

CREATING A HEALTHY NETWORK IN A PANDEMIC AGE

Network Planning with Simon Bradley, Global Practice Director - Network, Urban Science

Current events have put into question conventional wisdom on any number of issues within the automotive network model. Suddenly, everything from website retailing to dealership services, inventory models to placement of service centers and more are being assessed and analyzed. While the extreme nature of some of these changes may be temporary, other changes taking place in the automotive manufacturer/dealer/customer dynamic could be indicative of a more systemic transformation.

PUSH VS. PULL, GIVE VS. TAKE.

The traditional “pull” model — where automotive manufacturers and dealers try to entice consumers to dealerships based on inventory, price, experience, and/or incentives — is undergoing a 180-degree adjustment. In its place is a “push” model, where direct-to-consumer convenience takes precedence — and has only been intensified by the COVID-19 pandemic. It may be shortsighted, however, to believe that things will get back to “normal” once the virus is controlled. All indications so far point to a “push-pull hybrid” network model as the industry confronts the realities of reopening.

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ONLINE SALES: THERE'S NO "UN-RINGING" THAT BELL.

Pre-pandemic, the industry was already experimenting with online sales of their vehicles, with BMW one of the earliest to buy into the idea of an online vehicle retail platform.¹ Today, almost every major car manufacturer has created an online sales platform on their official website.

Consumers are finding a lot to like when shopping for vehicles virtually.² That includes “transparent pricing, financing choices and upfront trade-in price quotes. A return policy (from five to seven days with limited miles). Fixed pricing on additional warranties, gap insurance and other products. And contract signing in a relaxed setting, online or remotely.” Historically, convenience wins the day. As some consumers have become more familiar with the convenience of buying and servicing their vehicles online, they are not likely to want to return to the old ways of doing business. The numbers from a recent survey by Capgemini illustrate the trend: 78% see some benefit to shopping for a new vehicle entirely online versus in person.³



THE CHANGING (YET STILL VALUABLE) ROLE OF THE DEALERSHIP.

In a recent Urban Science Harris Poll study,³ it's clear that consumers could see the benefit of an online vehicle purchase process, though 93% were somewhat apprehensive about taking the entire transaction online. Their biggest concerns centered around the inability to touch, feel, and experience the vehicle firsthand, with 80% citing test drives as an example of something that cannot be replicated online.

¹ "10 Brands Are Now Selling Cars Online," <https://www.forbes.com/sites/sarwantsingh/2020/02/03/10-brands-are-now-selling-cars-online/#7f951ac51d23>

² "The Future of Car Shopping is Online: Ditch Dreaded Price Negotiations and Cut the Hassle," <https://www.usatoday.com/story/money/2019/06/28/online-car-sales-future-vehicle-shopping-web/1587285001/>

³ "Around the Bend: How COVID-19 Impacts the Next Normal for Dealers," The Harris Poll, June 2020

63%

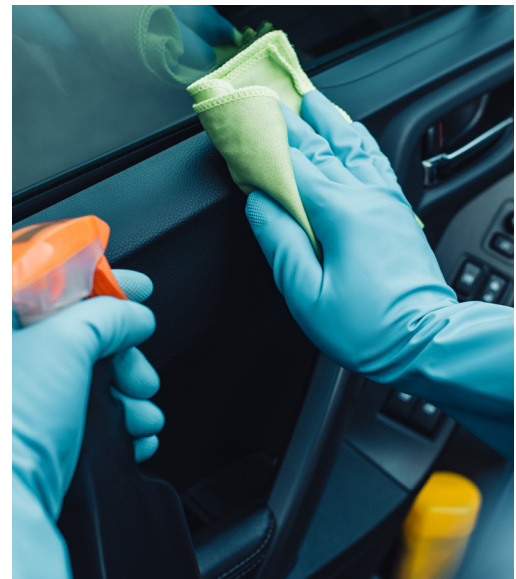
of dealers are currently considering brand experience centers to engage their consumers.



THE NEED TO IMPLEMENT NEW SAFETY AND BUSINESS PROCESSES GOES BEYOND THE PANDEMIC.

As businesses begin reopening, the role of network management becomes both more critical and more complicated. With states and municipalities varying on the extent of what they will or will not allow regarding consumer/business engagement, there is no one-size-fits-all solution.

Regarding safety, at a minimum, every vehicle sold or serviced at dealerships (or delivered to customers via home services, such as pickup-and-delivery) will have to undergo a mandatory sterilization process. Depending on the state and shopping timeframe, dealership staff (and consumers shopping at dealerships) will need to take state- and/or business-required precautions before person-to-person interactions can take place.



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On the business side of the equation, questions abound. How will auto manufacturers assess and meet pent-up demand across states and municipalities? How will network planning accommodate the shifting tastes of consumers for interacting with dealers? Will vehicle maintenance — which in many cases needed to be deferred due to the pandemic — shift even further to third-party, independent repair facilities due to the relative convenience they offer? What will define the vehicle ownership experience if sales are conducted online or off-premises, and if service business is lost to third-party service providers?



HEALTHY NETWORKS MEAN HAPPY CUSTOMERS.

That sentiment is proven and time-tested. As the scales increasingly tip toward customer satisfaction and its impact on the bottom line, planning networks to efficiently deliver these services becomes crucial with more considerations to the network planning process today than ever before. Fortunately, network studies allow for simulations and modeling to test theories before implementation.

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The number and location of dealerships within a network have always been key drivers of sales success, and network studies add clarity and insight into identifying essential points for adequate brand representation. Every successful dealer lives by the adage, “the customer is always right,” and expert network planning ensures your network is conveniently right there for them when they need you.



THE OBJECTIVE POWER OF SCIENCE.

It all comes back to the science. Since our founding, we’ve been a force for change. Our process of looking beyond what we know to what we discover through science continues to serve us and our clients very well.

At Urban Science, our proven, scientific approach to planning has continued to improve and evolve over the last four decades and is flexible to accommodate current and future trends. It’s an approach that stays ahead of the technological curve to help OEMs improve the performance of their dealership networks and continues to be the industry standard.

If you’d like to talk to someone about Urban Science and the power of the Network Planning, call or email me. And let us show you how we can apply the power of science to your challenges.

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