

Lessons From Luxury:

How Automotive Brands Can Create Exceptional Customer Experiences That Build Loyalty

Medallia



Introduction

Simply put, the automotive industry is at an inflection point. There's widespread disruption due to inflation, supply chain issues, and inventory shortfalls to name a few. On top of that, consumers are more knowledgeable and vocal; and their vehicle "shop-purchase-own" journey is longer, increasingly driven by digital, and more intense.

Some industry experts are predicting that the next 20 years could be the most disruptive ever to the automotive industry. To survive, the industry (which also includes recreation, powersports, marine, and heavy equipment vehicles) must heighten its focus on the overall customer experience with an emphasis on retention and lifetime loyalty. This is especially important, as the industry's B2B2C business model is a more complex one.

To prosper, automotive brands must utilize a holistic, "end to end" view of the entire customer journey. Instead of taking a transactional approach, which only affords temporary or short-term gains, an experiential one - with a luxury brand feel - will yield long-term growth. Luxury brands are known for creating immersive experiences in which their customers feel seen and heard, valued and understood. They anticipate their customers' needs and are there for them in an effortless, authentic way by creating intimate omnichannel connections that are seamless, personalized, and consistent.



Vehicle Buyer Journey

The traditional vehicle buyer/owner journey involves five key stages:



In this guide, we'll explore how Original Equipment Manufacturers (OEMs) and dealerships in the automotive industry — which again includes recreation, powersports, marine, and heavy equipment vehicles — can learn from luxury brands in their quest to create and curate exceptional experiences. Ones that attract, retain, and delight; cultivate brand loyalty; and fuel growth and profitability.

So strap on your seat belt, let's climb into the driver's seat, and test drive an experience-based, luxury brand-type of customer journey. It all begins with education and discovery, i.e. research.



Automotive brands must up their game in the experience space to maintain relevancy. By viewing customer experience from a luxury lens, they can create best-in-class touch points at every stage of the customer journey.

Jodi Searl

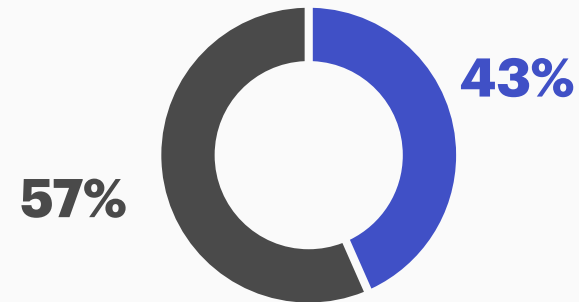
Vice President - Industry Solutions, Medallia

State of the Automotive Industry

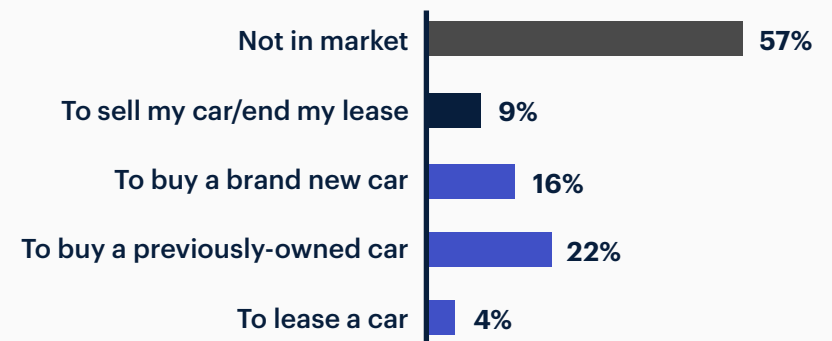
Several converging dynamics are impacting the automotive industry, most notably inflation, supply chain issues impacting availability, and to a lesser extent, heightened fuel prices. The most dramatic impact is on vehicle purchasing, as over two in five American adults have been in the market to buy, lease, or sell a vehicle in the past six months. Less than one in four vehicle seekers obtained what they wanted, with the majority having unresolved needs and opting to hold out until conditions are more favorable. (Sense360 May 2022 Auto Market Survey)

Qualitative research also shows many consumers had a negative experience when buying or leasing a vehicle, with poor or slow in-person service at dealerships, and delays with financial processes (loans, insurance transactions, etc.) at the top of the complaint list. Additionally, a subset may be turning to non-traditional purchase venues like auctions. (June 2022 Medallia LivingLens video responses from the last six months)

% of Population in Market to Buy/Lease/Sell Car in Past 6 Months



"At any time in the past 6 months, are you/had you been looking to get a new car or sell a car your owned?"



*In Auto Market (Total)

Over 2 in 5 Americans have been in the car market over the past 6 months, with a low % of those looking to buy/lease reaching their desired result so far

Of this group of prospective buyers/leasers **only 23%** say their search has resulted in them getting the car they ultimately wanted

Research: The Digital “Drive”



Customers are using digital channels to conduct exhaustive research, fully educate themselves, and competitively shop before they even set foot in a dealership. How a brand is presented and engaged with online is of paramount importance. Relationships can end before they begin, if that initial, all-important digital experience isn't effortless, engaging, and seamless - a hallmark of luxury brands.

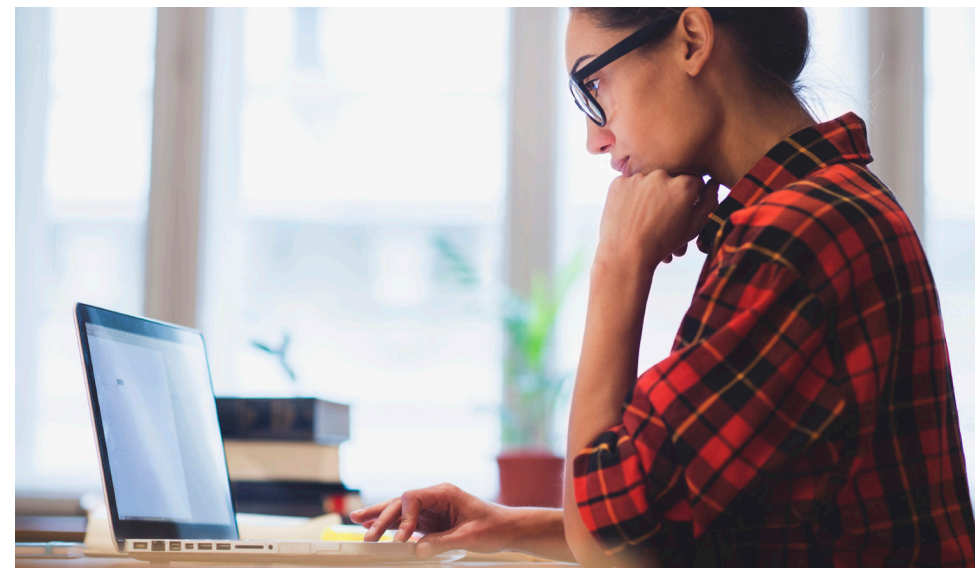
Digital experience is a key driver —
it's the way your brand first interacts
with customers.

In terms of seamless experiences, the automotive industry has an interesting dynamic in play. Customers will likely interact with the digital properties of multiple different owners: namely the OEMs and dealerships. While both have different owners and are managed as such, they must be integrated to present a holistic, on-brand experience.

There's no room for comments like – “Does the OEM site say that? That's different from our (dealer) site.” Simply put, forget the “us vs them” or siloed approach - both sites must be consistent. Customers don't see, want to know, or care about the “behind the scenes” distinction between the two. They are buying a brand promise; not an industry business model.



Just as customers expect performance and intuitiveness from a vehicle, they expect the same from their digital experience. **Many successful brands, especially those in the luxury space, leverage feedback and analytics on their websites.** To do so, they utilize state-of-the-art solutions, like Medallia's Digital Suite, to achieve a 360° view of customers' experiences, as evidenced in this case study.



A leading automotive giant utilized Medallia's Digital Experience Score (DXS) and its suite of forensic and analytics tools to uncover underperforming areas and fuel customer engagement. With Medallia's Digital Suite, they were able to identify, score, and prioritize every online user experience that impacted conversion, sales, and loyalty across their websites and apps. As a result, the brand achieved the following.



Optimized form experience to increase leads, which resulted in a 32.5% spike in completion rates



Uncovered and addressed navigation issues with journey analysis that yield a 6.3% increase in mobile completion rate and a 9.9% increase in completion on desktop devices



Simplified the visitor journey for greater impact and saw an 86% improvement in their Configurator completion rate



Used website optimization to create a Visualizer tool for a new vehicle launch, which generated a 39% increase in pre-sale leads

As one of the brand's established performance indicators, Medallia's DXS measures and benchmarks experience quality across their key regions. It also provides a robust view and analysis of digital behaviors to create more meaningful and authentic experiences, comparable to those of a luxury brand.

Shift Your Brand's Experience Engine into High Gear by

- Optimizing the research experience on OEM and dealership websites
- Utilizing push notifications and mobile ads using locationing
- Delivering smarter, faster, and personalized interactions with experience orchestration



Pedal to the Metal: Evaluate



If a brand's digital experience has helped propel a prospective buyer into this next phase: they may decide to test drive or demo a vehicle. Even if they are a current customer at a local dealership, they are likely viewing this experience through a new lens ... as they contemplate a lease or purchase of a new vehicle, something they probably haven't done in a few to several years.



While the digital experience is still in “drive” mode, it's shifting lanes into the “brick and mortar” dealership experience. Again, just as the digital OEM-to-dealer transition must be seamless, so must digital to in store. **This presents another opportunity to create a luxury-level experience and this time, it's an in-person one.** Here is where the power of employees kicks into high gear, as the impact of inspired employees and staff is critical. If properly empowered, they can deliver on a brand promise in a great way, and in one that competitively differentiates the brand.

For example, Mazda worked with Medallia on internal and external initiatives to better engage employees and ambassadors of their brand. One dealership utilized real-time customer feedback and proactively implemented training for their frontline employees on how to effectively educate customers on vehicle maintenance and the value of genuine Mazda parts. They also began sharing competitors' pricing to reassure customers they were receiving a fair price. Over the next few months, their “Good Value for Cost of Service” score soared.

Additionally, Medallia helped Mazda to scale feedback on standard behaviors expected from employees when interacting with customers. An internal training plan - emphasizing authenticity, empathy, and transparency - helped to educate and motivate employees on how to best engage with customers and curate loyalty.



Listen, Analyze & Act



Luxury brands listen in real time to what their customers are saying in order to stay relevant and desired. They identify any friction or pain points and take swift action to course correct. Data is used to personalize experiences and generate predictive consumer insights. In addition, savvy brands leverage feedback from non-purchasers on how to convert them in the future.

Within the automotive industry, Medallia can help brands learn from luxury and

- Influence and empower dealerships to improve customer and employee experience
- Deliver an exceptional, seamless, and consistent brand experience throughout the customer journey
- Fuel innovation and personalization that differentiates the brand and builds loyalty

Shift Your Brand's Experience Engine into High Gear by

- Utilizing survey and text analytics to elevate the customer experience
- Prompting social reviews at the dealership level
- Empowering and inspiring employees with real-time data and insights so they can best serve customers

It's Decision Time: Buy



Buying a vehicle is a major purchase decision. The customer has invested a significant amount of time and energy to get to this stage of their journey. And no surprise, the actual act of buying and/or financing a vehicle often tops the list of undesirable experiences. Perceptions that it takes too long, is an adversarial process, and is lacking in trust and transparency drive this result. Additionally, customers often sense an unequal bargaining power, in that other fees or charges previously unknown can emerge and feel like an uninformed purchasing experience.

Luxury brands recognize the importance of educating customers on their purchase, reinforcing its value or prestige, and on how to use or care for it. Within the automotive setting, many buyers are so exhausted by a lengthy financing process that they simply want to take the keys and drive off. Dealers can learn from luxury by ensuring that new owners are well educated on how to use their vehicle, and that they fully understand its technology features and/or upgrades, which ultimately maximizes their enjoyment of it.

This less-than-stellar consumer perception, however, can be leveraged into a strength. Since expectations are lower, opportunities to delight and create “wow” moments – a hallmark of luxury brands – abound. Consider what a differentiator it could be if your brand could digitize the financing process and turn a traditional pain or friction point into a customer-friendly one. The energy and excitement of advertising can also be replicated at the dealership, positioning it as a welcoming place of discovery and exploration of performance, reliability, and a stylized aesthetic.

Many trends in the luxury industry at large can carry over to the automotive sector to better understand the modern customer:

- **Brick and Mortar Relevancy:** The vast majority of luxury shoppers still want to see and touch
- **Product Innovation:** More than ¾ ths of luxury consumers look for innovation and exclusivity
- **Next Gen Consumers:** Gen Z and millennials are exercising their purchasing power
- **Differentiated Experience:** More luxury shoppers prefer a dedicated sales associate, one who offers a highly personalized and exclusive experience
- **Customer-Leading Service:** Consumers want to buy from those who know and use the product

Volvo Transformation

Love the Vehicle; Love the Brand



Another lesson from the luxury brand playbook revolves around the notion that customers aren’t just purchasing a product; they are buying a brand. Consider Volvo: This company astutely realized that they aren’t just selling a vehicle – they sell their brand promise each time a customer gets behind the wheel. Volvo wants their customers to not only love the vehicle; but love the brand. As such, they made the internal shift from an automotive company to becoming a relationship service company.

To do so, Volvo partnered with Medallia to expand their traditional survey-focused approach to one that listens across multiple channels, collecting solicited and unsolicited feedback. The brand wanted to “listen so we can improve,” realizing that when they understand what customers are thinking and doing; it’s much easier to serve them. The result: the One Voice Program, which helps ensure that the entire consumer voice is heard, so that customers fall - and stay - in love with their brand.

Shift Your Brand’s Experience Engine into High Gear by

- Capturing rich and authentic video feedback of the customer experience
- Optimizing call center operations and service with accurate speech and text analytics
- Improving online reputations against competitors with social feedback dashboards and alerts

Onboard & Ownership: Another Opportunity to Delight



Once the sales transaction is finalized, the relationship with the customer must continue to be cultivated and nurtured. Thus, it's imperative to listen to traditional and non-traditional channels to identify pain points and take proactive action to solve for them. It can help a brand intuitively understand the ownership experience, in terms of:

- What customers want
- What they are willing to pay for
- What they are not willing to pay for
- Where they are going if they abandon a brand

Equally important is the ability to leverage what is being said about products, brands, and dealers in the social media universe to collect and analyze real-time insights, make data-driven decisions, and prioritize actions. Crowdsourcing is an excellent way to engage, ideate, and innovate, as some of a brand's best ideas come from its customers and employees. And it's an excellent way to increase customer and employee engagement.



Speaking of employees, when it comes to taking action, an engaged and well-informed workforce can make all the difference. Another lesson from the luxury brand playbook involves upskilling employees, especially in the digital space. This can help employees understand customer expectations when they digitally engage with an automotive brand and meet customers on their digital channel(s) of choice. This approach must be replicated in the brick and mortar space, i.e. at the dealership level, too.



Understanding employee engagement is the first step to improving the dealership customer experience, creating loyal customers, and driving profitability.

Dana Macek

Automotive Solutions Principal, Medallia

When interacting with customers in person, empowered employees can deliver on the brand promise in full throttle mode, fueling competitive differentiation and brand loyalty. It's more crucial than ever to entrust employees with customer data and insights to ensure they can provide a luxury experience customers become accustomed to and crave.



Medallia is very passionate about the Customer Experience space... They're not selling a product, they're selling a suite of resources to improve the customer experience, and ultimately, customer loyalty.

Michael Dougherty

Department Manager, Customer Experience Metrics
and Insights, Mercedes-Benz USA, LLC

Success Snapshot

Mercedes-Benz partnered with Medallia to empower their ecosystem to strengthen customer relationships and increase loyalty. A customer experience management program was created that aligns the unique business needs of the brand's corporate office and local dealerships. Two listening programs were deployed: one that collects feedback about customer purchasing and leasing experiences; the other on vehicle servicing, with a single platform collecting overall feedback in real time.

Dealers were equipped with customized dashboards that share powerful data and insights, so they can manage experiences, get to the root cause of issues, and immediately resolve them for customers ... before it's too late. With real-time feedback, dealers are able to respond to customers instantly, exceed expectations, and create lasting and loyal relationships.

CHALLENGE

- Without dynamic real-time feedback, dealerships couldn't rescue at-risk customers as quickly as desired
- Mercedes-Benz wanted an easy-to-understand, "one-stop-shopping" CEM enterprise solution to drive operational improvements

SOLUTION

- Two listening programs were created: sales and service
- Two-step closed-loop program ensures that no customer falls through the cracks
- Mobile solution boosts dealership engagement and responsiveness

RESULTS

- MBUSA Corporate relies upon Medallia to make strategic decisions and operational improvements within the Mercedes-Benz customer experience survey program
- NPS for service and sales combined increased significantly



Where Does Abandonment or Relationship Erosion Occur?

It can occur at any stage of a customer's journey with a brand, including these key experiential mile markers:

- Research on Digital Channels (OEM & Dealer)
- Test Drive/Retail Experience at the Dealership
- Purchase & Financing
- Ownership & Features
- Vehicle Servicing

An interesting trend involves recreation, powersports, marine, and heavy equipment vehicles. In the past few years, there's been a big boom in first-time purchases of these types of vehicles with people using discretionary income to do so. While this is initially positive, 40% of first-time RV buyers abandon their purchase within the first three years of ownership.



Thus, there is an urgent need to create ownership experience strategies to keep these buyers engaged and excited about their purchase - something luxury brands do extremely well. For example, does the new owner fully understand how to use the vehicle and appreciate all that it has to offer? Or as a first-time owner, what kind of additional support is needed and what may cause their enthusiasm to wane?

That's why it's imperative to collect, analyze, and leverage as much data as possible to predict customer behavior. Then it must be put to use to effectively anticipate and uncover needs in real-time, expand personalization, and quickly identify and deploy new ideas that, in this case, mitigate abandonment.

Shift Your Brand's Experience Engine into High Gear by

- Crowdsourcing innovative ideas to differentiate features, functionality, and service
- Identifying employee engagement and development opportunities
- Influencing others with an increase in social reviews and engaging responses



We're in it for the Long Haul: Service & Maintain



Regular engagement with customers continues to be crucial. OEMs and dealers are not just selling a vehicle, but need to deliver on the brand promise after a sale is complete. It's important to continuously listen, analyze, and act upon solicited and unsolicited feedback; create touchpoints to keep the dialogue flowing (and not just during service appointments); and understand your customers' ever-changing wants, preferences, and even unrealized needs.

More than 80% of signals that Medallia captured and analyzed in 2021 were unsolicited feedback signals.

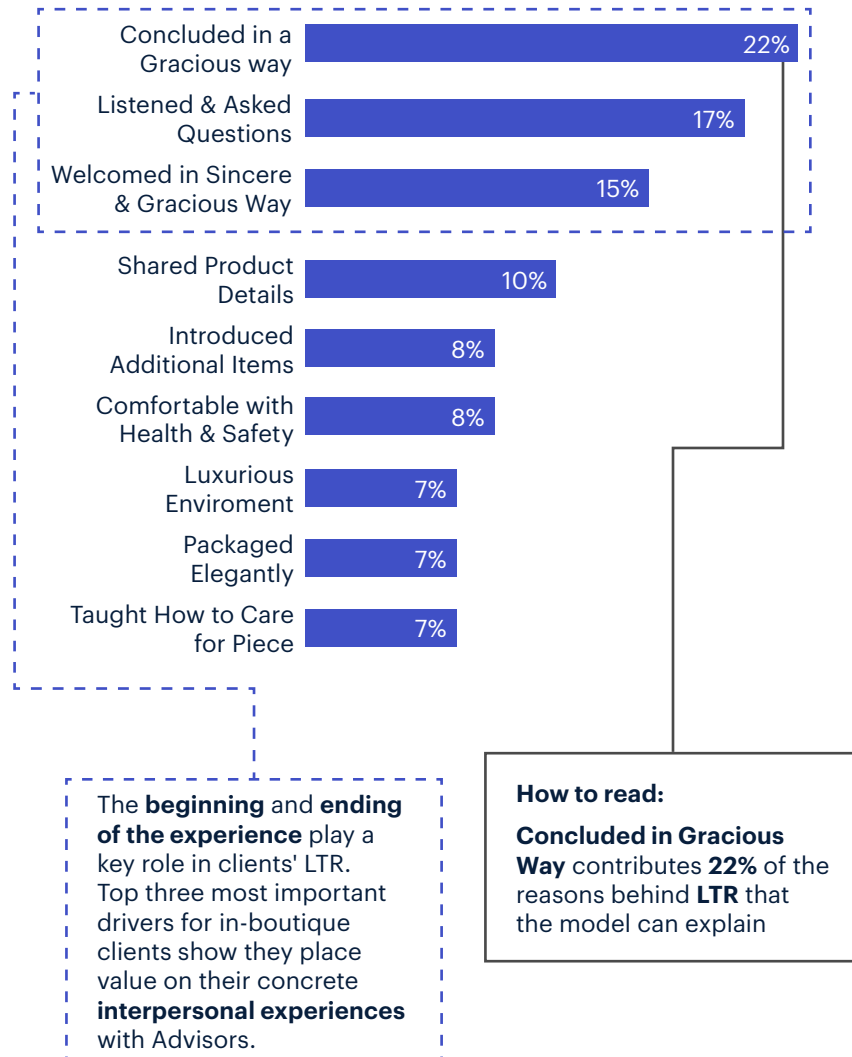
In the past three years, consumer behavior has shifted and consumers have even more purchasing power. Today's consumer expects convenience and craves effortless, seamless interactions and transparent transactions. Within the automotive industry, this dynamic plays out when it comes to vehicle service, accessory purchases, upgrades, and subscription services. There are more non-dealer options available to your customers, many of which are shared and discussed on vehicle owner forums and social sites.

When a sizable percentage of consumers hold off on vehicle purchases, there's an increased need to keep their current vehicles properly maintained. Dealers typically get service business while the vehicle is in warranty; however, if vehicles are kept longer, they're often out of warranty which means the customer has more service options at their fingertips. This heightened demand for vehicle servicing creates another opportunity to differentiate your brand by offering a luxury experience, thus gaining a competitive advantage over non-dealer options, like independent repair shops and service/repair chains.

While servicing and repair may be scheduled digitally, it still typically involves a trip to the local dealership and this "in-store" experience can be a defining one. Consider a Medallia luxury brand study, which explored the makings of brand loyalty and found that a customer's likelihood to recommend (LTR) is driven by the beginning and ending of their interaction with a brand, in this case a vehicle service appointment. The top three drivers of LTR center on the customer's dealings with a brand's employees (i.e. your service team) and include: if the customer's experience was concluded in a gracious way, if the associate listened and asked questions, and if the customer was welcomed in a sincere and gracious way.

What Drives Likelihood to Recommend for In-Store Clients?

Interpersonal Advisor aspects of experience are the most impactful on LTR



The Future is Now

Market disruption starts subtly. It's been quietly stretching and taking root. It's clearly here for this industry and even accelerated as a result of the pandemic. OEMs and dealers need to act now with a sense of urgency to help shape the narrative to come. Within the automotive space, digital marketing is in the front seat and a direct-to-consumer model will continue to make substantial gains within the next two to four years. And an increasing number of people are willing to consider an electric vehicle when they make their next purchase in the future. Meanwhile, the recreation and powersports vehicle sector is seeing new types of customers – who are willing to part with discretionary income in different ways than previous generations.

Another consideration is how customers will interact with your brand in the coming years. The next frontier of the Internet - the metaverse - is already taking shape, with people and brands actively engaging within it. It's not difficult to imagine a customer visiting a dealership or test driving a vehicle in this virtual online world.

Luxury brands are known for staying current - and often slightly ahead of - their customer's ever-evolving wants, needs, and desires. They utilize an omnichannel listening strategy to capture, analyze, and act upon both solicited and unsolicited feedback. This approach allows them to intuitively understand their prized customers, and reshape their business model to exceed customer expectations and forge brand loyalty and repeat purchases.

Shift Your Brand's Experience Engine into High Gear by

- Utilizing texting and other engagement strategies to continue to personalize the customer's experience

Let's Take a Ride Together – How Medallia Can Help

Medallia partners with many luxury brands representing various industries. While each is unique, they share a common focus: Customers guide everything they do. Within the automotive industry, Medallia can empower OEMs and dealerships to create exceptional, consistent, and differentiated brand experiences across the entire customer journey.

Our unparalleled suite of solutions makes us uniquely qualified to achieve the trifecta of constant listening, continuous action, and capturing the emotions of your current and prospective customers, as well as the valuable insights of your employees. This in turn arms your brand with powerful and robust data to create exceptional, luxurious, and personalized experiences. And when this data is acted upon in a meaningful way, it can translate into higher revenue, increased service revenue, and heightened levels of customer loyalty and repurchase.



Brands and companies that win continuously refine and revisit – and work through – communication and engagement processes with their customers.”

Jodi Searl

Vice President - Industry Solutions, Medallia

Driving Customer Excellence by Engaging with Employees

A leading automotive brand developed an employee feedback and advising program to help dealers improve business results by instilling a stronger customer-centric culture. The company turned to Medallia to redesign its employee assessment and reporting approach and tie results to the program's objectives, while engaging leaders more directly with their team's feedback.

Leaders within each dealership, including owners and department heads, can view results and employee comments through a real-time dashboard (that ensures confidentiality for small teams). The dashboards highlight the top three drivers of employee engagement for each location, which link directly to the training curriculum.

The program includes regular assessments and analysis of employee feedback to provide an indicator of dealership health. Following a luxury brand approach, the program's ultimate goal is to improve the customer experience, which is accomplished by ensuring that owners and employees are fully engaged and equipped with the tools they need to excel in every customer interaction. Employees feel valued and respected, as their insights and feedback are listened to and acted upon - a key driver of employee engagement.

The results?

- 6% increase in sales revenue
- 4% increase in service revenue at the dealership level

Additionally, the top three employer engagement drivers were identified at each dealership, which provides powerful intel to elevate employee experience.

To learn how Medallia can help you create an exceptional brand experience that drives loyalty and repurchase, visit www.medallia.com/solutions/automotive/.

Meet with a Medallia Expert →

About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. www.medallia.com

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