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Customer > R&D > Procurement > Production > **Sales** > Services

Separate Production, Joint Repairs

Partnerships are no longer taboo in the European commercial vehicle industry. Manufacturers are entering alliances in response to requirements generated by new technologies and customer needs, as well as to lower sales per location. The new Oliver Wyman study, “Commercial Vehicle Manufacturer Cooperation in Sales and Service,” shows which partnerships make the most sense for Western European manufacturers.

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European truck manufacturers’ procurement and production activities have long followed a uniform strategic logic – except for the sales and service network, which account for about 20 percent of a truck manufacturer’s costs today. Individual manufacturers’ networks still differ significantly in terms of structure, set-up and density. Equally varied are the sales base layout, controlling options, and the range of services. Manufacturers have hesitated to abandon these fixed structures in favor of a uniform strategy as they fear that this could threaten their existing local business.

Yet the need for change in this regard is becoming more acute. Mobility guarantees, comprehensive service agreements, and customers’ rising service demands are forcing manufacturers to act. At the same time, manufacturers are faced with declining sales per location at regional distribution and service outlets.

Strong willingness to cooperate

Partnerships are proving to be essential strategic options that allow companies to close the gap between increasing requirements and declining sales. The latest Oliver Wyman study shows that 70 percent of all compa-

nies frequently enter into partnerships with downstream links in the value chain, such as body manufacturers, rental firms, or leasing firms. In its Sector Information Center, for example, Mercedes-Benz displays complete vehicles in cooperation with more than 60 body manufacturers and informs customers about sector solutions. MAN provides replacement vehicles in cooperation with Europcar. Only 30 percent of truck manufacturers, on the other hand, also occasionally cooperate with companies from other sectors, and just ten percent enter into such alliances regularly and with foreign providers. One of these rare examples is Iveco Finance Holdings, a joint venture of Iveco and Barclays Bank.

Even reservations toward other truck brands are disappearing in view of the competitive environment. Half of those surveyed are already working to some degree with competitors on sales and service. Here, partnerships within companies dominate, such as the systematic joint service offering by Renault and Volvo, or between different commercial vehicle segments. For example, Volvo and Nissan, and MAN and Volkswagen are cooperating at select locations. Most survey respondents think this does not damage the individual brands.

Sights set on new markets and more products

The commercial vehicle sector has seized the benefits of partnerships and has set its sights on two goals in particular: improved market exploitation and an extension of the service spectrum to offer one-stop shopping. While most companies achieve their goal of extending their service ranges, only a few have managed to tap their markets more deeply. Nonetheless, the surveyed truck manufacturers see more opportunities than risks from partnerships.

Manufacturers attribute any shortfalls in attaining their targets primarily to in-house failures, caused by the partnership processes being insufficiently defined. In addition, commercial vehicle manufacturers focus more closely on the implementation of partnerships than on the underlying strategy. The strategy, however, is where the success of an operation is often decided.

So far, few manufacturers have defined how the demands placed on sales and service will change. Forwarders with more than 50 trucks grew by 90 percent between 1999 and 2005. For this reason, manufacturers must redefine the increasingly important interplay among key account management, regional sales forces, and branch sales. They should also analyze and secure the optimal density and quality of the service network for each region – including networks built through partnerships.

Better services, lower costs

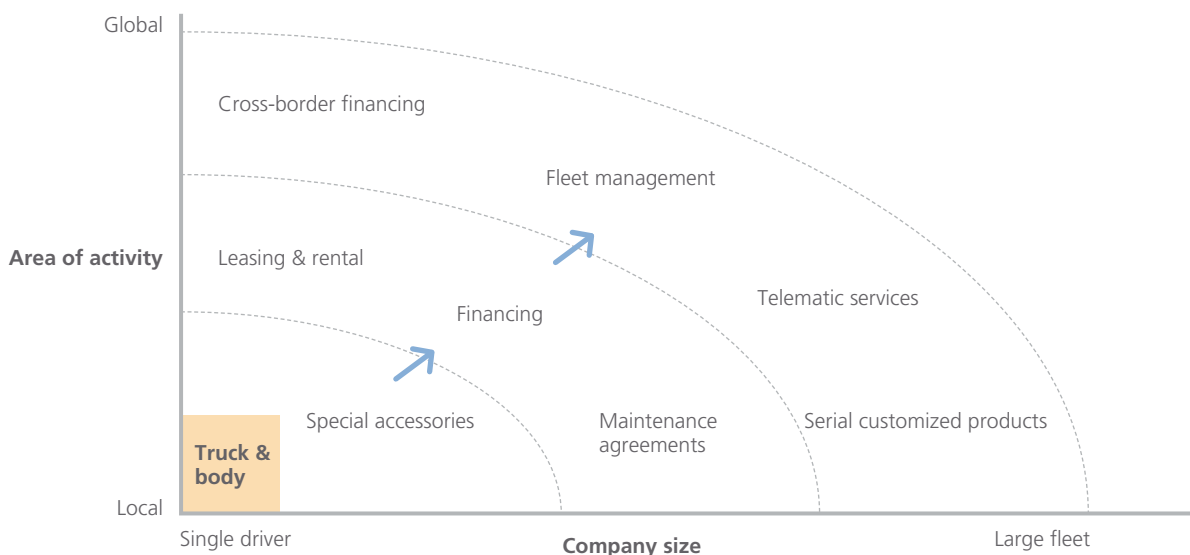
The study “Commercial Vehicle Manufacturer Cooperation in Sales and Service” identifies three areas of interest to sales and service partnerships for truck manufacturers: First, manufacturers should cooperate even more

Four trends in commercial vehicle sales and service

- 1 The growing number of long-distance transports on increasingly long routes makes a dense service network more and more important.
- 2 Trucks’ declining service and repair requirements make a sufficiently extensive service network in countries with a low market share very expensive.
- 3 An increasing number of major customers want centralized key account sales and specific services – frequently across national borders.
- 4 Aside from traditional sales through regional sales forces, major customer and sector sales operations are emerging that jointly draw on service.

closely with body manufacturers, including through joint sales, in order to offer customers solutions from a single source. Second, alliances with partners from other sectors such as telematics or financial services offer benefits in the provision of customer-oriented services related to the more or less interchangeable truck product. Cases in point include fleet management, remote diagnosis, replacement vehicles, and financial products. And, third, partnerships with competitors for jointly operated service points may prove to be advantageous – but remain off-limits in many cases. Such joint locations can help cut costs, for example, when the service network of two niche players cannot be operated economically. In a medium-sized European market, both could save sums in the double-digit millions through joint network operation. This, however, means that manufacturers must abandon the idea of always offering sales and service from a single source.

Partnerships extend the service range



Source: “Commercial Vehicle Manufacturer Cooperation in Sales and Service,” Oliver Wyman study