

## **ICDPA RESEARCH: 2009**

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### ***1. Understanding customers' requirements from the system***

#### ***'What customers want'***

Understanding what customers value in terms of their automotive retail purchasing and servicing experience is fundamentally important to manufacturers, importers and retailers. Providing too little in the retail experience leaves customers feeling dissatisfied with their interface with the retailer; while providing too much in the way of facility design and provision may leave many customers wondering 'how much they are paying for the retail facility'. Ensuring that the retail space is 'just right' is critical to meet customer expectations and delivering an acceptable return on investment. This research will complement the detailed research undertaken by ICDP Europe and presented to ICDPA Members in November 2008.

### ***Australian Automotive Website Rankings***

ICDPA will continue to prepare a six monthly appraisal of the Australian automotive sector's internet presence as it relates to manufacturers and importers. ICDPA has prepared this analysis for the past four years and as such has developed a detailed understanding of how websites focus on providing detailed information offers to automotive consumers.

### ***Australian Motorcycle Website Rankings***

ICDPA will undertake its second annual study of the internet performance and architecture of websites operated by motorcycle manufacturers and importers.

### ***Franchised Dealer Website Rankings***

ICDPA will review franchised dealer e-marketing strategies by preparing an analysis of leading franchised dealer internet websites. This report will be the second occasion it has been undertaken.

### ***Service Dominant Logic***

ICDPA has facilitated leading research based on a relatively new management and marketing methodology called Service-Dominant (S-D) Logic. The theory suggests that there is greater value to be generated from shifting from goods or products based 'logic', where production of goods is the key determinant, to a heightened concentration on 'service', in other words service-dominant logic. A key element of this approach is reviewing and understanding a firm's activities and behaviours. The research has introduced S-D logic and S-D strategic orientation to ICDPA Members; developed a diagnostic tool enabling business customers to evaluate a firm's degree of S-D practice; and measure the impact of the S-D orientation on organisational performance (such as ROI and ROA; and non-financial outcomes, e.g. customer satisfaction, and loyalty).

## ***2. Updating the dealer model***

### ***Dealer Value Drivers***

The importance of retail operations delivering a profit is a primary concern for dealers. Following on from this, the ROI for the retail outlet is the next metric most often measured. The logical extension is to consider what contributes to overall shareholder value of the retail enterprise and in turn what are the staff behaviours necessary in the dealership which will drive this key metric. ICDPA will outline what contributes to high levels of dealership performance and how this can be enhanced.

### ***CarMax & other case studies***

ICDPA and ICDP Europe are continually seeking to identify and examine leading automotive retailers to better understand their business models and what drives their business. One example is CarMax, a leading used vehicle retailer in the United States. CarMax is an example of a successful used vehicle retailer. The report analyses its operations and provides useful insights. In addition, ICDPA will provide Members with other relevant case studies from other markets on vehicle sales and after sales topics from time to time.

### ***Dealer service capacity***

Over the last decade, the industry has witnessed considerable fluctuations in all manufacturers' and NSCs' market shares in the Australian marketplace. In the near future, market share and market dominance of a number of manufactures and NSCs will be affected by the introduction of a number of alternative vehicle propulsion systems e.g. electric and hybrid vehicles. This will possibly lead to significant changes in the service capacity, requirements and operational structure of many automotive retail operations. This research will leverage off the work undertaken by ICDP Europe looking at the readiness and capacity of Australian automotive retailers to cope with the forecast demands for warranty and service capacity in coming years based on a range of different assumptions and drivers.

### ***Dealer margins***

This topic is close to all dealers' hearts. This analysis will look at the many components which comprise dealer margins and assess their effectiveness and appropriateness in these times.

### ***Dealer standards***

Dealer standards have increased dramatically in the last decade. Both facility and operating standards required by most brands have led to dealers significantly increasing their investment in physical retail operations. This research will look at the effectiveness and appropriateness of dealer standards especially in the light of what customers are seeking from their retail experience.

## ***3. Evolving distribution channels***

### ***The Car in 2020***

In 2008, ICDPA provided a range of scenarios suggesting what the world may look like in 2020. A number of major themes were derived from these scenarios and these themes were considered from the perspective of automotive retail operators. This work will be updated in 2009 based on a number of recent economic, technological and market developments.

### ***Used vehicles***

ICDPA will undertake further research into the structure and the key dynamics operating in the used vehicle market. In particular, the research will focus on leading strategies for franchised dealers in the used vehicle sector, including branding and cost management controls. The research will also review developments with independent used vehicle operators, and examine the continued growth of the private-to-private market.

### ***Dealer groups***

In 2007, Andrew Tongue of ICDP Europe presented an analysis of the major Dealer Groups in Europe. The analysis covered the top 50 Dealer Groups assessed by market share, brand portfolio, regional diversification and level of (brand/product) specialisation, their financial performance; and an appraisal of the relative benefits of scale. In 2008, ICDPA provided an outline of its initial research findings into the Australian market. ICDPA will complete the research into the Australian market in 2009.

## ***Sustainability in automotive retailing***

Consumers are placing considerable emphasis on environmental and sustainability issues. ICDPA will again address the issue of sustainable automotive retail footprints. This research will address best-practice concepts for automotive retail operations (including facility considerations and employee attitudes) while being fully cognizant of current and future building design and planning for environmental and sustainability best practice.

### ***Green Dealer***

In 2007 ICDPA launched Lean Dealer™. The initiative provided ICDPA Members with a dealership cultural change programme designed to enable dealer principals and staff to 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 with respect to their competitors.

The programme:

- develops a 'green' culture within their dealership,
- provides dealership staff with a range of ideas, concepts and initiatives which will allow them to operate in a green and sustainable manner,
- enables dealers to promote their green and sustainable credentials, and
- delivers dealers quantifiable ROI and cost savings.

## ***4. Living with the cycle of regulation***

### ***Legal issues***

Each year ICDPA undertakes a review of contemporary and emerging legal issues impacting on the Australian retail automotive industry. This review has proven very popular with ICDPA Members, providing a topical 'heads-up' on developing areas concerning business management, compliance and risk.

### ***Evolution of the Block Exemption***

ICDP Europe is continually monitoring the European Block Exemption for its impact on the retail automotive sector. ICDPA will continue to provide its Members with the latest interpretation of this important legislation and the likely impact and flow-on effects to the Australian automotive market.

### ***Congestion***

ICDPA have been at the forefront of research into vehicle congestion issues in Australia. Specific areas of analysis have included congestion taxes, community-based short-term hire vehicle programmes, and the economic costs of congestion. As vehicle congestion is becoming ever more evident as an economic constraint, ICDPA will continue to provide research for Members on this topic.

## **Change & opportunity**

With the average age of vehicles in the Australian car parc now 10 years old it is worthwhile considering why this is the case, and how can the Australian automotive industry work to reduce the age of the parc and at the same time significantly rebuild new vehicle volumes. In order to achieve this, the industry needs to consider a number of factors – the economic outlook; spending patterns and affordability; population and work trends; and community attitudes. ICDPA will analyze these factors and provide Members with possible strategies to reduce the average car parc age and thereby increase sales volumes.

*In addition to all of the above topics, ICDPA will continue to provide Members with timely research and insights into other topics as they arise and develop through the course of 2009.*

*We will again host ICDP colleagues from our associate programmes. These meetings will provide Members with current insights into the automotive industry in other markets.*

### **The following organizations have contributed to ICDPA's research programme over 2007 – 2009**

- ADP Dealer Services
- ADP Employment Services
- A P Eagers
- AutoNexus
- Automotive Training Aust.
- BDO Kendalls
- Dealer Solutions
- DJ Motors
- Esanda
- Harley-Davidson
- Holden
- Honda
- Hornsby Auto Group
- Inchcape
- Mazda
- MinterEllison
- Mitsubishi
- Motorama Group
- Northern China German Auto
- Peugeot
- Pickering Group
- Porsche
- PrixCar
- Saab
- Swann Insurance
- Toyota
- Urban Science
- Unipart
- Yamaha

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