

# After Sales: Customer Orientation Unsatisfying

*Automotive OEMs and their dealer organizations neglect the process stability in after sales. Performance transparency and motivation need to be increased.*

## Current trends in automotive after sales

The competitive situation in automotive after sales has continuously changed in the recent past. Independent workshops and repair shop chains have gained significant market share. They are the ones profiting most from the growing technical complexity of vehicles and the decreasing share of do-it-yourself-repairs. However, the market share of OEM-specific service locations has remained largely unchanged.

It can be expected that the general set-up will continue to change, and that this will have an impact on revenue allocation between the players. As the business segment is a major profit pillar for OEMs and dealers, this development should be observed thoroughly and lead to adequate adoption of companies' own activities.

For example, cost-performance transparency for the end customer is growing as online repair shop portals spread. A similar revolutionary development as seen in the used-car business, in which internet brokers in the search phase have become standard, could also occur in the after-sales segment. From customer perspective, this is definitely a welcomed improvement, as sensibility regarding total cost of ownership of the automotive industry (mainly driven by purchase prices and fuel costs) is rising.

Additionally, customer requirements regarding performance of repair shops are getting more demanding. Prevalent lack of time has made the convenience aspect an increasingly important and determining decision factor.

The visit to the repair shop, which is seen as a necessary evil, similar to a visit to the dentist, should be designed to be as convenient as possible. Therefore, from

customer perspective, the process around the stay at the repair shop is more important than the technical details. These details, firstly, are hidden, and secondly, they are not or only partly understood.

Finally, the innovation boost induced by the topic 'connected car' and the integration repair shop/ vehicle will breathe new life into the subject in the coming years. The battles around data control and open access to vehicle data are not yet fought. New opportunities involving targeted and individual marketing will arise.

## Profit pillar endangered

Within this set-up, the neglected process stability and unsatisfying customer orientation of OEMs and their service locations are alarming. Apparently there is still work to be done to avoid losing customers to competition.

A recent market study in Germany (promotor GmbH, Autohaus 03/2013) showed that only 20% of direct acceptance cases were carried out. An Arthur D. Little mystery shopping initiative discovered that substantial elements of the to-be process were not integrated into the after-sales organization, and that expectations were not met. For example, if a service person does not explain a repair bill, reasons may be manifold: e.g. the bill might not be available at the agreed pick-up time, or the responsible service person may not be on duty anymore. OEMs complaining about low customer acceptance of repair costs reveal a lack of understanding of the *lived* sales processes.

Overall, the profit pillar service and the follow-up business are substantially at risk. Deviations from defined standards are no longer tolerable, and consequently need to be prohibited.

## OEMs have to improve transparency and control

OEMs are challenged to significantly increase transparency regarding the performance of their service partners. Measuring systems susceptible to manipulation are not adequate and meaningful. Customer perception of dealer and repair shop performance need to be analyzed thoroughly.

Mystery shopping should be intensified, customer satisfaction inquiries should be carried out more frequently and samples should be enlarged. At the same time, deviating behavior should be sanctioned and process stability should be emphasized positively. As observed in other industries (e.g. the hotel business), excellent customer service needs to be rewarded with monetary and non-monetary incentives. A customer-centric culture should be established and promoted at every level.

As the world's first consultancy, Arthur D. Little has been at the forefront of innovation for more than 125 years. Our comprehensive expertise in the automotive industry with leading OEMs and dealer groups and our overall competencies in the design of the customer experience enable us to support you in successful automotive after sales.

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