Do Dealers Help or Hurt EV Sales?  
Distribution Structure and Retail Performance in the U.S. Market for EVs

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Remember when...
Apple now...
New product success hinges on matching innovation form with distribution strategy

Innovation Form

Conventional Strategy

New Product Performance

Discontinuous or “Disruptive”

Niche Strategy
“Whole Product” approach
(Moore, 1991)
“Robust Design”
(Hargadon & Douglas, 2001)

Incremental or “Sustaining”

Defining “discontinuity:”
- Involves new or unfamiliar technology
- New contexts of use
- New performance curves
- Dependence on new infrastructure

Adapted from Slater & Mohr (2006)
Key Research Questions

1. How does the retail experience of EV buyers compare with buyers of conventional vehicles?

2. Do EVs need alternative distribution approaches?

3. To what extent are industry distribution structures positioned to provide these approaches?
EV buyers reported lower satisfaction with the retail experience via dealers, higher satisfaction via direct sales.

Source: 2013 Sales Satisfaction Index (SSI) Study, JD Power & Associates
Controls for demographic factors; Bars = 95% confidence interval
* Does not include “rejecters” who shopped for an EV but bought a conventional car or shopped one dealer but bought from another.
EVs pose distinct challenges for customers

Unfamiliar technology

+ underdeveloped infrastructure

= High Risk

→ Splits early and mainstream markets
EVs pose challenges for dealers

Dealers = familiar product + high demand
EVs = unfamiliar product + low (initial) demand

EVs also:

- Require up-front dealer investments
- Involve steep learning curves; added liability
- Offer fewer profit opportunities (loss leaders)
- Longer sales turns
- Are unavailable in larger vehicles

EVs present a classic problem of disproportionate returns for new vehicle distributors (dealers).
Retail innovations from champion EV dealers include...

- Web-based reservations (discontinued)
- Targeted “ride and drive” events and special leases
- Pre-affixed HOV decals
- Co-locating of complementary products
- Extended test drives
- Access to loaner cars
- On-lot DC fast chargers
- Dealer and customer support hotlines
For better or worse, purchase experience impacts customer loyalty

Source: 2013 Sales Satisfaction Index (SSI) Study, JD Power & Associates
Controls for demographic factors; Bars = 95% confidence interval
Tesla charging infrastructure far ahead in customer satisfaction

Source: PlugShare Data, 12/01/2015. Sites categorized by % of positive + neutral reviews over previous 12 months. Sites included in all connector categories they host. DCFC includes public and restricted access sites in CA.
Retail Trailblazers: Tesla

Company ownership of all customer touch-points ensures single source accountability for:

• Retail quality
• End-to-end infrastructure

Retail Innovations:

• Online sales transactions
• High-power fast charging
• Remote troubleshooting
• Autopilot
• Flash updates
Retail Trailblazer: Tesla

Features retail space designed for:

- Consumer awareness
- Convenience
- Brand building
- Learning
- Simplicity (e.g., set price model)
- Consistency
DMV warns Tesla its ‘referral program’ is unlawful

HIGHLIGHTS

Tesla offered $1,000 discount to Model S buyers using referral link of a current owner

DMV Investigations Division says Tesla offered ‘bird dog fees’ in September 29 letter

Tesla told to correct multiple violations
EVs pose distinct challenges for incumbent carmakers...

- Low gas prices = EVs as loss leaders
- Limited control of the customer experience
  - U.S. franchise laws limit the automaker’s role
  - Unable to restrict EV sales to most-qualified dealers
  - De-burden dealers, but cannot offer services that could compete with dealers (e.g., pricing, sales, test drives, referrals, advertising, troubleshooting, etc.)

- New marketing competencies and structures must be developed
  - Early Market: Goal = Drive demand and discover the customer’s end-to-end support needs
  - Main Market: Goal = Deliver end-to-end support at scale
Thoughts and Conclusions

- The EV retail quality gap is real and may widen
- Legacy distribution structure and disproportionate returns to dealers appear to be contributing factors
- Poor retail experience may undermine EV adoption and loyalty
- EVs face barriers to market access that may entail new approaches to reach more customers
- ZEVs may need limited exemptions from franchise laws
- Expect a 10-15 year adjustment period
- Automakers will need to develop new marketing competencies
Thank You

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Citations:


BACK-UP SLIDES
Other retail efforts: BMW

Innovations include:

- Dedicated “i” sub-brand
- “Pop-up” retail stores featuring clean, simple, uniform learning-friendly experience
Dealers are the first EV customers...

Do EVs = fewer opportunities for dealer profit?

For many dealers, the cost of selling EVs outweighs any near-term benefit

Source: 2013 Sales Satisfaction Index (SSI) Study, JD Power & Associates
Bars = 95% confidence interval
EVs offer opportunity to win buyers from competing makes

Source: 2013 Sales Satisfaction Index (SSI) Study, JD Power & Associates

Bars = 95% confidence interval
Key findings from analysis of 2013 J.D. Power data

- Dealers are less likely to make money on EVs
- Dealers are more likely to earn lower ratings
- Dealers are more likely to steer customers away from EVs
- EV buyers are less likely to return next time