

The agency model: Steering automotive dealerships into uncharted territories

Solutions that harness technology to strengthen customer relationships become essential in maintaining customer connections weakened by the new model.

COPENHAGEN, DENMARK, October 31, 2023 /EINPresswire.com/ -- The agency model represents a dramatic pivot in automotive retail, which casts dealerships into an uncertain future. This approach hands more control to manufacturers, thereby altering the long-standing dynamics among dealers, manufacturers, and customers. The autonomy dealerships once enjoyed over pricing, inventory, and customer interactions is being upended.

Now, with manufacturers at the helm, dealerships are transitioning from drivers to passengers. They are confronting changes that test their independence and existence. This shift necessitates a rethink of roles, strategies, and responses. Survival hinges on adaptability and resilience in this new landscape.

The agency model: A new era in automotive retail

The automotive industry is at a crossroads, facing changes that stem not from the introduction of a new vehicle type, but from a fundamental restructuring in sales strategy: the emergence of



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the agency model. This tectonic shift doesn't just modify the method of selling cars; it's rewriting the entire script that defines the relationships between manufacturers, dealerships, and customers.

In the historical dealership model, autonomy was the name of the game. Dealerships acted as the crucial interface between manufacturers and consumers, purchasing vehicles at wholesale, setting retail prices, and managing inventory based on local market insights. However, this independence also led to inconsistencies in pricing and a fragmented customer experience across regions.



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Manufacturers' motivation: Control and consistency

The agency model ushers in a fresh era. In this setup, the power of pricing and inventory rests with the manufacturers, while dealers serve as brand ambassadors, reaping commissions on sales. This methodology borrows significantly from tech industry tactics, emphasizing uniform pricing and a homogenized purchasing journey for customers everywhere.

Propelling this transformation is the manufacturers' quest for uniformity, brand cohesion, and a direct conduit to the customer base. According to [Alex Smith](#), Managing Director of Volkswagen in the UK, this model facilitates a digitalized customer interaction concerning orders, pricing, and payments. On the flip side, the dealer handles the more physical aspects like test-drives and vehicle handovers. This digital-physical blend aims to optimize the sales process, maintaining the human touch where it matters most.

Dealerships in dilemma: Losing leverage

Dealerships find themselves cornered, relinquishing much of their sway in this new setup. The concern extends beyond losing control over pricing, focusing more on maintaining a strong customer connection. While this shift streamlines operations, it seemingly creates a distance, a sort of disconnect, between the dealerships and the communities they serve.

At the core of the contention lies data. In today's landscape, data has become akin to currency. Manufacturers are engaged in a race to monopolize this wealth — a critical resource for refining services, tailoring user experiences and potentially unveiling novel revenue avenues. The agency model serves as their key to this vault, centralizing data control at the manufacturers' level. The inevitable transformation: Dealerships bracing for change

The automotive retail landscape is not just shifting; it's transforming in real-time. A study by Capgemini underscores this evolution, with a striking 80% of global retailers anticipating their roles changing to fit within the agency model framework. This isn't a distant change on the horizon; it's a wave that's already crashing on the shore, and dealerships are feeling the impact.

This statistic is more than a number; it's a sign of a tectonic industry shift. Dealerships, historically used to significant autonomy, are now recalibrating their operations, expectations, and perhaps most poignantly, their identity within the sales model. The transition to the agency model is not merely a change in sales tactics; it's a fundamental evolution in the dealership's role — from an independent entity to an extension of the manufacturer.

Adapting to survive: The road ahead

Facing these sweeping changes, adaptation strategies are now front and center in boardroom discussions across the automotive retail industry. A Regional Sales Manager at a prominent Swedish dealership chimes in: "We're facing a reality where adaptability is not optional. It's about finding ways to enhance the customer experience while navigating within the constraints set by manufacturers." There's a shared understanding that remaining anchored in old methodologies isn't viable. Yet, there's also a palpable apprehension about navigating uncharted waters where the rules are being written by someone else.

Innovating to survive: The role of [Connected Cars](#) and advanced telematics services

The automotive industry stands on the precipice of change. Dealerships are grappling with the realities of the agency model, diminished access to customer data, and an altered relationship dynamic with consumers. However, amidst these challenges, connected car technologies and advanced telematics services emerge as potential game-changers. They empower dealerships to innovate and maintain robust customer engagement. One company at the forefront of this revolution is Connected Cars.

Connected Cars, with its suite of telematics solutions including [ConnectedWorkshop](#) and [ConnectedFleet](#), is enabling dealerships to transform their service offerings and customer relationships. Their technology isn't merely about the vehicle; it's about crafting a seamless, integrated experience for the customer. With features like real-time vehicle diagnostics, maintenance alerts, remote software updates, and a branded app experience, dealers can provide value-added services that enhance customer loyalty and retention.

By leveraging these telematic services, Connected Cars empowers dealerships to regain control over their data and maintain strong relationships with their customers.

Conclusion: Navigating the new automotive landscape

The agency model signifies a profound shift in automotive retail, adjusting traditional dealership-manufacturer dynamics. While this introduces challenges like decreased autonomy and the potential for reduced profits, it simultaneously presents opportunities for evolution. Solutions like those from Connected Cars harness technology to strengthen customer relationships. They become essential in maintaining customer connections potentially weakened by the new model.

The automotive industry is steering towards uncharted territories. However, in this journey, the dealerships that anticipate change, adapt with agility, and advocate for their growth will be the ones that drive into a prosperous future.

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