



# Secure your relevance in the future of automotive sales

An OEM's guide to creating and executing  
the right direct-to-consumer sales strategy

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## **The BIG change**

The way consumers buy is shifting. The way cars are made — and how drivers interact with them — is rapidly evolving. A new generation of drivers brings elevated customer expectations. And of course, digitization and technology are advancing every day.

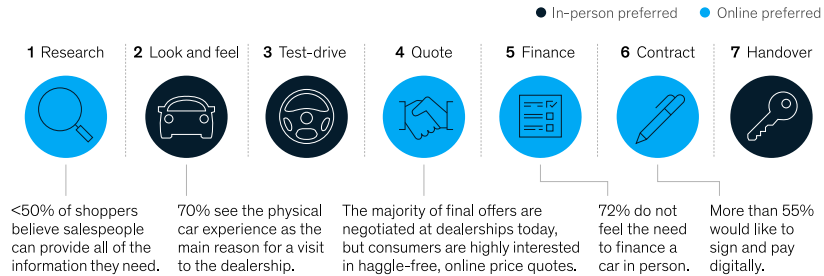
In the face of so much change, it's time to talk about...

### **Building the foundations for selling to the new automotive consumer**

Access to technology and e-commerce has changed the way we make purchases — even for the most expensive investments like houses or cars. Customers now expect convenient and compelling digital buying experiences in all cases, with personalized engagements from brands that understand who they are.

Newer automotive market entrants including Tesla, BYD and Nio understand these customer expectations and how to meet them. These OEMs (original equipment manufacturers) are already delivering (partially or fully) the seamless “phygital” journeys, where customers switch between online and offline experiences as they choose. They’re experimenting with direct-to-consumer (D2C) sales through a combination of online experiences and showrooms owned by the OEM.

## McKinsey: Why the role and business model of dealerships needs to change



Source: McKinsey Automotive Retail Consumer Survey (China, Germany, United States)

As traditional OEMs navigate a changing competitive landscape and shifting customer expectations, they're rethinking the established sales model of selling through dealers. OEMs must now determine whether a D2C sales model will help them capture market share, or if it would make sense to continue with the dealer model with a few necessary changes. But the fact remains that online is proving to be the most significant channel for building engagement and loyalty with consumers and thereby increasing sales.

The online car-buying market is expected to reach **\$885.1 billion** in 2032, growing at a compound annual growth rate (CAGR) of 12.58%.<sup>1</sup>



1 <https://www.astuteanalytica.com/industry-report/online-car-buying-market>

## **Evolving the automotive sales model: What's in it for OEMs, dealers and customers?**

Among car OEMs, new entrants like Tesla, Polestar and Geely are tackling these changes head-on and have created a digital path to sell directly to consumers, helping them avoid the time, effort and cost of setting up a large dealer network. Others are using agent models or innovative subscription models, like Lynk & Co, to respond to changing customer expectations. Their success has caused many traditional OEMs to revisit their own selling models.

### **Current selling model options observed in the market**

<b>The dealer model</b>	<b>The direct model</b>	<b>The agent model</b>	<b>The subscription model</b>
Dealers own the inventory and customer relationship and set their own prices, but they also carry the cost and risk of owning the inventory.	OEMs own the inventory and the selling experience. They sell to customers online or via their own stores.	OEMs own the inventory, define the customer experience and appoint dealer reps as sales agents, compensating them through a commission for a premium, individualized touch.	OEMs own inventory throughout the life of the car and customers pay for use. OEMs also control the customer experience and can get cars to customers quickly and cost-effectively — and easily introduce new brands or models.

The hypothesis of the D2C model is that, if defined and executed properly, OEMs gain the ability to:

- Increase margins by owning the sales process.
- Get closer to customers to understand their needs and get valuable features and desirable vehicles to market faster.
- Maintain control of a consistent brand experience.
- Open up new revenue streams by selling vehicles, parts, subscriptions and services.



However, when OEMs own the inventory, they take on the risks of depreciation and lower residual value of unsold inventory. They also need to work out the mechanics of aftersales, service, spare parts and accessories sales, and more — areas where the dealer traditionally plays a large role.

**As for dealers**, the D2C model brings with it the obvious advantages of lower inventory, thus lower operational and financial costs. However, they might feel that they're losing the client relationships they've worked so hard to build. There's also a lot of uncertainty over how to deal with after sales and service.

Some OEMs are using the **agent model** as a compromise between the D2C model and the traditional model. This gives customers the convenience and consistency they crave. They get a unified brand experience and personalized interactions — whether online or in the showroom — throughout the sales and aftersales process. They also benefit from transparent pricing, as prices are set by the OEM rather than individual dealers.

**In the agent model**, dealers no longer have the risk and operational costs of owning unsold inventory, and they need much less floor space for inventory storage, lowering their costs even further. Dealers can also reduce the time and cost of onboarding new employees, because the OEM trains agents to deliver a consistent customer experience, so they can operate at any dealer. However, the commission in the agent model is lower and there is still uncertainty over after sales and service.

## Choosing the right path forward

From our work with many leading automotive OEMs, we've observed four categories of response to the sales model challenge:

**Followers** intend to continue with the current dealer model while watching and learning from the successes and failures of other OEMs. Of course, this response carries a significant risk of OEMs being left behind as others build close, direct relationships with consumers.

**Conservatives** plan to maintain dealers' role in the distribution model while shifting parts of the sales and service processes online. Porsche's pop-up store approach is a good example of this. The company places temporary "Porsche Now" stores in strategic retail locations, using interactive digital experiences to engage potential customers and connect them with dealers for further sales discussions.



Some OEMs are adopting a **balanced** approach, recruiting agents or transforming distribution partners into agents. This gives them greater control over pricing and brand experiences, but increases the operational risk associated with owning the inventory. Mercedes-Benz, for example, has successfully introduced the agent model in numerous markets. The company sees this as a crucial step toward fully digitalized sales and service processes that will help it “to continuously enhance the attractiveness of its products, safeguard their value retention and increase the company’s revenue throughout the product life cycle.”

Some OEMs have chosen a **radical** approach to D2C sales, taking complete ownership of every aspect of manufacturing, sales, after sales and service. Geely’s Zeekr electric vehicle brand, for instance, has built a direct channel ecosystem to break down barriers between customers and the brand — including a stock incentive plan that allows customers to become shareholders.<sup>2</sup>

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2 <https://zgh.com/our-brands/zeekr/?lang=en>





## Defining the right D2C strategy

Whatever future sales model OEMs choose, the need of the hour is to be flexible to experiment and switch approaches in different markets. This requires making it necessary to refresh the brand and customer experience, modernize legacy enterprise architectures to build a strong data foundation and identify the right areas to invest in for the greatest returns.

Before OEMs can build the right D2C sales model strategy, they must define (or redefine) their **brand, digital and investment strategies** — all tied to measurable outcomes and designed for ease of execution. In our experience, this approach is most successful when each of these strategies flow into the others and continuous feedback loops help keep all of the strategies up to date.

### A framework for OEMs approaching transition or a change of business model





## **Step 1: Brand strategy**

### **Build a compelling story that resonates with customers**

The first step in defining a new brand strategy is to identify the brand's North Star. Importantly for established OEMs, this may have changed over time and could be very different from what it was in the past. The ideal way to determine the brand's new North Star is to conduct primary and secondary research to collect data on brand perception and buyer profiles. This will help determine the path forward to connect with existing, targeted and potential customers.

For OEMs with affordable and accessible brands, the typical buyer profile is likely to be a young digital native accustomed to personalized interactions, fast responses, and phygital experiences. For these brands, a **balanced** or **radical** approach may be the most appropriate.

The buyer profile for luxury or niche brands is likely to be quite different. They value exclusivity and a personal touch, so the agent model (or the traditional model with a few changes) may generate higher returns than a move to a full D2C model. These brands will likely find a **conservative** or **balanced** approach yields the best long-term returns.

It's also important to remember that the brand strategy must encompass the complete car sales life cycle — i.e. new and used cars, accessories, in-car experiences and services to build long-lasting customer relationships. OEM brands must tell a compelling story at every touchpoint in the experience of buying and owning their vehicles.

## Key activities for creating a brand strategy

- Conduct customer research and buyer profiling.
- Analyze competitors' brand stories and offerings.
- Define the brand and its value proposition.
- Identify a sales approach for the full car lifecycle that fits the brand story.



## Step 2: Digital strategy Use technology and data to drive all execution and innovation

OEMs must design their digital strategy to deliver the brand strategy envisioned in the previous step. This includes assessing whether their existing digital and organizational architecture can offer seamless, reliable and fast customer experiences that can be scaled quickly when needed.

New entrants in the automotive market aren't weighed down by legacy systems and processes. They are able to design highly responsive, digital-first enterprise architectures that integrate and interconnect all systems, from the manufacturing plant to the end user of the vehicle.

At first glance, this may seem to put traditional OEMs at a disadvantage. However, OEMs can rise to the challenge with expert partners that can work with them to co-create an effective digital strategy. Successful digital strategies for D2C include several essential components:

- **Domain-driven architectures**, enabled by microservices and APIs, allow OEMs to build common capabilities that can be accessed and reused across the enterprise. This makes it much easier to tailor seamless phygital experiences to meet emerging customer needs.
- **Data is treated as a product**, owned and managed by the domain teams closest to it. These autonomous teams are empowered to build the capabilities they need, or compose them using existing capabilities from other domains.
- **Data flows** are designed to enhance quality, security and scalability, with a focus on delivering measurable business value. All data is accessed from a single source of truth, eliminating duplication and errors and enabling confident, data-driven decision-making.

The digital strategies of OEMs that have chosen the **radical** path contain all these features and more, allowing them to respond quickly to change, fuel rapid innovation and accelerate time to value.

For OEMs that choose the **conservative** or **balanced** path, replacing legacy systems with new responsive architectures is still critical for achieving organization-wide consistency, increasing operational efficiency and building business agility.



## Key activities for creating a digital strategy

- Evaluate your current enterprise architecture and legacy systems.
- Map existing processes, tools and organizational structures to deliver target buyers' desired brand experience (may need to be customized even at a regional level).
- Understand optimal and agile data flows and structures.
- Envision business and IT platforms and common capabilities.
- Govern data collection, processing, storage and usage.
- Define metrics that connect engineering efficiency to business goals.

### Step 3: Investment strategy

#### Make money work harder for a successful future

Every company has a limited financial resources and investments must be prioritized. For OEMs, an investment strategy for transitioning to a new sales model must be guided by the outcomes of the brand and digital strategies. It must also be based on an evaluation of the short and long-term financial commitments and business impacts of each investment.

In our experience, one of the best ways to mitigate risk is to take a thin-slice approach. This methodology enables OEMs to identify a high-value use case for a specific team, quickly create a minimum viable product (MVP) and iterate rapidly based on user feedback to accelerate time to value. With proof of value, OEMs can extend the new capability to other teams — and continue to optimize it — while moving on to build an MVP for the next use case on the investment roadmap.

The table below shows the breadth of investment areas OEMs must consider, depending on which D2C approach they choose.

## OEM investment strategy approaches

		Followers	Conservatives	Balanced	Radicals
<b>Store construction</b>	Building the dealer front	Dealer	Dealer	Dealer / OEM	OEM
<b>Marketing</b>	Customer acquisition	Dealer	Dealer / OEM	Dealer / OEM	OEM
	Target Generation	Dealer	Dealer / OEM	Dealer / OEM	OEM
<b>Sales</b>	Drive sales to store / Configuration	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
	Test Drive	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
	Quotation / Pricing	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
	Finance / Leasing	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
<b>Production</b>	BTO	OEM	OEM	OEM	OEM
<b>Stock</b>	Match from stock	Dealer	Dealer / OEM	Dealer / OEM	OEM
<b>Handover</b>	Delivery of car	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
<b>After sales</b>	Accessories	Dealer	Dealer / OEM	Dealer / OEM	OEM
	Services	Dealer / OEM	Dealer / OEM	Dealer / OEM Agent	OEM
	Customer Loyalty	Dealer	Dealer / OEM	Dealer / OEM Agent	OEM
<b>Used Car</b>	Buy back	Dealer	Dealer / OEM	Dealer / OEM	OEM

## Key activities for creating an investment strategy

- Design a robust business case or overall strategic goals using the inputs from the brand and digital strategies above.
- Define business measures of success for desired ROI directly linked to the above overall strategic goals.
- Provide clear lines of organization-wide communication and responsibility flows in teams, while connecting the dots to the overall strategy.
- Assess how quickly an investment is likely to begin paying off and how to identify and deal with what's not working.
- Create change management and people strategies to increase buy-in throughout the organization.

## Step 4: Creating a sales model strategy

The outcomes of an OEM's brand, digital and investment strategies will inform its sales model strategy. The sales model will also depend on the OEM's overall approach to the D2C opportunity.

**Followers** will retain their existing sales model while they watch others take more pioneering approaches, but they must consider the opportunity cost and the risk of becoming obsolete in the future.

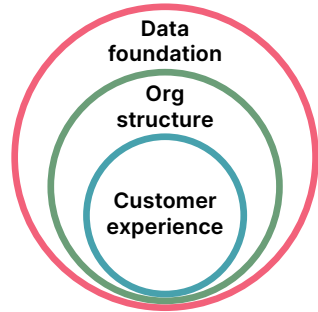
For OEMs taking a **conservative** approach, the strategic objective is to drive sales to their dealer network. To do this effectively, they must:

- Ensure a clear articulation of the brand story throughout customer journeys.
- Design for seamless and secure flow and integration of data and experiences between the dealer and the OEM.
- Use creative incentive plans that ensure transparent pricing for customers.

OEMs that choose a **balanced** approach will have their agents as the focal point for the overall customer experience. In the agent model, OEMs must:

- Implement connected and secure systems for handling inventory throughout its lifecycle (including buyback, aging, storage, search and re-configuration) and used vehicle management.
- Build systems and processes for increasing non-vehicle revenue, such as accessories, apps and merchandise.
- Deploy seamless customer lifecycle management systems to provide outstanding service.

OEMs making the bold move to a **radical approach** will need to consider a holistic sales model strategy, represented in this flywheel which illustrates how internal and external worlds can be combined to differentiate their customer experience.



- A robust **data foundation** and effective governance are essential for the organization to make informed decisions. By adopting an agile, domain-driven architecture and establishing well-governed data flows that mesh into a single source of truth, OEMs can quickly adapt and respond to market changes. This foundation is also crucial for the successful implementation of AI initiatives.
- This leads to reviewing or revising their **organizational structure** to achieve optimal data flows. By using the Inverse Conway Maneuver, organizations can evolve their ways of working and architecture to realize business goals, based on clearly defined KPIs.
- Successful transformations prioritize **customer experience**. By fostering a product-focused, customer-centric culture and providing clear pathways for change, organizations can effectively guide employees and agents toward adopting new incentive structures and work practices. This, in turn, enables seamless phygital customer experiences aligned with the brand's values.

This architecture supports standardized central processes while allowing for regional customization to deliver differentiated services.



## **Executing the sales model strategy**

The shift to D2C is more than just a business model change. Thoughtworks' experience of working with OEMs in the automotive industry and other manufacturing sectors has shown there are many questions to answer and key areas that need attention for the transition to be successful.

### **Here is an inclusive sample of important questions to consider**

#### **Outward focused**

- Who is our customer?
- What do they expect from their buying experience — now, and X (as defined by each OEM) years from now?
- How can research help us personalize vehicles to buyers' needs?
- What are our channels for sales?
  - How do they rate against our competitors?
  - How can we push traffic online and convert it into higher sales?
- How can we forecast future sales closed to actuals over the next 5 – 10 years?
  - How can we build resilient systems that will help us forecast supplies better?
  - How can we predict optimal production schedules?
- Is our enterprise architecture suited to collecting market feedback and addressing customer needs?

- How will we deal with aging inventory and after sales services?
  - What business models and strategies can help us liquidate assets on time?
  - How can data help us match vehicles to buyers more effectively?

### **Inward focused**

- Is our organization structured correctly (including communication flows) to meet buyers' expectations?
- Is our organizational culture focused on providing high value to customers?
- Is our organizational culture agile, and do we enable cross-functional teams?
- Do our employees feel valued and empowered to deliver their best to the organization, so we can deliver our best to customers?
- Are our investments focused on achieving these inward and outward-focused goals?



## Key success factors

- Build for resilience, scalability, privacy, security and sustainability in the enterprise architecture and organizational structure.
- Design global products and offerings customized for different regions and prioritized for the best experience and returns.
- Focus on digital to cut costs, increase speed and improve experiences.
- Create clear change management and people strategies for training, upskilling and reskilling where necessary.
- Define KPIs and measures of success at every stage and keep them flexible to adapt to changing situations.
- Shape the organizational structure and incentives around the brand and digital strategies.

Thoughtworks has built many effective and connected solutions for automotive OEMs to support every area of operations. Here are just a few examples.

Customer insights	Plant and production	Sales, distribution and leasing	After-sales, servicing and accessories
Experience design based on primary and secondary research.	Demand-based optimization of factories and production lines.	Connecting order-to-fulfillment journeys to production, distribution and handover.	Predictive maintenance.
Customer information management systems.	Supplier forecasting systems.	Bespoke handover experiences.	Shared services.
Content marketing systems.	Virtualization of design, testing, assembly and production.	Integrated finance options based on customer profiles.	Platform-based human-machine interface (HMI) systems.
Car configuration and dealer systems.	Continuous, seamless integration of hardware and software.	Dealer journeys for payment and commission-sharing.	Monetization of accessories and additional services.
Demand forecasting systems.	Vehicle telemetry and analytics.		
Real-time pricing engines.			



## **The road ahead**

The automotive industry is transforming, and how OEMs respond to that transformation will define whether they remain relevant and competitive in the future.

For most OEMs, there are currently more questions than answers, but they must act now to choose a long-term partner that can help them envision an effective strategy, build the right technology and create solutions that offer customers the innovative, personalized experiences they expect. The right amount of cross domain expertise – product, IT and design, with an eye on ROI and metrics is essential.

Thoughtworks helps organizations across the automotive industry and beyond imagine a new future for their business — and make it a reality. We combine deep expertise in business strategy, design, software engineering excellence and change management to help organizations accelerate successful transformations.

We partner with OEMs to build cutting-edge solutions and experiences that enable them to thrive in today's constantly changing automotive ecosystem.

To learn how we can help your organization, [talk to us today](#).

## About the author



### **Dhanalaxmi Gopalakrishnan**

Dhanalaxmi's career seamlessly blends financial expertise and technology. As a Chartered Accountant, she gained experience in risk and audit across banking, manufacturing and IT services before launching a successful venture in professional services for schools.

She later transitioned into IT, expanding her role from delivery to consulting and merging her knowledge of technology and business. In her previous role as delivery manager for two major projects at a large European OEM, Dhanalaxmi also showcased her understanding of the value of design by contributing to one of their first design systems.

Since then, she has consulted across several OEMs in the European market as a business strategist, and her passion for cars has helped her develop deep insights into automotive manufacturing.

Outside of work, she's a dedicated parent, car rally enthusiast, gardener and avid reader.

Thoughtworks is a global technology consultancy that integrates strategy, design and engineering to drive digital innovation. We are over 10,500 Thoughtworkers strong across 48 offices in 19 countries. For 30+ years, we've delivered extraordinary impact together with our clients by helping them solve complex business problems with technology as the differentiator.

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