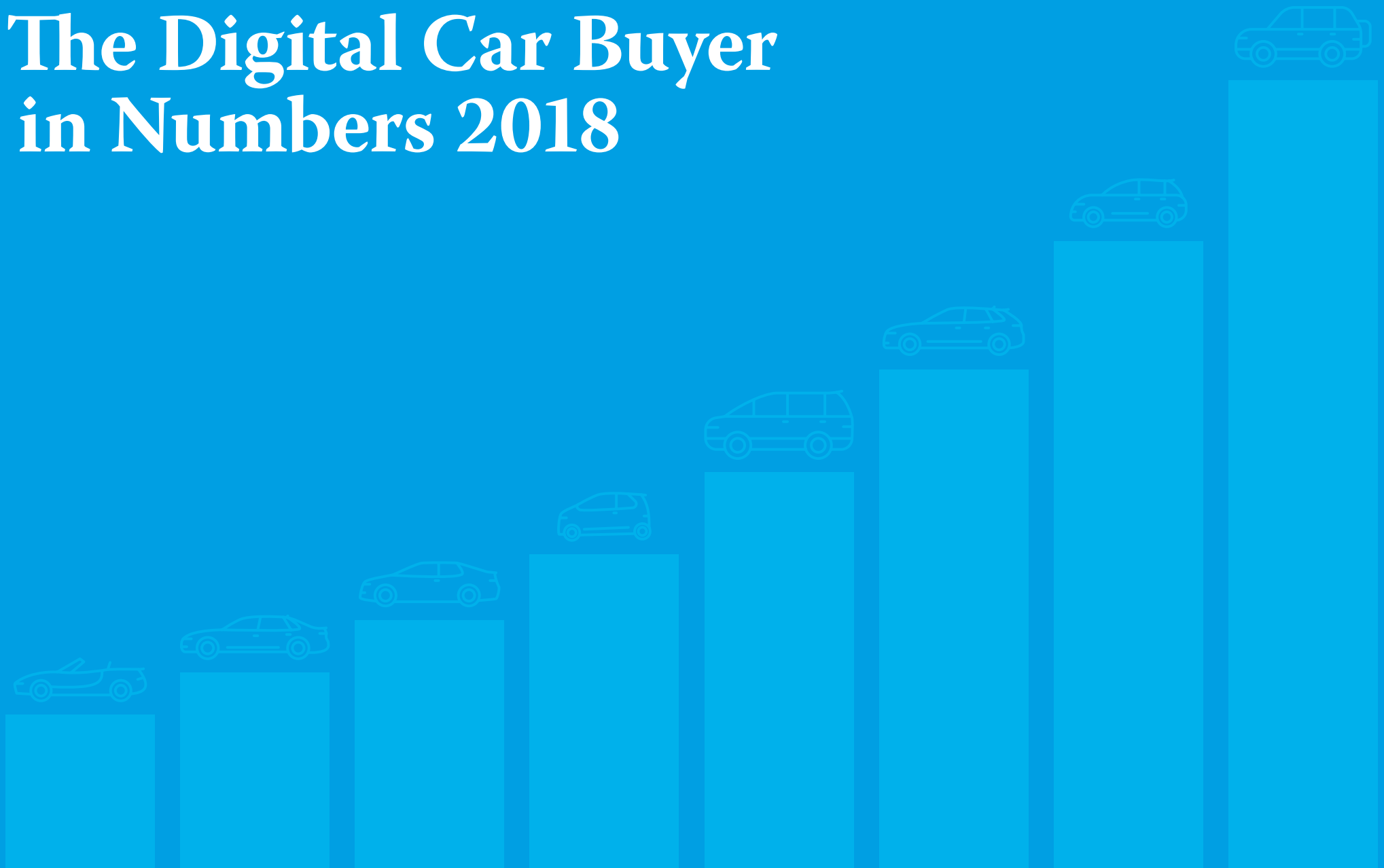


The Digital Car Buyer in Numbers 2018





Introduction

Now more than ever, car brands are focusing on customer experience as the key to growing their market share. Our 2018 analysis highlights some startling trends: some obvious (the ongoing growth of the SUV sector), some less so (the diminishing importance of the top 20 best-selling cars).

But one Sophus3 statistic should give us all pause for thought: the number of brands considered by a typical car buyer. It has increased from 2.5 in 2010 to more than five today, a significant shift that has been made possible by the exponential growth in online research.

At Sophus3, we are increasingly being asked by clients to apply our data knowledge to the bigger, more strategic challenges. As well as optimising the performance of their digital channels, they also want to get ahead of the competition by anticipating trends and comparing themselves to best practice.

Today's consumer is frustrated by the amount of time it takes to choose, and buy, a new car. There is too much information, some of it contradictory, and the transparency they find in other industries is lacking. Simply put, the car brands who recognise this and create frictionless user journeys, rewarding customers with engaging interactions as they progress towards a purchase, will sell more cars than those who do not. For the first time, the end-to-end customer experience is becoming as important as the products themselves.

The car industry has a long track-record of using data to make decisions and there is an emerging opportunity to use insight to challenge the strategy of habit and create marketing plans that result in engagement and sales growth. Data interpretation is the area where skills are most in short supply, resulting in a lack of creative leadership in applying insight to strategy. Departments full of analysts can get only so far without the market-specific experience to guide their thinking.

All of us are excited by the prospect of change in the industry, with disruptive selling models springing up alongside electrification and the promise of 'future mobility'. At Sophus3, we see our job as giving the consumer a voice in this complicated and challenging landscape, anticipating their needs so that our clients can plan for success.

We hope you enjoy our analysis and very much look forward to working with you in 2018.

Scott Gairns
Managing Director, Sophus3

Contents

04		Executive summary	14		Vehicle market
05		Digital	21		Headline KPIs
11		Automotive campaigns	22		2018: The year ahead

Executive summary

2017: The Year in Numbers

- Traffic to car brand sites in the Big 5 markets saw the biggest increase since 2009 as the market continued to recover. (page 5)
- 1.3 billion visits were tracked during the year. (page 5)
- Visit to purchase touchpoints grew but 'completions', such as requesting a test drive, remain low: just 0.1% of visitors. (page 6)
- The research journey has shortened to 13.5 days between first visit to a site and test drive request. (page 6)
- The average number of brands a car buyer considers online has increased to nearly six. (page 6)
- The average visit lasts just 2min 50sec. (page 6)
- The majority of site visits - 59% - are made on a mobile device. (page 7)
- SUVs continue their powerful performance and interest levels suggest there is still room for the growth. (page 9)

- Online interest in electric vehicles increased notably during the year. (page 9)
- YouTube has huge potential as a digital channel, but is currently under-exploited by many brands. (page 10)
- Campaign activity grew in every market except the UK, with Renault again topping the spend table. (pages 11, 12)
- Vehicle registrations returned to near pre-crisis levels but, again, the UK saw a decline. (page 14)
- Volkswagen sold the most cars in the Big 5 markets but Toyota added the most units. (pages 16, 17)
- Diesel sales declined as alternative fuel vehicles (AFV) showed strong growth. (page 19)
- For every vehicle sold, 113 visits were made to a car brand website. (page 21)

2018: The Year Ahead

- Short-term activity by digital teams needs to take account of future disruption. (page 22)
- Online interest in electric vehicles is growing fast, but the EV buyer has different information needs. (page 23)
- Brands can pivot their PCP and other finance models to a Mobility as a Service offer. (page 24)
- Integrating finance and click-to-buy functionality helps future-proof car brands. (page 25)
- New retail formats can succeed with a strong digital component. (page 26)
- China is displacing the US as the leader in automotive and digital marketing innovation. (page 27)
- Driverless technology is only months away and will have the most disruptive impact on business models and brand propositions. (page 28)
- Brands should deal with short-term events while constantly reassessing their future strategy. (page 30)

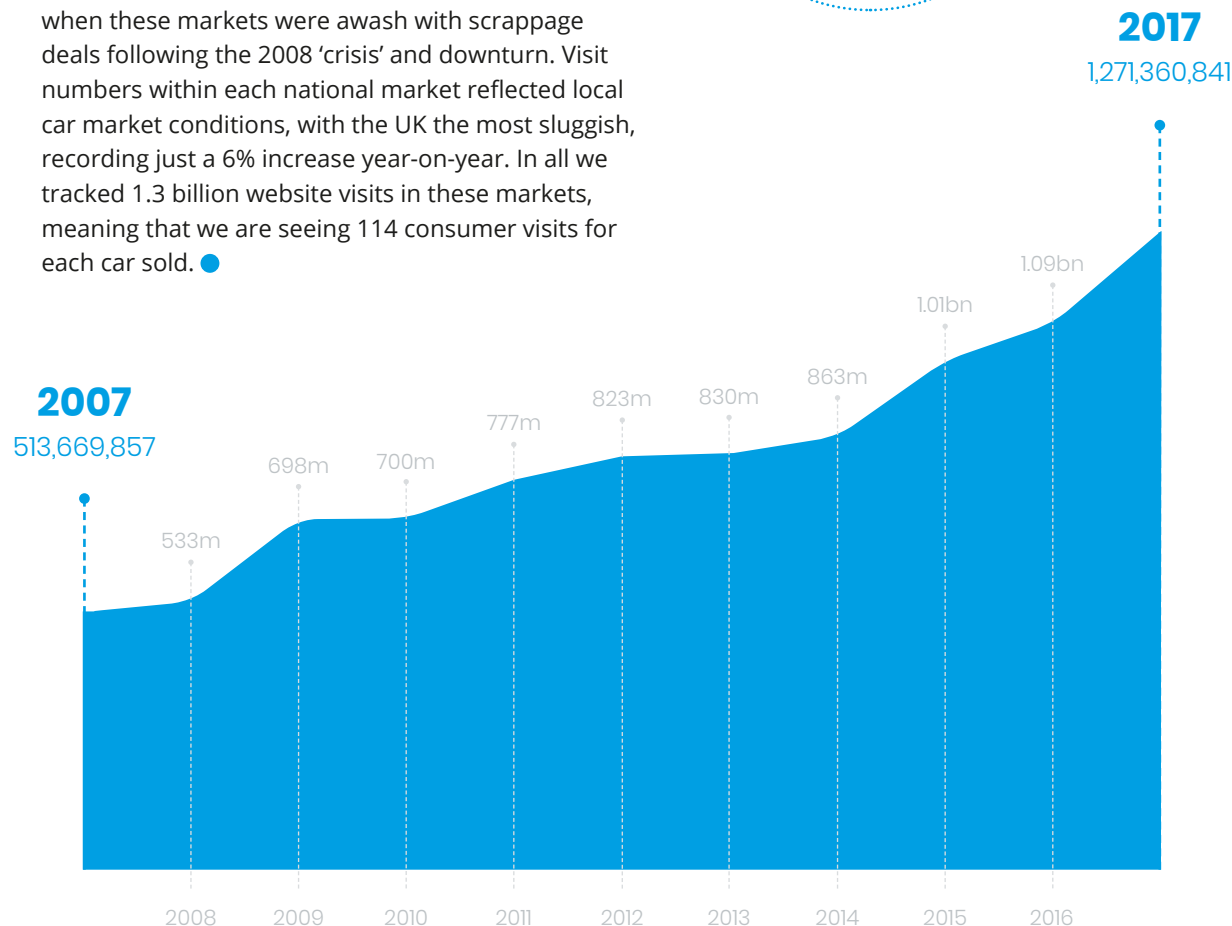


Digital

Following the digital consumer's car brand journey

The web: who? Website visits 2017

Web traffic to car brand sites in the Big 5 European markets increased by 17% during the course of 2017, this was the biggest year-on-year growth since 2009 when these markets were awash with scrappage deals following the 2008 'crisis' and downturn. Visit numbers within each national market reflected local car market conditions, with the UK the most sluggish, recording just a 6% increase year-on-year. In all we tracked 1.3 billion website visits in these markets, meaning that we are seeing 114 consumer visits for each car sold. ●



The web: what?

User interests and behaviour

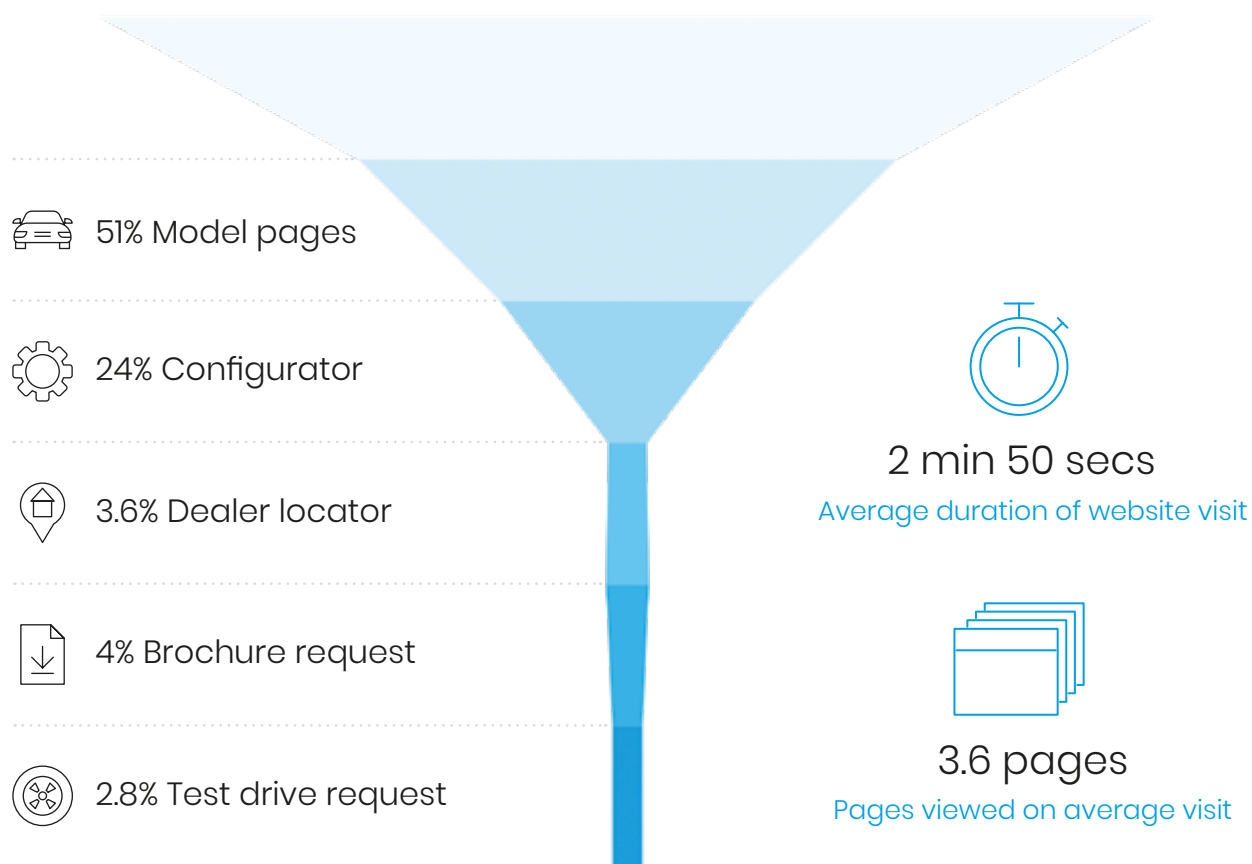
2017 saw site visitors converge in greater numbers to key purchase touchpoints. Visits to vehicle configurators were up by 10%; visits to test drive request areas rose by more than a quarter. This may reflect greater consumer interest, but it may also suggest improvements to brand websites driving more visitors to those destinations. A major caveat is that the number of visitors completing these actions is very low: only 7% will complete a configuration and just 0.1% click the button to send a test drive request.

Tracking visitors anonymously across car brand websites we see that those requesting a test drive had began their research activity on average just 13.5 days previously. Those who submitted a request for a quotation first appeared on a site 15.8 days before. This suggests a shortening 'research phase' amongst automotive consumers.

We are also seeing crumbling brand loyalty. Nearly six brands sites are now visited by automotive consumers during this phase (two years ago only four sites were visited).

What all these metrics encapsulate is the core challenge to automotive digital marketers: 'which of all of these visitors is really 'in market' for a new car and how can we engage them in the limited time that we have their attention?' ●

The funnel

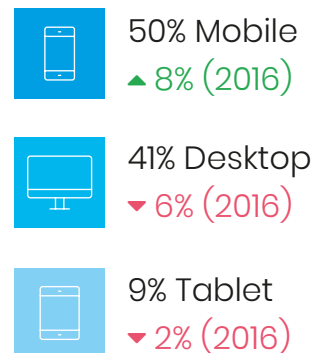
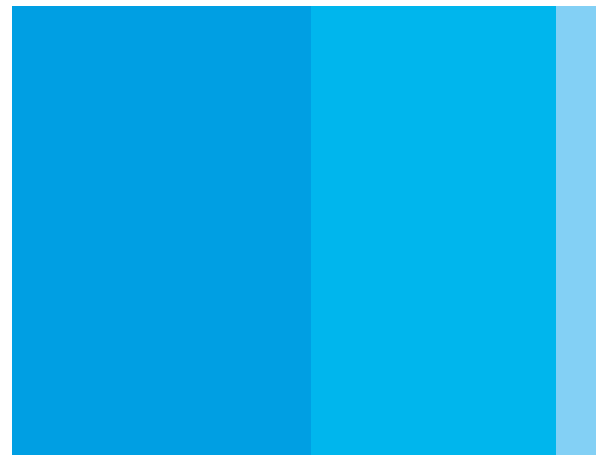


The web: how?

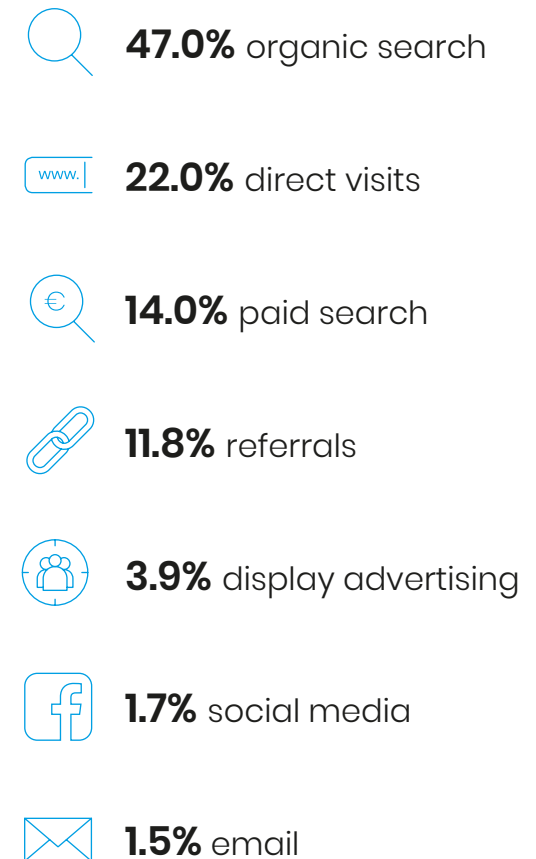
Device use and where users come from

The growth in the use of mobile devices to access the Internet and automotive content still shows no sign of slowing down, increasing markedly once again in 2017. More people now access car brand sites through their phone or tablet than through a conventional laptop or PC. But there are some noticeable local differences: Germany remains the laggard market, with the device split pretty much balanced. In Spain however, only slightly over a third of consumers are still using a PC for digital interaction with car brands. ●

Users by device



Traffic sources

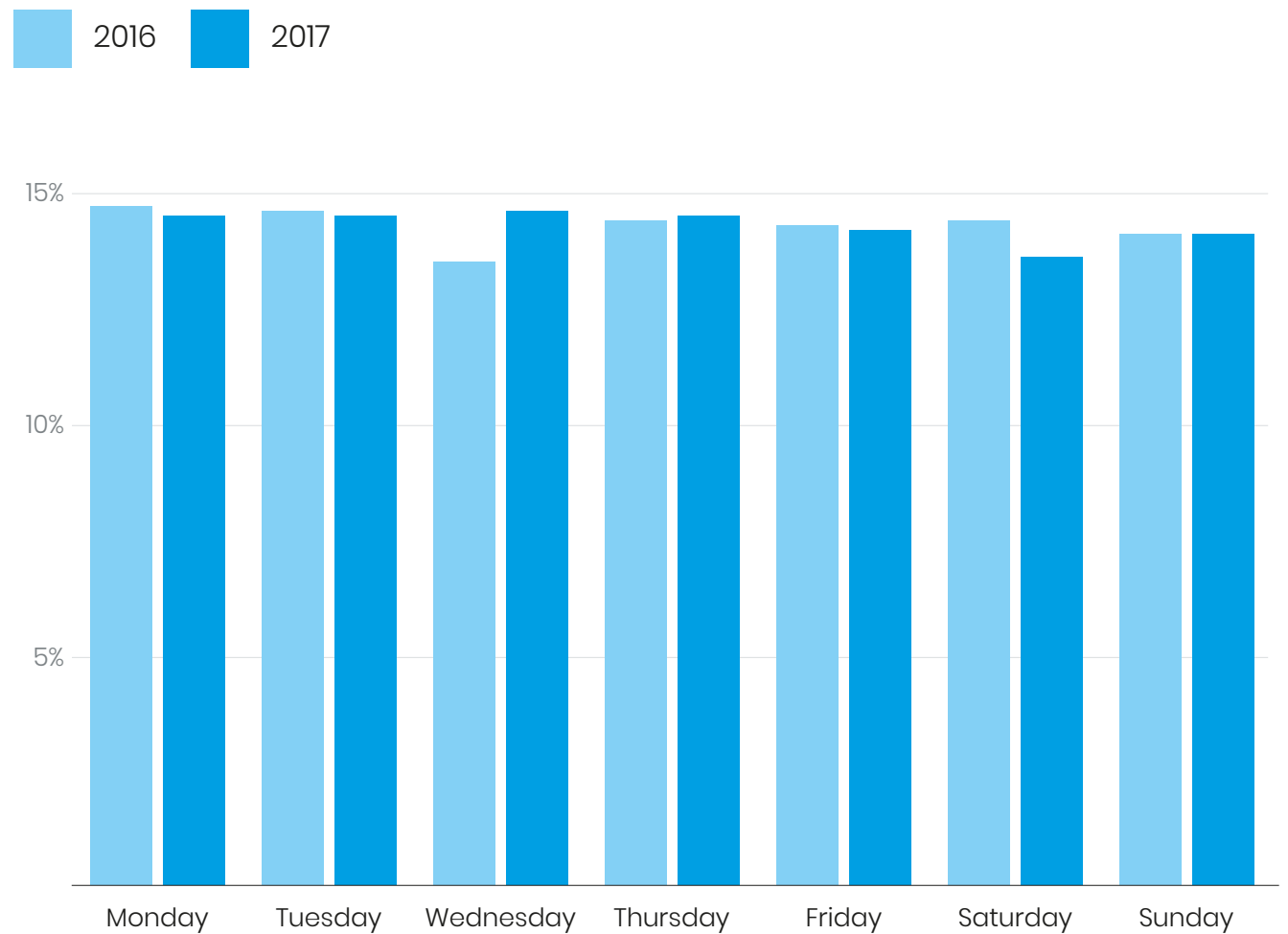


The web: when?

Daily traffic patterns

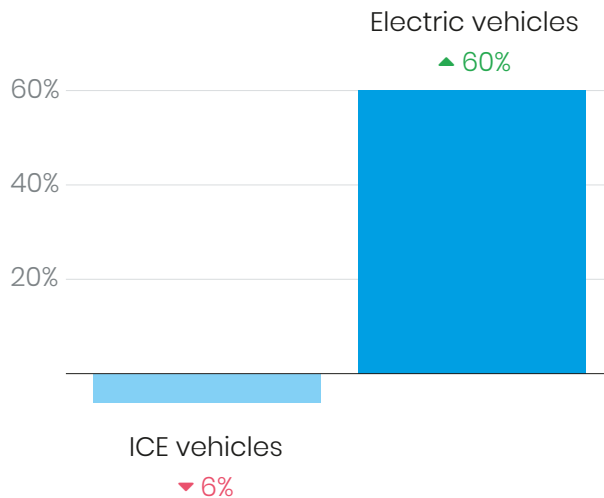
The pattern of daily visits has shifted markedly over the lifetime of the eDX project. Initially there were more noticeable peaks mid-week (and during office hours) as many consumers' access to the Internet was through a workplace computer.

The growth of domestic broadband followed by the proliferation of smart-phones with Internet access flattened that pattern of access to 'anytime from any where.' Even so there still seems to be greater mid-week and Sunday 'attention' to car brand content, whilst visits on a Saturday have continued to fall. ●

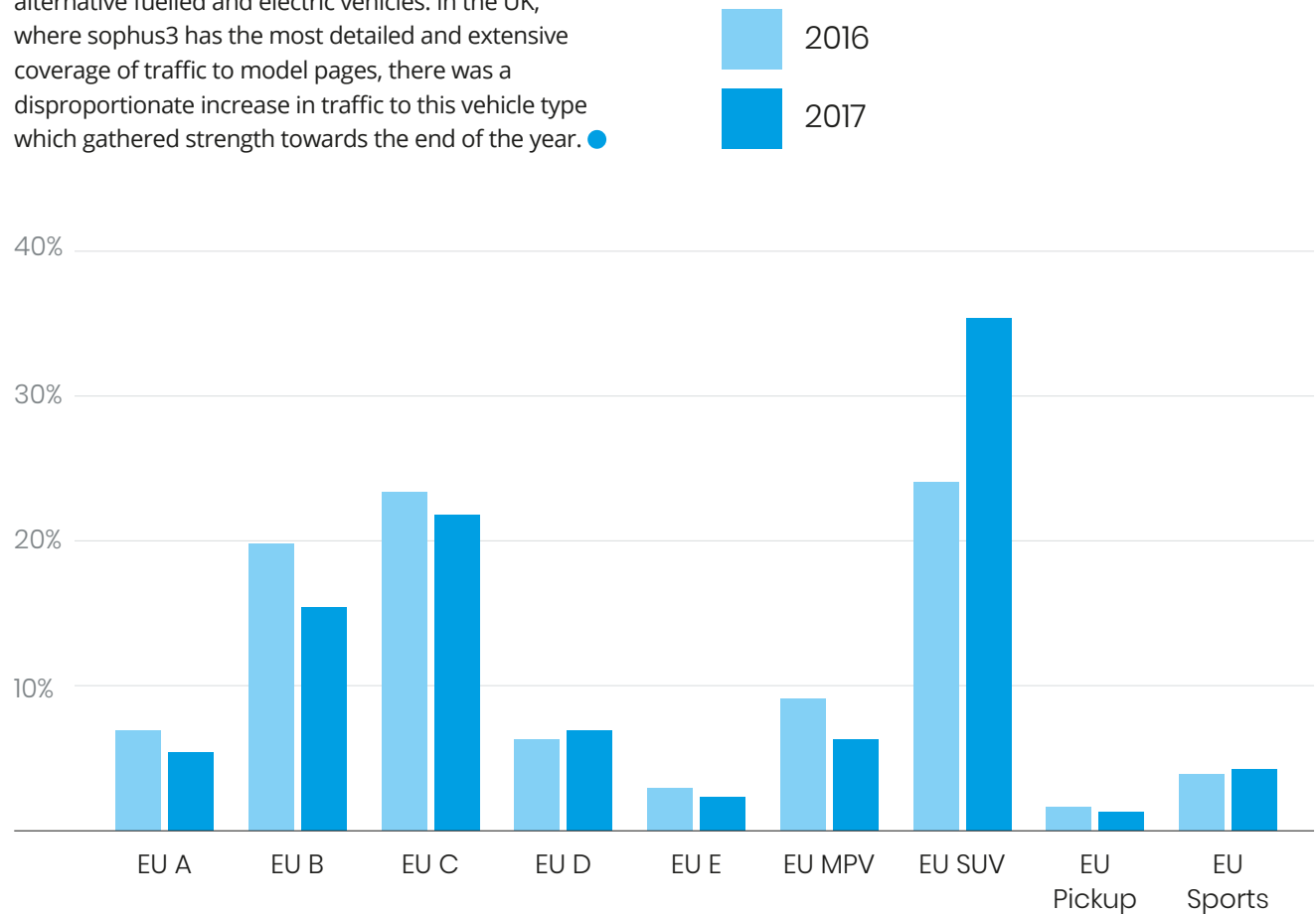


Market segments: The continuing shift to SUV/Crossovers

SUVs are the biggest selling products in the new car market in Europe, and it is therefore no surprise to find that 35% of visits to individual car model pages were to this type of vehicle. Nearly every other segment showed a decline in visits, despite the general health of the market. Interest in MPVs declined by over 30% during the year, whilst bread-and-butter segments - 'B' and 'C' superminis and compacts - saw share of traffic down by more than a fifth. With the audience share for 4x4 styled vehicles still greater than the market share they get, this suggests that there is still a large aspirational space in which this vehicle type can win further sales in the year ahead.



A development on the product front that we will return to is the visible increase in consumer interest in alternative fuelled and electric vehicles. In the UK, where sophus3 has the most detailed and extensive coverage of traffic to model pages, there was a disproportionate increase in traffic to this vehicle type which gathered strength towards the end of the year. ●



Social media

Online video delivers a rapidly growing audience

YouTube continues to grow as a hugely important channel for car brand content. There are a number of brands with a strong presence who often attract many more visitors to their branded YouTube channel than their own websites. Others seem to have not yet grasped the full potential of the platform, with weak content curation and, seemingly, a poor understanding of what to do with the considerable audience they attract. ●

The #1 video on the web

Fiat 500 Anniversario – “See you in the future”



<https://youtu.be/ZxcxSNLvVOY> ↗



Youtube



Total views

960m ▲ 55% (2016)



Total videos

43k ▲ 10% (2016)



Total subscribers

2.8m ▲ 47% (2016)



Facebook



Total posts

49k ▲ 11% (2016)



Total interactions

47m ▲ 26% (2016)

Interactions are the sum of direct 'likes', 'shares' and 'comments' on each brand's posts during the quarter.

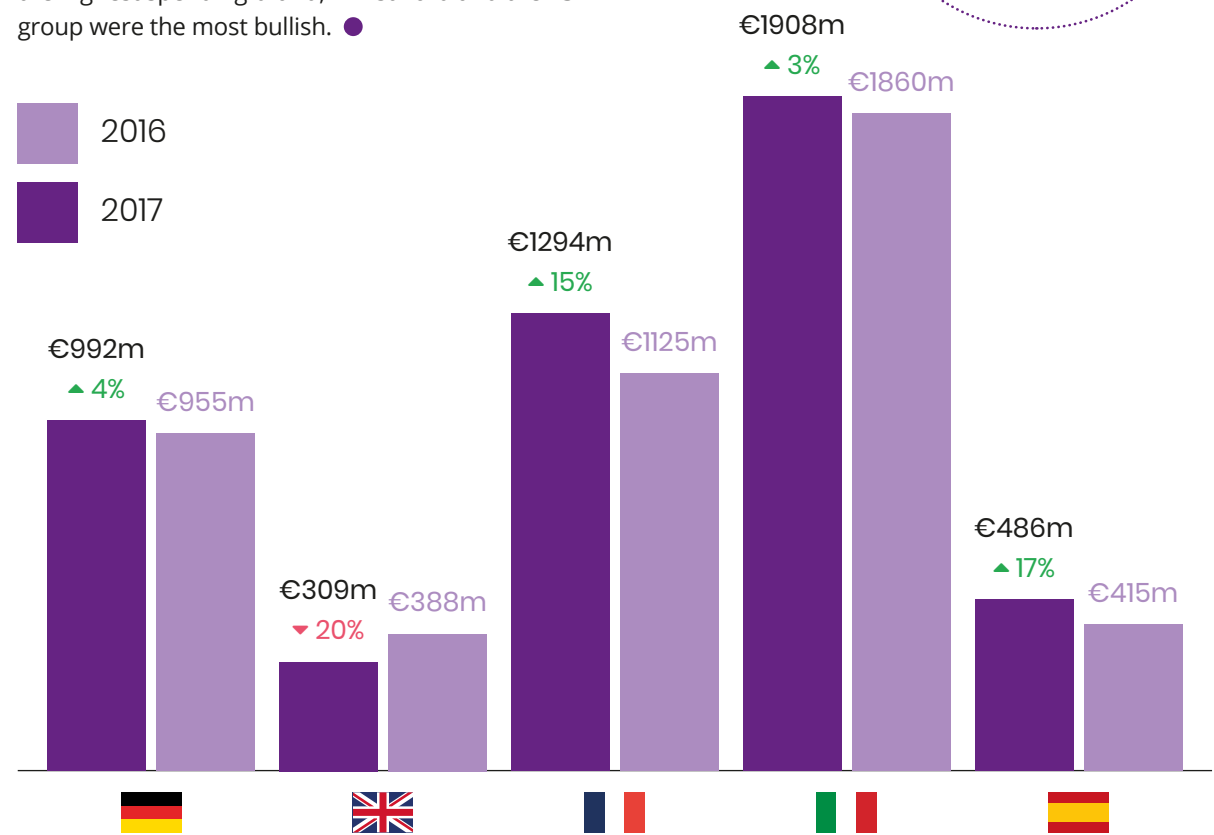
Car brand TV & print spend

The 'Big 5' markets



€5bn
total spend of
'Big 5' in 2017
▲ 5% 2016

Car brands annual advertising spend in the 'Big 5' markets totalled just under €5 billion for press and TV placements alone, increasing over the previous year in every market apart from the UK. Renault was again the highest spending brand, whilst Ford and the PSA group were the most bullish. ●



Automotive campaigns

Car brands continue to spend heavily in traditional media

Car brand TV & print spend 2017

'Big 5' markets

Looking at where brands spent money, it is worth noting that they remain very product rather than brand focused: none seem to be positioning themselves in readiness for a future 'mobility market'. During 2017 the major campaigns were very near term, supporting often long established car models predominantly in the traditional B and C hatchback segments. Of the 20 largest campaigns only five were for SUV products despite this now being the largest market segment. It was also noticeable that despite the dominance of contract purchase as the way by which consumers now acquire a new car, many brands remain reluctant to headline attractive monthly payment terms, with 'endlines' either quoting the total MSRP of the car or making no reference to price whatsoever.

Which products are not in this 'big spenders' list is of course as interesting as those which are. For example Nissan Qashqai and Dacia Sandero were, respectively, 7th and 13th best selling passenger vehicles in the 'Big 5' and grew their market share despite having far less traditional spend supporting them than their less successful peers. Tesla recorded another year with zero advertising spend yet achieved a more than 80% improvement in registrations. ●

	Brand	2017 spend	▲ 2016 ▼
1	Renault	€421m	▲ 2%
2	Volkswagen	€404m	▲ 6%
3	Ford	€399m	▲ 11%
4	Peugeot	€340m	▲ 13%
5	Fiat	€272m	▼ 2%
6	Opel/Vauxhall	€267m	▼ 6%
7	Citroën	€263m	▲ 22%
8	Audi	€216m	▼ 3%
9	Toyota	€195m	▼ 3%
10	BMW	€190m	▼ 4%
11	Seat	€187m	▲ 20%
12	Nissan	€186m	▼ 4%
13	Škoda	€169m	▲ 21%
14	Suzuki	€154m	▲ 34%
15	Hyundai	€147m	▲ 23%
16	Mercedes	€136m	▼ 20%
17	Kia	€134m	0%
18	Alfa Romeo	€99m	▲ 35%
19	Dacia	€93m	▲ 2%
20	Jeep	€91m	▲ 10%

Largest campaigns

Increased spend supports B and C segment cars



Ford Fiesta – Italy

<https://youtu.be/AvNxxvGloq9I>



Citroën C3 – Germany

<https://youtu.be/wUYp76X6WrQ>



Fiat Tipo – France

<https://youtu.be/Gxbmpnssuoo>



Seat Ibiza – Spain

<https://youtu.be/ZJzLRyaIMRA>

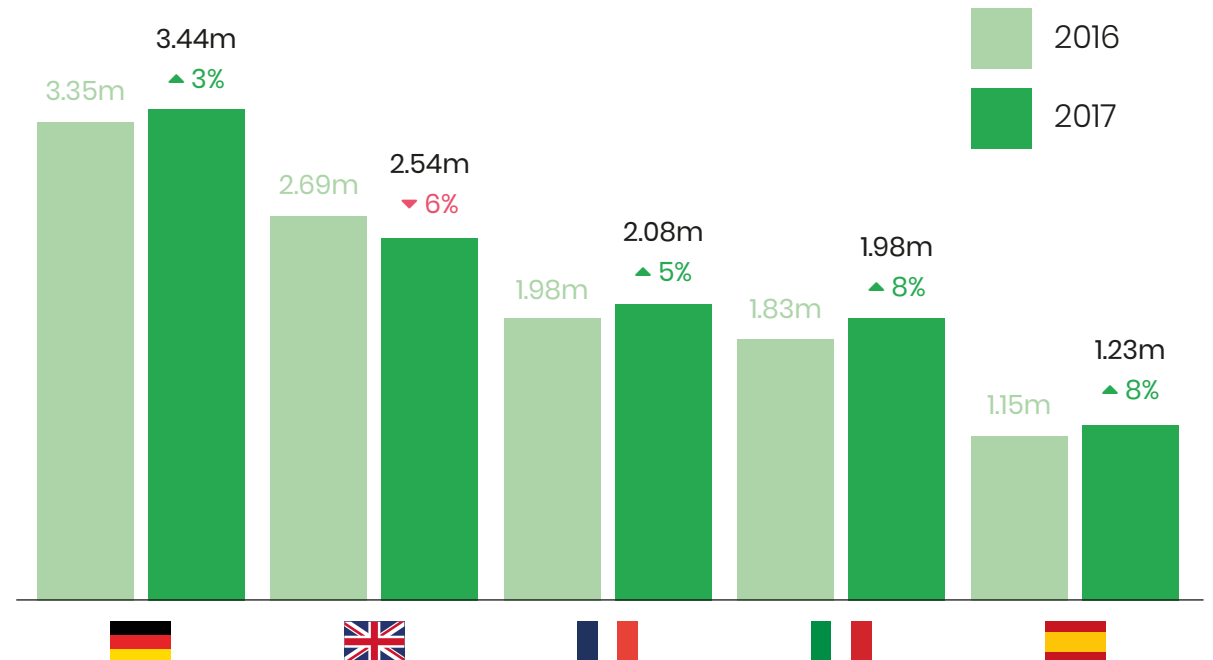
	Brand	2017 spend	▲ 2016 ▼
1	Ford Fiesta	€123m	▲ 97%
2	Volkswagen Golf	€113m	▲ 83%
3	Ford Kuga	€109m	▲ 271%
4	Fiat 500	€97m	▲ 1%
5	Citroën C3	€90m	▲ 66%
6	Volkswagen Polo	€83m	▲ 2%
7	Peugeot range	€82m	▲ 93%
8	Fiat Tipo	€79m	▼ 17%
9	Renault Clio	€73m	▲ 22%
10	Renault range	€72m	▼ 11%
11	Peugeot 308	€70m	▲ 7%
12	Seat Ibiza	€65m	▲ 116%
13	Renault Kadjar	€64m	▲ 63%
14	Renault Captur	€63m	▲ 117%
15	Volkswagen Tiguan	€61m	▼ 15%
16	Seat Leon	€58m	▲ 11%
17	Fiat Panda	€58m	▲ 23%
18	Nissan Micra	€57m	▲ 973%
19	Peugeot 208	€56m	▼ 2%
20	Alfa Romeo Stelvio	€54m	n/a

Vehicle registrations 2017

The 'Big 5' markets

New car sales rose in the Big 5 markets (+2.4%) and more confidently across Europe as a whole (+3.4%). The notable exception to the trend was the UK where registrations fell -5.7%.

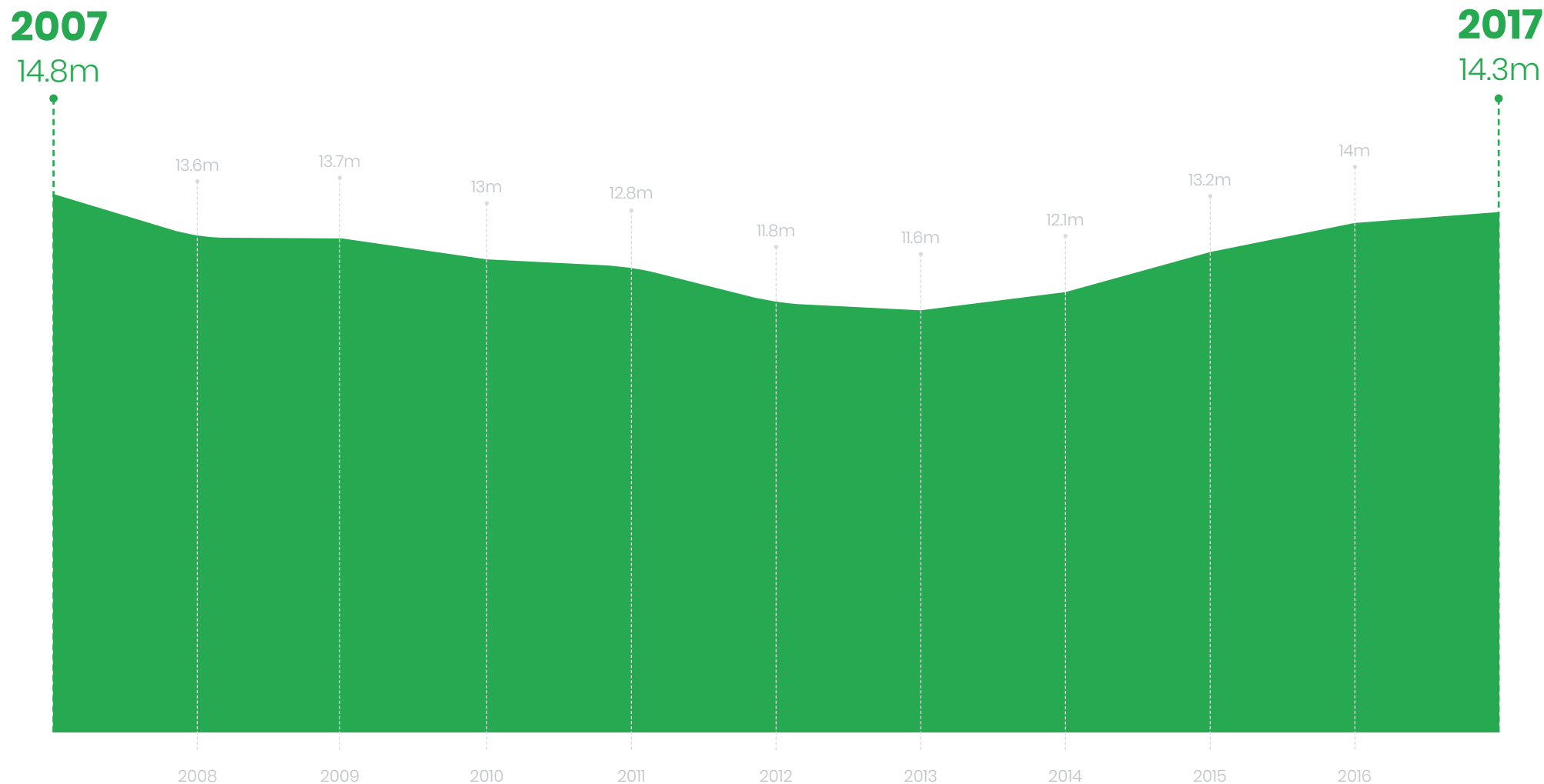
Volkswagen continued as the European market leader but Toyota showed the most growth on the back of its CH-R model. Amongst the premium brands Mercedes-Benz enjoyed the best year with a 6% sales increase across Europe. ●



Vehicle market

Steady growth returns the European car market to near pre-crisis levels

Evolution of vehicle registrations EU15 and EFTA 2007-2017



Registrations by brand

'Big 5' markets

	Brand	2017	▲ 2016 ▼
1	Volkswagen	1,216,668	▼ 1.4%
2	Renault	848,393	▲ 3.5%
3	Ford	815,198	▼ 0.8%
4	Peugeot	699,337	▲ 6.6%
5	Opel/Vauxhall	697,384	▼ 6.7%
6	Mercedes	695,199	▲ 6.0%
7	Fiat	663,186	▲ 3.1%
8	Audi	645,873	▼ 0.2%
9	BMW	610,344	▼ 0.1%
10	Citroën	442,206	▲ 4.9%
11	Toyota	423,316	▲ 13.2%
12	Nissan	415,797	▲ 2.3%
13	Škoda	348,761	▲ 4.4%
14	Hyundai	345,590	▲ 3.2%
15	Dacia	307,796	▲ 11.1%
16	Kia	301,415	▲ 6.8%
17	SEAT	301,041	▲ 15.9%
18	Mini	178,156	▲ 2.5%











	Brand	2017	▲ 2016 ▼
19	Mazda	147,146	▼ 1.5%
20	Land Rover	144,226	▲ 1.8%
21	Suzuki	142,295	▲ 20.1%
22	Volvo	133,592	▲ 0.8%
23	Honda	100,856	▼ 10.5%
24	Jeep	88,502	▲ 2.7%
25	Smart	87,893	▼ 5.3%
26	Mitsubishi	75,340	▲ 4.7%
27	Alfa Romeo	69,951	▲ 24.2%
28	Lancia	60,409	▼ 9.1%
29	Jaguar	56,997	▲ 1.9%
30	Porsche	56,571	▲ 1.0%
31	DS	39,104	▼ 29.9%
32	Lexus	31,177	0.0%
33	Subaru	16,204	▼ 4.9%
34	Ssangyong	13,587	▼ 12.2%
35	Infiniti	10,436	▼ 8.3%
36	Tesla	10,312	▲ 82.8%

	Brand	2017	▲ 2016 ▼
37	Maserati	7,544	▲ 22.7%
38	MG	4,441	▲ 5.9%
39	Bentley	3,244	▲ 7.8%
40	Lada	2,690	▲ 58.7%
41	Ferrari	2,239	▲ 6.1%
42	Aston Martin	2,108	▲ 65.2%
43	Chevrolet	1,572	▲ 54.0%
44	Unspecified	1,476	▼ 9.4%
45	Iveco	796	▲ 17.6%
46	McLaren	771	▲ 221.3%
47	Lamborghini	766	▲ 4.2%
48	Lotus	717	▼ 1.4%
49	Rolls-Royce	635	▼ 7.2%
50	Cadillac	546	▲ 52.9%











Movers & shakers

Top 10s

Top 10 movers %

		Brand	2017 units	▲ 2016
1		Tesla	10,312	▲ 83%
2		Aston Martin	2,108	▲ 65%
3		Lada	2,690	▲ 59%
4		Alfa Romeo	69,951	▲ 24%
5		Maserati	7,544	▲ 23%
6		Suzuki	142,295	▲ 20%
7		SEAT	301,041	▲ 16%
8		Toyota	423,316	▲ 13%
9		Dacia	307,796	▲ 11%
10		Bentley	3,244	▲ 8%

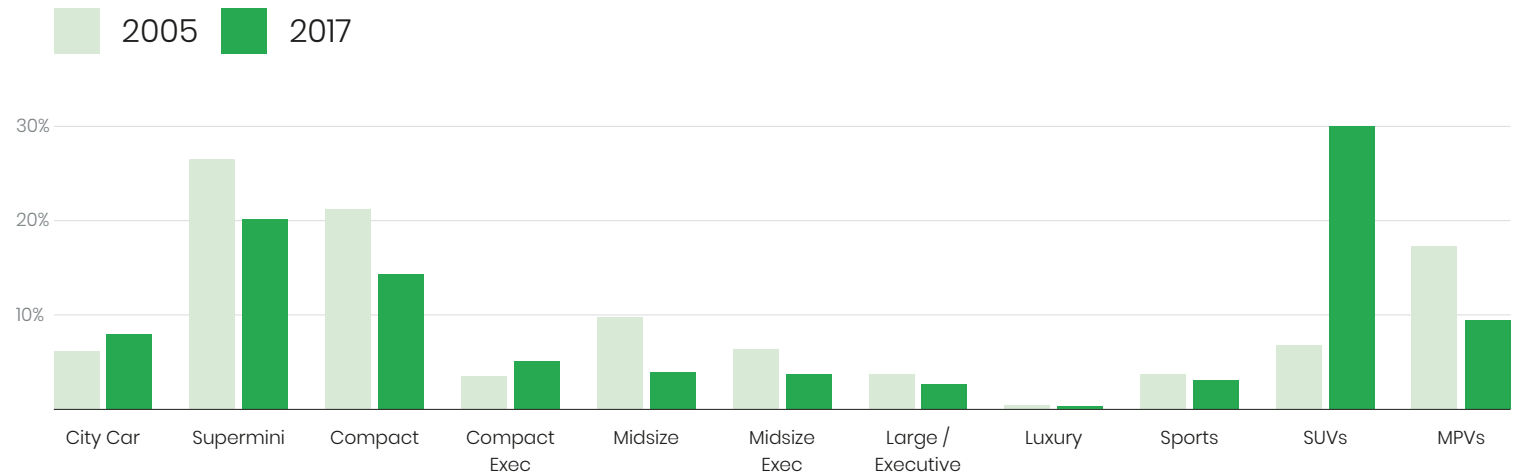
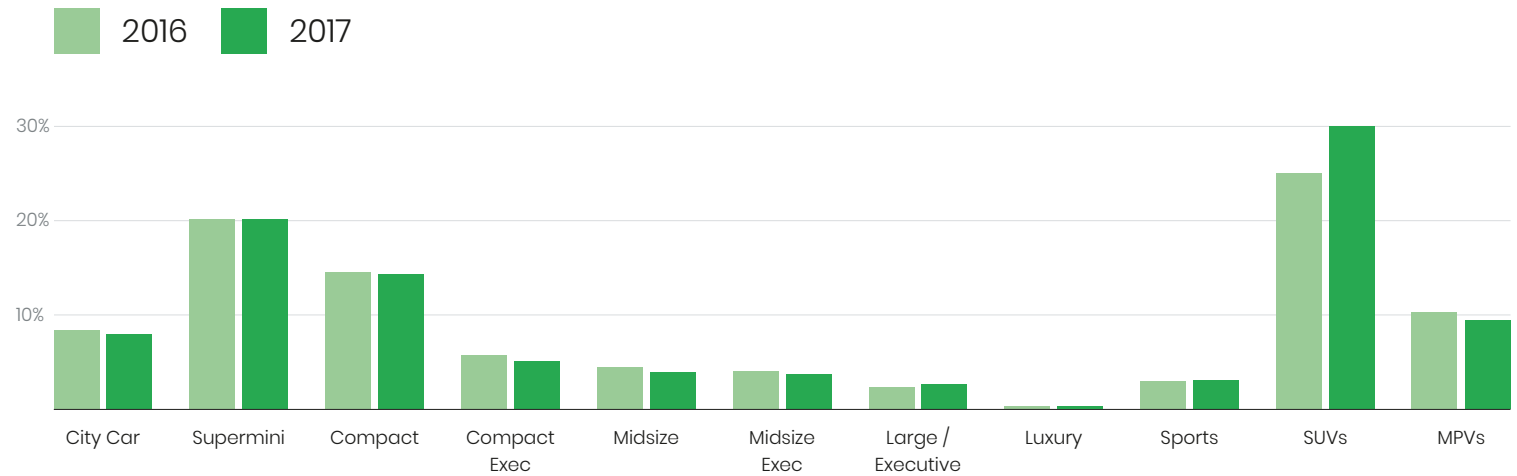
Top 10 movers units

		Brand	2017 units	▲ 2016
1		Toyota	423,316	▲ 49,364
2		Peugeot	699,337	▲ 43,437
3		SEAT	301,041	▲ 41,228
4		Mercedes	695,199	▲ 39,102
5		Dacia	307,796	▲ 30,712
6		Renault	848,393	▲ 29,047
7		Suzuki	142,295	▲ 23,829
8		Citroën	442,206	▲ 20,696
9		Fiat	663,186	▲ 20,227
10		Kia	301,415	▲ 19,282

Movers & shakers

Segment shifts

SUVs straddled the market with new models being added in every guise from budget to luxury. A comparison of segment share last year with over a decade ago shows not only how rapidly the SUV market has grown but also how this vehicle type has become a dominant 'monoculture' in a way that is unprecedented. ●

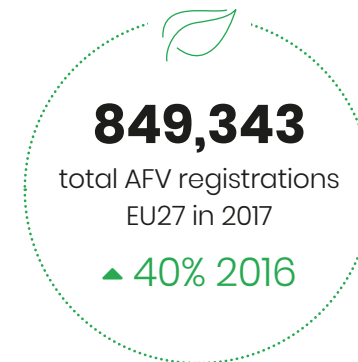


Fuel type market share

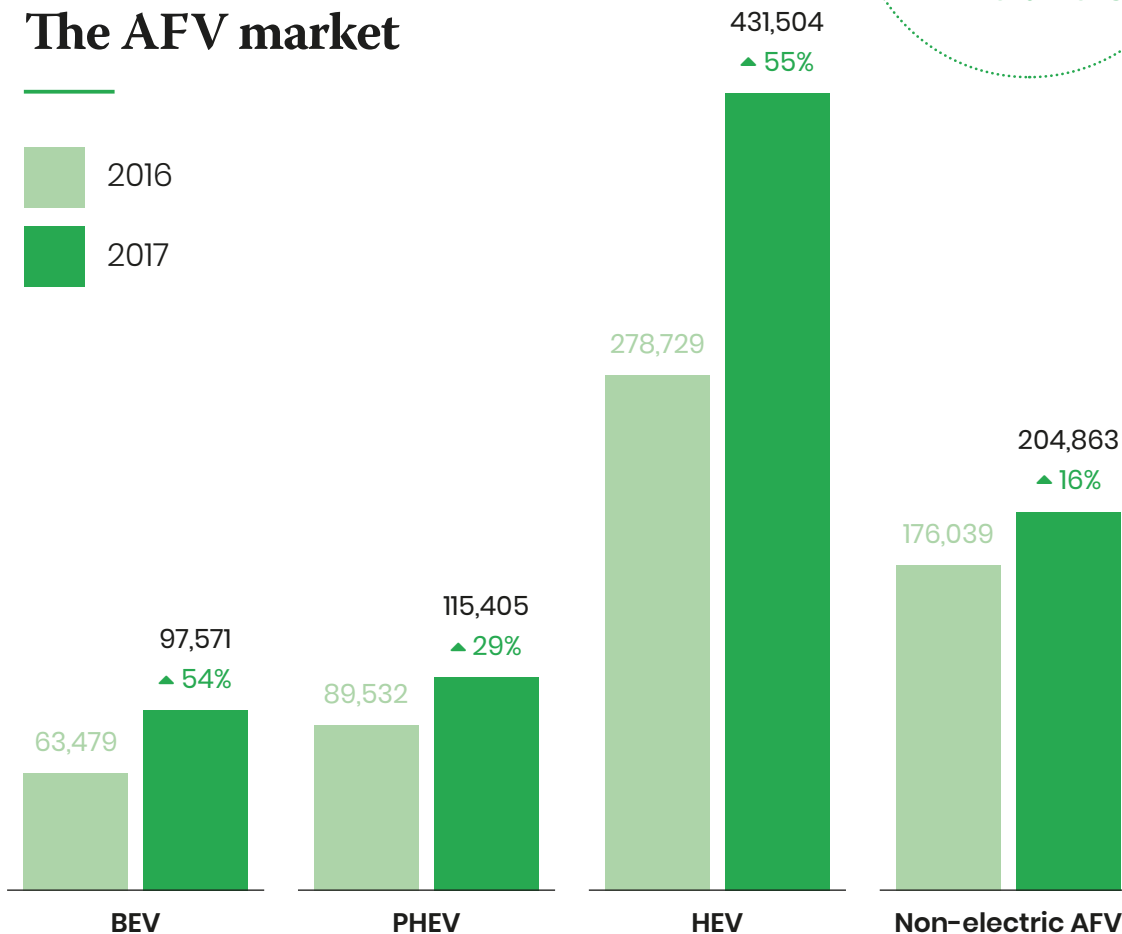
The flight from diesel & the AFV market

The big story for car brands in 2017 was the 'flight from diesel', with sales of this fuel type declining -8%. This looks set to continue with consumer attitudes hardening as the residual value of these cars comes under threat.

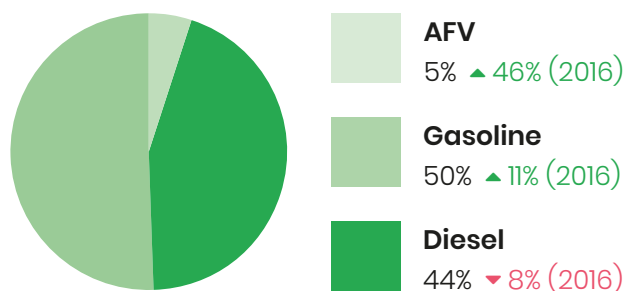
Alternative fuelled vehicles saw an encouraging growth although they have yet to account for more than 6% of all new cars sold. 'Traditional' Hybrid Electric vehicles showed the highest growth (+55%) within this segment. ●



The AFV market



2017 market share

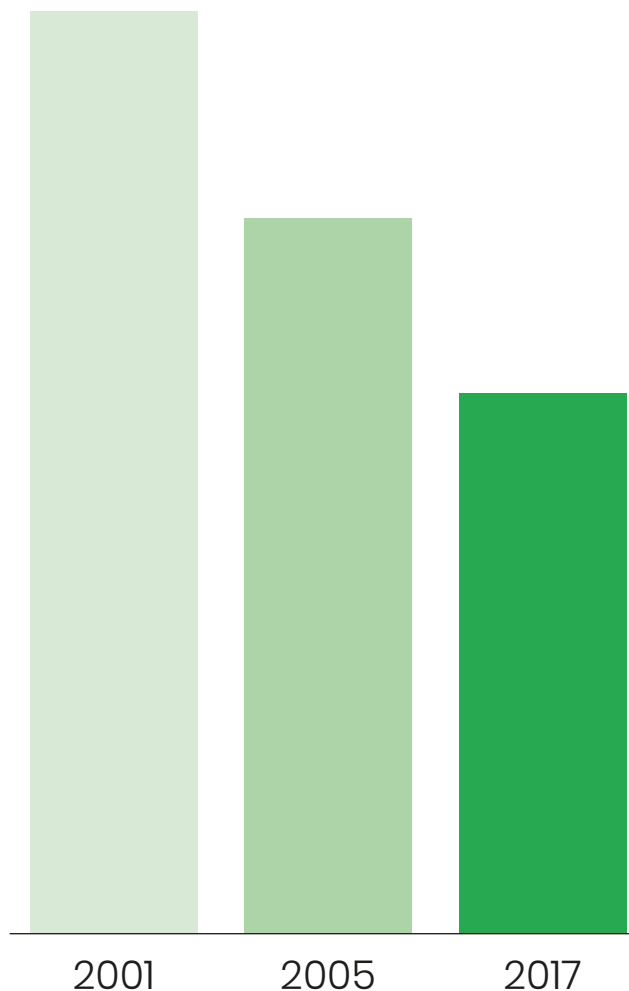
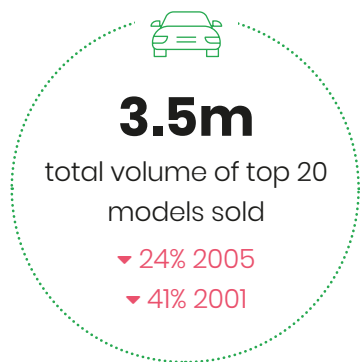


BEV Battery Electric Vehicles **PHEV** Plug-In Hybrid Electric Vehicles **HEV** Hybrid electric vehicles = full hybrids + mild hybrids
Non-electric AFV Alternative fuel vehicles other than electric: natural gas vehicles (NGV) + LPG-fueled vehicles + ethanol (E85) vehicles

Top 20 models

Familiar faces but with declining market share

Many of the Top 20 selling cars of 2005 are still with us - evolved and refined through three or four subsequent model generations. But the shape of the market they lead has changed very much - and the diversity of products available has eroded their dominance. In 2017 the 20 biggest sellers' volume was -21% lower than it was in 2005 and more than 40% lower than in 2001. 'Cash cow' products selling half a million units across the Big 5 are a thing of the past. ●

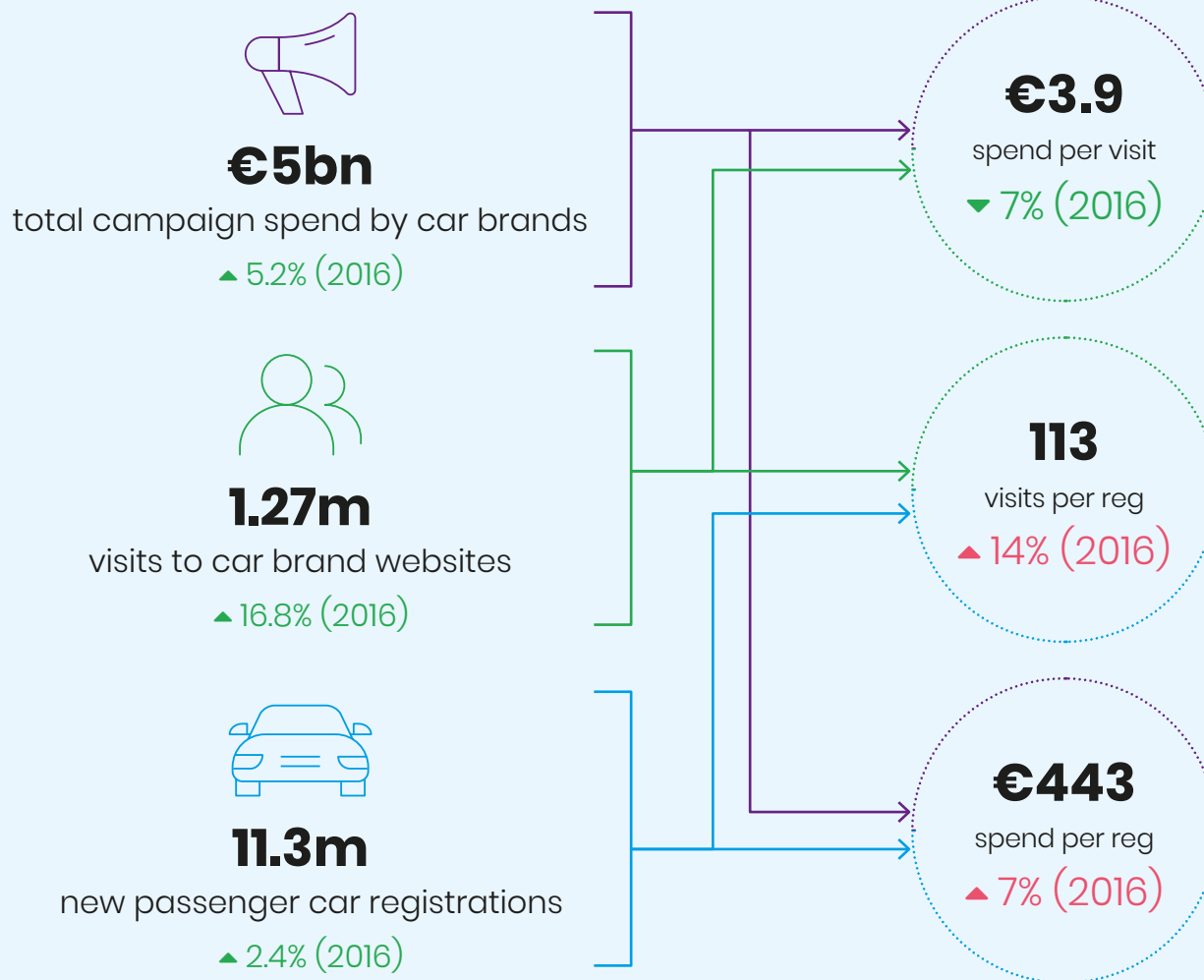


	Brand	2017 units	▲ 2016 ▼
1	Volkswagen Golf	350,141	▼ 1.9%
2	Renault Clio	239,337	▲ 3.2%
3	Volkswagen Polo	210,630	▼ 10.5%
4	Ford Fiesta	208,767	▼ 14.5%
5	Peugeot 208	191,285	▼ 0.6%
6	Opel/Vauxhall Corsa	182,470	▼ 13.0%
7	Nissan Qashqai	176,555	▲ 4.8%
8	Fiat Panda	172,634	▼ 1.5%
9	Volkswagen Tiguan	171,422	▲ 30.7%
10	Citroën C3	163,770	▲ 52.0%
11	Renault Captur	161,541	▼ 1.3%
12	Ford Focus	155,762	▼ 0.7%
13	Dacia Sandero	155,012	▲ 14.5%
14	Fiat 500	153,264	▲ 3.6%
15	Opel/Vauxhall Astra	143,341	▼ 15.5%
16	Mini Mini	141,339	▼ 1.0%
17	Mercedes C-Class	140,646	▲ 1.1%
18	Peugeot 2008	139,553	▲ 0.7%
19	Opel/Vauxhall Mokka	135,491	▲ 3.0%
20	Toyota Yaris	132,686	▲ 3.1%

Headline KPIs

Turning the data into measures of performance

	Visits per reg	Spend per visit	Spend per reg
	105	€1.1	€118
	94	€3.0	€277
	108	€8.7	€943
	170	€2.3	€391
	129	€4.7	€605



2018: The year ahead

Car brands need to ensure their digital and marketing activities ready them to weather future uncertainties

Over the last three years Sophus3, like many within the car industry, has been looking beyond the immediate horizon to try and understand, and help our customers prepare for, a remodelled automotive landscape.

One word sums up the future we expect: disruption. This disruption emanates from a number of sources, but chiefly technological innovation, new competitors in the market, and new and compelling business models.

This time last year we wrote: "Many in the industry seem to have grasped the 'big picture', the spectre of disruption, but there is little discussion about how we get from where we are now – focused on building and selling ever more cars – to where we need to be in as little as five years time, in a rapidly evolving market where the individual journey rather than 'the car' is fast becoming the consumer's primary interest." So where are we now? In the following pages we look at some of the key disruptive trends, both ongoing and emerging, and try and identify short term actions that also prepare for the longer term. ●





Growing Electric Vehicle sales

The EV buyer has different needs but is more open to interaction

2018 may be the turning point for sales of electric vehicles (EVs). Legislative 'sticks' are no doubt encouraging their adoption with a succession of cities banning the internal combustion engine (ICE) and national bans timetabled for 2030 in The Netherlands, and 2040 in the UK and France. But more importantly, the cost of ownership of these cars is now approaching parity with their gasoline equivalents, so that for the first time choosing an EV becomes a 'head' rather than 'heart'

decision. More automotive OEMs have stepped forward to announce their ambitious plans in this area with current investments totalling more than \$90 billion earmarked for the development of EV technology and the addition of new models in their line up.¹

Yet Sophus3's analysis of online behaviour around EVs confirms this is still not an easy sale for manufacturers, even those with great products and excellent sales

"It took 20 years to get 1 million electric cars around the world, 18 months to get the second million and only 8 months to get the third million."

teams. Whilst web traffic to electric cars shows they more easily attract consumers interest than their ICE counterparts it remains an uphill struggle to convert that interest into sales. Our analysis² shows that the consumer considering an EV has a much greater need for information than when considering a more familiar ICE car, needs reassurance in key areas, and is in fact more disposed for contact with the brand and its representatives. They are also more than twice as likely to consider a test drive.

Whatever EV strategy a brand follows – positioning these vehicles as mainstream, or developing their own 'self-disrupting' sub brands – we believe the customer is of central importance : "each one is potentially a crucial reference point from which a brand can scale adoption. The customer's online and offline experience therefore has to be impeccable if they are to be turned into an ambassador for both the brand and the technology." ●

¹'Global carmakers to invest at least \$90 billion in electric vehicles', Reuters, 15/01/2018, <http://reut.rs/2o5b4xj>

²'The end of the ICE age? Digital insights into the electric vehicle buyer', Sophus3, January 2018, <http://bit.ly/2Ebd6UH>

Preparing for Mobility as a Service

Many already see car ownership as a monthly subscription

OEMs' interest in Mobility as a Service (Maas) has gathered speed over the last twelve months. The concept is that in the future car users will prefer a subscription service over ownership to access a car or choice of cars, as well as other services such as ride hailing, micro rental, or multimodal mobility packages.

At the Detroit motor show last month both BMW and Mercedes announced their intention to run pilots in the US, although Mercedes is already well advanced in this area in other markets with a range of initiatives¹. There have also been announcements by Renault², Toyota³, Ford⁴ and Volkswagen⁵ of both mobility 'products' and corporate restructuring to facilitate delivery through service models.

But rather than diving in, currently, these brands are really only dipping their toe in the water of new types of service and customer interaction. As yet their core business remains separate from these experiments with mobility services.

It is interesting that consumers are already, in reality, moving to a subscription model for car use despite the hesitation of the manufacturers. PCPs (the way 85% of owners acquire their car) means that consumers are now thinking of their purchase options in terms of the headline monthly payment rather than the price. They are also growing accustomed to changing their car more frequently whilst enjoying the benefit of an 'all-in' package where the warranty covers most of the 'unpleasantness' over the three year or less duration of their contract. During the summer



we pointed out that some cars could now be financed on monthly payments that were lower than the monthly contract for the most upscale mobile phone: the graphic (above right) caught quite a lot of press attention. It was only a matter of time before a car maker latched on to that equivalence, and sure enough, in September of last year Volvo announced: "Having a new Volvo XC40 will be as hassle free as having a mobile phone".

The car industry needs greater urgency here. It is aware of the threat posed by the likes of Uber, DiDi Chuxing, Lyft, Gett, and countless other ride hailing disruptors. The threat is losing the direct interface with the customer, and being displaced by new digital intermediaries into a marginal role of either producing handfuls of luxury cars for those rich enough to insist on owning one, or as the supplier of anonymous, low-margin 'pods' to those new intermediaries.

If the future is going to be about digital reactivity to provide

The image shows two vertical panels. The left panel features the text '£83 a month' in large, bold, black font, with an iPhone X below it. The right panel features the text '£79 a month' in large, bold, black font, with a blue Suzuki Celerio 1.0 SZ2 car below it. Both panels have a light blue background and small source URLs at the bottom.

mobility on demand, with revenue dependent on millions of micro transactions, then OEMs need to get working on it. Transactional capability across diverse digital platforms will be key — and the 'joined upness' of finance, quotation, and fulfillment within a seamless and positive brand experience becomes an existential necessity. ●

¹ 'Mobility Services – Our offers', daimler.com, <http://bit.ly/2HktDqQ>

² 'Groupe Renault is Preparing the Mobility Services of the Future with the Alliance Ventures Fund', group.renault.com, <http://bit.ly/2HkxUdS>

³ 'Toyota to Establish New Mobility Service Company', toyota.co.jp, <http://bit.ly/2HgLIpw>

⁴ 'Ford Smart Mobility Llc Established To Develop, Invest In Mobility Services', media.ford.com, <http://ford.to/2Hj7gSy>

⁵ 'MOIA – the Volkswagen Group's new mobility services company', volkswagen-media-services.com, <http://bit.ly/2sFur6r>

⁶ Media.volvo.com, 21/09/2017, <http://bit.ly/2hRvVp2>

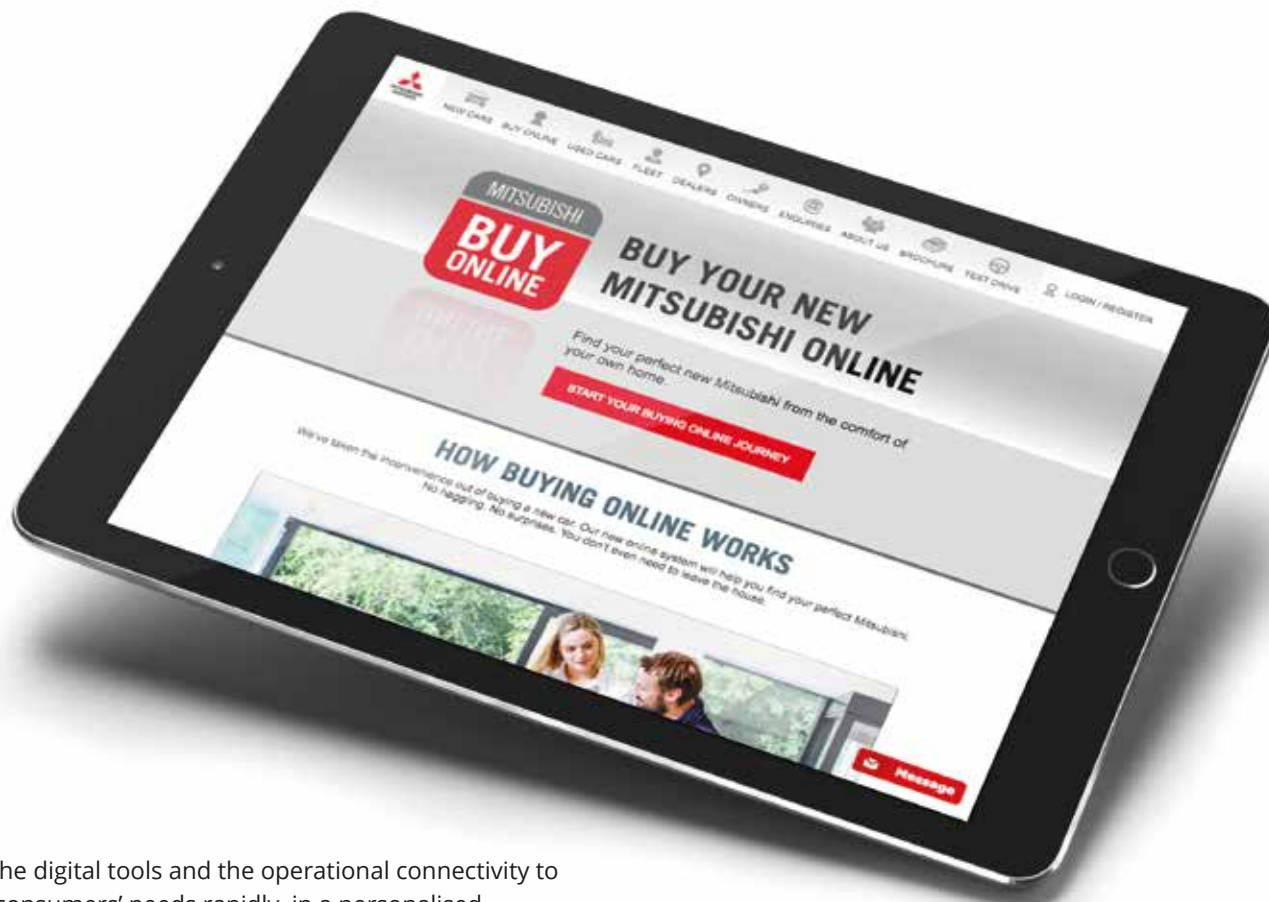
Ensuring transactional capability

Integrating finance and click-to-buy functionality into digital platforms helps future-proof car brands

But in the area of 'transaction' there is considerable divergence between reality and what would be desirable. During the summer Sophus3 conducted an online audit of car brands' current capabilities in the area of vehicle finance. Given that the car market's positive growth in this recent period has been built on the availability of often complex credit mechanisms, we found that car brand sites were often flawed in their ability to even commence interaction with the consumer in this area. For example barely half of the 40 sites we reviewed offered a 'request a quote' feature to visitors and only 15% allowed them to complete an end-to-end finance application through the site.¹

Similarly progress in the area of direct sales – 'Click to buy' – seems to have stalled. During 2017 no volume manufacturers joined BMW, Hyundai, Peugeot, Smart and JLR in offering consumers online car purchase within the European market. In the UK however Mitsubishi did join this select club, whilst Volvo's new Polestar brand appeared on the horizon which will follow an exclusively online sales model when it enters the European market in 2019.

Selling cars online is of course a very different business model from the future mobility services we have been talking about, but the importance here is the organisational rethink it requires. The brands that have established a digital sales channel are the ones best placed to move to a future service model because they



have the digital tools and the operational connectivity to meet consumers' needs rapidly, in a personalised manner and with minimal friction. ●

¹ Finance pages survey – are they 'fit for purpose?', sophus3, September 2017, <http://bit.ly/2g8MlbV>

Experimenting with new retail formats

New retail formats follow the customer and have a strong digital dimension

Car brands have made good progress in exploring new retail formats, looking to recentre their activities where consumers are and in a more welcoming format than the traditional dealership. Volkswagen is one of a number of brands to have opened city centre outlets where there is a large footfall. Volkswagen's Birmingham Store opened in the Bullring Shopping Centre in July. The assistants are trained product specialists, many from non-automotive retail backgrounds. The approach to customers is 'non-coercive'. The open shop front has just two cars on display, therefore much of the content and experience within the shop is digital. That is the key difference from a conventional dealership where the perception is that it is an endpoint to 'close' a sale. These new stores are positioned as a contact point with consumers, establishing awareness and, possibly, a connection that is as likely to be continued online as offline. In a sense they blur that distinction through a continuity of content and brand experience between the two domains, real and virtual. ●



Brands are also experimenting with different 'pop-up' initiatives exploiting temporary opportunities to present their brand and products at events or seasonal locations. This Lexus pop-up operated during summer 2017 by Lake Balaton in Hungary. This is a prime summer destination for wealthy East Europeans and the Lexus temporary showroom had a two storey modular showroom to welcome potential customers, offer them refreshments and allow them to view and experience more than half a dozen new models.



Alibaba is promising to make buying a car “as easy as buying a can of Coke” through the construction of car vending machines. Buyers can choose a car through their smartphone, have their credit rating approved, make a 10% down payment then unlock the car and drive it away.

Watch and learn from China

China is fast becoming the leader in automotive digital marketing

General Motors’ departure from the European market during 2017 with its sale of Opel/Vauxhall to the PSA group was in many ways symbolic of the seismic changes taking place within the global automotive industry. As the US industry becomes more inward looking so China appears to be replacing it as the automotive market to watch and learn from. China is not only the largest car market in the world, its industry is a crucible of both technical and digital innovation.

It is positioning itself to be dominant in the EV market and to win the IP stranglehold over the technology that Western companies enjoyed over the internal combustion engine. It already builds more than half a million EVs a year.

But in the digital arena the Chinese car industry is even further ahead. Online car sales reached 1 million units in 2016. On the 11th of November last year – ‘Singles Day’ the

equivalent of Black Friday – car companies sold over 100,000 vehicles online in a 24 hour period through Alibaba’s ‘Tmall’ ecommerce platform.¹

Neither is China slow in developing new mobility models. DiDi Chuxing has just launched a new-energy car sharing platform² in partnership with 12 automakers including the Renault-Nissan-Mitsubishi Alliance, and Kia. The ride sharing company already claims 450 million users across China. ●

¹‘Carmakers get creative to target China’s \$15bn online auto market’, Financial Times (paywall), 3/12/2017, <http://on.ft.com/2C3b1fu>

²‘DiDi launches open car-sharing platform, partners with 12 top automakers’, company press release, 7/02/2018, <http://bit.ly/2C3Gpuu>



Realising that ‘driverless’ is round the corner

The first autonomous car service is just months away

The looming technological upheaval that threatens car makers is the arrival of fully driverless cars. Only two years ago this seemed like a relatively distant development, but recent announcements move the status closer to imminent. In January General Motors said that it plans to begin mass production of cars without steering wheels by 2019. Ford has signed agreements with Domino's Pizzas and Lyft to deliver services with autonomous cars which will go to market in 2021. Nissan is trialling a fleet of Robo-taxis in Yokohama from March 2018. Volvo is

"No government wants to be sidelined in the race to become an attractive environment for autonomous tech companies to grow their operations."

partnering with Uber to deliver a fleet of potentially 24,000 vehicles for a driverless ride hailing fleet. But it is Waymo, Google's autonomous development sibling, which looks set to launch the first driverless services – starting in Phoenix later this year, having received its permit as Transportation Network Company.

Not only has the speed of the development of this technology surprised many, it has also outstripped the development of the policy and legislative frameworks that will need to be in place before the technology can go into public use. The main development we can expect to see this year is a rush by national governments to legislate to allow, at the very least, testing of these vehicles on their roads. No government wants to be sidelined in the race to become an attractive environment for autonomous tech companies to grow their operations. In January the US Transportation Secretary, Elaine Chao, announced that the US government would be removing 'roadblocks' to the adoption of driverless technologies. In Germany, an ethics committee has been working with regulators to draw up rules for how these vehicles should be programmed. The UK government has committed further funds to its Connected and Autonomous Vehicle (CAV) programme to set up development and testing hubs for driverless tech.

Autonomous technology it is clear will turn the automotive world upside down. It further undermines, if not kills completely, the existing model of car ownership by increasing the attractiveness of shared/hailed services. It demands massive near term investment in technology for any OEM which wants a chance of even being present in the future vehicle market. At a stroke 'driverless' renders core propositions of the industry meaningless: what is the utility of a slogan like 'the ultimate driving machine' in that future world? ●

Avoiding Schadenfreude

Learn from rather than delight in others' misfortunes

Some in automotive will have derived pleasure over the last year at the pain endured by companies seeking to usurp their incumbency. It is perhaps difficult to suppress a grin at Tesla's woes as it struggled to meet the pre-orders for its Model 3, learning the hard way that it is good to understand and master a manufacturing process before you seek to disrupt it. Others will have been gleeful at the setbacks suffered by Uber as it lost its operator's license in London, and was effectively banned from Denmark, Bulgaria and Italy.

"Uber and Tesla might yet fail but the new business models they represent have clearly found favour with consumers."

But it would be unwise to gloat; the threat underpinning these entrants is considerable. Uber and Tesla might themselves yet fail – Uber becoming the 'MySpace' of ride hailing, and Tesla the Betamax of EVs – but the new business models they represent have clearly found favour with consumers. If they fail others will succeed them. Again the existing car industry needs to watch and learn from these and future insurgents. They need to understand that any Canute like wish to obstruct change will fail, and that they themselves need to be the agents of and beneficiaries from that change. ●



Conclusion

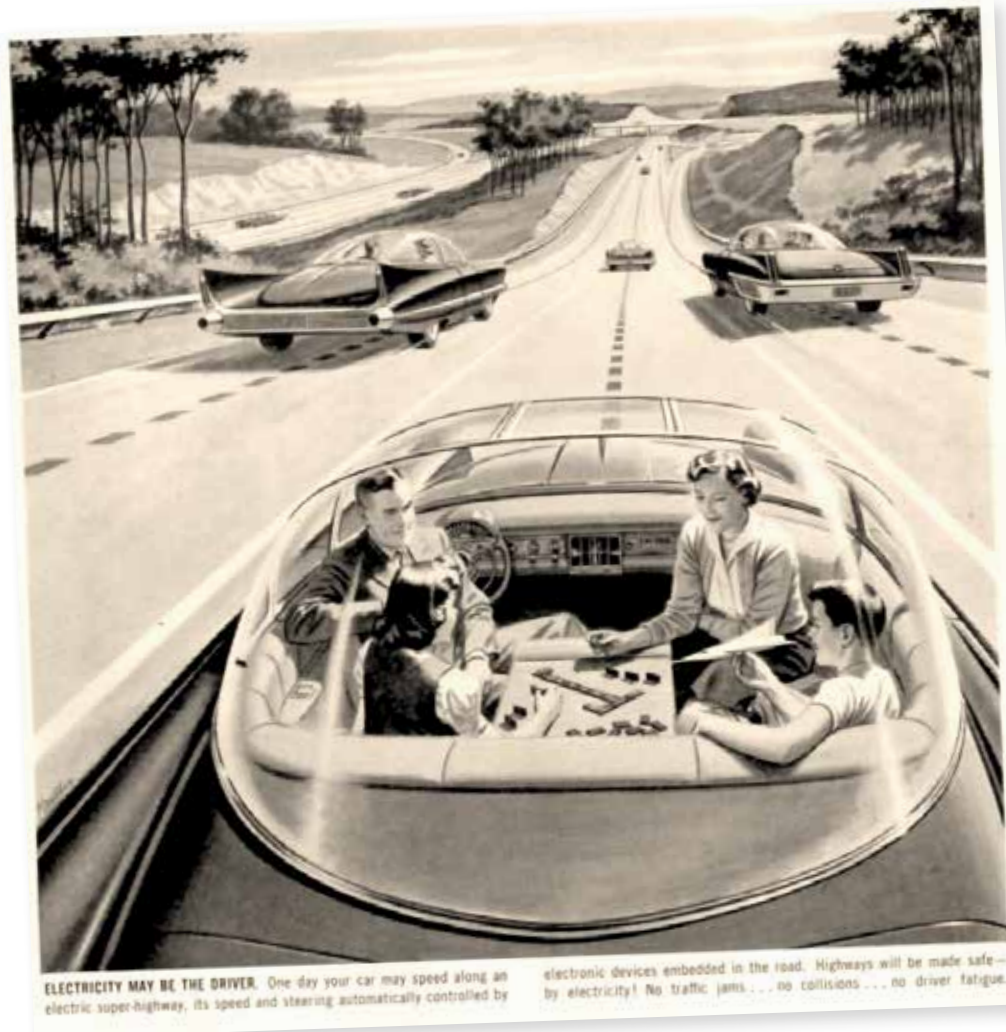
The short term presents many challenges that may distract from clear strategic thinking

There is much for us to think about as the automotive industry approaches this period of almost unprecedented change. But, as ever, it is difficult not to get sucked into and distracted by short term considerations and near focus events.

The year has barely begun and global markets have already felt the ominous tremors of 'a correction' that may signal more serious economic woes ahead. As it is, European car market forecasts for the year are hardly rosy, with most growth predictions of less than 1%. The UK market is expected to slump further, dropping by 5.6% from last year's level. Brands that have until now enjoyed a large share of diesel sales are staring into the unknown: the forecast for the UK is that sales of this fuel type will be 30% lower than they were in 2016.

Other events offer yet more uncertainty: the Italian election in March promises to be 'interesting', the introduction of the General Data Protection Regulation (GDPR) in May will be challenging to digital marketers, the implications of the final terms of 'Brexit' will be awaited in the autumn with much trepidation within the car industry.

Yet with all these things going on, now more than ever, there is a need for some quiet reflection, so that activity not only counters immediate threats, but works within a coherent longer term strategy that recognises the more serious disruptions ahead. ●



The sources of change and disruption constantly evolve and the future seldom works out how we first think it will

Driverless Car of the Future, advertisement for "America's Electric Light and Power Companies," Saturday Evening Post, 1950s. Credit: The Everett Collection.



Plan for digital success with our strategy services

Our year in review describes the significant shifts in the way car buyers across Europe are researching their purchases. The number of brands considered by consumers is continuing to increase thanks to the portability and speed of online research, making online engagement the key battleground for any brand looking to protect, or grow, their sales.

Sophus3 works with brand teams to help them to understand fully the consumer's priorities. The opportunities to influence car buyers have never been greater in this era of choice and diminishing brand loyalty.

Sophus3 draws together multiple datasets to unlock:

- Clarity on your true competitor sets
- Best practice in sequencing of information
- 'Transactional' research steps that reward engagement
- Role of concierge features such as live chat
- Configuration tools such as tax calculators

We can help give you confidence in the strategic decisions you make around online marketing and engagement design, reducing duplication and saving time. Our insight can play a crucial role in understanding your true market position and anticipating the needs of your customers.

To find out how the Sophus3 Activate team can help you to increase consideration and sales, please contact Patrick Fuller and Tania Hodgkinson on activate@sophus3.com.



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