

# Digital opportunity in the automotive arena

 By [Lauren Hartzberg](#)

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Michael Frans, head of business operations: automotive at T-Systems South Africa, is a firm believer in the old adage 'the definition of insanity is doing the same thing over and over and expecting a different result.' It's no wonder that he speaks excitedly about the major shifts the automotive industry will be experiencing at the hand of disruptive technology.



Michael Frans

I managed to chat to Frans at last week's T-Systems InTouch Technology event held in Cape Town, where he presented on the company's connected car technology offering. He shared his views with Bizcommunity on the disruption we will be seeing within the broader automotive service space.

## Customer 2.0

An automotive business is nothing without its customers, and the digital consumer in 2016 has a unique set of requirements. "Our customers are more informed than ever, and how we transfer information to these customers has changed." He stressed that consumers need to be engaged within the digital space because they are digitally-minded.

Frans acknowledged that there are customers who still prefer a traditional brick and mortar environment in which to experience a brand, but an increasing amount of customers these days prefer to select the products and suppliers they want to engage with via a digital medium. "The consumer now chooses the channel they want to use to communicate with. Customers will dictate how they want to talk to you, all you have to do is listen," he said.

## Changing dealership model

What are dealerships going to look like in the future? "Very different," asserts Frans. Technology will continue to disrupt the traditional dealership model. He cited Tesla as an example. Tesla does not have a dealership environment, but instead uses the DELL technique of selling directly to the customer. "Tesla simply has a boutique store from which they deliver the vehicle. That's going to change how cars are sold."

There are now a number of brands that have implemented this new 'boutique' model internationally. "We're seeing top-end brands with boutique stores serviced with brand geniuses to help you specify the car, but there is no car there. They use digital technology to build the product, the customer signs for it, and the car is ordered and delivered."

But Frans also mentioned that the opposite concept exists. Some brands – including Porsche, Ferrari and Volkswagen – offer customers the option to pick their car up from the factory and watch it get built. So where does the dealer fit into that model? The dealer is booking the sale, but the delivery is happening at the plant. "It's all part of the brand experience," he says.

We will also be seeing dealerships evolving into destination points. "BMW Motorcycles has done this successfully. When bikers do their weekend outrides they meet at the BMW dealership, using the physical space as a meeting point." Again, this contributes to the brand experience.



Image via [T-Systems](#)

## **Brand experience = customer experience**

“Modern customers benchmark customer experience the same across services. They expect the same level of service when buying a car as they do when buying an iPhone from an iStore or when dealing with municipal services. A good brand experience is often a good customer experience.”

Frans commented on the power of technology to enhance customer service. “New technologies are able to tell dealerships who was in the dealership, what cars they expressed interest in, and how long they viewed a car.” This will result in a sales person contacting the customer with the awareness of their dealership visit and product preference, thereby streamlining the selection and purchasing process.

“We need to make it easier to talk to customers, because retail customers these days are busy. The retail market needs to change in the automotive space. It needs to be a lot more agile in terms of bringing the brand experience to the customer. We need to change our perceptions around the idea that a customer needs to visit a dealership to experience a product. I still believe in the value of the test drive. You still need to climb into a car and experience it as part of the decision-making process. But does it really matter where this gets done?”

## **OEMs take the lead**

Disruption will extend outside of the retail space as well. Frans predicts huge shifts in the vehicle tracking, insurance and car sharing industries as cars become more connected, with favourable opportunities for original equipment manufacturers (OEMs).

Frans predicts that manufacturers, by utilising certain technology offerings, will be in an ideal position to take advantage of the vehicle tracking business. “In SA’s vehicle recovery industry currently, a tracking unit has to be approved by the manufacturer for installation. But if an OEM has a 3G sim card hardwired onto the chassis that tracks GPS location, why would they approve another company’s tracking device?” Frans believes it would make more sense for the OEM to merely contact the recovery business if and when needed.

Manufacturers will also be able to leverage technology to mitigate their insurance risk. This is due to the vast amount of information being stored about a vehicle and the manner in which it is driven - including the location of the vehicle, at what speed it is driven, etc. For example, if somebody was driving 200km in a 60km zone, crashed the car and wrongfully blamed it on the breaks failing, by utilising stored information the manufacturer will have factual knowledge of the incident and be in a position to repudiate the insurance claim.

Though car sharing models will not be immediately disruptive as South Africans are still very vehicle-dependent, the shift is inevitable. "Car sharing models are evolving as our public transport system structure improves and the need for ownership of vehicles will change over time. In the not too distant future we are going to see car sharing models coming to SA and the OEMs will be creating the ecosystem of customer invitation and validation, not private companies."

## ABOUT LAUREN HARTZENBERG

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