Get the basics right before building CI cathedrals

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Get the basics right before building CI cathedrals

By Professor Jim Saker

For centuries, people have used vehicles to make statements; castles, palaces and cathedrals have all been given to give a message of power and authority. Banking halls the size of mausoleums gave a sense of permanence and security. As these have been turned into bars and clubs, the bankers have migrated to iconic, high-rise offices that look down on the world below.

In the retail automotive sector, there has been an ongoing debate over the role of the actual dealership in marketing the brand. Marketing theory suggests that the marketing mix, made up of product, price, promotion, place, people, process and physical evidence, highlights two elements that are particularly relevant to this discussion—place and physical evidence.

Place describes the distribution of the product and its location, while the physical evidence is what we see around us. The theory states that we pick up perceptions of quality from what we see in the purchasing environment and this affects the way we think about the product. It is therefore logical that manufacturers take an active interest in the environment in which their products are sold.

A cynic would say the amount of interest taken in dealer standards is dictated by the state of the market. When the market is going well, the manufacturers start producing new designs of what a dealership should look like and put pressure on dealers to invest in refits and new corporate identity concepts. When the market is down, they let the dealer ignore specifications as long as they sell cars.

At the moment, the market is becoming more stable and a number of manufacturers have launched major redesigns of their dealerships. This includes new merchandising concepts, with the integration of digital media in the dealership to enhance the customer experience.

I don’t have any problem with the idea that brands should be refreshed, but sometimes I look at what is being asked of the dealers and the level of investment required and wonder whether it will actually give a return on investment that justifies the expense.

To me, there are some key questions that need to be answered before this level of investment is undertaken:

- Does it sell more cars and generate after-sales business?
- Does it provide an adaptable environment?
- Some years ago, one of the big Japanese brands was frustrated that a local dealer in West Wales resisted their appeals to upgrade premises to fit in with the look and style of their new dealership concept. Eventually, after much wrangling, the company fired the dealer and one of the big groups built a new dealership to the specification the manufacturer wanted. It had high-intensity lighting and proudly proclaimed the brand in that market area.

From day one it lost money, while the old dealer continued to prosper. Our research showed that people in that area of Wales suspected that if they bought a car from the new dealership they would have to pay more to cover the inflated overhead of the new premises.

- However, there was a much bigger obstacle—the new dealer didn’t speak Welsh. You can have the best premises in the world, but unless you get the basics right it can be a complete waste of money.

“Sometimes I look at what is being asked of the dealers and wonder whether it will actually give a rate of return that justifies the expense.”

Professor Jim Saker is director of the Centre for Automotive Management at Loughborough University's Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years.