



New Age Competition
Law for OEMs
Creating refined user
operations

May 2022

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The auto industry's new age dilemma

With rapid development in the 21st century, China's auto market has ushered in a new period of adjustment. Factors such as the increasing saturation of car ownership and slowing residential consumption have chipped at the growth of China's auto market in recent years. The persistent COVID-19 epidemic's squeeze on production and sales has further affected the terminal performance of passenger car sales.

While the auto market is struggling, new changes and practices are emerging, with shifts occurring across the consumer retail sector, among auto consumers, and within the auto industry.

- From observations of practices across consumer retailing, the era of winning through product alone has passed and **business model innovation is reflected in an increasing number of enterprises shifting to "product + service" and tapping into consumers' whole lifecycle needs.** The relationship between enterprises and consumers has shifted from one-off, discontinuous product transactions to continuous, full lifecycle charging.
- The demand preferences of auto consumers is also quietly shifting. Product attributes such as hardware and software

technology, performance, and price/performance ratio are still their primary considerations, but **channels, services, brands, and other factors are increasingly influencing purchasing decisions.** OEMs need to adapt to important issues around what consumers care most about and what factors will drive up their willingness to pay.

- Finally, **business challenges in the auto industry are also becoming apparent.** During the market downturn, car manufacturers already burdened with huge commercial costs for many years faced the dilemma of shrinking sales at headquarters and declining profits from store sales. The high cost of acquiring new customers and continuous losses of customers are also difficult short-term challenges for OEMs to solve.

These changes in the automotive industry, where both difficulties and challenges exist, have arrived. How to break the sales dilemma, activate the long-tail potential of consumer groups, and tap into a new paradigm of sustainable growth and innovation has become a key strategic issue for OEMs to think about and prompt changes. As a result, a full-range of customer-centric user operation has emerged.



Defining user operation systems

User operation systems have accumulated a wealth of successful experience in the internet and FMCG sectors, but it is only in recent years that disruptors with internet genes—new forces such as Nio and Xiaopeng—which are guided by user operation, have brought the automotive industry into their sights. Many other enterprises have also explored various models and practical methods of user operation.

Most of these interpretations revolve around the concept of "user growth" in the acquisition, activation, retention, referral, and revenue (AARRR) model, which is a packaged approach originating from the internet industry that cannot be adapted to the user consumption characteristics of the automotive sector.

After all, the purchase threshold of auto consumption is high, decision time is long, consumption frequency is low, and the chain of pre-sales to sales to after-sales is clear. This is not comparable to the internet industry, which naturally has the advantages of a low threshold and fast communication.

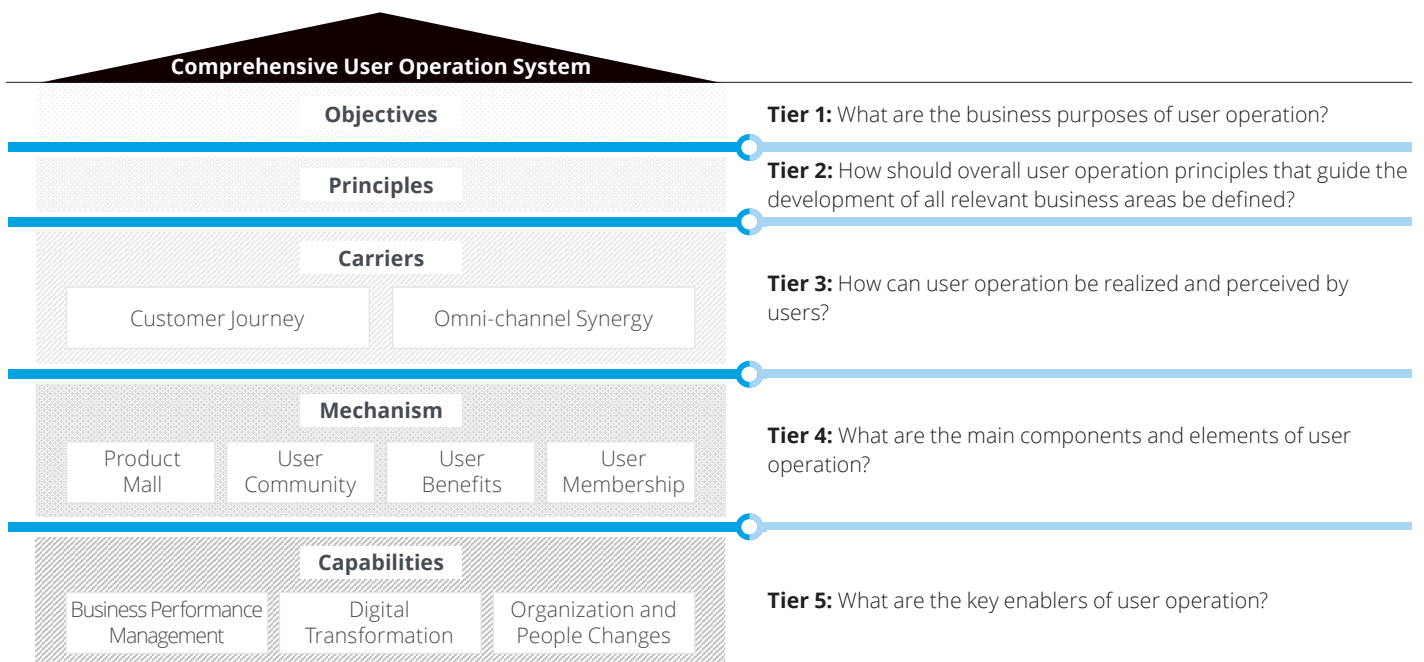
In addition, **when talking about automotive user operation, it is easy to confuse this with user**

development and customer relationships. Car manufacturers often only design for a small piece of their business, such as marketing or membership growth, and will find little effect in implementation or constantly find content is missing. This is a reflection of their lack of strategic thinking about user operation and an absence of business-wide deployment planning.

They must urgently establish a set of user operation systems that break through the limitations of previous concepts to address business reality in the automotive industry. User operation in the automotive industry **should be an organic whole that incorporates characteristics of the automotive industry, has strategic development goals, leads business links in sales, and ensures effective support for back-end capabilities.**

Deloitte Consulting proposes a comprehensive user operation system divided into five layers: user operation objectives, principles, carriers, mechanisms, and capabilities to form a complete definition of user operation.

Figure 1. Comprehensive user operation system



Data Source: Deloitte analysis

Tier 1: User operation objectives

For an OEM, user operation is not just to promote conversion and increase sales, but also to achieve business objectives and the long-term business layout of their entire enterprise. Specifically, user operation will help OEMs achieve three progressive goals: **mastering user data and optimizing user insights; improving user experience and deepening user connection; and exploring user value and realizing multiple revenue streams.** These three goals in turn form a virtuous closed loop that is closely linked and mutually reinforcing, continuously deepening user operation.

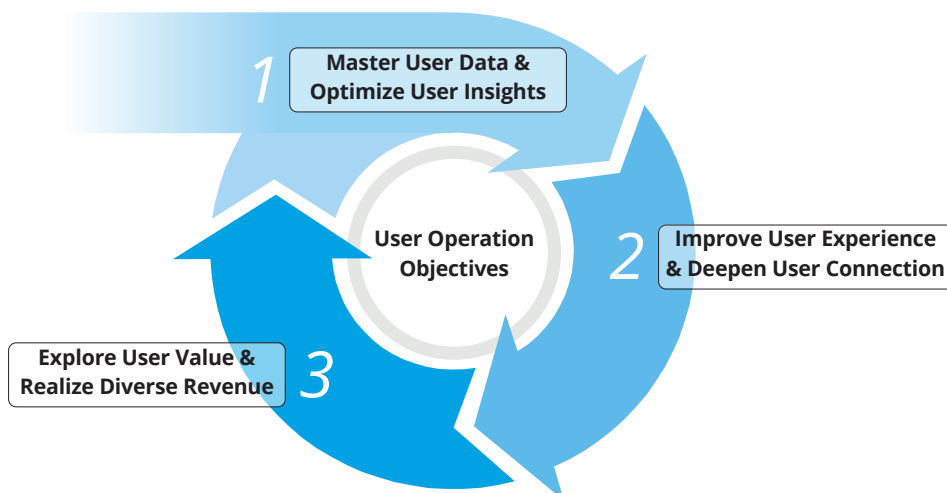
- **Mastering user data and optimizing user insights:** The primary goal of user operation is accurate collection and in-depth analysis of user and business data by directly connecting users at various touchpoints and obtaining all related data. This creates a closed loop of data where to iterate user insights and optimize business management. By establishing a data pool covering fans, potential customers, and car owners, OEMs can not only understand users and their needs, but also feed this into their business to support product and service development, brand operation, channel development, and other business decisions.
- **Improving user experience and deepening user connection:** Based on user insights, user operation

helps OEMs reshape user experiences to meets user expectations, and improve users' perception of the value of their brands, products, and services through accurate content pushes and channel communication, deepening the connection between brands and users. This is also an important tool for OEMs to build competitive advantage in today's highly competitive auto market. When users become highly sticky and high-value, accelerated conversion and stimulation of multiple transactions become easier, helping to broaden the path for brand value transformation.

- **Exploring user value and realizing diversified revenue:** Along with the accumulation of high volumes of data and high-value users, user operation can eventually help OEMs extract users' full lifecycle value and create potential new revenue streams. Through a deep understanding of users and data assets, OEMs can also explore the possibility of new businesses and models, including service subscriptions and data monetization.

In practice, OEMs can combine their strategic goals and existing resources to further carve out user operation objectives that are integrated with their businesses, including data systems, user experience optimization concepts, and new business layouts, to form higher-order objectives for user operation that are closely matched with OEMs' aims.

Figure 2. Main objectives of user operation

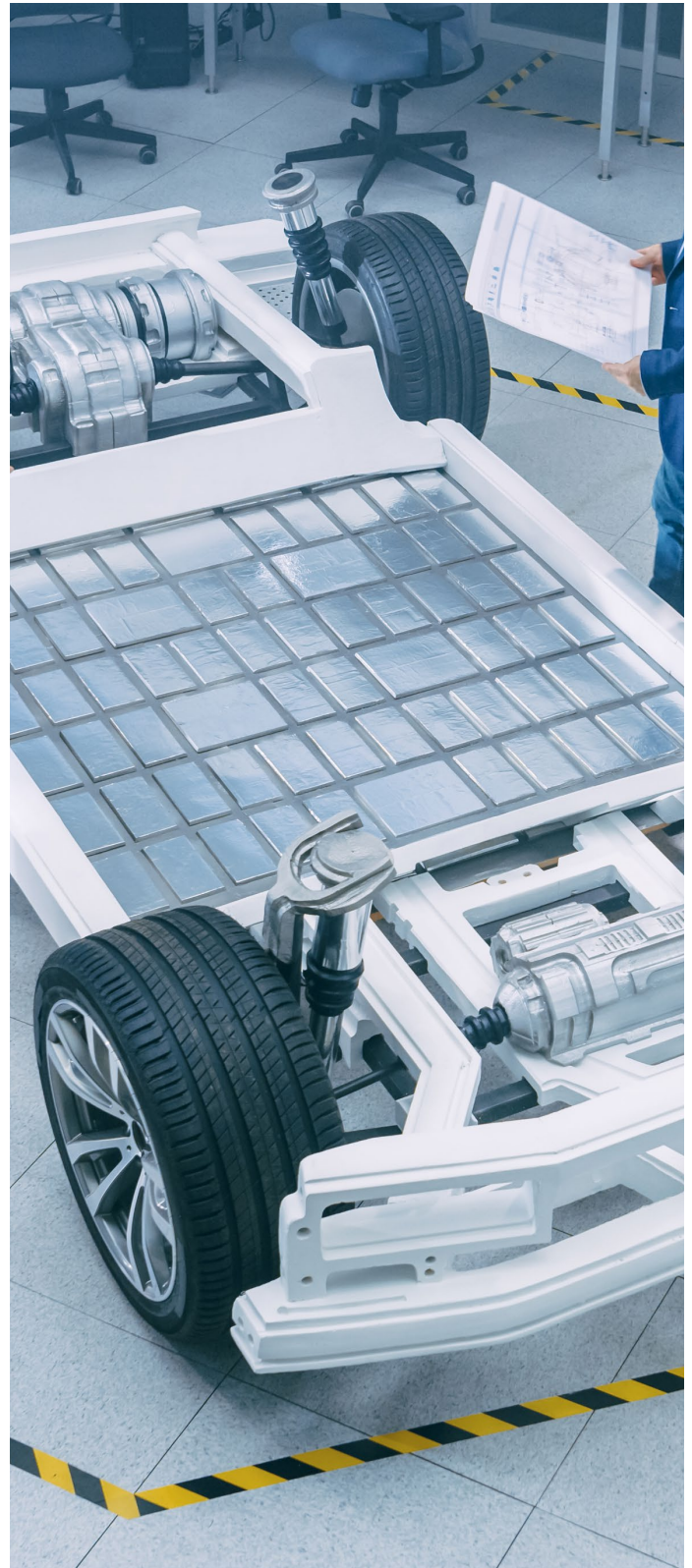


Data Source: Deloitte analysis

Tier 2: User operation principles

After clarifying user operation objectives, it is crucial to establish related guidelines. This is because the initial stage of user operation usually requires the concerted efforts of all business units, and its effect is difficult to measure through a unified index system in the short term. **Many OEMs (especially traditional ones) are prone to having an inconsistent direction, multi-point operations, and even lost efficiency if they immediately start business-level planning.** Therefore, before proceeding with business planning, **OEMs need to define guiding principles to help all business units form a unified perception of the overall direction and key elements of user operation.** Specifically, OEMs need to think about several guiding principles:

- **Closely relationship to brand tone:** Different OEMs present various characteristics when carrying out user operation, such as premium service orientation and a focus on intimate interaction, which are integrated naturally with their brand tone. Therefore, OEMs need to define the overall tone of user operation based on their brands' core connotations and value propositions.
- **Meeting target audiences' preferences:** Targeted user insights are another key premise for user operation. OEMs need to provide products, services, channels, and experiences that meet expectations derived from the demographic attributes and behavioral characteristics of targeted users.
- **Focus on long-term, diverse revenue streams:** When planning user operation, there is almost no limit to what should be invested to improve operations. OEMs need to focus on the sustainable development of their businesses, consider what new revenue streams are possible, and which user operation segments to lay out and focus on in advance to achieve multiple revenue streams.
- **Consider the interests of partners in the ecosystem:** Upgraded user operation will inevitably bring requirements and challenges to an OEMs' partners, including new user reach and communication, and a new division of responsibilities that comes with this. Therefore, OEMs need to fully consider existing investor relationships and seek to expand potential cooperation opportunities to ensure positive cooperation during implementation.



Tier 3: User operation carriers

Based on their objectives and guiding principles, user operation business planning requires OEMs to form systematic mechanisms with a thorough re-examination and consideration of sales. **User operation does not mean independently completing the design of a set of operation mechanisms. Its prerequisites include establishing customer journey and omni-channel touchpoints—a key repository of experiences deployed at the 2C-end to realize user operation.**

As a direct carrier of user operation, customer journey and omni-channel touchpoints drive experiences along users' entire lifecycle. Reinvented customer journeys should follow consistent threads to create comprehensive experiences ranging from latent to insured customers, pre-sales to post-sales, online to offline, and in-vehicle to out-of-vehicle scenarios. At the same time, planning online and offline touchpoints should include focused deployments in the public and private domains to realize effective experience delivery.

- **Reinventing customer journeys:** The reinvention of customer journeys should be designed with consistent threads from end-to-end. For each stage of the customer journey, OEMs should start from users' perspective, and develop experiences that meets customers' expectations with a complete service process. Although the stages and core steps in customer journeys are similar for all OEMs, **realizing a level of detail and designing brand features are key to achieving differentiated breakthroughs.** Therefore, each OEM needs to define a clear, brand-specific "Moment of Truth" to create a distinctive experience for their customers.

A strategic customer journey should be able to achieve business objectives at every stage, from customer acquisition, customer retention, sales conversion to user precipitation and fission, and facilitate smooth advances from stage-to-stage along the customer journey that continuously create sustainable brand value.

- **Omni-channel synergy:** As the user experience pathway, omni-channel touchpoints should maximize a brand's share of users' time and minds. It does not need to occupy all channels, but deployment must have a **clear**

focus and functional positioning developed based on synergy with the customer journey and insights into user preferences. OEMs should clarify strategies for goals and experiences at each touchpoint based on complementary positioning with the online public domain, online private domain, and offline formats. This will facilitate the accurate delivery of experiences at each stage of the customer journey.

The realization of omni-channel synergy not only supports a seamlessly integrated customer journey, but also helps OEMs digitally collect comprehensive customer data generated from every interaction. This helps to reduce process flow loss while improving the efficiency of experience conversion by ensuring users' freedom to choose from and switch between different touchpoints, and at the same time provides inputs for OEMs' continuous iterative optimization of customer experiences.



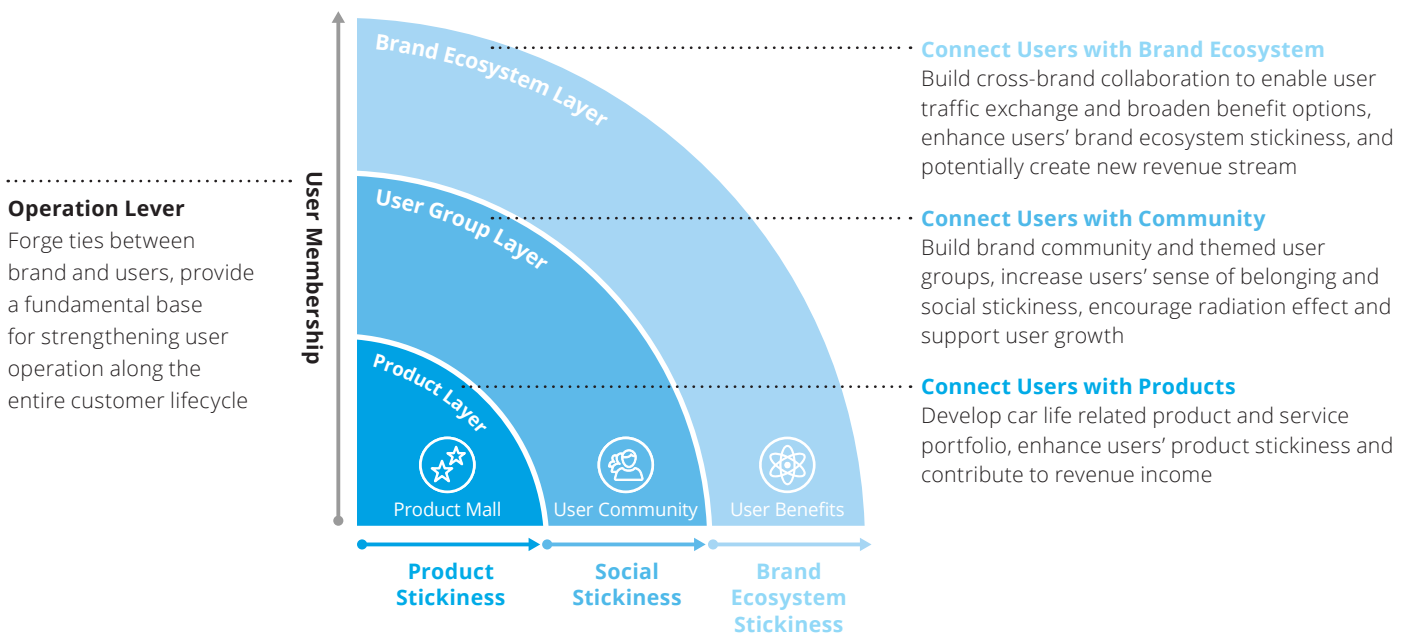
Tier 4: User operation mechanisms

Based on the customer journey and omni-channel synergy, user operation mechanisms forge the core of user life cycle experiences and promote user conversion. Deloitte proposes a Progressive User Operation Mechanism Framework that goes beyond traditional car purchasing and use scenarios to dive into users' all around "car lives". This framework digs into user demand layer-by-layer to create tight bonds between OEMs and users.

user group layer centered on user communities, and a brand ecosystem layer emphasizing user benefits. The product layer connects users with products to improve stickiness; the user group layer links users with likeminded communities to improve social attachment; the brand ecosystem layer improves brand ecosystem adhesion; and user membership is used an operational lever to promote the evolution of comprehensive user experiences and realize deeper connections with users.

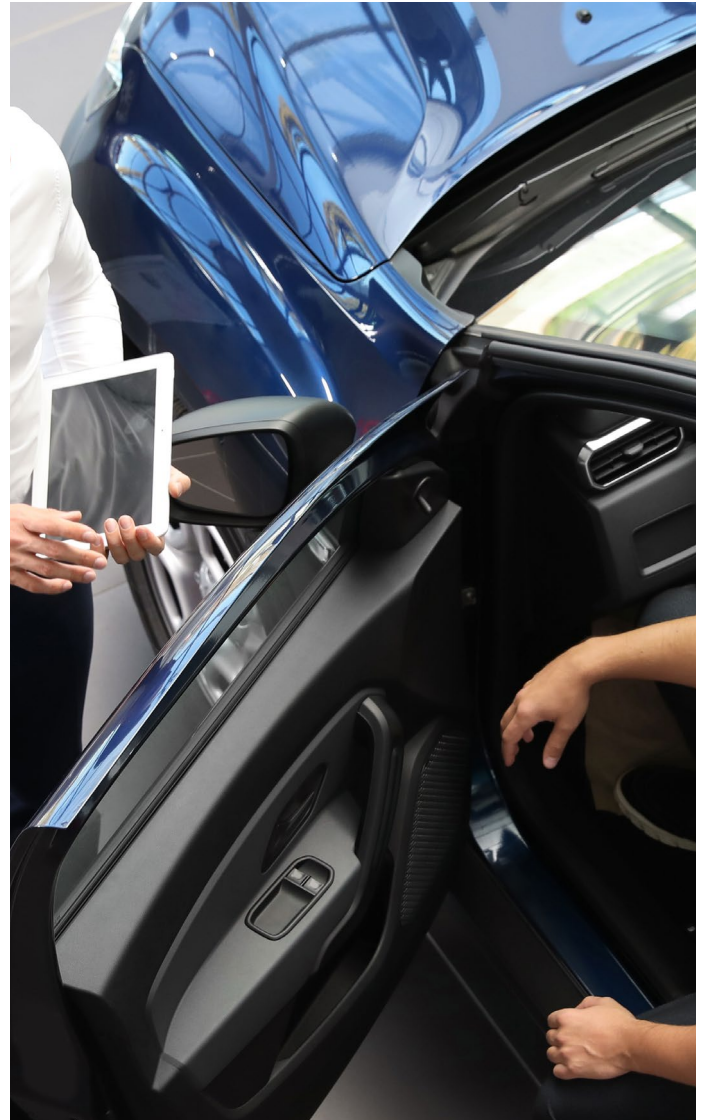
The User Operation Mechanism Framework is composed of a product layer with a product mall as its core, a

Figure 3. Progressive User Operation Mechanism framework



Data Source: Deloitte analysis

- **Product mall:** A product mall is one of the most direct platforms for users to enjoy their car life after purchasing a vehicle. It is important to make full use of data-driven processes in product selection iteration. With a continuous ability to grasp current trends and enrich car life products and services, product malls can meet user needs precisely and tap new revenue stream for OEMs.
- **User community:** To attract, gather, and continuously precipitate users, OEMs can create online and offline user communities with brand genetic cultures. Brand-led activities and KOL/KOC influencers are important ways of shaping these communities. User communities can contribute to triggering the spread of UGC content, promote a radiation effect and encourage extensive user growth.
- **User benefits:** While launching their own brand specific car owner benefits, OEMs should also consider extending the benefits beyond car owners through cross-brand collaboration. OEMs need to choose partners with high synergy and provide users with rich benefit options. This kind of open benefits ecosystem, which realizes cross-brand user exchange, can create new revenue streams for brands while enhancing user stickiness.
- **User membership:** User membership is an operational lever to forge ties between users and OEMs by empowering users with points and special status. The design of user membership (especially points acquisition and redemption) should be based on an analysis of common user scenarios and financial estimates to ensure its sustainability.



Tier 5: User operation capabilities

To realize user operation business planning, car manufacturers need to make further efforts in three major areas: business performance management, digital transformation, and organizational and personnel optimization to ensure effective business implementation.

This can be a big challenge for traditional car companies that are used to extensive management of "sales and inventory" but addressing it is vital. After all, **in a new context of "direct to customer", "consistency of journey experience", "channel synergy", and "online operation mechanism", old business models are no longer be aligned to new development needs, of which business performance management, digitalization, and organization are the core enabling elements.**

- **Business performance management:** User operation has increased the importance of user experiences to unprecedented levels, and management requirements for user experience have increased accordingly to ensure consistent, high-quality user experiences. As business planning expands to include customer journeys, omni-channel touchpoints, and multiple operation mechanisms, **OEMs need to change their management approach, which focused on the sales volume, and take more responsibility for strengthening overall business performance management.**

Car manufacturers need to refine three aspects of operational design: the division of responsibilities, KPIs, and business policies and commission mechanisms. OEMs need to strengthen the management responsibilities of their entire sales pipelines, from lead generation and store retail operation to after-sales owner loyalty programs to ensure a good end-to-end user experience. Conversion rate indicators for each sales checkpoint and online and offline channel are also needed to monitor the implementation of user operation business planning is effective. Furthermore, business policies need to be tilted more towards process and customer satisfaction assessments to maintain and incentivize good execution.

- **Digital transformation:** Digital capability is an important foundation of user operation and can guarantee efficient

implementation. At present, OEMs cannot grasp the right information from stores, with numerous data gaps and barriers between different business functions. Truly realizing a complete set of user operation systems and ensuring their accurate execution relies on **transparent, automated, and iterative management empowered by digitalization.**

Building digital capabilities should be centered on business needs, rely on existing digital foundations, and synergistically upgrade all aspects of an OEM's digital architecture. It should be viewed as a whole, with digital application scenarios, system platforms, infrastructure, and digital hardware devices delineated clearly. At the same time, clear standards and management mechanisms need to be clarified, a comprehensive, accurate, and unified data pool needs to be built, and systematic data analysis capabilities need to be created to realize a closed loop between data and business.

- **Organization and people changes:** Organization and people changes are key supports to ensure an integrated user operation system. The traditional organization structure of OEMs is based on divisions between pre-sales, sales, after-sales, and other business functions, **resulting in a lack of overall planning and integrated implementation user operation capabilities.** As a result, it is **unable to meet basic requirements for well-rounded user lifecycle operations.** Organizational structures and systems must become more user-centric.

During this transformation, OEMs should choose the most suitable path based on factors including internal cost, efficiency, and business impact. With a single threat running through all business departments, OEMs can establish new user operation departments, solidify online and offline channel departments, or integrate cross-functional virtual teams for networks, content, and sales management. This can create an agile network organization that is customer-centric and serves every need for refined user operation at every stage of the customer lifecycle.

Core insights

User operation in the automotive industry should be a complete whole that reflects characteristics of the automotive industry, has strategic development goals, drives business synergy, and ensures effective support for back-end capabilities.

Based on their business directions and principles, OEMs can start with the **end-to-end customer journey, online and offline omni-channel upgrades,** and **a set of mechanisms** including membership programs, complemented by internal enhancements to their **businesses, digitalization, and organizational capabilities.** In this way, they can create a **seamless brand experience throughout the customer lifecycle,** and **lay solid foundation for a business blueprint featuring diverse, user-data-asset based revenue streams.**



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