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Tailored solutions



› Customer › R&D › Procurement/Suppliers › Production › Sales › Services

Better packages, better results

Attractive product packages are even more important than discounts to many new-car buyers. But few manufacturers have discovered this potential so they are missing a chance to meet the needs of important customer segments. The new Oliver Wyman study titled »Target-Group-Specific Product Packages in the Downstream Area« demonstrates that automakers can profit from product packages that are aimed at specific customer groups.

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Whether it be a mobility guarantee or a combination of safety features, nearly all automakers offer new-car buyers product packages that cover auxiliary services such as financing, repairs, insurance and extended warranties. Some automaker-owned banks even have integrated the German government's scrapping subsidy. The importance of such packages is constantly growing. In 2007, for instance, sales figures rose by 40 percent. Today, 83 percent of customers say they would consider buying such a package.

Success package for manufacturers

From the manufacturers' point of view, product bundling pays off in several ways. It generates business for its parts, accessories and financial services units. Today, those aftersales divisions account for more than 85 percent of an automaker's profits, which is much more than the company makes from the sale of a new car. The bundling also facilitates efficient cross-selling of supplementary services, leads to a higher utilization of the service center and boosts customer

loyalty. Furthermore, so-called »carefree packages« stabilize vehicles' residual values.

Lowering the price of the car is not the only way to get customers to buy. The study shows that 16.5 percent of the respondents rated an attractive financing rate as the most important factor in their purchasing decision. That was followed by monthly package costs (15.0 percent) and the type and extent of maintenance and repair services (14.1 percent). Meanwhile, a discount on the manufacturer's suggested retail price ranked No. 4 in importance (13.1 percent).

Customers want tailored solutions

But automakers and their finance arms still pay too little attention to the desires of customers. Automakers are not breaking down customers into target groups; therefore, they are offering their aftersales product packages in a rather undifferentiated manner. As a rule, there is a standardized product and the central sales pitch is that it provides a cost advantage.

Using a holistic, statistical measuring technique called conjoint analysis that was conducted within the context of an end-customer survey, Oliver Wyman identified five user segments based on their different needs.

1. **Premium customers** have high mobility needs and a greater interest in extensive extra services.
2. **Risk-averse customers** are primarily interested in insurance services.
3. **Cost-sensitive customers** focus on a low overall financial burden.
4. **Service-oriented customers** are attracted by service-center options such as extended warranties and inclusive services.
5. **Customers desiring planning security** concentrate on coverage that protect them from high one-time costs.

The product packages currently available in the market are not aimed at these customers. That means automakers are not capitalizing on the willingness of these people to pay extra for these services. Insurance companies and consumer-loan providers have profited greatly by filling this gap. For instance, many customers are choosing insurance companies that have partnerships with service centers that provide repairs and maintenance. When this happens the automaker loses out on potential profits.

More ideas, more sales

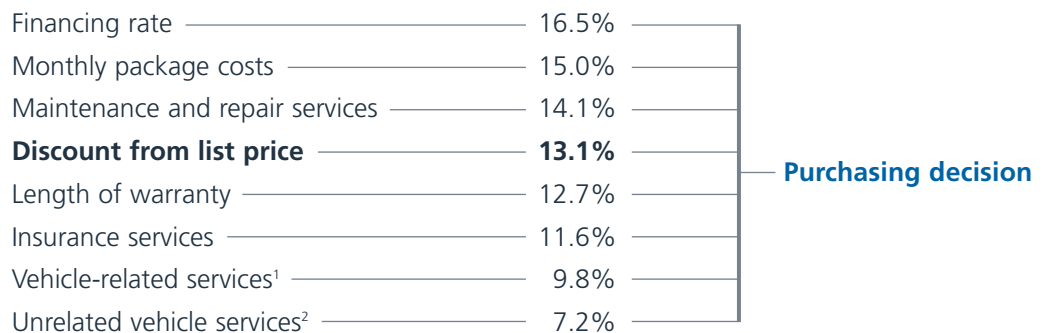
Three to five different product packages could effectively help automakers combat this threat. The key is that the packages have catchy names and are easy for auto dealers explain. One way to do this is by offering »basic,« »medium« and »premium« packages. As an alternative, automakers could allow customers to combine current product packages into something that best fits their needs – from financing to vehicle care.

Another approach is to sell mobility rather than a specific vehicle. This option could be particularly interesting for electric cars and other vehicles with alternative drive systems as a result of re-fueling and re-charging problems. Here, for instance, the customer pays a monthly fee to use an electric vehicle and does not have to worry about maintaining or replacing the expensive battery. Manufacturers who develop convincing concepts now will gain an edge not only on independent providers but also on their direct competitors.

Factors in the purchase of product packages

Mobility services are rated higher by customers than discounts

Possible components



Note: As part of the conjoint analysis, a determination was made about how much the improvement of a feature influenced the selection that the test subject made for or against an offer (n = 413).

Source: Oliver Wyman study »Target-Group-Specific Product Packages in the Downstream Area«

¹ Replacement vehicles; pick-up and drop-off services; mobility guarantee

² For example, rental-car discounts outside Germany