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Navigating the Shifting Automotive Landscape

By Steve McLennan, Fiona Silver & Neil Burrows



INTRODUCTION

Multi-Faceted Challenges Demand Clear Thinking

In the ever-evolving landscape of the automotive sector, akin to the mythical Hydra, numerous challenges surface as the industry transitions towards a broader mobility landscape. Strategic decision-making for manufacturers and brand owners (OEMs) revolves around unravelling the sequence of challenges to ensure a prosperous future.

This white paper delves into the key puzzles faced by OEMs, emphasizing the critical need for clear thinking and rigorous prioritization.



THE COMPLEX PUZZLE

Challenges and Transitions

1

CUSTOMER-CENTRIC COMPLEXITY

Challenge:

The transition risks becoming opaque to customers without clear explanation.

Considerations:

Misinformation surrounding mass EV adoption and the integration of new retail formats where new digital tools change both the online and offline customer journey.

3

SALES & MARKETING EVOLUTION

Challenge:

Teams must reduce distribution costs amid changing representation strategies.

Considerations:

Shifting roles and responsibilities between suppliers and vendors, emphasising the importance of data as a currency for sustainable profit.

2

PRODUCT STRATEGY IMPERATIVES

Challenge:

OEMs navigate complexities in new powertrains, connectivity, and autonomous capabilities.

Considerations:

Meeting stringent regulations on vehicle performance and component sourcing.

4

GLOBAL COMPETITION ONSLAUGHT

Challenge:

16+ new brands, primarily from China, entering an already crowded market.

Considerations:

Intense competition forcing a strategic review of product offerings, channels, new services, and the role of the brand towards customer strategy.



INDUSTRY OVERVIEW

Facing Unprecedented Change



The automotive industry faces significant challenges and seismic shifts, with disruptive forces demanding rapid change at an unprecedented level. Much of the conversation within the industry has, understandably, centred around technology, infrastructure and government policy. However, amidst varied perspectives within the industry, the crucial viewpoint is that of the customers – current and future.

Customers convey a range of attitudes towards EVs from outright rejection to champions of change. The perception of new entrants may be more nuanced, but again attitudes will differ by demographics and between private drivers, company car drivers and fleet operators.

Tesla offers clear testament as to how customer strategy must evolve to keep strengthening the momentum of the brand & business. From its inception and energised by its enigmatic founder, Elon Musk, sales were powered by adventurous, risk-taking consumers looking for the latest cutting-edge technology both hardware & software.

This produced an unprecedented explosion of sales across the globe.

Today, in some markets and specific sectors, such as fleet, the more pragmatic requirements of an automotive brand are now having to be confronted by Tesla. For example, fleet management requires the quick and timely provision of aftermarket parts and services where Vehicle-Off-Road for any extended period is unacceptable to fleet operators and their end-users alike. These are the more rational elements of any brand infrastructure that must be delivered in support of the customer journey.





CONSUMER INSIGHTS

Shaping the Automotive Retail Journey



EV BUYERS' EXPECTATIONS

- EV buyers demand exciting, innovative, and reliable experiences matching the car itself.
- Digital transactions, negotiation with real persons, and test drives remain essential.
- Perceptions & expectations are being shaped and constrained by misinformation. Clear, concise data led to fuel 'trust' with consumers is essential.

SHIFTS IN THE AUTOMOTIVE RETAIL INDUSTRY

- Growth in EV consideration and online purchases.
- Expansion of accessible, mobility subscription services.
- Formulation of data strategy using advanced analytics to monetise the exponential increase in customer and vehicle data.
- Test drive / trial usage become a key battleground, influencing purchasing decisions.

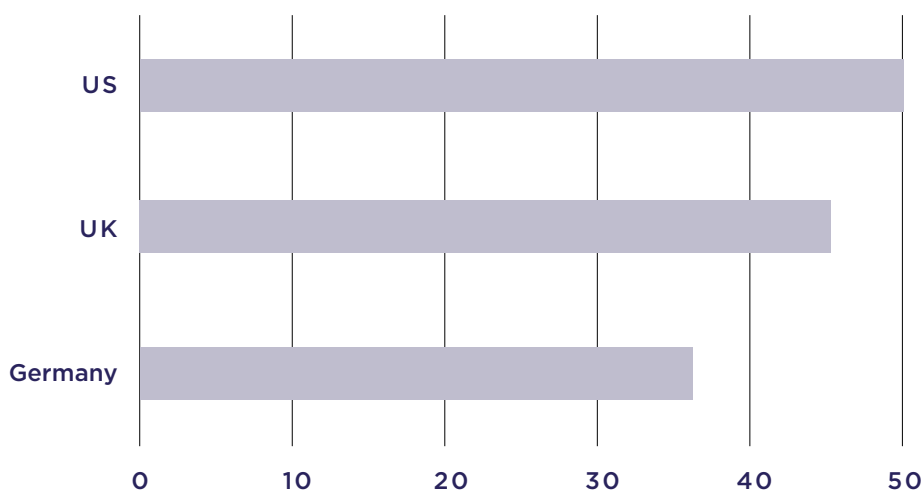
CONSUMER PAIN POINTS

- Price transparency, vehicle availability, and process complexity are top concerns.
- Adaptations and innovations should focus on simplicity, convenience, personalization, and price transparency.

PLANNING FOR DISRUPTION

- Market participants must stay attuned to evolving trends.
- Exciting features supporting long-term demand are essential for both incumbents and new entrants.

Likelihood of switching to a new brand when moving to an electric vehicle % of respondents



Source: aMcKinsey 2023



BRAND LOYALTY

A Shield Against Disruption



For incumbent brands, their brand image and existing customer base should be powerful tools to support their continued market presence. Brand image must convey a clear relevance to consumers and customers must feel valued and enjoy a frictionless relationship with their brand.

New entry brands will have to secure a foundation of trust amongst consumers and provide a compelling reason to attract new customers. Simply offering products to markets even with an attractive price will not sustainably grow the brand and business.

In a market where supply now exceeds demand (post COVID) commoditisation is the prevailing risk for many mid-market brands. Most have resorted previously to promoting their product hardware for differentiation. Today it is software and associated digital services that will differentiate product, but a successful brand will have to create relevance and value beyond just its products to 'connect' with consumers.



BRAND LOYALTY CRUCIAL

Legacy car brands need strong brand loyalty to counter new entrants like Tesla and Chinese EVs.

Almost half of European consumers favour hybrids, with only 18% considering buying a BEV in the next year.



CONSUMER ATTITUDES AND PREFERENCES

Brand loyalty remains strong in Europe, with 62% likely to buy the same marque - but wide variations by brand.

Concerns over switching to electric may be influenced by doubts about meeting the 2035 deadline.



CHALLENGES FOR PURE-PLAY BRANDS

Tesla's sales outlook diminishes amid rising competition.

Consumer concerns over imported Chinese brands benefit domestic European brands.



Overall, brand loyalty in Europe looks strong. With 62% of survey respondents confirming they're likely to buy the same marque."

Michael Dean, senior industry analyst at BI.

Source: Bloomberg Intelligence



CONSUMER CONCERNS

Charging Infrastructure and Beyond



Consumers are unsurprisingly confused regarding the transition to Zero emission both in general terms and automotive specifically.

Political appetite in the UK has been, at best, hesitant. The Conservatives government pushing back the ICE ban from 2030 to 2035 and the Labour party dropping their £28bn green technology investment pledge from forthcoming election manifesto has conveyed a lack of commitment – raising uncertainty and confusion for automotive players and customers alike.

The main issues are:



CHARGING INFRASTRUCTURE CHALLENGES

Rapid growth in charging infrastructure but falling short of demand.

Charging and range anxiety persist as top consumer concerns.



PRICE AND PURCHASING CONCERNS

High prices of new cars and concerns about EV prices.

Consumer preferences shift, with 26% likely to delay purchases for potential price cuts.



CONSUMER SURVEY INSIGHTS

Lack of charging points, range anxiety, and high prices are prominent concerns.

European consumers need reassurance about the quality, technology, and second-hand values of imported Chinese brands.

Source: Automotive Management, March 2024.

CONCLUSION

Navigating the Road Ahead

As the automotive sector navigates through a myriad of challenges, strategic thinking, and proactive measures become imperative. Whether facing consumer shifts, industry disruptions, or technological transitions, the ability to adapt and innovate defines success.

Undoubtedly, the automotive sector is undergoing a period of unprecedented change and transition. Arguably, this change has not started well with a market showing clear signs of confusion and stress amongst consumers and industry participants.

Many would benefit from the opportunity for clear thinking to check, amend and reset their strategic and operational approach. At SaturnFive we can assist and facilitate this through our experience and expertise of all sales and marketing disciplines complimenting a laser focus on customer strategy and experience.

Authors: Steve McLennan, Fiona Silver & Neil Burrows, March 2024.

The SaturnFive Automotive Unit – our team consists of seasoned automotive professionals with hands-on experience working in the manufacturer, distribution, retail, fleet services and tier-one supplier sectors both in the UK and internationally. Bringing together market intelligence, customer insight and practical strategic advisory services, our mission is to get strategy into action.

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