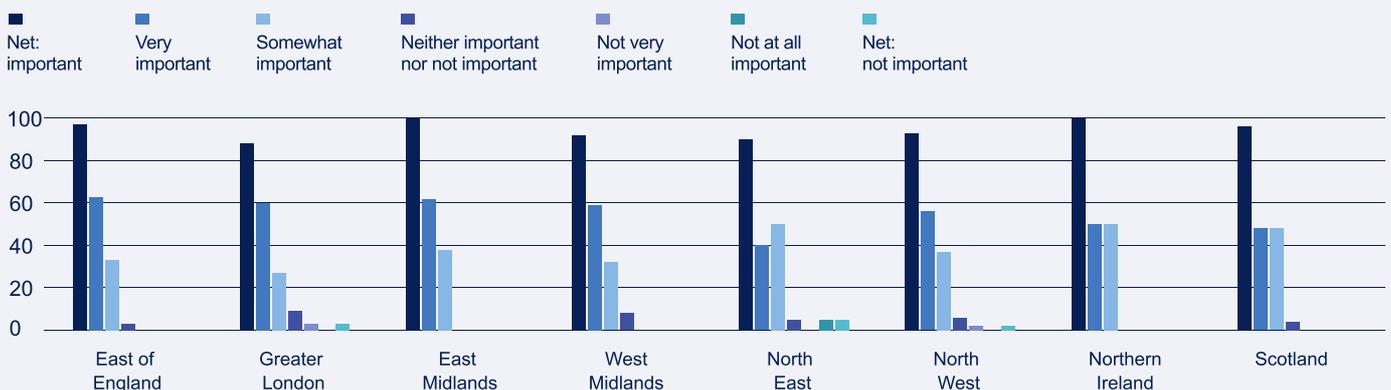
Trust is fundamental

Trust and credibility play a huge role in reassurance and propensity to purchase – 92% of respondents say trust in the dealership is important and 57% very important in making the decision to purchase from a particular dealer.

Customers who give a brand high trust scores are **three times more likely** to stay loyal in the future, while 88% say they are likely to buy from the brand again (source Harvard Business Review).

Activity that embeds the showroom as part of the community tends to be recognized, and helps build trust. Since the pandemic lockdowns, consumers place more value on local shopping and services, and look to businesses to integrate with the local area. The importance of trust is consistent across the regions, with respondents in the East Midlands rating this highest in importance.

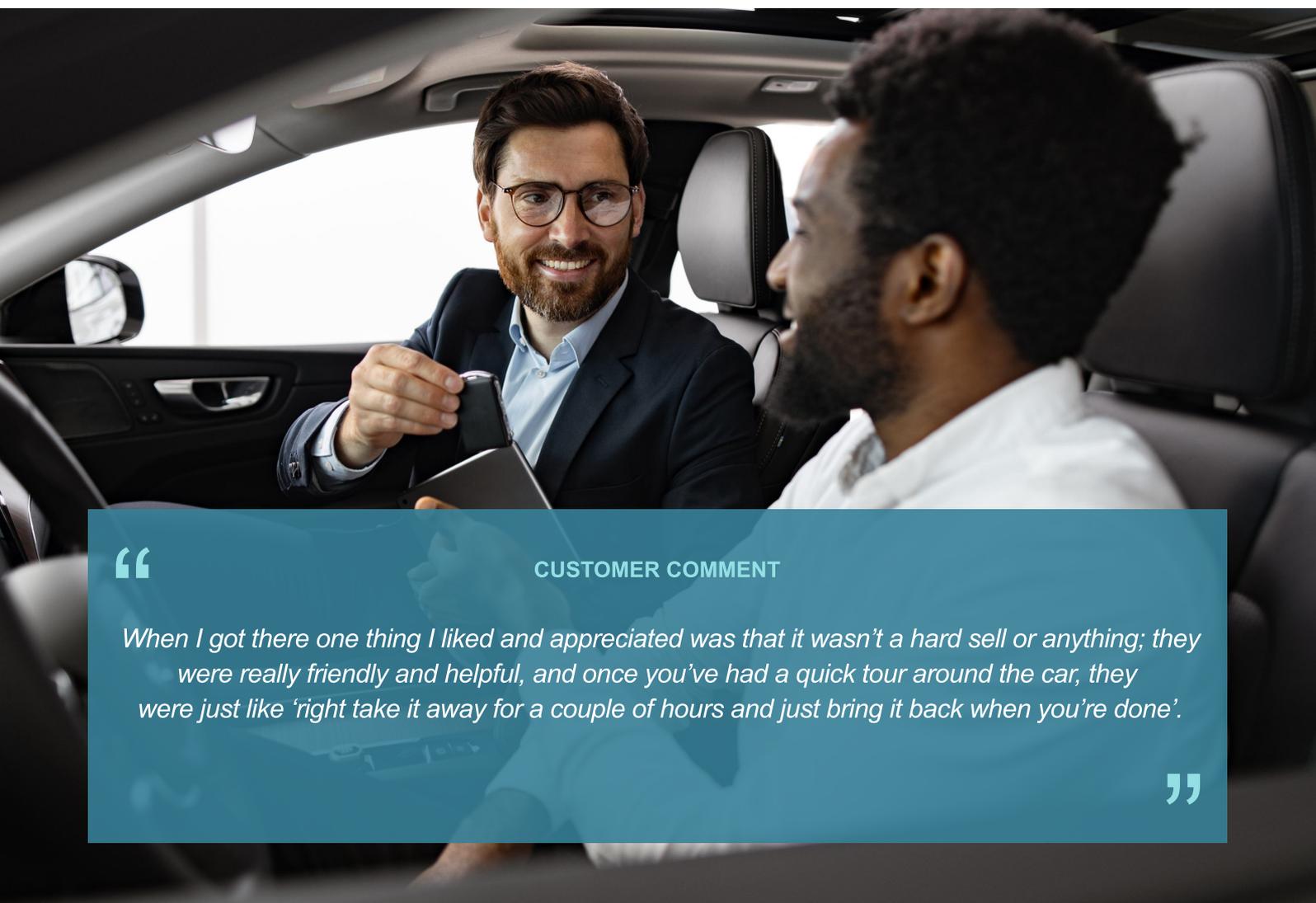
When deciding to purchase from a particular dealer, how important, if at all, is trust in the dealership (e.g. positive reviews online)



Looking at Premium EVs and what would build trust and lead to conversion, it is interesting to see flexibility in ownership ranked top of a prompted list (36%) with the ability to switch between ICE and EV vehicles as required. Anecdotal evidence from dealers suggests this is based on range anxiety and the confidence to be able to make long trips easily.

Extended test drives and trials ranked second with customer testimonials and manufacturer-led education following closely behind. Extended test drives top the list in the West Midlands and Scotland as well as being the most important factor for the 45-54-year age group. Ownership flexibility was ranked as most important in the West Midlands.

Our in-depth interview with a Tesla owner shows what they valued in their visit to a dealership:



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CUSTOMER COMMENT

When I got there one thing I liked and appreciated was that it wasn't a hard sell or anything; they were really friendly and helpful, and once you've had a quick tour around the car, they were just like 'right take it away for a couple of hours and just bring it back when you're done'.

”

What customers find important

Likewise, an existing relationship with the dealer is an influence on purchasing (68%). This is the foundation for building loyalty and lifetime customer value.

Knowledge of sales staff and friendliness of the customer service team are part of the mix and both ranked highly. Scoring of these factors should therefore be under constant review.

Previous positive dealership experiences enjoyed by respondents reinforce the above point where surprise and delight can't be underestimated:



TAKEAWAY

What customers value most

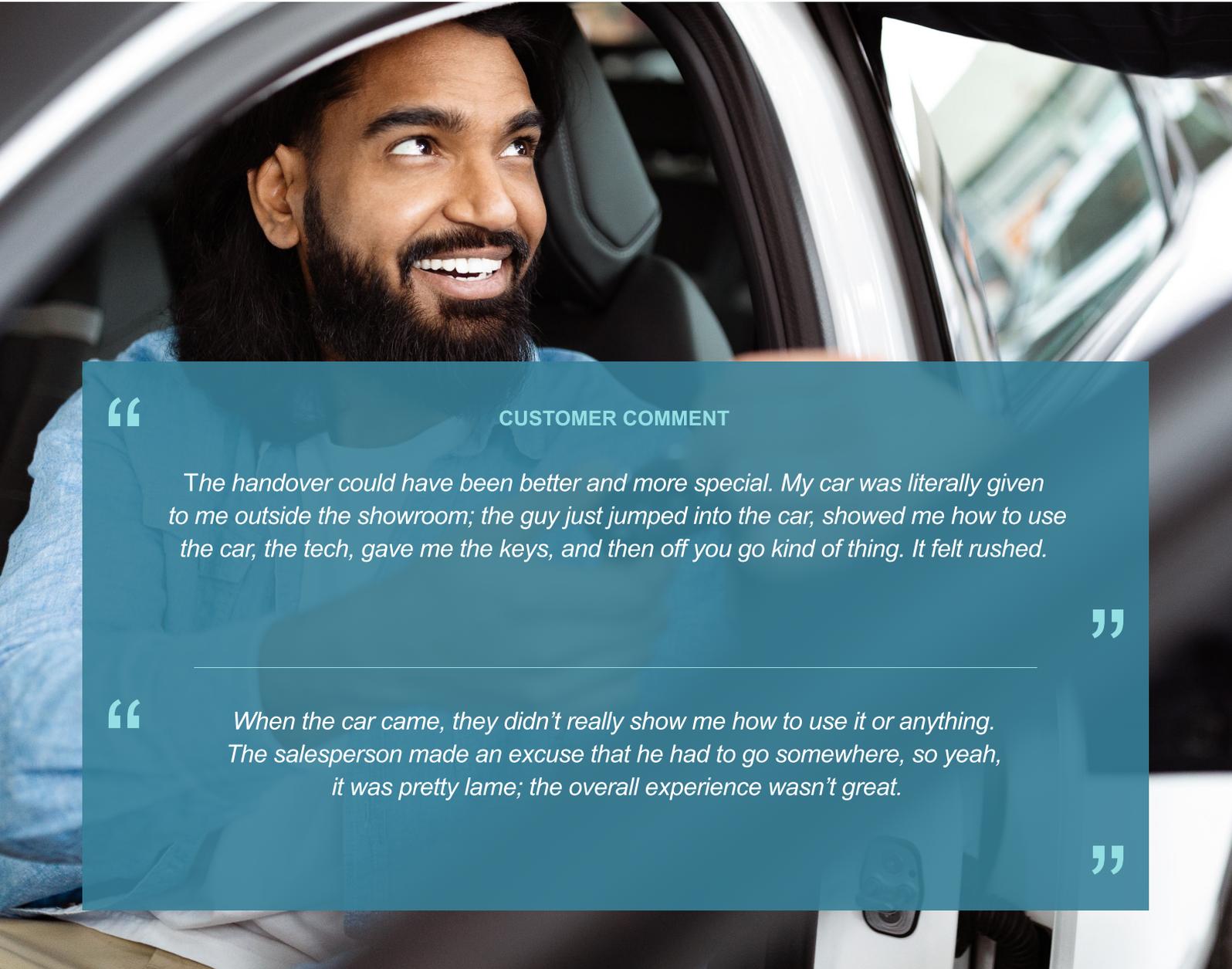
The point: Customers value a trusted relationship - they prefer to deal with sellers they have had some contact with previously and can show they are part of the community. They value friendly staff who treat them as an individual when visiting the showroom.

The practice: Keep customer details up to date on a robust CRM system and stay in regular contact both before and after a sale – preferably with useful information e.g. offers, deals and the latest new models. Make sure showroom staff are trained to be welcoming and know to avoid pressure-selling.

The significance of the handover experience

An enjoyable experience can often fall at the last hurdle. While receiving the keys for a big status purchase is an exciting moment for any customer, the in-depth interviews revealed the handover can sometimes seem perfunctory.

Dealership staff should focus on making the handover experience a special occasion.



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CUSTOMER COMMENT

The handover could have been better and more special. My car was literally given to me outside the showroom; the guy just jumped into the car, showed me how to use the car, the tech, gave me the keys, and then off you go kind of thing. It felt rushed.

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When the car came, they didn't really show me how to use it or anything. The salesperson made an excuse that he had to go somewhere, so yeah, it was pretty lame; the overall experience wasn't great.

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07

Five key takeouts

So, in a nutshell, what does this really mean? Customer expectations and behaviors are constantly changing. While what has worked previously is no prediction of future success, the below are essentials for what we know will lead to a positive customer journey:

1. Get great at hygiene

While all businesses should be thinking about their roadmap to transformative business change over a five-year time frame, they also need to make sure that they keep their eye on the ball in terms of service now. This should include basic hygiene factors like consistent pricing across online and offline advertising or having an easily located contact phone number.

2. Don't overlook the importance of product

Make sure a range of cars is available for customers to review and test drive, and that showroom staff have the necessary expertise to talk through any customer questions and concerns.

3. Right place, right time

Make sure you understand the level of knowledge in the customer base and that you can expand it. This means providing the right information in a digestible, understandable way, ensuring it can be easily located online and providing it at the right time in the customer journey, so prospects are not overwhelmed.

4. Feedback is a gift

Better understand what customers want by establishing regular check-ins. Measure your own customer-centricity and be willing to accept the 'tough truths' as every business has a gap to address. A knowledge-sharing class at the end of each week where sales reps share their expertise and standout experiences can be invaluable.

5. Build trust

You want returning customers who are an advocate for your business, so make sure the elements that build trust are strong, including an enjoyable handover and after-sales relationship.

08

The road ahead for auto manufacturers

The fundamentals of a strong customer experience and how to be customer-centric should be at the heart of a business growth strategy.

If defocusing on price is the aim of OEMs and dealerships, then it is likely the role of the showroom will shift more towards an experience hub where the customer engages fully with the vehicles that catch their eye or that they have researched beforehand. In any case, despite the rising importance of digital channels, physical showrooms will remain a vital part of the channel mix.

The human service element will also remain paramount. Robots can't provide a warm welcome and firm handshake, but employees will also need to work hand in hand with innovative technologies and tools to meet customer expectations.



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CUSTOMER COMMENT

I'm a little bit old school with stuff like this. If you're going to spend £40k to £50k that is a large sum of money to spend on something if the experience is only online and you've not been able to touch or feel it. If I had the opportunity to go to a showroom, test drive, ask questions, and place my order online, I could live with that. But if there is no showroom I'm not sure I'd want to place an order.

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09

Methodology

This report includes qualitative and quantitative research conducted by independent research house Censuswide to give a fully rounded picture of current UK Premium Car buyer behaviors. We surveyed 400 car owners via an online questionnaire that explored the purchasing experience, expectations when visiting showrooms, decision-making factors and opinions on the EV market.

The respondents were made up of a mix of Mercedes-Benz, BMW, Audi and Tesla owners alongside a handful of Range Rover and Jaguar owners. All cars were less than three years old.

The male/female split on the responses was 55%/45%, while by age most owners fell into the Millennial/Gen Y bracket (44%) with the rising cohort of Gen Z (aged 18-26) accounting for 16%.

The survey was overlaid with six in-depth interviews with Premium Car owners or leasers aged 25-44 years to provide a deeper insight into the research and buying journey and explore where room for improvement exists.

10

About us

Cognizant is a world leader in customer and digital experiences, collaborating closely with companies to help them reimagine and transform what they do and how they deliver it. Together we look at every touchpoint, to explore how we can help provide a more seamless, innovative, engaging and rewarding customer experience.

With a wide range of expert capabilities, we work with partners using everything from technology, data and research to platforms, engineering and strategic planning.

This allows us to examine each aspect of the customer relationship, both digitally and in-person, from macro strategic overview to the smallest of UI interface improvements.

By getting closer to our clients, their world, and their customers, we help deliver customer and digital experiences that set new standards for what exceptional should be.



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