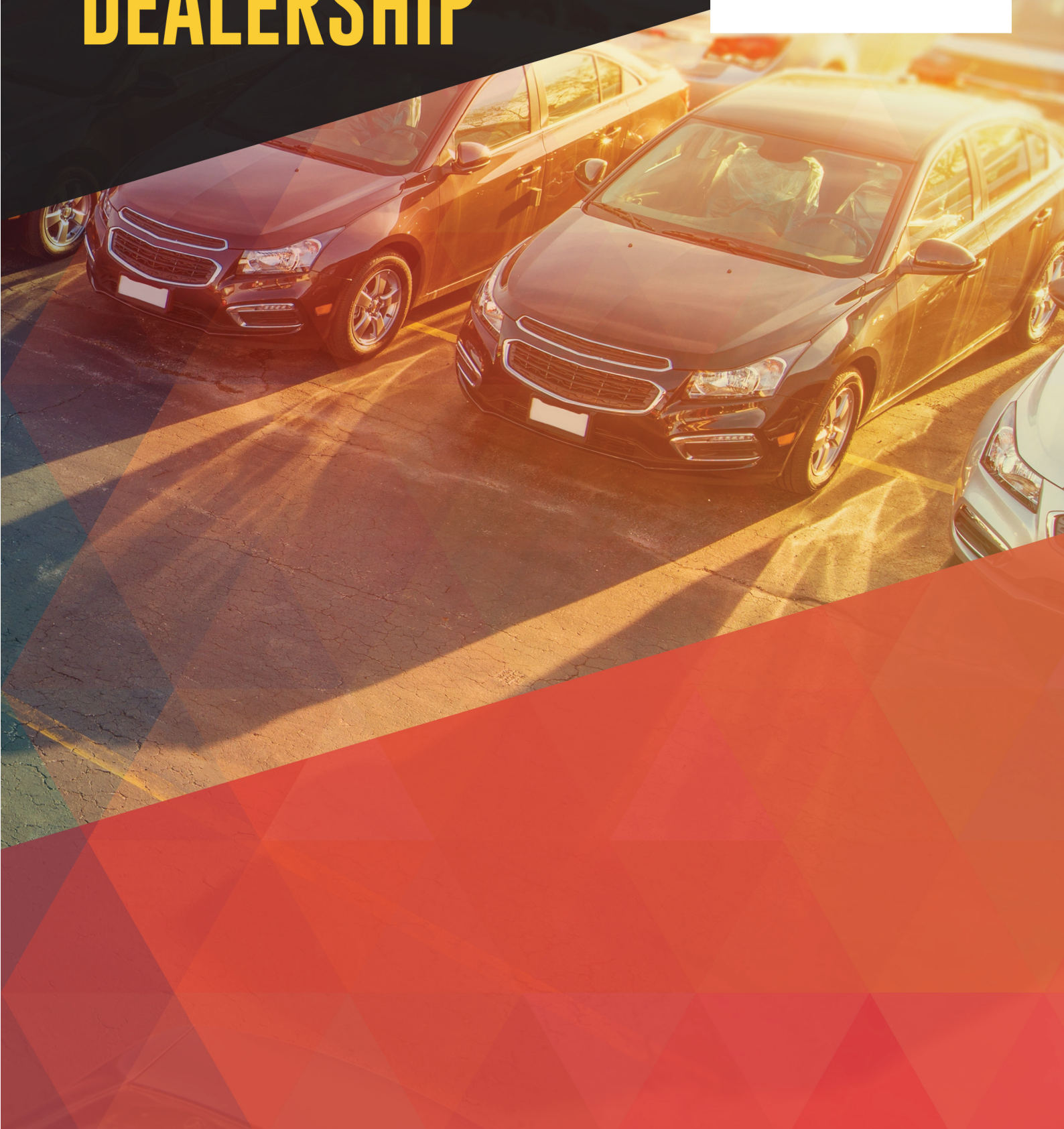


# AUTO-NOMY THE SPIRIT OF DEALERSHIP

**ET** Auto  
*From the newsroom of The Economic Times*

 **Prashaste**  
Building Business Excellence



# Contents



Note From The Editor.....	02
Note From The Author.....	03
Empowered People Engage Customers.....	04
The Science of Profitability.....	10
Customer Retention - Crown of Dealership	18
Channel Management.....	24

# Note From The Editor



**Nabeel A Khan**

Editor, ETAuto

Greetings from ETAuto!

It's a pleasure to have you at ETAuto Retail Forum 2017. Thank you so much for being a part of the revolution that has triggered a new dawn for auto retailing in India.

We launched the first edition of the ETAuto Retail Forum in 2016 with a conviction and vision to acknowledge and establish the contribution of the automobile retailers community in terms of employment and economic growth which mostly remains unnoticed.

Our pre-event series on the dealers' success story and learning experience has got huge response from the readers and set the tone of the event. The strong participation from the stakeholders in the event gives me a feeling of extreme satisfaction and further institutes the pivotal role that the automobile dealers are playing.

It has always been our intense urge to facilitate change in the way auto retailers look at their business and deal with things in the ever-dynamic market situations. The intent of the ETAuto Retail Forum is to set the right perspective by creating a platform where the industry veterans and subject matter experts from auto manufacturing and retailing industry get together with consulting professionals to discuss, debate, deliberate, exchange ideas and find powerful solutions to the industry challenges.

As a part of the initiative, we have partnered with 'Prashaste' to bring out an insightful report 'AUTO-nomy: The spirit of dealership'. I am sure Mr M V S Prasad, Founder & CEO of Prashaste, with his rich experience and expertise in the domain, has brought valuable perspectives on automobile retailing.

I am confident that this report will immensely benefit you in keeping your business productive, progressive and profitable.

Wishing You a Prolific Reading!



# Note From The Author



**MVS Prasad**

Founder & CEO, Prashaste

Dear Auto Fraternity,

Greetings from Prashaste and welcome to ET Auto Retail Forum 2017!

I extend my deep gratitude to Economic Times for bestowing on me the privilege to share the learnings of my long journey in the Auto industry as an OEM manager, CEO & CFO of an auto retailer, auto business consultant, management trainer and Founder-CEO of Prashaste, the channel management company helping auto makers and retailers in enhancing channel business outcomes.

With the auto retail business undergoing a paradigm shift from a seller's paradise to a customer's heaven, profitability has become an enormous challenge for auto retailers and a concern for the OEMs. Fierce competition at the marketplace, constraint of paying higher CTCs to get professionals on board, increasing operational costs and high working capital has made it really difficult to achieve sustained profitability.

It is therefore essential that dealers differentiate profitability from profit and identify the triggers impacting the profitability in order to find solutions and improve the profits.

"Auto-nomy, The spirit of dealership" is a small attempt to bring a holistic perspective on how to enhance profitability through operational excellence. I am confident that you would find the report worthy of reading and the insights worthy of implementing at your dealership.

***"The reasonable let things happen. The unreasonable make things happen"***

## **ABOUT MVS PRASAD :**

A business turnaround expert, MVS founded Prashaste in 2010. With a clientele of 14 auto makers and 2000+ auto retailers, Prashaste is helping OEMs and dealers in improving channel productivity, profitability and processes through consulting, learning and technology interventions.

An executive MBA from IIM – C, MVS played a spectrum of roles in blue chip companies like Hindustan Unilever (HUL) and Tata Motors Ltd (TML). He served as CFO of two TATA Companies (2003-09)

As CEO & CFO of Concorde Motors, the auto retail subsidiary of Tata Motors, MVS led the company to its best ever performance with a benchmark PBT of 3% and was nominated for India CFO award in SME category in 2007 by IMA.

MVS can be contacted at [ceo@prashaste.com](mailto:ceo@prashaste.com) or can be reached through 080-65791796 / 9035097303

# Empowered People Engage Customers



"My People are not productive and my staff cost is going up"

"30% of my people don't deliver but I have no option but to keep them"

"We have become a training ground. People come, learn and go."

"I want to pay more incentives but my people don't qualify for it"

"My second in line is ineffective"

Many a time I have come across auto retailers saying the above. People form the core of a company. Profitability, productivity and sustained growth of a business is possible only when its people are aligned.

## DEALERSHIP Needs LEADERSHIP

- Money that we invest in a business makes us the owner
- Our knowledge and experience make us a manager
- Neither money nor experience can make us a leader
- Purpose, passion and perseverance with a commitment and sense of urgency form the core of leadership.



***"Leader knows the way, shows the way and walks the way."***

## EMPOWER THE GENERALS. THEY WILL EMPOWER THE SOLDIERS

In a typical dealership 10 managers drive the performance of 200 people. Now every manager is a key stake holder in making things happen for the dealership. The teams will be as good or bad as the managers.

A Manager ought to have functional and behavioral skills to effectively handle the team and get the best out of them.

***60% of the CEOs of Fortune 500 companies have more people skills than business skills.***

Business skills are a factor of knowledge and experience. A seasoned functional manager knows **what to do** and **how to do**. But knowing is not enough. What matters is the successful implementation of the plan by the team. The result is the bottom line and not a great idea or intent. Here comes the 'emotional intelligence' which is an essential pre-requisite for a manager to drive implementation. People display tremendous sense of commitment and urgency, when they are well understood and handled.

But are we looking at that?

Are the managers groomed on the behavioral skills before they are promoted or immediately after appointed?

This is the irony. I am aware of the challenge a dealership faces in attracting and retaining talent. Be it in compensation, work culture and career progression dealerships are inadequately placed to get professionals on board.

The all-important HR function in most of the dealerships is restricted to attendance, leave, salary, issue of appointment letters and statutory compliances like PF, ESI etc. HR in dealerships works more like a personnel department. Low productivity, high attrition and rising recruitment & training costs stand testimony to the poor state of people management.

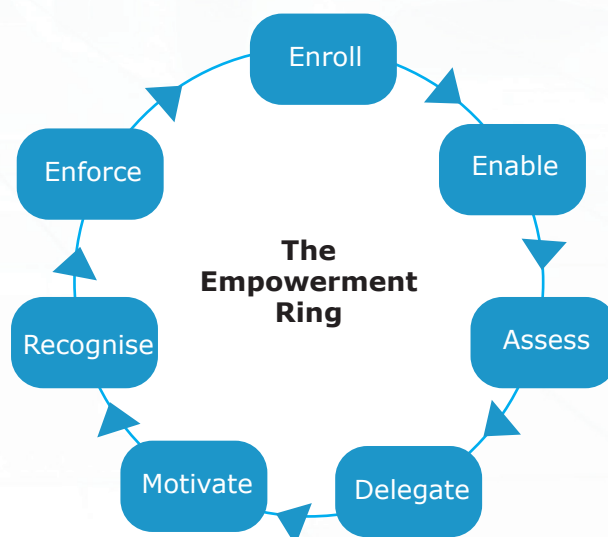
Only when we accept '**what is**', our mind is free to act and create '**what we want**'. We need to be conscious of the fact that, given the limitation of fixed salaries that a dealership can afford to pay, we can't get stars like Amitabh Bachchan, Kapil Dev and Rocket Singh in our system. But we have the option of putting in place right systems, processes and work culture that would transform the ordinary people into stars.

If you believe that customer acquisition, retention and contribution are the keys to profitability, you are 100% right. But it comes through your people only when you empower them. Empowered people engage customers for life.

## EMPOWERMENT

**Is at the core of human excellence. It brings spirit to the body.**

I often joke with my dealer brethren that we do the last thing first which is the root cause of high attrition, low productivity and poor quality. I am talking about 'enforcement' which is the last link in the implementation chain but more often than not used as the only means to achieve something worthwhile by dealerships.



## ENROLLMENT

Enforcement is dictating people what to do. Enforcement means authority, commandment, rule, policy, compliance and penalty. Enforcement is necessary and should be used to control when the vehicle is over speeding or moving wayward, but not to get the vehicle started. An initiative gets started with enrollment and not enforcement.

Enrollment means alignment, involvement and harmony. People perform at their best when they are provided with the right perspective and clarity on how their role fits into the overall organizational vision. Enrollment also starts with 'what' but doesn't stop with 'what'. It is about communicating to all the stake holders:



- What needs to be done? - The initiative
- Why to be done? - The purpose of change
- How to be done? - Solution comes from the collective wisdom of all the stake holders
- What are the benefits of doing? (For the customers, organization, managers and executives)

## ASSESSMENT

Assessment is the only way to know the skill levels of people. Numbers may tell us what has been achieved by a person, but do not highlight the competencies absent or inadequate in that person for the role and responsibilities assigned by the organization.



Therefore, it is critical for a dealership to establish the behavioral and business competencies required across designations and functions. Interpersonal relationship, team management and collaboration, personal effectiveness are some of the key behavioral skills needed by the managers to effectively manage their teams and achieve the goals. Once the required competencies are established, business and behavioral competencies of each employee should be mapped with the desired skills.

Competency mapping helps us in identifying the skill gaps of each individual across the organization. This exercise is a pre-requisite for enablement of people.

## ENABLEMENT

Enablement is making people masters of their jobs. No human on the earth will go to his reporting manager and admit "I am not good in my work. Can you help me in improving my knowledge and skills?" Everyone is scared to talk about his own inadequacies. It is our responsibility to identify the gaps and fill the same through a robust learning and development intervention.



Here I am not talking about the ritual of a stand-alone training program for 2 days in a year. The learning program has to be designed and customized with the right mix of holistic, relevant and engaging content with an appropriate blend of learning methods and mediums for the target group. Further there has to be a pre-program and post-program assessment followed by a post-training implementation plan. The intervention needs to create a balance between customized learning needs of the individual and operational impact.

Skill mapping and competency development are therefore critical for the productivity and profitability of a dealership.



## DELEGATION

After the assessment and enablement, delegation is the key to empowering people with functional freedom and authority commensurate with accountability. It is a fundamental shift from "I shall do everything myself" to "I shall get it done by my team".



Delegation without assessment is risky. However, if the performance management system is strong and adequate, errors can be detected and rectified on time. Delegation doesn't mean giving away all the rights and powers of the company to an individual on a platter. It essentially means that the dealership clearly defines designation wise authority limits and puts in place a check and balance system through surprise audits, daily MIS, maker and checker validation and tracking exceptions in real time. It is all about being tolerant to a 'margin of error' and intolerant to 'issues of attitude'.

Today most dealerships refrain from delegating to the next line, due to trust deficit or some bitter experience of the past. It is not because of delegation that you have suffered, but because of delegating without setting up a robust performance management system that shows the mirror every day.

**Non-delegation clips our wings. It doesn't let us fly high.**

## MOTIVATION

Performance differentiation is one of the major contributors to productivity. Incentive is the best differentiator. Incentives are paid out of incremental revenues and hence don't pinch the dealer pocket like the salaries do. People drawing similar salaries may get high or low incentives based on the individual performance. Motivation can be through an effective incentive structure and a transparent appraisal process.

Today many dealers complain about giving incentives despite poor performance. The concept of incentives is designed with the intent that a company gives when it makes. There can't be a situation where incentive cost as % of income goes up and profit as a % of income comes down. Incentive is a double-edged weapon. It has to be used consciously to achieve business objectives and not to become a cost center. Some Dealer Principals complain that despite lucrative incentive schemes majority of the people are not qualifying.



Any incentive scheme that doesn't benefit majority of your employees is no good and doesn't achieve the purpose of motivating people. Non-qualification for the incentive could be due to unscientific targets or lack of skills to achieve the targets. We are responsible for both the situations. Some of the dealerships incentivize people only on numbers and not on customer satisfaction which is the most important parameter. Only penalties are levied on customer complaints. Similarly, Net Retained Income, which is the key driver of profitability doesn't figure in the incentive parameters in most of the dealerships even for Team Leaders, managers.



Incentive structure needs to be built on Profitability, Productivity and Customer satisfaction with appropriate weightages for different parameters.

- **Profitability:** Turnovers, Margins and Net Retained Income
- **Productivity:** Volumes and Penetration
- **Customer Satisfaction:** Employee wise CSI score

## RECOGNITION AND REWARD

Nothing works like peer pressure. Creating an environment of peer competition through internal benchmarking is the need of the hour. Internal benchmarking identifies the weak and strong in each parameter and rewards the top performers.

TL Name	Rank	Vehicles Delivered (Nos.)	Valid Leads Generated (Nos.)	Conversion ratio	Booking to Delivery Cycle Time	Net Retained Income (Lacs)	Sales Satisfaction Index
OEM Benchmark							
Dealership Avg.							
TL 1							
TL 2							
TL 3							
TL 4							



**Weak: Below Average**



**Above Average**



**Best: Strong**

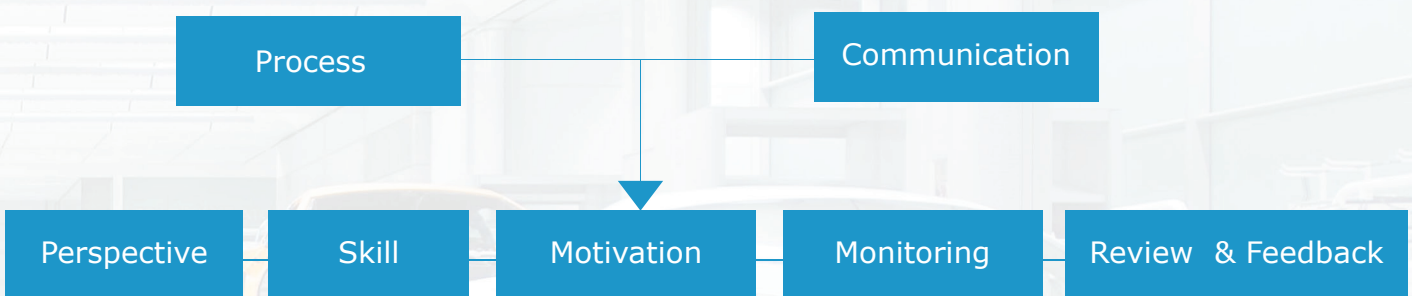
A mentor mentee framework wherein the weak is mentored by the strong in a pre-defined time period needs to be implemented at the dealership. Mentees will be motivated by the support whereas mentors can be rewarded and groomed for the next position. Successful mentors will be promoted whenever there is an opportunity. This will mitigate the age old problem of promoting a star sales executive as a team lead without assessing the skills required for that position and losing both.

## ENFORCEMENT

Enrollment, assessment, enablement, delegation, motivation and recognition may not achieve the desired results, unless it is enforced through a strong performance management system which will measure, validate and monitor outcomes with a review and feedback process. Enforcement should be the last step and not the only means for implementation at the dealership.

## IMPLEMENTATION ROADBLOCKS

Successful implementation is crucial for any new initiative. However, implementation may get derailed in the absence of any of the following enablers:



We should be aware of the potential barriers for implementation in order to identify the root cause of the problem and address it on time without blaming the people for non-implementation.

## THE ESSENCE

**To get what you want, fulfil what people need.  
Because wants are individual and needs are universal.**

## WHAT PEOPLE NEED

Safety  
Security  
Communication  
Understanding  
Enablement  
Co Operation  
Achievement  
Recognition & Reward

**Every seed has the potential of a forest.  
We can make it happen, if we choose**

# The Science of Profitability

## 1. DEALER PROFIT

### A newspaper Report?

While Accounts generate the profit report, it is the operations who generate actual profit. Today there is a large disconnect between these two worlds. One doesn't understand the other. The P&L report serves the limited purpose of highlighting what is the profit and whether the revenues, costs and profits have gone up or dropped as compared to the previous period. But it doesn't help the CEO and operational heads in identifying the triggers that have impacted the profit. Any treatment given without understanding the source of the problem will be superficial and hence futile.

## 2. PROFIT AND LOSS

### A khichdi of good and bad waters?

Business is like a bottle of different waters.

Take an empty bottle and pour into it different waters like mansarovar water (the purest), lake water (polluted), mineral water (clean) and bore well water (hard). Shake the bottle and offer the mixed water bottle to your friend without revealing what it contains. After your friend sipping some water ask him how is it? He would say the water is either good or bad depending on the taste. But both his statements are wrong, because good water has bad components and bad water has good components.



Borewell Water

Lake Water

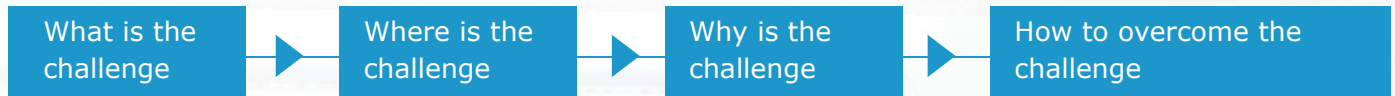
Mansarovar Water

Mineral Water

Same is the story at dealerships. They call 'profit' as 'good' and 'loss' as 'bad', little realizing that the profit has elements of loss and the loss has contents of profit. What conclusions can we derive from amalgamated waters? The game is all about processing the 'untreated water' and making it 'good'. It is possible only when we distinguish the 'untreated water' from the purest water. This is possible only when we stop mixing waters into a single P&L.



And as soon as we identify an untreated water, we need to figure out .....



A robust performance management system helps us in understanding the challenges in totality and fixing the problems.

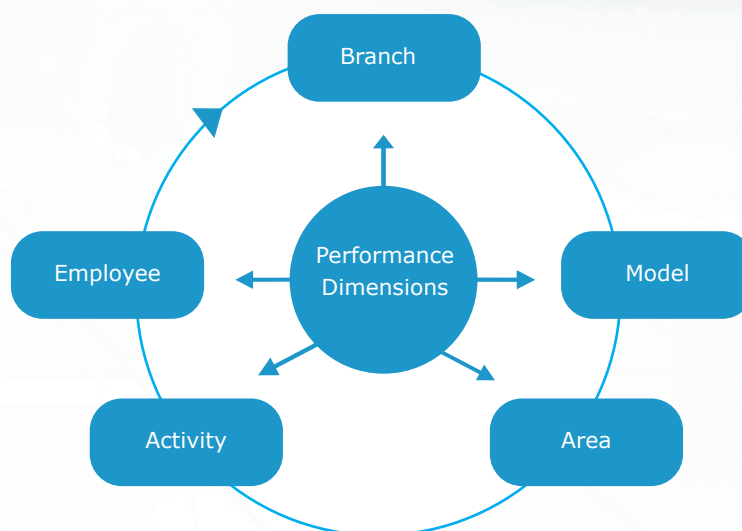
### 3. PERFORMANCE MANAGEMENT

#### The mantra of success

Profitability lies in the ability of the dealership to tag and track performance outcomes across LOBs, aspects & dimensions.

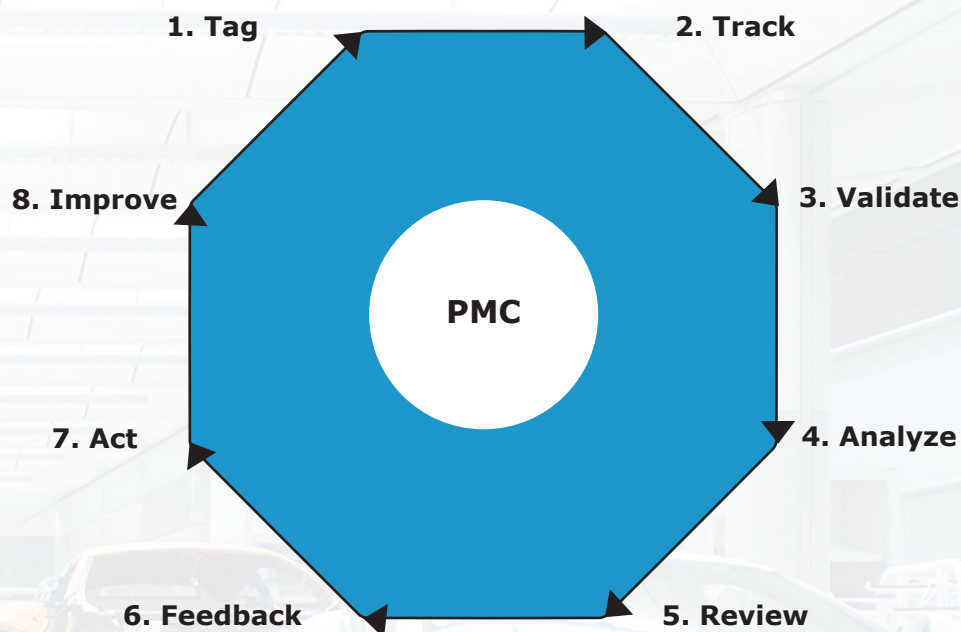
LINE OF BUSINESS	ASPECTS
Sale- New Vehicle	Profitability
Sale – Used Vehicle	Productivity
Service- Workshop & Bodyshop	Customer Satisfaction
Spares – Workshop, Bodyshop and Counter Sale	

### 5 DIMENSIONS OF PERFORMANCE



Only when we track productivity and profitability branch-wise, model-wise, area-wise, employee-wise and activity-wise, we will be able to identify the source of the problem.

## PERFORMANCE MANAGEMENT CYCLE (PMC)



## KEY ELEMENTS OF PERFORMANCE MANAGEMENT:

- Tag: Tag each activity across the dimensions (branch, area, employee, model, activity)
- Track: Generate reports for the tagged parameters
- Validate: Every parameter ought to be validated at the source. Bring in make & check concept. Customer voice to be captured by someone who is not part of the operations.
- Analyze: Analyze the Key Performance Indicators (KPIs) by comparing with inter-unit (across branches) , intra unit (across periods) and industry benchmarks
- Review: Review the KPIs with the stake holders
- Feedback: Provide feedback and develop an action plan
- Improve: Implement the plan and enhance performance outcomes.

## 4. PROFIT EFFICIENCIES

**What is measured is monitored. What is monitored is improved**

Margin Efficiency

Cost Efficiency

Financial Efficiency

### A. MARGIN EFFICIENCY

While margins are primarily OEM driven, there is a strong element of internal efficiency that would determine the profitability of a dealership.

An example of the margin efficiency of a dealership of a particular OEM (After Sales)

Sl. No	Aspect	TO (Lacs)	Margin (Lacs)	Margin (%)	Benchmark margin %
1	Spares	8.60	1.40	16.3%	18%
2	Lubes	1.20	0.24	22%	25%
3	VAS	0.50	0.23	45%	>40%
4	Inhouse Labor	1.20	1.14	95%	>95%
5	Outsourced Labor	0.20	0.05	28%	>30%

Profit can be increased by improving the margin efficiency with the same level of turn over. It is important to analyze as to why despite being the dealer of the same OEM, margins are lower than the OEM benchmark. Identify the root cause of the reds, be it in spares forecasting, stock variance, VOR, emergency purchase, vendor evaluation, discounting, first time fill rate, consumption efficiency of lubes etc.

## B. COST EFFICIENCY

Costs hide as much as they reveal if we look at the costs in isolation and compare the costs across periods. Costs are bound to increase. Salaries will go up on account of increments, rents increase due to the escalation clause in the agreement, over heads increase by the inflation and interest rates rise and fall based on the economy and policies. Cost increase does not lower profitability if the cost efficiency is higher. Similarly, a cost reduction may not lead to higher profitability, if the cost efficiency is lower. What matters is the cost efficiency and not the cost per se.

	Year 1	Year 2
<b>Overheads</b>	100	110
<b>Income</b>	167	196
<b>Overheads as a % of income</b>	60%	57%

## IMPACT

10% cost escalation is positive since it has improved efficiency by 3% and thereby contributed to enhanced profitability.

But the question is how to compare the costs of a big outlet with a small outlet? A metro dealer with a non-metro dealer? A car dealership vs commercial vehicle dealership? Comparison of costs of these dealerships will be like comparing an apple with an orange. It doesn't really help. For an effective inter-unit, intra-unit & industry benchmark comparison and to have an apple to apple comparison, we need to common size them through a Common Size Statement (CSS). CSS relates every expense to income and measure cost efficiency. Common sizing is done by seeing every cost as a percentage of income and not just as an isolated number.



The underlying principle is simple. A certain cost is incurred to generate a certain income and hence efficiency of the incurred cost has to be measured as a percentage of the income.



## NET RETAINED INCOME (NRI)

*The rupee that matters*

The rupee that matters to the dealership is not the turnover but the Net Retained Income (NRI). NRI is calculated separately for each Line of Business (Sale-New, Sale-used and After-Sale)

Net Retained Income - New Vehicle	Net Retained Income - Used Vehicle	Net Retained Income - After Sales
=	=	=
Vehicle Margin	Net Margin	Labor Margin
-	+	+
Discount	Finance Income	Parts Margin
+	+	+
Auxillary Income (Finance, Insurance, EW, AMC, etc.)	Insurance Income	Lubes Margin
+	+	+
Accessories Income	Other Income	VAS Margin
+		+
Other Income (Registration, Delivery Income)		OEM and vendor incentive
+		+
OEM support/ incentive		Other Income(Scrap, Black Oil, Battery and Tyre)

## COST CATEGORIZATION

Staff Cost	Fixed Cost	Variable Cost	Marketing Cost
Salaries	Rent	Travelling Expenses	Demo Expenses
Incentives	Housekeeping	Conveyance Expenses	Publicity Expenses
Welfare	Security	Printing and Stationary	Service marketing expenses
	Electricity	Insurance	Sales promotion
	Maintenance Contracts	Repair and Maintenance	Events
		Telephone Expenses	
		Legal Expenses	
		Other Variable Expenses	

## C. FINANCIAL EFFICIENCY

Working capital cycle is the key to profitability. Financial cost is the cost borne by the dealership on the loans taken for working capital and enhancement of infrastructure.

SI. No.	Aspect	Sub Aspect
1	Inventory	Inventory planning, Inventory holding, inventory ageing days, Stock efficiency (fill rate), stock variances, wall to wall inventory, dead stock (%)
2	Receivable	Outstanding days, Outstanding ageing, accuracy of claims and timeliness of submission, credit appraisal, credit norms, risk benefit analysis
3	Payable	Payable days, Payable ageing, vendor evaluation

## 5. ILLUSTRATION ON HOW TO CONNECT FINANCIAL OUTCOMES TO OPERATIONAL EFFICIENCIES / INADEQUACIES, IDENTIFY THE ROOT CAUSE AND ACT ON IT

CONSIDER THE FOLLOWING EXAMPLE:

SI. No	Aspect	2015	2016
1	Staff cost as a % of NRI	40%	50%

### What?

Staff cost as % of net retained income has increased from 40% in 2015 to 50% in 2016 and adversely impacted the profitability.

### Where?

Low DSE productivity at the dealership

SI. No	Aspect	Current	OEM Benchmark	Productivity
1	Average Sales Productivity	3	5	60%

### Why?

High Attrition

SI. No	Aspect	2015	2016
1	Attrition	30%	40%

Attrition perhaps is the largest hidden cost of the dealership. Unfortunately, attrition cost is never reflected as a separate cost in the P&L and is spread across topline and different overheads like salaries, recruitment and induction cost. Hence there is no conscious effort to fix this exceptionally huge cost.



## EXAMPLE : COST OF SEPARATION OF DSE SHYAM

Aspect	Period	Outcome	Impact
Shyam decides to leave the dealership - process Time	3 Months	Productivity ↓ Customer Satisfaction ↓	Volumes and Turnover ↓
Replacement of Shyam - process time by dealer HR	2 Months	Productivity ↓ Customer Satisfaction ↓	Volumes and Turnover ↓
Onboarding of new joinee Ravi - poached from competition	-	Salary Cost ↑ Recruitment Cost ↑	Profitability ↓
Ravi needs time to settle	3 Months	Induction Cost ↑ Productivity ↓	Profitability ↓

### IMPACT

- Low productivity for 8 months
- Low customer satisfaction for 8 months
- Increased costs and reduced profitability

**"Attrition is cancerous. Treat it before it becomes terminal"**

### HOW?

**Map your people on skill and will matrix and take measures to optimize performance outcomes.**

SI. No	Skill	Will	Description
1	Low	Low	The person either leaves the dealership or gets sacked for non-performance
2	High	Low	Though highly skilled, the individual is not motivated and hence low productivity
3	Low	High	Sincere and committed but not able to deliver due to skill deficiency and hence low productivity
4	High	High	A star. Needs to be nurtured, rewarded and groomed for the next level

### THE ESSENCE

Transform your functional heads into business managers capable of holistically looking at profitability, and initiate actions to enhance profitability through operational excellence.

***"Change the way you look at things.  
Things will change for good."***

# Customer Retention - Crown of Dealership

- Co-Author Deepak MV

**ET Auto**  
From the newsroom of The Economic Times

**Prashaste**  
Building Business Excellence

Never in the past customers had such a purchasing power and choice of products and services as they are enjoying in the post 2000 era. The last decade has witnessed complete transformation of a 'captive customer' into a 'dominant customer'. Customers are reigning supreme. Business profitability once driven by production targets and pricing policies of a company is now determined by the customers. Today, the survival, sustainability, profitability and growth of an organization is majorly dependent on Customer acquisition, retention and contribution. Customer is willing to pay for the 'value' and 'experience'.

## NEEDS VALUE

Quality  
Cost  
Time



## WANTS EXPERIENCE

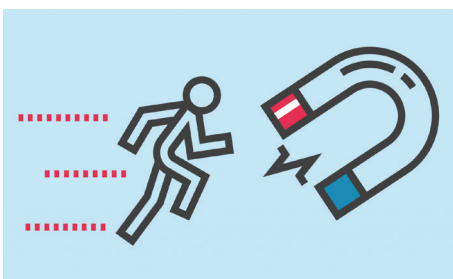
Communication  
Transparency  
Trustworthiness  
Importance  
Ambience  
Hospitality

While 'value' is for the vehicle, experience is for the human. Both are critical for customer ecstasy.

## CUSTOMER RETENTION VS CUSTOMER SATISFACTION

The big question is to find out the most important parameter to effectively engage customers.

The obvious answer must be the much revered "Customer satisfaction"! No it is not. If there is an all-encompassing customer parameter, it's Customer Retention



**Customer Retention**

Vs.



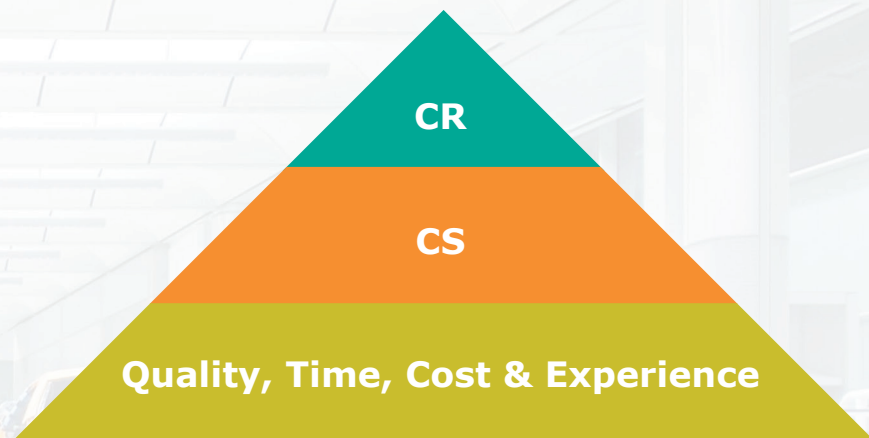
**Customer Satisfaction**

**The means has become the goal!**

## THE RELATIONSHIP

However, in reality these two parameters are not apart. They are deeply connected in the same way a road is connected to its destination. If Customer Retention (CR) is the goal then customer satisfaction is the path to it. A high CS may not necessarily lead to high CR whereas high CR implies high CS

Another perspective is to see CS as a lead indicator for the eventual goal of achieving a high CR.



CR sits on top of the parameter hierarchy. The journey for a dealership in being a benchmark in customer orientation can be top down or bottom up across this pyramid. However, most dealerships are stuck in the middle – never going up to achieve the goal or even properly going down to correct the root cause

## SO WHAT'S THE PROBLEM WITH A CS DRIVEN APPROACH?

Every business is desperately trying to garner higher wallet share of customers. They can succeed in their attempt if they understand and adopt customer's perspective. Right perspective comes from adequate and accurate feedback of the customers.

Firstly, the OEM PSF CSI is a partial indicator as the survey done by the OEMs covers mostly a sample of the entire dealership customers. While it is the most credible source of customer's voice, it is inadequate as it leaves out a sizeable number of customers from its scope. What about the voice of those customers not covered by the OEM survey? Are they happy and coming back to the dealership?

The second source of customer's voice is dealer PSF which is done by the dealership CRM team. This is where it gets really messy at many places. One can improve only if you get accurate feedback. 'Accuracy of feedback' depends on who is taking the feedback & what is the real purpose of the feedback.

In a typical dealership customer feedback is taken by a CRE or a telecaller reporting to a CRM who in turn reports to the Operations Head or Manager which makes the exercise redundant. It is as futile as asking a central minister to get public feedback on the Prime Minister's performance. Fear of negative feedback influences them to ask 'cover-up questions' rather than probing questions to know the customer's mind. In fact more often than not, the feedback calls are made to plead with the customer for a better rating during OEM calls. The irony is that at many places the dealer internal PSF scores continue to be higher than OEM PSF indicating a severe lack of customer centricity.

Many dealerships today work as complaint management centers where everyone from a telecaller to the Dealer Principal gets involved. Customer complaints are any day a service GM's biggest nightmare. The focus just narrows to resolving complaints than ensuring delight.



With the context set around CS, let's now dive deep into the power of CR as the top indicator.

## CUSTOMER RETENTION- IT CAN'T GET MORE REAL

**The reality of feedback is that people who complain actually want to stay with the dealership. But unhappy customers who don't want to complain are the ones who leave.**

CR covers each and every customer. Retention will lead to every customer getting necessary attention. It will lead the dealership to hear the voice of the silent dissatisfied customers who never come back.

CR measures the percentage of customers who are coming back to the dealership for its service. A high CR not just indicates customer delight but is also a direct reflection of the service revenues of the dealership. A high CR means higher earnings per repair order or inflow or both and also more opportunity to drive repeat sales.

Consider the below dealership of a particular OEM:

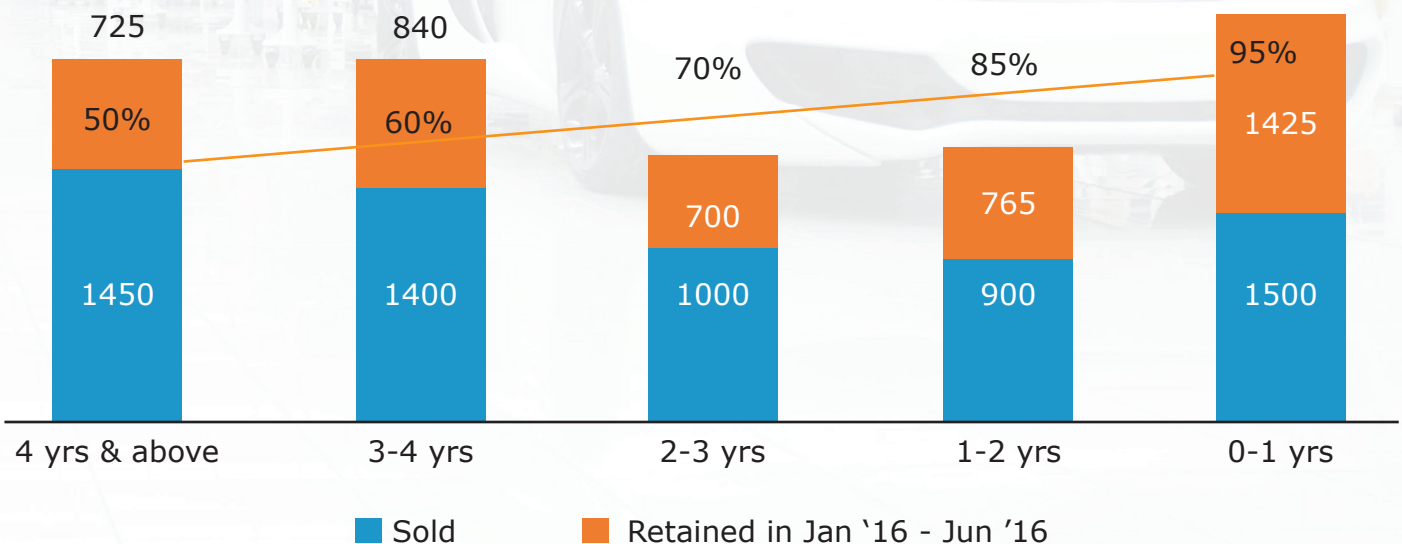
Total vehicles sold between 2010-2015 = 6250

The total unique vehicles (sold between 2010 and 2015) serviced between Jan 2016 – Jun 2016 = 2225

Customer Retention = 35.6%

Now let us examine the impact if the customer retention were to be 35%.

### Vehicle Age Wise Retention



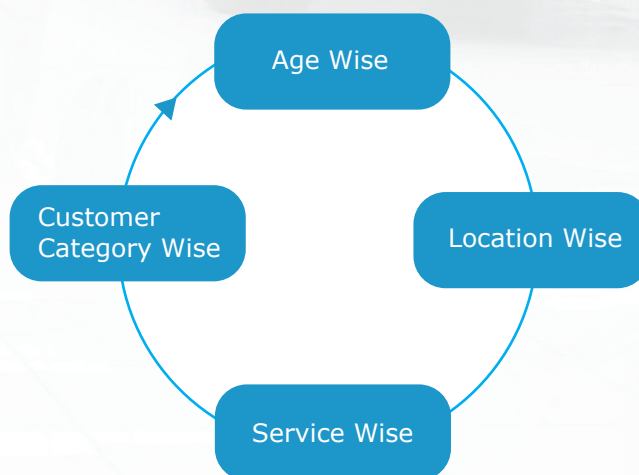
The above is a sales retention graph. This line is the most scientific horoscope for a dealership. The shape of this line itself talks about the inside story of the dealership. It indicates where, when and how many customers are lost.

Each percentage point of retention is worth in lacs of revenue.

Fy	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
<b>Retails</b>	1450	1400	1000	900	1500	6250
Projected Retention %	50%	60%	70%	85%	95%	71%
Projected Retained vehicles	725	840	700	765	1425	4455
No. of Visits (Annually)	2	2	2	2	2	2
No. of ROs: Retained	1450	1680	1400	1530	2850	8910
Monthly RO (Projected)(Apart from customers acquired)	<b>743</b>					
Avg. EPJC (Labour)	3000	2500	2000	1500	800	1531
Projected Monthly Labor TO	11.4 lacs per month					
Current Labor TO	6.3 Lacs per Month					
Incremental TO -Monthly	5.1 Lacs per month					
Incremental TO	60.8 Lacs					
TO per percentage point	1.73 Lacs					

While sales retention talks about the dealership's ability to retain customers across the vehicle lifecycle, service retention measures the capability to retain the vehicles which visited during the last one year (own & co-dealers).

CR can be measured in many dimensions to provide further insights about the customer:



### The Irony - Why is CR ignored?

Why is the most critical metric (CR) put aside in the dealership showbiz! While the entire dealership runs behind customer complaints, no one talks about retention.

While earlier CR was not a readily available metric in the DMS and needed certain excel based calculations, this has changed now.

This irony has to be looked hard at. How can a dealership aspiring to be self-reliant overlook CR?

## WHO IS ACCOUNTABLE?

That's Not My Job

**"This is a story about four people named Everybody, Somebody, Anybody and Nobody. There was an important job to be done and Everybody was sure that Somebody would do it. Anybody could have done it, but Nobody did it. Somebody got angry about that, because it was Everybody's job. Everybody thought Anybody could do it, but Nobody realized that Everybody wouldn't do it. It ended up that Everybody Blamed Somebody when Nobody did what Anybody could have."**

CR belongs to everyone but no one is accountable.

CR should ideally be a target and incentive parameter for everyone. It should be one unifying core for the entire dealership. If there is one parameter GM- Service should track, analyze and correct, then its customer retention.

Right from a SA, CRE to a Service Manager everyone should have a list of lost customers.

## DRIVING CR- PRE-REQUISITES

**1. Free & Empower the Customer's Voice-** The independence of CRM function from the operations is most essential to get authentic customer's voice. CRM team across all the functions (sales, service & pre-owned) should be integrated under a common Head who should report directly to the CEO/ DP. Internal PSF should be adequate (100%) and become the primary source of authentic customer voice.

### 2. Authentic customer database

**3. Customer Analytics-** The customer database should be sliced and diced to profile the customers and identify different categories of customers. Customer should be profiled based on frequency of visit (lost, not turned up and regular), type (institutional and retail), contribution (earnings per year), loyalty (PSF ratings) and model-wise. This categorization provides enough insight into the customer behavior and intent to help the dealership develop customized strategies to drive customer retention and growth.

## THE SOLUTION

### WHAT IS THE PROBLEM?

Calculate the customer retention for ten year old sales customers and one year old service customers.

### Where is the problem?

**Customer Retention and its dimensions** - As discussed earlier, a customer retention (%) should be seen across multiple dimensions of sales retention, service retention, type of service (free & paid) and model-wise to identify where the customers are getting lost.



## WHY IS THE PROBLEM?

Customer feedback- With the customer retention analysis done, it's important to find the root cause for the drop in customer retention. This is where an authentic feedback throws the spotlight on the various reasons including quality repair, cost, time, convenience and customer experience.

## HOW TO CORRECT IT?

- **Operational Excellence-** Based on the feedback, the operational team (sales or service) have to address the root cause through people development and process improvements.
- **Target setting** – Scientific target setting for the vehicle inflow and revenues for the year should be based on customer retention
- **Incentivizing** – Customer retention should become a critical parameter for incentivizing key stakeholders including GM, SM, SA, and CRM. The incentive schemes should bring out different rewards for difference in effort involved in retaining different categories of customers.
- **Customized calling and campaigns-** Service marketing campaigns have over years become synonymous with zero invoice repair order printing machines. Most campaigns are launched like carpet bombing without any customization or analysis of which customers to target and how to get them back. With customer retention analytics, service marketing can become focused and precise. It will then become easy for the dealership to build relevant value propositions for different categories of customers. Right from the Telecalling pitch used to the schemes offered, how can we expect to get a five-year-old customer back if we treat them the same as a regular one-year-old customer?
- **Customized experience-** The dealerships need to identify the customer entering its workshops. A lost customer returning should be celebrated as a reunion, while a co-dealer customer should become like a privilege customer. Unless the operational team is conscious of what the customer needs, it can never give the required value and experience needed to delight and retain the customer.

# Ace Channel Manager

- Co-Author Deepak MV

**ET Auto**  
*From the newsroom of The Economic Times*

 **Prashaste**  
Building Business Excellence

In the world of blurring product distinctions and rising customer expectations, channel partners have become the critical differentiators for the OEMs in the market place. Developing, aligning and motivating the dealers has become the top priority for OEMs like never before.

In this context, it is the OEM- Dealer engagement and relationship that defines the way the channel partner network is able to drive volumes and market share growth through high customer connect and retention.

While the OEMs provides the brand, the product, systems and processes, it's their channel manager who carries the essence of this OEM-Dealer relationship.

## Channel Manager- The most valuable resource

Being the last link & face of the OEM to the dealers and end customers, the performance and growth of the OEMs is largely dependent on the effectiveness of its channel managers.

It is easily one of the most exciting and significant roles in the auto ecosystem. They are the ones who give wheels to all the strategies and initiatives and translate them into on-the ground action. The ones who give perspective to the dealer team to make processes and systems purposeful. More importantly, they are the bridge connecting the OEM's vision, values and corporate ways of working to the dealerships.

## The Past

It wasn't like this before. Believe it or not, there were days where a channel manager's KRAs had only three things -the targeted offtake, additional investments in infrastructure / manpower and implementation of processes. Being an OEM representative itself got things done on its own. Time was rarely a constraint in a channel manager's life.

## Reality bites

Cut to present, life has turned around completely for a channel manager. Time seems to be an illusion than a reality. The goal sheet was never longer. In a single day, a channel manager can be found travelling, reporting, reviewing the dealer team, driving new initiatives/systems/ processes, meeting customers, getting reviewed, reading & replying mails..... the list is endless. Managing the key stakeholders – dealer principal, dealer team and customer was never more challenging.

The mind of today's channel manager might just resemble an insolvable maze. The tragedy strikes big when your most valuable resources forget their own value.

What every OEM needs is a team of ace channel managers. The attrition at the channel manager level has made getting this piece right extremely difficult for the OEMs.

## Ace Channel Manager – Role + Competency

### ROLE

Most channel managers fail to achieve their goals primarily because they lack the perspective on their roles and responsibilities. Ironically dealer profitability is not a KRA of a channel manager today. This more than anything else is the root cause of the fire-fighting that a channel manager is entangled with.

To clearly understand the different dimensions of this role, we first need to look at the key stakeholders the channel manager is handling. The main stakeholders are the dealer principal, dealership team, the end customer and of course the OEM.

For each of these stakeholders, the channel manager needs to don different avatars.



**1. Business Consultant-** This role is most critical if we look at the dealer as the first customer of the OEM. A problem here has far reaching implications for the OEM and dealer long term relationship. However, a disconnect between a DP and a channel manager is far from being rare. This is ironical as the objectives of both DP and OEMs is the same but there is a huge perspective difference between the two resulting in a disconnect. As a business consultant, the channel manager needs to have a holistic understanding of the DP's expectation from the business. He/ she has to integrate the Dealer Principal's financial objectives with OEM strategy and goals.

For this he/ she needs to understand and interpret the dealership financial performance, connect it to operational efficiencies impacting the same & recommend corrective measures to increase profitability. Only when a channel manager translates the impact of any process, system and investment in financial terms, the trust and alignment can be created with dealer principals.

**2. Customer Champion-** This role is to essentially drive customer centricity through systems & processes at dealership. As a brand ambassador, the channel manager has to embody the promise given by the OEM to its customers. Building a customer oriented culture at dealerships needs everyone's involvement at the dealership right from the CEO to the security guard.

**3. Mentor & Facilitator-** People productivity and attrition are arguably the biggest challenge facing any dealership across the country. At the same time, HR department is an often neglected function in a dealership. A channel manager has to play this role of a mentor and facilitator to enable people development, motivation and retention. Channel manager should bring in the much-needed people perspective to set up strong HR systems and processes at the dealership.



He/ she needs to guide dealership to have a robust employee lifecycle across aspects like recruitment/ induction, organizational structure & policies, learning & development, retention and performance management. A high-performance culture is one of the pre-requisites for a dealer to succeed. Channel manager plays a big role in facilitating the same.

**4. Performance Manager-** The last dimension of the channel manager's role is that of a performance manager. In this role they are expected to have strong performance planning, tracking, analysis and review to correct and improve performance outcomes.

Data analysis based decision making is the need of the hour. With DMS capturing extensive dealer data and OEMs providing business intelligence tools, data analysis couldn't have been easier to leverage for decision making. Channel manager has to ensure that the science of data based decision making is inculcated top-down at the dealerships with a strong review system

## COMPETENCIES

To play a larger role, the channel manager of today needs to possess a whole range of competencies across business and behavioral aspects. Channel Manager's development is the only way to equip and enable them to play their role effectively.

### BUSINESS

Competency	Sub-competency
Dealer Operations Management	Customer lifecycle Management and retention Employee enrollment and engagement Profitability & Working Capital Management
Performance Management	Planning Analysis & Review Market Intelligence
Technical & Industry Knowledge	Product / Technical knowledge Industry Expertise
Implementation	Implementation Skills Process & System Excellence

### BEHAVIORAL

Competency	Sub-competency
Interpersonal Skills	Relationship Building Communication Conflict Management
Team Management and Collaboration	High performance team Team Development Collaboration
Personal Effectiveness	Achievement Orientation Time Management Adaptability Problem Solving



**FOLLOW US ON**



/EconomicTimesAuto



@ETAuto

**Address:**

Times Internet Limited (Times Center), FC - 6, Sector 16 A,  
Film City, Noida - 201301 Uttar Pradesh, India