

# Synovate Customer Experience Case Study

## Motor Industry Accelerates the Pursuit of Loyalty



synovate  
Customer Experience

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## Challenge

Democratisation has brought with it an economic boom inviting new affordable entrants into the South African Motor Industry. In addition, the rise of the middle class and the new demography has meant that established manufacturers have had to deal with fierce competition while learning the new rules of the game. Combine this with near-parity in service and product quality and the need arises for a key differentiator to ensure Loyalty.

## Response

Synovate defined those aspects of the entire Ownership experience that are the key drivers of loyalty and quantified the impact of each of these. Together with the clients, Synovate worked through the results to ensure that the strategic findings elicited a new approach to managing Loyalty.

## Outcomes

The findings included new insights on the role of the manufacturer - dealer partnership in building customer loyalty, on the role of emotional motivations on customer behaviours, and a new loyalty profiling to aid understanding of the market.

**What must be done when giving your customers everything they've ever wanted is still not making them Loyal?**

The South African motor industry is almost a microcosm of what is happening in the rest of the world. Many of the manufacturers use it as a testing ground for new ideas around vehicles, but also to test new processes. In terms of measuring customer satisfaction, the South African motor manufacturers have often led the charge, innovating and trying new ways of measuring satisfaction in this relatively controlled environment.

Enter globalization. Enter new brands. Enter large scale diversification of models. Combine this with an emerging middle class freed from apartheid and democracy's impact on economic growth. Result? 11 brands in 1995 became almost 50 brands in 2006. 444 models in 1995 became almost 1500 in 2007. The total market grew from 360 000 in 1995 to almost 600 000 projected for 2006. The vision after 2010 is over a million units per annum.

A slight dampener on this extremely positive outlook was the fact that customer satisfaction levels among the top five manufacturers, while having improved dramatically over the past ten years, were now at a level of parity. Decimals separated the top five manufacturers.

Faced with all this change, certain issues arose:

- What would happen to these satisfaction ratings given the impending volume increases?
- Were manufacturers and dealers equipped to deal with the volume increases?
- Were the existing customer satisfaction metrics measuring the right issues for the new breed of customer?
- What makes passionately loyal customers for life different from satisfied customers?
- How could they find the passionately loyal customers for life?
- What could they do to create more of these passionately loyal customers for life?



measurement in the motor industry. This satisfaction measurement has evolved over the years to include quality and even value, but ultimately the focus has remained on the rational part of the customers' behaviour. As an outcome of this, most dealer and manufacturer action has focused on the rational side of managing customer interactions.

However, if the goal is Loyalty, Synovate Customer Experience stressed that emotional engagement was a critical component. Furthermore, the branded experience needed measuring. Measuring the branded experience would reveal to the manufacturers whether their brand essence promise was being delivered, at each interaction that the customer had with the brand.

This posed a new challenge for the measurement. Until now the measurements had focused separately on the purchasing, servicing and vehicle quality experiences. *Now the need arose to measure the ownership experience in its entirety.* This also called for the most sophisticated type of statistical

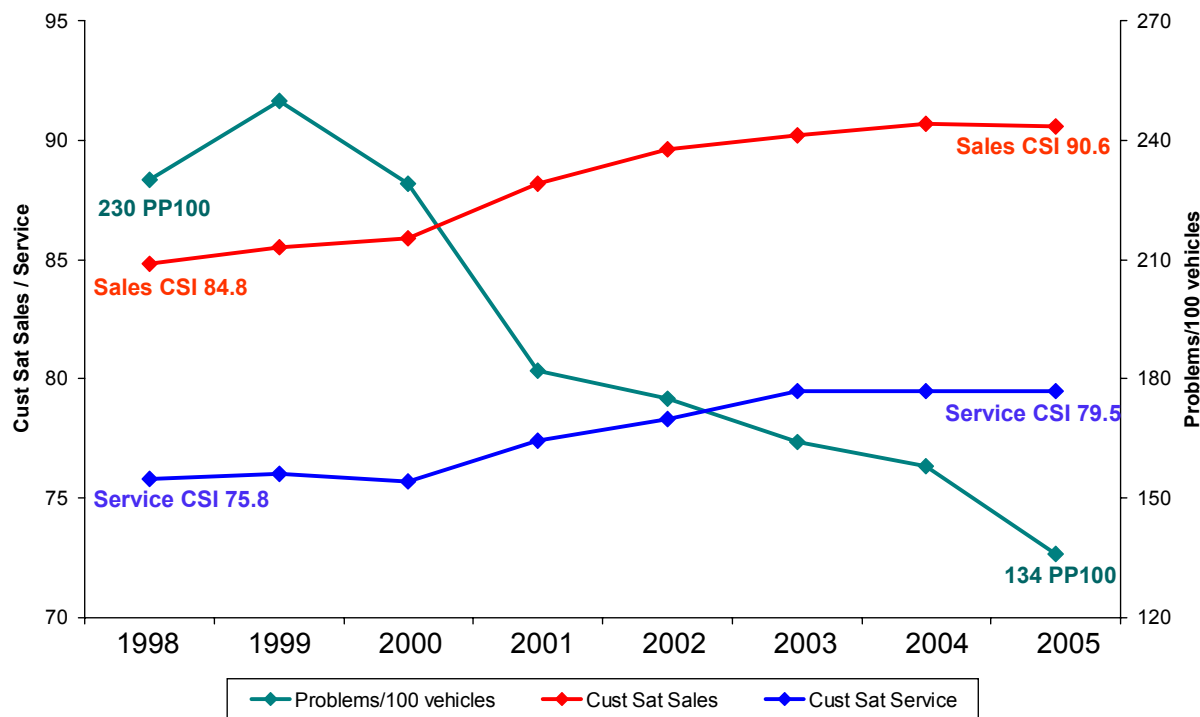
### So How Could They Get the Tattoo on the Customer's Arm?

Synovate partnered with two motor manufacturers in a pilot survey to answer these questions.

### Passionately Loyal Customers for Life

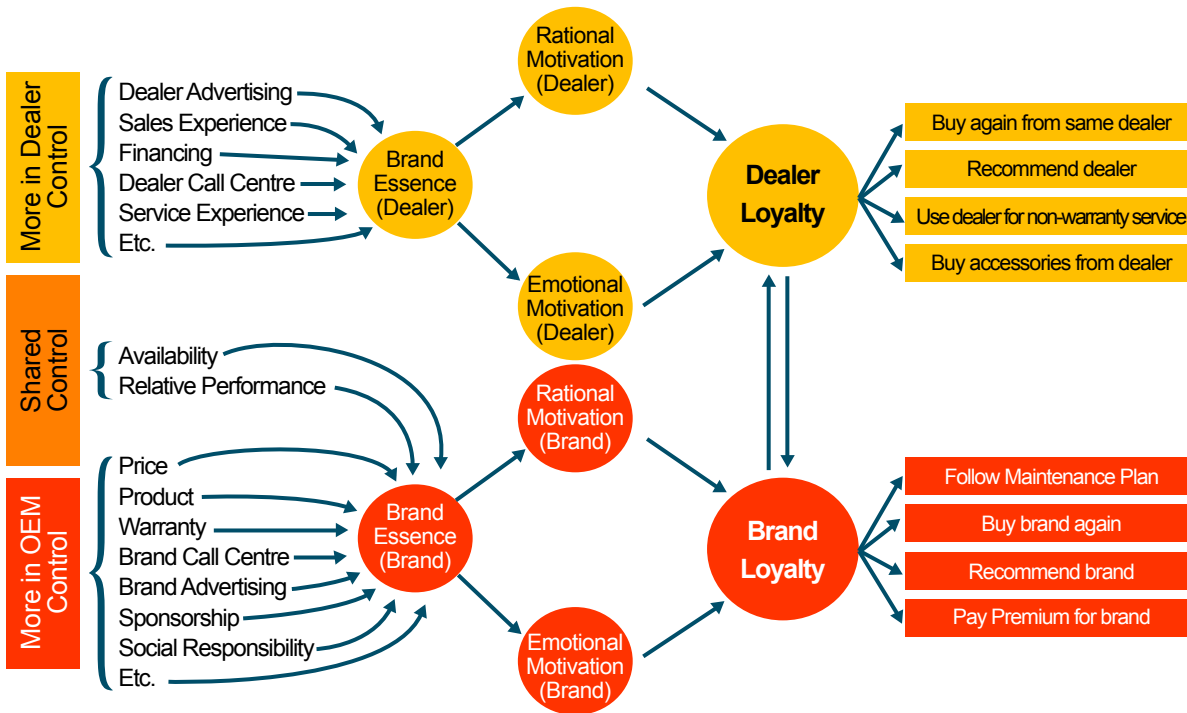
Since the early seventies, customer satisfaction has been a focal point of

### Dramatic Improvements in Service and Quality Levels



Source: © Synovate Quality Awards 2005

## Understanding Automotive Loyalty



analysis, able to look at the ownership experience in its entirety and to point out the key areas that would drive loyalty. Structural Equation Modelling allows this statistical analysis of the relative impacts of all the touchpoints simultaneously. It also enables the identification of the direct and indirect pathways that affect loyalty, and the role and weight of rational and emotional motivations. Understanding how and why a touchpoint drives loyalty would enable the manufacturers and dealers to design the touchpoint experience to ‘push the right buttons’ in the customers’ motivations.

Synovate CE theorized a model to explain the ownership experience in driving loyalty. *This model sought to understand the nature of the partnership that exists in the motor industry between the manufacturer and the dealership. What and how much does each contribute to the overall satisfaction with the ownership experience?*

At both dealer and manufacturer level, the model theorized that loyalty is driven by emotional and rational motivation. These in turn are driven by the brand essence, the images, personality and feelings that

the brand stands for. Every interaction that the customer has with the dealer, his vehicle and the manufacturer throughout the ownership of his new vehicle, becomes a touchpoint and each of these touchpoints, has the opportunity to directly affect the brand essence and the motivations that drive loyalty.

### Going to the Customers

Following 22 focus groups, approximately 1700 customers were interviewed at length to understand their ownership experience. The advanced statistics that were applied offered new insight but also validated some long held beliefs.

### So What Does Loyalty Mean For A Manufacturer And A Dealer?

Synovate’s first recommendation to the motor manufacturers was to evolve the outcome measures from satisfaction to relevant customer loyalty behaviours.

The survey explored loyalty in great detail and redefined loyalty in terms of those actions that would result directly in financial return for the manufacturer or dealer. The usual suspects made their appearance

Synovate Customer Experience defines loyalty as a behavioural predisposition on the part of the customer to respond favorably toward the brand/company consistently and across situations. Loyalty results in customer behaviours that typically fall into one of four categories:

- measures of retention such as willingness to buy again, continue using, seek out the brand, request the brand, tolerate some mistakes, give “last look”, avoid competitors;
- measures of expansion: willingness to expand the types of services they typically receive, buy more often, give larger “share of wallet”, buy additional products/services, pay a price premium;
- measures of compliance: provide information to the company, attend to advertising, learn customer role, self-serve, comply with requests, accept advice; and
- measures of advocacy: tendency to recommend the brand, support public positions.

including repurchase and recommendation, but in addition there was the opportunity to sell more in to a single household. The opportunity to sell more than just the vehicle itself also presented itself e.g. accessories, financing. Exploring the role of financing highlighted a new dimension.

In many instances, customers who had used the manufacturer’s own finance house were more critical of non-financing related dealer issues. These customers were also less likely to remain loyal.

Similarly customers with more than one of the same brand in their household were often less likely to remain loyal. What emerged seemed to be a mindset of entitlement.

Customers who are extremely loyal and use more than one dealer’s or manufacturer’s products and services expect more. They expect recognition. They expect appreciation and thanks. This has important implications for sharing the information that a manufacturer and a dealership have about each customer. How can they thank the customer for his loyalty if they do not know he is driving his third car of the same brand?

#### Is The Dealer:Manufacturer Reliance 50:50?

The results were not consistent for each manufacturer therefore validating the impact that the brand and dealer have on each other. For the industry as a whole, dealer loyalty was a driver of manufacturer loyalty. In fact, dealer loyalty while not as

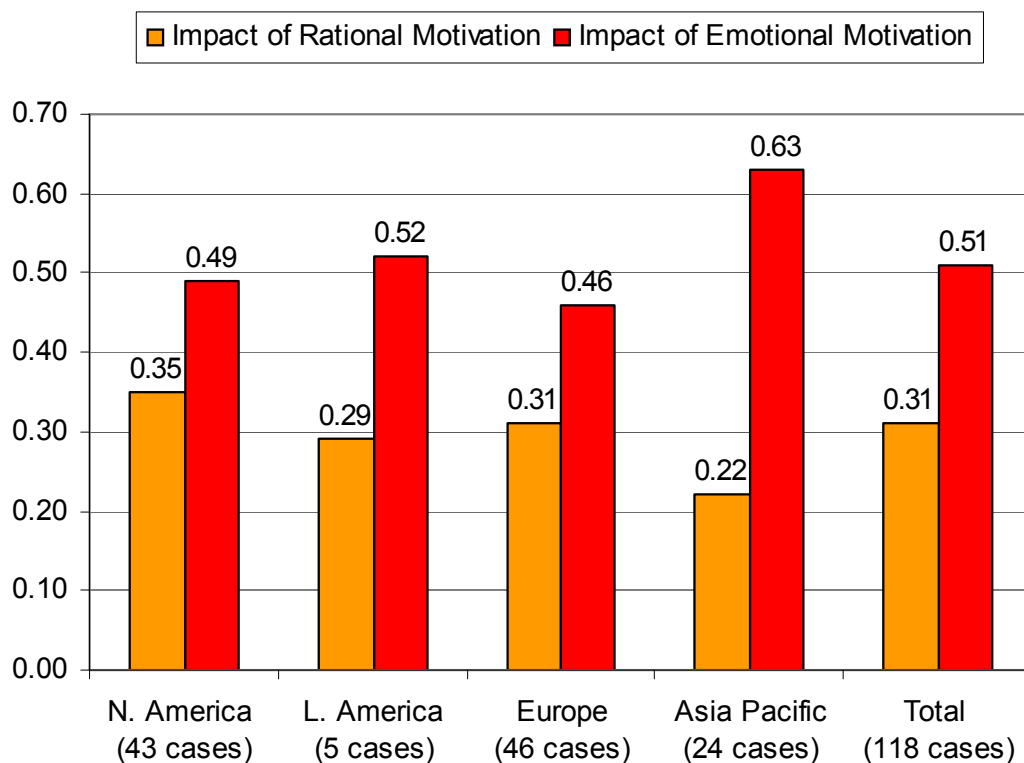
crucial as the emotional connection drove manufacturer loyalty as much as rational motivation did. Very seldom was brand loyalty a driver of dealer loyalty, highlighting the options available to the customer to switch dealers within the franchised dealer network.

*This connection between manufacturer loyalty and dealer loyalty, this dependence of the manufacturer on dealer loyalty, highlights the need for a partnership approach to loyalty.* The manufacturers should aid the dealers in their efforts to build relationships with customers. This aid can be financial but is also about training dealers to engage with customers at a level beyond purely rational.

While the customer engagement at the dealership is handled as purely rational, the dealership is offering a commodity which can be easily purchased elsewhere in the franchised dealer network. As soon as the relationship kicks in, the emotional connection is established and dealer loyalty can result. The reward for the dealer is short term client retention for servicing, parts purchasing and increased new vehicle sales for repurchase or household sales. The reward for the brand is brand engagement and brand retention as reflected in brand advocacy and brand repurchase.

#### If You’re Not Measuring the Emotional Connection, You’re Missing the Point

The emotional motivation hypothesized in the model was really all about the extent to which the customer could identify with and



relate to the values of the dealer/brand, the extent to which he felt he could trust the brand/dealer and whether he felt that there is a connection between him and the dealer/brand. The rational motivation focused on the value for money perception created and the overall satisfaction of the customer.

Synovate Customer Experience had hard evidence based on research across the globe that in almost all cases, the emotional motivation is at least one and a half times as important as the rational motivation.

What would this be in the motor industry in a developing market like South Africa? As expected the role of emotions in driving manufacturer loyalty came out as the primary driver. What was surprising was how critical emotions are in driving Dealer Loyalty. *The emotional connection that the dealer is able to create surfaced as up to eight times more important than the rational issues!*

**If You Can't Stand the Heat, Stay Out Of the Kitchen**

The research conducted reviewed four different brands. These did not behave

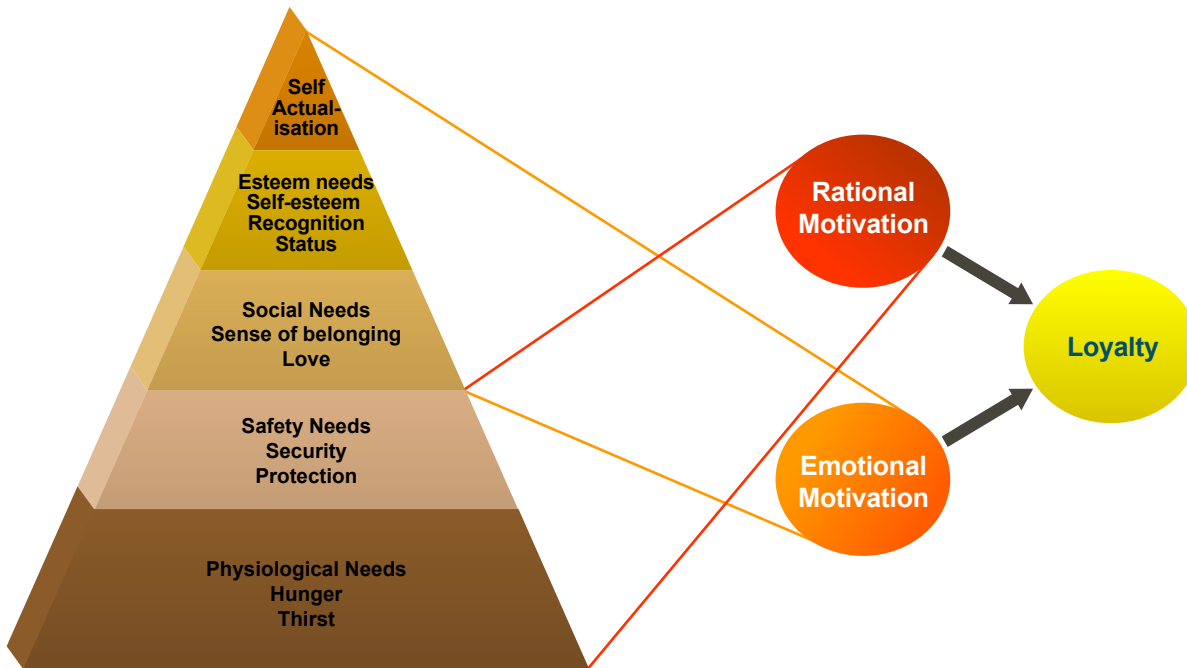
consistently in terms of the relative importance of emotional versus rational motivation, in driving loyalty.

For certain manufacturers, where the rational issues and process touchpoints received poorer ratings, this emotional connection had less of an impact. Plainly stated, if a dealer cannot get the basics right, he should not try to engage the customer emotionally.

This seems to confirm again what Maslow's hierarchy of needs teaches: Until the basic needs have been met, those needs described as driving the more rational motivation, the higher level, more emotive needs cannot be satisfied.

In the motor industry there are some good examples of how these higher needs are being met e.g. BMW advanced drivers' course and the 4x4 driving courses offered by certain dealers are ways of addressing the self esteem needs, while the social needs are met through Clubs and Family Fun Days, held by certain dealers and manufacturers.

## General Connection Between the Maslow Needs Hierarchy and the Loyalty Model



The fact that for the South African motor industry as a whole, the emotional motivation was higher than ever seen before could also be as a result of the research being conducted in a developing market. In developing markets, purchases seem to be based on status and gut feel, because education levels are generally lower and the conspicuous consumption of brand names still earns social recognition.

Knowing that the emotional connection was all important, the next step was to identify how to affect those emotions. Which of the touchpoints had the greatest bearing on the emotional motivation and what was the impact of the brand's essence i.e. what the brand stood for?

### The Brand Essence

A lot of energy in the motor industry is spent on the brand. What does the mother brand stand for? What does each model stand for? Do these images fit together and reinforce each other? The survey validated these brand building efforts. The brand essence of the manufacturer has a very high impact on the emotional motivation indeed. For certain brands e.g. where the resale value is high, the brand essence was seen to drive the

rational motivation directly too. For certain of the other brands with image problems, the brand essence was directly driving the manufacturer's loyalty. In other words as the image of the manufacturer improved, so would loyalty.

And at dealer level? Does the dealership have its own brand essence?

The survey highlighted that the dealer creates a brand for himself through the dealership's appearance, but most importantly through the relationship that the dealer's staff have with customers. Dealers can be described as caring, innovative, trustworthy, and making the customers feel appreciated, valued and special. But how should they ideally be described to tie in with the manufacturer's brand essence – is the manufacturer's promise to the customer being reinforced by the dealership? Of all the manufacturers researched, Synovate CE only found one manufacturer where the brand essence of the manufacturer was reinforced by the dealers. *This cohesiveness also resulted in the dealer loyalty having a driving impact on the manufacturer's loyalty.* In other words, the loyalty to the dealer was a

positive contributor to the loyalty to the manufacturer.

The research also clearly identified what the dealer should stand for to drive even further the emotional connection with the client. *The so-called 'soft issues' were highlighted very clearly as key drivers for dealer and manufacturer loyalty.*

### The Way to Build the Emotional Connection Is Through the Relationship

The survey delved deeply into the purchasing experience, the servicing experience, the dealer communications, the manufacturer communications, the vehicle itself – every interaction that the customer has in the ownership period.

Hard tactical issues that require immediate attention, like waitlist management, salesperson training and ownership of customer problems also surfaced.

However, the over-riding issue for dealer loyalty emerged as the relationship that the dealer builds with his customers. *While reliable process and quality issues are fundamental; the relationship could be seen as the saviour of all.* System failures could be managed through a good customer relationship. If the

relationship exists, customers are prepared to comply. They will go back to the dealer before approaching the manufacturer; they will not bad mouth a dealer before giving him the opportunity to rectify the problem, but the dealer needs to be there for them. The dealer needs to take ownership of the problem for the customer.

The true meaning of the relationship and the expectations from such a relationship were fully explored in the survey to provide definitive guidelines on what the customer wants.

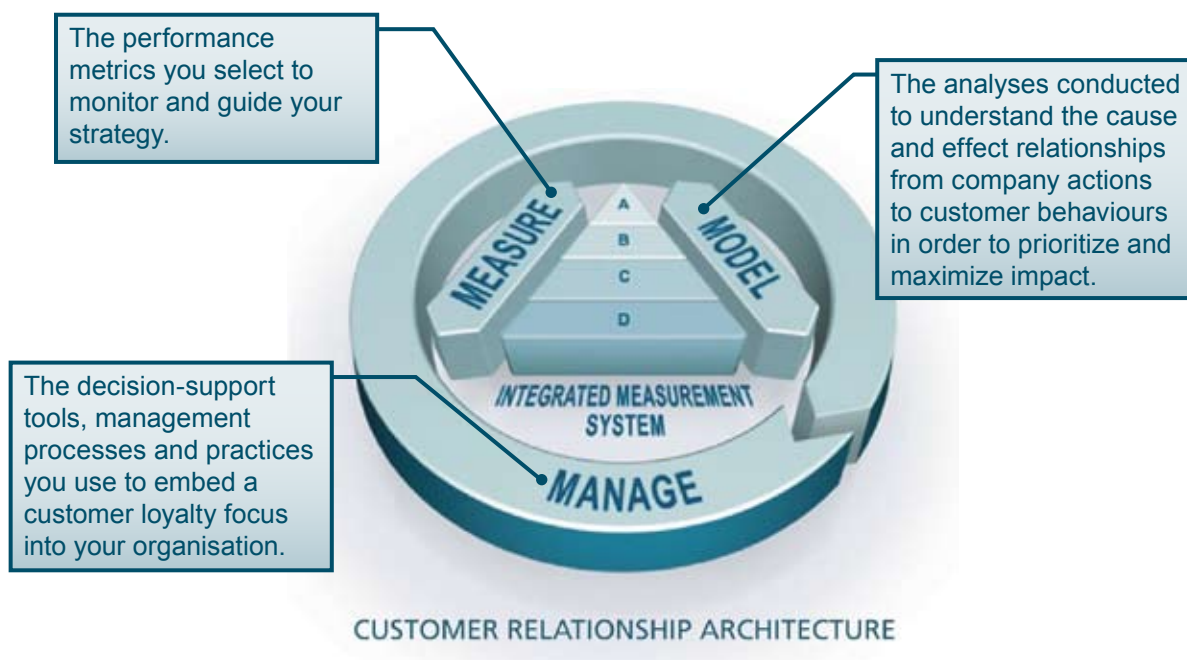
A person who is Compassionate:

1. Is responsive to queries
2. Offers the personal touch
3. Shows an interest in you
4. Takes care of your vehicle
5. Gives you the option to have your old parts returned/shown
6. Maintains the confidentiality of your personal information

### You Can Never Please All of the People All of the Time

What emerged quite clearly was that certain customers are loyal by nature. They remain loyal simply to avoid risk. Having these customers can create a false sense of security

## The Measure-Model-Manage Framework for Building Customer Loyalty



in a dynamic market. These traditionalists are, quite literally, a dying breed. With Generation X, comes the desire to switch easily and try everything. For new entrants to the market this is an opportunity, but for established brands with more traditional drivers and more traditional values, this poses a huge threat.

The inexperienced buyer in this growing market also appeared to have unique requirements that needed to be met to ensure that his trust was gained by the dealership. This buyer feels threatened and is desperate for a trustworthy 'friend' in the motor industry. The dealer could seize this opportunity to gain that position for life.

### The Measure-Model-Manage Framework for Building Customer Loyalty

Synovate Customer Experience applied the most sophisticated modelling to this business challenge. However, the research was not conducted in isolation. The research formed part of a framework for implementation: the Measure-Model Manage framework.

This meant that the actions arising from the results were thoroughly workshopped and integrated into the pilot manufacturers' business, before, during and after the research.

The Manage component of the engagement revolved around ensuring buy-in to the research from the manufacturer's own staff and also from the dealer network. In addition, while the project was happening, 'teaser workshops' were held with dealers to prepare them for the change in focus required from satisfaction to loyalty. After the information was available, the focus shifted to exploring the results in great depth and 'thinking out of the box' to ensure appropriate solutions to the key strategic issues.

### Key Business Questions Answered

The depth of the research, the sophistication of the modeling and the practical 'workshopping' of the results meant that the following key business questions were

answered by Synovate Customer Experience:

- What does Loyalty mean in the Automotive context?
- Does emotional motivation drive Loyalty? By how much?
- How important is emotional motivation relative to rational motivation in driving Loyalty?
- What should the brand positioning be to maximise the emotional connection to the brand?
- What should the brand positioning be to maximise the emotional connection to the dealer?
- Which touchpoints drive the emotional connection for the brand?
- Which touchpoints drive the emotional connection for the dealer?
- How do we get dealer ownership of the relationship?
- How should we build process around the emotional connection at dealer level?-
- How does a Large Metropolitan dealership build that relationship with each customer in high volume markets?
- Who holds the relationship after the sale? The salesperson/ the service advisor?
- How can we get the servicing experience to matter in the long run?
- How does a manufacturer address market expansion into new, less loyal customer profiles?
- How does a dealer quickly identify the inexperienced customer?
- How do we build this knowledge into training, people, processes, leadership and strategy?

### Modifying the Ongoing Tracking Measures

Like all motor manufacturers, the pilot clients have ongoing satisfaction tracking measures in place. The survey was undertaken with a view to ensuring that these remained relevant and maintain the focus on the areas that would optimize the financial returns for the manufacturers and the dealers through loyalty.

Having identified that the emotional issues are paramount, the ongoing tracking research also needed to shift its focus to match the change in strategy.

The challenge here is the fact that not all manufacturers and not all dealers are ready. A key finding was that the dealers have to deliver on the basics before they embark on higher level emotional engagement. Dealer size naturally plays a role here as smaller dealers are able to build a relationship with the customer and in so doing overcome process inefficiencies that they may have. However, the bulk of the customers are serviced by high volume, metropolitan dealers where time is precious and process is built to handle these volumes. These then are the dealers to focus on but only once they have fundamental customer satisfaction in place.

Indeed, the manufacturers know “what gets measured gets managed”. The ongoing research needs to reflect all this and the ideal survey will be:

- Strategy-focused by:
  - Measuring the key drivers for emotional motivation
  - Assessing the branded experience
- Action-oriented:
  - Customized by dealer to accommodate the dealer’s evolution from managing satisfaction to managing loyalty
  - Short surveys directly addressing only the key drivers to maintain focus and high return on investment
- A tool for dealers and the manufacturer to share ownership and responsibility for customer loyalty to the dealer and to the manufacturer brand

A tall order, but one that Synovate is happy to embrace with its clients!

**Synovate Customer Experience** is a global thought leader in customer loyalty and employee commitment, performance tracking, mystery shopping, footfall and shopper behaviour analysis, automated collection of customer feedback, and customer experience management consulting. Our Experience Management (ExM) solutions and services cover all touchpoints to evaluate the total sum of all customer interactions, allowing clients to develop more profitable relationships with customers. **For more information, visit [www.synovate.com/ce](http://www.synovate.com/ce)**

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