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

Full speed ahead in sales

Make the customer king

A company's sales system is becoming a more decisive competitive factor as the technological differences between vehicles decline due to platform and module strategies. To better differentiate themselves from their rivals, now is the time for manufacturers to invest in their sales organizations and their brand so that their operations are completely geared toward the customer.

Matthias Bentenrieder,
Peter Bosch

Because of the worldwide decline in new-car sales, retail networks face a twofold challenge. One, they must do their part to reduce costs because their operations devour about 30 percent of a vehicle's list price. Second, they must try to maintain sales volume despite excessively large inventories, discount wars, weakening market loyalty and shaky dealer profitability. In recent years, development and production have been optimized significantly more intensely than sales. Given these conditions, tactical and strategic measures are required on all levels – in the company, among dealers and with the end customer – to strengthen the competitiveness of the sales system.

Added value for the customer

A key starting point is to improve the dialogue with potential private customers and with small and individual commercial customers. Enhancing relations with this previously neglected client group requires end-to-end microsegmentation, customer-oriented dealership formats and effective customer management throughout the entire life cycle. The goal should be to double customer-focused value creation on the central and wholesale level and to generate a significant increase on the dealer level. In return, cost-saving potential arises from cutting structural costs that make no direct contribution to the value proposition for the customer.

Rapid success with a tactical approach

Better sales results can be achieved by systematically aligning all activities toward the customer and aggressively developing the market. Sales campaigns work better and deals close faster when sales representatives maximize the time they spend in direct contact with customers. Sales organizations can arrange customer contact activities for dealerships. These events will optimize the chances that the sales staff has to aggressively develop the market. Through the use of key performance indicators, the entire sales process can be more closely measured and managed.

Strategic realignment needed

Given the uncertain outlook for sales volume in future years, sales structures must be reorganized. This sector has been shaped by years and years of sales-volume records. For this reason, a drop in volume can quickly bring manufacturer sales and dealer networks to the breaking point. The current strategy of providing lump-sum funding to financially distressed dealers will only maintain the weak profits earned in the sector, which had an average return on sales of minus 0.6 percent in 2008. In contrast, reorgani-

zation focuses the sales system on the future product and customer structure, and promotes the trend toward smaller, lower-priced cars through new retail formats, margin systems and sales processes.

Dell and Apple as role models

For the strategic reorganization to succeed, the process must be actively managed, and all sales levels and business units must be synchronized. Two examples from the IT industry show how this can be achieved. Dell has a lean, highly standardized sales system that can be applied to the fleet and leasing area. Apple tightly connects products and services through user-friendly integration and proprietary standards, achieving strong customer loyalty and high returns. Car sales organizations can certainly learn a lot from these examples. Creating an innovative structure is the only way for a company's sales organization to gain a competitive advantage in the future.

Levers to pull: The sales agenda

20 crisis-tested methods and approaches that safeguard a sales organization's volumes and returns

Impact on retail level

Discount management

- Discount transparency retail level
- Target-group-specific discounting
- Transaction pricing
- Strengthening of TCO price sensitivity

Dealership satisfaction

- Dealership loyalty
- Multibrand strategy
- System partnership

Active sales performance

- Customer conquest programs
- Management of customer touch points
- Retail and small customer management
- Institutionalization of customer satisfaction

Optimization of retail formats

- Network density/sustainability
- Business location strategy
- Selection / management of formats
- Own retail

Salesforce excellence

- Professionalization of employee selection
- Best-in-class sales team
- Optimization of sales management
- Performance improvement

Optimization of retail processes

- Standardization of sales processes
- Toolbox for dealerships
- Retail consulting
- Dealership performance management

Margins and incentives optimization

- Efficiency improvement of margin systems
- Improved flexibility/strengthened incentives systems
- Standardization across business units

Retail improvement in efficiency

- Individual dealership cost reduction
- Division-specific earnings transparency
- Definition of steering mechanisms

Impact on wholesale level

Channel- and customer-segment-specific management

- Profit transparency by channels and customers
- Segment-specific sales organization and market development

Efficiency increase Wholesale

- Increase in sales organization productivity
- Bundling of functions/outsourcing
- Retail alignment of functions

Wholesale strategy

- Anchoring of strategy perspective in wholesale organization
- Wholesale benchmarking, best-practices sharing

Optimization of marketing efficiency

- Transparency and optimization of marketing return on investment
- Strategic marketing sourcing

Impact on HQ level

Product and channel innovations

- Optimization of product positioning
- Closing of product and segment gaps
- New channels and formats

Integration of individual businesses

- Profit transparency individual businesses
- Integration of target systems
- Customer-value-oriented management and maximization of life-cycle profit

Market development / penetration

- Megatrends and market paradigms
- Product placement per market
- Market development and rollout programs

Optimization of price management

- Effectiveness of manufacturer subsidies
- Customer perception based pricing
- Price differentiation according to customer value and willingness to pay

Optimization of fleet business

- Solutions business/vehicle management
- Cross-border customer management
- Small commercial accounts
- Organization of key account management

Used-car strategy

- Buybacks risk management
- Management of used-car streams
- Professionalization own used operations
- Residual value process, young used

Efficiency increase HQ

- Core functions
- Indirect functions
- Supporting role of HQ and active market management

Resource allocation

- Inventory management
- Supply-chain optimization
- Own retail strategy
- Real estate management

Source: Oliver Wyman

■ Tactical lever ■ Strategic lever