



HARTWELL plc

Strategic Planning for the After Sales Department

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The Market

This report's aim is to provide you with a focused reasoning about some crucial points of the possible future evolution of Hartwell's market and management policies.

The last five years have been featured by the worst market crisis in fifty years. For the first time the crisis has struck more deeply service providers than manufacturers, this principally due to the excessive growth of the services' sector in the last twenty years.

New car sales fall dramatically, with obvious effects on the average age of the car park. Scrapage rates decline made the size of the car park to grow despite fewer new car sales.

To further enlarge the crisis effects on new car sales, a series of demographic developments helped the shifting towards nearly new and used cars' market.

Obviously the market contraction has provoked many changes in the retail motor industry. Consumers have been aware of the real value of the products and services they usually purchase as never before. Consequently manufacturers and dealers had to modify their internal organisation to improve quality both in products and in services.

Now the economic situation is getting better and the organisations which managed to survive the crisis are on a turning point. They basically have two choices: continue to shift towards more customer oriented procedures in a long term view, or manage to earn the more it is possible on the wave of the good economic situation of the country.

Due to the continuous increase in competitiveness in the retail motor market, the second choice is surely the easiest one but the more dangerous in a long term view.

An Analysis of the Situation

The market survey conducted by *mfi* (Market Facts & Business Informations) clearly shows that customers are particularly concerned with quality issues and are quite dissatisfied with the service's level commonly offered.

The 57% of the sample identifies a primary element in money back guarantees against service or repair work incorrectly carried out. This shows the widespread lack of confidence in technicians' work among consumers.

The problem is confirmed by an extensive research carried out in a two years period by the Shell Gemini Centres, which shows that the key factors in this market are: Honesty, time keeping, accurate estimates, confidence in the mechanic's ability.

The quality demand could be a potential advantage for Hartwell because of the company's direct contact with the manufacturers. In fact, customers usually regard this link as a quality guarantee.

Unfortunately Fast Fit chains and independent garages are perfectly aware of this dealerships' advantage and are managing to minimize it by negotiating agreements with oil companies (Shell, Esso, etc.) and car owners' associations (AA, RAC, etc.).

Moreover currently a great number of companies in the retail motor industry is trying to create bigger networks in order to achieve scale economies.

Another Hartwell's advantage is the continuous technologic improvement of cars, which should provide a barrier for independent garages to share the market, especially in the 1-5 years old car segment. The manufacturer's general trend to extend guarantee period up to 3 years is a further step in this direction.

The extended guarantee period is an important help to dealerships because it will probably allow them to retain more customers.

The increased reliability of cars and the shifting towards longer intervals between services are other important factors to be considered.

Linked to the higher quality of the manufacturers' production, these improvements will provoke an ulterior contraction of the market and will have an even greater impact on the average age and size of the car park.

On the contrary, the likely introduction of a stricter MOT testing regime will probably help to maintain the market on acceptable levels.

In future Hartwell's After Sales Department will deal with older and older cars, and this could be a problem because of the dealerships' image among customers. It will be difficult to change this image into a more price competitive one to attract consumers in other segments of the market.

Considering the results of the enquiry carried out in Oxford, I think it is possible to achieve more penetration in the younger car owners' and motorist women's markets.

The *mfbi* survey clearly shows that the more important factor to achieve a good penetration in the older car market is price competition, under the form of discounts for regular customers.

The penetration of a wider market is probably vital to Hartwell and it will imply going beyond strong cultural barriers towards a more sensitive customer satisfaction policy.

The Strategy

The Achievements

- 1) Implementation of more effective customer satisfaction policies;
- 2) Targeting new market segments;
- 3) Increased customer retention.

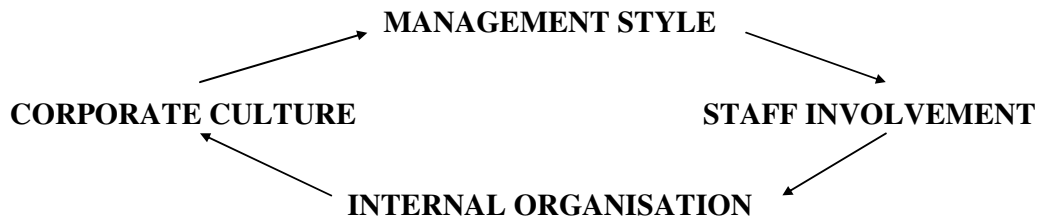
These goals are closely linked each other and I have considered them separately only to explain them in a clearer way.

To achieve these objects will be necessary to implement marketing related procedures and organisational modifications.

The organisational changes are definitely more difficult to perform, because they modify the most deep cultural background of the company. The marketing related measures regard the creation of a complete action plan which will require the substantial help of all the dealerships.

The Organisation

The transformations in the organisation are based on four key concepts:



As I said in the enquiry, the current Hartwell's management style is a control oriented one.

To maintain control on your organisation is of course an essential thing, but you will never know if your action results in a more efficient organisation or in more efficient control misleading procedures.

To achieve the best efficiency level there is only one thing which can be done: to distribute more decisional power and to link it to tangible rewards for best performances.

Hartwell is slowly moving towards these procedures, but the way is still long and full of difficulties, because of a natural personnel's passive resistance.

The staff involvement is a big step forward, but it is not all. In fact you need to improve the effectiveness of both roles and interactions. In other words you need to redesign your process in the more logical way to get the maximum service level **from the customer point of view**.

The only way to achieve such a result is to enter materially the process and to analyse carefully its points of strength and weakness as a customer would do.

Once having considered the existing organisation, it is necessary to determine with clear lines of definition: tasks required, when, where and by whom they are to be performed. The second step is to group activities linked by very strong interactions to overcome problems of communication and logistics. The final step is to set a measurement instrument, which will control the process and correct it when necessary to improve the performance.

This process applied to Hartwell will imply some specific adjustments whose importance has been analysed in the enquiry report. Here I have summarized the most important ones:

Advanced booking of parts

- Diagnostic workshop/technician
- New reception procedures (recording parts needed)
- Parts staff checking parts availability before the service/repair

New Figures

- Works Advancement Adviser
 - From product management to process management

- Advanced computerised data

Measure and Feed Back of the Process

- Automatic record of late finishing services/repairs (guarantee against failures)
- Final signature and comments of the customers on Job Sheet/Receipt

The control/correction device could be provided by introducing a money-back guarantee against service or repair work incorrectly carried out, as it is suggested in the *mfb* survey.

This step is probably risky, but it will force the organisation to be more deeply involved in his failures, trying constantly to avoid them (should it only not to attract the top management attention on some particular procedures or persons).

The guarantee would be only an intermediate step to involve personnel in the process. Moreover it would give to customers the idea of dealing with an organisation whose level of efficiency is definitely superior to the competitors' one.

These innovations are designed to allow Hartwell to offer in the future a range of flexible services, which will include: monthly budget plans, while you wait servicing, etc.

The cultural changings necessary to reach such results are quite radical, as I have already underlined in the enquiry. They basically imply the shifting of the customer from "outside" the process to "inside". The purchaser satisfaction will have to be considered a step of the process and not its follow up.

The most successful organisations at satisfying and retaining customers are those which develop "relationships" with consumers which are based on trust, to the point that clients find it totally unnecessary to consider alternative products or supplier.

This will be a natural consequence of the "involvement policy" and will result in a increasing management's attitude to spread power among staff.

This is the most difficult thing to achieve, but organisations already using this method prove it to be extremely more productive than any other management technique. This is the European way to the Japanese "kaizen".

The Marketing Plan

The penetration of new markets will be achieved only by implementing a new marketing brand after sales programme. In fact, relying almost exclusively on manufacturers' plans is quite dangerous, because it could mean losing personnel's skills you already have in the organisation.

The failure to develop a proper customer led programme will probably result in further manufacturers dominance and a continued erosion of profitability too.

The plan should be studied very carefully, basing it on a recent market research (it could be done quite easily comparing the customer databases of Sales and After Sales Departments). If the two directories are very slightly different, then you have to address your efforts towards new targets. If the two lists are quite different it means that Hartwell is not covering its potential market or is attracting car owners from other dealerships.

It will be definitely interesting to know why this happens (if it is really happening).

After having checked the potential (very likely) existence of new markets to penetrate (consider for example motorist women, or young car owners, or used car owners), the subsequent step would be to study the right strategy to attract these potential customers.

These targeted consumers will probably have older car than the average Hartwell's Customer, and they will be frequent utilisers of services. We need the organisation to create a stable and long lasting connection with them and pay attention very carefully to maintaining it. In fact to gain a new customer is up to five times more expensive than to retain an old one.

I think the key factors in this research for new market targets will be:

- 1) Price Competition (under the form of discounts for regular customers)**
- 2) Flexible Services**
- 3) More Aggressive National Communication Policy**

The price competition is essential to the success of the marketing plan. In fact, the 40% of the used car *mfbi* sample chose price as a key factor (45% of 3-5 years old car owners).

Price is of course important, but other ways to retain more customers could be accomplished by introducing flexible service packages. The more viable plans should in particular include: while you wait and fixed price menu servicing, monthly budgeting service programmes and longer opening hours (47% of company car owners).

Full while you wait servicing is a futuristic anticipation, but the way opened by Fast Fit has to be enlarged to other service (and repair) occasions. This outcome will probably require big investments and it has to be considered carefully.

The monthly budgeting of services is probably the more interesting innovation, because it could be used to impress customers with apparent discounts due to longer time intervals in servicing which are allowed by modern cars. The most important thing is that it would not imply great investments and it will help to retain customers more easily at least for one year, but more realistically for several years.

The guarantee against incorrect service/repair combined with these packages will be the tomorrow's battle field for the entire after sales market. If Hartwell is not going to implement these innovations some others will do.

Data base marketing techniques are another important thing which could be used currently without great expenses.

Data base techniques are already utilised in other companies such as Halfords whose service department is contacting customers to remind them of next due service or MOT test. This could be done very easily even without implementing any other organisational changing.

A more aggressive national advertising would be complementary to the successful implementation of the plan. The campaign should emphasize the new services and the advantages offered in relation to the weaknesses of the competitors.



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The promotion policy could be a very fast way to increase Hartwell's attractiveness, but it will have to be compatible to the serious image the group already have on the market. This step has to be cautiously taken because you do not need to change the positioning of the company's services but only to increase their visibility to new potential customers. It is important to reach a bigger audience with messages about the new after sales brand programme as soon as it is possible, because some competitors are already doing it.

The implementation of such a programme will certainly require a Marketing Manager to work permanently and full time on it. My last suggestion is to restore this figure in the org chart of the Head Office, because Hartwell can not loose the opportunity to increase its market share in this moment of economic growth.

Moreover you will increasingly need to carry out extensive market researches on your own, and it would cost more to have them done outside the organisation than inside (not considering the confidentiality of the matter). Marketing is a very powerful instrument but it has to be used properly and continuously otherwise it could damage the company's business.