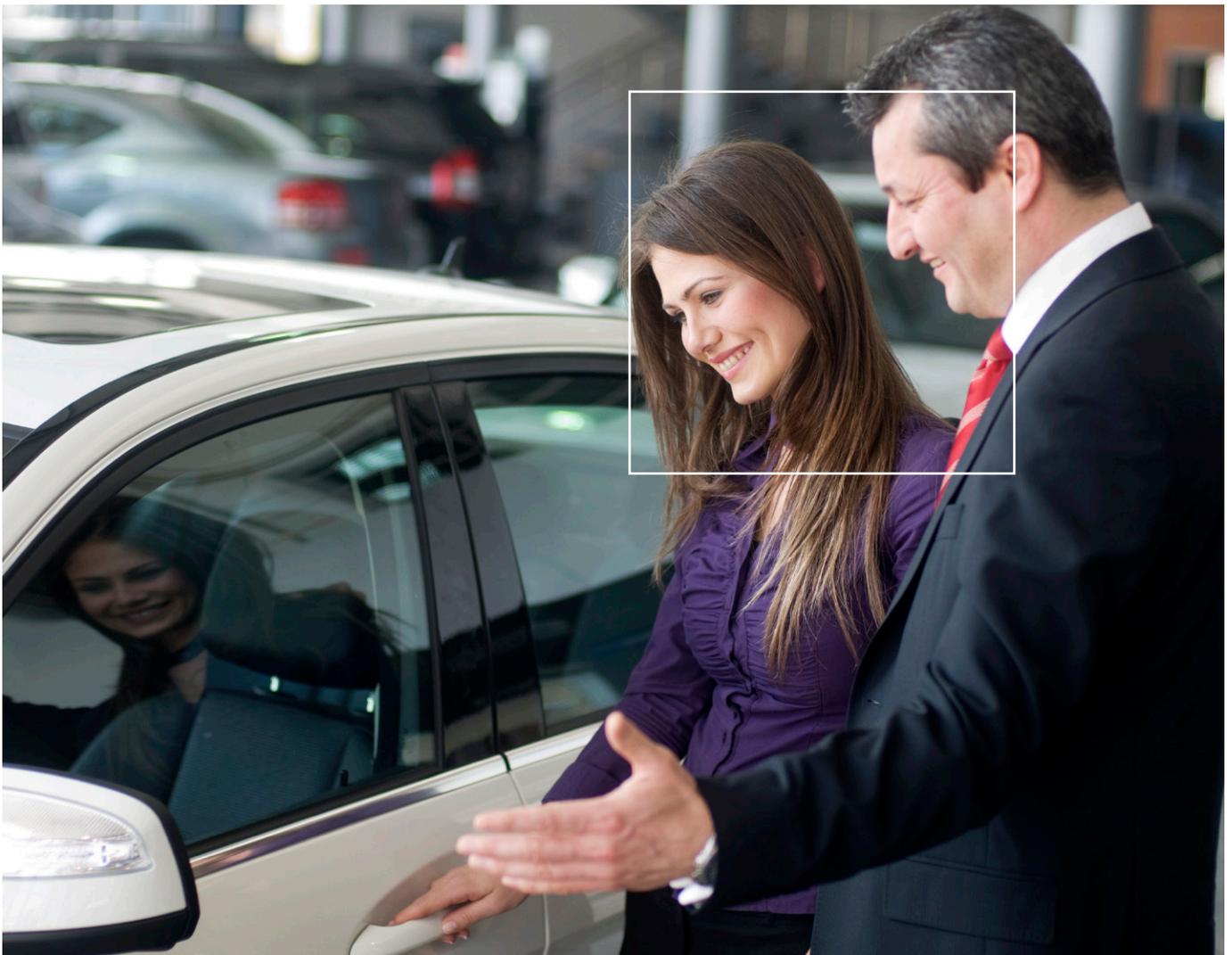


Delivering the brand

Developing the purchase experience and increasing customer satisfaction in the automotive sector



Contents

A key role for dealers	2
Improving customer satisfaction	3
Step 1: Identify key customer touch points in store.....	3
Step 2: Define strategy for improvement.....	4
Step 3: Establish global program for implementation of strategy	6
Step 4: Measure results.....	7
Conclusions	8
Authors and contacts	9

Following dramatic improvements in vehicle quality and reliability over the past decade, OEMs are increasingly focusing on brand rather than product differentiation in order to compete effectively. The customer experience delivered by dealers is an important component of the total brand experience and has a direct impact on overall customer satisfaction. By adopting a structured approach to developing customer satisfaction at key touch points in the dealership, OEMs can reap substantial benefits in terms of customer retention, cross-selling and new customer acquisition.

The competitive arena in the automotive sector is changing. Regulatory pressure on CO₂ emissions, international safety standards, high oil prices and changing lifestyles all mean car manufacturers are having to work harder to gain new customers and retain existing ones. Yet the dramatic increase in vehicle quality and reliability achieved by car manufacturers over the past decade has progressively weakened the role of the product itself as a differentiator.

As a result, OEMs, particularly those in the premium segment, are focusing increasingly on brand rather than product differentiation. The customer brand experience and customer satisfaction are becoming key elements in brand differentiation and competitive market positioning, with many major OEMs implementing massive programs to improve service and differentiate their brands from those of competitors. Audi, for instance, has recently embarked on a comprehensive qualification initiative for its dealer organization via the Q-Power program. Its aim is to become *'the most successful premium brand for customer satisfaction and loyalty'*¹.

The retail distribution network has a fundamental role to play in delivering excellence in the customer brand experience and in adding value during the buying process. Despite the fact that 75% of new vehicle buyers in 2008 used the internet to initiate the buying process (typically in the early stages of their information search) only 22% submitted a Request for Quote (RFQ) online². This means that almost 80% of customer contacts still take place in dealerships.

1 Source: 118th Annual General Meeting AUDI AG May 9, 2007, speech from R.Weyler

2 Source: J.D. Power and Associates 2004-2007 New Autosshopper.com Studies, 2008

A key role for dealers

In every retail market, close collaboration between manufacturers and distributors is an opportunity to make the buying experience significant and consistent with the brand. This is especially true in the automotive sector, where customers tend to perceive dealerships and manufacturers as one company.

For premium automotive brands, in particular, the dealership represents the starting point for the 'brand experience', so the dealer must design the sales environment and service delivery in a way that is consistent with the brand positioning, and implement organizational processes consistent with the brand promise. Ultimately, the customer brand experience rests on the dealer's capability to manage the customer's in-store buying experience at every touch point, from welcome and arrival to product presentation, to price negotiation and financial services, to purchase and vehicle handover.

The combination of a premium product with high-quality service at the point of sale can drive excellence in the customer brand experience and eventually improve customer satisfaction. However, to bundle the ownership experience and the buying experience in a way that is consistent with brand positioning requires all items of the customer experience to be linked in a single element. It goes without saying that the product itself must also match the promise of the premium brand.

The case of Saturn, a GM brand, is an example of a failed attempt to bundle ownership (product) and buying experience in a consistent brand experience. In 1990, when it was launched, the brand was intended to become a leading example of industry best practice, but lack of consistency between some elements of the customer experience soon led to failure. While the sales execution process was highly customer oriented, the product's design, components and production patterns were at odds with the desired brand positioning and customer experience. Positive elements in the purchase experience (e.g. vehicle delivery was carried out by gathering all the dealership's staff to clap and congratulate the client for his purchase) were not matched by the ownership experience for a product that featured poor-quality interiors, cheap plastic materials and traditional model design.¹

¹ Excerpt from: M. Addis, 'Ad uso e consumo – Il marketing esperienziale per il manager', Pearson Education Italia, 2007

Improving customer satisfaction

Arthur D. Little’s experience suggests that a four-step approach can help to address customer satisfaction management issues in the purchase experience and ensure results and investment decisions are consistent with customers’ expectations and the retail network’s capabilities. Our approach is grounded in case experience, best practices and data-based observation.

The four steps are:

1. Identify key touch points for the customer in store
2. Define a strategy for improvement
3. Set up a global program to implement the strategy effectively
4. Measure results

Step 1: Identify key customer touch points in store

To gain a better understanding of how customers for premium automotive products perceive and evaluate their experience of purchasing a vehicle through a dealership, Arthur D. Little has identified a set of positive features that seem to provide consistent benefits from the customers’ perspective.

Figure 1 identifies the features of OEMs’ premium products and dealers’ premium service that combine to provide a premium customer brand experience.

According to research carried out by Arthur D. Little, each aspect of the purchase experience contributes to overall in-store customer satisfaction, with customers ranking them in order of importance as follows:

1. In-store customer satisfaction is strongly related to a professional and emotional **Vehicle Handover** experience.
2. Superior purchase experience is also strongly related to the perception of the **Sales Execution Process** (purchase process management and the professionalism of the Sales Consultant).
3. A friendly **Welcome** and appropriate showroom facilities and appearance strongly influence the contact with the Sales Consultant by creating a comfortable atmosphere for establishing a positive relationship.
4. Claims have a negative impact on overall satisfaction but proactive and well-timed **Claim Management** provides a chance to restore customer satisfaction.
5. **Sales Follow-up** calls represent a unique opportunity to reinforce the relationship with a customer, but do not have a significant impact on customer satisfaction.

The ranking is based on our analysis of responses to customer satisfaction surveys that focused solely on the purchase experience at the dealership. The surveys addressed each



customer touch point with a set of specific questions aimed at evaluating the new car buyer’s perception of the dealership’s performances, from initial contact to post-delivery follow-up calls.

By monitoring the performance of the dealer network at key customer touch points, OEMs can monitor customers’ overall satisfaction with the purchase experience and set priorities for improvement.

Step 2: Define strategy for improvement

An effective strategy for improving customer satisfaction at the point of sale is based on three key components:

1. High-quality processes for managing customer satisfaction, including information on customer satisfaction gathered by means of customer surveys to measure expected quality and perceived satisfaction at key touch points
2. A deep understanding of “what is relevant for customers,” based on consistent analysis of data to identify which features of the in-store experience customers perceive to deliver a tangible benefit and promote loyal behavior as a result
3. A business case giving evidence on “quality for value,” incorporating quantitative information on the costs and actual benefits (e.g. additional revenues) of improvement programs

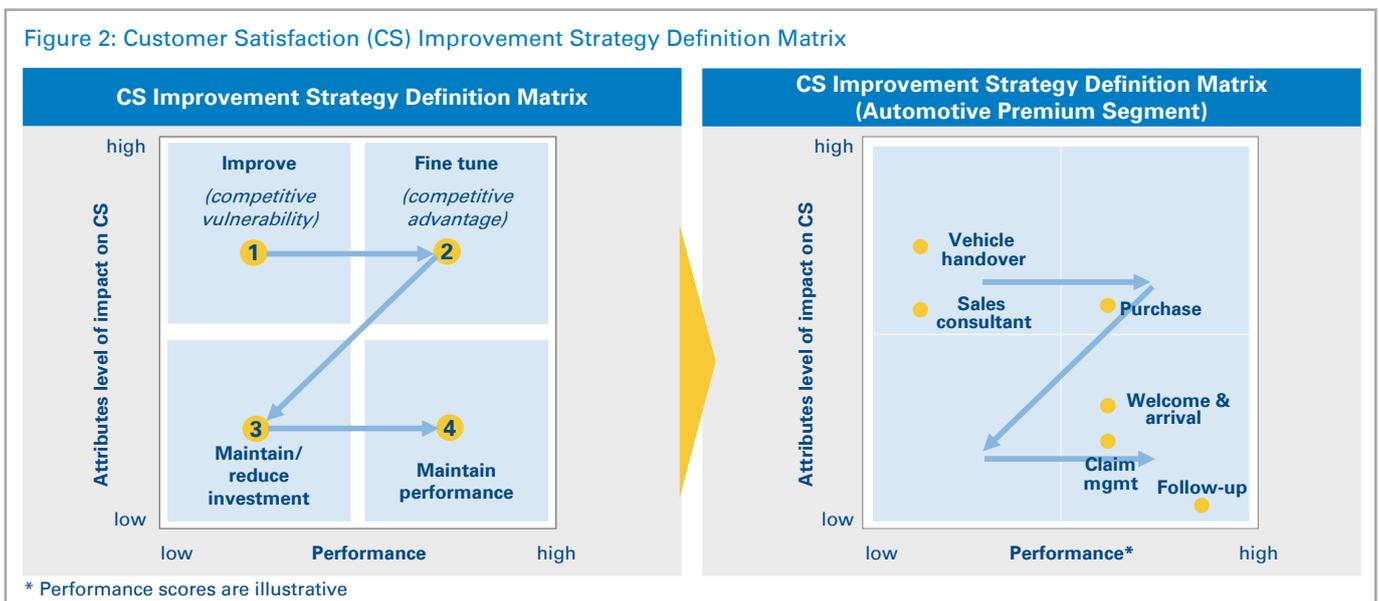
Since robust information on the features that customers value most during the purchase experience is key to implementing an effective customer satisfaction improvement program, systems for measuring customer satisfaction are also essential. Data from these systems will define the strategy.

Consistent data analysis provides not only performance scores but also a statistical insight into which features have a real impact on customer satisfaction. Together, analysis of performance scores and of the relevance of individual features can support companies in setting priorities and identifying changes to their strategy for managing the customer purchase experience.

The matrix in figure 2 provides an example of how the outputs of the analysis can be used to define priorities for improvement and to increase customer satisfaction at the point of sale.

Examples of why some features of the purchase process are so important and how improvement in these areas can be managed are provided below:

- **Showroom set-up & appearance** –The new generation of dealerships is designed in accordance with the very latest trends in distribution; everything from layout to lighting is based on the principles of experience marketing. While tra-



ditional automotive dealerships are typically information and transaction spaces, new 'concept stores' are conceived as a 'point of permanence' where the brand image inspires every element of the purchasing environment. Mini and Lexus concept stores are good examples of how the physical point of sale can extend the brand experience and enrich the purchasing experience. A recent example of how mass-market OEMs are also approaching this topic is the Fiat 500 pop-up store in Milan where a lively atmosphere, branded merchandise and co-branded promotions enable visitors to live the full brand experience.

- **Sales execution process** – The sales process is key in determining overall satisfaction during the purchase experience. The quality of sales consultancy and the performance of the sales consultant not only influence the decision to buy or not, but also have a direct impact on overall customer satisfaction. This is because the customer often identifies the sales process with the sales consultant and his/her performance.

A number factors are fundamental to ensuring a positive perception of the sales execution process:

- Sales consultant's professionalism and competency. These have the greatest impact on customer percep-

tion. By using appropriate skills, the sales consultant can establish a friendly and productive conversation with the customer, build rapport and put the customer in a positive frame of mind about the whole purchase experience.

- Sales consultant's ability to analyze needs. A customer-oriented sales consultant is an active listener who uses carefully prepared questions to get a sound understanding of customers' needs in order to provide personalized advice and service.
- **Vehicle handover** – The vehicle handover represents the peak of the brand experience since it is the brand itself that is being delivered not just the car. As the last customer touch point before the customer leaves the dealership it can make a real mark in the customer's mind, so total excellence at this stage is vital.

Figure 3 provides an example of actions for improving the vehicle handover experience. These can range from staff behavior to physical infrastructure and facilities issues.

Once priorities for improvement have been identified, both at network and at dealership level, a working plan for implementation should be drafted, taking into account each dealership's specific context and its customer satisfaction track record.

Figure 3: Example of basic experience improvement framework

				<i>Example</i>
Touch point	Area for improvement	Type	Improvement action	Rationale for improvement
Vehicle handover	<ul style="list-style-type: none"> ■ Handover planning process is not properly defined thus resulting in frequent car deliveries overlapping 	Organization & Process	<ul style="list-style-type: none"> ■ Design handover planning process and procedures and develop ad hoc planning tool 	<ul style="list-style-type: none"> ■ Avoid peak days and overlapping of deliveries that can affect quality of delivery
Vehicle handover	<ul style="list-style-type: none"> ■ Handover operator's customer-oriented behavior and communication skills need to be improved 	People	<ul style="list-style-type: none"> ■ Enroll handover operator in corporate training program 	<ul style="list-style-type: none"> ■ Improve customer attitude of staff ■ Increase quality of handover
Vehicle handover	<ul style="list-style-type: none"> ■ Delivery area is poorly furnished and handover event does not include any special arrangements 	Facilities	<ul style="list-style-type: none"> ■ Refurbish/refurnish area and redesign layout ■ Allocate cost budget to set up special arrangements (e.g. red 	<ul style="list-style-type: none"> ■ Ensure a brand consistent vehicle handover ■ Overcome customer

Step 3: Establish global program for implementation of strategy

The global program turns strategy into action and ensures sustainable results in the long term. In Arthur D. Little's experience, to be successful, a global customer satisfaction improvement program requires a clear definition of the relationship and governance model between OEM headquarters (HQ) and local Market Profit Centers (MPCs). It also requires an accurate design and preparation phase, which should be tested through a pilot phase before rollout.

In the relationship model shown in figure 4 each party within the program has a defined role and is accountable for the achievement of agreed targets. Roles and responsibilities include:

OEM headquarters

- Define program scope, global & local targets
- Define guidelines/methodology
- Select pilot market and test methodology
- Collect lessons learnt from pilot MPCs
- Review and fine tune methodology
- Launch roll-out phase to the other MPCs

Pilot markets

- Adapt methodology to the local market context
- Define scope and quantify total effort
- Define implementation strategy (e.g. internal vs. external resource)
- Run the pilot phase
- Share results & lessons learnt with HQ
- Run the roll-out phase

Other markets

- Adapt fine-tuned methodology to the local market context
- Define scope and quantify total effort
- Define implementation strategy (e.g. internal vs. external resource)
- Run the pilot phase
- Share results & lessons learnt with HQ
- Run the roll-out phase

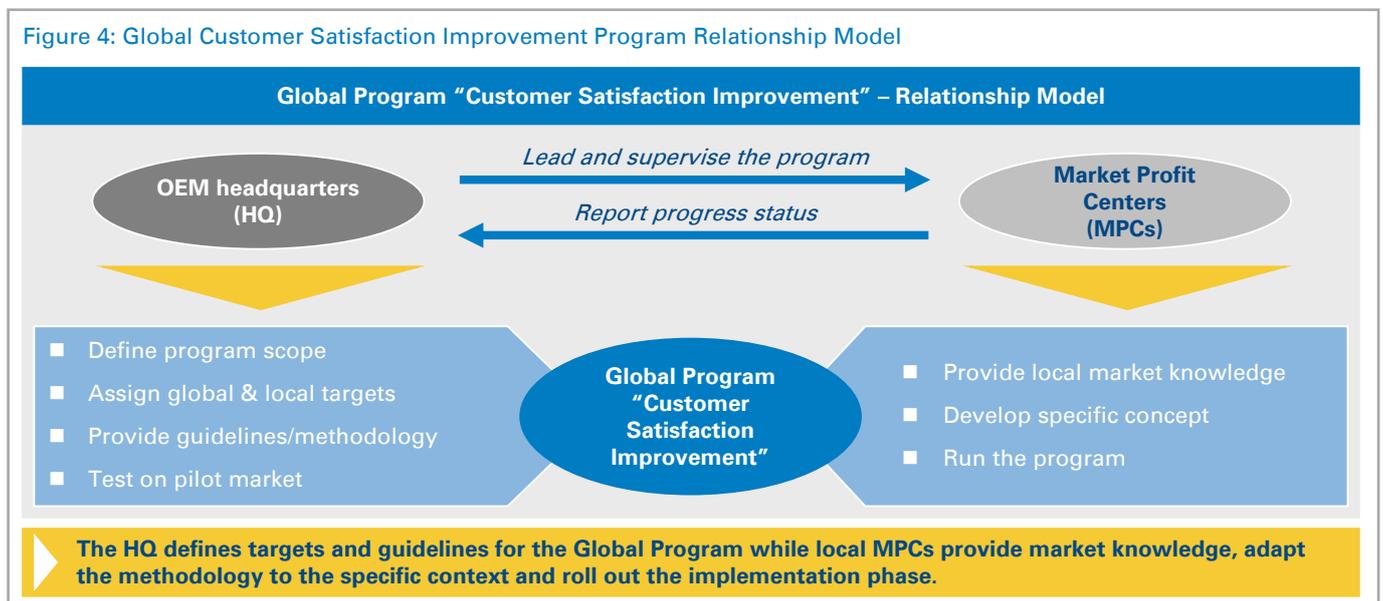
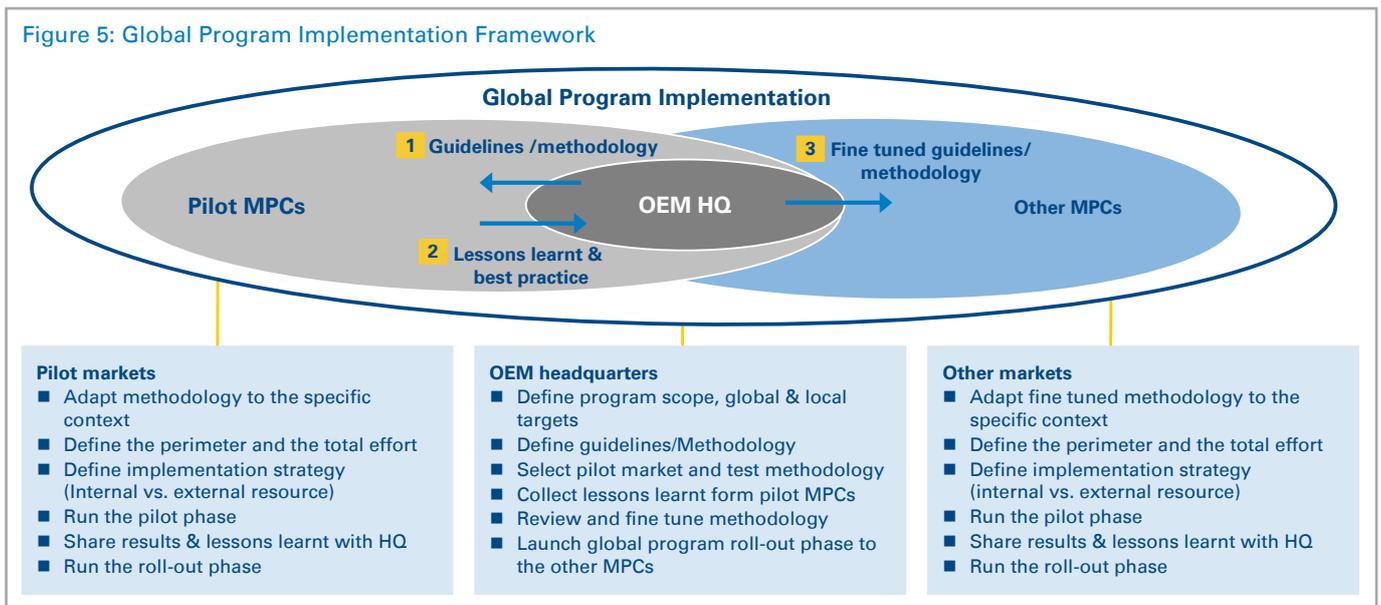


Figure 5: Global Program Implementation Framework



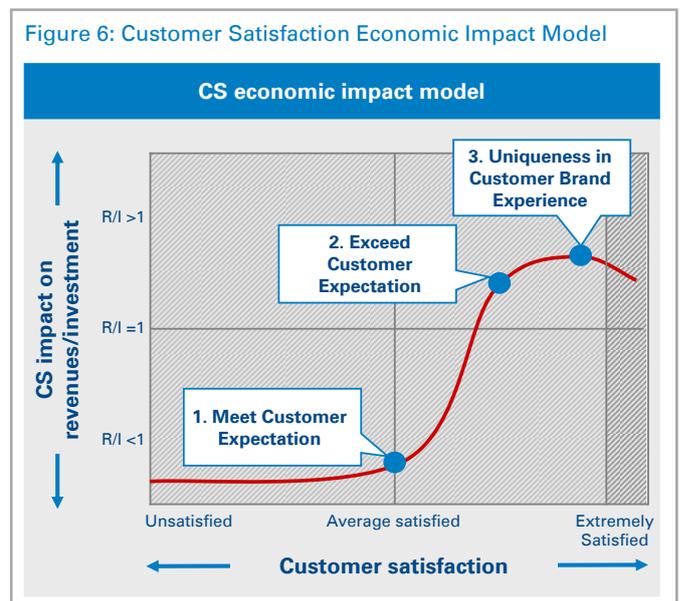
Step 4: Measure results

To close the loop, a further analysis of quantitative (revenues/investments) and qualitative (customer satisfaction performance) data should take place to measure the effectiveness of improvement actions and to support investment decisions, bearing in mind that:

- As long as customer expectations are not met, the investment required to fill the expectation gap will be higher than actual returns in terms of additional revenues ($R/I < 1$)
- When customer expectations are exceeded, there is a positive impact on revenues (due to customer retention, cross-selling, new customer acquisition) and cost saving (due, for instance, to a reduction in local marketing costs)
- A unique customer brand experience represents the top customer satisfaction achievement ($R/I > 1$). Additional investment will not generate any additional value for the company.
- Satisfaction with the in-store experience during the purchase process is only one part of overall customer satisfaction; satisfaction with the product itself and with after-sales service also contribute to overall customer satisfaction.

By adopting the four-step approach described here, one leading OEM local branch has improved its customer satisfaction performance by approximately 16% in one year and moved up several places in the NCBS (New Car Buyers Survey) automotive industry national ranking, thus recording the best result in the company’s history.

Figure 6: Customer Satisfaction Economic Impact Model



Conclusions

In recent years, a consistent customer brand experience has played an increasingly important role in delivering business growth, especially for premium car manufacturers. By combining high customer satisfaction rates with top-class products, premium OEMs now have a strategic opportunity to differentiate brand and reinforce customer loyalty.

To improve customer satisfaction, Arthur D. Little recommends a four-step approach leading to the implementation of a global customer satisfaction improvement program as the cornerstone of a differentiation strategy in the premium OEM market. Key elements of an effective program are:

- identification of key customer touch points in store
- a consistent and coherent framework for analysis
- a relationship and governance model for the OEM headquarters and local market profit centers
- accurate pre-launch testing
- measurement of effectiveness

Authors

If you would like more information or to arrange an informal discussion on the issues raised here and how they affect your business, please contact:

Fabrizio Arena
Senior Manager
Automotive & Manufacturing Group Italy
arena.fabrizio@adlittle.com

Emanuele Cacciatore
Manager
Strategy & Organization Practice Italy
cacciatore.emanuele@adlittle.com

Francesco Marsella
Manager
Automotive & Manufacturing Group Italy
marsella.francesco@adlittle.com

Contacts

Benelux
Jeroen DeKort
+31 102018817
dekort.jeroen@adlittle.com

Germany, Switzerland & Central Europe
Marc Winterhoff
+49 6117148136
winterhoff.marc@adlittle.com

China
Thomas Schiller
+86 2164478866
schiller.thomas@adlittle.com

France
Laurent Hartmann
+33 155742915
hartmann.laurent@adlittle.com

Italy
Fabrizio Arena
+39 0668882344
arena.fabrizio@adlittle.com

Japan
Yusuke Harada
+81 334368931
harada.yusuke@adlittle.com

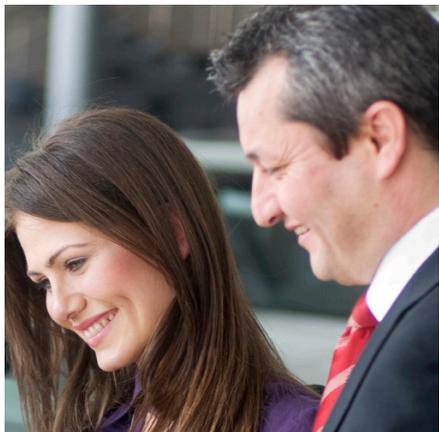
Nordic
Per M Nilsson
+46 317581022
nilsson.per.m@adlittle.com

South Korea
Allen Song
+82 27202040
song.allen@adlittle.com

Spain
Emilio Varela
+34 9170274 00
varela.emilio@adlittle.com

UK
Simon Mall
+44 8703366646
mall.simon@adlittle.com

US
Pierre Boldt
+1 2126612500
boldt.pierre@adlittle.com



Arthur D. Little

Arthur D. Little, founded in 1886, is a global leader in management consultancy, linking strategy, innovation and technology with deep industry knowledge. We offer our clients sustainable solutions to their most complex business problems.

Arthur D. Little has a collaborative client engagement style, exceptional people and a firm-wide commitment to quality and integrity. The firm has over 30 offices worldwide. With its partner Altran Technologies, Arthur D. Little has access to a network of over 16,000 professionals. Arthur D. Little is proud to serve many of the Fortune 100 companies globally, in addition to many other leading firms and public sector organizations. For further information please visit www.adl.com

Copyright © Arthur D. Little 2008. All rights reserved.

This report is printed on process chlorine free paper made from 100% recycled post consumer waste.

www.adl.com/delivering_the_brand