

CUSTOMER INSIGHTS IN AUTOMOTIVE

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Abstract:

The article „Customer Insights in Automotive Industry” shows the different types of customers that the car manufactures deal with as well as the connection between customer experience, customer satisfaction and customer service. All concepts mentioned above bring a specific contribution in making the customer happy and persuading him/her to come back to the brand – customer retention and above all customer loyalty. Customer is the main focus nowadays for the car industry. The challenges of the paper are to find an overall solution to fit to all types of customers. At the same time the article shows that the first experience that the customer has with the brand is crucial and it will influence the customer through the entire customer journey. The main results are that there is no one way of handling customer and that every customer is individual and must be treated accordingly in order to fulfil his/her expectations. What I like you don't like and the other way around, this is the reason why manufactures need to develop different programs to coach people in the dealership to know how to recognize the different types of the customers as well as to know how to handle them.

Keywords: OEMs, Customer Experience, Customer Satisfaction, Customer Service

1. Introduction

In the last couple of years different factors have begun to influence the automotive sector, suppliers as well as different partners. Factors such as economic & political insecurity, CO2 emissions, electric & autonomous vehicles, car sharing and many others are causing the OEMs to re-focus and to shift their attention towards retention & loyalty within the whole customer experience process. The automotive industry is in a period of continuous change during which the competition between the different manufacturers is accelerating. All OEMs are attempting to find their Unique Selling Proposition (USP), to differentiate themselves from their peers. We are living in an era where cars are an indispensable item, providing increasingly affordable mobility to millions of people. In the past the car with their first appearance in the late 19th century was perceived as a very expensive and exclusive purchase.

The automotive industry has a global influence which acts as a catalyst for development of the global economy. (Avram, 2017) Until recently, most vehicle manufacturers thought that their strategic focus on sales and product were the main pathways leading to success and profitability. In order to enjoy further success or to at least keep-pace with the all changes taking place, manufacturers and their suppliers are under immense pressure to find different ways of visualizing what the future may bring, to shorten product cycles and to forge a more direct relationship with an increasingly fragmented customer base. The industry is moving away from the traditional ways of operating, towards more complex, constantly evolving and fast-moving ways of doing business. The global automotive market is growing and more and more cars are rolling off production lines around the world but the challenge that must be recognized is that the car is likely to experience far greater technical change than at any period in its history. Changes that affect not just the manufacturers but also their suppliers and importantly, their customers and their views on the whole process of acquiring and owning a vehicle, their access to mobility. (Blanke, 2018)

The concept of "customer experience" is relatively new and all different factors and people involved in delivering a good customer experience requires time to get accustomed to. Customer experience describes the entire journey that the customer goes through, starting with the prospective driver's initial landing on the brand or retailer's web page, continuing throughout his ownership of the vehicle, ensuring it is maintained and kept roadworthy and ending with its subsequent sale and the purchase of another car or indeed a switch into another mode of transport. In this entire shift from old to new, those people and institutions involved must be open to change and prepared to try new things aimed at enhancing vehicle use & their experience of mobility as it applies to automotive market. There is a unique opportunity for all manufacturers to create a bond with the customer at every level. The automotive market has many components which make it a very complex and interesting environment in which to work. The manufacturer, component suppliers, retailers and the customer are just some of the various communities present in the industry that will be discussed in this article.

The strong connection between automotive area and customer experience has been intensively discussed during the last years. There are a lot of journalists, specialists & writers that have written about the future of customer experience, particularly in the European automobile industry, as well as about the impact of other factors on the customer side. Many studies and people analysing the industry have tried to investigate those factors that will maintain and re-enforce the customer experience throughout his/her vehicle selection and ownership. Due to the changes taking place in the industry, the political constraints and customer expectations, it will be a difficult task to cluster customers into discreet groups as was done in the past. The requirements of customers become more 'unforeseeable', they have different and higher expectations than in the past where drivers were often so excited to have a car and access to mobility and less concerned about other aspects of ownership.

Nowadays researchers speculate that it is approximately six times more expensive to acquire a new customer than to keep an existing one from a retailer's own database.(Bell John Rae & Binder A, 2018). The customer is loyal to a brand only if the brand offers him sufficient reasons to remain with that brand (Holweg, 2015) if we talk about an automotive customer we must assume that their

expectations are very high, irrespective of whether the brand of car is a premium or non - premium brand. Customers want more than they've had in the past and are less willing to compromise, especially since the amount spent on a car makes it one of the biggest investments that most of them will make in their lifetime. In this context the automotive market will definitely try to find ways to ensure that the customer's experience is unforgettable at every touch point through the customer experience process, which is clearly defined by a number of manufacturers. (Avram et al., 2014) All manufacturers will need to define their own processes to satisfy their customers and to help define the uniqueness of what they do and how they do it to help differentiate their cars from those of their competitors.

2. Correlation between Customer Experience / Customer Satisfaction / Customer Service in Automotive

The customer plays a relevant role in the automotive industry and not only. In the most competitive world the automotive one the focus is on getting as much data as possible about the customer and what he/she wants. The challenge that the industry is facing is that the new technologies, the new car models, the new design and the list can go on are influencing the way that the manufacturers are dealing with customers. On one hand the automotive industry is investing a lot of money in different surveys to collect the necessary data for analysing customer satisfaction but on the other hand not all data is relevant and accurate. The reason behind this is that they don't explicitly ask the customer is he/ she are happy with the brand and they will recommend it again?! This question is the most relevant one that gives us solid substance to go on with the customer satisfaction analysis. The customer is the main pillar of the brand but at the same time the manufactures must make the shareholders happy and also profitable. There must be a balance between the two in order to keep a good ranking in all surveys that are distributed to the customers both on sales and service side. In the automotive industry most of the manufactures take part in different surveys where the index customer satisfaction can be measured based on the feedback that comes from the customers.

Customer experience represents the entire process that the customer goes through from the first interaction with the brand until the products were bought. There are different definitions of customer experience but underline it represents the way that the customer journey through a specific brand. Customer experience a term which first got known during W. Edwards Deming (http://quotes.deming.org/category/customer_focus) who developed the principle of checking the quality in the 1950s in Japan (Total Quality Management (TQM) was basically a tool which helped the Japanese suppliers and industry to deliver goods to a perfect quality on time focusing on making their clients happy and satisfied and listening to their voice. Customer experience involves different stages and differs from industry to industry. In this report the writer will talk about the customer journey process in the automotive industry. Customer experience is a much discussed topic at the moment cross industry. All international and national companies are ready to invest huge budgets in measuring customer satisfaction because they do believe that the index will be able to explain them what they do wrong and what they could do better in the future to make the customer happy. (Gautam, 2017)The reason why everyone is focusing on customer experience is

very simple: the customer attitude and his needs changed a lot in the last years. We are facing a time where there is not enough just to satisfy the customer / client but at the same time to go beyond of making him happy and to delight him/her. A company's aim should to go beyond customer satisfaction and to move towards customer delight.(Bowen & Chen, 2012) When the customer decided to buy a service or a product or a service he will go through a customer experience journey. The CX journey has several steps: Awareness / Discovery /Attraction / Interaction / Action / Purchase / Use / Cultivation / Advocacy.(Kumar, 2011)

Customer satisfaction represents one of the main parts of the customer experience process. There are many times when people believe that customer experience equals automatically customer satisfaction. Well, this is not the case and the two terms are different event tough both include customer as a main word. CS (Customer satisfaction) indicates how happy is the customer with an experience, a product, a service, a person (sitting on the opposite side) etc. At the end customer's feedback will be gathering through different questionnaires and this will generate the customer satisfaction index.

Customer Service is part of the all customer experience dealing with the way the customer is treated after he had already bought a product. For example in automotive industry under customer service we understand the aftersales process that the customer goes through after he bought the car and within one year he comes to service: the way he is informed about the service appointment, the way he makes the online booking to come to the workshop. The next steps is the client coming to the workshop and the way he is greeted, the way people treat him, the awaiting area etc. and the end the invoice and if someone takes the necessary amount of time to explain him the invoice step by step, to give the client the confidence that the bill was not overcharged and at the end of the day to be sure that he creates a good customer service. If all goes well the customer will rate the experience at the workshop through the questionnaire he will in at the end of the visit or later on. Normally he will get the questionnaire latest two weeks after he was at the service.



Figure 1. Customer Pain Points

Source: PwC analysis 2017

On a long term run the OEMs (Automotive Equipment Manufacturers) need to create a strong bond between the customer and the brand. There is not necessary just to captivate them and their attention with the products itself but the main focus should be on the experience that is offered. Based on a study done by Oliver Wyman's company was discovered that the annual market value can increase with almost 3% if the automakers take control of the first connection between the customer and the brand. So the correlation between customer experience, customer satisfaction and CS is very simple. Customer satisfaction and customer service are parts of the customer experience that the client runs through by the moment he gets in touch with the brand. I am surely convinced based on more than 100 dealers' visits that I had done in the last year that the customer changed the expectations in compare with the past. Even though he decides to buy a premium or non-premium brands his expectations are more or less the same because the rapid communication exchange influences him/her. The automakers need to keep a good balance between the steps in the customer experience cycle because their role is to create a new customer journey that reflects the change in the automotive industry.

3. What are the minimum requirements for a real automotive Customer Experience?

Due to the fact that the new technologies transformed the automakers industry there are two main points that they must focus on (Thompkins et al., 2016). The first one is the interaction that they have with the customer at different levels and the second one is the way they present the new customer experience they prepared for the clients. The customer trip should move from the rational point of view to the emotional one. (Wyman, 2018) Wyman said that the manufactures need to approach business from a customer point of view in finding ways of offering another type of customer journey. The minimum requirements to create an excellent customer experience could be categorize in three proportions.

The first dimension should be that the customers' need stay at the top of any experience that they will live. The important conditions are to offer personal support, a continuously focus on customer needs as well as to give the customer access to any channel he decides to choose I buying a car.

For example both in sales and service to support the salesperson / workshop manager in explaining them how important is to spend as much time as possible with the customer and to pamper him using the brand tools that are in the dealership (e.g. offering coffee, mobility, courtesy car etc.)

The second prerequisite is the product individualisation which must be touchable across all the customer points. The individualisation / personalisation help both the customer and the dealers to overbridge the first contact they have. At the same time it shows the customer that he/she is special and the product was specifically personalized to fits his/her expectations. For example if the customer changes cars the dealer could already install all programs on the new car, to update the navigation system, to add the customers' home address in the navigation, to transfer the music playlist to the new car etc.) Another personalization will be the number plate recognition – when the customer enters the dealership are the camera will automatically recognize the number plate and this will give a change to the Service Advisor to greet the customer using his name.

Third, the car manufactures should take advantage of the new trends as online platforms that automatically give you access to customer lifestyles. All these information help the car manufactures to create an emotional bound between the customer and the brand itself. (Abraham et al., 2015)

Most of the manufactures tries to compete with Apple, Google, Tesla without taking account that this costs a lot of time and money and that at the end of the day the car manufacturer needs to stick also to its overall business type.

There is a big difference between a Tesla car and an Opel for example that is also the reason why a premium carmaker can offer you (the customer) a different type of experience than a volume brand.

4. Types of customers in automotive industry

The automobile industry as well as other industries finds it as challenge to try to define what the customer wants and how to handle him/her. The customer behavior in the past does not represent any benchmark any longer because the customer has other expectations and wishes and their behavior became unforeseeable. In order to offer a huge area of services the automobile needs to split the customers. According to sales funnel in automotive the customers are divided in four main groups: the analytical, the amiable, the expressive and the driver. According to McKinsey study on Customer delight in 2018 they reached to the conclusion that in the automobile area "Delighted customer are 3 times more likely to re-buy a service at the same dealership" (McKinsey, 2018). This leads the author to the conclusion that making a customer happy is not enough to keep him/her loyal to the brand on a long term. A delighted customer is a person receiving a product or services that exceeds her/ his expectations. Delight attributes are for the most part unforeseen by the customer but may yield phenomenal satisfaction.(Tompkins & Tam, 2012) The key to delightment is a great customer interaction which anticipates what the customer needs and wants – and not just responding to customer requests. The delight attributes can accelerate the delightment but there are some scenarios when it is ok not to have them included.

One example of delighting customers during the vehicle service process is to conduct a test drive together with them. Doing this will be the clear evidence for the customer that all service / repair has been done as requested. In addition to that it shows that the service department has great interest in solving all types of problems and that it takes care of its customers. Delighting customers is a win for the automakers, provides a competitive advantage and results in increasing sales and profit for the automobile. Delighted customers will be more loyal (as they are more likely to re-buy a product or service) and a business can create customers for life. In order to gain those loyal customers (advocates) that even recommend vehicles to friends, relatives or colleagues it is hence crucial to go beyond customer satisfaction and the pure fulfilment of expectations. As customer delight occurs from the unexpected, an emotional experience has to be linked with the customer in order to remain in her/ his memories. The key is to determine the right customer experience for the right return.

When conducting the service process in the dealership according to customer needs, it is important to keep in mind that not all customers are alike. We need to organize our conversations and activities to align the priorities of the customer in

front of us and be flexible to accommodate their needs. Many different customer classification schemes exist, however, using the Customer Interaction Types as described below allows to be able to recognize the different customer types within 30 - 40 seconds of talking to, interacting with or just watching your customer (McKinsey, 2018). This is possible because the Customer Interaction Types are based on the different styles of interpersonal behavior. Behavior is the sum of a person's verbal and nonverbal actions and reactions in the presence of others as far as they can be objectively observed. The clear target of interacting with your customers is to give them the feeling of being understood and taken care of. The Customer Interaction Types allow better understanding and connecting with different types of customers. And as soon as the brand can build a connection, the customer will be more creative, more open to cooperate, more likely to concede and to buy extra options. But most importantly the customer will be more delighted by the sales/service process provided by you. Below, customer needs are organized by customer types according to their defining theme. Whilst these customer types have defining characteristics, the overarching expectations that all customers have for their service experience (quality, listening, fulfilment of commitments) remain relevant for these customer types.



Figure 2. Description of customer types

Source: McKinsey Study 2017-2018

The Analytical are those customers who are very rational. They look for value for money and trying all the time to find the best deal for what they bought at the end. Deals and discounts are the easy way to get closer to them. This type of customer wants to understand /watch what is being done at the vehicles during inspection etc. so that they are certain to get the all money's worth for what they pay. The dealers should find explanations or argumentations that need to be logical, clear, precise and well-structured and should always link cause and effect. Improvisation is not helping a lot when dealing with this type of customer. The analytical makes a lot of research before coming to the dealership and all is connected to cost and value and the proportion between the two. They are interested in service specials and discounts, but be aware that quick decisions are not their strength so it might take a lot of time until they buy a car or books an inspection with the dealer. There is no point of addressing emotions and do not try to build a deep relationships with him/her.

The Driver type of customer approach is very different. They are convenient decision seekers and very goal-oriented customers. They are detached from / not interested in the service /repair process or the people handling the sale process etc. only the result matters for them at the end of the day. The drivers' category considers vehicle maintenance or buying a car to be wasting their time and they are very impatient. The dealership team both on sales and aftersales require a good preparation when dealing with the drivers because they wish to spend as little time at the dealership as possible. In case they have to wait at the dealership they want to be able to spend their time as productively as possible. The dealers must be sure that the Wi-Fi connection is a very good one cause they will prefer to be online. Do not try to establish a close relationship as they are individualistic people and not concerned for others. They even have a tendency to intimidate others so the dealers must be strong facing these customers. Making decision is a thing they are good at and they love to be decisions makers even for stuff which is not included in their responsibility. The author opinion is that this type of customer helps the dealer to develop more than the analytical one because it keeps the dealer engaged and active to think all the time in interaction with the customer.

The Amiable type of customers are people-centric and relationship seeker. They seek to establish trusted and constant relationship with the Service Advisors or with the Sales Person. They have the greatest need of all four customer types presented above; they need a lot of attention and caring. They do not consider it as important as others to understand what was done to their vehicles in the workshop. They are warm, friendly, open, modest, patient, respectful and discrete, which causes them to avoid complaints and bad comments. Although it is the easiest customer type to satisfy or delight the dealers need to be careful, because once you have lost an Amiable, you lose them forever ("a 'no' is a 'no!'"). Even though they are not very demanding they still need to be looking after. They are very loyal customers to the brand. The amiable avoid making clear cut decisions but instead they always present their sincere opinions and thoughts about the brand. They dislike many facts and they do want to know just what is necessary and relevant for them. They do try to avoid conflicts all the time and will do their best to find a direct and amiable way of closing the business at the end of the day.

The last category of automakers customers is the Expressive one. They are ego-centric and attention seekers. This type of customer is all about them. They are happy if you let them feel like a star. As they have the gift of making contact with others, they are good at "not so deep relationships"; that makes them connect easily with others. Open minded and enthusiastic in case they had a good customer experience they could easily persuade other to buy or swap to the brand they are dedicated to. The marketing people call them the "promoters" (McKinsey Research, 2017). From the author perspective this could be a bit tricky because in case they had a bad customer experience, they would be the first ones who will make it public via social media, mouth propaganda etc. They are good experts in talking about the experience they went through. The Expressive do not want to be bored by technical facts or details, they decide quickly and with intuitive accuracy, but the dealers need to be very careful because they change their minds as quickly as they originally made their decisions. They want to be treated as the most important customer, but do not want to talk about what you have done, instead

focus on what they are able to do now (“what is in it for me”). They buy everything which differentiates them from others or makes them look good in their social environment. When taking a decision to buy a car either they buy a premium brand or they do make up mind for the most expensive car in the segment of non-premium brands. They often come across superficial, impatient, unsystematic and emotionally driven. This type of customer is overly sensitive, so always be careful what you say and how you say it!

The author does believe that there are also some customers in between who don't belong to any category and they have some characteristics from each single category. I would call them - ad - hoc customers difficult to be recognized. Furthermore, most of the brands need to be sure that their dealers succeed in recognizing the customers they have in front of them. Properly reacting to the different Customer Types is crucial. Successfully doing that is important to know what the different types expect from the brand during the first contact. This allows the dealers and then to the car manufacture to listen actively and finally to figure out what type of customer he /she might be.

5. Conclusions

If the IT industry needs to develop more and more update software, people would think that the automotive manufactures must launch more sophisticated cars, facelift of different models etc. But basically in order to keep the pace with currently change the automakers just need to focus on one thing called “CUSTOMER”. There is an urgent demand to centralize both sales and aftersales area and to be sure that they align toward the same aim in working together as a team to promote the best customer experience ever. Most of the time sales and aftersales department don't work together but there is no way of succeeding in having happy or delight customers if not involving all parties. Due to the fact that in the past the customer did not have so much access to information as nowadays there was a bit of less focus on satisfying the customer. Nowadays there is no difference what type of car they drive all customers became more demanding and asking for more attention. The competition is high and they know this that's why they can afford to come to a dealership and then leave very quickly if the experience they go through does not reach their expectations.

It took a while until the car manufactures understood that it is not enough to provide a good service, that it is not enough to offer a coffee to the customer but to move beyond the so called standard things perceived by the customer. There is a need to develop programs and to implement systems that help people working in the dealerships first to recognize the type of the customer they deal with and then to be able to provide him the service expected. It might sounds very complicated and theoretically but this is quite simple happy, satisfied and qualified staff will be always able to provide a new customer experience. A change in the customer journey is a long process that takes time and energy and all OEMs are aware of the ongoing trip. But finally the brand knows that the key element for an excellent customer experience is the emotional side and not so much the practicable one. The main key for a future customer orientated brand are the following: commitment to provide an excellent service, focus on the employee, detailed strategies for each customer segment and a better understanding of the economic benefits in the customer journey.

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