

# BULLETIN

June  
2010

Automotive research and strategic advice

[www.icdp.net](http://www.icdp.net)

## EDITOR'S NOTE

In this issue we highlight and review the research and analysis activities recently presented to Members:

- The session facilitated by the Reserve Bank of Australia on the macro and microeconomic situation;
- Research on social-networking technologies, paying special attention to its application in the automotive industry;
- The final results of the two-year project investigating the application and positive results from introducing the Service Dominant Logic marketing methodology into Australian dealerships;
- The overview of the consequences and effects on international scrappage schemes, the Henry tax review and vehicle congestion;
- Developments in Europe in innovations in dealer operations, the health of the new, used and aftersales markets, the performance of dealer groups, and a review of dealer network and franchise strategies;
- The consideration of social media consumption and advertising value; and
- Review the key results of ICDPA's webmetrics reports into website strategies for vehicle manufacturers, national sales companies and importers, franchised dealers and motorcycle national sales companies and importers.

We are both halfway through the year and our extensive research programme for 2010. In each of the past few years, ICDPA's research programme has offered on average more than 20 in-depth presentations and reports covering the Australian automotive industry and providing Members with local and global insights to help their strategic planning and decision-making processes.

Projects under way or soon to commence include:

- Researching Australian consumers' after-sales experiences;
- Updating our previous work on the strategic and tactical appraisal of dealer groups;
- Considering social media and networking technologies;
- A review of environmental sustainability in automotive retailing.

Additionally, ICDPA will prepare additional research and reports addressing issues that emerge throughout the year.

ICDPA has also, on special request from Members, undertaken one-off (confidential) projects on a range of issues, including the review of key retail after-market strategies, appraise logistics and

### Next ICDPA Session

Friday 16<sup>th</sup> July, 2010

*The Australian Consumer  
After-sales Experience*

Kooyong Tennis Club  
489 Glenferrie Road,  
Kooyong, Victoria

8:30am for a 9am start  
Concludes at 12pm

supply chain procedures, plus plan strategies concerning electronic marketing options.

For further information on the topics and issues raised throughout this Bulletin, please contact ICDPA.

#### **NEXT ICDPA SESSION:**

#### **THE AUSTRALIAN CONSUMER AFTER-SALES EXPERIENCE**

Friday 16<sup>th</sup> July, 2010

At the next session, the Australian Centre for Retail Studies and ICDPA will outline the findings and conclusions drawn from focus group-based research examining the "Australian Consumer After-sales Experience".

The work is based on primary research into understanding the key experiences, reactions and expectations of passenger vehicle owners in relation to the repair and servicing of their vehicles, and to explore the implications for franchised dealers and vehicle manufacturers. In addition, the research will explore customer perceptions of value-added elements in the after-sales period, with a particular focus on the factors driving choice in the servicing and mechanical repair of vehicles.

ICDPA Members will gain an understanding of customer perspectives and behaviour from a generic, non-brand perspective in terms of the after-sales and repair experience. This research will also contribute to an improved understanding of what customers perceive and value in the course of vehicle ownership, particularly the factors driving their choices in the servicing and mechanical repair of their vehicles. Of key interest are the decisions deliberated over by vehicle owners, such as whether to remain with the franchised dealer or visit an independent repairer for standard service and repairs.

ICDP Europe has undertaken a similar exercise encompassing Germany, Spain and France, and comparisons and contrasts between Australian and European consumers will be examined. Please contact ICDPA to register your attendance for this important session.

#### **PREVIOUS ICDPA SESSIONS:**

#### **ICDPA SESSION 19<sup>th</sup> MARCH 2010**

At the March session, the first for 2010, ICDPA featured two topics.

##### **The Reserve Bank of Australia – The Macroeconomic Environment**



(From left) Richard Gruner, of University of Melbourne, Sharon Suan, of the RBA

The first session was conducted by Sharon Suan, senior representative of the Reserve Bank of Australia's (RBA) Business Liaison and Economics Unit. This was the first time the RBA had presented to ICDPA Members. The session was very well received, and ICDPA plans to run the session annually.

Sharon provided Members with a thorough and timely appraisal and evaluation of the Australian and international economic environment. Sharon reviewed a range of key economic data and indicators that not only provided an assessment of the present state of the economy, but also provided important and pertinent indicators for the state of the economy in the medium to longer term.

Sharon explored issues and indicators such as employment and labour market levels, consumer domestic demand, industrial production, the significance of China to Australia's economic outlook, household consumption trends and expectations, business and consumer debt levels and exchange rate

fluctuations. Throughout her presentation, Sharon linked the range of economic indicators and forecasts with vehicle manufacturing and retail performance in both Australia and the major international automotive markets.

The feedback received from Members was very positive, and ICDPA intends to hold a similar session regularly to help Members understand and plan for both the macroeconomic and microeconomic environments.

### Social networking for the automotive industry

The second session was led by Richard Gruner, of the Department of Management and Marketing at the University of Melbourne. Richard explored the issue of how businesses can address and harness social networking and media, which has quickly become an important and very topical issue across the industry.

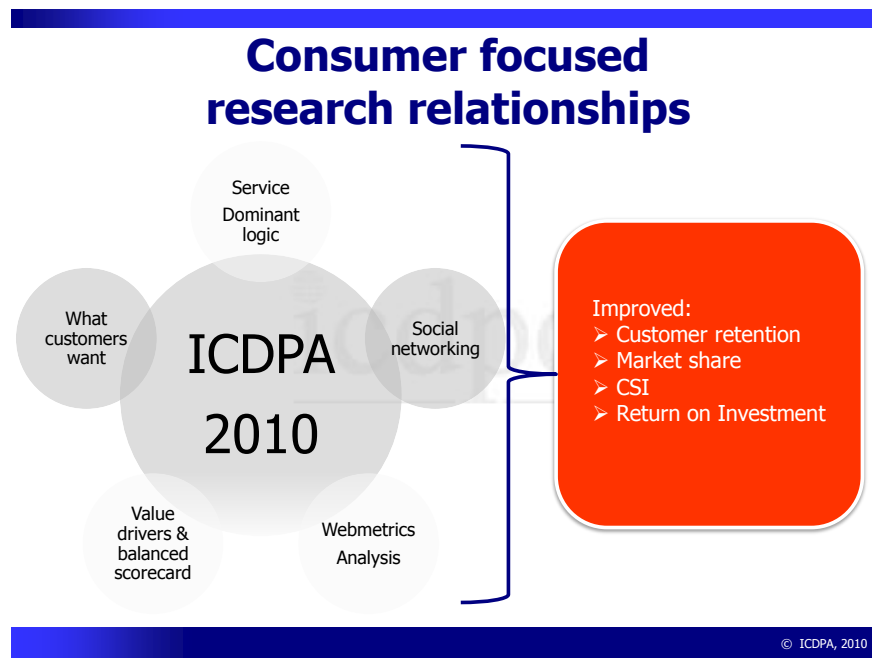
Richard is undertaking research exploring how to effectively connect with and engage present and potential customers in a rapidly changing media landscape, with particular reference to the social-networking environment. Richard's work links to related research undertaken by ICDPA that considered the various strategic and tactical responses required to meet this emerging communication channel with consumers.

Richard is working towards his PhD, in which he is focusing on this new "digital future" and how it is reshaping the media landscape. Richard is especially focusing on its impact on the automobile industry.

Richard's research explores the relative contributions of different online and offline marketing communications in promoting new products to customers. Specifically, traditional (e.g. TV, radio, print), technology-based (e.g. SMS, banner, pop-ups) and social-network communications (e.g. online brand communities) will be compared in terms of their ability to increase the sale of new vehicles. The academic theory suggests there are clear advantages for managers in facilitating social-network communications over more traditional and technology-based communication. These enable firms to connect with

customers, thereby increasing new product success. A key element of the research methodology involves interviewing both marketers and financial officers to assess the economic return of social-media marketing in the Australian retail automotive sector.

Richard's work significantly adds to the body of research conducted by ICDPA on consumer electronic communication relationships. The findings and recommendations developed through the research will be made available to Members in December 2010.



## ICDPA SESSION 16<sup>th</sup> APRIL 2010

At the April session, ICDPA presented on two research issues.

### Service dominant logic and its application to the automotive industry

The first presentation was undertaken by Ingo Karpen, of the University of Melbourne.

He provided the results drawn from his two-year leading edge research study, which assessed the direct use and relevance of the Service Dominant Logic (SDL) marketing methodology, and its application and resulting measurement of how Australian dealers can best interact and respond to present and future consumers.

The study has formed part of Ingo's PhD thesis preparation. Over the past two years, he has extensively developed the SDL methodology for the automotive industry, with particular reference to the Australian market and conditions. Ingo explained the methodology's underpinnings and clearly demonstrated its relevance.

Ingo provided a number of key financial and marketing results that proved a very strong correlation between the implementation and performance of SDL by dealers and their market performance, financial profitability, and resulting customer satisfaction and retention.

The presentation and results were particularly well received by Members, and following the session a number of Members contacted ICDPA seeking further information about implementation into their dealer networks.

Please contact ICDPA about how the application of SDL can be effectively introduced into a dealership's operations.



(From left) David Wynne, of Nissan, Samantha Johnston, of Harley Davidson, Greg Mouritz, of GM Holden, Ingo Karpen, of University of Melbourne

## Further results of SSO based on mean score analysis

> Firms with higher levels of SSO benefit in terms of higher:

Performance Indicator	Low SSO	High SSO	Increase of Mean Score
Satisfaction	4.84	6.12	+ 26.4 %
Perceived Value	4.03	5.46	+35.5 %
Trust	4.09	5.46	+ 33.5 %
Repurchase Intentions	4.42	5.69	+ 28.7 %
Positive Word-of-Mouth	3.10	4.95	+ 59.7 %
Affective Commitment	2.83	4.74	+ 67.5 %

Scale: 1-7;  
strongly disagree-strongly agree

© ICDPA, 2010

### Updates on key strategic issues impacting the sector

In the second session, Roberto Colanzi of ICDPA provided a topical update on three issues that ICDPA has been closely following as part of its research activities.

The issues addressed were:

1. The impact of urban traffic congestion on the vehicle supply chain, stock selection, and consumer vehicle usage affecting repairers and servicing;
2. Identified consequences arising from the Henry taxation review ("Australia's Future Tax System"); and
3. An appraisal of the outcomes and consequences of international vehicle scrappage schemes and similar that were largely implemented to provide surety to the industry through the GFC.

ICDPA has been particularly active across these three research areas, providing the industry with timely strategic foresight into the possible consequences arising from changes to vehicle usage patterns, retail taxation changes applying to vehicle purchase and usage, and consideration of outcomes arising from scrappage initiatives and treatment of end-of-life vehicles as regulated by various government initiatives and programmes.

### ICDPA SESSION 21<sup>st</sup> MAY 2010

At the May session, two topics were addressed.

#### 2010 – "The year of the taxman"

In conjunction with BDO, ICDPA Members are annually briefed on a range of timely and significant accounting, regulatory and taxation issues that affect commercial operations, strategies and practices across the retail automotive industry.

Nathan Kidd, senior manager tax and advisory at BDO, provided a timely and pertinent analysis of a number of recent commercial, taxation and accounting developments impacting the retail automotive industry.

Nathan provided a thorough analysis of:

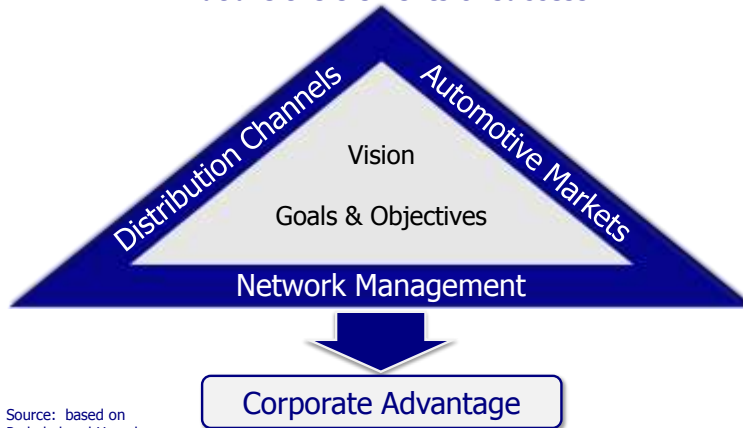
- The relevant recommendations contained in, and the Government's responses to, Australia's Future Tax System Review (or more commonly known as the Henry tax review), especially
  - corporate tax rate changes
  - small business concessions;
- Key amendments to the fringe benefits tax arrangements and stamp duty provisions; and
- Key impacts and changes arising from the May Federal Government budget, including
  - individual and superannuation changes
  - GST compliance
  - the investment allowance.

#### Why vehicle distribution needs a model change: trends, challenges and reactions in Europe

In the second presentation, Uwe Stratmann of ICDP Germany provided Members with a thorough and detailed analysis of present and emerging issues at play across the European market. He especially highlighted:

- The relative health of the new, used and after-sales markets post the global financial crisis;
- The effect of various national scrappage schemes in sustaining demand;
- Various impacts on the after-sales repair market;
- Innovations in retail formats that have been observed across Europe;
- The reshaping of dealer networks and franchise strategies, and effects and consequence impacting on dealer groups;
- The performance of dealer groups; and
- The increasing interaction and direct investment of vehicle manufacturers into both the retail and repairer markets.

## A framework for corporate strategy What are the elements of success?



Source: based on  
Prahalad and Hamel

2

ICDP 2009-2011

Uwe provided a wealth of information and insights into the European market. Exposure to such information provided through our European colleagues offers ICDPA Members a unique opportunity to learn directly about present and emerging issues in play in such a complex and sophisticated market – learnings that may be directly considered and possibly applied to the Australian market.

Uwe has recently successfully received his PhD from the University of Flensburg in Germany. ICDPA congratulates Uwe on the award of his doctorate.

### OTHER ICDPA RESEARCH: ICDPA WEBMETRICS RESULTS

In March, April and May, ICDPA released the results of its longitudinal studies that map the performance of Australian vehicle manufacturers', importers' and national sales companies' websites (*Australian Automotive Website Rankings: Report XI*), dealers (*Australian Franchised Dealer Website Rankings: Report III*) and Australian motorcycle manufacturers', importers' and national sales companies' websites (*Australian Motorcycle Website Rankings: Report III*).

The key objective of the studies is two-fold:

- To use a co-ordinated set of website measurements to aggregate data on the technical and quantitative nature of Australian-based industry websites; and
- To assess how websites interlink with existing and potential customer relations issues such as fulfilment, product and service research, customer information needs, service and support, and customer value.

#### Australian Automotive Website Rankings (released March 2010)

This report was the 11th in the series. Peugeot remained at number one in the rankings. The most significant change to the Top 10 was the re-ordering of Renault and Alfa Romeo, and Mazda and Mitsubishi. Improvements to architecture and presentation have been continually made to most of the top 10 websites over the course of this ICDPA study.

Overall across the sample, most websites continue to perform satisfactorily. Since the last reporting period, only four websites recorded reduced scores, while 11 recorded improved scores. Areas in which websites continued to perform well included:

- High levels of product descriptions;
- Limited use of pop-up web pages and launching of additional windows;
- Standard levels of product configuration-enabled applications; and

Top 10	Website	Score
<b>1</b>	Peugeot	73.3
<b>2</b>	Ford	69.9
<b>3</b>	Toyota	66.9
<b>4</b>	GM Holden	61.6
<b>5</b>	Citroen	60.6
<b>6</b>	Renault	60.4
<b>7</b>	Alfa Romeo	60.2
<b>8</b>	Subaru	59.8
<b>9</b>	Mazda	59.6
<b>10</b>	Mitsubishi	59.0

- uniform branding and appearance across multiple web pages.

#### Australian Franchised Dealer Website Rankings (released April 2010)

This was the third report reviewing the performance of a select sample of Australian franchised dealer websites. In December 2007, ICDPA released the report *Dealer Websites: The Weakest Link or Unrealised Opportunity?* That paper was the forerunner of this longitudinal study. The first in the series of ranking reports was published in April 2008; the second in April 2009.

In the 2010 report, Northside Nissan was the leading website across the sample. The Top 10 saw the entry of CMI Toyota's and John Hughes' websites.

The group average score for all websites reviewed in this period was 40.9, a marginal improvement on 40.4 in the previous report. Across the sample, most websites provided basic functionality, however performance and standards could be substantially improved.

<b>: Top10</b>	<b>Website</b>	<b>Score</b>
<b>1</b>	Northside Nissan	54.7
<b>2</b>	Worthington	51.7
<b>3</b>	Stillwell	50.9
<b>4</b>	CMI Toyota	50.2
<b>5</b>	Motorama	49.7
<b>6</b>	Jarvis Group	49.6
<b>7</b>	Trinity Auto	49.2
<b>8</b>	Alto Group	49.0
<b>9</b>	Performance Automobiles	47.8
<b>10</b>	John Hughes	47.3

As per the previous study in 2009, the two main areas in which sampled websites were deficient were again the provision of "customer value" information and purchase services, and website functionality architecture. Across the sample, there were problems with:

- The lack of uniform branding and appearance across multiple web pages;
- Limited general information search and equally limited advanced search facilities;
- Limited information about dealer operations, including contact details, website links and hours of operation;
- Limited information about product warranties;
- Limited product comparisons across brand models;
- Low levels of product descriptions;
- The low offering of decision support functionality and product recommendations; and
- Poor display of multiple consumer contact points (e.g. telephone, email, web link), including sales and servicing.

#### Australian Motorcycle Website Rankings (released May 2010)

This report was the third in the series reviewing the performance of the Australian motorcycle sector's internet presence. The websites are owned and operated by national sales companies, importers and distributors of motorcycles in the Australian market.

Husaberg was again the leading website across the sample. The key change to the Top 10 was the entry of Select Scoota, which recorded a significant 5 per cent improvement in its overall score.

Across the sample, most websites provided basic functionality. However, performance and standards could be substantially improved.

<b>Top 10</b>	<b>Website</b>	<b>Score</b>
<b>1</b>	Husaberg	54.0
<b>2</b>	Harley Davidson	52.3
<b>3</b>	Kawasaki	51.3
<b>4</b>	KTM	49.7
<b>5</b>	Yamaha	48.8
<b>6</b>	Select Scoota	48.3
<b>7</b>	Suzuki	48.2
<b>8</b>	Honda	47.2
<b>9</b>	Piaggio	46.8
<b>10</b>	BMW	46.6

For example, problems continued to exist with many, websites such as:

- Broken links or web pages not working;
- Limited general information search and equally limited advanced search facilities;
- Limited information about dealer operations, including contact details, website links and hours of operation;
- Limited information about product warranties;
- Low levels of product descriptions;
- Poor display of multiple consumer contact points (e.g. telephone, email, weblink) especially for dealers (both for sales and for servicing);
- Poor standard levels of product configuration-enabled applications; and
- Lack of uniform branding and appearance across multiple web pages.

Over all three report series, ICDPA has consistently found that businesses do not typically invest in electronic marketing on a regular, long-term basis. For the most part, investment is undertaken on an ad hoc basis and appears to be only directly linked to the return of an immediate profit. However, what is required is a long-term perspective on electronic marketing, its return to the business (in terms of financials and maximizing customer value), plus a declared commitment to the investment in relevant staff (ideally internal staff) and, importantly, training of key staff right across the retail business.

For further information on how ICDPA can assist your business in this critical area, please contact ICDPA.

## OTHER ICDPA ACTIVITIES

### Review of the Motor Vehicle Insurance and Repair Industry Code of Conduct

In late 2009, ICDPA was commissioned to undertake the Review of the Motor Vehicle Insurance and Repair Industry Code of Conduct. The Review was conducted in December 2009 and January 2010.

The review was undertaken to assess the performance of the code - particularly whether it was operating in accordance with its preamble and principles, and whether the parties to the code were meeting their obligations to it.

ICDPA is familiar with this sector of the automotive industry, having completed a report titled "*Crash or Crash Through: a Comparison of the Australian & European Body Repair Sectors*" in 2008. The report reviewing the code was publicly released in February 2010 and is available at [www.abrcode.com.au](http://www.abrcode.com.au)

### Automotive Industry Skills Reports

In 2009, ICDPA prepared two reports on behalf of (now defunct) Automotive Training Australia.

The first was the *Australian Automotive Industry Environmental Scan*. It was prepared to inform government of the range of strategic and tactical processes that will affect workforce skills practice across the automotive sector and, in particular, skills and specialised trade occupations. The scan also provided an assessment of the relevant training packages and their satisfaction of present and future industry needs. In particular, the scan addressed the present and future industry development issues of a range of automotive industry sectors and after-market trade specialisations.

The second report was *The Review of the AUR05 Automotive Industry Retail, Service & Repair Training Package* (Scoping Report). The report highlighted a number of the emerging and developing skill requirements forecast to be needed across the retail automotive industry sectors and trade specialisations, which must be considered in light of the AUR05 Automotive Retail, Service and Repair (RS&R) Training Package. The report was developed by accessing a range of public and private industry

information and data, including information gathered from interviews/discussions with industry practitioners, training providers and suppliers. For copies of these reports, please contact ICDPA.

### **ICDPA: GREEN DEALER**

In 2007, ICDPA launched Lean Dealer™. The initiative provided ICDPA Members with a cultural change programme designed to help dealership principals and staff understand and implement a comprehensive range of lean principles. Lean Dealer™ provides dealers with improved profit opportunities, customer satisfaction and staff involvement.

Recently, ICDPA developed a second programme for dealers wanting to be at the forefront of sustainable retailing. This change programme is known as Green Dealer. Dealers undertaking the Green Dealer programme will be given the opportunity to build a sustainable competitive advantage over their competitors. The programme will:

- Develop a “green” culture within the dealership;
- Provide dealership staff with a range of ideas, concepts and initiatives that will allow them to operate in a green and sustainable manner;
- Enable dealers to promote their green and sustainable credentials; and
- Deliver dealers quantifiable ROI and cost savings.

Funding subsidies for dealers adopting this programme in Victoria can be secured via Carbon Down (from VECCI and Sustainability Victoria). Please contact ICDPA for further details.

### **About ICDPA**

ICDPA is a unique automotive industry research organisation that was established in Australia in 1998.

ICDPA is “unique” in that its research work is funded by the contributions of Member companies, who share exclusive access to the research and associated findings.

ICDPA operates with its own research staff and works collaboratively with leading Australian universities to increase and distribute leading analysis and thinking across the membership group.

ICDPA’s mission is to promote thought leadership and innovation across the retail automotive industry in Australia. The research undertaken is conducted through leading research methodologies and is independent.

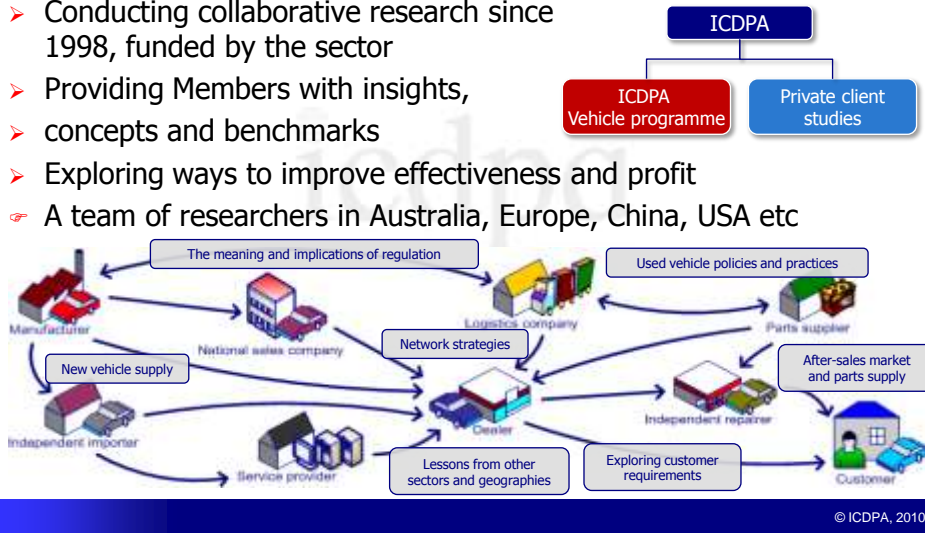
ICDPA’s activities are underpinned by:

- An Australia-wide membership structure incorporating more than 20 corporations (vehicle and motorcycle manufacturers, importers, distributors and national sales companies, dealer groups, motor vehicle finance and insurance houses, logistics providers, accounting and legal service providers, and ICT suppliers);
- Cross-disciplinary teams of leading academics working alongside industry-based thought leaders on research projects;
- A team of in-house research analysts and a suite of research methodologies, that can be customised to individual Member needs.

## ICDPA

### Thought leadership in automotive distribution

- Conducting collaborative research since 1998, funded by the sector
- Providing Members with insights, concepts and benchmarks
- Exploring ways to improve effectiveness and profit
- A team of researchers in Australia, Europe, China, USA etc



For more information about ICDPA, please contact:



#### For further information, contact:

<b>Graeme Addison</b>	0412 364 833	(61+03) 9822 5354 email: <a href="mailto:graeme@icdp.net">graeme@icdp.net</a>
<b>Darryl Cleave</b>	0412 254 106	email: <a href="mailto:darryl@icdp.net">darryl@icdp.net</a>
<b>Roberto Colanzi</b>	0412 288 800	email: <a href="mailto:roberto@icdp.net">roberto@icdp.net</a>
<b>Jeannette Harlock</b>	0412 467 047	email: <a href="mailto:jeannette@icdp.net">jeannette@icdp.net</a>
<b>ICDP website: <a href="http://www.icdp.net">www.icdp.net</a></b>		

#### ***Automotive research and strategic advice***

*The ICDPA is a collaborative programme researching all aspects of car distribution, including the supply and retailing of new and used cars, after sales, network structures and operations. It is funded by participants from car makers, dealers, car industry suppliers, representative bodies and governments. ICDPA does not represent any of its Members or their individual policy views.*