



PROFITABLE GROWTH BY CLOSING THE LOOP ON AUTO BUYER FEEDBACK

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OVERVIEW

The automotive field is getting more fiercely competitive, due to the macro-economic climate and its subsequent impact on car buying. A look at automaker activity confirms this: Global automotive transaction volume has decreased for five consecutive quarters. The 114 announced deals in Q3 2012 represent a significant decrease of 27.8% compared with the 158 deals announced one year prior. Without the Volkswagen AG acquisition of the remaining stake in Dr

ING hcf Porsche AG - the average deal size for Q3 2012 reduces from \$668 million to \$202 million. This low volume of automotive transactions reflects the industry's current trend of pursuing joint ventures and the challenges caused by the European debt crisis.¹

Like many other industries, consumer values and buying behavior has shifted as a result of this. In North America, for example, the new car purchase process takes 50% longer than ten years ago, while European consumers are snapping up lower-cost, eco-friendly cars to take advantage of government incentives.² China remains the notable exception, with 70% of car purchases being first time buyers and 90% purchasing with cash.³ The car has rapidly replaced the bicycle as the primary mode of household transport, such that China is now the world's largest new-car market. Sales of cars are expected to contribute 35% of market growth between 2011 and 2020.

With the rise in efficient engines, an increasing proportion of the world's 7 billion people living in already overcrowded cities are looking for new, smaller, urban-friendly vehicles. Car

sharing and other mobility concepts are now becoming mainstream ideas. Consumers are demanding new auto functionality such as full connectivity via the internet, and the spread of battery powered vehicles calls for innovations such as battery leasing. These forces mean that automakers now have to manage a wide range of propulsion technologies. New concepts such as car sharing, mobile wifi and new materials, as well as the growing international significance of emerging markets gives automakers many more factors to consider.⁴

IN APAC

In Asia Pacific, where demand is dominated by the Chinese market, consumers are maturing and evolving. This means a priority on understanding the key trends that will shape demand over the next decade:

- **Going bigger:** Sales of sport utility vehicles (SUVs) will triple in the next ten years, as the number of wealthy consumers increases. Although sedans will remain the largest segment.

- **Trading up:** Ipsos studies suggest that Chinese consumers will be much more likely to purchase high-priced cars (250,000 to 800,000 RMB) in the next decade than they were in the past. Incentive to do so will come not only from higher incomes, but also from more aggressive marketing and sales activities by premium brands, influencing what car owners look for when replacing their entry-level vehicles.
- **High volatility:** The volatile growth rates for new cars observed over the last two decades are likely to continue.
- **Regional differences:** Consumer behavior regarding car-model preference will vary greatly by region. For example, consumers in Hangzhou and Shandong say they care about attractive external styling, while their counterparts in Shanghai and Fujian are less concerned with exterior appearance and more sensitive to price.⁵



Unlike China, the relative maturity and saturation of the car market in Hong Kong means the pie isn't getting any larger. With the keen competition amongst car brands, Hong Kong car owners show strong preference towards luxury cars. In 2012, 4 of the top 5 selling car brands in Hong Kong were European (with Mercedes-Benz E-Class and the BMW 5 series being the best sellers) Toyota is the best selling Japanese car brand in Hong Kong.⁶

Sales of sport utility vehicles (SUVs) will triple in the next ten years.



The addition of First Registration Tax (35% of total sale price) adds an extra hurdle to car ownership. A recent Ipsos Hong Kong study reveals that close to 90% of car owners in Hong Kong own just one car and less than 20% of car owners will consider buying another car within the next 5 years. Implications for automakers in the Hong Kong market mirror those affecting the market globally: the ability to respond to market volatility and effectively prioritize profitable growth segments will characterize the most successful automakers in the coming decade.

CUSTOMER-CENTRICITY: DIFFERENTIATE AND GAIN SHARE

The Ipsos Hong Kong Automotive Practice has abided by one's core philosophy: the importance of customer centricity. PWC's 16th Annual CEO Study shows that 92% of CEOs plan to strengthen engagement with customers.⁷ Accenture outlines three strategies for implementing this approach within automotive organizations:

i. Strategy 1: Develop a deep customer understanding.

- Replace anecdotal evidence with fact-based strategies
- Segment by buyer characteristics and needs, not by product.
- Share customer data across functional teams so a holistic view of the customer can be used to customize offers and communications. India's Tata Motors, for example, has a customer relationship management program that makes real-time customer and vehicle data available across more than 1,000 locations.
- Use specialist analytics to extract actionable insights for better decision making.

ii. Strategy 2: Develop and adapt targeted value propositions

- Segment customers by potential value, characteristics and behavior (not just matching demographics to models).
- Consider that life stages

drive customer needs, not demographics. Behavior analytics can best deduce life stage - and help replace hard sell with relevant offers.

- Personalize the customer experience with enhanced test drives (borrow for a weekend), differentiating pricing policies, loyalty programs and premium selection or servicing for members to appeal to different consumer segments.
- Shift perspective to one-to-one approaches.

iii. Strategy 3: Deliver differentiated and branded customer experiences

- Align customer segmentation with business strategy and functional processes.
- Cross-team collaboration across the touchpoint cycle including internal R&D and marketing, sales people at the dealership, financing specialists or service partners.
- Branded, enduring value propositions which are consistent across a customer's life cycle

are more important than ever, with a rapidly shifting auto brand landscape.

- Expand into new markets. While aggressively marketing its cars in India, Tata Motors is also seeking new customers in the United States, Europe and South Africa.⁸

TACTICAL SOLUTIONS

Developing a deep customer understanding and actively listening to what customers are saying is critical to ensuring customer centricity is at the heart of an automotive business, indeed, any business. Within the Ipsos toolbox, is a multi-modal, real-time customer feedback platform called ViewsCast which has already been deployed to numerous automotive brands globally.

**Life stages
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In Africa our client (an OEM) wanted to understand the quality of service customers were receiving in the sales & after-sales environment and be in a position to provide immediate solutions for dissatisfied customers. They provided us with daily sample lists of customers who had been through a recent experience and upon receipt of this list, a combination of SMS and email invitations were immediately deployed inviting customers to feedback on their recent experience.

Due to the immediacy of the invitation following the experience, combined with the convenience of providing multi-modal feedback mechanisms through our platform ViewsCast, Ipsos was able to gather meaningful, representative data in real-time. This in turn allowed dealers to take remedial action with any unhappy customers.

Given the importance of cutting through the noise, in the face of diminishing technological differentiation, automakers who can best gather and act upon customer

feedback will be the most successful. Through our client research experience, we have found that four factors are required to develop a value-creating consumer insight capability:

- i. Access to high-quality data
- ii. Processes to share data throughout the enterprise
- iii. Leadership that champions embedding analytics in the company culture
- iv. Strategic targets tied to analytics



REFERENCES

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About Ipsos Loyalty:

Ipsos Loyalty is the global leader in customer experience, satisfaction and loyalty research with over 1,000 dedicated professionals located in over 40 countries around the world. Our creative solutions build strong relationships which lead to better results for our clients. This has made us the trusted advisor to the world's leading businesses on all matters relating to measuring, modeling, and managing customer and employee relationships.

About Ipsos:

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. In October 2011 Ipsos completed the acquisition of Synovate. The combination forms the world's third largest market research company. With offices in 84 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management.

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