

CUSTOMER NEEDS IN TIMES OF CRISIS

Lessons and challenges
from the automotive industry

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Like all industries where a key component of service delivery is conducted face-to-face, the unprecedented COVID-19 pandemic requires that automotive manufacturers and dealerships immediately adapt; that they re-tool their sales and service processes to align with the seismic shift in the needs of customers who are now acutely mindful of protecting their health and well-being. It also requires that they accurately foresee which customer needs will be 'sticky' long after the current crisis abates¹.

Like banking, hospitality, and other retail sectors, for decades the heart of automotive service delivery has relied on face-to-face interactions conducted at franchised retail outlets. Although industries such as banking have become adept at leveraging new retail technology that supports digital service channels, the automotive industry has been far less progressive on this front, in part because investments in technology typically require funding by individual dealerships. Successful automotive manufacturers and dealerships will seize this unexpected turn of events as an opportunity to engage more deeply, albeit differently, with their customers. While channels for customer communication may change, they must remain open.

From customer experience (CX) strategists and practitioners to those in the front lines of service delivery, what can we learn by taking a closer look at how the automotive industry has reacted so far to this challenging new global landscape?

This paper provides insights into the automotive industry on adapting to rapid shifts in customer expectations, finding new ways to stay connected to customers, and re-shaping retail facility and customer handling processes to deliver a customer experience that continues to live up to the brand promise.

A CHALLENGING GLOBAL LANDSCAPE FOR AUTOMOTIVE DEALERSHIPS

In many markets, mandated lockdowns have substantially disrupted automotive production and supply chains. Some dealerships elected to close their sales department, while service operations remained open. In the US, where dealership operations are more decentralised, most stores have been working to maintain 'normal' sales and service operations despite operating with a skeleton crew.

Dealership operations in many parts of the world have been restrained not only by mandated closures, but also by internal operational limitations. In Europe, some dealerships have adapted their processes to comply with social distancing measures and accelerated investments in e-commerce. However, not all European dealerships have made sufficient investments yet in setting up the infrastructure required to conduct most of their business online. Furthermore, difficulties in tracking inventory or connecting with customers online led some dealerships in France, Italy, and other countries to cease operations during the most critical periods of the pandemic.

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HOW HAS COVID-19 AFFECTED AUTOMOTIVE CUSTOMER NEEDS AND BEHAVIOUR?

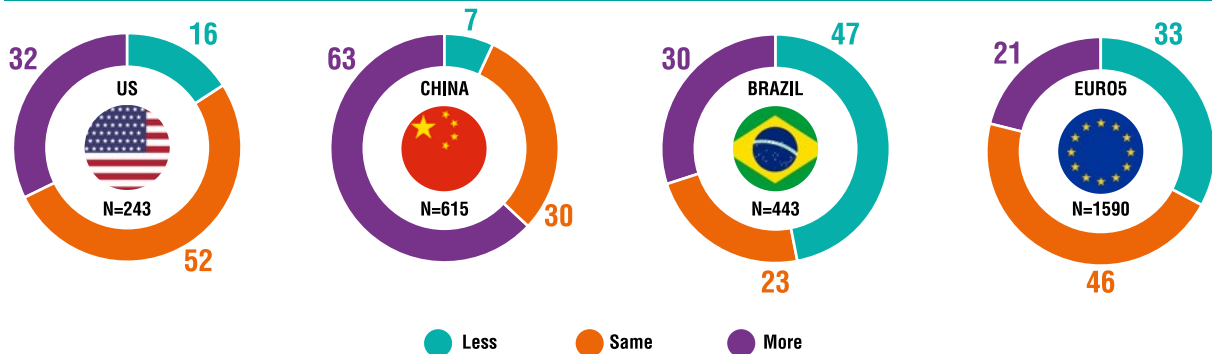
It is not all bad news for the auto industry. In the US, online automotive searches and dealer website traffic is up. A recent global Ipsos study of new vehicle purchase intenders found that many pre COVID-19 purchase intenders are even more likely to purchase a vehicle as they see increasing signs that the outbreak has subsided, particularly in China (see Figure 1)². Conversely, consumers in Brazil, the UK, France, Germany, Italy, and Spain have more reservations about making a future vehicle purchase.

Where pent-up demand exists, it is often driven by the need to feel safe and protected (see Figure 2). Consumers increasingly prefer to travel in personal vehicles to avoid potential contagion from public transportation and other

shared mobility. Additionally, an Ipsos study of Chinese automotive consumers found that they have become more interested in health-related vehicle features (A/C systems with germ filtering, antibacterial interior materials, etc.) and are seeking out low-contact ways of new vehicle shopping³.

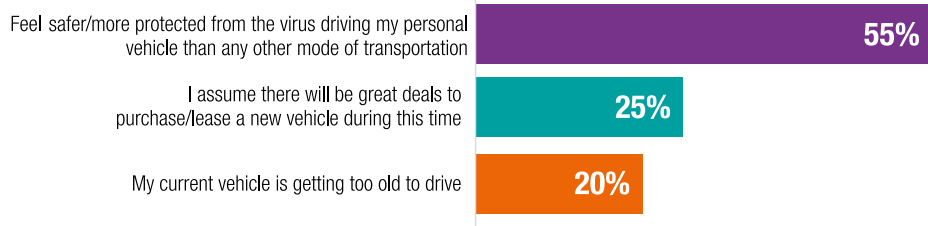
To develop targeted products and effective marketing and service delivery channels under these conditions, it is critical to understand changing consumer requirements, behaviour, and future intentions. To adapt to the 'new normal', consumers are re-orienting their actions and decisions toward remaining healthy. This results in a heightened sensitivity to cleanliness, personal hygiene, and social distancing.

Figure 1 Purchase vehicle intention impact after COVID-19 outbreak



Source: Ipsos COVID-19 Impact on Auto Global Study

Figure 2 Top reasons to maintain/increase purchase interest



Source: Ipsos COVID-19 Impact on Auto Global Study

STAYING CONNECTED TO CUSTOMERS DURING THE GLOBAL CRISIS

As consumers feel increasingly vulnerable during this time of uncertainty, they still want – maybe even more so – opportunities to stay connected with their favourite brands and businesses. To stay connected with their customers, many auto brands and dealerships are shifting advertising funds to support digital channels.

Although some dealerships have been slower to embrace technology, many are becoming more creative in leveraging the many digital tools available to reach out to customers. Some have conducted email blasts to inform customers about closures, new processes and hours of operation, as well as the best way to reach their sales and service contacts. Others have taken this a step further by using their website and social media to provide more heartfelt messages and alert customers of the additional precautions being taken to safeguard their health. And out of necessity, many dealerships are exploring potential low-contact technologies that can replace face-to-face communications, such as email, text, telephone, online messaging, or video chat.

Having a proactive, multi-phased customer communication strategy in place makes it easier to show customers how you are taking decisive action based on concern for their welfare. Some dealerships have reported a higher volume of enquiries than usual after adding videos or other engaging content on their websites or sending emails that include photos or video.

Unfortunately, it is apparent that at store level, customer communications are inconsistent, even across dealerships of the same manufacturer. Many OEMs appear to be struggling with how to roll-out a cohesive customer communication strategy globally, in a short time frame, under rapidly changing conditions. Within the US, some dealership websites directly state the actions they are taking to ensure the safety of their customers and employees, such as keeping vehicles sanitised and offering online test drives and vehicle delivery. Other dealership websites indirectly convey that they are taking additional precautions, while others still do not acknowledge the crisis in any way.



ADAPTING DEALERSHIP FACILITY AND CUSTOMER HANDLING PROCESSES

During times of great turmoil, consumers often feel powerless to control their environment. A recent US Ipsos omnibus survey showed that consumers value businesses who have made timely adaptations to their facilities and customer handling procedures, rather than waiting until compliance is mandated⁴.

Toward this end, dealerships have been feverishly re-evaluating their facilities, sales and service processes, and customer handling policies. What new practices are automotive dealerships implementing in response to the COVID-19 crisis that can be adapted to other retail sectors? Where has automotive lagged behind other industries? And how well do the changes being implemented keep customers happy while supporting new social norms such as social distancing and government directives such as sheltering in place? Like grocery and other retail customers, automotive sales and service customers are quickly embracing new contactless options such as pick-up and delivery. As the initial epicentre of the global pandemic, many Chinese dealerships were able to successfully transition to an entirely contactless, online sales process. This was achieved by leveraging virtual showrooms and vehicle displays, live streams, videos, and illustrations, in addition to offering relevant new services such as professional vehicle antibacterial disinfection.

In the wake of the pandemic, customers are exponentially more aware of the cleanliness of all aspects of the dealership facility (particularly the showroom, lounge, and restrooms) and any objects they are likely to encounter during their visit (such as furniture, pens, or employee hand-held tablets). Formal procedures should be implemented for sanitising showroom displays, waiting areas, test drive vehicles, and all serviced vehicles. There is little cost associated with many safety measures, such as making amenities like hand sanitiser, masks, and tissues readily available, but huge risks in not implementing. To further mitigate risk, dealerships and other retail outlets can step up third-party facility audits to ensure continued compliance to new on-site health and safety policies.

Generally, customers appreciate that dealerships have been able to implement preventative measures without sacrificing customer service or the friendliness of the environment. Additionally, when service advisors set more realistic timing expectations up front, customers are generally less critical of any increased time it may take to complete service due to new post-service vehicle disinfecting procedures. Aware of the increased complexity of customer and vehicle handling required at this time, most customers are willing to prioritise safety over speed.

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IN SALES, CONSIDER:

- Consulting with new vehicle shoppers via phone or video chat
- Offering a virtual showroom or virtual tours of vehicle models of interest
- Providing home drop-off and pick-up for extended test drives that allow the customer to drive unaccompanied by a salesperson, or consider virtual reality test drives
- Completing paperwork online using remote credit authorisation and email signatures; alternatively, completing the finance and insurance process and vehicle delivery at the customer's home
- Deferring payments on new cars
- Offering extended trials of subscription-based in-vehicle safety related services.

IN SERVICE, CONSIDER:

- Scheduling service appointments by web, phone or apps such as WhatsApp
- Offering free vehicle pick-up and delivery for all service customers (both luxury and non-luxury brands)
- Staggering service appointments to limit the number of people in one space at any one time
- Using floor markers and plastic barriers between service advisor desks and the cashier area to encourage social distancing
- Giving customers the option to drop-off their vehicle in open, outdoor areas of the dealership
- Rearranging furniture in the waiting area to allow for sufficient distance
- Providing an outdoor or open-air space where customers can wait for their vehicle to be serviced
- Having more service advisors available by phone or email
- Posting videos of DIY service tips (such as how to check tyre pressure)
- Offering online service and parts payment
- Extending service warranty packages.



TRANSPARENCY GOES A LONG WAY IN CUSTOMER RELATIONS

There is no need to shy away from messaging that directly references coronavirus. In automotive as well as other retail environments, stores should ensure that front-line personnel are consistently reinforcing their commitment to safety. Social distancing behaviours are still new and possibly unsettling to some customers. Clearly communicating new protocols such as social distancing and avoiding handshakes, will prevent customers from interpreting new employee behaviours as aloof or unfriendly.

Preventative measures being taken by store employees should be visible to customers. Wear masks and gloves when appropriate – customers are quick to notice who is and is not doing this. Clean and disinfect the showroom and lounge periodically throughout the day while customers are present; they feel safer when they can directly observe employees cleaning and disinfecting high-contact facility surfaces, as well as cleaning their vehicles (including door handles, the steering wheel, and key fobs). Conduct audits of health and safety measures undertaken and share the results with customers to demonstrate compliance.

MEASURING RAPID SHIFTS IN THE CUSTOMER EXPERIENCE IN AN UNCERTAIN BUSINESS CLIMATE

Measuring the customer experience and evaluating store level effectiveness is never more important than during times of great social upheaval. What should corporate, field, and front-line store personnel – really, anyone charged with executing, measuring, or improving the customer experience – focus on to stay abreast of changing customer needs and to assess store performance?

We advise our automotive clients – as we do those in other retail environments that have relied heavily on in-store service delivery – to start by ramping up analysis of their existing data and review research programmes to ensure they are truly fit for purpose:

- Track CX and operational KPIs more closely – monitor trends in metrics such as overall visit satisfaction, store recommendation, website hits, online inquiries, or showroom traffic on a daily or weekly basis (not monthly or year-over-year) to keep abreast of trends and assess whether targets may need to be adjusted
- Conduct key driver analysis for early identification of shifts in customer priorities to identify where to focus your efforts during this time
- Leverage text analytics to uncover specific customer concerns and store performance issues, provide qualitative insights on the underlying emotional

dimensions of the customer's experience, and assess the impact of these nuanced dimensions on KPIs

- Reassess your CX measurement and management ecosystem – do your current listening posts and surveys fully capture the customer journey (for example, contactless off-site interactions such as video chat or new pick-up and delivery processes)?
- Institute and link ongoing mystery shopping and store audit programmes to confirm that both in-store and off-site delivery channels are performing to defined company standards of health and safety and service delivery
- Integrate CX data with customer, employee, store, and other operational and financial metrics to more effectively drive actions that best achieve desired business outcomes
- Embed insights throughout the organisation to inform strategy, set realistic growth targets, and shape workforce plans to meet evolving customer needs
- Maintain a laser-like focus on providing 'right sized' or even improved customer experiences.

In a rapidly changing consumer landscape, integrating your CX data with social, employee, operational, and other metrics allows for even more targeted analysis to assess root causes of performance issues and customer churn. Also consider how you can solicit employee feedback on what is needed on the front lines based on what they are experiencing first-hand.

CX strategists and practitioners should also evaluate how changes in your processes for purchasing and servicing products impact the relevancy of your Voice of the Customer (VoC) surveys. In automotive, it is important to assess whether your VoC surveys still measure the sales and service touchpoints that most highly impact loyalty and advocacy. Are you able to identify which customers completed

their purchase online or had vehicle service pick-up and delivery? Can you evaluate the performance of different service channels? Companies in automotive and many other industries are re-vamping their research surveys to solicit more targeted feedback on the effectiveness of new in-store processes and digital vehicle purchase, service, and communication channels.

TAKING A LONG-TERM VIEW

What does a post-COVID-19 world look like in automotive and other industries that have traditionally relied largely on brick and mortar stores for service delivery? What customer needs are only transitory during a time of social and economic upheaval, and which will retain a permanent foothold?

Well before the advent of the coronavirus pandemic, pressure has been building to modernise key automotive sales and service processes to adapt to the needs of an increasingly time-crunched and tech-savvy consumer base. Expect that the shift to digital communication channels will likely persist in the post-pandemic world for both safety and convenience reasons. The current global crisis is simply accelerating the rate at which customers expect dealerships to adopt new contactless, time-saving technologies. Now that they have experienced a taste of contactless transactions at their dealership, customers may come to expect this new way of doing business to stay, particularly as they have noticed its adoption across groceries, financial services, and other industries. In fact, many dealership sales customers say they were pleased to discover that taking advantage of at-home test drives and delivery and completing paperwork online

shortened their buying process. Dealerships who embrace digital and other off-site operations for sales, service, and marketing are most likely to thrive post-pandemic.

Other potential changes in consumer behaviour that may impact customer handling well into the future include:

- An unrelenting fear of contagion may lead customers to feel safer communicating at a distance with people they don't know
- Social distancing may become the 'new normal', leading to a sustained need for more personal space, evidenced by less person-to-person contact, standing or sitting further away from other people, and a dislike for enclosed places
- A sustained prioritisation of community service may lead to a greater appreciation of businesses that are perceived as good corporate citizens and active members of the community.

Dealerships who embrace digital and other off-site operations for sales, service, and marketing are most likely to thrive post-pandemic.

SHAPING THE CUSTOMER EXPERIENCE IN AN UNCERTAIN WORLD

While times of crisis present unique business challenges, they can also act as an agent for needed change among companies that use the learnings to direct resources toward delivering an enhanced customer experience. In the case of the automotive industry, the COVID-19 pandemic is forcing them to catch up to other sectors in communication technologies.

By identifying challenges faced by the auto industry in adapting to changing customer needs and business conditions, and revealing the ways many are re-shaping service delivery beyond their storefronts, we are able to highlight opportunities for automotive and other industries

to adapt to the changing global landscape so they can continue to deliver a customer experience that fulfills the brand promise.

Ipsos' goal is to guide our clients during these turbulent times and prepare them for the future opportunities that will emerge on the other side of this crisis. Ipsos positions our clients to adapt and act decisively in uncertain times. We can help you understand customer needs in the current global context and provide reliable, relevant, and actionable data and insights to manage present challenges and move forward with confidence.



REFERENCES

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2. <https://www.ipsos.com/en-us/news-polls/Automotive-Purchase-Intention-Driven-by-COVID-19-Social-Distancing-Concerns>
3. <https://www.ipsos.com/en/impact-coronavirus-new-car-purchase-china>
4. Ipsos CX Brand Benevolence Study

FURTHER READING

- The Forces of Customer Experience – The science of strong relationships in challenging times
<https://www.ipsos.com/en/forces-customer-experience>

LISTENING

- Customer Perspective: An Ipsos podcast
<https://www.ipsos.com/en/customer-perspective-ipsos-podcast>
- Reopen with Confidence: Ensuring consumers feel safe
<https://www.ipsos.com/en-us/knowledge/customer-experience/Reopen-with-Confidence-Ensuring-Consumers-Feel-Safe>

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