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Beware of manufacturers’ great expectations

By Professor Jim Saker

One of the privileges of working in the Centre for Automotive Management is that you get to meet such a wide range of people working in different franchises from around the world.

Each brings their own perspective, from not only their geographical market, but also the market segment in which they operate. There is also a diversity of people – from those working for large PLCs to others from small owner-managed dealerships. We also have delegates from the heavy goods sector who view the world purely from the business-to-business perspective.

Last week, the current cohort of MSc students came to Loughborough for a strategy module. The group has delegates from Audi, both in the UK and in Dubai, Ford, BMW, Scania, DAF and Jaguar/Land Rover. During the programme, the conversation moved on to their service operations.

The previous week, I had met representatives from Toyota in Detroit, where a European representative remarked that she objected to the term ‘after-sales’. She said it should really be called ‘pre-sales’, as without the service function there was likely to be no customer loyalty and no product repurchase.

I put this to the Loughborough group, who mulled it over as a concept, but decided ‘service’ as a term was all right for them.

However, what did throw up was the issue of lead times. One of the Audi dealers from South London said their lead time for a service was about two days, while Scania and DAF said 30 minutes was the benchmark they tried to achieve if one of their vehicles came in with a problem.

People were digesting this comparison when a delegate from Dubai casually mentioned that they were operating on a 42-day lead time for servicing. The room went quiet followed by an outburst of spontaneous questions.

How can you operate like that when we have the same franchise and we have to function in a totally different way? How does that affect your customer satisfaction scores? Aren’t the customers unhappy?

The delegates from Dubai were quite happy to discuss their situation. Yes, it would be good if they could get the lead time down, but in their market it is not the biggest issue. Many of the customers have more than one car, so there is no problem in scheduling to accommodate their needs. Having a car of this class as a status symbol is more important than the service lead time.

In reality it was about expectations. If the customer’s expectation is they have to wait more than a month for a service, then they come to accept that as the norm. The need to reduce the lead time becomes unnecessary, especially in the case of Dubai, where one dealership has the monopoly for that franchise. This did, however, raise an interesting dilemma. Customer satisfaction is based not on the actual experience, but the comparison of the experience with what was expected.

Take going to the dentist as an example. For most people, this is not in the top 20 most enjoyable activities. The expectation is it is going to be unpleasant.

My own psyche in this area is damaged since, as a student in Manchester, I foolishly volunteered as a patient at the Dental School. Little did I know that I was the dental student’s first. After he injected me, the top half of my head went numb as opposed to my jaw. In remedying his mistake, I ended up dead from the neck upwards – a state from which many of my colleagues suggested I have yet to recover.

For most of us, our satisfaction rating of our dentist is based on whether anything has to be done. There is no greater sense of satisfaction than walking from the dreaded dentist’s chair with the congratulatory words “that is fine, nothing to be done, see you next time”.

In our sector, customer expectations are varied, but on the whole they are rising. We have moved on from the survey 10 years ago that found 72% of women would rather go to the dentist than to a car dealership.

With enhanced brand and product development, customer expectations continue to rise. The challenge comes in matching those expectations. If we are not careful, the manufacturers will raise customer expectations to a point beyond which their dealer network can actually deliver. This will lead to dissatisfaction not only with the retailer, but also with the manufacturer. I am not suggesting manufacturers should lower their standards, but it is difficult for a dealer network to reinvent itself.

Investment in new dealerships may help, but unless there is investment in people, the process will fail. Some manufacturers have started the journey of improving the management within their dealer network with funded scholarships to courses such as Loughborough’s.

It may not be the complete solution, but I have great expectations about the learning that takes place, not necessarily from the faculty, but from each other as they share ideas and best practice.

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