

August 2020 | Interview

‘Less searching, more finding’: The car-buying experience in 2030



In this interview, the former chief strategy officer of Cars.com predicts a seamless digital process for car buyers—and a necessary evolution for dealers.

From 2018 to 2020, Matthew Gold was the chief strategy officer of Cars.com—one of the world’s largest digital marketplaces for automobiles, with a reported 2019 annual revenue of \$606.7 million—where he was responsible for enterprise strategy, new-business development, corporate development, and strategic partnerships. Gold previously worked at Google as head of strategy and operations for emerging-market partnerships at YouTube, as well as at Google Consumer Surveys. He recently spoke with McKinsey’s Inga Maurer about how consumers will buy cars in the future. The following is an edited version of their remarks.

McKinsey: Let’s begin with the consumer perspective. Surveys show that people generally don’t enjoy the car-buying experience; they don’t trust car salespeople and they don’t like the negotiation process. What will the car-buying process look like in 2030?

Matthew Gold: There will be two major changes to the car-buying process a decade down the road, and both already have the groundwork laid. The first involves many more options for where and how we buy cars in the US. Some could involve a dealership, some might not. That’s a huge change in how we think about auto retail in the US. And we’re already seeing some of that. In new-car sales we’re seeing Tesla go direct to consumer, and in used-car sales we’re seeing Carvana find digital ways to reach consumers directly without a traditional car-dealer experience.

The second major change is that you will see much, much more of this process move online. This has also already started. But by 2030, you will see the full auto-retail process becomes digital.

Everything from discovery—“what car is right for me?”—all the way through the transaction itself. So you'll be able to buy the car online all the way through delivery without setting foot in an auto showroom if you choose not to.

The days when you walk in a dealership uncertain of the exact car you want, and not 100 percent sure how you'll pay for it, or what you're going to pay, or whether you'll lease or finance, who your lender will be—those days will be a thing of the past.

You'll go into the dealer already knowing exactly what you want, what you should pay for it and how, and what add-ons you want. That will significantly decrease the amount of time you spend in the dealership. It will also decrease the opportunities for traditional sellers to [work] add-ons into the car-buying process. Today a lot of the car-buying margin comes from add-ons. Those [sales] will be a lot harder in the future when the customer already knows what they want the moment they walk in.

McKinsey: In that scenario, personalization will be critical, right? How personalized will car buying be a decade down the road?

Matthew Gold: Personalization is the future of not only auto retail but also retail as a whole. And the leveraging of big data—the incredible stitching together of data about customers—will be the future of the car-buying experience. That means a bunch of different things.

One is that the amount of time customers spend going through the car-buying funnel will dramatically decrease, which is a good thing. There'll be a lot less searching and a lot more finding. The days of sifting through thousands of cars to figure out which one you want are over. Instead, algorithms will do the searching for you. They will integrate data that you provide and that other brokers already have.

You won't have to enter a bunch of information into fields. It'll know what's right for you, and it'll make smart choices. So instead of going onto Craigslist or a dealer's website and scrolling through inventory, you could just say [to your virtual assistant], “Find me a used car.”

And it will do all the math and all the work behind the scenes to figure out exactly which car you need, what's available, what you should pay for it, what you can afford to pay for it, and how to go and pick it up. And it'll probably even make the pickup appointment for you.

McKinsey: What are the implications for dealerships in 2030?

Matthew Gold: From the dealership perspective, this means having the tools available to cut down search time. Otherwise, customers will go elsewhere—we've seen this time and time again. The quality of recommendations from search engines will dramatically increase customer satisfaction and their willingness to use the platform.

Dealers will need to get much smarter about understanding their customers and about offering a sales experience that makes sense for each customer. The days of the salesperson asking, “So what brought you in today?” should be over. The dealer should already know that. They should already have the cars waiting. They should already have payment packages designed and ready. Being in a place where the entire shopping experience can be customized to the individual buyer will go from being a luxury to being the norm and the expectation.

In other words, dealers will have to adapt and change. I don't think the dealership is obsolete. There will continue to be a role for local auto dealerships in a variety of different markets in the US and overseas. What will be different is that dealers will have to compete with other players they are not used to competing with—including OEMs that sell direct and digital used-car players. And they're going to have to compete with one another in new ways over longer distances. The monopoly that the local dealer had over customers in its own geographic area is probably gone.

McKinsey: As we speak, the COVID-19 pandemic is still very much top of mind for most of the world. Will the auto industry feel any long-term effects from this crisis in 2030?

Matthew Gold: It's a little too early to tell. What we're seeing is people pushing more and more of their retail experience online. And they're pushing less and less of their purchase time into the dealership because of physical-distancing requirements.

I saw a figure the other day: 10 percent of CarMax's sales recently were done via delivery. The question is going to be how much of that is pushed into a post-COVID-19 world. I think you're going to see COVID-19 accelerate a change that was already slated to happen. People are going to get much more comfortable with many more choices; dealers are going to realize that they have no choice but to accommodate those choices. I don't think people are going to jettison the dealer experience the moment COVID-19 ends, but I do think you're going to see increased comfort on both sides of the transaction with a digital auto-buying experience.

McKinsey: Given the future that you've described, what kinds of investments should dealers make today to win in 2030?

Matthew Gold: Today's local dealers in the United States need to do two things to maintain their competitiveness and role in the car-buying process. The first is they need to invest in a series of end-to-end digital partnerships to make sure that the offering that they have is similar to, if not better than, what's being offered by the digital-only players. Building a digital-portal-type experience—that starts with targeting and discovery and ends with delivery, and that is seamless and easy and all works together—is going to be a vital requirement to stay competitive in the future.

Two, dealers need to invest in customer service. Dealers are going to need to give car shoppers a reason to choose to come into the showroom. It's not enough to be a slightly better car salesperson. You have to look at retail brands known for their service experiences and say, "What can we learn? What can we incorporate into our service experience, beyond the bottle of water and a cup of coffee, that can make customers come into the dealership or choose our dealership instead of going to an online-only player?" If you don't do that, you're going to face a world in which customers will choose not to engage.

McKinsey: Let's talk about autonomous vehicles (AVs). McKinsey analysis suggests they'll account for up to 13 percent of new-car sales volume. Do you agree with that estimate? Will the car-buying process differ for consumers who want AVs versus traditional cars?

Matthew Gold: I think it's important to first define what we mean by autonomous vehicles. There are two different concepts of an autonomous vehicle. One looks a lot like *The Jetsons*: a rideshare but without a driver—fleet-based, completely automated. You get in the car, punch in an address, off it goes. You have no control over it; everything is automated. All the systems work together in a way where not only is no human required but there's also no human wanted. I would

Matthew Gold biography

Vital statistics

Born in 1983 in Boston, Massachusetts

Education

Holds an MBA from Northwestern University's Kellogg School of Management, a JD from Northwestern University's Pritzker School of Law, and a bachelor's degree in politics from Princeton University, all with honors

Career highlights

Cars.com

(2018–20)

Chief strategy officer

Google

(2013–18)

Head of strategy and operations, emerging-market partnerships at YouTube

Google Consumer Surveys

Chief of staff, head of special projects

McKinsey & Company

(2006–09)

Consultant

Fast facts

Clinical adjunct professor at Hult International Business School

Former board member of RepairPal Inc.

Hobbies include landscape and architectural photography

argue that's a ways off. I would be skeptical about significant adoption of that kind of technology over the next decade.

The other concept of AV is a feature that's like cruise control. We already have some adaptive cruise control that maintains the distance between you and the car in front of you. It's a fairly simple system that bounces a wave off the car in front of you, measures the distance, then adjusts your speed to keep that distance. You're going to see these types of AV options become more standard. And they're going to become a bigger part of the car-driving experience in some way. There may be a time when you're on a long drive with an empty straightaway ahead, and you may be able to engage autonomous driving to take your hands off the wheel for a few minutes—which is a completely different experience than getting into a car that has no driver, no steering wheel.

When cruise control came out, the people who bought cruise control were not that different from the people who didn't have it. And it trickled down to pretty much every car. I think over the next ten years you're going to see features of AV trickling down into every new car and then every used car that you buy.

That, by the way, is really good for people who sell cars, because in a world of truly autonomous vehicles there's no reason to own a car. The capital investment will be managed by a fleet operator. And it doesn't matter what kind of car you own. If all you're going to do is rent it for

five miles to get to the grocery store and back, then it doesn't matter what brand it is. It doesn't matter if you get the car in the color or specs you want. Most cars will be managed through the fleet, and there'll be no or very little differentiation between them. All they'll want to do is manage their costs and manage their service.

McKinsey: One final question: What kinds of cutting-edge technology might we see in 2030 that will revolutionize the car-buying experience?

Matthew Gold: I have two examples. One's boring and one is much more exciting. The boring one is dramatic improvements in cross-device stitching and mobile tracking to get better composite understandings of a particular customer. So the ability to gain and integrate large quantities of information about a customer will automate and make the car-buying experience dramatically more fluid in ten years.

The second one is AR [augmented reality] and VR [virtual reality]. As we look further into the future, you'll get comfortable with buying a car without having to trek to the showroom. You'll do it all from your couch. Everything from, "Let's see what it looks like in my garage" or "Let's see what it looks like in my work parking lot." We'll be able to try colors and finishes and trim. We'll also be able to virtually test drive. I can have that experience in the comfort of my own home, when I want it, where I want it. It's going to be a hallmark of the process that doesn't exist today.

Matthew Gold is the former chief strategy officer of Cars.com; **Inga Maurer** is a partner in McKinsey's Chicago office.

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