COX AUTOMOTIVE

Reimagining the Automotive Consumer Experience

FEBRUARY 2020

Today's experience needs to evolve!

36% of **consumers** are *very satisfied* with their vehicle dealership[1]

89% of **dealers** agree they must find alternative ways to sell and service vehicles if they want to survive[2]

1 Source: 2019 Cox Automotive Future of Consumer Experience
2 Source: 2019 Urban Science, Consumer & Dealer Perceptions on the Future of Automotive Networks

Re-imagining the automotive consumer experience…

…to both minimize pain points in the process and explore ways to deepen consumer relationships with OEMs & dealers

Phase 1

Talking with Consumer Experience Experts & Futurists

Phase 2

Co-Creating with Trailblazing Consumers in "Dream Labs"

Phase 3

Measuring Appeal of Forward-Focused Concepts Among Consumers

29 concepts tested

2,000 consumers

Top 3 Findings

#1

The vehicle **acquistion and service** touchpoints provide the largest opportunity to **remove unwanted friction *now***

#2

Today's consumer still wants **immersive, high-touch experiences** when researching vehicles

#3

Pay attention to **Trailblazer consumers** who point the way to a more **high-tech, personalized future**

#1

The vehicle acquisition and service touchpoints provide the largest opportunity to remove unwanted friction now

Creating frictionless experiences is a focus across many industries

Consumers are used to easy shopping and buying experiences…

…and expect them even in complicated categories like automotive and real estate

Food Delivery

Uber Eats offers a seamless food ordering and delivery service that is fast and constantly updates the user with an ETA for the delivery

Apple/Android Pay

Apple Pay and Android Pay allow users to pay for everyday purchases with their smartphones instead of a physical card by "tapping" their smartphone to a card reader

Rocket Mortgage

Quicken Loans offers an instantaneous way of getting a mortgage for new home buyers at the push of a button

Carvana

Carvana offers the ability to get a trade-in offer in minutes, and someone will even come to you to pick up your old car in exchange for money or your new car

Service and acquisition take the most energy from consumers

Consumer Perception of Effort Required Across Automotive Experience Touchpoints

Pre-concepts

(1 = Requires no effort; 10 = Requires a lot of effort)

Service	Acquisition	Research	Test Drive	Ongoing Brand Relationship
7.17	7.05	6.88	6.52	4.80

New concepts can make service and acquisition the most frictionless touchpoints of the experience

Consumer Perception of Effort Required Across Automotive Experience Touchpoints

Post-concepts

(1 = Requires no effort; 10 = Requires a lot of effort)

Research	Test Drive	Ongoing Brand Relationship	Acquisition	Service
5.29	4.93	4.58	4.49	4.07
(-1.59)	(-1.59)	(-0.22)	(-2.56)	(-3.10)

Average Reduction in Level of Effort **-1.81**

( ) = Reduction in Level of Effort

4 of the top 5 most appealing concepts would address pain points in the service and acquisition part of the experience

Top Appealing Concepts Across all Touchpoints

Concept	Touchpoints
Service Drop-Off & Pick-Up + Loaner	SERVICE
Purchase Vehicle Swap/Return	ACQUISITION
Test Drive Delivery	TEST DRIVE
Purchase Vehicle Delivery	ACQUISITION
At-Home Maintenance	SERVICE

The most appealing concepts also have the greatest impact on friction

Top Appealing Concepts Across all Touchpoints

Concept
Service Drop-Off & Pick-Up + Loaner
Purchase Vehicle Swap/Return
Test Drive Delivery
Purchase Vehicle Delivery
At-Home Maintenance

Top Friction Reducing Concepts Across all Touchpoints

(1 = Requires no effort; 10 = Requires a lot of effort)

Reduction in Level of Effort	Concept
-3.29 **(7.17 to 3.88)**	**Service Drop-Off & Pick-Up + Loaner**
-3.27 **(7.17 to 3.90)**	**At Home Maintenance**
-3.23 (7.17 to 3.94)	Remote Vehicle Updates
-3.19 **(7.05 to 3.86)**	**Purchase Vehicle Delivery**
-2.97 (7.17 to 4.20)	AI Service Notifications and Warnings
-2.86 **(7.05 to 4.19)**	**Purchase Vehicle Swap/Return**
-1.81	**Average Reduction in Level of Effort.**

Adopting at least one of these new concepts could help conquest new customers from the competition

80%

*of consumers would **switch to a brand** that offered one of these top concepts*

Source: 2019 Cox Automotive Future of Consumer Experience

#2

Today's consumer still wants immersive, high-touch experiences when **researching** vehicles

"Almost every retailer is now thinking about frictionless and sticky. ***Where are the moments that we want high, empathetic, human contact****, and where are the moments where we* ***want to make it so easy that you'll just almost buy things without even thinking about it."***

–CHRISTIAN DAVIES, ***Managing Director, Creative Marketing Group at Verizon***

Consumers want to move beyond just a transactional relationship

62%

of consumers **want a relationship with their dealer** that extends beyond a simple transaction (friend, mentor, advisor, or partner)

Source: 2019 VinSolutions Technology and Transformation of Retail

Consumers want to focus on the fun aspects of the shopping experience

83%

of consumers want to complete at least **one step of the purchase process online**

60%

of consumer would **use the time** saved by moving parts of the purchase process online to **get to know the vehicle more**

Source: 2017 Cox Automotive Future of Digital Retail Study

There's an opportunity to connect with consumers in a different way

62% of consumers still want **help from the dealership staff**

61% of consumer want help from a **product specialist** instead of a salesperson

Source: 2017 Cox Automotive Future of Digital Retail Study

The research touchpoint should be highly engaging

Brand Experience Centers

Locations where you can view vehicles and get guided tours on all of the vehicle features from trained individuals who are considered experts on the vehicles they are sharing (not salespeople)

"It would be a no pressure situation and would motivate me to learn more on my own about the brand and possibly motivate me to purchase it."

50%
would switch to a brand that offered this concept

70%
Provides more information

56%
Creates more confidence in purchase

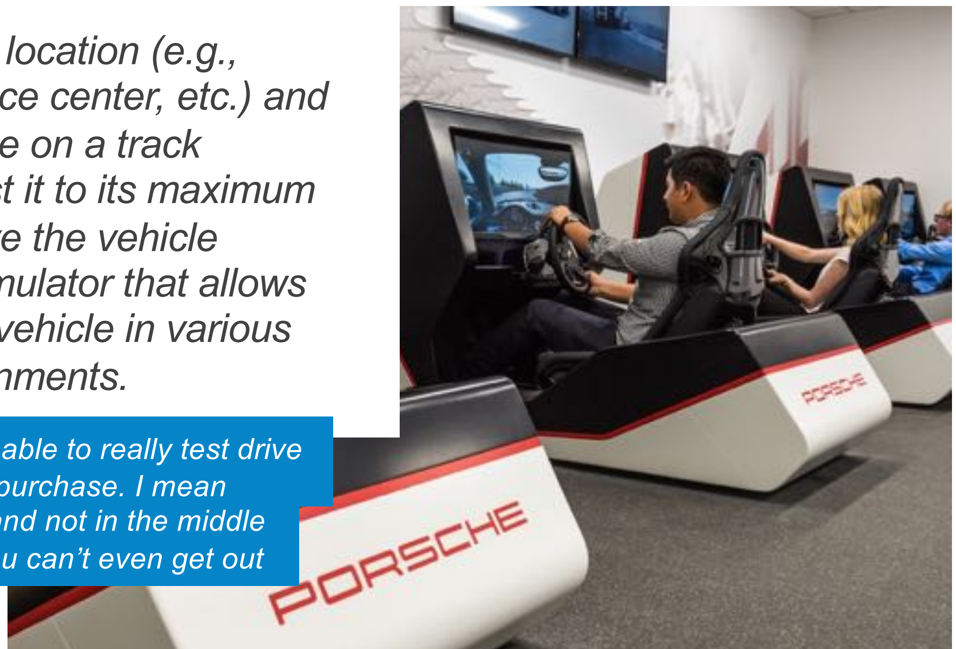
43%
Increases trust with brand

The trial touchpoint should also be immersive

Immersive Test Drive

Visit a physical location (e.g., brand experience center, etc.) and drive the vehicle on a track designed to test it to its maximum capacity or drive the vehicle virtually in a simulator that allows you to test the vehicle in various types of environments.

"I would love to be able to really test drive a vehicle before a purchase. I mean really test the car and not in the middle of a town where you can't even get out of first gear."



52%
would switch to a brand that offered this concept

54%
Provides more information

53%
Creates more confidence in purchase

53%
Increases trust with brand

#3

Pay attention to Trailblazer consumers who point the way to a more high-tech, personalized future

Trailblazers are the average consumers of the future

47% of Trailblazers are **Gen Z / Millennials**

(vs. 36% of Average Consumers)

63% of Trailblazers are **very open** to switching vehicle brands in the future

(vs. 37% of Average Consumers)

Source: 2019 Cox Automotive Future of Consumer Experience

Trailblazers find more tech-forward concepts significantly more appealing

Appeal Difference with Trailblazers vs Average Consumer

	Difference
Virtual Reality Test Drive *Simulator that demonstrates how the vehicle feels during different road and weather conditions*	+30%
Vehicle Voice Search *Search for a vehicle via voice commands on a personal assistant device*	+30%
AI-Enabled Vehicle Predictor *Recommendations on when and what vehicle to purchase based on vehicle and personal data*	+29%
AI Lifestyle Integration *Vehicle fully integrated into life and smartphone contents to help with tasks and offer promotions*	+28%
All Online Purchase + Biometrics *Complete vehicle process done online, with ability to sign via fingerprint or facial recognition*	+27%
Interactive 360 Holograms *Three-dimensional image allowing 360-degree view of the vehicle*	+24%
Enhanced Service App *Schedule vehicle service and receive notifications and updates through an app*	+23%
AI Service Notifications *AI monitors vehicle health and provides alerts when service is needed*	+19%

*Today's **average** consumer's automotive experience*

Top 2 Most Appealing Concepts Across the Automotive Experience

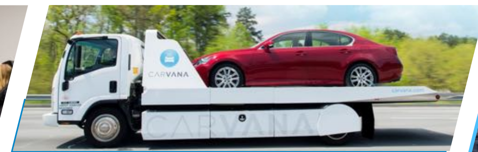
Average Consumer's Journey

01 Research

- Shopping App
- Brand Experience Centers

02 Test Drive

- Test Drive Delivery
- Immersive Test Drive



03 Acquisition

- Vehicle Swap/Return
- Purchase Vehicle Delivery

04 Service

- Drop-off / Pick-up + Loaner
- At-Home Maintenance

05 Ongoing Relationship with Vehicle Brand

- Everyday Brand Partnerships
- Travel Extension Partnerships

+

Trailblazers prefer more tech-forward concepts in order to create a completely frictionless and personalized experience

Top 2 Most Appealing Concepts Across the Automotive Experience

Trailblazer's Journey

Tech-forward Concepts

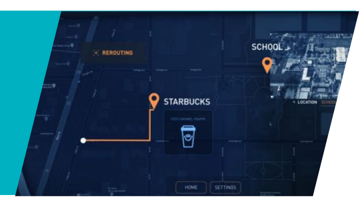
01 Research
- Shopping App
- **Interactive 360 Holograms** (Tech-forward)

02 Test Drive
- Test Drive Delivery
- Immersive Test Drive

03 Acquisition
- Vehicle Swap/Return
- Purchase Vehicle Delivery

04 Service
- Drop-off / Pick-up + Loaner
- **Remote vehicle updates** (Tech-forward)

05 Ongoing Relationship with Vehicle Brand
- Everyday Brand Partnerships
- **AI lifestyle integration** (Tech-forward)



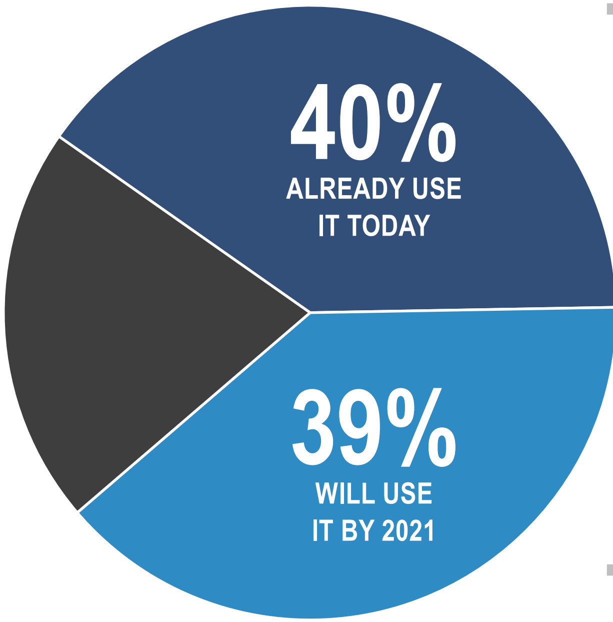
Trailblazers are also embracing alternatives to traditional ownership ahead of their peers

Appeal Difference with Trailblazers vs Average Consumer

	Difference
Alternative Vehicle Subscription *Ability to get access to RVs, boats, etc. based on need.*	+24%
Lifestyle Mobility *Ability to swap out vehicle based on driving/event needs*	+23%
Subscription Suggestion *Vehicle makes recommendations for next vehicle based on driving patterns, vehicle location, etc.*	+23%
Family Access Subscription *Gives the whole family access to vehicles or mobility options with the ability to access whenever*	+21%
Fractional Ownership *Own/lease a vehicle jointly with a small group where cost and time with vehicle is evenly split*	+20%

The majority of companies either use or plan to use AI

Retail & Consumer Products Companies Using AI-Driven Intelligent Automation



79%

OF COMPANIES PLAN TO USE IT BY 2021

Source: IBM Institute for Business Value. "The Coming AI Revolution in Retail and Consumer Products." March 2019

Automation & AI technology offer opportunity in automotive if implemented the right way

78%

OF CONSUMERS BELIEVE PERSONALIZATION TECHNOLOGY **BENEFITS COMPANIES MORE THAN IT BENEFITS THEM**

VIOLATES PRIVACY: 58%

CREEPY: 56%

68%

OF CONSUMERS DON'T MIND COMPANIES USING PERSONALIZATION TECHNOLOGY IF IT **IMPROVES THEIR OVERALL SHOPPING EXPERIENCE**

~76%

AGES 18-34

CONSUMERS AGREE PERSONALIZATION TECH WILL IMPROVE…

67%

THE BUYING PROCESS

63%

OWNERSHIP PROCESS

Consumers already expect basic personalization in sales & service

SALES PROCESS

76%

EXPECT THEIR DEALER TO KNOW SOMETHING ABOUT THEM BEFORE **ENTERING THE DEALERSHIP**

- #1: The trade-in value of my current vehicle
- #2: My budget
- #3: The previous vehicles I have purchased/leased
- #4: The vehicles I've researched online
- #5: My financial history
- #6: The reason why I'm purchasing/leasing the vehicle

SERVICE PROCESS

88%

EXPECT THEIR DEALER TO KNOW SOMETHING ABOUT THEM WHEN THEY REACH OUT FOR **SERVICE**

- #1: Vehicle make/model
- #2: Vehicle year
- #3: Service history of my vehicle
- #4: Approximate vehicle mileage
- #5: The features of my current vehicle
- #6: The trade-in value of my current vehicle

Dealers are taking the first steps in tracking

Dealers Are Most Familiar With…

1. Trade-in value tracking
2. Social media activity tracking
3. Online data tracking for personalized marketing offers

Dealers Are Most Likely to Adopt in the Next 2 Years…

1. Activity and communication tracking to identify top leads
2. Trade-in value tracking
3. Activity tracking to predict customer purchase preferences and interests

RECAP & RECOMMENDATIONS

Top 3 Findings

#1

The vehicle acquisition and service touchpoints provide the largest opportunity to remove unwanted friction *now*

#2

Today's consumer still wants immersive, high-touch experiences when researching vehicles

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Pay attention to Trailblazer consumers who point the way to a more high-tech, personalized future