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# Systematic sales

## The payoff of improved networking

Whether it is leasing or financing, insurance coverage or accessories, service or used cars – the list of revenue sources in the downstream business is long. But to safeguard their core businesses, manufacturers have been missing out on up to 1.4 billion euros a year in operating income contributions in Germany alone as well as giving up critical strategic control instruments. With an integrated sales system that extends across all departments, manufacturers can significantly improve earnings and strengthen customer loyalty.

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The downstream business is generally more profitable than the new-car business. However, manufacturers have failed to tap its full potential. Manufacturers' market share is 65 percent in new-car financing, only 50 percent in the service business, and just ten percent in auto insurance. These are astonishingly low numbers because with their brand – a largely exclusive sales channel – as well as with the product itself, manufacturers

possess unique selling propositions that give them a major edge over independent providers.

But why doesn't every customer purchase a service package? In making the purchase, the customer has shown his or her trust in the brand. Why doesn't the vehicle purchase become a moment to successfully sell an insurance policy? The reasons are many and varied and can be found at all levels of the sales system. In sales, the focus is frequently on new vehicles while other business areas receive inadequate support. Furthermore, employees frequently lack the qualifications needed to sell information-intensive products such as insurance policies and service contracts. Finally, the required financial incentives for employees have not been put into place. Particularly when demand is weak, sales representatives will direct most of their attention to vehicle sales.

#### **Insufficient networking**

On the manufacturer and wholesale level, sales management is a reason that sales departments are insufficiently networked. These departments tend to focus independently on the optimization of each individual business area. The specific result is that a new-vehicle sales department frequently has little interest in marketing original accessories or service agreements. The reason is that many manufacturers pay less attention to the profitable service and parts department or the financial-services segment compared with the new-vehicle business. As a result, billions are poured into sales-generating campaigns for new vehicles each year while support for the money-making after-sales business amounts to only a fraction of this figure.

#### **Sales system for the future**

From a strategic standpoint, sales systems are an essential part of the effort to bolster business. The highly profitable service and parts business of manufacturers has been under intense competitive pressure for years. By actively marketing service agreements with new vehicles, risks can be substantially lowered because the customer has to have work done by the vehicle brand's own service department. The situation is much the same for vehicle insurance coverage. In this area, insurance companies have stepped up efforts to steer the costly accident-repair business to their own partner networks at the expense of brand dealerships. Manufacturers can respond by offering their own policies.

With integrated sales systems, one of the automotive industry's central challenges is solved. Revenue and earnings potential along the entire value chain are tapped, and competitive risks posed by independent providers are minimized. But the most important gain is long-term customer loyalty, which will result in the purchase of the same brand next time.

## **Five success factors for integrated sales systems**

### **1. Integrated sales management**

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The basis of a sales system is the management of all departments. In particular, sales management and leadership parameters must be closely coordinated in this work. The goals of every sales manager must be designed to support the market success of other departments. This means that a sales director will also be measured in his or her target agreement by the penetration level of service agreements.

### **2. Attractive products**

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Manufacturers must offer simple, attractive products with a clear benefit to the customer that are easy to communicate on the retail level. As a result, service agreements must be marketed at attractive prices – even if this means subsidizing them – to achieve high penetration rates. Easily understood packages of products and combinations of services will provide an additional boost to sales success.

### **3. Networked communication**

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Advertising must communicate the manufacturers' integrated range of services in a stronger manner. Ads should promote auxiliary services in addition to the product. TV spots should use vehicles with accessories. Aftersales products should be integrated into Internet vehicle configurators just as special features already are.

### **4. Employee qualifications**

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On the retail level, employees should be better qualified for promoting after-sales products. In new-car sales, this can be done either through training or through specialized service consultants. The service consultants in after-sales will also profit from sales training.

### **5. Optimize employee incentives**

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Success in sales depends extensively on individual remuneration and bonuses for employees. Sales representatives in retail must directly profit from the sale of supplementary services. Possible options in this area are direct incentives, bonus programs with non-cash benefits or competitions. The same principle applies to wholesale employees and sales representatives.