

Finding Digital Success in the Automotive Market

By Lee Naik, CEO at TransUnion Africa

Right now, the world's gone crazy. Soaring inflation and economic headwinds are taking their toll on consumers across the continent. TransUnion South Africa's Q1 Consumer Pulse Study shows that consumers are cutting back their discretionary spend and having to make some hard choices when it comes to paying their bills at the end of each month.¹ It's tough out there.

At the same time, consumer behaviour has changed. If you read the latest insights coming out of the likes of Kantar² and McKinsey³, it's clear that the way consumers buy goods has shifted irrevocably. We've seen clear changes in how people buy everything, from groceries to clothing to cars. And we're going to have to respond to them. Not the other way round.

Even those historically against going digital have accepted the need for an online presence to complement the physical store. Name a brand, and it's online.

Look at Shein, which has become a competitor to practically every retailer globally. By 2025, its forecast is to be bigger than most luxury brands.⁴ It's even opened a physical store in New York. It's huge in South Africa, especially for younger generations and it's not just affordable: it's bringing hundreds of new products a day to market that are influenced by the choices and behaviour of its consumers.

We're not talking about brands simply responding to consumer demand. We're actively seeing the power of the new age consumer to shift what's being offered to them. And that behaviour is already influencing the auto industry.

As an industry, we have to become laser focused on what our customers expect from us to understand them better. The question we have to ask is, how are we going to engage the customer in a way that makes sense to them? They want quick, frictionless experiences, and it's up to us to show up in a way meets their needs.

What the South African customer wants right now is mobility. How can we go beyond traditional vehicle ownership models to provide the choice and convenience that our audiences are looking for? One of the ways to do that is to offer mobility-as-a-service through alternative business models. More importantly, it means thinking out of the box and breaking down the barriers to future trends.

It also means using data to get new insights into our businesses and to help us all make better decisions to maintain and expand market position. In South Africa, we're still in the infancy stage when it comes to using data to target and find new customers, and to provide a better customer experience.

So, how do we create this digital reality?

Traditionally, we think of e-commerce as high-volume, low-to medium-cost items. But what if we could buy new or second-hand cars, car parts, or even a service or repair for your car online? This is a huge potential market. From 2019 to 2021, the percentage of Americans who buy cars online has jumped from 32% to 61%.⁵

Problem is, across the continent we're not making it easier for consumers to buy cars. What happens when the car-buying market takes longer than a week to go through the process of applying for credit, and being approved? Many go to another dealership, or even abandon the purchase completely. You don't want interested buyers to come into your showroom, only to leave if the process becomes onerous.

On average, almost one in three (32%) consumers in South Africa are planning on applying for new credit within the next year.⁶ This includes home loans, auto loan/lease, credit card, personal loan, student loans. Digital is the dominant go-to channel for these transactions.

But if your digital onboarding journey isn't streamlined, you could easily lose a customer for good. Two thirds of applicants drop off if the process is friction heavy. Making people jump through hoops doesn't work with customers used to the instant gratification of their daily e-commerce experience.

And that's the big insight: in a world where consumer behaviour has changed beyond recognition, we've got to change with them if we want to stay relevant and sustainable as an industry. Consumers are more cautious with their money, more demanding with their experiences, and they're going where their lives are made easy, and staying there.

The genie is out of the bottle. The customer is firmly in charge. Let's grab the opportunity to drive our ongoing relevance as an industry.

For businesses wanting to optimise the entire customer lifecycle from acquisition to onboarding to account management, our solutions and hands-on expertise help give you a more competitive edge. Contact the TransUnion Auto Solutions Call Centre on 0861 504 504 or <https://www.transunion.co.za/product/auto-information-solutions> for more information.

1 TransUnion Consumer Pulse Study Q1 2023

2 <https://www.kantar.com/north-america/inspiration/consumer/consumers-are-making-changes-in-2021-are-you-prepared>

3 <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/understanding-the-ever-evolving-always-surprising-consumer>

4 <https://www.ft.com/content/9709f1b8-a8b8-4210-bdd8-784a3025758d>

5 <https://www.nopcommerce.com/en/blog/automotive-ecommerce-market-trends-and-top-10-examples-of-car-ecommerce-stores>

6 TransUnion Consumer Pulse Survey Q1 2023

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