

pointofview



# Is VR the auto industry's sleeping giant?

The world's leading companies are using virtual reality (VR) to a major advantage, and that will only increase in the future. Vehicle makers need to get onboard now!

**John Kiser**, Senior Vice President at Ipsos Marketing, U.S.

**Narith Panh**, Vice President at Ipsos Marketing, U.S.



**Ipsos Marketing**

## Summary

Is it time for a change? Some industries have been doing things in much the same way for decades, and that is still valid. For others, the “because we’ve always done it that way” philosophy needs updating. Technology is allowing companies to completely rethink their core processes, oftentimes in revolutionary ways that mean substantial cost savings, in streamlining logistics and gaining efficiencies. For the automotive business, virtual reality may be just that innovation. Imagine evaluating a new car model with a virtual reality simulation vs constructing physical prototypes and transporting them around the world. Manufacturers would enjoy enormous savings, not to mention the time they could shave off the development phase. But can the industry embrace it?

**Ipsos insight:** The biggest barrier automakers face to adopting virtual reality as a part of their early-model phase development is fear of change. This is no small obstacle and may hamper adoption or even trial, despite clear advantages. A long tradition of a particular way of rolling out new prototypes, and all the infrastructure behind that, is also in play. But overall, it’s a mindset matter.

## Leading companies are investing in VR

**Is VR the sleeping giant for the auto industry?** The simple answer is, yes. And it's time to wake him up. VR is not a gimmick—and it is here to stay. It will also be a major game changer for vehicle manufacturers. VR is no longer just for gaming. Follow the leaders: global powerhouses such as Facebook, Microsoft, Google and HTC, are placing huge investments on equipment and applications to broaden the usability and reach of VR for consumers and industry alike.

Further, *Consumer Reports* predicts consumers will leverage VR for shopping in the future.\* The fact is, if more consumers in the market get access to VR headsets and content—and they will—they will leverage this information in their decision making on what alternative vehicles to consider and even purchase. It makes sense when you consider the power of software-created artificial 3-D environments that feel uncannily real to the user. Wearing a helmet outfitted with a screen and/or gloves with sensors, a person can see, hear and interact in a simulated “place” of the company's creation. It's a compelling tool that's just now coming into its own, with huge implications for how companies might use it to inform, engage and educate consumers.

## VR's impact on the auto industry

As a result, we at Ipsos have explored consumer VR usage impact within the auto industry.

Original Equipment Manufacturers (OEMs) need to make important decisions on their vehicle launches. But at times, OEMs either do not have a full or physical prototype available, the budget or the time for a full product evaluation, which can take years. Traditionally, automakers have built heavy resin or clay prototypes for assessment, then paid to ship them from market to market for testing. But what if that model is a non-starter? Then the company must either forgo consumer input or delay launch—either option can be a costly misstep. OEMs are looking for economical ways to provide timely and credible input for their new product innovations. We suggest VR can be one of those alternatives, especially for early development.

## Ipsos studied VR in the auto market

To test this hypothesis, Ipsos conducted three independent studies matching samples for full product evaluations and VR stimulus evaluation within sedans, hatchbacks and compact SUVs. Our main goal of these studies was to:

- 1) Determine if VR could be an alternative stimulus approach to full product evaluations;
- 2) ID best uses of VR technology;
- 3) Find strengths and weaknesses of VR stimulus.

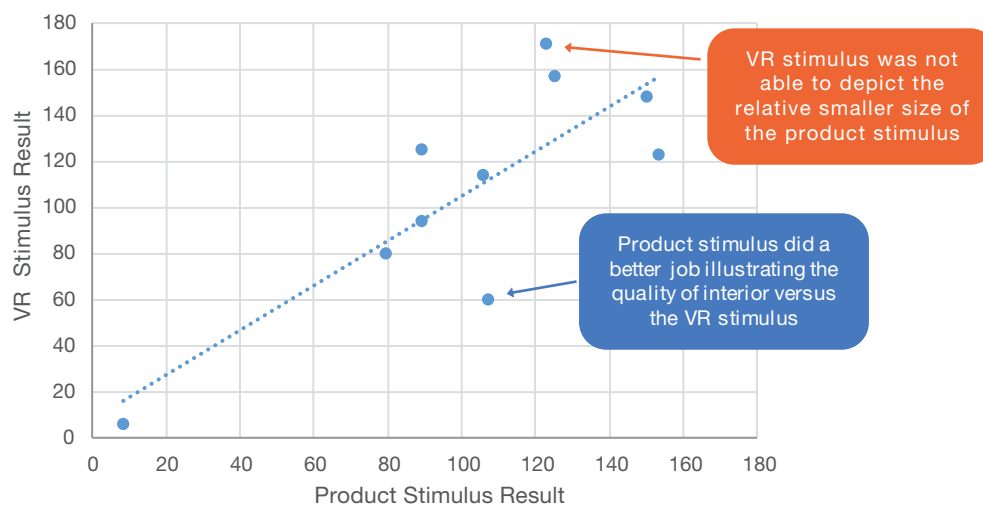
We discovered that:

- ▶ Automakers can use VR stimulus as an alternative education approach, though not for all product evaluations.
- Evaluations are relatively consistent between the full product displays and VR stimulus.
- Consumers' VR stimulus scores are elevated compared to full product display scores—not surprising based on the new technology.
- VR stimulus is not ideal for rating size/roominess and interior feel.

## Conclusion

VR stimulus has the *ability to accurately predict* a new innovation's potential as an in-person or full-product evaluation, our analysis indicated. (This is based on our Ipsos predictive metric for assessing the strength of concept potential: Market Success Score or MSS\*\*.)

### MSS Comparision Summary

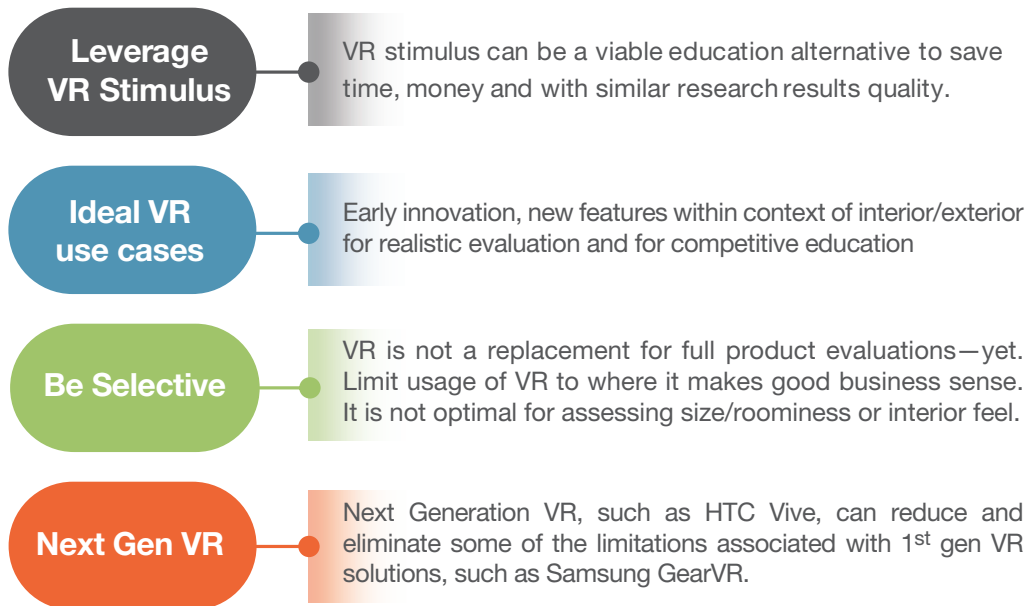


With limitations in size and roominess using Samsung GearVR headsets, we recommend instead more immersive technology, such as HTC Vive or Oculus Rift. With these, companies can provide a more realistic and engaging evaluation. With this next Next Generation VR equipment, companies can make an even more consistent evaluation for VR stimulus as a potential replacement for in-person evaluations as well.

For automakers considering VR, the best way to get started is to:

- Take an open-minded, strategic approach to using the technology.
- Recognize the industry can successfully take advantage of VR technology.
- Realize that it has limitations and will not work for every application.
- Consider VR for early production cycle model assessment, such as wrapping it into the prototyping process. VR testing allows OEMs to get input and iterate quickly in a cost-effective way.

### VR tech conclusions:



\*Consumer Reports, “Is virtual reality about to become a reality?”, March 2014

\*\*Leveraging Vantis Key Performance Indicators or KPIs, MSS is a calculation of the probability of marketplace success. A high MSS indicates mass-market potential; or top third MSS indicates the concept has a 70% chance of success at launch. A concept with a middle third MSS has only a 50% success rate; when a concept is in the lower third, it has less than a 20% chance to succeed. Companies can improve concept success with further analysis or concept support based on the type of innovation.



**John Kiser**

Senior Vice President, U.S.  
Ipsos Marketing  
[john.kiser@ipsos.com](mailto:john.kiser@ipsos.com)



**Narith Panh**

Vice President, U.S.  
Ipsos Marketing  
[narith.panh@ipsos.com](mailto:narith.panh@ipsos.com)

## About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

At Ipsos we are passionately curious about people, markets, brands and society. We make our changing world easier and faster to navigate and inspire clients to make smarter decisions. We deliver with security, speed, simplicity and substance. We are Game Changers.

With offices in 87 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management.

Ipsos researchers assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media and they measure public opinion around the globe.

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