



Wolters Kluwer's Expert Insights

The New Digital Automotive Economy: Trends

An Executive Discussion on Next-Generation Automotive Solutions and Digital Transformation with Tim Yalich, Head of Automotive Strategy for Wolters Kluwer Compliance Solutions



Discover the market factors driving the shift to a new digital automotive economy, and see what's needed to unlock its full potential.

The automotive marketplace has been engaged in evolving digital and technology innovation. The first wave – enabling eContracting through digital data capture, validation, standardization and movement – enabled data sharing with lenders to expedite review and approval of loan requests. The second wave focused upon getting verified, trusted data approved by lenders onto contracts that buyers can sign and automating compliance “enforcement.”

We are currently in the third wave, which is focused on process automation – especially around loan origination and monetization – and improving the customer experience for pre-approval and loan signing and origination. Success will require unprecedented ecosystem collaboration and seamless handoffs powered by a digital platform.

Digital lending and financing platforms provide fast, secure, and reliable access to a robust banking partner ecosystem, enabling effortless management of automotive loan origination and monetization.

Key New Digital Automotive Economy Trends

<p>1 Automotive Digital Technology Innovation has come in three waves: eContracting, validation and currently process automation.</p>	<p>4 Data Speed Lenders who invest in automated/ frictionless decisioning, increases process speeds from days to hours, to seconds.</p>
<p>2 Auto Lending Ecosystem A robust banking partner ecosystem enables effortless management of automotive loan origination and monetization.</p>	<p>5 Data Accuracy A trusted digital vault creates authoritative copies and transferable records to accommodate asset-backed security transfer.</p>
<p>3 Consumer Demand Early innovators have created a direct to consumer car buying experience with high customer satisfaction ratings.</p>	<p>6 Future Automation Digital processes will drive 'click' purchases, rapid funding, and greater efficiency.</p>

Q: The automotive purchasing and financing process has traditionally been a hands-on, in-person, and time-intensive experience. What market factors are driving the shift to a new digital automotive economy, and how has digital transformation fundamentally changed the automotive marketplace?

Tim: No doubt, the Covid-19 pandemic vastly accelerated the shift to a new digital automotive economy by creating tremendous demand for virtual, touchless business models. But even before Covid-19, much of the industry was already focused on enabling e-business – for example, by implementing eSigning technologies and automating processes to drive new efficiencies, reduce costs, and meet customer expectations for a faster, hassle-free, touchless automotive buying experience. These pressures are coming from all customer segments.

Early innovators such as Carvana have also accelerated the shift to a digital automotive economy. Their television ads say, “Free yourself from the dealership. Buy your next car 100% online with zero salesmen,” were radical and new. And in execution, they proved the concept could be done successfully, as demonstrated by high customer satisfaction ratings.

Q: How does adoption of an automotive digital lending and financing platform impact the overall customer experience? While the COVID-19 pandemic increased the demand for contactless purchasing and financing, what is the future of the customer experience, and how will it continue to evolve?

Tim: Digital lending and financing platforms provide fast, secure, and reliable access to a robust banking partner ecosystem for effortlessly managing loan origination and monetization. In addition, the platforms dramatically improve data quality and accuracy, which is foundational to sharing data across the banking partner ecosystem and enabling fast, automated loan approvals and paperwork processing. The result is a fast, frictionless online financing experience for customers, both remotely and in physical dealerships. And even if customers ultimately need to visit a local dealership, the digital platform enables last-mile finance steps to be completed in half the time or less. From a customer’s perspective, buying a car is now simple, fast, and easy.

Dealerships win as well. For example, they receive higher customer satisfaction ratings and shorter dealership funding cycles, which increases cash flow and reduces dealership costs. And because they have higher quality, trusted data that can be shared and reused across documents, everything happens faster and with less effort.

Looking ahead, we expect touchless, digital processes will be the new norm. There will be a rush for two-click purchases for cars, with packaged financing options that people can just select and go. Sellers will meet these customer expectations, as well as new competitive offerings – for example, from platforms such as eBay that are extending their platforms to provide frictionless automotive shopping experiences.

Digital retailing platforms (such as dealer websites and platforms that present and sell protection products with the vehicle) will play a lead role in helping sellers transition to the new digital automotive economy. But to meet future needs, these platforms will need to find a way to extend their current capabilities further upstream and downstream to support a more seamless, end-to-end experience for sellers and their customers.

Q: One of the benefits of digital transformation is frictionless commerce, where data from consumers’ devices, applications, and websites is used to seamlessly integrate the buying experience into people’s everyday activities and environment. How does an automotive digital lending and financing platform help facilitate this?

Tim: An automotive digital lending and financing platform enables everyone to have higher-quality, trusted data earlier in the process. Customer data only needs to be captured once through online forms using mobile devices, PCs, and tablets – or face to face in a dealership. It’s then validated, auto-populated across relevant paperwork, and shared with potential lending sources in a preferred, standardized format that their systems can easily consume.

When lending sources can see the structural framework in the data for a potential deal they can close, and they know they can trust that data, and they can review and approve loan applications faster and earlier. They can invest in automated decisioning driven by business rules, which increases process speeds and trustworthiness because technology can be trusted to execute rules consistently every time. Everything becomes truly frictionless for everyone involved.

Q: A key enabler of the new digital automotive economy is broad adoption of a digital contracting platform that connects the portfolio of end-to-end digital services delivered by diverse ecosystem players. What's needed to unlock the full potential here – and the key benefits?

Tim: We see the potential for unlimited return on investment potential for companies adopting a digital contracting platform and using a complementary portfolio of digital services – primarily through faster process speeds (from days to hours and even seconds), higher levels of data accuracy, and automated compliance management.

Everyone benefits from these outcomes. For example, customers benefit from a fast, convenient, hassle-free buying process. Retailers receive better CSI scores, better cash flow, and well-managed compliance. Because retailers can work with customers remotely, they can also extend the geographic boundaries of where they serve. (Just since the pandemic, the average mileage radius reach for dealerships has more than doubled.) And finally, lenders can engage directly with consumers and provide a higher quality of service – for example, by setting up auto-payments at the point of sale, rather than weeks after the fact through mailers and phone calls.

But to realize these benefits, there must be a trusted digital vault built into the finance process – one that can create authoritative digital copies of paperwork, enable transferable record creation, and accommodate multiple banking partner ecosystem entities.

These entities need access to high quality, trusted, and standardized customer data so that when a lender, for example, receives a loan origination request, it can consume the data with confidence, pull it into automated information flows, set up rules to process loan requests, and even automate decisions. In addition, there must be investment in three key areas:



Data standardization

so that everyone can easily store, share, understand, and consume data into their systems and processes with ease.



Consistency

in workflows and user interfaces across touchpoints so that regardless of whether customers, retailers, or lenders touch processes online or at the dealership, the user experience looks and feels the same and processes flow together smoothly, even across platform service providers.



Reliability

in their foundational platform enabled by underlying technology that is trusted, market proven, and widely accepted.

In many ways, trusted digital data, eSignatures, document copies, and handoffs are the grease of frictionless monetization of automotive loans – and therefore sales. And a common eContracting platform used by all ecosystem players makes them possible.



Tim Yalich is the Head of Automotive Strategy for Wolters Kluwer Compliance Solutions. Formerly with The Reynolds and Reynolds Company, he has over 30 years of experience in Automotive Retailing and Financial Services as a Product and Business Development owner for digital retail and ecommerce solutions.

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