

# **Building Brand Loyalty by Improving the Customer Experience**



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“Loyalty is not a fad, it’s becoming an important part of every manufacturer’s growth strategy and is providing the treatment and results that consumers are becoming accustomed to.”

- Karen Piurkowski, director of loyalty,  
R. L. Polk & Co.

## THE NEED FOR CUSTOMER AND VEHICLE RELATIONSHIP MANAGEMENT IN THE AUTOMOTIVE INDUSTRY

Businesses succeed when processes and technologies are well aligned and integrated. In the automotive industry, many benefits have been achieved by recent efforts to streamline the supply side of the business. Now, demand is emerging as the next area of focus for improvement.

Considering that a mere one percent increase in customer loyalty can translate to lifetime revenue in the billions of dollars (U.S.) and that profits from servicing, repair, and sales of second-hand vehicles are far greater than those from new vehicle sales, improving the customer experience and gaining the ability to track both customers and vehicles throughout their lifecycle clearly is a significant industry opportunity.

To ensure consistent and high quality customer experiences, the best approach is for the original equipment manufacturer (OEM) to implement customer relationship management (CRM) systems that support customer interactions and vehicle tracking.

Oracle Corporation, a leader in CRM systems and associated wireless technology, provides complete, unique, and proven technology solutions that can help vehicle manufacturers transform to more customer-focused, highly integrated, and dynamic sense-and-respond (pull) processes and systems.

## AUTOMOTIVE CUSTOMER LOYALTY TODAY

“Ever-sophisticated customers have access to multiple alternatives for products and services, driving expectations higher, and customer loyalty to become more fickle.”

-META Group, *Integration: Critical Issues for Implementation of CRM Solutions*,  
February 15, 2001

Business wisdom suggests that it costs more to win a customer than it does to keep a customer. Regardless of size or industry, the business that is best at retaining customers will benefit from lower marketing costs, greater brand value, reduced customer sensitivity to price, and improved financial results.

In the automotive industry, global consolidation, flat-to-depressed vehicle demand, declining loyalty, and overcapacity issues are leading to fierce competition that is resulting in lower prices and eroding profit margins. Automotive manufacturers are scrambling to offer more features at lower costs and coupling them with the most attractive financing options offered to consumers in years.

“Manufacturers have painted themselves into a very expensive corner with zero-percent financing. Whoever is able to hold on the longest will certainly gain market share, but at a cost that may make them wish no one ever thought up interest-free financing in the first place.”

- Chris Denove, partner and senior director, Automotive Research, J.D. Power and Associates

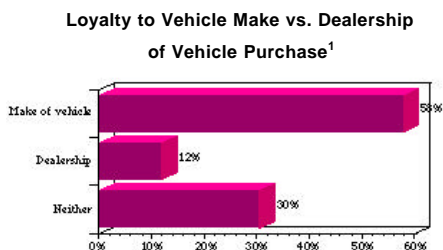
Likewise, consumers are better informed than ever before and in a much more powerful negotiating position. Furthermore, they’ve become accustomed to quick results and individualized attention, thanks in part to the immediacy the internet has provoked in other industries.

However, the automotive industry, accustomed to addressing customer expectations with a response that calls for meeting average rather than specific customer demand, finds itself unable to respond adequately to raised customer expectations and individual demands. To fill the gap between what customers want and what has actually been produced, OEMs hold a large supply of vehicles in inventory—to give the customer a so-called choice of make, color, and options packages—and rely on ever more costly sales incentives to help boost demand.

OEMs have begun to address demand issues by using technology to vigorously rationalize supply side processes and drive out inefficiencies. While these initiatives promise cost savings and faster response to the individual customer, they fail to address the entire customer lifecycle ownership experience. To foster brand loyalty, vehicle manufacturers must now work to improve the customer experience by adopting state-of-the-art, proven (CRM) systems and processes.

### THE NEED FOR INTEGRATED INFORMATION

In a Dohring Company National Automotive Consumer Study, “(57.8 percent) [of respondents] said that they are more loyal to a certain make of vehicle than to a dealership, while only one in ten (11.8 percent) said they were more loyal to a dealership than to a make of vehicle”.<sup>1</sup> Clearly, auto consumers primarily associate their purchases with the automotive manufacturer rather than the particular dealer that they purchase from. Yet a poor dealer experience can have significant negative impact on brand perception.



To satisfy today’s information-hungry consumer, it is essential that OEMs and dealers use internet-based channels to paint a compelling image that leaves the consumer yearning to take a test drive. Besides providing a ubiquitously available source of information to curious prospects, the Web could provide OEMs and dealers with key insights about consumer preference that ultimately result in potential leads, more appealing products, better targeted incentives, and shorter sales cycles.

Likewise, when a consumer is preparing to order a new vehicle, it is vital that the OEM provide the ability to configure a vehicle online, generate an accurate delivery date, and potentially suggest alternative features or vehicles. The dealer must then be able to track the order and manage fulfillment through a highly flexible and efficient order management system that connects OEMs, distributors, dealers, and the final customer. And the quest to maintain loyalty does not end

<sup>1</sup> <http://www.dohring.com/studies/96auto/s96aloy.html>

"Complete e-business integration is not achieved in a month or even a year; it is an iterative and continuous process. One thing is clear—companies cannot afford to wait any longer to bring about enterprise integration. Whether an organization decides to make sweeping changes to its infrastructure, or to rein in its operations and applications step-by-step, integration must begin now...The fruits of this effort include increased customer satisfaction, customer retention, revenues, market credibility, operational efficiency, and competitive speed."

-META Group, *Integration: Critical Issues for Implementation of CRM Solutions*, February 15, 2001

there—integrating information throughout the customer and vehicle lifecycle is an essential component of any loyalty initiative.

However, at the original dealer point of sale and going right through service and maintenance and on to the time when the customer is ready to renew a lease or purchase a new vehicle, information that could influence customer and brand loyalty lies hidden among the information systems of the many parties that make up the automotive consumer lifecycle chain, including OEMs, distributors, dealers, and the often distinct sales and service departments managed by the dealer.

For example, if a car is serviced by a dealer unfamiliar with the car or the customer, a fresh set of vehicle and customer details will be created, potentially inconveniencing the customer and creating the possibility for inconsistent data, so that a single customer might end up looking like multiple customers to the dealer network, distributor, and OEM.

In addition, pinpointing a problem with the vehicle could take longer since the mechanic has no idea of the vehicle's history—further inconveniencing the customer and costing the service organization more to offer the customer its services. Similarly, dealers lose out by competing with other dealers offering the same brand instead of competing solely with dealers offering rival brands.

The lack of customer information fed back to the OEM is a significant opportunity lost with regard to product planning within the OEM. Much of today's data is derived from what customers actually buy. If the OEM does not offer what customers want, it is difficult for the OEM to pick up on the fact that it is missing something the customer wants. Customer preferences would be much better understood with a more direct channel between the OEM and the consumer.

By better capturing and analyzing the needs and value of current and potential customers and streamlining the activities of the supply chain accordingly, OEMs will create more accurate forecasts, reduce buffer inventories, and improve their ability to offer the right vehicle at the right time to the right, or most profitable, customer.

### **The Impact of Telematics on the Customer Experience**

The rapid rise of internet-based technologies, such as telematics, will soon establish an entirely new and very powerful channel for instantaneous communications with customers. Telematics represents an enormous opportunity for OEMs to maintain their relationship with a customer beyond the initial vehicle sale and throughout the entire ownership experience, providing many chances to reinforce brand loyalty.

However, the trend toward telematics adoption truly amplifies the need for systems that help store and manage consistent, thorough customer details. The

telematics and navigation service providers, concierge, accident management service provider, and many others, will require complete, accurate customer and vehicle information. But if information systems are deployed disconnected, these entities and their disparate systems pose the potential for further proliferation of inaccurate or incomplete customer and vehicle information. For example, a customer might receive sales and marketing material from several sources that will be unaware of other campaigns within the automotive community of interest that makes up a brand, a possible source of annoyance and inconvenience that will do little to reinforce brand loyalty.

### **Vehicle Relationship Management**

CRM principles can also be applied to vehicles, a concept that is being referred to as Vehicle Relationship Management (VRM).

VRM works in conjunction with CRM to create an understanding of individual vehicles throughout their lifecycles. In addition to benefiting consumers of second-hand cars with more reliable and trustworthy information, the greater depth of information gives dealers a powerful tool for managing pricing in one of the more profitable sectors of the industry.

Telediagnosics provides a powerful incentive for OEMs to encourage their dealers to use VRM systems. As electronics within vehicles become increasingly more sophisticated, the diagnostics available from vehicle systems will provide a wealth of status information. Such information can be analyzed to enable predictions of failures, as opposed to simply reporting “hard” failures, representing a powerful reference for product research and development and OEM negotiations with component manufacturers.

Furthermore, the information presents OEMs and dealers more opportunities to engage customers with offers related to preventative or scheduled maintenance. When customers follow through with such just-in-time servicing, the end result is more regular service revenue to the dealer, a better maintained vehicle, and a better customer ownership experience—which ultimately raises the overall level of customer satisfaction and brand loyalty.

The wealth of data collected regarding the performance of components and systems within the car can be analyzed to detect trends that indicate component or design failures. Today, many of these problems take a long time to be resolved, resulting in many vehicles being built with the problem and possibly necessitating a significant recall. Telediagnosics capabilities to enable more rapid detection of problems will make significant inroads into this warranty issue—and the resulting brand benefits and financial impact of improving today’s situation should not be underestimated.

To enable these benefits requires telematics systems that can store, process, and transmit requests seamlessly between the vehicle and the service network.

“Telematics, which will begin to appear on a mass scale in vehicles in about 2003, will create a new source of customer input for the supply chain and a valuable link back to the customer. Already, at the end of 1999, some 5.5 million cars in Japan were equipped with navigation systems—a number that is expected to increase to 42 million by 2015, according to Japan’s Ministry of Posts and Telecommunications.”

Deloitte Research, *Automotive Digital Loyalty Networks*, 2001

## **THE ROLE OF TECHNOLOGY IN IMPROVING AUTOMOTIVE CRM AND VRM**

To achieve the ultimate goal of tracking customers and vehicles throughout their lifecycles, OEMs must adopt technology that will increase the visibility of customer and vehicle information among all the links in the demand chain. Timely and accurate information is required from every level of the automotive value chain to create ubiquitous information sharing among dealers, importers, OEMs, suppliers, and customers.

Once there is consistent, actionable customer data it will be possible to more fully understand the customer as an individual. For the OEM this represents an opportunity to aim products and services in a targeted manner to create more-profitable and well-received campaigns that are better coordinated with distributors and dealers for execution.

With integrated, functionally complete CRM and VRM systems in place, product development will also be in a position to properly understand customer preferences. Merged with robust Web-based CRM techniques—proven successful in other industries—a new world of opportunity is opening up for the automotive industry to develop better brand management techniques based on more and closer interactions with customers.

### **Critical Capabilities for Successful Automotive CRM and VRM**

To successfully employ CRM and VRM strategies to boost customer loyalty and maximize profitability in the downstream areas of service, maintenance, repair, and second-hand sales, automakers need to adopt technology solutions that are complete—able to support every function or business process within the customer lifecycle—capable of presenting information in real time to all customer related parties, and built on a common underlying architecture so that the ability to share information among applications is native to the software.

Critical capabilities for successful CRM and VRM will allow automotive manufacturers to:

- Manage multiple channels of communication. Capture customer interaction that may occur via face-to-face contact, internet portal, e-mail, and call center, among others.
- Provide a unified view of the customer across the entire value chain. Improve the quality and efficiency of each customer interaction. For example, common customer queries might eventually be handled via self-service applications.
- Analyze information to improve marketing campaign management strategies, research and development capabilities, and customer segmentation strategies.

## **ORACLE CRM: COMPREHENSIVE, INTEGRATED**

To successfully make the transition from mass-market to individualized consumer attention requires a seamless integration of state-of-the-art, value-added business processes to successfully capture, analyze, and enable action based upon individual customer information.

The Oracle CRM solution leverages the architecture of the Oracle E-Business Suite—the first and only comprehensive set of applications able to work with a single global database. As a result, you can connect and automate the entire flow of business processes across your organization. This gives you the foundation for complete and consolidated information, such as sales positions, inventory levels, and revenue across all lines of business, products, and geographies.

### **Unified Data, Unified Strategy**

Oracle E-Business Suite's complete integration starts with the foundation of a single, unified data model that consolidates data from Oracle and non-Oracle applications and provides a consistent enterprise-wide definition of customers, suppliers, partners, product, and employees.

Every application in Oracle E-Business Suite can run in one global instance of a single database. All the applications work together and share the same information. And because the business intelligence capabilities and the data sit in the same system, you will not have to wait for information to pass through a separate data aggregation and analysis system (data warehouse.) As a result, data becomes information that you can more quickly act upon.

Everyone—worldwide—is able to access the same data at the same time. Your executives get daily business intelligence that reveals the state of your business every day, relative to past, present, and projected performance metrics. Your business gets better information at the right time, and at a lower cost.

## **ORACLE CUSTOMER AND VEHICLE RELATIONSHIP MANAGEMENT**

Oracle customer and vehicle relationship management applications are part of the Oracle E-Business Suite. The fully integrated applications deliver comprehensive capabilities for Marketing, E-Commerce, Incentive Management, Interaction Center, Service and Telematics and are engineered to help effectively manage the facts about your customers.

### **Oracle Marketing**

Oracle Marketing enables OEMs and dealers to better align and launch more profitable marketing campaigns. Specifically, Oracle Marketing automates the entire marketing process, from campaign planning, budget management, customer segmentation, and list creation to e-marketing, multichannel execution, and analysis. It is a key component in Oracle CRM's support for the complete campaign-to-order business flow.

**“More than one in five consumers would buy via an OEM website, and 13 percent would buy through an independent internet site.”**

**Cap Gemini Ernst and Young, Cars Online 2002 Global Consumer Survey**

### **Oracle E-Commerce Applications**

The internet has clearly changed the nature of automotive retail. Building brand awareness and influencing purchase decisions involves more than just flashy commercials and offering test-drives. It means supporting an ever-present image around vehicle platforms that offer compelling reasons to purchase, online configuration, competitive differentiation, and appealing finance options for the most discriminating and information-hungry buyer. Oracle E-Commerce helps businesses build, develop, manage, and personalize powerful and scalable internet storefronts. Oracle E-Commerce increases order accuracy, makes shopping more efficient, offers self-service access to critical information, and integrates contract functionality with online store operations. Likewise, by leveraging the power of Oracle Configurator, automotive enterprises can offer options based on customer preferences that are validated against a sophisticated set of rules. By providing the ability to handle the most complicated product configurations, Oracle Configurator further enables unassisted guided-selling that results in a superior overall customer experience.

### **Oracle Incentive Management**

Oracle provides a solution to handle incentive-management processes within an OEM and to integrate them with its dealer network, as well as with planning, execution, and financial systems. Oracle supports the entire consumer vehicle-promotion lifecycle from planning and execution to monitoring and assessment. Oracle Trade Management, Oracle Advanced Pricing, Oracle Configurator, and Oracle Business Intelligence provide all the functions needed for the OEM incentive-management process. You can draft and evaluate tentative promotional plans for their financial impact. Consumers and/or dealers can configure their vehicle of preference with the incentive and pricing rules applied at the model or feature/option level to influence buyer behavior. Most importantly, Oracle solutions help you monitor and summarize incentive-program performance to refine future programs.

### **Oracle Interaction Center**

OEMs and dealers have many opportunities to personalize their interaction with their customers. Beyond utilizing the Web and offering well-targeted incentives, OEMs and dealers can improve their existing customer relationships by offering the type of service often associated with a trusted advisor. Oracle Interaction Center is a multichannel, multimedia marketing, selling, and service offering. It transforms contact centers into key company wide resources to build better customer relationships and reduce costs, risks, and complexities while retaining profitable customers and attracting new ones.

## **Oracle Service Applications**

Preempting hard failures and with regular maintenance is essential to ensuring positive vehicle ownership experience. As a result, it behooves service centers to take a more active role managing maintenance for their valued customers. Oracle Service manages service activities that maximize customer satisfaction and company profitability. Service applications address all service and support activities from initial contact with the customer to final issue resolution. Management, tracking, analysis, and reporting capabilities work together to provide long-term programs to ensure customer loyalty.

## **Telematics**

Telematics services, such as telediagnosics and personal productivity tools, require data storage and access that is local to the car, along with application provisioning. Oracle provides vital software components for use within a telematics control unit inside vehicles.

Telematics related data requires synchronization with a back-end server. The data storage, access, synchronization, and application provisioning are performed using Oracle9iLite, part of the Oracle9i Application Server (9iAS).

The telematics back-end server uses a combination of standard Oracle products. These comprise Oracle9iAS Wireless to handle wireless transmission and data format transformations, Oracle Portal for driver and dealer access, Oracle Spatial for geo-coding and related information, and the Oracle9i Database with real application clustering (RAC) and the Oracle trading community architecture (TCA) to provide the foundation of a single data model.

## **Oracle Trading Community Architecture**

Oracle's unique architecture provides the critical platform to enable excellence in CRM and VRM. This architecture can electronically capture and reflect the relationships that exist between drivers, their family, and the many organizations that deal with them. The information held within this single data model can be hosted to all customer contact points, a capability that is vital to maintaining a consistently excellent customer experience. Furthermore, Oracle's CRM applications are built on top of the single data model so they automatically inherit customer relationships, allowing this information to remain accurate and pervasive. VRM is achieved by defining the vehicle in the architecture in a similar manner to the way drivers are defined. Similar to driver information, Oracle's CRM applications then inherit the vehicle information, thus making the potential of VRM a reality.

**"Delphi Automotive Systems estimates the electronic content on vehicles will increase from 22 percent currently to 40 percent within ten years."**

**Deloitte Research, *Automotive Digital Loyalty Networks*, 2001**

## **CONCLUSION**

Vehicle ownership requires a significant proportion of many people's disposable income. Ironically, the expected consumer satisfaction resulting from the experience of purchasing and owning a vehicle is not proportionate to the expenditure made.

Declining loyalty, additional customer contact complexity due to the introduction of telematics, and legislated structural changes in the value chain—such as those occurring in Europe—all indicate that sooner rather than later is the time for automotive manufacturers to adopt systems and applications that will dramatically change the way they interact with customers and vehicles throughout the entire lifecycle.

Employing advanced CRM technology, in conjunction with telematics, to help assist automotive customers in a knowledgeable and consistent manner will result in measurable improvements in levels of customer loyalty and industry profitability. Add to this a significant improvement in warranty performance and the sum of these benefits becomes extremely compelling.

The software infrastructure required to enhance the vehicle customer's purchase and ownership experience must come from a software partner capable of offering databases, wireless application servers, and applications which are suitable for hosting. This infrastructure must be highly available as a basis to provide exceptional levels of service.

Oracle offers a highly integrated infrastructure uniquely suited to customer and vehicle information gathering and dissemination. In addition Oracle provides applications with thorough capabilities for CRM and VRM, completely integrated across front and back office functionality to ensure unmatched connectivity among manufacturers, distributors, dealers, and consumers—greatly improving brand management and enhancing the customer experience.

### **The Next Step**

To discover how Oracle Corporation, the world's leading supplier of enterprise technology and applications software, can improve your customer relationship management, visit [www.oracle.com/industries/automotive](http://www.oracle.com/industries/automotive) or contact your local Oracle representative.



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January 2003

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