

# Cruising through industry challenges: a blueprint for omnichannel success in 2024

INDUSTRY WHITEPAPER



# Contents

<b>Top Dealer Concerns for 2024</b> .....	03
1. Agency .....	03
2. Evolving Compliance Pressures .....	04
3. Electrification .....	05
4. Consolidation & Consumer Demand .....	06
5. Cost & Operational Efficiency .....	07
<b>What can you do right now to improve efficiency &amp; increase sales?</b> .....	08
1. Digitisation & Facilitating Omnichannel .....	09
2. Improving Lead Management .....	10
3. Optimising Inventory Selection, Pricing & Stock Turn .....	11
4. Customer Lifetime Value .....	13
5. AI & Automation .....	15
6. Consolidating Your Tech Stack .....	17
7. Summary .....	18
<b>Converting Leads into Loyalty</b> .....	19

Read on to discover the changes you should be making here and now that will set you up for omnichannel success in 2024.

## Introduction

Like other sectors, automotive retail finds itself in an era of unprecedented challenges and transformative shifts. Understandably, dealers are on a perpetual quest to satisfy evolving consumer demand and ensure prosperity in their dealerships. But with so much noise, sometimes it can be hard to know where to start...

In this whitepaper, titled “**Cruising through Industry Challenges: A Blueprint for Omnichannel Success in 2024**” we delve deeper into the top concerns for dealers in 2024. We help you to outline a comprehensive strategy to triumph over the hurdles posed by agency, compliance, electrification and dealership consolidation, all while satisfying evolving consumer demand.

With a focus on practical examples, exclusive insights and industry trends, Automotive Transformation Group are here to equip you with a roadmap for immediate and sustainable success.



# Top Dealer Concerns for 2024

Helping to cut through the noise



## 1. Agency

22% of franchised dealers we surveyed said that Agency had a lot of impact on their sales in 2023, with 11% saying it had completely changed the way they sold vehicles. Despite Agency continuing to make headlines throughout 2023, it's clear that many manufacturers are still biding their time before publicly declaring they are going live with some form of fixed-price, haggle-free sales model. A recent [Car Dealer Survey](#) found that just under a fifth of manufacturers ruled out switching to Agency with the majority of respondents (44%) not wishing to disclose their plans, suggesting they are watching and learning from fellow Agency implementations before they make any strategic decisions. These are thoughts also shared by [David Kendrick, CEO of Specialist Accountancy firm, UHY Hacker Young](#).

There is evidently headwinds in terms of rolling out Agency, in particular Mercedes-Benz, who went live with the sales model in January 2023. Though positive steps were made and they were 'delighted' with the program, [results](#) show that market share for Mercedes-Benz dropped considerably during that January to 3.8%, compared to 5.5% in January 2022. Sales had also reduced by 20% YoY. Meanwhile, during the same period other key players who had not implemented the new sales model were reporting market shares of 5.9% (BMW) and 6.8% (Audi).

Following our own survey of 2,000 consumers, we found that pricing is still their most important consideration when selecting a vehicle - more important than location, aftersales, service and speed of response. This suggests a significant number of car buyers still want to negotiate pricing, particularly in light of the cost-of-living crisis. However, the wiggle room offered to dealers in terms of new vehicles, finance commissions and Value Added Products (VAPs) is becoming increasingly regulated. So, whilst there is still a desire for some level of negotiation, it's clear that regulation and compliance is restricting the ability to stack and tailor deals towards the individual.

Agency is likely to take multiple years to come into effect, but it's clear every dealer should have the plumbing in place to support their dealership, regardless of OEM involvement, taking into account operational efficiency, stock visibility and consumer experience.

## 2. Evolving Compliance Pressures

The Financial Conduct Authority (FCA) is cracking down on compliance standards, commission arrangements and the sale of VAPs after Gap Insurance was suspended following concerns of fair value. Meanwhile just weeks before, the Financial Ombudsman Service flagged over 10,000 complaints they had received about discretionary commission. This led the FCA to launch an inquiry into 15 years' worth of deals to investigate historical use of 'discretionary commission' arrangements. In fact, following the announcement in January this year, The Motor Ombudsman saw the volume of cases relating to financial commission arrangements **double**. Most recently, shares in Close Brothers **more than halved** as a result.

The FCA will continue to carry out spot checks throughout 2024 and we expect to see claims around commission disclosure as well as VAPs increase over the coming months, which in turn will mean that projected settlement costs soar.

Following the evolution of Consumer Duty in July 2023, it's clear that dealers need to be making consumers a priority throughout 2024 and beyond. By providing a comprehensive audit trail of consumer interactions, you can remain as compliant as possible with FCA guidelines. Similarly, your digital partner should be able to report on their compliance through regular audits and governing bodies such as the ISO (International Organisation for Standardisation). When looking at the wider picture, dealers should prioritise democratising the car-buying journey wherever possible, fulfilling their duty to consumers, making sure they are aware of all available options regarding VAPs, finance and more.



**"Pricing and Promotions**  
are still a consumer's highest  
priority."



Will 'Finance Commissions' become the new Payment Protection Insurance (PPI) scandal?

Following the launch of Martin Lewis' **free reclaim tool and guide**, the Money Saving Expert received a staggering **262,500 emails** after just 1 full day of being live.



### 3. Electrification

The majority of dealers we surveyed rated Electrification as a key concern for 2024. With the **Zero Emission Vehicle (ZEV)** mandate coming into play, setting ambitious targets for new zero emission cars and vans, there is a valid concern that Electric Vehicle (EV) production is beginning to exceed private consumer demand. Though the Government are supporting with investment, the price difference between ICE (internal combustion engines) and EVs continues to be a barrier for some consumers.

Whilst the challenge is noteworthy, this is effectively another market dynamic designed to drive a positive impact on the planet. We believe we'll see fleet and local business sales continue to compensate for a potential lack of private consumer appetite.

↑ **21%**

#### Business & fleet investments

SMMT confirmed UK new light commercial vehicle (LCV) registrations rose by 21% in 2023 as businesses and fleets invested in **341,455 vehicles** to carry out essential roles in the UK economy throughout 2024. In fact, the UK new car market recorded its best year since the pandemic in December 2023 driven almost entirely by fleet investment.

↓ **16.5%**

#### Battery-electric vehicle volumes (BEVs)

Change takes time, and despite a slight slip in market share to 16.5%, 2023 saw battery-electric vehicle volumes reach an all-time high. It's clear that a greater visibility of manufacturer stock and pipeline, as well as access to the right priced supply will continue to become more important.

Meanwhile, the transition to electric vehicles may be influencing the influx of Chinese brands into the UK market. **A 2023 Carwow study** revealed that 30% of customers perceive Chinese brands like Ora and MG as offering good value for money, with 19% noting their competitive pricing. We anticipate more Chinese brands, especially those offering BEVs, entering the market in 2024. This follows the success of BYD, a brand traditionally associated with battery manufacturing, which surpassed **Tesla in BEV production in 2022**, becoming the fourth most valuable car manufacturer globally.

## 4. Consolidation & Consumer Demand

Consolidation has become a running theme throughout the automotive sector and will continue to be at the forefront of dealers' minds, be it the surge of overseas investment, the reduction in dealership footprints or a consolidation of people, processes or systems.

Following Lithia Motor's notable purchase of luxury car dealer Jardine Motors as part of a **£300m** deal in 2023, or Alpha Auto Group's purchase of Lookers – a deal priced at **£465.4m**, more UK dealerships are being seen as underpriced and attractive assets by overseas investors.

Though it's true that this consolidation offers an opportunity for entrepreneurial owners and operators to ultimately exit their businesses, there is an increasing concentration of volume at the top end of the market. That notwithstanding, the UK is still seen as representing a good investment for the right business and reflects a stable, profitable and well-regulated environment, despite the multiple FCA audits and fines in the background.

**“75%** of consumers would not purchase a vehicle without visiting the dealership.”



### How are consolidation and consumer demand related?

Like other sectors, we are slowly adapting to a world where the majority of consumer research is being completed online. Dealers are investing more in an online shopfront accessible 24/7, where car-buyers can interact at a time and place that best suits them. Meanwhile, dealers can display all of their vehicles in every trim, every colour, every accessory without having to stock the items themselves, reducing operating costs.

That being said, the omnichannel experience continues to dominate. 75% of the consumers surveyed said they wouldn't purchase a vehicle without visiting a dealership. In fact, **our business intelligence service, VEGA, found that 84.55% of our online finance transactions in 2023 were reservations**, indicating the majority of consumers still wish to view the vehicle in store before transacting.

## 5. Cost & Operational Efficiency

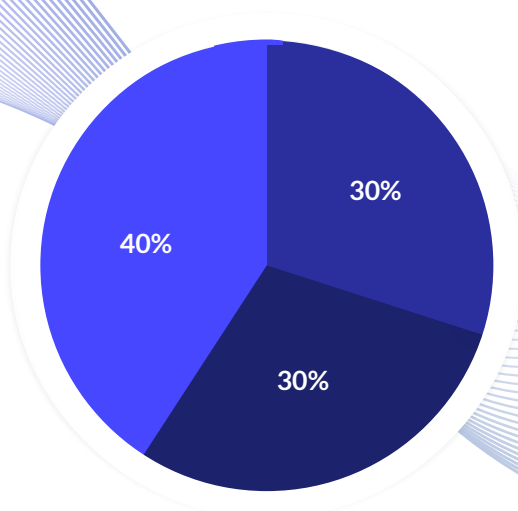
Economic instability is an expected constant in 2024, especially since the UK officially entered a recession in February. Despite potential slight reductions in **interest rates**, inflation continues to negatively impact consumer demand, operating costs, and inventory. This may be attributed to rapid recoveries post-COVID-19, leading many dealers to hold depreciating assets throughout 2023 and take hits on decreased vehicle values and price adjustments.

Despite economic uncertainties, there are positive indicators. **The Society of Motor Manufacturers and Traders (SMMT)** reported a 5.1% YoY increase in used car transactions for 2023, while new car registrations reached their highest level since 2019, up 17.9% YoY by December 2023. Demand for vans showed consistent growth throughout 2023, and during the first 6 months, the automotive sector represented 11.8% of all exports.

Given this landscape, more dealers are opting for specialised inventory management solutions that deliver real-time inventory sourcing and functions. That will be the key to cruising through these industry challenges in 2024. It will help them optimise their inventory, their retention, their leads and customer engagement. It will also help them reduce operational costs, days in stock and increase team productivity.

Any activity centred around improving efficiency will deliver immediate, tangible results as well as long term benefits. Ultimately, helping dealers to future-proof their organisation and proactively adapt to any hurdles. With so many trends on the horizon, more dealers are focusing their efforts on the here and now, instead of the noise that surrounds them.

**The question is where do you start...?**



### What steps are UK dealers taking to reduce costs in 2024?

- Digitisation of Services
- Consolidation of Services
- Streamlining Sales Resources



# What Can You Do Right Now

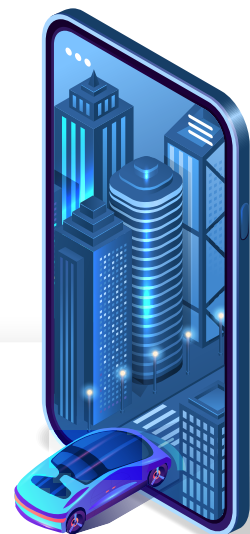
to improve efficiency and increase sales?



## 1. Digitisation & Facilitating Omnichannel

The internet is an intrinsic part of consumer purchasing across all sectors. Particularly for automotive it has become the de facto first port of call for consumer research, but the majority of consumers still wish to complete a purchase in-store. Too often this means having to start their journey from scratch once they enter a showroom, despite completing the majority of their search online. This results in a disjointed, outmoded experience - one that dissuades them from returning anytime soon for a vehicle upgrade.

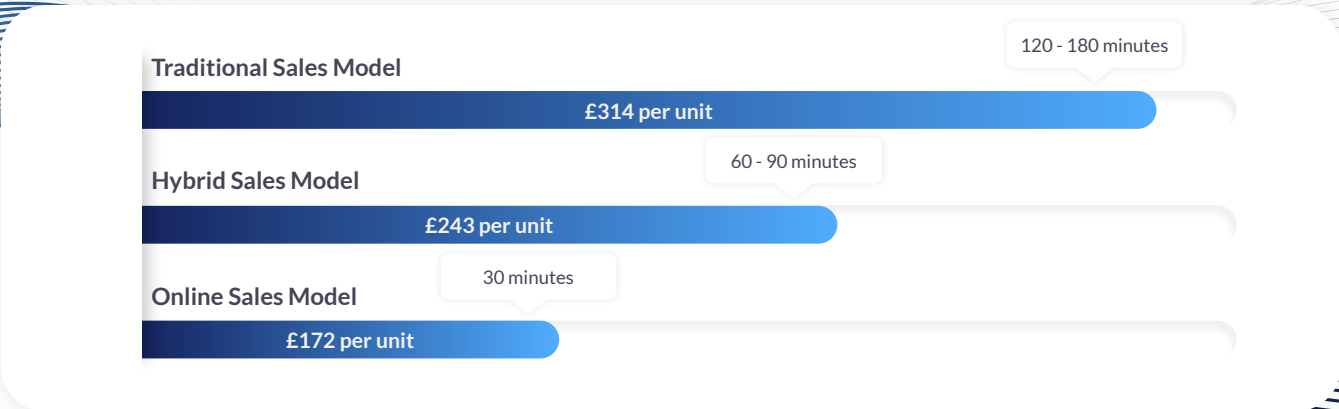
“Customers named the switch from **online to in-store** channels the most frustrating part about buying a vehicle”



# Multichannel vs Omnichannel

**61% of consumers believe the current car-buying process should be more seamless.** Though the desire for an online car-buying experience is there, our business intelligence tells us a connected hybrid experience is what consumers are truly demanding. Offering multiple separate buying channels that work in silos will not satisfy this appetite.

Dealers are looking for ways to easily connect online and in-store experiences, instead of settling for a multichannel approach. This doesn't just optimise the consumer experience, but delivers tangible cost savings, making your organisation more profitable and equipped to adapt to industry change. **Think with Google** found that omnichannel drives an 80% higher conversion rate of incremental in-store visits proving that it can absolutely have a direct impact on the bottom line. Practical in-store examples could encompass a wide range of digital tools like hyper-realistic 3D configurators and digital signage with QR codes, which when scanned take you directly to a vehicle detail page to progress with payment or reservation.



Price and Time-efficiency comparison of the traditional in-store sales model vs the hybrid and online sales model, demonstrating atomic gains for dealers who invest in omnichannel.

## Don't forget to digitise your documents!

Digitisation isn't just about the consumer experience. We encourage dealers to explore the digitisation of their documents and other time-consuming tasks in order to boost efficiency but also compliance. Digitising your customer records and other essential paperwork using as secure cloud-based document storage platform like iStoreDOCS can dramatically improve your agility, workflow efficiency and customer experience. **It can also offer up to 99% compliance** following the recent Consumer Duty regulations and FCA standards mentioned previously.



**42%** of all digital transactions occurred out of hours in 2023  
VEGA<sup>+</sup>



**45%** increase in Open Banking payments for 2023 YoY  
VEGA<sup>+</sup>



**40%** of all transactions were made on a mobile device  
VEGA<sup>+</sup>

"The national average call compliance score sits between **70** and **80%** with some as low as **35%**"

Retain

## 2. Improving Lead Management

### Instant, quality responses

It's no secret that lead response times can make or break a sale. Though 100% of the franchised dealers we surveyed believe they respond to leads within the first hour, we found that just 14% of consumers received a response to their enquiry within the first 12 hours. Furthermore, a third of consumers said it took as long as a day or more for them to receive a response.

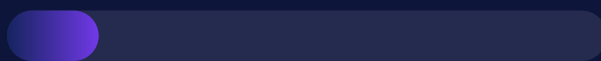
Our partner, **MAD DEVS Ltd** found that responses within the first 30 minutes can increase your chances of conversion by as much as 7 times.

Implementing a '**Fastest Finger First**' approach instead of evenly distributing leads can be a quick and efficient way of improving your response rate. You can also utilise Generative AI for faster response times. In fact, our partner, **Seez**, found they were able to improve average lead response times from 3 minutes (with a non AI-enabled chatbot) to 5 seconds.

**But it isn't just speed that has an impact.** Our survey suggests personalisation is also key to converting leads. We recommend finding a system that incentivises high-quality and personalised responses if dealers really want to transform their conversion rates.



"Just **14%** of consumers received an enquiry response within the first 12 hours\*. A third of them said it took a day or more."



*\*Data relating to both franchised and independent dealers*



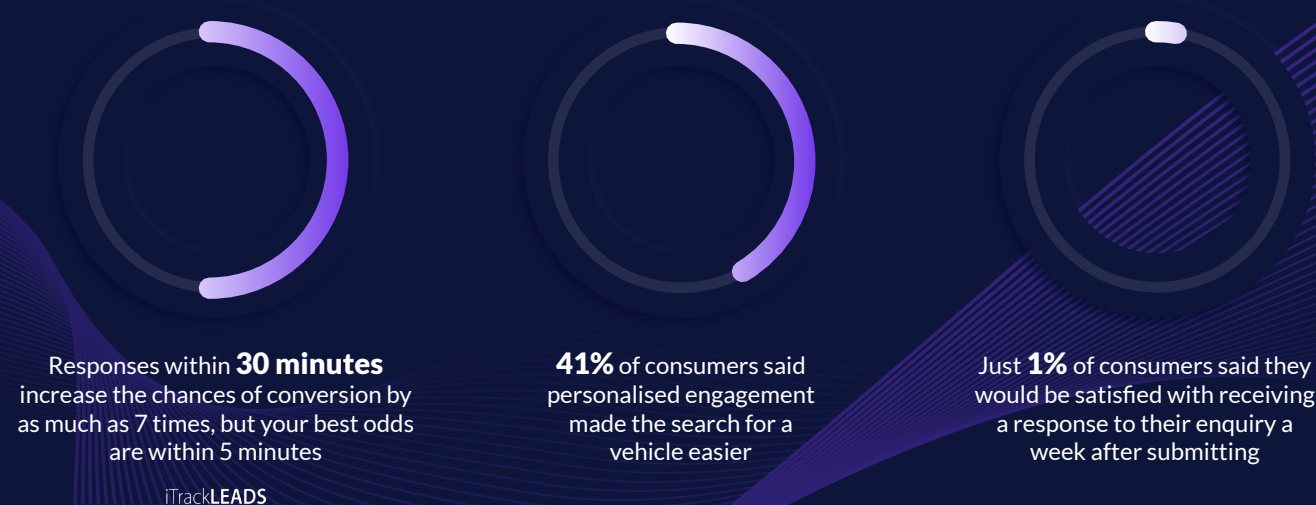


## A single, customer-centric view

Lead management encompasses so much more than just fast response times. With a growing number of channels and sources, dealers need to have a holistic view of all their leads in one place regardless of attribution. This will help them deliver a consistent and seamless car-buying journey for consumers.

Dealers are trying to maintain full visibility of leads using a single dashboard, regardless of whether it arrives via a walk-in, a website enquiry, Auto Trader or via another third party. In doing so they can nurture them equally and ensure the highest conversion rate.

This also allows salespeople to spend less time organising the leads, and more time increasing the quality of engagement and overall consumer experience. iTrackLEADS incentivises this through its 5-star rating system.




## 3. Optimising Inventory Selection, Pricing & Stock Turn

### Restricted stock levels and the competition for part-exchange

Despite last year's [Annual New Car Registrations being the highest we've seen since 2020](#), inventory is still somewhat restricted and we're still a long way off from pre-pandemic levels.

Likewise, many dealers are taking the hit on depreciating vehicles, revaluing them in order to reduce days in stock. Understandably, they are looking for new ways to optimise inventory management, increase the volume of choice and improve pricing to ensure rapid stock turn. Meanwhile, where they would usually utilise part-exchanges to compensate, online trade-in platforms like 'We Buy Any Car' and 'Motorway' are making it more convenient for consumers to sell their vehicles using other channels. Ultimately, dealers are now finding themselves in competition for part-exchanges, further complicating the landscape.



**60%** of consumers view proactivity as a winning quality in a dealership

**39%** of quoted valuations were rejected by the consumer in 2023  
VEGA<sup>+</sup>

Just **9%** of all online transactions in 2023 included a part exchange  
VEGA<sup>+</sup>

## Real-time inventory visibility

It is becoming increasingly important for dealers to have full visibility of their inventory. If dealers maintain a 360-degree view of all stock types, including new, used, pipeline and the vehicles their customers are currently driving, they can become more agile, quickly adapting to industry hurdles.

Having an inventory management system that you can rely on is one thing, but being able to seamlessly connect it with your showroom system in **real-time** could be a game changer. That being said, it's up to the dealer to use this data to their advantage.

**Customer engagement and stock visibility are intrinsically linked.** By understanding which vehicles are selling fast, you know which vehicles to obtain more of and price them accordingly. You can also use this data to understand from your CRM or showroom system which customers you should be targeting. If you know which customers are driving sought-after vehicles, you can create tailored campaigns that incentivise those customers to value their vehicles and bring them in to discuss part-exchange and upgrades.

Not only does this increase profitability, it ensures an efficient and consistent stock flow and delivers a seamless, hassle-free consumer experience.

Plus, if your system features real-time stock updates across multiple locations, you no longer need to worry about double-selling a vehicle or publishing inconsistent pricing between your website, DMS and third-party platforms.

# 4. Maximising Customer Lifetime Value

## The art of proactive and personalised engagement

With stock levels still restricted, retention is also becoming a key priority across all sectors in 2024. According to [McKinsey](#), it costs up to 7 times more to acquire a new customer than to retain an old one. Similarly, by increasing customer retention by 5% you can increase your profits by as much as 95%. Here at Automotive Transformation Group, we believe the focus should be on **maximising that customer's lifetime value**.

A customer's lifetime value is the amount of money a customer spends during their relationship with your brand and though it's important to ensure relationships lasts as long as possible, it's just as important - if not more so - to ensure your customer is upgrading their vehicle during this time. The most effective way you can do this is through proactive, early intervention and continual customer engagement. Using efficient inventory management and advanced retention tools, dealers should be touching base with consumers at key intervals throughout their term to understand if the vehicle is still meeting their needs as well as the vehicle's equity/parity status.



**"60%** of consumers view proactivity as a **winning** dealership quality."

This could be at the point of service, software updates and recalls (particularly for EVs), or any other key milestones defined by your business. Outreach that is centred around keeping in touch instead of driving sales will create warm contacts that are easier to convert.

Customer engagement methods can vary from phone calls to personalised email notifications containing offers tailored to the customer's existing vehicle and typical upgrade paths. This route of personalisation can be especially effective considering **41% of the consumers believe personalised notifications make the search for a vehicle easier**.

### Traditional



### NetDirector® Retain

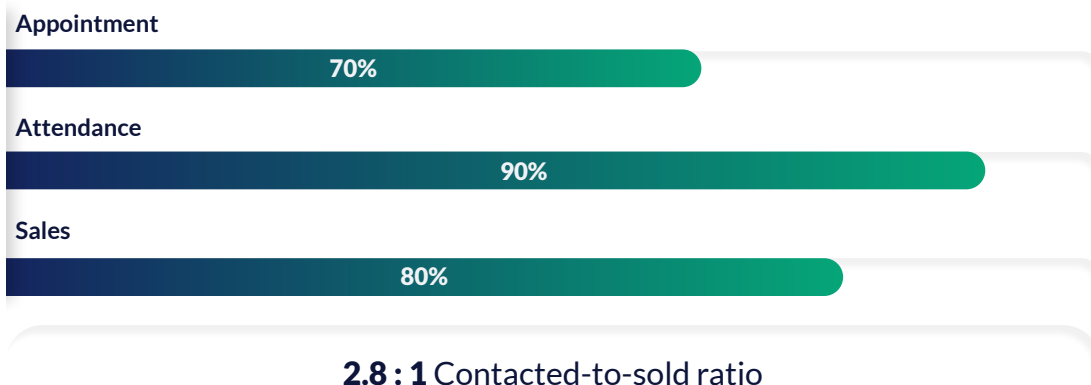


*10-year comparison of a traditional vehicle upgrade lifecycle vs that of an evolved lifecycle featuring hyper-targeted upgrade offers made possible with NetDirector® Retain.*



## The right consumer. The right offer. The right time.

The question is, when should you be contacting your consumers with these upgrade offers?



*Findings from a recent ATG Academy study that found out of 100 consumers contacted with a personalised vehicle upgrade offer, 80% of attended appointments resulted in a sale.*

Our survey suggests that 35% of consumers are interested in looking for a new vehicle within 3 years or less of ownership and yet only 32% of consumers begin actively looking for one, with 21% unsure but not closed to the idea. Using representative data, that equates to 25.3 million consumers that are perfectly placed to upgrade their vehicle but are dissuaded, likely due to the arduous and complex car-buying journey. That is compared to the increasing average term length across the UK, which according to our business intelligence platform, **VEGA**, sat at 56 months for online transactions in 2023. This could be in part down to the growth in popularity of longer term loans recorded by **Experian**.

By sending the right consumers personalised offers between the 2 and 3 year mark, you could secure yourself a 2.8 : 1 contacted-to-sold ratio.



**35%** of consumers are interested in a new vehicle 3 years or less into their term



Less than **50%** of dealerships ensure current vehicles are valued, and even less explain to the customer the final options available

Retain



Dealers who re-engage with customers following an unsuccessful appt, experience higher satisfaction and a **50%** propensity to buy

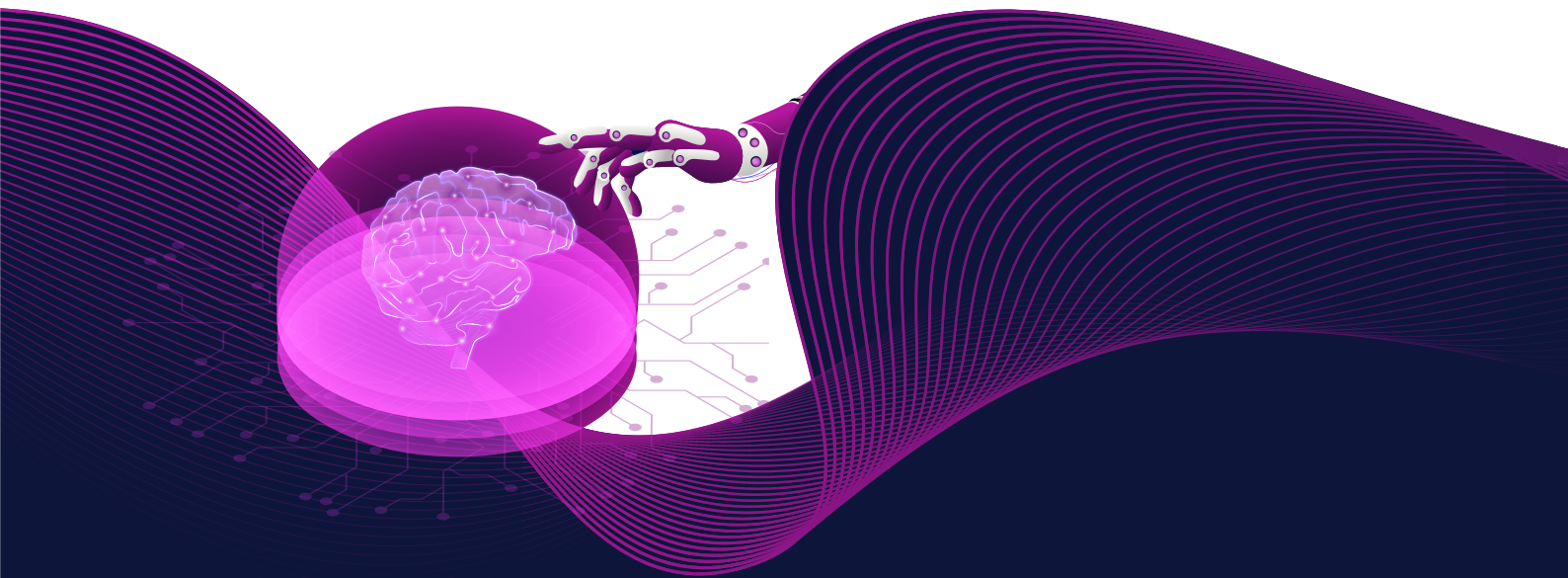
Retain

## 5. AI & Automation

### Decoding the hype

For too long, mundane, time-consuming tasks have taken up salespeople's time, despite it being better spent on maintaining relationships and selling. Artificial Intelligence (AI) could be a game changer for all sectors in 2024 because of its ability to automate these tasks. However, it can be hard to identify which AI-driven path is the right fit for your business.

The key is to find the right technology partner, one who has a wide range of capabilities, an in-depth understanding of the vehicle sales process from the perspective of all parties as well as a tangible roadmap of AI implementation. They should already be demonstrating practical AI driven tools proven to boost efficiency and automate manual-intensive tasks.



Not only can AI be used as an alternative to Live Chat, supporting the 42% of customers who completed a purchase out-of-traditional working hours in 2023, but it can also help you draft email communications, create vehicle listing ads, book services and so much more.

Meanwhile, [Phyron](#), our partner for AI-enabled video is currently using AI to elevate static stock listing imagery and vehicle ads. Drawing on the latest META innovation, they are exploring Product Level Video to ensure better performance on paid ads and other forms of digital automotive marketing.

AI is still in its infancy and there is a lot of opportunity for development before it can compete with human interaction. To help them navigate this new terrain, dealers should choose a technology supplier who has a clear understanding of AI, its capabilities and its challenges. Your supplier should have a strategy that facilitates a scalable, protected Large Language Model (LLM) tailored to automotive.

Below you can find a strategy which should help you implement AI in the here and now without questioning existential issues such as whether or not it will replace a salesperson.

# The 3 phases of successful AI implementation



## Increase Efficiency

Review the tasks that are taking up the most time. What can you automate to give your salespeople more time?

- RPA (Robotic Process Automation)
- Machine Learning



## Optimised Experience

Look at the elements of your consumer experience. How can AI improve that experience so that you are always there to support and engage?

- Marketing Content Creation
- Personalised Responses
- Virtual Assistance



## The Technology of Tomorrow

We are at the beginning of this journey. In time, AI will carry out the majority of heavy-lifting and exercise proactive learning. Feel free to get creative!



**50%** increase in views for AI-generated video

ph4ron



AI Recommendation engines can offer a **160%** increase in click-through rates

seez



AI Customer Segmentation can reduce digital marketing cost of order and lead generation by **25%**


seez



## 6. Consolidating Your Tech Stack

### One supplier. Endless capabilities.

With stock levels tight, operational costs increasing and of course, the reduction in dealership footprints, dealers are evaluating the number of systems they have, and whether they are all necessary. 66% of salespeople say they are 'drowning in tools' according to a recent [Salesforce](#) survey, so it comes as no surprise that 94% of sales organisations plan to consolidate their tech stack within the next 12 months. Consolidating your supplier relationships and the number of systems you have to log into can be a great way to see immediate financial gains, freeing up your salespeople's time and resources.



"Dealerships are focusing on maximising operational efficiency to remain agile in the face of industry disruption."

### Frictionless for both you and your customer

The more technology you maintain, the greater the time it absorbs in management and the more money it costs to run. Likewise, expanding the number of integrations raises the risk of a fragmented experience for both your customers and salespeople. According to our survey, a third of salespeople use as many as 6-10 suppliers to carry out a sale, with some using up to 40. As automation begins to share the load, dealers are realising their vehicle sales process could be just as seamless for their salespeople as it is for their consumers.

Finding a supplier who can complete a wide variety of capabilities spanning supply and demand using proprietary software will ensure a frictionless and enjoyable consumer journey. Our Fusion Suite allows manufacturers and dealers to promote, manage, acquire, convert and retain their customers, while ensuring an optimal experience through next-level search and an omnichannel-enabled payment journey. Greater than the sum of its parts, it facilitates every phase of the buying experience, from browsing all the way to fulfilment, making car-buying easy and enjoyable for all stakeholders.



**61%** of consumers believe the process should be more seamless



**A third** (33.3%) of salespeople log into 6-10 systems or more in order to complete a sale with some logging into as many as 40



**58%** of dealers are not satisfied with the level of connectivity offered by their current Dealer Management System

## 7. Summary

### Time. Money. Risk.

Though it's true that dealers are evolving their offering to compensate for industry hurdles and evolving demand, we believe their focus should be on what they can achieve right here, right now. By optimising their operational efficiency, investing in their retention strategy and digitising their experience, they will be able to drive demand instead of simply adapting to it.



"As ever, it's a competitive market with many factors at play. The bottom line is you can't change things you can't control. Ultimately, it comes down to Time. Money. Risk. Look for tools that get your products to market faster. Automate the tasks that absorb the most time. Consolidate the systems which cost you the most money. Reduce the risk of external factors impacting your organisation by taking control of the tools that help you do business. These steps will all help to improve your efficiency and future proof your business."



**Tim Smith**  
Chief Executive Officer  
Automotive Transformation Group

# Converting Leads into Loyalty

## Discover ATG's Fusion Suite today.

As a leading provider of retailing software to the automotive sector, Automotive Transformation Group (ATG) exist to make car-buying easy. With extensive industry expertise, technology deployed across 91 countries, and over 13 billion digital interactions, ATG have developed a comprehensive understanding of car-buying behaviour, which allows them to design consumer-first software for Dealers, OEMs, Financiers and Fleet Suppliers across the globe.

By harnessing the full power of their proprietary Fusion suite, their customers can manage vehicle supply and proactively drive consumer demand, empowering them to stay agile in the face of rapid changes in consumer behaviour. Furthermore, through innovation such as AI, their SaaS technology continues to optimise operational efficiency, inject tangible cost savings, and ultimately help clients acquire, convert and retain more customers via a world-class omnichannel experience.



**82%** of the Top 200 UK  
Retail Groups



**65%** of the world's  
Manufacturers



**60%** of Europe's  
Financiers



**80%** of the Top 10 UK Fleet  
and Leasing companies







**ATG** AUTOMOTIVE  
TRANSFORMATION  
GROUP

[www.atg.auto](http://www.atg.auto)

