

Digitalization of the new car sales process in Chile: Best models to improve customers' experience during their journey

A Master's Thesis submitted for the degree of
“Master of Science”

supervised by
Dipl.Kfm./Komm.rat. Brigitte Kroll-Thaller

Juan Pablo Perl

11929271

Affidavit

I, **JUAN PABLO PERL**, hereby declare

1. that I am the sole author of the present Master's Thesis, "DIGITALIZATION OF THE NEW CAR SALES PROCESS IN CHILE: BEST MODELS TO IMPROVE CUSTOMERS' EXPERIENCE DURING THEIR JOURNEY", 112 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted the topic of this Master's Thesis or parts of it in any form for assessment as an examination paper, either in Austria or abroad.

Vienna, 09.01.2022

Signature

*To my wife Magdalena, my son Lukas, my parents Victor and Catalina, and my entire family for their time and support. To all my friends and colleagues who have helped me gathering and sharing information with experience and professionalism, specially to Philip, Thibaud, Rodrigo, Mauricio, Sebastián, Marcos, and many others who have been directly or indirectly involved in this. To Mrs. Kroll-Thaller for guiding me on this, for believing in me. To all the Professors and Lecturers from the TU Wien who have taught us from their expertise. To the artists who have been accompanying me with their music during long writing hours: Taylor Swift, Dave Matthews Band, Millencolin, Peter Gabriel, Nosecuenta, and hundreds of others.
To God.*

Many thanks to you all.

Abstract

Digitalization processes have been developing since decades. Having the automotive industry a highly conservative process to commercialize vehicles, especially in Chile, the approaches into digitalization of new vehicles sales processes have been limited and slow as there was no consensus on how to face digitalization. Covid-19 pandemic times forced the industry players to boost their efforts and release on a short (or immediate) term different strategies that were expected to be released on a long term. Empirical research and interviews made with leading players of Chilean market shows that improving websites with transactional platforms and virtual showrooms, implementing webchats with video call options, and having home delivered test drives helped keeping the business running during lockdowns. Removing floor planning gives a relief to dealerships so they can have a broader working capital to invest on digitalization tools and improving showrooms. This is the first step to the best business model to be implemented in Chile, the Agent Model, where traditional dealerships turn to be OEMs' agents. They will only be the ones who deliver and give service to the cars, and no longer the ones who are selling them, as OEMs are now responsible for commercializing the cars. Agents will earn by units delivered or serviced and will differentiate from other agents by the experience that they give to the customer. Agents will be the key player on the customer journey as they will be the *front desk* during mostly the entire process. The strategies will also change, from multi-channel to omni-channel, where customers can get the same experience despite the channel they decide to use, even when mixing channels. A market research survey shows that only 43,09% of the people will buy a car on a fully digital process, having preferences to have some process of the customer journey on a digital way (like quotation and payment) and some others as physical processes (like negotiation and deal closure), so the best will be to offer all processes on all channels and customers will decide to go digital, physical, or both. This will give a better customer journey and improve the customers' experience

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1. Introduction

For several years the sales process around the world has been almost the same: getting awareness on media (mostly TV, newspapers, and magazines), visiting the stores several times, receive and give a lot of paperwork, pay, receive the vehicle, and done. Then back again in three years.

But in the last decade there has been a trend to merge into new solutions, focused on digitalization. Many approaches have been performed by almost every player in the industry but there hasn't been consensus between OEMs and dealerships on how to face digitalization, with different digitalization agendas to reach their objectives.

But in October 2019, a deadly virus started infecting the world and affected the normal day and activities of every single person in the planet, and of course, of the different businesses around the world. Covid-19 pandemic shook the automotive industry on every side: lack of parts, limited production, and dealerships remain closed because of lockdowns. This forced OEMs and dealerships to boost their digitalization plans and adapt to reality and create strategies to keep the business going. The sales process mentioned at the beginning of this introduction before merged into a new customer journey focused on customer's experience and satisfaction.

This document is intended to explain the scenario of the automotive industry in Chile and how OEMs and dealerships work together to face the digital revolution adapting sales processes to improve the customer journey and increase the customer experience and satisfaction.

The scenarios considered for the study are three: Pre-, During-, and Post-Covid-19, and what are the differences between the journeys on each scenario, the best tools and different approaches on digitalization, and what is expected for the future to evaluate if a digital sales process will provide a better experience to the customers.

The methodology applied is based on empirical research on the main players of the industry, evaluating key topics on the processes, like response time and type of contact after first quotation request, website features, follow up, financial tools, and more. This will be complemented with a market research survey made to determine the digital behavior of the customers when buying a vehicle. Also, important players of the industry were interviewed to get their point of view and insights on what is coming next for the future.

While all the results achieved are relevant, some of them quite unexpected and will be useful to present a *prototype* of a (almost) perfect customer journey for the Chilean market, with the keys to focus always on the customer experience so the satisfaction and recommendation will be increased, so that will be translated on a bigger profit.

What are the best tools for digitalization? Is it feasible a fully digital sales process? Will dealerships still be players on this game? Will the customer be able to keep negotiating price? Those answers and more can be found on this study.

2. Brief History of the automotive industry in Chile

The automotive market in Chile has its origins on 1901, when the Besa family (owners of Besa & Cia.) decided to import the first car in Chile. It was a Darracq FL II, a four-seater one-cylinder French car¹. It arrived in 1902 and from then, the automotive history started

During the following years, imported cars were exclusively for the wealthiest families, because of the reduced number of options available in the market and the importation process, which increased the cost. In 1913, after Henry Ford's revolution on the production processes, cars became more affordable and the shipping was less expensive, so the model T and A started to arrive to Chile's main port, in Valparaiso.

In 1924, Ford Motor Company Chile started their operations, assembling the model T with the parts arriving to Valparaiso and then transported to Santiago by train. In 1928, the assembling of the model A started and was distributed to 23 different dealerships across the country. The production ended after the start of the World War II, and until 1950's there were no production or assembling plants in Chile.

In 1956, the first approval from the Ministry of Economics to install a productive plant in Arica (Resolution 613, Ministry of Economics), the northern limit of the country, and to allow to build more new industries, so they can create an automotive *boom* in the industry and put more vehicles in the street. This was first allowed to the firm *Sociedad Constructora de Vehículos Motorizados Ltda.* After that, 19 plants were installed in Arica by 1962. This carried out some issues that made the authorities to revise the actual resolution, as mostly all the vehicles were produced in North America and Europe, and merely assembled in Arica. To regulated this, the Ministry of Economics issued Resolution 835, where it was stated that the vehicle was required to have a specific percentage of parts produced locally. This percentage was progressive (Fig. 1), starting in 1963 with 30%, up to 1971 with 70% of the car produced locally²:

1 Booth, R. (2009), 43: Automóviles y Carreteras. Movilidad, modernización y transformación territorial en Chile, 1913-1931. Unpublished Doctoral Thesis, Pontificia Universidad Católica de Chile, Chile.

<http://repositorio.conicyt.cl/handle/10533/180307> - Accessed on July 13, 2021

2 Gamma Ingenieros Ltda. (1970), 30: Estudio de la Industria Automotriz Chilena. Grupo de Trabajo sobre economías de escala en la industria automotriz Latinoamericana. Santiago, Chile.

<https://repositorio.cepal.org/handle/11362/34194?show=full> – Accessed on July 13, 2021

Year	% of local parts
1963	30,00%
1964	36,60%
1965	41,40%
1966	50,00%
1967	55,00%
1968	57,94%
1969	57,94%
1970	57,94%
1971	70,00%

Fig. 1: Minimum percentage of locally produced parts per car.
Source: 1962, Automotive Commission Ministry of Economics, Resolution 835.

Given this regulation, the productive plants were reduced to 10 by the end of 1970, although the units produced increased from 6.615 units in 1962 to 32.228 units in 1970. The only Plants and Models who remained in production since 1962 until 1970 were the following²:

- SAMAFSA, producing Fiat models 600, 1.100, 1.500, and 125.
- Nun y German, producing Simca 1.000 (until 1969) and Dodge Dart (from 1967 to 1970).
- General Motors Chile, producing Chevrolet Chevy II and C-Series pick-up trucks.
- Automotores San Cristobal, producing Peugeot 404.
- Citröen, producing AZ series.
- IMCODA, producing Skoda Octavia.
- British Leyland Automotores de Chile, producing Austin and Morris Mini.
- Nissan Motor, producing Datsun Bluebird.

By 1970, and with the election of the first democratically elected socialist president, Salvador Allende, all the industries were re-structured on a mixed state-private owned regime, with the state owning at least 51% of the company through **CORFO** (Corporación de Fomento de la Producción. In English, Production Development Corporation). By the end of 1974, and after the military intervention in September of 1973, imports were close to zero, due to a rise on taxes and rates.

The current regulations were incompatible with the government ideals, so new statements were created, where they negotiated with different firms who would be allowed to produce in the country under Resolution 1.239, issued by the Ministry of Economics in 1979. The firms were the following:

- Fiat Chile
- Asociación Peugeot-Renault
- Corfo-Citröen
- General Motors

On this resolution, the government decided to reduce the import rates so that more foreign vehicles could arrive. Although that year the production and car sales experienced a significant rise, the reduction of the rates leads into a greater demand on imported cars, affecting the local production (Fig. 2). The economic crisis of 1982 also contributed to the beginning of the farewell of vehicle production in Chile.

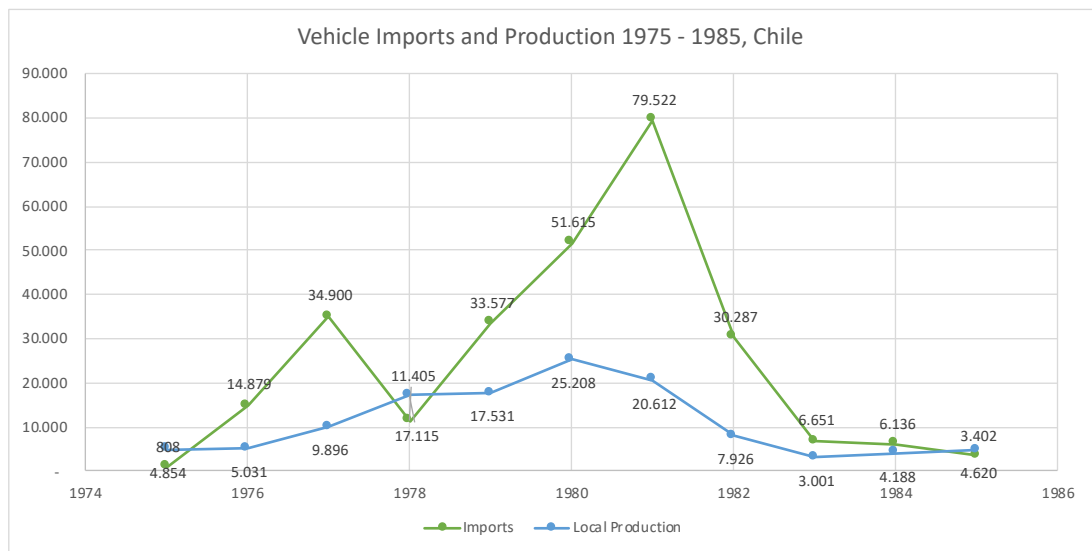


Fig. 2: Vehicle Imports and Production in the period 1975 - 1985
 Source: 1975-1985, *Indicadores Comercio Exterior*, Banco Central de Chile.
http://www.economia.uc.cl/docs/dt_165.pdf - Accessed on July 14, 2021

In 1983, Fiat was forced to close all their plants and, starting from that year, all models were imported. In 1984, GM installed their first Isuzu Trucks assembling plant, with two models: DualCab and SpaceCab. By 1986, the rates reduction process finalized, and now all imported vehicles had to pay only 10% on importation fees.

In 1990, the change in the government (the country recovered their democracy) led into a rise in the importation of vehicles from different markets and, in 1991, Automotores Franco-Chilena decided to cease the production of Renault, now imported from France and Argentina. Having only Peugeot, the company decided to close the production plants for Peugeot in 1996, leaving only the assembling plant in Los Andes, where they assembled the Peugeot 205 and export it to other Latin

American countries, as the model was not desired in the local market. Finally, the assembly plant closed in 2003.

GM, on their side, was the only producer and they kept their plant in Arica until 2008, after 40 years of production on the same plant. This was the final episode of the production in Chile; but in 2013, GM decided to install a new assembly plant for trucks on a **SKD** (Semi Knocked Down) assembly regime. Nonetheless, this didn't last so long, as in 2019 the company closed the assembly plant and sold the land.

3. General overview of the automotive market on the last 10 years (2010-2020)

Chile is a country located in South America, and it's politically divided into 16 regions (Fig. 3), although the population density is mostly concentrated in the center (Metropolitan, Valparaíso, and Biobío Regions; Fig. 4), while the economic activity is concentrated in the capital and in the north, where most of the mining projects are located. The capital is Santiago, and it is located in the Metropolitan Region.

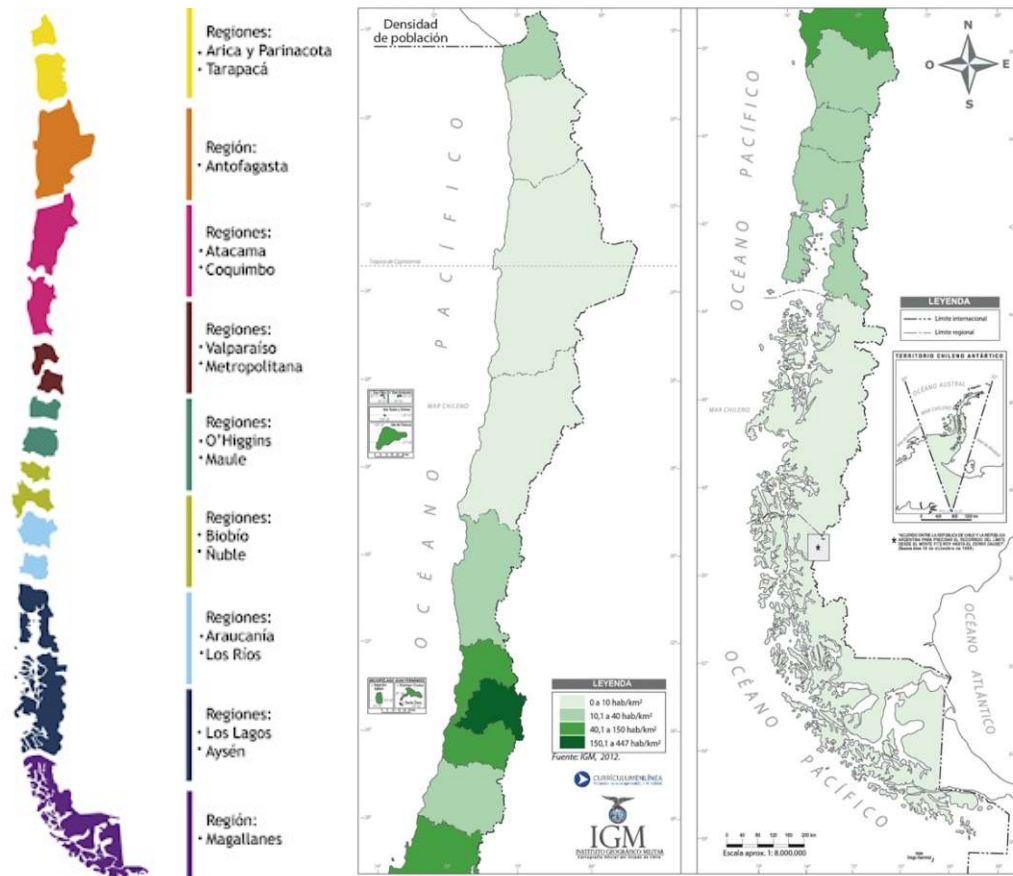


Fig 3: Political map of Chile. Source: 2020, Unidad de Currículum y Evaluación Ministerio de Educación

Fig. 4: Political and Demographic Map of Chile (Lighter Green: less populated; Darker Green: More populated). Source: 2012, Instituto Geográfico Militar de Chile

The last 10 years have been maybe the most dynamic in the automotive market; not only in Chile but also in the world. Many external and internal events have influenced on differences on the number of units sold per year in Chile, like the economic crisis (2009, 2015), natural disasters (2010's earthquake and tsunami, 2017's wildfires), sanitary crisis (Covid-19 ongoing pandemic) and political and social crisis (2019's social outburst).

Some insights about Chile:

- Population: 19.678.363 (official estimation; Last census in 2017: 17.574.003)³
- GDP: US\$252.940.023.046⁴
- GDP Per Capita: US\$13.231,7⁵
- GNI Per Capita: US\$13.470⁶
- Unemployment rate: 8,5%⁷
- Main activities: Mining, Farming (agriculture and livestock), Tourism⁸
- Number of lightweight vehicles allowed to transit: 5.591.145⁹

The automotive market in Chile is based on stock (no orders or special configurations except for a few luxury brands) and in the last years, an average of 332.885 units of new lightweight (passenger vehicles and light commercial vehicles) were sold per year; but as mentioned before, each year is different, given the changes and events (natural, global, economic, and political). The entity which provides the figures regarding the automotive sales in Chile is the **ANAC** (Asociación Nacional Automotriz de Chile A.G. In English, National Automotive Association of Chile), who associates all the different brands sold in the country and the numbers are given by the units sold and registered. Below is the list with the units sold between 2010 and 2020 (Fig. 5):

³ Instituto Nacional de Estadísticas (2021). <http://ine.cl/estadisticas> - Accessed on July 8, 2021

⁴ World Bank (2021): World Development Indicators. <https://databank.worldbank.org/reports.aspx?source=2&country=CHL> - Accessed on July 8, 2021

⁵ World Bank (2021): World Development Indicators. <https://databank.worldbank.org/reports.aspx?source=2&country=CHL> - Accessed on July 8, 2021

⁶ World Bank (2021): World Development Indicators. Atlas Method <https://databank.worldbank.org/reports.aspx?source=2&country=CHL> - Accessed on July 8, 2021

⁷ INE (2021): Boletín Estadístico: Empleo trimestral Junio-Agosto 2021. Instituto Nacional de Estadísticas. Santiago Chile. <https://www.ine.cl/docs/default-source/ocupacion-y-desocupacion/boletines/2021/pa%C3%ADs/bolet%C3%ADn-empleo-nacional-trimestre-m%C3%B3vil-junio-2021---julio-2021---agosto-2021.pdf> – Accessed on July 8, 2021

⁸ Ministerio de Relaciones Exteriores (2021): Economía de Chile. <https://chile.gob.cl/iran/sobre-chile/economia-de-chile> - Accessed on July 8, 2021

⁹ Instituto Nacional de Estadísticas (2021): Licencias de Conducir <https://www.ine.cl/estadisticas/economia/transporte-y-comunicaciones/licencias-de-conducir> - Accessed on July 8, 2021.

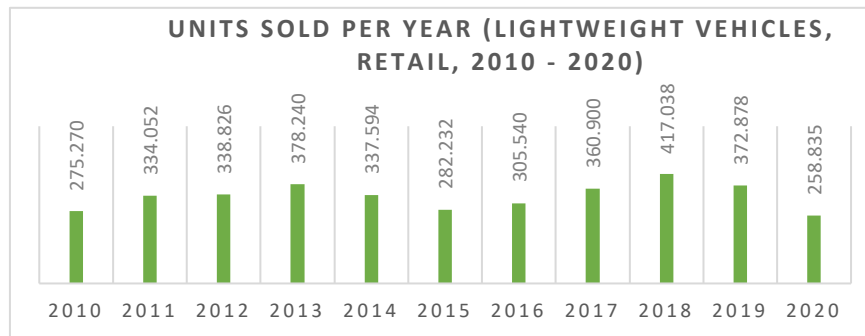


Fig. 5: Units sold per year (lightweight vehicles, retail sales, between years 2010 and 2020).
Source: ANAC market reports from January 2010 to December 2020

In February 2010, the center and southern part of Chile was hit by a 8,8Mw scale earthquake and tsunami. Also, after the economic crisis in 2009, it was quite difficult to expect high numbers on sales. But the earthquake also carried the need of recovery and rebuilding of the country, and that meant that there was a growth in the local economy, carrying also an increase on the consumption. Being more precise, the GDP in 2011 grew 6,3% in comparison to 2010 (in 2010 grew 5,2%, influenced also by the reconstruction and presidential change)¹⁰.

In 2014, the economic growth was slower than the last years (1,8%)¹¹, influenced mostly by the reduction of the consumption due to the uncertainty of the world economy and an internal government change. This presidential change contracted the economy during 2014 and 2015 (2,0%)¹², reducing private investment and increasing the economic uncertainty; it also devaluated the Chilean Peso, rising the US Dollar currency conversion. This was a very strong blow on the Chilean automotive market, as the imported cars' rates are filled on US Dollars, causing the price of the new cars to raise in about 30%, only influenced by the rise of the USD/CLP conversion (Price of USD in CLP in January 2014: 524CLP; Price of USD in CLP in December 2015: 707CLP)¹³.

¹⁰ Jürgen (2012): Balance preliminar de las economías de América Latina y el Caribe 2011. UN, CEPAL. https://repositorio.cepal.org/bitstream/handle/11362/981/19/Chile_es.pdf - Accessed on July 8, 2021

¹¹ Titelman Daniel (2014): Balance preliminar de las economías de América Latina y el Caribe 2014: Chile. UN, CEPAL. https://repositorio.cepal.org/bitstream/handle/11362/37344/6/Chile_es.pdf - Accessed on July 8, 2021

¹² Titelman Daniel (2016): Balance preliminar de las economías de América Latina y el Caribe 2015: Chile. UN, CEPAL. https://repositorio.cepal.org/bitstream/handle/11362/39558/89/1501280BPE_Chile_es.pdf - Accessed on July 8, 2021

¹³ USD Values: Servicio de Impuestos Internos (2015): Valores dólar 2015: https://www.sii.cl/valores_y_fechas/dolar/dolar2015.htm - Accessed on July 8, 2021

By the end of 2019, specifically on October 18th, a Social Outburst started in Chile. This carried a violence wave that by 2021 is still ongoing. It was created by an accumulation of different factors such as public education quality, low retirement pensions, and public healthcare, among others. The violence outburst destroyed and burned several businesses (small and local businesses like neighborhood stores, and also great stores like retail and hypermarkets) across the country, causing many others were forced to shut down or close indefinitely. Also, the unstable political and economic scenarios reduced the external and domestic investment, carrying into a relented growing rate of 0.8% in 2019, compared to the 3.9% growth rate achieved in 2018¹⁴.

During each year, the month with lowest and highest global sales numbers are February and September, respectively. The reason for this is that February is the second month of the summer holidays, and most people are on vacation, so they are not in their home city, and the expenses on that month are destined to travel or leisure instead of buying or changing the car. The first day of September is the *Automotive New Year* in Chile, so all the cars bought starting on that date can be registered as if they were dated from the next year. This means that a car bought in September 2020, can be registered as a 2021 car, so the clients prefer to wait until September to get *newer* car.

Below is the detail of the sales per month (Fig. 6) and a chart comparing the units sold per month and arranged by year (Fig. 7):

Month/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
January	19.342	28.846	27.513	33.568	34.224	23.891	25.484	27.308	35.322	36.543	32.104
February	17.615	24.143	23.701	28.140	25.716	18.233	21.571	23.805	29.427	27.912	25.028
March	17.808	27.918	26.245	28.577	27.801	21.469	23.053	29.639	33.355	30.199	19.056
April	22.198	28.153	25.315	32.206	26.698	23.084	22.401	24.675	35.470	32.716	8.906
May	25.016	28.096	28.105	31.589	25.289	21.184	24.002	29.910	35.328	31.204	8.681
June	21.739	26.253	26.411	28.457	25.797	22.632	23.636	27.326	33.228	28.446	8.971
July	20.861	24.327	26.448	31.736	27.561	22.247	22.528	28.092	31.285	31.474	11.464
August	17.999	23.988	26.951	27.984	30.846	24.374	24.544	35.354	38.729	33.059	19.037
September	32.732	36.595	32.068	32.220	29.753	28.669	32.377	35.461	39.263	37.925	31.897
October	24.088	26.412	34.175	31.380	25.459	22.887	25.552	30.114	37.132	28.038	36.243
November	24.072	28.384	29.399	34.358	24.286	23.727	28.730	34.458	33.518	24.272	29.486
December	31.800	30.937	32.495	38.025	34.164	29.835	31.662	34.758	34.981	31.090	27.962
Total	275.270	334.052	338.826	378.240	337.594	282.232	305.540	360.900	417.038	372.878	258.835

Fig. 6: Sales per month and per year (table)
Source: ANAC market reports from January 2010 to December 2020

¹⁴ Titelman Daniel (2019): Balance preliminar de las economías de América Latina y el Caribe 2018: Chile. UN, CEPAL. https://repositorio.cepal.org/bitstream/handle/11362/44326/128/BPE2018_Chile_es.pdf - Accessed on July 8, 2021

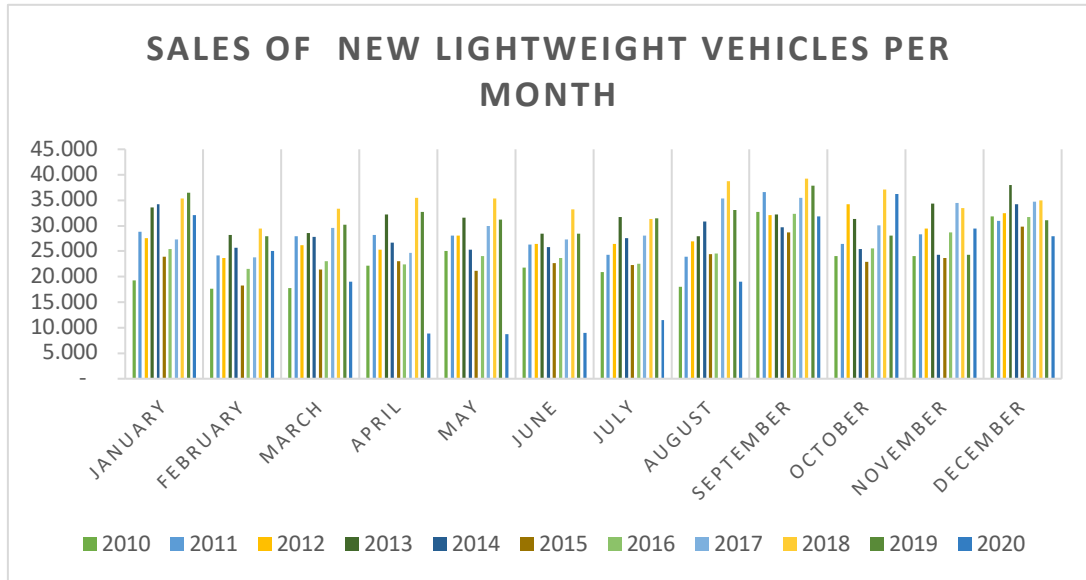


Fig. 7: Sales per month and per year (graph)
 Source: ANAC market reports from January 2010 to December 2020

With more than 55 different brands (65 by 2020), Chile holds one of the most diverse and fragmented automotive markets and, because of this, the dealership network is quite complex across the 4.400km of extension of the country from north to south. Just considering the top 3 most selling brands (Chevrolet, Kia, and Hyundai), there are 47 different dealerships with 186 branches, covering geographically mostly every corner of the country (Fig. 8).

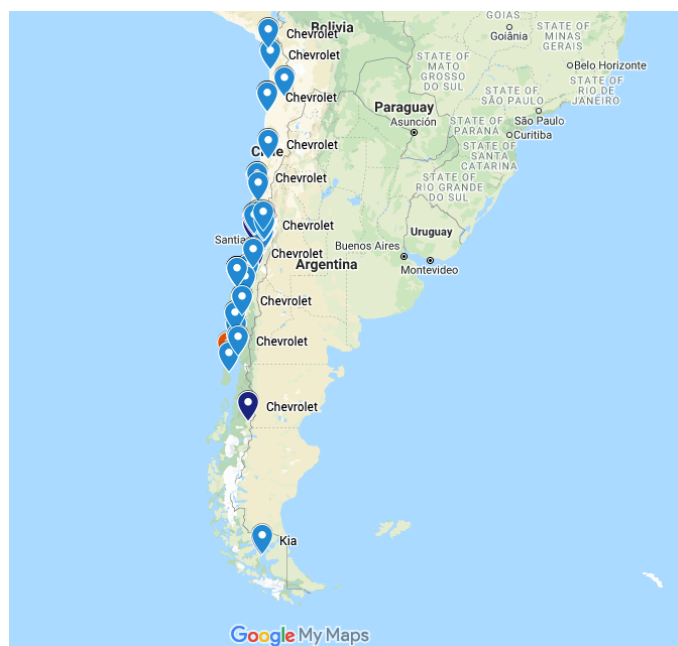


Fig. 8: Map of dealerships and branches across the country (Kia, Hyundai, and Chevrolet).
 Source: Self-produced with OEMs and Dealership's public information

Given this geographical distribution, it is right to say that the central regions (Metropolitana and Valparaiso) hold the biggest amount of dealerships and sales, combining in average 69,5% of the distribution share (59,8% Metropolitan Region and 9,7% Valparaiso Region).

Region	2015	2016	2017	2018	2019	2020	Average
(I) Tarapacá	0,8%	0,6%	0,6%	0,6%	0,7%	0,9%	0,7%
(II) Antofagasta	3,4%	2,8%	2,5%	2,7%	3,0%	3,1%	2,9%
(III) Atacama	0,9%	0,7%	0,8%	0,9%	0,8%	1,3%	0,9%
(IV) Coquimbo	2,7%	2,6%	2,6%	2,9%	3,0%	3,3%	2,9%
(V) Valparaiso	9,5%	10,3%	10,1%	9,9%	9,6%	8,5%	9,7%
(VI) O'Higgins	3,1%	3,0%	3,0%	3,1%	3,0%	4,2%	3,2%
(VII) Maule	2,6%	2,6%	2,6%	2,8%	2,8%	4,0%	2,9%
(VIII) Biobio	7,1%	7,6%	7,8%	6,5%	6,4%	6,6%	7,0%
(IX) Araucanía	2,8%	2,8%	3,1%	3,1%	3,0%	3,7%	3,1%
(X) Los Lagos	3,5%	3,4%	3,9%	4,0%	3,9%	4,3%	3,8%
(XI) Aysén	0,6%	0,5%	0,4%	0,3%	0,4%	0,5%	0,5%
(XII) Magallanes	0,9%	0,6%	0,9%	0,9%	0,9%	0,8%	0,8%
(XIII) Metropolitana	61,4%	61,2%	60,8%	60,1%	59,9%	55,3%	59,8%
(XIV) Los Rios	0,8%	0,9%	0,7%	0,9%	0,9%	1,4%	0,9%
(XV) Arica	0,2%	0,1%	0,2%	0,2%	0,3%	0,4%	0,2%
(XVI) Ñuble*	-	-	-	1,2%	1,4%	1,6%	1,4%

* Region XVI (Ñuble) was created in August 2017

Fig. 9: Geographical distribution of lightweight vehicles by region.
Source: ANAC market reports from January 2010 to December 2020

The table above (Fig.9) shows the share of sales by region during the 2015-2020 period. As stated, Metropolitana and Valparaiso regions have the major share, as they hold the largest amount of population; but also, Antofagasta and Coquimbo regions, which mainly host the greatest mining projects, also have an average of 2,9% each, even if they don't have a large amount of population. Heading to the center and south of the country, Biobio Region has also a vast amount of forestry projects, and the second largest city of the country (Concepción) is also located in this region.

As mentioned before, the Chilean automotive market is one of the most diverse in the world/Latin America, with up to 65 different brands in 2020. Within this huge universe, on the top five selling brands (which holds between 39% to 53% of the market, depending on the year), there are four of these brands that have been fighting for the first place in the period 2010-2020:

Top	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Hyundai	Hyundai	Chevrolet	Chevrolet	Chevrolet
2	Nissan	Hyundai	Hyundai	Hyundai	Hyundai	Kia	Chevrolet	Chevrolet	Suzuki	Hyundai	Kia
3	Hyundai	Nissan	Nissan	Kia	Hyundai	Kia	Hyundai	Kia	Hyundai	Kia	Suzuki
4	Kia	Kia	Kia	Nissan	Suzuki	Nissan	Suzuki	Nissan	Kia	Suzuki	Nissan
5	Toyota	Toyota	Toyota	Toyota	Nissan	Suzuki	Nissan	Suzuki	Nissan	Nissan	Hyundai
6	Suzuki	Suzuki	Suzuki	Suzuki	Toyota	Toyota	Toyota	Toyota	Toyota	Toyota	Toyota
7	Mazda	Ford	Ford	Ford	Peugeot	Mitsubishi	Peugeot	Peugeot	Mazda	Peugeot	Peugeot
8	Mitsubishi	Mazda	Peugeot	Peugeot	Mazda	Mazda	Ford	Ford	Peugeot	Mazda	MG
9	Ford	Mitsubishi	Mitsubishi	Mazda	Ford	Ford	Mazda	Mazda	Ford	Mitsubishi	Mitsubishi
10	Peugeot	Chrysler Group	Chrysler Group	Mitsubishi	Mitsubishi	Peugeot	Mitsubishi	Mitsubishi	VW	Ford	Ford
11	Chrysler Group	Peugeot	Great Wall	SsangYong	SsangYong	Renault	Renault	Renault	Mitsubishi	VW	Mazda
12	Samsung	Samsung	SsangYong	Chrysler Group	Mahindra	SsangYong	VW	VW	Renault	Renault	VW
13	SsangYong	SsangYong	Mazda	Great Wall	Great Wall	Subaru	Fiat	Citroen	Citroen	Changan	Chery
14	Great Wall	VW	VW	VW	Chrysler Group	VW	SsangYong	Fiat	Chrysler Group	JAC	Changan
15	Subaru	Great Wall	Samsung	Mahindra	Mercedes Benz	Chrysler Group	Subaru	Subaru	JAC	Great Wall Group	Citroen
16	VW	Citroen	Chery	Fiat	Subaru	Fiat	Citroen	SsangYong	Chery	MG	Renault
17	Citroen	Chery	Citroen	Samsung	Renault	Citroen	Mercedes Benz	Chery	Subaru	Chrysler Group	JAC
18	Fiat	Renault	Mahindra	Citroen	BMW	Mercedes Benz	Chrysler Group	JAC	Changan	Citroen	Subaru
19	Chery	Mahindra	JAC	Mercedes Benz	Honda	Great Wall	JAC	Mercedes benz	SsangYong	Chery	Great Wall
20	Honda	Mercedes Benz	Fiat	Chery	VW	Mahindra	Great Wall Group	Great Wall Group	Great Wall Group	Subaru	RAM

Fig. 10: Top 20 ranking of most selling brands (2010-2020).
Source: ANAC market reports from January 2010 to December 2020

The table above (Fig. 10) shows that Chevrolet has been number one on sales mostly every year, sharing the podium mostly with Kia and Hyundai, and a few times with Suzuki or Nissan. Toyota on its behalf reaches the Top 5 on sales but has never been on the podium. Nonetheless, this ranking differs with the Top 5 selling models during the last 5 years: There is one model that has been the most sold during four years in a row (2016-2020), but it is mainly the only product that the brand is selling in Chile. This model is Mitsubishi L200, a pick-up truck that is mostly sold for mining projects, but also to the agricultural industry. As these are the main economic activities of the country, the number of units sold will always be high, and the main difference between this pick-up truck and the competitors like Toyota Hilux, Chevrolet D-Max, Ford Ranger, and Mazda BT50, is that Mitsubishi L200 is cheaper thus the lack of comfort equipment and its very limited trim options. Also, the color availability is mostly red, as per the requirements of the mining companies, and also some few white units. If another color is needed, then a full pack can be offered by the dealership. As being Mitsubishi's main product, low trim options, limited colors, and limited equipment, they have an advantage because of economies of scale, compared to their competitors who have a much wider product portfolio to offer. The table below shows the top 5 most selling models during the 2016-2020 period (Fig. 11):

2016			2017			2018			2019			2020		
Type	Model	Units sold	Type	Model	Units sold	Type	Model	Units sold	Type	Model	Units sold	Type	Model	Units sold
Sedan	Chevrolet Sail	12.770	Pick up	Mitsubishi L200	8.944	Pick up	Mitsubishi L200	10.601	Pick up	Mitsubishi L200	9.140	Pick up	Mitsubishi L200	7.808
Sedan/HB	Hyundai Accent	10.987	Sedan	Chevrolet Sail	8.666	Sedan	Chevrolet Sail	10.314	Sedan	Chevrolet Sail	8.400	Pick up	Toyota Hilux	5.972
Sedan/HB	Kia Rio	8.230	Sedan/HB	Hyundai Accent	8.471	Sedan/HB	Kia Rio	9.461	Sedan/HB	Kia Rio	7.942	SUV	MG ZS	5.886
HB	Kia Morning	12.770	Pick up	Toyota Hilux	8.002	HB	Kia Morning	8.632	HB	Suzuki Baleno	7.010	HB	Suzuki Baleno	5.654
Pick up	Nissan NP300	7.561	HB	Kia Morning	7.258	Pick up	Toyota Hilux	8.603	HB	Kia Morning	8.632	Sedan	Chevrolet Sail	5.208

Fig. 11: Top 5 ranking of most selling models per year (2016-2020).
Source: ANAC market reports from January 2010 to December 2020

But despite the diversity of the market, there are still big groups behind the brands who are not controlled by OEMs but for economical groups. The biggest ones are

SK Bergè with 13 brands under its control, Derco has 8, and Porsche Chile has 6 (Fig. 12):

Brand	Importer/Distributor	Brand	Importer/Distributor
DFM	Cidef	FAW	Maco
Foton		Lifan	
Citröen	Citröen Chile S.A.C	Nissan	Nissan
Changan	Derco	Infiniti	
Geely			
Great Wall Motors			
JAC			
Mazda			
Renault			
Suzuki			
Samsung			
Jaguar	Ditec	Opel	PSA
Land Rover			
Porsche			
Volvo			
Ford	Ford Motor Company	Peugeot	
Chevrolet	General Motors	Aston Martin	Quantum Group
BAIC	Gildemeister	McLaren	
Brilliance			
Hyundai			
Mahindra			
Mini			
Honda	Honda Motor	Alfa Romeo	SK Bergé
BMW	Inchcape PLC	Chery	
DFSK			
Subaru			
Rolls Royce			
Kia	Indumotora	Chrysler	
BYD	Kaufmann	Dodge	
Maxus			
Mercedes benz			
		Ferrari	
		Fiat	
		Gac Gonow	
		Maserati	
		MG	
		Mitsubishi	
		SsangYong	
		Jeep	
		RAM	
		Lexus	Toyota Motor Co
		Toyota	
		Daihatsu	

Fig. 12: Brands and their local importer/distributor.

Source: Autofact. <https://www.autofact.cl/blog/comprar-auto/mercado/marcas-autos-chile> - Accessed on July 9, 2021

On the financial side, 84% of the vehicles are sold through a commercial financial service, estimated by Feller Rate in 2019¹⁵. These financial companies are not part of the banking system, so it is quite easy to get a credit to get a car even if the financial status of the customer is not stable enough. There are several companies offering these services and the three biggest are Forum, Santander Consumer, and Amicar. The most common products available are conventional credit and *smart purchase*. The first is to give an initial payment (usually 20%) and agree to pay the difference in a certain time from 12 to 60 months. The *smart purchase* is very similar to the leasing products available in US and Europe.

¹⁵ Olavarría Fabián (2019): Financieras Automotrices: Un negocio especializado que toma fuerza. Feller Rate. <https://www.feller-rate.com/general2/articulos/artfinautomotriz1908.pdf> - Accessed on December 12, 2021

The OEMs in Chile have their own financial partners who are the first option to offer when a customer wants to get a credit for their vehicle, but also this partner is the one offering the floor planning of the stock. They will pay the dealership's stock to the OEM for a certain agreed time (depending on the vehicle) and the dealership will pay this credit when the vehicle is sold or when the due time is reached. Of course, this *internal* financial support is without any interest rate, and it is mostly to secure the operations on the OEM's side.

The financial partners of the 20 most sold brands in Chile are the following (Fig. 13):

Brand	Financial Partner
Hyundai	Amicar
Suzuki	
Mazda	
Renault	
Changan	
JAC	
Great Wall	Forum
Kia	
Peugeot	
Ford	
Subaru	Santander Consumer Finance
MG	
Mitsubishi	
Chery	
RAM	Credinissan
Nissan	GMF (ex GMAC)
Chevrolet	Mitsui Auto Finance
Toyota	Mundo Crédito
Citröen	Porsche Volkswagen Servicios Financieros
VW	

Fig. 13: Financial partners of top 20 brands in Chile.

Source: Self-produced with OEMs and Financial Service's public information

4. Automotive sales in Chile: Processes and Digitalization

4.1. Past (Pre Covid-19)

4.1.1. Traditional dealerships and distribution

Through many years, the automotive sales were mostly performed by private importers and dealerships, without official OEM presence. Back in 1924, Ford arrived and installed a productive plant in Chile. In 1974, General Motors settled in Chile as an official subsidiary of General Motors, and before that, it was mostly imported by companies like Indumotora and Davis Autos. Toyota arrived with official presence in 1982, and Nissan stayed with importers (two importers who acted as independent brands: Nissan Cidef and Nissan Marubeni) until 2015, when Nissan arrived officially as an OEM. Porsche Holding arrived in 2013, trading all their brands, from Volkswagen AG, except for Porsche (represented by Ditec S.A). Many, and mostly every other brands are still represented by importers and distributors, but following the official alignments and working together with the OEM.

As afore mentioned in the previous chapter, the geographical distribution of the dealerships is quite a challenge in Chile, because of the geography and population distribution. Dealerships are strategically distributed by the OEMs or Importers by geopolitical zones (Regions and/or Districts). The most typical dealership distribution strategy is to assign one region to one or more dealerships (depending on the population distribution), except for the Metropolitan Region, which is a territory divided by Municipalities or Districts. In case that one dealership would intend to install a new branch in a territory already assigned to another dealership, it will need to ask for permission to the OEM or Importer and to the *invaded* dealership. One case is the GM dealership *Coseche*, which has a territorial contract with GM to cover some districts of the western part of the Metropolitana Region; and another GM dealership, *Kovacs*, has the territorial contract for Valparaiso Region. GM was pushing to get a branch in San Antonio, located in Valparaiso Region but closer to Metropolitana and O'Higgins regions (both *Coseche*'s territories), and quite far from the core operations of *Kovacs* in Valparaiso, so the three parties (GM, *Coseche*, and *Kovacs*) agreed that *Coseche* could use the territory even if it is not from their territorial agreement.

For several years, dealerships have been growing and acquiring various branches across different cities. The trend has always been (until 2010's) to get the leading

branch. Hopefully with many floors, big halls and showrooms, huge parking lots for the product stock, and enough room for workplaces and amenities for an average of 50 employees (including service; 30 employees just for selling activities). Inside the showrooms it's usual to find as much cars as they can fit in, and each salesman (or saleswoman) had their own desk. This is the *traditional dealership's* way to operate, and it has been transmitted also to the new brands who joined the Chilean market for the last 30 years. To sum up, it is necessary to have a place big enough to have a large stock and numerous employees (many of them with seemingly useless administrative tasks). Some dealerships were even using old convents and abbeys as headquarters. The good side of owning a big store today, is that it can be sold for big projects as apartment buildings or supermarkets. They used to have a well-located piece of land that is now worth a fortune¹⁶ (Fig. 14).



Fig. 14: Former Davis Autos dealership (Chevrolet) in Av. 10 de Julio Huamachuco 1625 is now a Lider Express Supermarket (Walmart Chile). Source: Google maps.

The traditional sales process hasn't changed since the massification of the telephone or the arrival of the email until 2010's. The process was basically the same: wait until someone enters the store, and the quickest salesperson will take it. Then, he will follow the client's requests or needs and take notes in a notepad, even if they have a technological support like a **CRM**, **ERP**, or integrated solutions like **SAP**. This tool will only be used as per company requirements or to check, but the *real CRM* is the salesperson's notepad. Most of the information will remain there until the deal takes

¹⁶ Gutierrez Marco (2017): Automotora Coseche pone en venta terreno de casi 11.000m2 donde opera su casa matriz en Vicuña Mackenna. El Mercurio, Economía y Negocios. Published on August 26, 2017. <http://www.economiaynegocios.cl/noticias/noticias.asp?id=391882> – Accessed on July 10, 2021

more shape, and there is a chance to give closure. At that moment, the dealership's Manager will notice about this deal and will start requesting the unit in stock, pushing the salesperson to close the deal. The process may be extensive, but it also strengthens the relationship between the salesperson and the client. Also, it is likely to see most experienced salespersons with their personal clients account, and those customers will only buy where the salesperson is working, with no regard of the brand. In this case, the loyalty comes from the client to the salesperson, and not to the brand. During and after the closing of the deal, the salesforce is doing mostly all the paperwork needed to invoice and register the new vehicle, tasks that are not on their job description, thus carrying a lot of duplicated work and mistakes.

The Customer's Journey in the past was almost entirely physical (Fig. 15). The buyer needed to get to the different dealerships in order to get information about the vehicle that they wanted, watching and *trying on* the car, collecting several spec sheets, and trusting that the salesperson was giving them the correct information. The negotiation was a must in every deal, as the customer went from dealership to dealership looking for the best price. Price quote, Test Drive, deal closure, payment, extra services, and delivery had to be arranged in each branch and had to match the schedule of the customer and the salesperson. Also, for financial services, there was a F&I (Financial services and Insurance executive) who tried to offer the client with the best financing options and price quotations for closing the deal.

Awareness	Media/Street	Customer is getting their first impressions of a vehicle through Media advertisement or by spotting the car in the streets.
Information and Research	Physical	The information about the desired vehicle is gathered by going to the dealerships and speaking to a sales representative. In some cases there are specialists' reviews on written media.
Quotation	Physical	The customer will get a quotation directly from the sales representative in the dealership.
Test Drive	Physical	The test drive will be made directly at the dealership.
Fin. Services	Physical	Different financial services will be offered by a F&I executive in the dealership.
Negotiation	Physical/High	The negotiation between the customer and the dealership is very high and almost never the price paid is the MSRP.
Deal Closure	Physical	The deal will always be closed with the sales representative in the dealership.
Extra Services	Physical	The extra services, like accessories and insurance will be offered by the sales representative at the dealership.
Payment	Physical	The payment has to be made directly at the dealership.
Delivery	Physical	The new car will be delivered to the customer directly at the dealership.
Schedule of First Service	Physical	The schedule of the first service will be made in the dealership by the sales representative and if the brand has its own service, then will be scheduled by a service advisor.

Fig. 15: Customer journey in the past (Traditional model). *Source: Self-produced*

This traditional salesperson prototype is very good for the company because they bring their own customers, but there is a great issue with them: As they prefer to go in a *free solo* selling way instead of building a strong team, they are very reluctant to changes in their workflow. Also, throughout the entire management and executive levels, there was limited interaction, causing the communication of needs for change to be very weak. The Executive gives the order, the manager tell the sales force to change, but no one lets them know *how* to change. The right way to motivate the sales force is to treat them like a team and letting them know that they are a team. Also, as this traditional salesperson prototype may be reluctant to change, a possible strategy to make them a good ally in the changing process could be that the managers ask them to use their experience and seniority to be the change sponsors¹⁷ so they will feel empowered. Of course, this requires hard work and will not give the same results with all the reluctant members but will certainly be helpful if the right steps are followed.

The traditional selling process began to change into new and innovative ways of selling, focusing more on getting new leads, getting the customer before they go to

¹⁷ Prosci (2021): Managing Resistance to Change Overview.
<https://www.prosci.com/resources/articles/managing-resistance-to-change> - Accessed on August 5, 2021

the store, searching prospects on databases, and boosting online channels along with the implementation of call centers, all managed with technological tools and CRM/ERP software. Also, the layout of the showroom and the salesforce setup experienced several changes, like having shared workstations in the showroom (Fig. 16), for any of the salesmen or saleswomen to use (not having the own desktop anymore) or having a dedicated workplace for them (separated from the showroom; Fig. 17) and having small places where they can meet with the customers, so that the showroom can be optimized with more cars in exhibition (Fig. 18).



Fig. 16: Showroom Layout: Common Workstations in the showroom. Source: Nissan.es



Fig. 17: Showroom Layout: Dedicated and separate salesforce workplace. Self-owned images.



Fig. 18: Showroom Layout: Optimized showroom with negotiation tables. *Source: Self-owned images.*

4.1.2. Good and Bad Practices

The traditional or *Old-Fashioned* way to sell new vehicles has some positive and negative aspects. While the bright side is that the customer is loyal, the process is easy, and the customers get to the dealerships by their own will, the other side shows that this loyalty is mostly directed to the salesperson rather than to the brand; also, the selling process is slow and with lack of processes to offer extra services like insurance, financial services, and accessories.

Traditional Sales Process	
Good	Bad
Fully personalized service	Slow process
Strong lasting relationship between customer and salesperson	Customer relationship and brand loyalty relies on the salesperson
Customers take the first step	Low/weak follow up
Easier to close the deal	Lack of extra services offering (financial services, insurance, accessories)

Fig. 19: Good and Bad practices on the sales process. *Source: Self-produced*

There is another bad practice, but it is not from the seller's side. The customer is always asking for discounts on the price or additional benefits, like accessories or future maintenance. This is a bad practice that has been allowed by the dealerships, affecting their margins, and the OEMs have been playing blind and deaf about this. Only when a dealership is in danger of losing their dealership license or when a dealership starts selling below cost (Dumping) they step in and try to control the competitors. In most of the cases, when buying the same car, customers will prefer to buy the cheapest option, despite the loyalty or customer experience that they had in another dealership who gave them a cheaper price for the new car.

Some dealerships already started improving their processes by the use of web and software solutions, in addition to call centers to find new leads and follow them during and after the closure (or not) of the deal.

Another questionable issue is the apparent *need* to count with huge facilities. It is understandable that decades ago, without the digital solutions that can be found today (or even in the last 10 years), the need to have a showroom to place all the models and trims was something mandatory. Even, as an example, one dealership bought the old GM Headquarters in Santiago, with more than 25.000m², to use it as a showroom. They displayed even the high-ton trucks.

4.1.3. Approaches in Digitalization

The two first decades of the millennium were very dynamic related to digitalization. First years of Google, Yahoo and Altavista being the main search engines, and people still renting videotapes at Blockbuster while they press buttons on their mobile phone to call home to ask if there are enough snacks for the movie night. But only in few years Google became the king, everyone has an account on any video streaming platform, and can check from their bed if there are enough snacks in the fridge for the movie night with their smartphones and smart fridge, and if not can order from the same phone and have it in your doorstep in a blink.

But during this vertiginous climb into digitalization many things happened, even in the automotive dealerships. Nowadays, customers have all the information in their reach, with the help of search engines and video platforms where they can watch and view reviews of the vehicle they want and the main competitors. This is a good tool that has also a sharp side: the equipment of the vehicles in Chile mostly differs from the equipment and drivetrain of the same model in different countries, so the customer gets a lot of information online, but it's not always accurate. One example was the GPS availability on Opel cars, when the digital maps provider didn't have the South American maps available (Opel was sold from 2012 only in Chile), and it carried several issues with customers, as they saw the specifications on different websites

(mostly from Spain), and then the car in Chile had the screen and the GPS option, but maps were not available¹⁸.

Other approaches in digitalization are related to the in-store digitalization, with big touch screens where the customer can see the different colors and extra equipment that can be added to the car that they want, or even watch a car that is not in stock through digital images. Another innovation are tablets for salesforce assistance, where they can have all the spec sheets, different colors, ask for stock, and register customer's information. Some more high-tech dealerships and OEMs provided 360° images of the car's interior. But maybe the highest development on the sales process during the mid-2010's was in the financial services field. The biometric scanning of the fingerprint reduced administrative work times, and 72% of the customers report to feel safer with this method instead of having their ID copied or photographed¹⁹.

Still in the financial field, some financial entities created several internal apps where the salesforce can instantly evaluate the customer by entering some few fields and scanning their ID with an **OCR** scanner, to get the approval (or denial) in less than a minute.

4.1.4. Approaches in Online Sales

Since the beginning of the 2000's till the pre-Covid period, the online web approaches have been very limited. OEM's websites were merely informative, but with no transactional items. They were limited to show their product portfolio, aftersales services, and special offers. Some of them offered financial services' simulations, prepaid maintenance packages and accessories. Within the years, they have offered the option to request an online price quote, and also to book a test drive.

The dealerships were forced by the OEMs to use the official pattern, giving no space to improve or implement new features. Even in social media, OEMs give guidelines

¹⁸ N.S (2015): Vehículo premium de mala calidad (Complaint).

https://www.reclamos.cl/reclamo/2015/dec/opel_coseche_vehiculo_premium_de_mala_calidad - Accessed on August 12, 2021

¹⁹ Partington Alastair (2013): The future of identity in banking. Accenture.

https://www.accenture.com/_acnmedia/accenture/conversion-assets/dotcom/documents/global/pdf/dualpub_9/accenture-future-identity-banking.pdf - Accessed on August 12, 2021

to dealerships, but there is certainly more space to go along with their own marketing strategies.

But even with these restrictions imposed by OEMs, dealerships have the tough task to highlight amongst their competitors having exactly the same marketing and selling set of tools. Therefore, the SEO and SEM strategies are key to get a better online traffic.

The greatest online approaches have occurred in used cars. The most popular one, Chileautos.cl, has been online since 1999, and in 2014, Australian company Carsales.com bought 83% of Chileautos share. This platform started charging the seller with 1% of the final price. Currently, the platform is free, and their business model consists of paid advertising and having professional accounts or special treatment to the units in sale, like priority or highlighting in the search results. Chileautos currently keeps active an average of 70.000 used and new units of all types: Cars, trucks, agricultural equipment, motorcycles, buses, boats and even aircraft.

Another player is Destacados.cl, an agency which started as a marketplace, but having Chileautos as a main competitor, they provided their platform to various dealerships and OEMs to manage their used portfolio (not stock management, just information, pictures, and contact information). Currently, they also offer SEO strategies, web design, social media management, and media strategies. For regular users (individuals), they now offer the platform AutosUsados.cl.

4.1.5. Good practices in different markets

Amongst the new changes in the selling process, there is one that can be highlighted and has been implemented in other Latin American countries like Colombia, Ecuador, and Brazil. The *Excelencia en Ventas* program (Sales Excellence, in English) is a program designed in 2008 by General Motors (Fig. 20), focused mainly on South America, with different standards and processes to reach the *customer's happiness* and also to increase the customer's loyalty to the brand. This program consists of a step-by-step process where all the dealerships must follow and maintain the standards stated in the program, and it is made to be Auto Calibrated, so that the dealership can follow and track the results by themselves. To reach these standards, they also recommend the use of digital tools like biometric scanning of face and

fingerprints, license plate scanning and **RFID** sensors to recognize the vehicles as they enter the branch, and big screens where customers can watch their new car and virtually try the extra accessories and different customization options to see how they look (Fig. 21).

This program has been implemented only by one GM dealership in Chile (Kovacs), but a few more are still on the accreditation process.



Fig. 20: GM Sales Excellence Program. Source: *Manual de Excelencia en Ventas GM*.

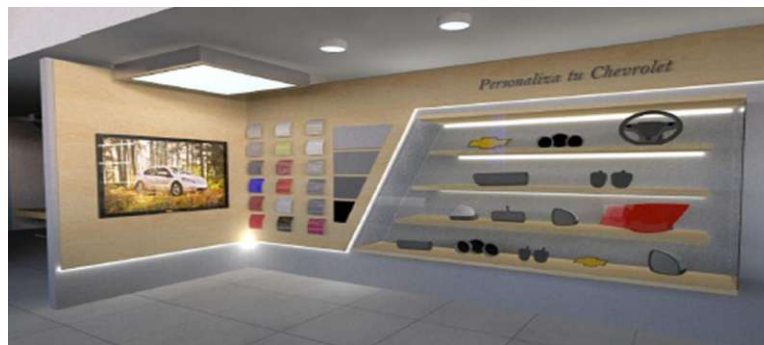


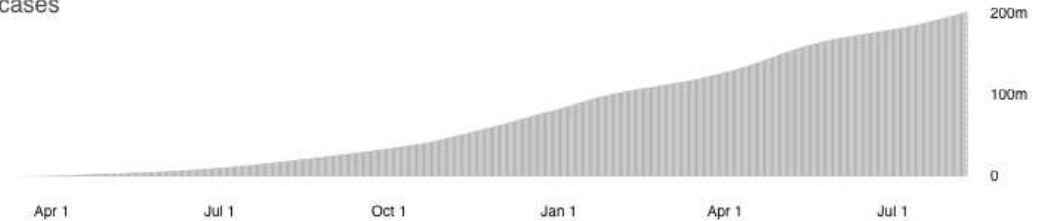
Fig. 21: Chevrolet Accessories and Customization zone. Source: *Chevrolet's website*

4.2. Present. During pandemic

China, Wuhan, December 2019. A new pneumonia epidemic burst alerted the authorities. In just a few days, more than 60 people were infected. In just 3 months, in March of 2020, more than 500.000 people from more than 100 countries around the world were infected, making the World Health organization (WHO) to declare it a pandemic. By August 2021, 203.944.144 cases have been confirmed and 4.312.902

lives were lost because of this new coronavirus named Covid-19. Unfortunately, this number is still growing, but has been slowed down due to the vaccination processes around the world. By August 2021, 4.394.596.684 vaccine doses have been administered worldwide²⁰ (Fig. 22).

203,944,144
confirmed cases



4,312,902
deaths

Source: World Health Organization

▨ Data may be incomplete for the current day or week.

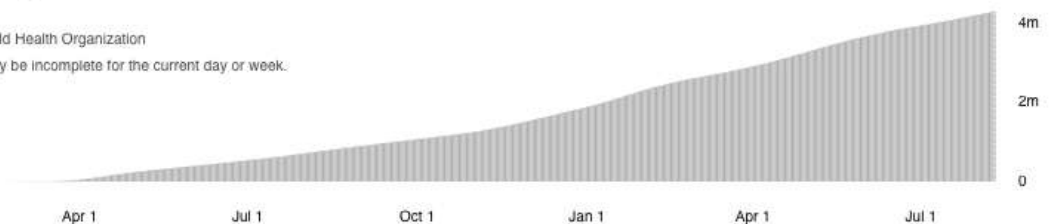


Fig. 22: Covid-19 Confirmed cases and deaths. Source: World Health Organization <https://covid19.who.int/> – Accessed on August 16, 2021

In Chile, the virus arrived by the early days of March of 2020, and by August of 2021, 1.624.823 cases were reported, and 36.138 deaths related to Covid-19 were informed. One thing to remark is the Chilean vaccination process: 25.311.151 doses have been administered by August of 2021, meaning that 82,4% of the target population (over 12 years old) have got the complete vaccination scheme. Even children between 3 and 11 years old are in the scope, and the elderly and people with different kinds of risks will get a third dose as reinforcement.

²⁰ WHO (2021): WHO Coronavirus (COVID-19) Dashboard. <https://covid19.who.int/> - Accessed on August 16, 2021

4.2.1. Impact of Covid in Sales

At the beginning of the pandemic, there was an uncertainty on what was going to happen with employment, sales, supply, among other economic factors. Initially, sales dropped drastically as mostly every country implemented lockdown strategies, leaving only essential and basic need activities as the ones who could operate in a *regular* way, but following all the sanitary protocols that were dictated by the Chilean's health authorities. The automotive production was affected in different stages. Dealerships were temporally closed, so people couldn't buy new cars. Production plants were forced to close or reduce shifts for assembly, and suppliers were also sent to lockdown.

This was expected to last a few months, but it turned out to be that is still ongoing 18 months after it started. Given this, while automakers reduced the production due to the low demand and country restrictions, suppliers of microchips and processors (mostly in Asia) saw that there was an increase on the demand of semiconductors, processors and chips, due to the increased number of people working remotely, who needed extra tech equipment, so they switched their strategy to supply tech equipment companies instead of automotive.

Nonetheless, a resurgence in the demand of vehicles was expected, once the production and sanitary restrictions were partially or completely over, but the demand of tech equipment kept increasing, so this carried a super-demand of semiconductors, processors, and chips, making suppliers incapable to fulfil the requirements of all of their customers. This meant a reduction of 16% of the growth for the automotive industry²¹ (Fig. 23).

²¹ Burkacky Ondrej / Lingemann Stephanie / Pototzky Klaus (2021): Coping with the auto-semiconductor shortage: Strategies for success. McKinsey Global Publishing.
<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/coping-with-the-auto-semiconductor-shortage-strategies-for-success> - Accessed on August 19, 2021

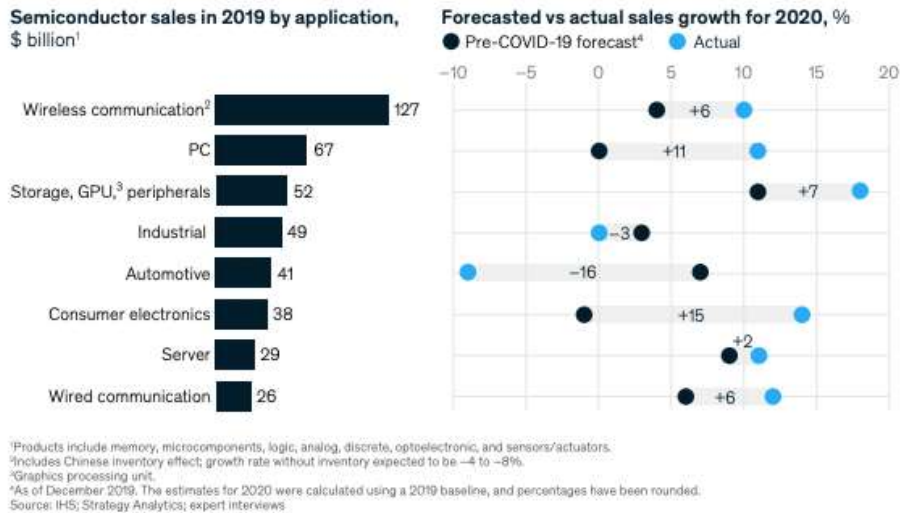


Fig. 23: Semiconductor sales in 2019 and forecasted vs actual sales in 2020, arranged by industry.
 Source: *Coping with the auto-semiconductor shortage: Strategies for success. McKinsey Global Publishing*²¹

This delay resulted on a drop of the production, due to the lack of parts. OEMs managed to sell units even with the stores closed, and as some countries released their sanitary restrictions, stores were again open for business and selling their products, so the demand is now tending to stabilize, even though there are no units available. In Chile, a market based on stock, the waiting list is taking up to 8 months, in the case of Toyota (Fig. 24).

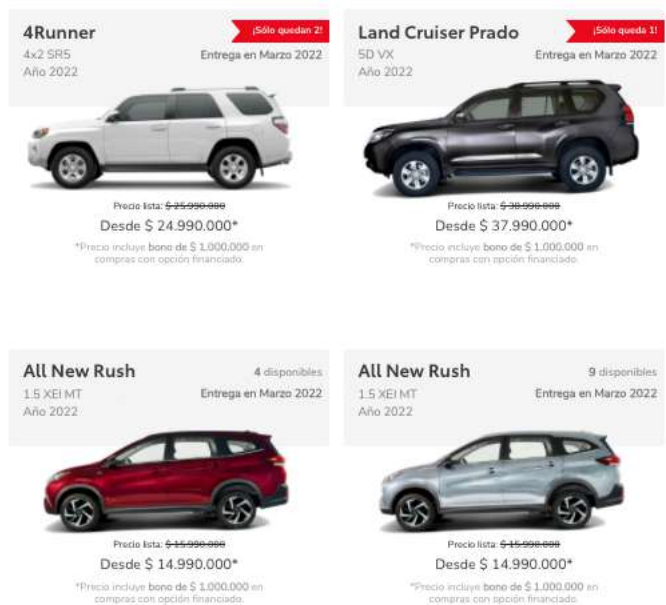


Fig. 24: Toyota website, announcing delivery in March 2022 (Information collected in July 2021).
 Source: *Toyota Chile website.*

This very limited units available are only reachable by paying a reservation in advance, which can reach up to 25% of the full value of the car. Toyota is just one of

the cases, but mostly all brands are experiencing the same issue with almost all models (Only Nissan's electric Leaf has got immediate stock). Given this, all OEMs had to change their focus to sell vehicles during the pandemic times.

4.2.2. Current Sales Process (During Pandemic times)

The sales process has been forced to change during the pandemic, because of the sanitary restrictions, lockdowns, and different rules that have modified the behavior of the entire world. Almost all dealerships were closed at a certain moment, and several of them remain closed depending on the local authority's rules. These rules are on the *Paso a Paso* (Step by Step) program implemented by the Chilean government, that states which districts and regions are in lockdown or not and informing these changes twice every week. The capacity of employees and customers is now restricted, depending on the surface of the store, and there is a need to keep a physical distance of at least 1,5 meters, in addition to the use of face masks and hand sanitizer.

Some dealerships have set new standards and requirements, such as having a person at the entrance to disinfect every person entering to the store and having acrylic screens at the workstations between employees and customers (or other employees). Also, the opening times have changed in many dealerships. Branches which are separated haven't been impacted with the curfews (Started on August 26th, 2020, and lasted until September, 2021), except when they need to have extended opening times, but branches located inside malls or shopping centers are usually open until 21:00 or 22:00, depending on the mall's operating times; but as the curfew started at 22:00 (as per August 2021, in Santiago) they had to reduce their operating times and adapt to the mall's new operating times.

Also, given the lack of units mentioned before, there is almost no room for price negotiation. The high demand of new and used vehicles (as people are reluctant to use public transport due to the agglomerations and risk of getting infected) has raised the price of used cars as there are no new available units. Also, this high demand and prices are making people to sell their vehicles if they are not using them, as the prices have increased from 25% to 60% in some cases, calculated on the price paid for the same vehicle years ago as a used car, compared to the price of the same vehicle (same year and similar mileage; Fig. 25).

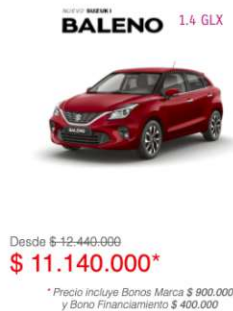
Model	Price paid (used)	Price August 2021 (Used)	Variation
Jeep Wrangler Sport 2014, 50.000km	\$ 16.200.000	\$ 25.900.000	59,88%
Suzuki Jimny XLT 2016, 76.000km	\$ 9.700.000	\$ 12.100.000	24,74%
Chevrolet Silverado CC 2011, 70.000km	\$ 11.800.000	\$ 16.800.000	42,37%

Fig. 25: Comparison on some models on price paid compared with the price in August 2021 (same year, similar mileage, prices in CLP). Source: Chileautos.cl

And one aspect that could be dangerous (and is the exact example as the law of supply and demand) is that there are several models (mostly the ones with high demand) that nowadays are more expensive in their used version rather than brand new ones. Just as an example, Suzuki Baleno and Chevrolet Sail were the most sold cars in 2020 (in compact vehicles), and now getting a used unit is more expensive than getting a new one, nonetheless there are no new units in stock (Fig. 26).

Suzuki Baleno:

New:



Used:



Chevrolet Sail:

New:



Used:



Fig. 26: Price of exactly same model and version, new (2021) and used (in August 2021). Source: Suzuki Chile website Suzuki.cl, Chevrolet Chile website Chevrolet.cl, and Chileautos.cl.

This momentary *fantasy* in the prices is one of the greatest challenges for the salesforce. On an interview with Francisco Rosales, Branch Manager of Coseche's (GM Dealership) Headquarter in Vitacura (Santiago), he explains that *"the major challenge during the pandemic is to explain to the customers that there are no units available; that the estimated time of arrival will not be as promised due to externalities; and that no discounts can be applied"*. As the stock is strictly limited, there is no room for negotiation like it was before the pandemic. *"If a customer doesn't accept the price, there are hundreds of others willing to pay for it"*, says Rosales. With this, the way to sell vehicles has changed. *"Now, the salesforce doesn't have to push, convince or negotiate with a client for a vehicle. At this stage, the customer has already made all the research, and goes to the dealership just to make a reservation for a unit of the car that he or she wants"*, adds Rosales. The salesforce is mostly handling the customers to explain delays, calm them down, and try to convince them not to drop off the waiting list while they wait for a chance to get their new car.

During the pandemic situation, the customer journey has changed and merged into a more digital experience (Fig. 27), rather than the physical scenario which predominated during the pre-covid times. The awareness remained the same, by seeing vehicles in the streets (when possible), and through media advertisement. In this case, the selling channels moved mostly to web and social media advertisement, TV, and (in a smaller share), into printed media.

The information and data research regarding the vehicle of interest is mostly through specialists' reviews, forums, video tests and customer's opinions in social media. The way to get a price quote was mostly online through OEMs and Dealerships' websites (some of them with webchats or WhatsApp integration), due to restrictions to go to the different dealerships, and given this same reason, test drives were banned to reduce the risk of infections by lending the vehicles to several people.

In the price quotation stage, there was also the chance to get a financial service quotation, with the best pre-approved options. If the customer wants to close the deal, its required to make an online reservation of the vehicle or sign the pre-approved financial service to ensure the vehicle on a waiting list, as almost every car is out of stock. As there is a lack of stock, there is no room for negotiation. So far, the buying journey is mostly digital, but at this point, this starts to turn into a physical process. Payment processes are still on development stages (for limit and security reasons) for big amounts for online transactions, so this still needs to be made by the customer at the dealership. Only some few cases are paid via wire transfer, but as there is also

a limit, it needs to be made in several days (e.g: depending on the bank, daily limit can be up to CLP\$5.000.000 and an entry level SUV is starting from CLP\$14.490.000). After payment, the delivery of the new car is still physical in the dealership. There were some approaches on making the car delivery to the customer’s home or workplace, but this was made by the logistic partner that just unloaded the car from the truck and left it parked, without any preparation nor care (with dirt, still with plastics and adhesives, and no onboarding process), so as this affects the customer’s experience, the plan went back to the traditional way to deliver the new car at the dealership with the corresponding onboarding process, with the only difference that the schedule of the first service is made digitally, to reduce contact between dealership’s employees and customers.

Awareness	Media/Street	Customer is getting their first impressions of a vehicle through Media advertisement or by spotting the car in the streets.
Information and Research	Digital	As the digital channels are everyday more precise and complete, with fully informative websites, forums, reviews, videos and more, and with the dealerships closed due to the pandemic situation, the customer is gathering the information through digital channels.
Quotation	Digital	The customer will get a digital quotation by requesting it in the OEM or Dealership website.
Test Drive	N/A	Due to contingency of the pandemic, test drives are not being performed.
Fin. Services	Digital	Financial services will be simulated automatically and will give a digital pre-approved quotation.
Negotiation	N/A	The negotiation between the customer and the dealership is a no-go during the pandemic because of the lack of stock of new vehicles.
Deal Closure	Digital	The deal will be closed digitally by paying a reserve or signing financial service contract with digital tools.
Extra Services	Physical/Digital	Extra services, like insurance and some accessories, will be offered digitally and other bigger accessories not offered digitally can be offered physically at the delivery stage.
Payment	Physical	The payment has to be made directly at the dealership due to limitations and restrictions of digital payment tools.
Delivery	Physical	The new car will be delivered to the customer directly at the dealership.
Schedule of First Service	Digital	The schedule of the first service will be made digitally, as the contact between persons should be limited.

Fig. 27: Customer Journey during Covid-19 pandemic times. *Source: Self-produced.*

4.2.3. Good and Bad Practices

As mentioned before, during the pandemic times the main channel has been online, as stores remained closed for several months and partially opened after the lockdown ended. When trying the websites of different OEMs (the top 10 selling brands from 2020), there can be found some good practices that seem quite remarkable. Hyundai has been the quickest at replying to the price quotation request, although the website

is not optimal (it lacks on extra services as accessories or insurance). The price quotation request was made, and just a few seconds after, an auto response email and WhatsApp message was received; but immediately after that (still seconds after the request) a message from a *real* sales representative was received, and the interaction began. The issue was that after that interaction, no follow up was made by the sales representative nor by any other person at the dealership.

Other brands (for example, Suzuki and Peugeot) are very persistent on the follow up, even though they specifically advised at the beginning of the communication that there were no units available. Nonetheless, they remain in communication with the customer.

Almost all websites offer financial services. The most complete websites for these services are Toyota and Suzuki, as they offer, in addition to the quotation, extra services as insurance, prepaid service packages, and accessories (Fig. 28).

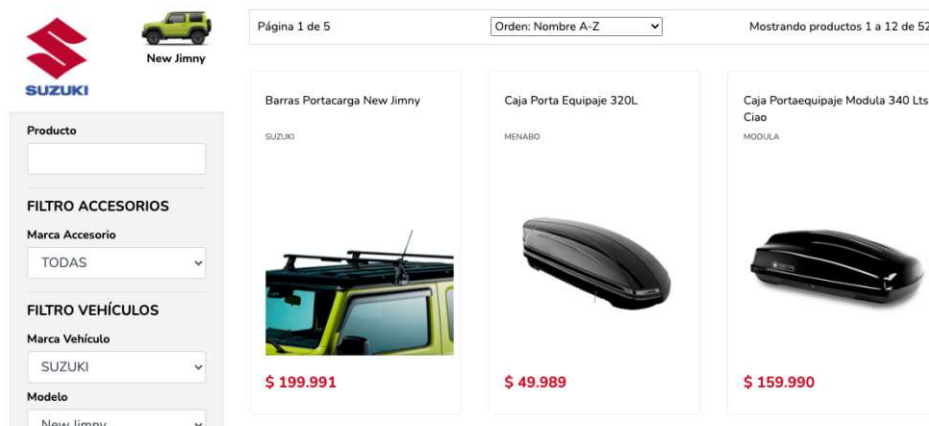


Fig. 28: Suzuki Jimny accessories. Source: Suzuki Chile website Suzuki.cl

On the other side, there are practices that are not the best ones around. Chevrolet, at the time of requesting the quotation (When entering the personal data), their website asks if you are willing to buy, or if you are just looking for information (Fig. 29). This produces a shock on the customer, as they may think that they will be treated differently if they are *just looking*, and at the moment of requesting a quotation, you manifest a will to potentially buy a car, so this mandatory tick box is not recommended.

NOMBRE	APELLIDO	RUT
JUAN PABLO	PERL	17084604 - 4
CELULAR	E-MAIL	FECHA ESTIMADA DE COMPRA
+56 - 978563333	JPPERL@GMAIL.COM	2 meses
		<input type="checkbox"/> Quiero información <input checked="" type="checkbox"/> Quiero comprar
<input checked="" type="checkbox"/> Acepto términos y condiciones de registro ¹		
VOLVER		ENVIAR

Fig. 29: Highlighted mandatory “Want information” or “Want to buy” tick box. Source: Screenshot Chevrolet Chile website Chevrolet.cl

One weak point is the follow up. As mentioned before, during pandemic times is more relevant to keep satisfied those clients who have reserved units rather than to sell (because of the lack of units), but still the salesforce needs to keep healthy relationships with their clients. In the near future, when units come back in stock, customers will come and buy, so follow up strategies are crucial. The only brands in our research which followed up were Kia, Suzuki, and Peugeot. Toyota, Nissan (even with the requested car in stock), and Hyundai didn’t continue with the follow up. More up, Toyota made a critical action that is completely wrong: The very first communication from a real representative was just “*Unfortunately, we don’t have the requested vehicle in stock*” (Fig. 30). Nothing more, nothing less. At least other brands used the space to give the chance to wait for the unit or send a PDF document with the price quotation or the specification sheet; but in this case, there is nothing else rather than a few words. Even on a second chance, the contact from a sales representative wasn’t even received; just a call from the F&I to check if financial services were required.



Fig. 30: Contact email from Toyota. Translation: “Dear Mr(s)., unfortunately we don’t have the requested vehicle in stock”. Source: email screenshot Friday August 6th, 16:16PM.)

The results obtained after trying the different websites are the following, sorted by date of the request, the first contact received and the type, the *real contact* (by a human) and the type of contact (Fig. 31):

Brand	Date	1st contact	Type	Real contact	Type	Notes
Hyundai	09.08.21 18:39	09.08.21 18:39	Auto-response e-mail and WhatsApp	09.08.21 18:39	WhatsApp	One call, no follow up
Kia	09.08.21 18:45	09.08.21 18:49	Auto-response e-mail	10.08.21 10:41	e-mail	Call after the email, keeps following up
Suzuki	09.08.21 18:50	09.08.21 18:52	Auto-response e-mail	10.08.21 09:34	e-mail	Keeps following up, merged with WhatsApp
Toyota	24.08.21 16:19	24.08.21 16:23	Auto-response e-mail	24.08.21 17:32	e-mail	Bad reply, no follow up from salesperson. Only F&I pushing
Peugeot	09.08.21 19:40	09.08.21 19:42	Auto-response e-mail	10.08.21 12:22	e-mail	Quick response, keeps following up
Nissan	07.09.21 12:31	07.09.21 14:45	Call	07.09.21 14:45	e-mail	Email to arrange a call
Chevrolet	07.09.21 12:47	07.09.21 13:55	Auto-response WhatsApp (LiveStore)	07.09.21 15:03	WhatsApp (LiveStore)	Redirects to Live Store
MG	07.09.21 16:53	07.09.21 16:58	Auto-response e-mail	10.09.21 16:11	Call	Late real contact
Mitsubishi	07.09.21 16:57	07.09.21 17:15	Auto-response e-mail	07.09.21 18:35	e-mail	Full quotation on Auto-response email
Ford	07.09.21 16:59	07.09.21 16:59	Auto-response e-mail	No contact after Auto-response email	-	No real contact

Fig. 31: Results of times of request after online quotation, first contact, and real contact of the top 10 selling brands. Source: Self-produced research.

4.2.4. Approaches in Digitalization

During pandemic times, mostly every brand and dealership had to boost their digitalization plans to meet the requirements during lockdown, also to arrange *emergency strategies* to face those times.

Sebastián Caballero, National Sales Manager in GM Chile, explains the method used by them to face the pandemic situation. They were developing a project before the pandemic that was expected to be released in mid 2021, but given the situation, and to boost the digital channels, they were forced to go live in August 2020. The project is called *Live Store* where the customer enters Chevrolet's website (or to any GM Dealership's website) and he or she is invited to visit the Live Store (Fig. 32).

By clicking that option, it redirects to a WhatsApp chat, where the customer will be in contact with a *real* person on the other side (Fig. 33), who will be assisting the process. They are located on a special showroom with all Chevrolet models, so they can show any model requested by the client via videocall and test the vehicle's features by customer's request, getting immediate feedback during the videocall. Also, the customer gets the different financial service options given by GM Financial Services and an estimated price offer for their used vehicle if the customer has one.

When everything is done, and if the customer wants to move on, this lead turns into a *hot lead* and is derived to the customer's preferred (or closer) dealership to close the deal. The dealership will receive this hot lead, which will be very likely to end up in a closed deal, and this will mostly depend on several factors, such as the experience that the customer will get; the final price of the used vehicle (after technical revision); and maybe the most killing-deal issue: the vehicle availability.

Everything can be set and done to close the deal; but when the customer is informed about the wait (which can be months) for their vehicle, the hot lead usually cools down, and the customer tends to retreat, or to evaluate alternate dealerships looking for availability. If the customer agrees with the waiting time, it will be placed into a waiting list for the requested unit. Once the vehicle is available, the dealership contacts the customer to pay (or sign the financial service contract), and then invoice and register the new vehicle.



Fig. 32: Chevrolet Live Store. Source: Screenshot Chevrolet Chile YouTube Channel.



Fig. 33: Chevrolet Live Store. Source: Screenshot Chevrolet Chile YouTube Channel.

Also, dealerships have been developing their own tools to face the pandemic and give the customer the best experience. Rodrigo Riveros, Marketing Director of Coseche (GM Dealership), states that they have started a project that was expected to be made with more time, planning, and resources; but given the pandemic situation, they thought it was very important to release it before schedule.

The *Expert Review* are a series of videos where a presenter shows each vehicle, with all the features and highlights of each model, so that the customer can watch them anywhere and get a real impression of the vehicle, without being physically by it. These videos are hosted in YouTube and are shared through different social media platforms (Fig. 34 & 35).



Fig. 34: Coseche's Expert Review of Chevrolet Suburban. Source: Screenshot Coseche's YouTube Channel.



Fig. 35: Coseche's Expert Review of Chevrolet Suburban. Source: Screenshot Coseche's YouTube Channel.

On the same line, Coseche is developing (by August 2021) a tool to increase the customer's experience after they pay for the car. The program *Coseche a tu Casa* (Translation: *Coseche to your home*) is an interactive tool where the customer can

see and track on which stage the delivery of their new car actually is, from the moment in which the company has received the order until after the car is delivered (Fig. 36). Also, when the car is delivered, the tool launches a video with the full onboarding related to the new vehicle. The process is the following:

- Invoicing order
- Distribution Center
- On the way
- Arrived
- Loyalty Program

By the time of this research, the tool was still on development, as the company's plan is to automatize the process behind the delivery, even though they haven't found the final supplier and method to implement this yet.



Fig. 36: Screenshot of the videos that the customer receives at every stage of the delivery process.
Source: Coseche internal source.

Hyundai and Kia, on their side, also prepared a digital tool to give a better experience to their customers. On their website, there is a section called *Showroom Virtual* where almost all models can be found with a very interactive, detailed, and didactic virtual tour made inside local headquarters.

In difference with other virtual tours, this is more than a 360° picture. It is more didactical, with information points on key parts of the vehicle, related with performance, safety, technology, design, also including the detailed spec sheet. Hyundai's online tool has got a better layout (Fig. 37), with all models placed on the

same spot, while Kia used different spaces for each vehicle, so some of them doesn't have enough space for the virtual tour (Fig. 38).



Fig. 37: Hyundai's Virtual Showroom. Source: Hyundai Chile website Hyundai.cl



Fig. 38: Kia doesn't have enough space for some models. Source: Kia Chile website Kia.cl

4.2.5. Approaches on Online Sales

As mentioned before, the pandemic times forced all competitors to change the way they were using to offer their vehicles to the public. And the channel with a greatest improvement is online sales.

After checking websites from the 20 most selling brands in 2020 (only OEMs websites, not dealerships), these online sites have changed and adapted to the new times, and it is considered a must if the brands want to have the chance to get an online quotation. The used methodology is empiric research after the usage of the platforms, and it is considered a valid point (a Yes) if the parameter is shown within the first 3 clicks. If more than 3 clicks are needed, it is considered that is not existing (a No), so this is also evaluating the ease of use and simplicity of the websites, to evaluate which ones offer the best customer experience (Fig. 39).

Every website has their entire portfolio, but only Peugeot and Volkswagen are not showing prices until going deeper on the website (more than 3 clicks). Another aspect which is present on some websites (8 out of 20, shown in table below) is the online Chat option, some of them connected with WhatsApp. This service is always operative during office time (09:00 to 18:00), and it is a mix between automatic replies and real representatives. Financial Services are only offered on half of the research sample, and Accessories only in 8 out of 20. During pandemic times, several brands started some transactional approaches, giving the option to make reservations through a marketplace where clients can pay a part of the price of the vehicle. As mentioned before, paying the full price is still not a valid option in the Chilean market.

OEM	All Models	Price	Chat	Financial Services	Accessories	Transactional
Hyundai	Yes	Yes	No	Yes	No	Yes
Kia	Yes	Yes	Yes	No	Yes	Yes
Suzuki	Yes	Yes	No	Yes	Yes	No
Toyota	Yes	Yes	Yes	Yes	Yes	Yes
Peugeot	Yes	No	Yes	No	No	Yes
Nissan	Yes	Yes	Yes	No	No	Yes
Chevrolet	Yes	Yes	No	Yes	No	No
MG	Yes	Yes	No	Yes	No	Yes
Mitsubishi	Yes	Yes	Yes	Yes	Yes	Yes
Ford	Yes	Yes	No	No	No	No
Mazda	Yes	Yes	No	No	No	No
Renault	Yes	Yes	No	No	Yes	No
VW	Yes	No	No	No	Yes	Yes
Chery	Yes	Yes	Yes	Yes	No	No
Changan	Yes	Yes	No	No	No	No
Citröen	Yes	Yes	Yes	Yes	No	Yes
JAC	Yes	Yes	No	No	No	No
Subaru	Yes	Yes	Yes	Yes	Yes	No
Great Wall	Yes	Yes	No	No	No	No
RAM	Yes	Yes	No	Yes	Yes	No

Fig. 39: Parameter's presence in OEMs websites after empirical research. *Source: OEM's local websites.*

Figure 39 shows the results of the research. The least complying websites are Ford, Mazda, Changan, Jac, and Great Wall, with just two parameters out of 6. On the other side, the most complying ones are the websites for Toyota and Mitsubishi. Some ones offer a Configurator option, like in EU or US markets, but they tend to work more alike a quotation request platform, as nothing but the trim and exterior color can be chosen. No interior or exterior options, no extras, nor accessories can be previewed. The best transactional websites are Hyundai, Toyota, and Citröen (Fig. 40), as they use a marketplace platform to offer the available vehicles, and the best Financial Service simulator comes from Subaru's website as it is simple, easy, and gives all the information needed depending on the amount of initial payment and number of months agreed (Fig. 41). On accessories, Toyota, Suzuki, and Subaru have the best platforms. In overall, the best experience was felt on Toyota's and Subaru's websites.

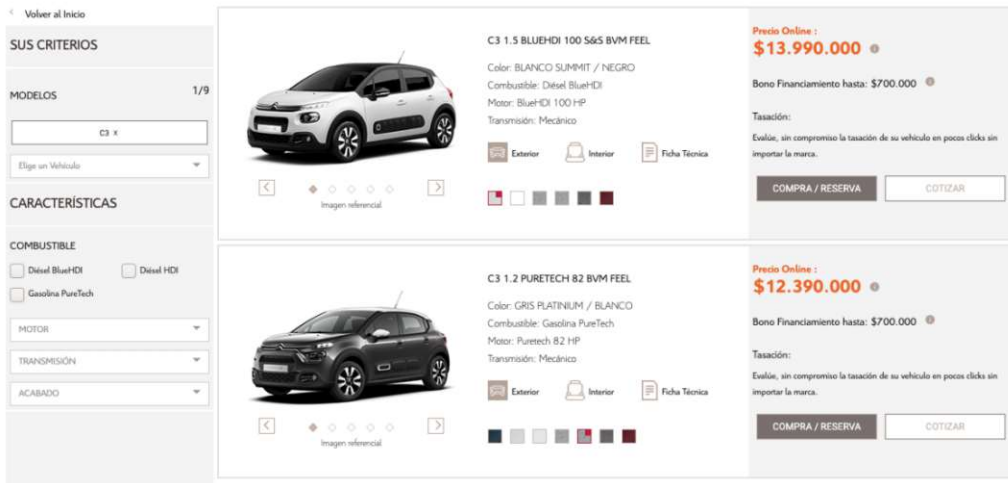


Fig. 40: Citroën marketplace. Source: Citroën Chile website store.citroenonline.cl

Financiamiento

Versión: **2.5i AWD CVT Field Edition**

* Precio: **\$29.490.000** Pie: **\$5.898.000**

Pie: **20%**

Tipo de Crédito: **Crédito Convencional** Cuotas: **24**

Valor Cuota: **\$1.201.666**

VFMG: **\$0**

Coste total del Crédito: **\$28.839.984** CAE: **19,85%**

Fig. 41: Subaru's Financial Service simulator. Source: Subaru Chile website Subaru.cl

Suzuki's website was not considered as transactional, as they only offered the chance to make one reservation for just one model (Suzuki Jimny), after the high demand on this vehicle. They released a landing page with a countdown clock marking the remaining time until the release of the reservation platform and lasted just few minutes as only 70 units were available in all their trims (Fig. 42 & 43)



Fig. 42: Suzuki Jimny reservation page with countdown clock. Source: Suzuki Chile website suzuki.cl/preventa/jimny/landing – Accessed on August 26, 2021

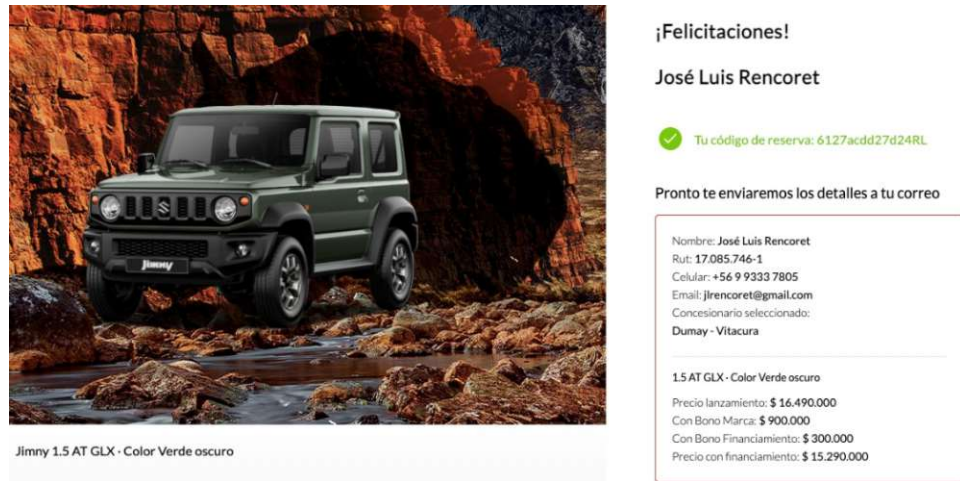


Fig. 43: Reservation confirmation of Suzuki Jimny. Source: Suzuki Chile website suzuki.cl/preventa/jimny/landing - Accessed on August 26, 2021

Another interesting finding was a disclaimer message in Chery's website, clarifying that due to weather contingency, the stock of new units (already reserved) was experiencing a delay on the delivery date (Fig. 44). This can be considered as a small gesture, but it is useful to show that the company is actually into this issue and doing their best, giving a feeling of close relationship and commitment with their customers.

COMUNICADO:

Debido a la contingencia y dadas las condiciones climatológicas de las últimas semanas - marejadas - es que, por razones externas a Chery, el stock de vehículos que teníamos contemplado para estas semanas sufrió un pequeño atraso. Las unidades están en puerto y serán entregadas lo antes posible, ya que nos encontramos gestionando cada una de estas.

Les pedimos mil disculpas si esto les generó algún inconveniente, pero les reiteramos que éstas se encuentran en el país y Chery está haciendo su máximo esfuerzo para realizar todas la entregas.

Fig. 44: Chery's disclaimer message on website's homepage. *Source: Chery Chile website Chery.cl*

4.2.6. Good practices in different markets

During 2020, on June 13th to be precise, Antamotor, a Nissan dealership in Galicia (Spain) received a WhatsApp message from a customer who owned a four-year-old Nissan Juke and wanted to renew it²².

The sales associate kept the online conversation, and given the pandemic situation, there was no way for the customer to attend to the dealership. That being said, the conversation went on with the customer asking about different preferences in trim, color, and with the sales representative inquiring whether the client was in need of financial services. In just a few minutes, the very first WhatsApp based car sale went on. The customer sent his personal documentation; then, the credit approval was sent to the customer to sign it, and the initial payment was performed via wire transfer, always sending the wire and credit confirmation via WhatsApp. After few days of internal paperwork and registration, the customer got his new car delivered in his own home. Several companies use this or another messaging app or chat clients on their websites to contact clients, but once the customer contacts them by this means, the next step always moves to a phone call or email, and without lockdown, it turns into a visit to the dealership. But in this case, every step was made through WhatsApp, and no phone call nor email was required, thus confirming that this kind of transactions are achievable in a remote and 100% digital way (Fig. 45).

²² Nissan News (2020): Nissan vende el primer coche por WhatsApp. Nissan España.

<https://spain.nissannews.com/es-ES/releases/release-8ba3b7f411f6022703cfe0680000590-nissan-vende-el-primer-coche-por-whatsapp#?&&> - Accessed on August 25, 2021

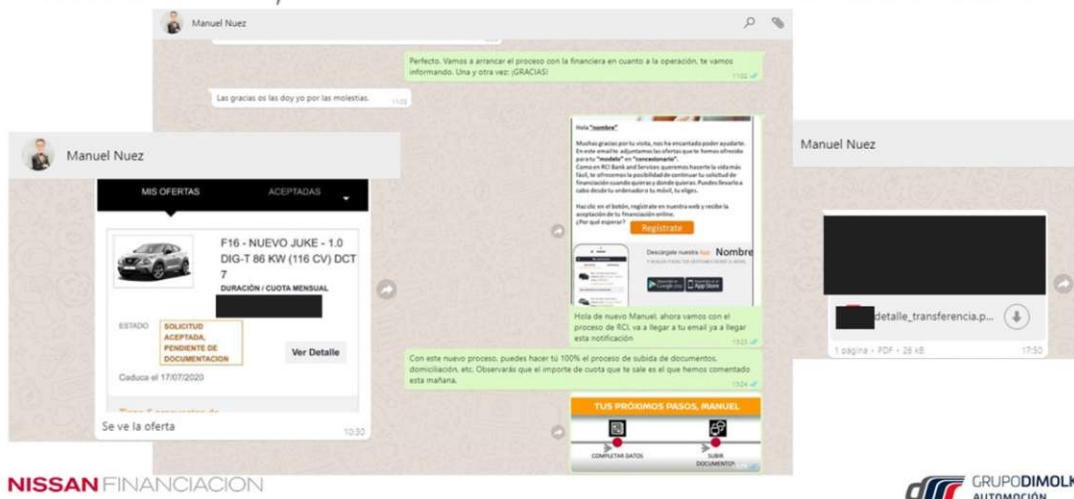


Fig. 45: Screenshots of the WhatsApp interactions between Antamotor and Customer. Source: Nissan News España - Accessed on August 25, 2021²²

4.3. Future: What is next?

4.3.1. What is next in the Chilean automotive market

The pandemic times seems to be going on for longer than expected. At the time this document is being drafted, the third wave of infections is hitting the entire planet, and while the vaccination programs are implemented, some countries are struggling with lack of stock or with population that are reluctant to get their shots. The world is definitely changing, and people (also businesses, markets, and industries) need to adapt, including the automotive industry. Following, there is a series of interviews with Chilean automotive industry's key players, giving their thoughts, insights and opinions regarding the future.

Mauricio Diuana, Opel Project Manager LATAM, states that many intervening parties had to “speed up” their projects regarding digitalization, while the country was under lockdown. As Opel is not a massive brand in Chile, they had broader space to reinvent themselves. Always heading to digitalization, the greatest challenge is the customer, who is very traditional and old fashioned regarding this industry. In Chile, the customer still needs to go-and-see the vehicle, so during lockdown, Opel and Peugeot applied a go-and-show strategy to make test drive vehicles get to where the customers' location. This resulted in an increase in sales, so they decided to keep this option in the future: if a client wants to see the car at the dealership, he or she is most welcome

to do so. If not, the dealership is willing to deliver the vehicle to where the customer is.

Additionally, the way to sell vehicles is adapting. The previous chapter showed that some brands are using online transactional platforms to sell the vehicles; but in the future, this should be a must. Diuana mentions that Peugeot and Opel are planning a fully online buying experience, where the customer is able to pay 100% of the vehicle's price (or sign the financial services contract) and receive it wherever the customer wants it (home, job, or dealership).

Sebastián Caballero, Sales operations Manager of GM, declares that they are also working on a marketplace where the customer can get the vehicle by the same way: selecting the vehicle, trim, color, and pay the full amount (or sign the financial services contract) on a completely digital way. Thibaud Aymeric, Automotive Director of Derco (Distributor for Mazda, Suzuki, Renault, Great Wall, Haval, amongst others) also supports the idea of selling vehicles on a 100% digital process. They have got the platform, and it has been used for some specific publicity campaigns (like Jimny presale), but they are currently developing a digital platform to be released by the end of 2021, where all the products and services of Derco can be found in one unique platform: new vehicles, accessories, insurances, financial services, maintenance, and more. The plan is to have all the products and services in one place, and to offer a frictionless experience to the customer. To achieve this, they have been collecting and analyzing data from all the internal processes and touchpoints, to find an effective digital and paperless option for all their business lines. Nevertheless, this digital option doesn't necessarily mean that the buying experience will be carried out entirely online. This digital platform will also be used in person at the different stores, so that one customer can buy a vehicle and at the same time have all the paperwork confirmed and signed just with one signature or biometric confirmation, instead of being 30 minutes signing several documents. Throughout this strategy, Derco aims to create an omnichannel model.

However, issues may appear during in the back-office process. As the OEMs and Distributors don't have their own retail channels, the question that arises is who will own the sale if the vehicle is sold in the OEMs or Distributor's website? Currently, as a hybrid process is still working, the customers select their desired dealership (the closest option, or the one that the customer is more loyal to) pay the partial or full amount via online, and then fulfills the process at the store. But in the future, in a supposed scenario of a 100% online sale, who will collect and deliver the vehicle?

This is an approach to the agent model. Sebastián Caballero and Thibaud Aymeric both have applied strategies that could be considered as the first step to this model.

Dealerships operate by buying vehicles to the distributors or importers, and this order must follow some assignments (floor planning). This practice during pandemic times is quite abusive against dealerships who have been closed for several months and that still have to pay their fixed costs, so both GM and Derco have decided to terminate the floor planning to give some air and support to the dealerships network, so that they can use this working capital to cover costs or give better trade-in price for used cars.

As mentioned before, this could be considered as the first step to transit to the agent model. This model is based on the usage of digital platforms to sell vehicles directly by the OEM, where the delivery is made by an agent, which can be the current dealerships. This model capitalizes the business for the OEMs, pays the agents by unit delivered, reduces costs, and also gives them the chance to offer extra services, accessories, insurances, and to provide the maintenance services at that branch.

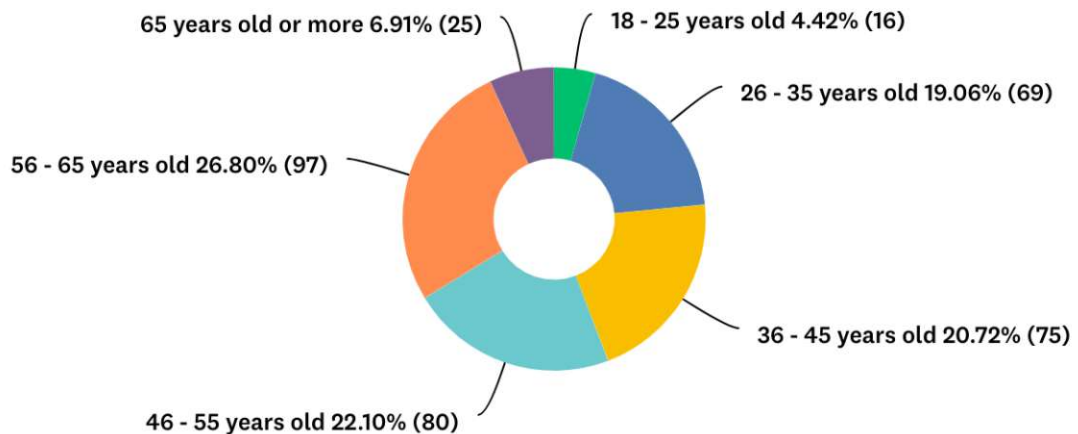
Taking into account the very reduced margins that dealerships are earning by vehicle (less than 4%) and the reduced costs, this model may be an appealing option for the dealerships, as they can also reduce the stress and workload of selling the car, focusing on giving a remarkable experience to the customers as to increase their loyalty, and increase the earnings by the aftersales services. Mauricio Diuana goes one step ahead: as Opel is not a massive brand in Chile, he is aiming to get rid completely of dealerships or agents and make only direct online sales (on a further future). If the clients want to see or test the car, the vehicle it is delivered to their place (as they were performing during the pandemic). If the client finally buys the car, it is delivered to their place (again, as they were doing during the pandemic). And if the client needs to go to the workshop or perform maintenance services, the car is picked up at the client's place of choice and taken to an Opel Service facility (one for each main city) and delivered back once done.

4.3.2. Market Research Survey

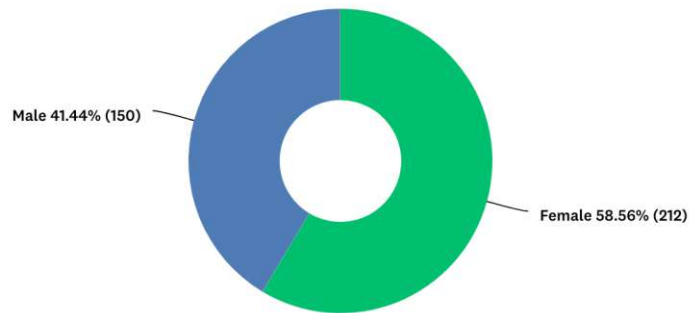
To carry out this research, the total sample considered people who live in Chile, between the ages of 18 and 85 years old, to represent people who actively drive. According to the 2017 census (latest sample in Chile), 75,77% of the Chilean population is between that age range. According to the latest estimation of population of 2021, with 19.678.363 inhabitants in the country, 14.910.340 will fit into this range. According to this number, to get a statistically valid sample with a confidence level of 95% and a margin of error of 5%, the sample needs to be at least of 385 answers. In this case, the sample is n=425.

The purpose of this survey is to determine the interest on digital processes on a vehicle acquisition, and to see the adoption on digital trends related to mobility.

The demographic data of the survey shows that the broadest group is the age range of 56-65 years old (26,80%), while the narrowest group is the one on the range between 18-25 years old (4,42%). The ranges 26-35, 36-45, and 46-55 are quite uniform, between 19,06% to 22,10%.

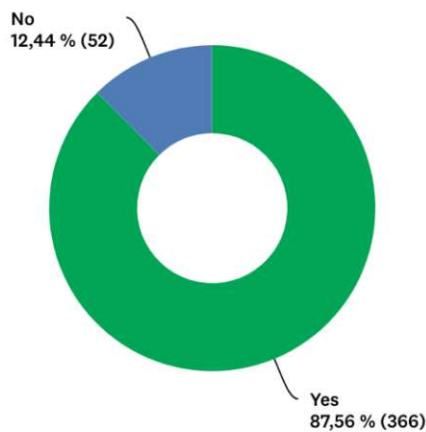


In the gender data, the biggest group where the sample feels identified is Female with 58,99% and Male 41,01%. No other gender was identified.



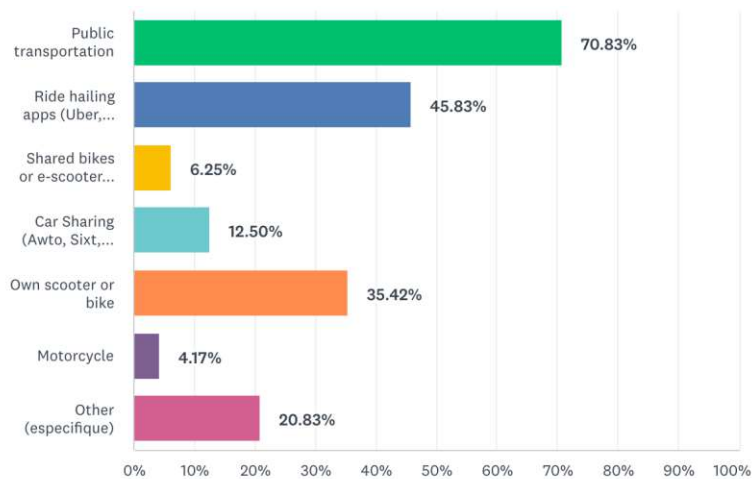
Now, the first question is if they own a car, and in the case that they don't own, the second question is which other transportation methods they use.

Q1. "Do you own a car?"



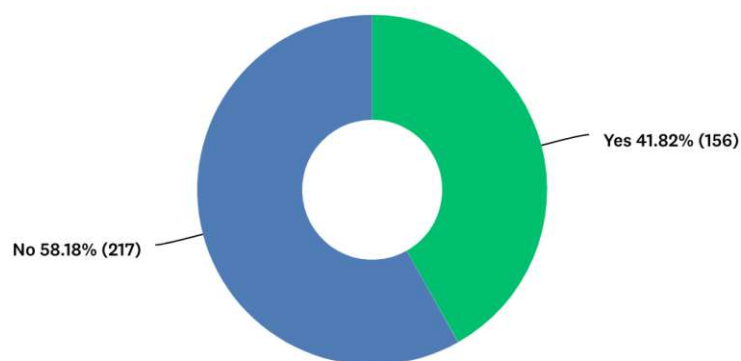
87,6% of the surveyed people declared that they currently own a car at the moment of answering to this survey, while 12,4% declared otherwise.

Q2. “If you currently don’t own a car, which other transportation method do you use?”
(Multiple options can be chosen).



Majority of the people uses public transportation (Buses, Subway, and Taxis); and the second most preferred transportation method are ride-hailing apps, like Uber, DiDi, Beat, and Cabify. Also, as a trend during pandemic times, 35,42% of people claim to use their bicycles or scooters as means for transportation. One interesting point is that the usage of carsharing platforms (Awto in Chile, similar to Car2Go/DriveNow in EU). This choice is broader than shared bicycles and scooters (Lime is present in Chile).

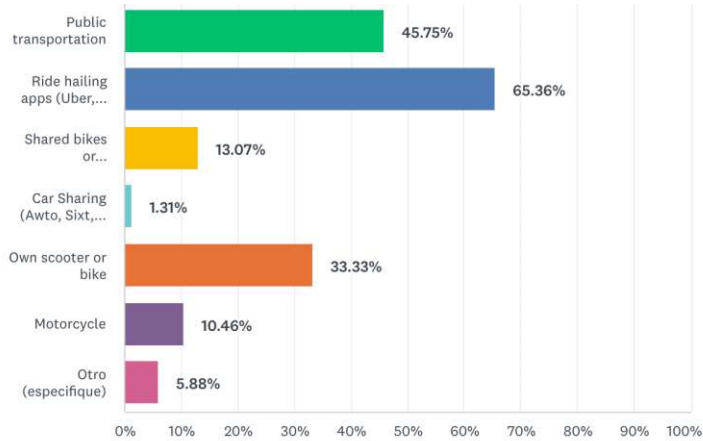
Q3. “In Addition to the car, do you use another transportation method?”



Between people who claimed to own a car, 41,82% of them mentioned that they additionally use another transportation method.

These different methods are the following:

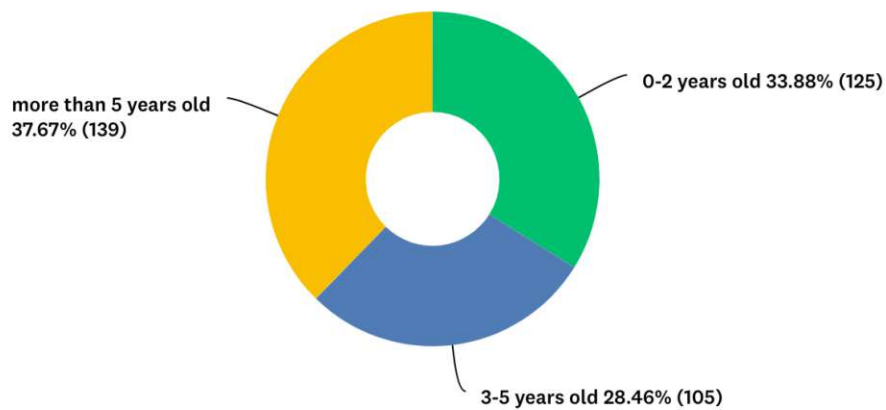
Q4. “Which other transportation method do you use?” (Multiple options can be chosen).



The most common transportation method for people who owns a car, are the ride-hailing apps (65,36%) followed by public transportation (45,75%). Here, the same trend can be found for bicycles, where the usage was increased during the pandemic.

Also, for people who owns a car, they were asked for the following alternatives:

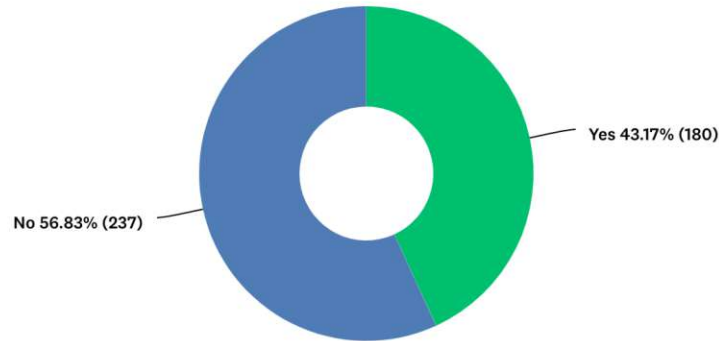
Q5. “How Old is your car?”



The majority (37,67%) owns cars older than 5 years old, while 33,88% owns cars nor older than 2 years old. The average time for changing the car in Chile is during

the third year. ANAC mentions that the used car transferences are made during the third and fourth year after fabrication date of the car²³

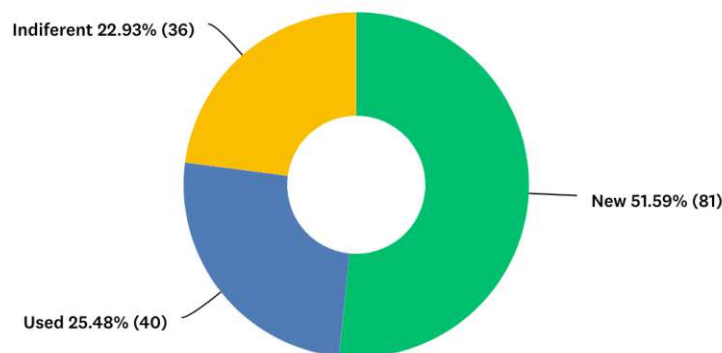
Q6. “Are you planning to change your current car during this year or the next (2021 or 2022)?”



43,17% of the people are planning to change their car in the near future. It is a high number, showing also the accumulation of people awaiting to have stock of new vehicles, or the prices of used cars to drop.

After this question, for the ones who have replied that they will change their car, they were asked the following:

Q7. “This car will be new or used?”



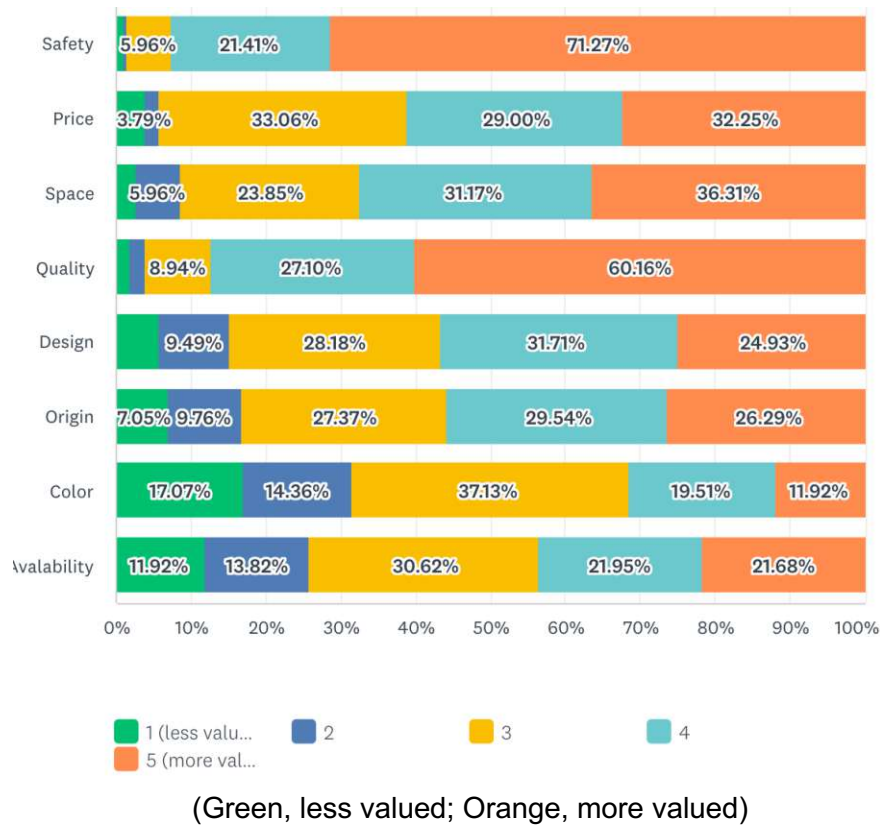
51,59% of the sample mentions that they will buy a new one, while 22,93% show no special preference between purchasing a used or a new vehicle. This is in line with the difference on getting a used or new car; as the price difference is very low (and in

²³ ANAC (2017): Informe Mercado Automotor Septiembre 2017. Asociación Nacional Automotriz de Chile A.G. <https://www.anac.cl/wp-content/uploads/2017/10/09-ANAC-Mercado-Automotor-Septiembre-2017.pdf> - Accessed on September 2, 2021

many cases is even lower than the VAT), it is considered that the used vehicle is overpriced and prefer to go before the new one.

The following questions show the different attributes of a car, and digital preferences while purchasing a new car:

Q8. "Of the following attributes, please arrange them the most valued ones (1 less valued, 5 more valued)"



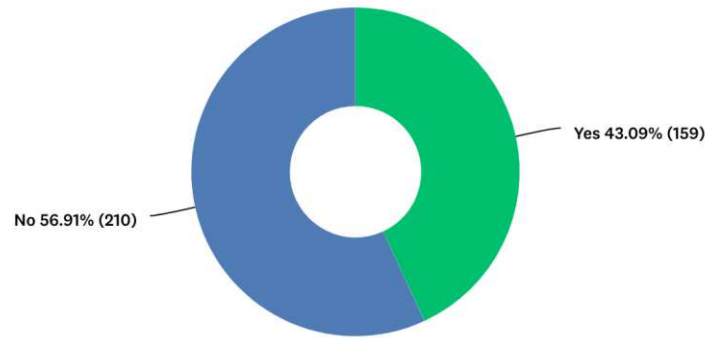
The top three most valued attributes are Safety, Quality, and Space, while the less valued attributes are Color, Availability, and Origin.

Q9. “At the moment of buying a new car, which of these processes would you prefer to be digital (virtual or online)?”



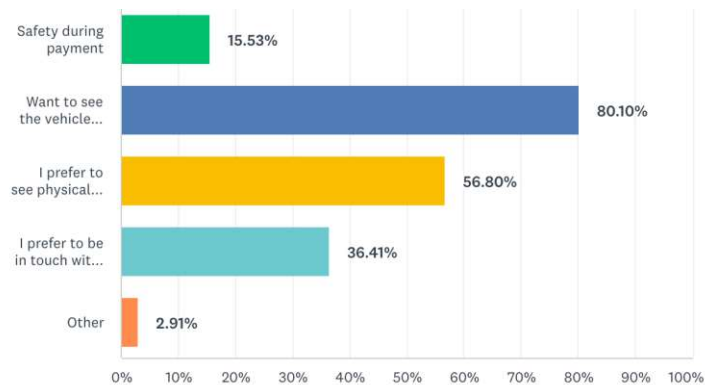
The answers reflect that there are strong preferences on some processes that can be made digitally; but there are also some processes in which people will not be willing to change the physical format. Research, quotation of both vehicle and financial services, and booking of first service are processes that people prefer to carry out digitally. Negotiation and closing the deal are still processes that people want to make it *face to face* with the salesperson at the store. Test Drive and Delivery are also processes that people prefer to do at the store, even if there is the option to have the vehicles delivered at the place of their preference.

Q10. "Will you buy a car 100% digitally?"



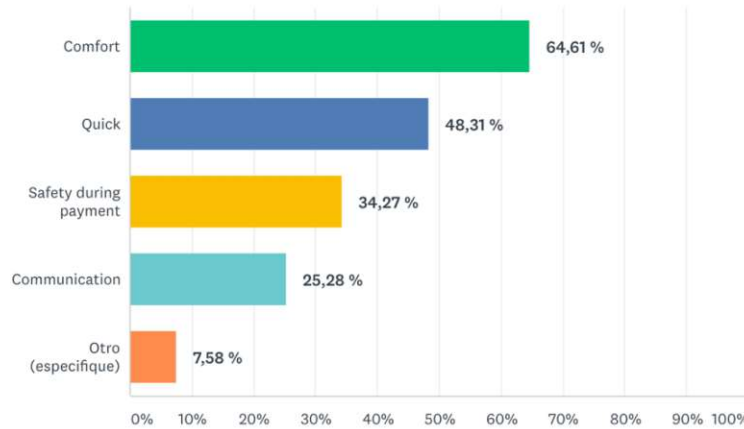
In this case, there are more people who reject the option of getting a car on a fully digital process (56,91%). At the beginning of the survey the difference was higher, with a marked inclination for a not fully digital process (around 65% for no; and 35% for yes).

Q11. "Why wouldn't you buy a vehicle digitally?"



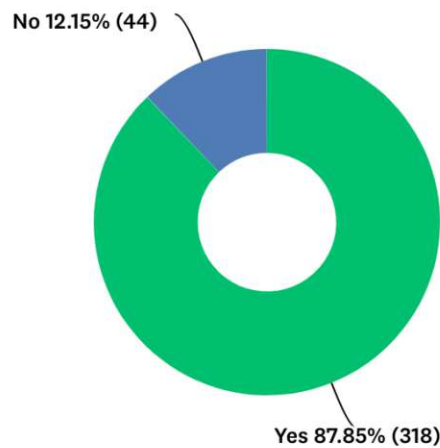
In this case, people are still very traditional and conservative when buying a vehicle. They prefer to be in contact physically with a real salesperson (36,41%), to see different options in person (56,80%), and to see the vehicle for themselves before paying for it (80,10%).

Q12. “Which aspects are the ones that you value the most when buying a vehicle digitally?”



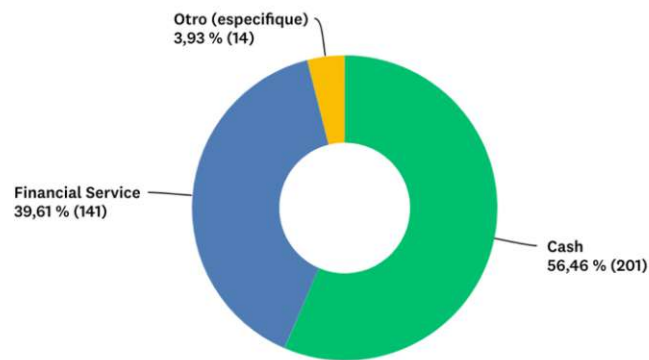
Most people find it comfortable (64,61%) and quick (48,31%) to buy digitally. This has increased during pandemic times, as people tried out most industries’ digital channels.

Q13. “When buying a vehicle, do you negotiate the price?”



Most participants (87,85%) declare that they negotiate the price of the car. This will change during the migration to an agent model, as there will be no dealer margin.

Q14. “When buying a vehicle, do you pay it cash, or with any financial service?”



When paying for their vehicle, most of the participants prefer to pay cash (56,46%) instead of acquiring any debt through a financial service. This is inconsistent compared to the amount of vehicles sold by any financial service in Chile (84% estimated in 2019 by Feller Rate¹⁶).

In conclusion, most people own a car and use it as their main transportation method. The ones who don't own a car mostly use public transportation (Buses, Subway, Taxi) but there is a bid adoption (for people owning a car or not) of ride-hailing apps like Uber, Cabify, Beat, and DiDi. Also, during the pandemic, many people opted to get a bicycle and use it, when possible, to go to work.

Most of the cars are new (less than 2 years) or older than 5 years, but 42,68% of the surveyed sample is planning to get a new vehicle in the short term. Despite the pandemic and the social and economic uncertainty in the country (social tension, presidential election year, and high currency value) people are still planning to invest in a new vehicle. This vehicle will mostly be new but will also depend on the stock availability of units in the close future. If not, and if the vehicle change is urgently needed, people show no preference between getting a new or used vehicle, despite the extremely high prices of used cars.

People are looking for a safe, good quality and spacious car, being *price* only the fourth importance attribute ranked, also showing that people mostly don't mind about color, availability or origin when buying a new car.

During the customer's journey, people will not buy a car 100% digitally; even though they will prefer a mixed digital/physical trip throughout the sales process. Research, Price Quotation (Car and Financial), Payment, and Service appointments are preferred to be digital, while Negotiation, Deal Closure, Test Drive, and Delivery are

still considered as relevant to be physically carried out at the dealership, even when Test Drive and Delivery can be booked directly at their home or workplace. This proves that the Omnichannel strategy will be the best alternative to face the future in a mid-term.

Main reasons for pulling back the digital transformation are based on the traditionality and conservative way to buy a vehicle in Chile. People still need to see the car physically before buying and paying for it, and also for big transactions, people prefer to be face-to-face with the counterpart. These are reasons quite difficult to be modified, despite the model, because of the Chilean idiosyncrasy. This can be considered as a *structural* issue. But on the other side, people value the comfortable and quick process of getting a price quotation and information about the vehicle by digital means, even though at the end they will prefer to close the deal at the store.

Finally, almost 88% of the surveyed sample negotiates the price of a new car. This number is quite high, and during pandemic, people have been upset because there is no room for negotiation. Also, the negotiation aspect will change in the short to mid-term when OEMs decide to migrate to an Agent Model with no dealer margin, so there will be no room for discounts. But as this will be a call from OEMs to dealerships (maybe) to change their model from Dealership to Agent, the entire network will be under same rules, so customers will have no more option than to buy full price (as it should be). The real work will be for the Agents to do an impeccable work to ensure the customer the best experience and increase recommendation to improve loyalty and keep the customer during aftersales and renewals.

4.4. Evolution of the virtual channel

The virtual channel is still the most common and popular among the customers, as this is the first stop on their journey while researching for a vehicle. This has been changing during the different scenarios mentioned before (pre, during, and post Covid), merging from a merely informative website to a smart and complex transactional platform.

	Pre-Covid	During-Covid	Post-Covid
Website	Informative	merging to transactional	Transactional
Configurator	N/A	N/A	Limited
Contact	e-mail	e-mail, webchat	e-mail, chat, video
Virtual Showroom	N/A	Limited	Available
Pricing Control	Negotiable	Limited	N/A
Online trade in pricing	N/A	N/A	Available
Trade in pricing	N/A	Limited, negotiable	Available, not negotiable
Financing and leasing	Limited	Available	Available
Deal closure	N/A	N/A	Available

Fig. 46: Pre-, During-, and Post-Covid-19 comparison of key steps during the customer journey.

Source: Self-produced.

As mentioned and shown on the table above (Fig. 46), websites moved from informative to a more transactional platform while OEMs make up their minds and define their final strategy, but a full transactional website will be a must. Online tools are also experiencing a transition. As being a stock-based market, the configurator is mainly inexistent and, in the future, only few options will be available. The virtual showroom is present in many websites, but still very limited and should be a must in the close future. Websites are presenting strong up-to-date contact options, giving the chance in the future to get a video contact between sales representative and customer. So far, during Covid, only Chevrolet is offering this option. Giving also this video option, the deal closure and negotiation can also be part of the virtual channel, giving a better customer experience. Regarding prices, as it was mentioned before, the vehicle prices will remain the same, with no chance to get a discount. The price of the traded in vehicle will be given automatically after filling some details (subject to technical inspection) but the price will not be negotiable in the future.

5. Digitalization models for automotive sales process

Throughout the years, different digitalization models (or digital business models) have been trying to be imposed by different brands or service companies to improve the automotive sales process, and this has been boosted by the recent Covid-19 situation. What OEMs and Dealerships have been working for years to be implemented progressively during the following years has been forced to be released immediately, also with several flaws. There are several digitalization models, even though there is no *thy ultimate model* that will be the holy grail in digitalization. Each

model has their up and down sides and will depend on the context of the country or market where it is intended to be implemented.

Many times, digitalization is confused with virtual or online, when it is not just accurate. Digitization is the *“Conversion of analogue information into digital, binary signals²⁴”* (Sihn 2021: 16), while Digitalization is referred as the use of digitization tools to transform a business model. Digital tools for car sales process can be both on-line and on-site. Here, some examples can illustrate this point:

On-Line: Marketplaces, Websites, Financial Simulations, mobile OCR Scanning (license plates, VIN, IDs) and Biometric Scanning, AI Chatbots, 360-degree virtual tours.

On-Site: Augmented and Virtual Reality for configurators and virtual tours, Touch Screens for self-service and financial simulation, dashboard simulators, drive simulators, OCR Scanning and Biometric Scanning.

These tools will set the base to develop a 4.0 industry in the automotive sales industry in Chile, as this is defined as *“Industry 4.0 is the integration of state-of-the-art technologies (ICT, robotics, sensor technology, ...) into physical products and processes to increase customer benefits²⁴”* (Sihn 2021: 19) and *“Connecting humans, machines, products, etc., in real time²⁴”* (Sihn 2021: 16). Some of the most important digitalization models are the following:

5.1. Agent model

The most common channel available worldwide for the automotive industry are dealerships. OEMs sell their vehicles to licensed and authorized dealerships. This is financed by floor planning schemes, where a Financial Service (mostly allied to the respective OEM) finances the purchase of the vehicles in stock and in showrooms. This is very common in countries where the product availability is based in stock and assigned units, and not by taking orders for customized units, like it can be made in European countries. In Chile, the unit availability is mostly based on stock or

²⁴ Sihn Wilfried (2021): Operations Management. Module Automotive Production and Logistics. Automotive Industry MBA, TU Wien. Vienna, Austria (p.16)

assignments, except for special high luxury exclusive brands, like Maclaren, Ferrari, Porsche (some of them), Rolls Royce, and Bentley, amongst others.

Floor planning is determined by OEMs, where they dictate the amount of units and portfolio diversity (models, trims, and colors) that must be ordered to get the units financed. Once a unit is sold, it is paid to the financial services company; and if it is not sold on the expected time, then extra interests are charged. The number of days that the car is under special financial conditions will depend on the unit rotation. Models with fast stock rotation are usually with 30 days; vehicles with normal rotation are usually from 45 to 60 days, and more expensive (sport/luxury vehicles) have a stock rotation between 60 to 90 days. This will depend of course on the relationship between the OEM and the dealership, also where portfolio can be negotiated, as well as the rate or days of the floor planning agreement.

Agent (or Agency) model states that OEMs will sell directly to the final customer, while dealerships will act as an agent and not as an *independent* intermediary. Customers will buy via digital platforms and will be able to choose where to pick up their new car, and the agent (dealership) will prepare the delivery of the new car, collect the payment (cash or any financial service), and offer extra services such as insurance, prepaid maintenance, and accessories. Agents will no longer need to invest in getting a floor plan to finance the stock or showrooms, as these units will be owned by the OEM, and as so, they will be in charge of issuing the units to the agent once they are sold. This will reduce costs up to 4% (Accenture study), so agents will be able to use those resources to invest in new facilities which will lead to the creation of a new experience center with a specialized showroom, giving better trade-in price for used cars, offering more services, among other things that they can do with that savings. On the customers' side, they will see their negotiation capacity reduced to the minimum, as dealer margin will no longer be a thing in the automotive industry. This will be one of the most difficult task to communicate to the customers: as shown on the survey, more than 87% of people will negotiate the price of a new vehicle.

During the pandemic times in Chile, some OEMs started merging into this model (like Chevrolet and eight other brands from Derco), but for now, there is no OEM acting as a direct seller with an agent in between. As it was mentioned before, some OEMs started to take action in reducing the financial stress to the dealerships by removing floor planning, as the units in showrooms are owned by OEMs, and whenever a car is sold, the OEM issues the car, and the dealership buys it. It is a *quasi-agent model*: the difference is that the dealership still needs to buy the unit, but only when it is sold

to the final customer. Nonetheless, this is an important step, mostly to the OEMs and financial services, as they will get a good idea on how the removing of the floor plan will finally work out for them. Another circumstantial step is the price. During pandemic times, both used and new cars increased their prices, some according to rises in costs, and others including high demand in addition to the cost rise. As the processors shortage in the industry is reducing the availability of new cars, the power to negotiate for a new vehicle is lower than expected. As mentioned by Philippe Cazabon, Sales Manager Porsche Chile (DITEC S.A) after an interview, he states that “*we have three customers per car*”, so there is no space to lower the prices. This circumstance gives the chance to take another step towards the agency model, as this model has got no room for price negotiation.

The question that now arises is: How will Agents and OEMs coexist on a peaceful way? The main challenges are focused on giving a seamless customer journey with an omnichannel sales model, changing the focus of the risk management (from dealerships to OEMs), and defining the new roles and compensation programs between OEMs and agents²⁵. But, if there is more than one agency company per OEM, and with no price difference to compete with, then the customer experience will be the key for success between the different agents’ competition. Good facilities, great specialized showrooms, frictionless processes, flawless after-sales, and trained workforce will be the key pieces to offer a perfect experience to the customers.

Key Challenges for the Agent Model transition
360° Customer View for a seamless, personalized journey
Transition to direct sales and coping with regional specifics
Need for transaction and customer interaction capabilities at OEM level
Transfer of asset and risk management to OEM
Adaptation of agent’s contracts and define remuneration
Migration of functions and responsibilities to OEMs including process changes
Establish functions and skills for new business models
Seamless omnichannel sales with defined formats and roles, including attractive online store

Fig. 47: Key Challenges for the Agent Model transition. Source: Schmitz Klaus / Seidel Philipp / Droste Marc / Adolph Christian / Herberts David (2020): *Future car sales – how to go direct?*. Arthur D. Little²⁵

²⁵ Schmitz Klaus / Seidel Philipp / Droste Marc / Adolph Christian / Herberts David (2020): *Future car sales – how to go direct?*. Arthur D. Little.
https://www.adlittle.com/sites/default/files/viewpoints/adl_future_car_sales-compresse.pdf - Accessed on September 21, 2021

Agent model faces advantages and disadvantages for customers, Agents, and OEMs/Importers (Fig. 47). While customers will not have the chance to negotiate, OEMs and importers will have a bigger profit and access to important data. Agents, on their side, will have a fixed income per unit sold in addition to extra services and financial spreads. On the other side, it is expected that the customer will have a better experience. As agents will be the same, then the reason to buy in an agent or another will be the experience given, so they will be working and using the fixed income and the reduced risk and costs (no floor planning) in giving the best experience possible to increase the customer satisfaction.

5.2. Third-party cooperation

Digitalization is a process required by almost any business today, but sometimes it is very technical, and the times and speed required to move into the swampy terrain are very short and quick, so there is no time to improvise and create (or train) a new team to start from scratch with the digitalization. The *beta* testing is no longer allowed by the customers, which are nowadays used to have frictionless digital experiences with all the other industries. The move needs to be fast, and it is better to go on the safe side and work together with experts who know what to do and how to make it fully personalized for each customer (in this case, each OEM).

There are some actors specialized in building digital platforms where OEMs can give the guidelines and they will create a digital environment, like a marketplaces and virtual showrooms, taking care of all the digital sales. In few words, a fully digital dealership. This works for both used and new cars. A survey carried out by Accenture²⁶ states that in 2019, one third of the dealers are working with a third-party supplier in charge of their virtual and digital marketplaces and/or showrooms. Worldwide, there are platforms offered by companies like Carwow, Rockar, Kazoo, and more. In Chile, agencies like Aztro, Intelimedia, and Car1 are offering similar platforms in the local markets. Aztro, for example, is supplying the digital platforms for Coseche (the major GM dealership in Chile). Intelimedia works with brands

²⁶ Schmidt Axel / Trenka Johannes / Franzén Robert / Gerhard Anna / Holtgrave Maximilian (2019): Direct. A new way for OEMs and Dealers to thrive in times of disruptions. The future of automotive sales. Accenture. https://www.accenture.com/_acnmedia/pdf-108/accenture-study-the-future-of-automotive-sales.pdf - Accessed on October 10, 2021

represented by Porsche Holding Chile and SK Bergè. Car1 is working on the main smart used cars platform, collecting vehicles from different vendors, most of them from leasing or renting buybacks.

But there is more that can be done than a *regular* marketplace. There are participants that can perform a few steps further, giving the same experience that a customer can have in both online and physical channels. One of those sales-as-a-service companies is Rockar. They focus on setting up a *customer centric* process where OEMs, dealerships, and customers will be benefited by a platform with a simple but exquisite digital experience for all the tech-savvy clients around. Simon Dixon, Rockar's CEO and founder, mentions that *"it is important to discard the tightly managed processes of today and empower the customer"* (Schmidt et al. 2019: 21).

Problems of this model: communication is only between Customer and a third party, and OEM is no longer receiving the insights and data of the customers, which now belongs to the third-party company.

5.3. Subscription model

Subscription model is a way to get a vehicle for a certain amount of time (months or years), being charged in monthly fees. It has similarities with car rentals and leasing. While car rental delivers the vehicle to the customer for days or weeks, subscription models are considered to be for longer periods. Leasing contracts on their side, in Chile, is a long-term rental with the option to buy the vehicle at the end of contract. It has strict cancellation policies, and it is more common to be used by companies for acquiring commercial vehicles (you need to show a commercial activity certificate to have access to leasing). In Europe, this kind of leasing is different, because it is also oriented to individuals, and can configure the vehicle at their will, but having a longer minimum period required for the contract (usually 12 to 18 months, while Subscription can be cancelled after few months depending on the provider), so in Europe, leasing is almost a subscription model, but with a longer minimum period²⁷. The advantages on getting a car subscription are that it is no longer needed to own the car, there is no

²⁷ Schellong Daniel / Sadek Philipp / Lang Nikolaus / Mattson Miles (2021): Will car subscriptions revolutionize auto sales? Boston Consulting Group. <https://www.bcg.com/publications/2021/how-car-subscriptions-impact-auto-sales> - Accessed on 25 October, 2021

initial payment, the operational costs (except of fuel, fines, and tolls) are on the providers' side, so it is a flat-fee worryless service where customer can have a strict cost planning with only fuel cost as a variable cost. On the other side, this as this is a flat and fixed service, there is no chance to negotiate anything or to choose from several options, only what is available.

Some competitors worldwide are offering subscription models with different USP (unique selling proposition). For example, some OEMs are offering this service. In US, Volvo has *Care by Volvo* where you can get a fully electric XC40 delivered to you in 14 days for USD\$1.025/month (fee based on 2-year contract), but you can cancel starting from the 5th month (Fig. 48).

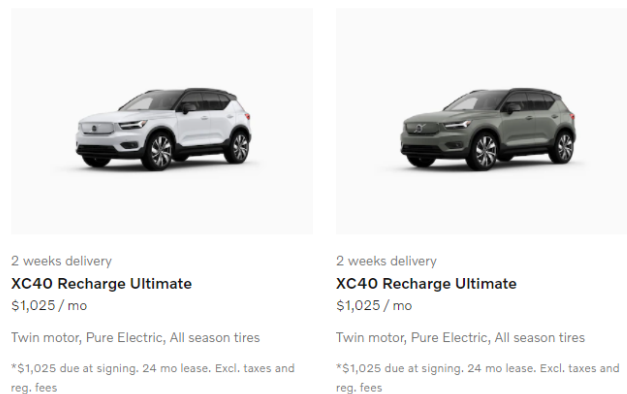


Fig. 48: Available vehicles on “Care by Volvo” Program. Source: Volvo US website <https://www.volvocars.com/us/care-by-volvo/cars/?filters.suvModels=XC40> – Accessed on 27 October, 2021

Porsche has also their own subscription model: *Porsche Drive*, with the difference being that the commitment is only for 1 or 3 months, and the customer can choose on a single or multi-vehicle subscription, where you can choose on any vehicle on Porsche's available fleet (multi-vehicle subscription available only monthly). Single vehicle starts from USD\$1.600/month for a Macan to USD\$2.950/month for a Porsche 911. The multi-vehicle subscription has a monthly flat rate of USD\$3.100/month and you can choose between Macan, Cayman, Boxster, Cayenne, Panamera, 911, or the electric Taycan models (Fig. 49).

Single-Vehicle Subscription









Single-Vehicle Subscription Plans ¹		1 Month	3 Months
Mileage Included		1,500 Miles/Month	1,500 Miles/Month
Activation Fee		\$595 + Tax ²	Waived
Subscription Fee		Monthly Fee + Tax ²	Monthly Fee + Tax ²
Macan		From \$1,600/Month	From \$1,600/Month
718 Cayman		From \$1,950/Month	From \$1,950/Month
718 Boxster		From \$2,050/Month	From \$2,050/Month
Cayenne		From \$2,200/Month	From \$2,200/Month
Taycan		From \$2,500/Month	From \$2,500/Month
Panamera		From \$2,800/Month	From \$2,800/Month
911		From \$2,950/Month	From \$2,950/Month





Fig. 49: Single Vehicle Subscription, Porsche Drive. Source: *Porsche US website*
<https://www.porsche.com/usa/accessoriesandservices/porschedrive/subscription/> - Accessed on
 October 27, 2021

Also, classic rent-a-car companies, like Avis and Sixt have their own subscription models, as well as some dealerships and third-party providers like Fair and Cluno²⁶.


In Chile, the model that gets closer to the Subscription Model is the Renting model. Companies like Gamma Leasing and Salfa (Salinas & Fabres, also GM dealership) are offering this new model since 2020. The terms are similar: Flat rate depending on the vehicle, the number of months of the contract, the annual mileage included in the plan, and the amount to pay in case of accident. Insurances, taxes, registration, maintenance, services and a replacement vehicle in case of accident or longer service. For example, Salfa's Smartycar service offers an Opel Crossland Edition 1.5TD MT6 2021 for 24 months, driving 20.000km (the average in Chile) and an insurance deductible of 10UF (around CLP\$300.000, USD\$372), will have a flat monthly rate of CLP\$440.000 (USD\$545), and the car will be delivered in up to 3 working days (Fig. 50). In case of cancellation, Smartycar asks for a cancelling fee of 30% of the upcoming fees according to the agreed period.


← Opel Nuevo Crossland EDITION 1.5TD MT6 2021










Destacado


 Año: 2021


 Estado: Nuevo


 Combustible: Diesel


 Transmisión: Manual

Características

SEGURIDAD
 Alarma volumétrica
 Cámara de retroceso
 Control de estabilidad ESP
 Control de partida en pendiente
 Doble Airbag frontal - Lateral - Cortina (6)
 Frenos ABS + EBD
 Indicador de permanencia en carril
 Indicador de presión de neumáticos
 Luces automáticas

Tu suscripción

Configura tu Opel Nuevo Crossland

Versión
 EDITION 1.5TD MT6 \$371.000

Color
 Blanco

Tu Opel Nuevo Crossland EDITION 1.5TD MT6 Blanco estará disponible en 3 días hábiles** desde la suscripción.

Configura tu plan

Permanencia
 24 meses

Kilometraje anual
 20.000 km

Deducible
 10 UF

Suscríbete por 24 meses con un deducible de 10 UF y podrás viajar 20.000 kilómetros por año.

Todo incluido [Ver más](#)

Suscripción mensual \$440.000*

Fig. 50: Smartycar's renting simulation. Source: Smartycar website <https://app.smartycar.cl/autos/detalle/opel-nuevo-crossland/opel-nuevo-crossland-edition-1-5td-mt6-2021> - Accessed on October 27, 2021

5.4. Car sharing

The next digitalization model states that is not strictly necessary to get a car uniquely for yourself; so, you can get one whenever you want it and pay only for the time or distance used, similar to the shared mobility systems of e-scooters and bikes from Lime, Tier, among others. Worldwide, the main player is ShareNow, which came from the merge of DriveNow (BMW, Sixt) and Car2Go (Daimler). This service is not available in Chile, but there is a similar one, provided by a company that goes by the name Awto (Owned by Kaufmann, Daimler's importer and distributor), and is a one-way carsharing service, although they also give the option to rent by days. In this service, you can choose between different categories, from city cars to big cargo trucks, and it is charged by minutes used and minutes parked, in case that it is parked in a non-Awto zone. There are Awto parking zones in many residential, financial, and commercial zones, so it can be picked up and then returned at any other available parking zone, and it works 24/7. It is useful for short trips where a car is needed, or to use the cargo vehicles for moving or carrying large items.

Another service is Kinto, provided by Toyota, with the difference being that the customer needs to make a reservation in advance, and the vehicle has to be picked up and returned at a Toyota dealership (Round-trip carsharing service) or it can be arranged to have it delivered at a desired place, and it is charged by hour, so it is not the best option for small trips.

One disadvantage and risk of the car sharing system (or any other shared mobility system, being the case) is safety. services are available almost only on the safe zones of Santiago and Viña del Mar (Valparaiso Region, right up north of Metropolitan Region), where the socioeconomic level is from mid to high. During the riots which started in October 2019, many of the shared mobility providers like Mobike, BikeStgo, and Lime saw their vehicles burning on firepits and barricades or in the bottom of Mapocho (Santiago's main river). They all ceased their operations temporarily (Mobike filed for bankruptcy in April 2021) and limited their operating zones according to the socioeconomic distribution, so it is a highly centralized and socially unbalanced model, as it is only present in two cities (Fig. 51).

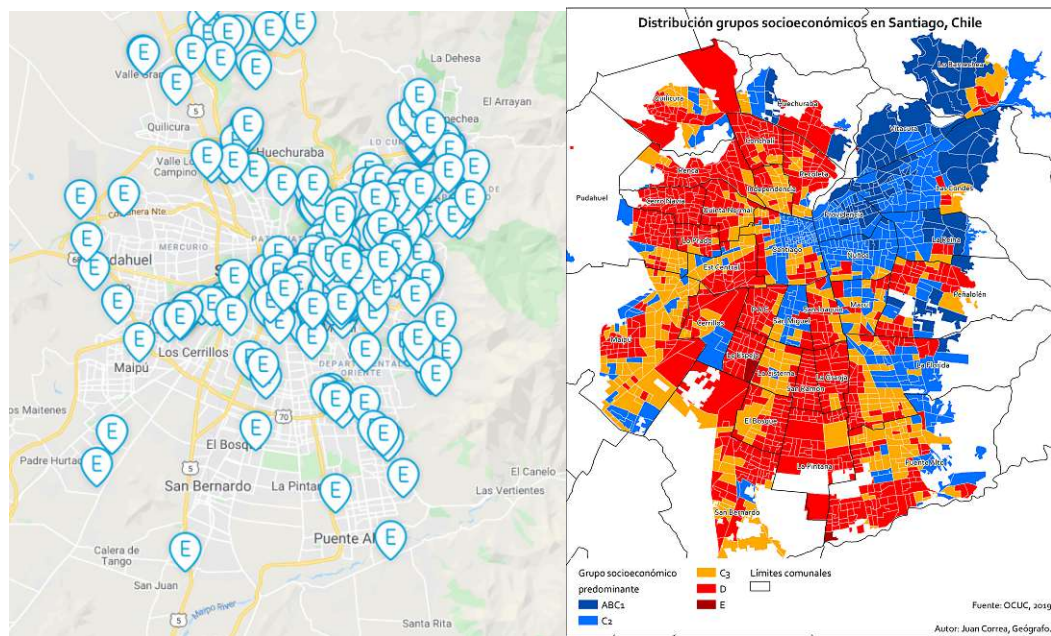


Fig. 51: Left: location comparison of Awto parking zones. Right: Socioeconomical distribution map of Santiago. Source: Awto website <https://awto.cl/puntos-awto> - Accessed on October 28, 2021); Right: Correa (2019): Observatorio de Ciudades Universidad Católica (OCUC). Pontificia Universidad Católica de Chile.

6. Evolution of the customer journey in Chile (And foreign examples)

6.1. From *Bricks to Clicks* to Multichannel approaches in Chile

It is a well-known fact that the traditional automotive sales model is very common and popular. Nonetheless, it is also known that it is outdated and has a lot of redundant processes, thus creating wastes of time (and resources) for both customers and OEMs.

For some customers, going to the dealership is not a good experience, and buying a new vehicle is considered a “*low trust, high stress, and low transparency exercise*”²⁸ (Walton 2019: 04) carried out by car salespeople, who have historically been prejudged with a bad reputation. As almost all transactions end up in price negotiation, and the sale has an associated commission for the salesperson, the customer tends to think that he or she is not getting the best profit from the business. And when the deal is closed, then a lot of paperwork needs to be slowly filled up (30 minutes approximately just on signing documents), turning this last process, that should be completely frictionless, into a tedious stop through the customer journey.

On the OEMs side, their supply chain is involving more and more players, each one taking a bite of margin at every stage, turning their business capitalization and return over investment lower and lower within time.

To reduce these inefficiencies and redundancies, OEMs can dive deeper into the digital world, where the customer is already used to. According to Internet Advertising Bureau, in United Kingdom, 84% of people use their mobile phones during their customer journey²⁹, and in the United States, 95% of the customers do their research digitally³⁰. In Chile, the amount of people willing to do their research for a vehicle using

²⁸ Walton Byrn (2019): Disruption in the automotive industry: How digital is changing car sales. Deloitte. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/ConsumerIndustrialProducts/deloitte-uk-consumer-industrial-products-how-digital-is-changing-car-sales.pdf> - Accessed on November 3, 2021

²⁹ Weve (2017): What drives consumers along the automotive purchase journey? Weve. <https://docplayer.net/59938456-What-drives-consumers-along-the-automotive-purchase-journey-weve-primary-automotive-research-2017.html> - Accessed on November 3, 2021

³⁰ Schueller Guy (2017): The auto dealer’s guide to moving metal in a digital world. Think with Google. Google. https://www.thinkwithgoogle.com/_qs/documents/4711/1150-Automotive-Dealer-Guidebook-Download.pdf - Accessed on November 5, 2021

digital tools is 73% (according to Market Research Survey on this document). Customers are willing to have the same (or similar) experience, as they have been buying another consuming goods while they buy (or research) a car online. Given this, while OEMs are improving at overspeed on new technologies and powertrains for their vehicles; but, on the other side, they are riding below school speed regarding new technologies and tools on how to sell their vehicles digitally. The pandemic has boosted the need to improve on the quality and availability of digital and online channels, but it hasn't been enough. Also, to do so under *emergency conditions* may lead to do things without the proper research and development.

Going to basics of retail business, there are the *bricks*, the *clicks*, and the *bricks and clicks* concepts. Bricks are referred to the physical or single channel (Fig. 52), like a branch or store. This is where the customer is able to have direct contact with the product, trying and testing directly the features of the vehicle, and getting in touch with a real *flesh and blood* salesperson, trying the car, paying for it and taking it home if it is in stock. Here is where the OEMs need to invest into increasing the in-store experience for the clients: show materials, colors, differences between products. This is the place where the customer must take the bait. The different digital tools to make this, like **VR** and **AR**, cannot be considered as *toys*: They must be real, relevant, and convincing²⁸. Here, the experience needs to be frictionless, with no *painful points*, even at the moment of closing a deal and signing documents.

Then, we go to the virtual channel, the Clicks. It is considered to be direct online tools and sales by the OEMs. In the specific case of Chile, it is turning into that model, but at the moment, online sales (when offered) are not direct, but through a dealership who is in charge of carrying out all the back-office process. OEM's websites are experimenting with transactional platforms, some of them giving the option to pay online and delivering the vehicle at the customer's place of choice; others are just receiving orders as reservations (then it continues to payment at the dealership); and there are some which doesn't offer any transactional tool on their websites. All websites show every model and offer the option to get an online quotation, and the differences are in the offer for accessories, financial services, and online chat services.

Bricks and Clicks is the multichannel strategy (Fig. 52). Is offering the vehicles both online and offline. This might sound redundant, but it is the most common strategy used at this moment. There is -almost- no 100% physical sale, as 95% of customers do their research online. 100% online sales are more likely to be remote sales, as in

Chile there is still no 100% digitalization in all processes, such as registration, signing, and delivery. “If the customer is moving around and across various channels, a single channel world is no longer sufficient²⁸” (Walton 2019: 07).

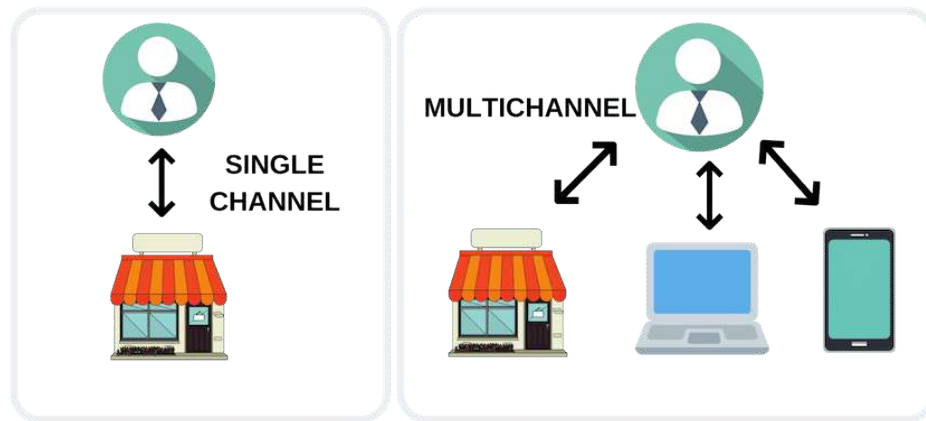


Fig. 52: Single Channel and Multichannel diagrams. Source: image from <https://aritic.com/blog/aritic-pinpoint/multichannel-marketing-strategies/>

6.2. Omnichannel: Whatever, wherever, and whenever

While Multichannel proposes customers to buy through different channels, Omnichannel strategy proposes to get any product anywhere by connecting and integrating every participant from different channels with the customer, so they can get the same experience and product, regardless of whether they are at their living room, office, or dealership (Fig. 53). Customers “*Want to buy online, but some of them still enjoy physical touchpoints for products in an attractive environment. It is the key to combine all of these elements into one seamless customer journey*” says Simon Dixon (founder and CEO of Rockar). Pascal Schmitt (VP Global Customer, Network & Importers, Renault SAS), states that “*We see great potential in new sales formats, welcome digital tools and aim at 25% online sales by 2030. At the same time, our physical retail will always remain a cornerstone of our sales model. Together with our dealers, we will accelerate customer- centricity and offer a seamless omni-channel experience. Full data sharing between all online and offline channels is a prerequisite for this transformation.*”²⁶ (Schmitt 2019, cited by Schmidt et al. 2019: 16). OEMs and their dealerships are currently offering some transactional tools: test drive scheduling, and sales assistants via chat services, and in the stores, they have the conventional showroom. The roadmap for the future in Chile will be to improve the capacities and

tools on the websites, giving the client the option to get a fully online experience by giving all the information and offering him the same experience that they can have at the dealership, and to improve the stores to offer a full digital and sensorial experience, where they cannot only see the vehicle, but also feel it completely. *“It is all a digital experience whatever, wherever and whenever the customer prefers”*²⁶ (Dixon 2019, cited by Schmidt et al. 2019: 21). Also, this needs to be combined with an Agency Model or a Third-Party Cooperator. As OEMs don’t trade directly, they will need to have a partner to deal with all the commercialization, back-office, and delivery of the vehicle. The Agency Model could be the current dealerships, who will also run the aftersales business, and the Third-Party Cooperator could be an agency who runs the online channels and deals with the customers to arrange and schedule every process.



Fig. 53: Omni-channel diagram. Source: image from <https://aritic.com/blog/aritic-pinpoint/multichannel-marketing-strategies/>

6.3. Improving the Ecosystem

To achieve success in the multichannel strategy, it is important to work across the ecosystem of the OEMs and Dealerships. Omnichannel puts the client as the priority and as the cornerstone of the model, so this is where the ecosystem should start as well. This ecosystem needs to be flexible enough to offer the customer the option to create their own balanced and customized path through its journey, moving freely and frictionless through different channels.

To improve this ecosystem, Deloitte proposes different tactics that can help to provide a holistic omnichannel experience³¹ (all following points refer to the same article in reference 31):

- **Customer engagement during research phase:** Customers are increasingly choosing digital ways to research for their next vehicle (According to the Market Research Survey on 4.3.2, 72,63% searches digitally for information and 79,67% request a quotation digitally). Websites, forums, social media, video streaming and even podcasts are now a source of information for new customers, so this is where OEMs and Dealerships are required to focus as to engage with customers at the first sneak that they make into digital channels. Starting from here, OEMs and Dealerships can work to give the best experience to the customer.
- **Cross-Channel Customer touchpoint management:** To have control of all the touchpoints and interactions of the customer with the different channels, it is crucial to get all the insights and be one step ahead of any move. Nowadays, Customers are always sharing online what they are doing, where they are doing it, and who are they doing it with, so if the customer buys a new vehicle, or even have a test drive, they will share something with their relatives and friends. As 32% of the consumers use social media during their journey³², it is very important to have communication within all the channels, to be prepared to give that customer the best experience ever. If a test drive is shared, the deal is almost closed and the channels need to be in constant communication to not undermine the experience with wrong or double communications, as many times it happens that the customer is closing something online, but he or she also goes to the dealership, where the information given can be very different and confuse the client and, in the worst case, make it choose another alternative. In any case, this will be a bad experience.

³¹ Dinsdale Andrew / Willigmann Philipp / Glueck Jeff (2016): The foundation of future automotive retail: Omnichannel customer engagement. Deloitte. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-manufacturing-omnichannel-retailing-in-auto-thought-leadership.pdf> - Accessed on November 9, 2021

³² Lobaugh Kasey / Simpson Jeff / Ohri Lokesh (2015): Navigating the new digital divide: Capitalizing on digital influence in retail. Deloitte. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-navigating-the-new-digital-divide-051315.pdf> - Accessed on November 9, 2021

- **Transactional efficiency:** Customers want a seamless transaction process. According to Deloitte, payment or financing processes take about 4 hours, and 80% of the customers are willing to spend less than 2 hrs. in this. In Chile, as mentioned by Thibaud Aymeric from Derco, the payment and signing documents process takes about 30 minutes. But as everything should be digital, the time for this tedious task should be reduced to just a few minutes: Only with one e-signature or one fingerprint biometric scan (depending on if it is an online or in-store sale), it should be enough to cover all the signing requirements. It is important for both OEM and Dealerships to work with efficient partners, such as financial and insurance companies, to have all the services integrated on a single document. Also, it is important to reduce other dead times, such as time waiting for test drives or (even worse) for the vehicle's delivery. Everything should be scheduled to reduce the waiting time for the customer, and instead of this, the customer should be experiencing different things from the car, in the experience center.
- **Changing Store Formats:** The mentioned experience center should be at least half of the space of the current showrooms. As customers are mostly on digital channels during the initial phases of their journey, the transition from digital to physical should be seamless, so as the use of digital tools to recreate different models, materials, and trims, enabling the customers to experience everything in one place, trying every option with all their five senses.
- **Disrupting before you get disrupted:** during the last years, more competitors to traditional OEMs and Dealerships distribution models have arised. Companies like TrueCar, CarJoy, KBB, amongst others have been offering the same products with fully digital experiences to customers, jeopardizing the traditional selling models. For used vehicles, there are companies like Cazoo, Carvana, Kaval, and Vroom, which offer a digital model for used car shopping, with a marketplace and more serious platform than regular used car dealerships. In Chile, there is no digital model for new vehicles, but for used cars, the lead is taken by traditional website Chileautos (mentioned above in this document), and there is a new company named Car1, with a proposal similar to Kavak, presenting a full digital experience and a platform customized for every different customer.
- **Continued engagement throughout the customer lifecycle:** One old fashioned philosophy is to get rid of the customer right after they pay. There are still some industries in which this is still a policy, but thankfully, the

automotive industry has improved in this topic. After the purchase, it is the moment where the OEM and dealerships are required to take even more care of the customer's engagement, as there is the place where the customer is really trying out the vehicle, keeps the store experience still fresh, and is the place where they probably will schedule the first services, so it is very important to give them the best experience. They probably will not buy another vehicle in the next two or three years, but in the meanwhile, they can tell their friends and family about the great experience they had, thus bringing new customers to the stores. It needs to be a strong and lasting relationship between the OEM/Dealerships and the customer, and to achieve this, many tools are available; some old and some new, to improve the experience and the engagement throughout the years. The key for this is getting to know the customer and their needs. Nowadays, there are digital tools in the vehicles, like Chevrolet OnStar service, which offers internet connection, personal digital assistant, and extra infotainment services. This service, after the customer consents on online data management (in Chile is still not so strict in these matters), can collect data on customer's preferences and trends, to offer them customized services after that. For example, if the customer is asking for ski centers information, ski stores opening times, and the weather, it will be a good idea to offer extra accessories such as ski racks and wheel chains. But apart from the digital world, throughout the years, the best tool has been the *human relationship*. Contact centers usually reach out to the customer after the purchase to evaluate their satisfaction level and possible recommendations, but this is a cold call. Good traditional salespersons, (and it is considered something to congratulate them for), contact the customer several times to maintain the relationship. One good strategy is the 3x3x3: call after 3 days, 3 weeks, 3 months, and then keep after 3 months a short *chit chat* call or a quick email asking how they are, if the vehicle is OK, and reminding them if they know someone who needs a new vehicle, that they would be glad to assist them on the buying process. Nonetheless, this relationship has a double side. In this call, the customer can mention some issues or abnormal issues that the car might be experiencing, and many times they are too shy to ask, or they might think of it as a inadequate question, but it can carry a big mechanical problem on the vehicle in the future; so this call needs to be done not only for selling or marketing purposes, but also for

service. After this, the customer will keep up its loyalty, recommend the OEM and dealership, which will ultimately result into increased profit for all parties.

7. Best digitalization model and channels for the Chilean market to improve customers' experience during their journey

As mentioned throughout this document, there are several channels and models that can be applied, depending on the market reality. There is quite a consensus about the best channel strategy is the omnichannel to be applied today, and face to the ecosystem strategy for the future. But for the digitalization models, there are more differences that will depend on each market. Agency model is expected to be a must for almost all markets, helped by a third-party cooperation. While car sharing and subscription models are getting more and more strength in Europe and North America, in developing countries they are still on baby steps, and the future will depend on each individual market's reality.

For the Chilean market of new vehicles, the best strategy is to migrate from multi-channel to omni-channel, and to follow the Agency model with the help of experts from a third-party cooperator. Customers are looking to get everything despite of the channel, so to ensure the best experience, it will be demanded to offer all the services and information on every channel, so market will surely migrate to an agency model and OEMs will have the task to commercialize the vehicles (now a task of dealerships), and the help of an expert company to suit the technological, informatic, and technical needs will be mandatory. current dealerships will be the ones providing the same experience that the OEM can give online, but on a physical (and digital) way. Given this, the customer journey must change and be a hybrid between the physical and virtual world, to accomplish all the customers' demands using industry 4.0 tools.

8. The perfect Customer Journey for Chilean Market

According to the current customer journey that most OEMs are applying, and also according to the interviews and survey presented before in this research, the ideal journey will be the following:

a. Awareness

People is using more and more social media. In Chile, 83,5% of the population uses social media and 98,8% of this number access from their mobile phones³³. Having more than 16 million active users in a country with 19 million habitants, it is quite a big audience. OEMs must target to advertise new models in social media more than in other sources (like press or TV ads), and this should be a task for the OEMs, as per today most of these tasks depends on the dealership, but as the agent model should be the model to be implemented, the OEM is responsible of advertising the vehicles. Also, the best and cheapest way to show the vehicles is by seeing them in the streets. In Santiago, the commuting time between their home and working place is 40 minutes by car and 60 minutes by public transport (buses and subway), per trip³⁴) and in the rest of the big cities it is similar. The usage of demo vehicles or company cars (from OEMs) is a cheap and effective way to show the vehicles. Employees from the agents (actual dealerships) should use the vehicles intended to be use as demo vehicles or test drives. If the employees (like the store manager) arrive to open the store and goes home at the moment of closing the store, it makes no sense to have those cars hiding in the store while closed. If they are in the street, it is an almost free advertisement tool.

³³ Kemp Simon (2021): Digital 2021 Statbites: Quick-Fire headlines and highlights from the 2021 global digital reports. Kempios/WeAreSocial/Hootsuite. <https://datareportal.com/reports/global-digital-statbites-001> - Accessed on November 15, 2021

³⁴ Herrera Andrea / Razmilic Slaven (2018): De la casa al trabajo: Análisis de un tiempo perdido. Centro de Estudios Públicos (CEP), Chile. https://www.cepchile.cl/cep/site/artic/20180405/asocfile/20180405120239/dpp_029_abril2018_srazmilic.pdf - Accessed on November 15, 2021

b. Information and Research

As people is doing their research mostly online (and a few in-store), OEMs must have a complete website with all the information regarding models and versions. Sometimes this is difficult as they use the same patterns and images worldwide while the products in the local market may vary. It is welcomed that they use a disclaimer for this, but they must invest on have pictures and information of the real products that they will offer. This will reduce the misinformation of the customer and increase the satisfaction of having the full and true information of what you will get. Also, pricing must be correct and updated, and whenever there is a bonus or promotion it must be informed correctly. The same goes for the financial services, as all websites must have a real (subject to financial evaluation of course) simulator with all the available financial products. And for all the extra services it must be the same: complete and real information, prices, and conditions of maintenance, accessories, and insurances. To sum up, is to have exactly the same information that they can have in-store but on-line. The website and informative platforms must be made between OEMs (or importer/distributor) and a third-party cooperator, unless the OEMs is big enough to have their own team to develop this (as Derco who uses the same team for eight brands). Also, OEMs must give tools to dealerships to have a uniform way to show the vehicles in-store, with a complete experience center where the customer can have a taste of all vehicles available with all versions and trims. It is important also that the experience that they receive in-store is the same that they will get online.

c. Quotation

Getting a quotation is different between OEMs. The format, the information, prices, and details differ from one to another. Is important to give the same format of quotation to the customers, with the complete information of the vehicle that they want. When the customer start requesting the quotation online, based on the information of the webpages, they put all the information required and ask for a specific model and trim and at the moment of getting the email with the quotation it is very unfriendly and complicated. The quotation should be complete, simple, and friendly. Also, this quotation should be the same that they can get in-store. As this will be directly from OEM, there will be no difference between dealerships. The quotation must be one page, personalized, show model (with version and trim), price, financial service simulation (according to the initial payment and months requested by the customer),

insurance price, accessories (if the customer requested any), and the schedule of the test drive. In a separate document, can be the specifications sheet, and an accessories catalogue.

d. Test Drive

OEMs must have availability for test drive for all models. As the quotations are directly from OEM, they can centrally arrange and schedule the test drives by customer's requirements at the quotation stage by using an appointment scheduling tool on the website or in-store. If OEM has limited units, or doesn't have their own test drive units, they will be able to use the test drive units assigned to agents. Customer can arrange the test drive to do it at any agent branch or to have it delivered to their place. This requires coordination, but as 64% of the customers³⁵ (in US, 57.5% worldwide) claims that they won't buy digitally because they can't do a test drive, OEMs and agents should have a dedicated team to manage test drives.

e. Financial Services

Every OEM has its *own* or associated financial services company as detailed before, and simulations are provided by each of them. but, in some cases, it is not possible to get a simulation or quotation on the website, and the only way to get it is in-store or via email or chat communication with a representative. Simulations should be available both online and in-store with a digital simulator, in a quick and easy way. This will save precious time to the customer and will give a better experience by getting immediately all the information required to buy the vehicle. F&I representatives must be only for closing the deals or meeting special requests.

³⁵ Deloitte (2021): 2021 Global Automotive Consumer Study: Global focus countries. Deloitte.
<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-2021-global-automotive-consumer-study-global-focus-countries.pdf> - Accessed on November 23, 2021

f. Negotiation

In the survey carried out in this research, it was shown that 87,64% of people negotiate the price of the vehicle, and 67,22% of them prefers to negotiate face-to-face with the salesperson. This is one of the few steps that cannot be digitalized, and by doing it, this will affect negatively to the customers' journey and experience. In this case, the customer will go to the agent and ask for a representative to negotiate the price (while price negotiations last, as per agency model will not enable price negotiation), interest rate, and extra services. Agents, through OEMs' standards, should have a special and isolated place for negotiations with privacy (as sometimes the customer's economic data could be considered as sensitive information). Also, representatives should be trained on negotiation techniques, and handle customers smartly when, for example, interest rate cannot be improved.

g. Deal Closure

Deal Closure is also a step that it is still preferred to be physical by the Chilean market (73% of the surveyed stated that they would rather close the deal *face-to-face*). Deal closure is a tedious process. As identified by Derco, currently it takes 30 minutes just to sign the required paperwork. The solution will be to give only one digital folder to the customer, so that he or she can review it and sign it electronically by e-signature or by fingerprint biometric scan. It should only take time to read it, not to sign it. Also, this reduces the printing of several documents that anyways will be scanned and digitalized, so paper finally turns to waste. This is a benefit for the agent, the OEM, the customer, and also for the environment.

h. Extra Services

Any extra service or accessories that the customer may want, or need must be in the quotation, so he or she can have the final cost and have no further surprises. The insurance paperwork should be in the same deal closure folder, so that the customer can sign the contract with the same e-signature. Accessories should be in stock and installed (if needed, and if possible) before the vehicle is delivered or handed in to the customer, and the maintenance packages should be registered in the agent's service workshop.

i. Payment

This is something that should be 100% digital. Due to anti money laundering laws, it is not possible to pay for a vehicle in cash, and there is a high risk of fraud with banking cheques. The easiest and safest way is to make a wire transfer, or to pay digitally with a credit card. There are several services who provide this, such as PayPal or WebPay (from Transbank, the main credit card management service in Chile). This can be made easily by generating QR codes where the customer can scan and pay, or if they want to do it remotely, they can use the same QR or numeric code to make the wire transfer or the Credit Card payment. This is valid for one-payment and for initial payments for the financial services. This works also for service and parts, so it is no longer necessary to have a cashier at the store.

j. Delivery (and First Service scheduling)

Payment is maybe the least favorite moment for the customer, but the most satisfying for the salesperson. On the other hand, Delivery is the most exciting moment for the customer, but not so grateful for the salesperson, as they spend time giving a dedicate (if they do it) explanation for the product. So, to change this, delivery should be a pleasant for both parties. OEMs and Agents should have a person specifically dedicated on deliveries and offering the customer to have the vehicle delivered at their home or workplace, or to have it delivered at the agent's facility. Also, there should be a dedicated place to deliver the vehicle, with appropriate lighting and temperature to make it comfortable for every party involved. The person dedicated to the deliveries must give a complete onboarding process, and not only explain the vehicle's features and infotainment services, but also inform and educate about programmed maintenance (scheduling the first maintenance), showing the customer the agent's facilities, and informing about the satisfaction survey (CSI or NPS) that the customer will receive in the following days. It is important to have a checklist with the delivery steps, and to have it revised together with the customer. This delivery representative must ensure that there is no unsatisfied customers, and that all of them are pleased and will recommend the brand and the agent.

Additional processes linked to Customer Journey:

k. Trade-in

As some customers might want to trade in their vehicles, the experience should also be seamless in this process. In the quotation stage, the customer will have to give the details of the used car intended to be traded in (brand, model, version, color, year, mileage), and it will automatically give an estimated price for the vehicle that will also go in the quotation. If the customer wants to move on with the deal, he or she can choose to do a virtual or a physical visual check of the vehicle, and to get a Used Vehicle Report from Autofact (similar to Carfax from the US). The virtual unit will be similar to the ones that are used by insurance companies, where the platform asks to provide pictures from different angles, from the interior, and from the engine. If the services are up-to-date and the car is quite new, these pictures should be enough to give the final price. If not, then a scheduled check might be needed, and it can be at the time of closing the deal at the agent. Also, for the ones who might not want the virtual check and want to make it physical, then the trade-in check must be scheduled as well.

l. CSI and NPS

CSI (Customer Satisfaction Index) and NPS (Net Promotor Score) are also key processes which are sometimes left behind by dealerships but are the way to measure the customer's experience and overall satisfaction, also to check if the journey has been pleasant, or by the contrary, a turbulent flight. Depending on the brand, CSI will be better than NPS or viceversa. CSI shows how satisfied the customer was with the journey, while NPS will show the future recommendation of the brand, both can give a diagnose of the current customer's experience.

Both scores are obtained by carrying out a survey requested by the OEM to a third-party company who provides data analysis and statistics services. The survey is made mostly by phone, so it is important that the salesperson, at the moment of closing the deal, and the delivery representative at the delivery moment, duly inform the customer that they will be receiving a call in the following days with a survey that will take about three to five minutes, and it is very important to be answered.

It is better for the agent to anticipate the survey with the delivery checklist and a short survey asking for satisfaction (or recommendation), and next questions are recommended to be related to the agent's weak points in the CSI or NPS results. In

case that results show that there is space for improvement, it is still time to ask the customer about what was missing or pending to ensure the satisfaction.

9. Conclusions

Digitalization of the sales process has been forced to be implemented during pandemic times and every player in the industry has been trying to impose their way, with good and bad practices. Maybe the biggest mistake is to think that all customers want to go digital. As many of them want to have a digital option on many of the stages of the customer journey, according to the Market Research Survey on this document, 56,91% of them will not buy a vehicle on a fully digital way. They want to have a quick, safe, and comfortable digital journey but they still want the physical contact with the salesforce and vehicle. 80,10% of the customers that don't want a full digital process claims that they want to see the car before paying for it, and 36,41% prefer to be in touch with a human to negotiate. Also, 87,85% say that they will negotiate the price of the car. This is mostly part of the misinformation and bad reputation that the dealerships and car salespersons, so the customer thinks that they are always losing.

According to the findings, this will change in the future. The Agent Model is being tested by few (but big) OEMs, so *classic* dealerships will disappear along with the misinformation and bad reputation that they have. They will be converted to an agent that will serve the customers on behalf of the OEMs, but they will not make any intervention on the commercialization, as this will be full responsibility of the OEMs. Given this, also the negotiation will disappear and will be the biggest impact on the customer's side. Covid-19 pandemic helped educating the customers regarding this as the lack of units lead into a reduced offer and very high demand, so there is no space for negotiating the price. Customers seems to start accepting this, as ANAC is expecting to have between 395.000 and 405.000 units sold in 2021³⁶, a number completely unexpected at the beginning of the pandemic.

The future is expecting to have an omni-channel strategy for selling new cars. An ecosystem where physical and digital interact together and offer the same experience to the customer during their entire journey despite which channel they choose. There

³⁶ ANAC (2021): ANAC A.G. actualiza proyecciones de venta para 2021 <https://www.anac.cl/anac-a-g-actualiza-proyecciones-de-venta-para-2021/> - Accessed on November 25, 2021

are several tools that will help building this ecosystem, both digital and physical, like OCR scanners, VR and AR, touch screens, different sensors, chatbots, and more. This has a cost, but 84% of the companies that invest on improving the customer experience, they face an increase in their revenue³⁷.

Will the digitalization of new car sales process improve the customer journey and provide a better customer experience? Yes, as long as the digitalization is based on the omni-channel strategy mentioned below. These processes must be for everyone, so if there is someone who want to go to the showroom, there will be digital tools in the showrooms. If someone wants to have their entire journey virtually, welcome. All the same options, features and experience will also be available on any device. And for those who want to combine channels, it will also be possible.

World is no longer black or white. It is proven during this document that a company cannot stay *offline*. Everyone must have digital presence. And a fully digital proposal is not possible in Chile. At least not for now.

³⁷ Morgan Blake (2020): How to prove the ROI of Customer Experience. Forbes
<https://www.forbes.com/sites/blakemorgan/2020/09/07/how-to-prove-the-roi-of-customer-experience/?sh=1181606367f4> – Accessed on December 03, 2021

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11. Interviews

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Rodrigo Riveros: Marketing Director. Coseche S.A. (Interview date: August 25, 2021)

Francisco Rosales: Branch Manager Vitacura. Coseche. (Interview date: August 25, 2021)

Mauricio Diuana: Project manager LATAM. Opel. (Interview date: August 26, 2021)

Sebastian Caballero: National Sales Manager. GM Chile. (Interview date: September 23, 2021)

Philippe Cazabon: Sales Manager. Porsche Chile, DITEC S.A (Interview date: September 30, 2021)

12. Abbreviations

CORFO: *Corporación de Fomento de la Producción* (Production Development Corporation).

SKD: Semi Knocked Down.

ANAC: *Asociación Nacional Automotriz de Chile A.G.* (National Chilean Automotive Association A.G).

CRM: Customer Relationship Management.

ERP: Enterprise Resource Planning.

OCR: Optical Character Recognition.

AR: Augmented Reality.

VR: Virtual Reality.

RFID: Radio Frequency Identification.

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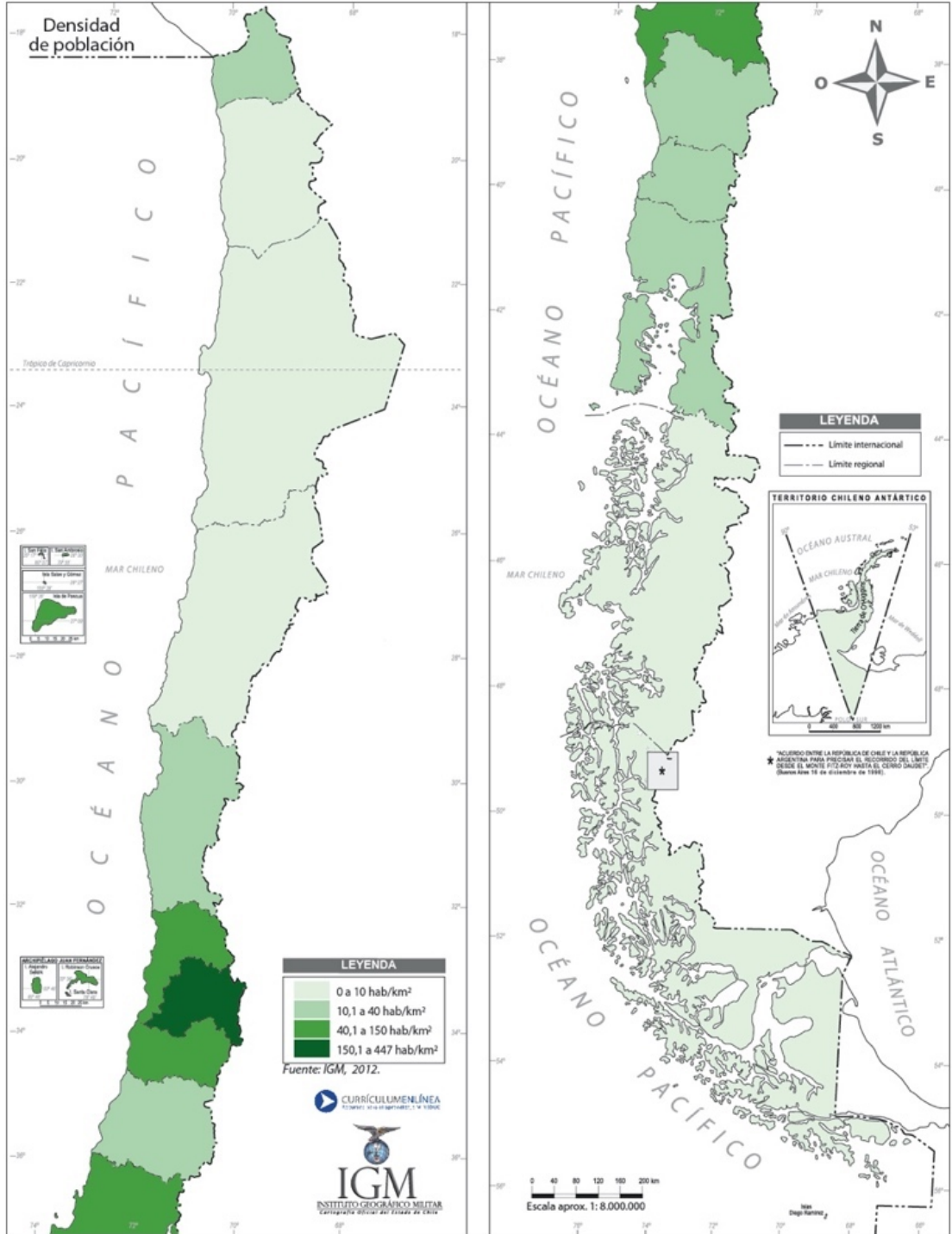
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Appendix J: Fig. 45 Extended: Screenshots of the WhatsApp interactions between Antamotor and Customer.

15. Appendixes

Appendix A: Fig. 4 Extended: Political and Demographic Map of Chile (Lighter Green: less populated; Darker Green: More populated). *Source: 2012, Instituto Geográfico Militar de Chile*

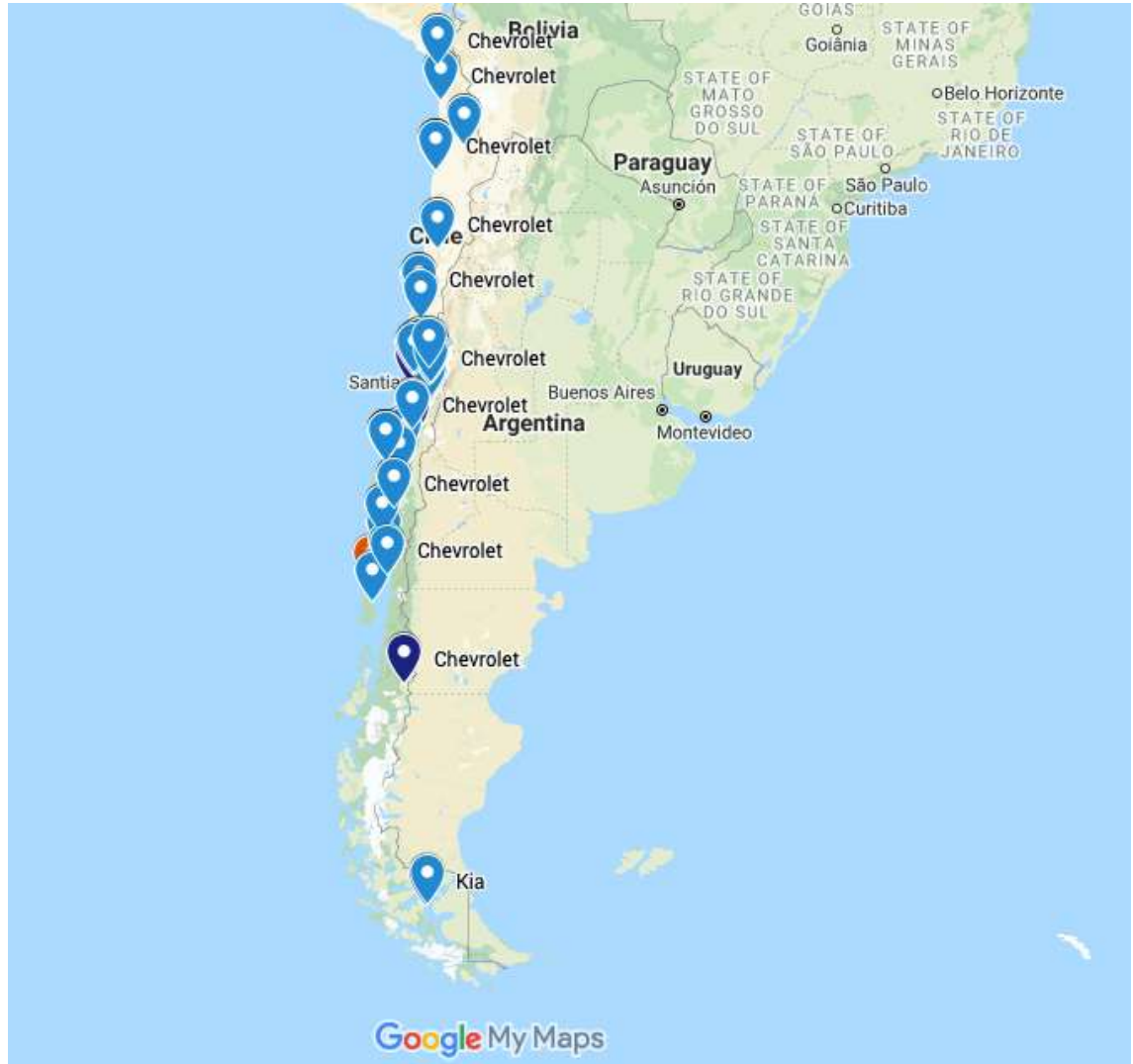


Appendix B: Fig. 6 Extended: Sales per month and per year (table)

Source: ANAC market reports 2010 – 2020

Month/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
January	19.342	28.846	27.513	33.568	34.224	23.891	25.484	27.308	35.322	36.543	32.104
February	17.615	24.143	23.701	28.140	25.716	18.233	21.571	23.805	29.427	27.912	25.028
March	17.808	27.918	26.245	28.577	27.801	21.469	23.053	29.639	33.355	30.199	19.056
April	22.198	28.153	25.315	32.206	26.698	23.084	22.401	24.675	35.470	32.716	8.906
May	25.016	28.096	28.105	31.589	25.289	21.184	24.002	29.910	35.328	31.204	8.681
June	21.739	26.253	26.411	28.457	25.797	22.632	23.636	27.326	33.228	28.446	8.971
July	20.861	24.327	26.448	31.736	27.561	22.247	22.528	28.092	31.285	31.474	11.464
August	17.999	23.988	26.951	27.984	30.846	24.374	24.544	35.354	38.729	33.059	19.037
September	32.732	36.595	32.068	32.220	29.753	28.669	32.377	35.461	39.263	37.925	31.897
October	24.088	26.412	34.175	31.380	25.459	22.887	25.552	30.114	37.132	28.038	36.243
November	24.072	28.384	29.399	34.358	24.286	23.727	28.730	34.458	33.518	24.272	29.486
December	31.800	30.937	32.495	38.025	34.164	29.835	31.662	34.758	34.981	31.090	27.962
Total	275.270	334.052	338.826	378.240	337.594	282.232	305.540	360.900	417.038	372.878	258.835

Appendix C: Fig. 8 Extended: Map of dealerships and branches across the country (Kia, Hyundai, and Chevrolet). *Source: Self-produced with OEMs and Dealership's public information*



Appendix D: Fig. 10 Extended: Top 20 ranking of most selling brands (2010-2020).

Source: ANAC market reports 2010 - 2020

Top	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Chevrolet	Hyundai	Hyundai	Chevrolet	Chevrolet	Chevrolet
2	Nissan	Hyundai	Hyundai	Hyundai	Hyundai	Kia	Chevrolet	Chevrolet	Suzuki	Hyundai	Kia
3	Hyundai	Nissan	Nissan	Kia	Kia	Hyundai	Kia	Kia	Hyundai	Kia	Suzuki
4	Kia	Kia	Kia	Nissan	Suzuki	Nissan	Suzuki	Nissan	Kia	Suzuki	Nissan
5	Toyota	Toyota	Toyota	Toyota	Nissan	Suzuki	Nissan	Suzuki	Nissan	Nissan	Hyundai
6	Suzuki	Suzuki	Suzuki	Suzuki	Toyota	Toyota	Toyota	Toyota	Toyota	Toyota	Toyota
7	Mazda	Ford	Ford	Ford	Peugeot	Mitsubishi	Peugeot	Peugeot	Mazda	Peugeot	Peugeot
8	Mitsubishi	Mazda	Peugeot	Peugeot	Mazda	Mazda	Ford	Ford	Peugeot	Mazda	MG
9	Ford	Mitsubishi	Mitsubishi	Mazda	Ford	Ford	Mazda	Mazda	Ford	Mitsubishi	Mitsubishi
10	Peugeot	Chrysler Group	Chrysler Group	Mitsubishi	Mitsubishi	Peugeot	Mitsubishi	Mitsubishi	VW	Ford	Ford
11	Chrysler Group	Peugeot	Great Wall	SsangYong	SsangYong	Renault	Renault	Renault	Mitsubishi	VW	Mazda
12	Samsung	Samsung	SsangYong	Chrysler Group	Mahindra	SsangYong	VW	VW	Renault	Renault	VW
13	SsangYong	SsangYong	Mazda	Great Wall	Great Wall	Subaru	Fiat	Citroen	Citroen	Changan	Chery
14	Great Wall	VW	VW	VW	Chrysler Group	VW	SsangYong	Fiat	Chrysler Group	JAC	Changan
15	Subaru	Great Wall	Samsung	Mahindra	Mercedes Benz	Chrysler Group	Subaru	Subaru	JAC	Great Wall Group	Citroen
16	VW	Citroen	Chery	Fiat	Subaru	Fiat	Citroen	SsangYong	Chery	MG	Renault
17	Citroen	Chery	Citroen	Samsung	Renault	Citroen	Mercedes Benz	Chery	Subaru	Chrysler Group	JAC
18	Fiat	Renault	Mahindra	Citroen	BMW	Mercedes Benz	Chrysler Group	JAC	Changan	Citroen	Subaru
19	Chery	Mahindra	JAC	Mercedes Benz	Honda	Great Wall	JAC	Mercedes benz	SsangYong	Chery	Great Wall
20	Honda	Mercedes Benz	Fiat	Chery	VW	Mahindra	Great Wall Group	Great Wall Group	Great Wall Group	Subaru	RAM

Appendix E: Fig. 11 Extended: Top 5 ranking of most selling models per year (2016-2020). *Source: ANAC market reports 2010 – 2020*

2016		2017		2018		2019		2020			
Type	Model	Units sold	Type	Model	Units sold	Type	Model	Units sold	Type	Model	Units sold
Sedan	Chevrolet Sail	12.770	Pick up	Mitsubishi L200	8.944	Pick up	Mitsubishi L200	10.601	Pick up	Mitsubishi L200	7.808
Sedan/HB	Hyundai Accent	10.987	Sedan	Chevrolet Sail	8.666	Sedan	Chevrolet Sail	10.314	Pick up	Toyota Hilux	5.972
Sedan/HB	Kia Rio	8.230	Sedan/HB	Hyundai Accent	8.471	Sedan/HB	Kia Rio	9.461	SUV	MG ZS	5.886
HB	Kia Morning	12.770	Pick up	Toyota Hilux	8.002	HB	Kia Morning	8.632	HB	Suzuki Baleno	5.654
Pick up	Nissan NP300	7.561	HB	Kia Morning	7.258	Pick up	Toyota Hilux	8.603	Sedan	Chevrolet Sail	5.208

Appendix F: Fig. 12 Extended: Brands and their local importer/distributor.

Source: *Autofact.cl*

Brand	Importer/Distributor
DFM	Cidef
Foton	
Citröen	Citröen Chile S.A.C
Changan	Derco
Geely	
Great Wall Motors	
JAC	
Mazda	
Renault	
Suzuki	
Samsung	
Jaguar	
Land Rover	
Porsche	
Volvo	
Ford	Ford Motor Company
Chevrolet	General Motors
BAIC	Gildemeister
Brilliance	
Hyundai	
Mahindra	
Mini	Honda Motor
Honda	
BMW	
DFSK	
Subaru	Inchcape PLC
Rolls Royce	
Kia	Indumotora
BYD	
Maxus	Kaufmann
Mercedes benz	

Brand	Importer/Distributor
FAW	Maco
Lifan	
Nissan	Nissan
Infiniti	
Audi	Porsche Chile
Skoda	
Volkswagen	
Seat	
Lamborghini	
Bentley	
Opel	PSA
Peugeot	
Aston Martin	Quantum Group
McLaren	
Alfa Romeo	SK Bergé
Chery	
Chrysler	
Dodge	
Ferrari	
Fiat	
Gac Gonow	
Maserati	
MG	
Mitsubishi	
SsangYong	
Jeep	
RAM	Toyota Motor Co
Lexus	
Toyota	
Daihatsu	

Appendix G: Fig. 20 Extended: GM Sales Excellence Program. Source: *Manual de Excelencia en Ventas GM.*



Appendix H: Fig. 31 Extended: Results of times of request after online quotation, first contact, and real contact of the top 10 selling brands. *Source: Self-produced research.*

Brand	Date	1st contact	Type	Real contact	Type	Notes
Hyundai	09.08.21 18:39	09.08.21 18:39	Auto-response e-mail and WhatsApp	09.08.21 18:39	WhatsApp	One call, no follow up
Kia	09.08.21 18:45	09.08.21 18:49	Auto-response e-mail	10.08.21 10:41	e-mail	Call after the email, keeps following up
Suzuki	09.08.21 18:50	09.08.21 18:52	Auto-response e-mail	10.08.21 09:34	e-mail	Keeps following up, merged with WhatsApp
Toyota	24.08.21 16:19	24.08.21 16:23	Auto-response e-mail	24.08.21 17:32	e-mail	Bad reply, no follow up from salesperson. Only F&I pushing
Peugeot	09.08.21 19:40	09.08.21 19:42	Auto-response e-mail	10.08.21 12:22	e-mail	Quick response, keeps following up
Nissan	07.09.21 12:31	07.09.21 14:45	Call	07.09.21 14:45	e-mail	Email to arrange a call
Chevrolet	07.09.21 12:47	07.09.21 13:55	Auto-response WhatsApp (LiveStore)	07.09.21 15:03	WhatsApp (LiveStore)	Redirects to Live Store
MG	07.09.21 16:53	07.09.21 16:58	Auto-response e-mail	10.09.21 16:11	Call	Late real contact
Mitsubishi	07.09.21 16:57	07.09.21 17:15	Auto-response e-mail	07.09.21 18:35	e-mail	Full quotation on Auto-response email
Ford	07.09.21 16:59	07.09.21 16:59	Auto-response e-mail	No contact after Auto-response email	-	No real contact

Appendix I: Fig. 39 Extended: Parameter's presence in OEMs websites after empirical research. *Source: OEM's local websites.*

OEM	All Models	Price	Chat	Financial Services	Accessories	Transactional
Hyundai	Yes	Yes	No	Yes	No	Yes
Kia	Yes	Yes	Yes	No	Yes	Yes
Suzuki	Yes	Yes	No	Yes	Yes	No
Toyota	Yes	Yes	Yes	Yes	Yes	Yes
Peugeot	Yes	No	Yes	No	No	Yes
Nissan	Yes	Yes	Yes	No	No	Yes
Chevrolet	Yes	Yes	No	Yes	No	No
MG	Yes	Yes	No	Yes	No	Yes
Mitsubishi	Yes	Yes	Yes	Yes	Yes	Yes
Ford	Yes	Yes	No	No	No	No
Mazda	Yes	Yes	No	No	No	No
Renault	Yes	Yes	No	No	Yes	No
VW	Yes	No	No	No	Yes	Yes
Chery	Yes	Yes	Yes	Yes	No	No
Changan	Yes	Yes	No	No	No	No
Citroën	Yes	Yes	Yes	Yes	No	Yes
JAC	Yes	Yes	No	No	No	No
Subaru	Yes	Yes	Yes	Yes	Yes	No
Great Wall	Yes	Yes	No	No	No	No
RAM	Yes	Yes	No	Yes	Yes	No

Appendix J: Fig. 45 Extended: Screenshots of the WhatsApp interactions between Antamotor and Customer. *Source: Nissan News España - Accessed on August 25, 2021*

