

September 2020 | Interview

‘Car dealers must become technology companies’: An interview with the CEO of Vertu Motors

Robert Forrester, CEO of one of the UK’s largest motor retailers, predicts that most people will continue to buy cars from dealerships—but that only tech-savvy dealers will stay in business.



“The UK car industry has just seen one of the busiest months it has ever seen.” When Robert Forrester, the CEO of Vertu Motors, said these words, he was referring to July 2020—and indeed, in certain parts of the world, car sales have been relatively strong in the past few months. Amid a global pandemic and mandated lockdowns, some people who once relied on public transportation, rideshare services, and air travel have turned to private cars instead.

Forrester believes the lure of private-car ownership won’t be going away anytime soon. If he’s right, that bodes well for the future of the company he leads: Vertu Motors is a £3 billion automotive retailer that operates 130-plus dealerships across the United Kingdom. Forrester recently spoke with McKinsey’s Monica Toriello about what the car-buying experience looks like today and how it might evolve over the next ten years. An edited transcript of the conversation follows.

McKinsey: Like most retail establishments, Vertu’s showrooms had to close down for a few months. How has the COVID-19 pandemic changed car buying? And which changes do you think will last beyond the pandemic, if any?

Robert Forrester: I think it’s changed car buying slightly—but I already see a reversing trend from what we saw at the height of the pandemic. We sold over 3,000 cars while we were on

Robert Forrester biography

Vital statistics

Born in 1969 in Blackburn, England
Married, with 3 children

Education

Holds a master's degree in geography from the University of Oxford

Career highlights

Vertu Motors
(2006—present)
CEO

Reg Vardy
(2005—06)
Managing director

(2001—05)
Finance director

Brookhouse Group
(1999—2001)
Finance director

Arthur Andersen
(1990—99)
Senior manager

Fast facts

Serves as a member of the Marches Academy Trust, which operates schools in Shropshire, England

Is a fan of Burnley Football Club

complete lockdown. Obviously, people were finding cars online because they couldn't visit dealerships. They were then buying cars after discussions with a live person, having first inquired through the internet. Fifty percent of customers were happy to take delivery without having seen the car; the other 50 percent waited for the lockdown to ease because they wanted to test-drive the car, which I think is quite interesting.

When dealerships initially reopened in England on the first of June, we saw a strong improvement in the level of internet inquiries and a massive increase in the number of phone inquiries—people calling to check whether a car was there or to make an appointment to come in. That was by far the biggest shift: we saw a 25 percent decline in the number of people walking into a dealership without having contacted us in advance.

Now, a few months from lockdown, we've seen a rebalancing of that demand profile. More people are feeling confident about walking in. I think people are still spending a lot of time on the internet—they're more prepared when they come in, and they take less time in the dealership—but they're not transacting online. They have not shifted to online retailing. We offer online retailing of new and used cars, and the numbers remain very small despite the functionality being, in my view, very good. The importance of test drives and the physical visit is predominantly still there.

McKinsey: Will that still be the case ten years from now?

Robert Forrester: By 2030, one would envisage that the online and digital processes will be far better. But I think, for the majority of purchases, people will still want to come to a dealership to

test the product and get the brand experience. I don't see the commoditization of the automobile from a private-use standpoint; I think customers will still enjoy that physicality. And at the end of the day, ten years doesn't get over 3,000 to 30,000 years of evolution. We are still social animals.

I actually think the pandemic has made some strange things happen: people are quite locally focused. They want to buy things from people they trust. They want to know who they're dealing with. They want their car serviced locally—and if you buy a car locally, then you know who is going to service it. That trust element is still of paramount importance.

But I think in ten years we'll see fewer dealerships. We'll see far more digital functionality within showrooms. The difference between buying a car within a showroom and outside of the showroom will get increasingly blurred. We will leave it up to the customers to decide how they want to transact. If they want to transact with no human involvement whatsoever, fine. We now have 15 percent of our service bookings done purely online.

But I still think most people will want to test the product. A car is an emotional purchase. I predict there will be more of an evolution than a revolution.

McKinsey: Which digital solutions and new technologies do you expect to have the most impact on the car-buying experience?

Robert Forrester: By and large, people do not buy cars online in the United Kingdom—and I think we are one of the most sophisticated digital societies on the planet. Can technology help improve that? Yes. I think virtual reality, artificial intelligence, simulations—those things can help. And it depends what kind of car you're buying. If you're buying a performance car, I suspect you'll still want to test-drive it.

By 2030, clearly there will be more online retailing. But it's starting from such a low base that we sometimes wonder whether we should even invest in pure online retailing because the return on investment is just not there. Now, we do invest in online retailing because we can use that technology in other aspects. For example, we very successfully launched Reserve It Now, where people can pay £99 to take a car off sale for 48 hours. In July, we did 450 Reserve It Now transactions, 70 percent of which converted to a sale. And I think that's just part of this gradual move in people doing more and more online.

McKinsey: In your opinion, what will the ecosystem for car sales look like in 2030? What types of partnerships will be important for dealers?

Robert Forrester: We already have partnerships today. Our franchise contracts with more than 20 different manufacturers are, and have always been, the core partnerships. I think modern auto retailers will continue to work very closely with manufacturer partners and will have a bricks-and-clicks structure, rather than purely clicks or purely bricks, and they'll use massive amounts of technology. Car retailers, if they haven't become technology companies in the next ten years, won't be in business.

We need to use technology and digitalization, not just for the customer journey but also to transform our business from a process point of view: make it extremely efficient, remove errors, make the customer delivery 100 percent right. Robotics, data analytics, and artificial intelligence sound like grand words, but they're actually generating massive business value. If somebody had

said to me ten years ago that I would be employing people in the northeast of England whose only job was robotics, I would have laughed. But that is the case. And they keep coming up with ways of doing things that come out of a *Star Trek* movie.

But I think retailers should do all that themselves rather than through partnerships. The retailers need to be autonomous. They need to gain competitive advantage by applying technology, and they should have sufficient scale and expertise to do that themselves.

McKinsey: You're clearly very bullish on dealerships and the role they'll play in the future of car sales. Can you think of a disruption or a black-swan event that would massively affect auto retailing?

Robert Forrester: If the political forces coalesce around a proposition whereby populations aren't allowed to have individual mobility and freedom, that puts a pretty big arrow through the heart of private-car ownership. Given some of the environmental and political trends, you wouldn't discount it as a possibility in the future. Governments are going out of their way to convert car lanes into bus lanes and cycleways. That is the only black-swan event I could foresee: if we become a far more command-and-control society where private cars don't feature.

McKinsey: What about ridesharing? How will the trend toward shared mobility affect car ownership?

Robert Forrester: There is no trend toward shared mobility. The concept might work in massive urban areas, but everywhere else people want private motor vehicles: I can get in my car, and I can travel when I want, where I want, listening to what I want, speaking to whom I want.

McKinsey: Thanks for speaking with us today, Robert. One final question: What's your perspective on autonomous vehicles (AVs)? What share of vehicle sales do you think AVs will account for by 2030?

Robert Forrester: I think it will be zero percent by 2030. I will be dead and in a box long before Vertu Motors sells autonomous vehicles, and that is because they are not coming here anytime soon.

It depends what you define as an autonomous vehicle. In my mind, it's a car that drives itself without the driver having to do anything for a long period. I think the legal, social, and technological constraints around autonomous vehicles are so massive. It might be OK in places where every road and every corner is straight. But road systems in England were developed, apart from the Romans, by medieval Britons who went 'round in circles, and autonomous vehicles are never, ever going to work here—not in my lifetime anyway.

Robert Forrester is CEO of Vertu Motors, based in the United Kingdom. **Monica Toriello** is an executive editor in McKinsey's New York office.

[For more from Robert Forrester, see the videos accompanying this article on McKinsey.com.](#)

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