

Case 7.2 Mercedes-Benz: Implementing a CRM Programme

The Company

Mercedes-Benz is one of the world's most successful premium brands. Its technical perfection, innovative design features and numerous car legends have made the Mercedes star one of the world's best known trademarks today.

The late 1990s and early 2000s saw major changes in the competitive structure of the European car market. After a long history of reigning over a sellers market, Mercedes-Benz experienced increased competition. Other premium brands such as BMW, Lexus and Jaguar were competing fiercely in the luxury car market where Mercedes was traditionally very strong. Also, many of these brands were expanding into new market segments. For example, the Mercedes 'A Class' focused on a new market segment that was more price sensitive than those in which the brand traditionally competed. Along with this increase in competition was a new threat – changes in legislation, known as 'Block Exemption'. These new EU laws changed the exclusivity of dealers to operate within the re-seller market, allowing freedom for companies to potentially sell or service any car that they might wish.

Historically, Mercedes-Benz was sold in the UK through a franchised network of some 138 dealerships. Each of these was autonomous, with the exception of three dealerships owned by the distributor DaimlerChrysler UK (DCUK). DaimlerChrysler had relatively little control over relationships between dealers and customers. Dealers managed their own relationships including customer research, data base management, acquisition and retention processes.

The Challenge

In the late 1990s, DCUK was faced with a challenge. Research suggested that some Mercedes-Benz customers were less than happy with the service they received. Although the technical quality of the product was highly regarded, customers complained that the service that they received was not of the same high standard. This translated into declining customer satisfaction and increased defection. DCUK recognised that the entire chain of relationships between manufacturer, dealers and customers needed a new approach.

Customers reported that there was an inconsistency between the communication that they received and the service that was delivered. Communication to the customer included both national product marketing along with some local marketing initiatives. Enquiries from the customer

went directly to the dealerships and were handled through their internal processes. These were sometimes inadequate. So, for example, request for test drives may not have been followed-up by complacent salesmen, resulting in poor sales conversion rates. Research suggested that Mercedes-Benz customers received communication from DCUK and the dealerships that was not always coordinated. Such communication may not match customer needs at a particular point in time in their purchase cycle and may result in conflicting or duplicated messages.

A uniform problem across dealerships of most car marques in the UK was that, historically, each dealership operated its own database. The information in this database could be out of date, inaccurate and missing important information. One industry estimate was that only six per cent of prospects were captured in such databases. Critically, salespeople did not always appreciate that it was essential to record correct and complete customer information if effective contact was going to be sustained.

In the past, like most distributors, DCUK had focused primarily on the relationship with their dealer franchise network. In the future the company wanted to have a greater input into how the end customer relationship was managed. This entailed a new strategic approach to the distribution of cars.

The Solution

In 2000, DCUK decided to adopt a new distribution model for Mercedes-Benz passenger cars. They re-organized the market into thirty five new, larger geographical areas and invited a number of existing dealerships to enter into new retailer agreements. This entailed these dealerships taking over responsibility for the retail sales and service of Mercedes in specific geographic territories or 'market areas' (MAs). For most franchises, these new MAs included up to six dealer outlets and required a substantial additional investment in new premises and facilities. DCUK also decided to become much more heavily involved in retail operations through direct ownership of the MAs in London, Manchester and Birmingham. These three regions represented over one third of the retail passenger car sales volume in the UK. However, changes in the distribution was only the starting point for DCUK building improving relationships with customers.

Within DCUK, a project management team was established, drawn from managers in marketing and operations. The project management team set about identifying the key CRM processes and determining how each process would be implemented throughout the new retail structure. Every aspect of the customer relationship needed to be carefully examined, to ensure value was created at every opportunity: for the customer, the

MAs and DCUK. The first step was to benchmark Mercedes-Benz against other leading marques as well as best in class organizations. This research suggested that there were several areas where greater value could be delivered to the customer during both the sales process as well as during the ownership experience.

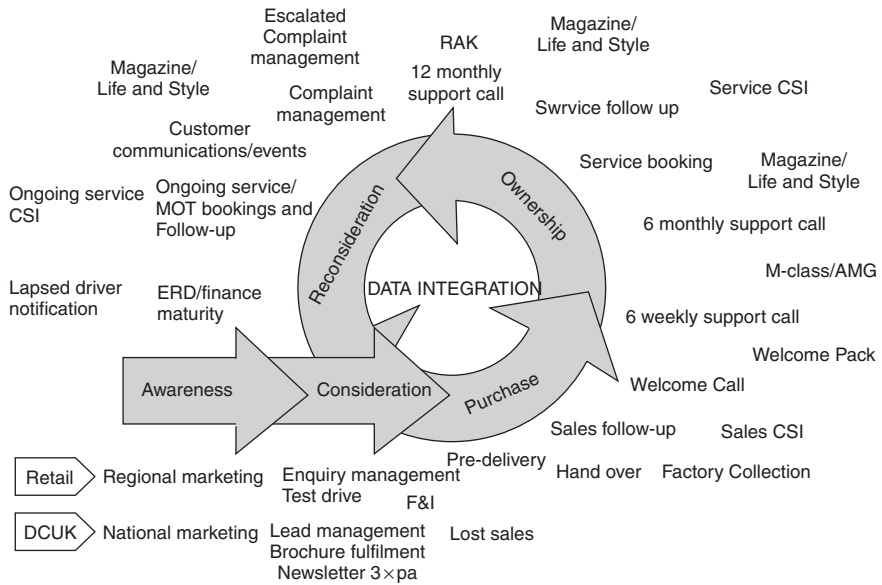
Under the new retail agreements entered into by the MAs, DCUK gained closer control of the valuable Mercedes-Benz brand, whilst providing greater support and guidance to the MAs on delivering the best experience to the customer. A new retail concept was devised, which required dealers to improve their showrooms and service areas. A new approach to the marketing structure within each MA was set out, which involved a centralized CRM and marketing team – one for each MA. Each team was given the responsibility of database management, customer support and regional marketing.

DCUK, working closely with one MA on a pilot programme, mapped out each of the critical customer processes. These included prospect management (enquiry through to sale); customer contact (communications throughout the period of customer ownership); and complaint management (acknowledging that complaints are an opportunity for improvement and also for forging deeper understanding with customers). Salespeople would continue to be the main contact with the customer during the sales process, but now they would have the backing of a dedicated CRM team to generate and qualify leads, ensure follow up during the sales process and maintain regular communication with customers during the customer ownership experience.

With the new, carefully set out CRM processes, every aspect of the customer relationship from prospect through ownership was set out along with a channel strategy for each stage. Instead of a salesman owning a customer, each relationship was carefully managed centrally through the new CRM marketing team set up within each MA. For example, the customer support team managed telephone enquiries and passed them to a salesperson. Follow-up was done by the customer support team, which ensured consistency of the customer contact and also accurate data gathering. Then, the customer support team continued building each customer relationship through a mix of mail, telephone, face to face and email – each contact carefully timed to fit with a typical ownership cycle.

Each communication channel was carefully integrated so that the customer received relevant messages by an appropriate channel at various critical points during the ownership cycle. So, for example, direct mail of a high quality magazine was sent to customers reinforcing the brand and improving the ownership experience. This was coupled with direct mail and follow up telephone calls for service bookings. The figure below outlines the process of integrating, the relationship between the customer, the retailer and DCUK.

Figure 1 Towards an outstanding Mercedes-Benz customer experience: Integrating the relationship between customer, retailer and the distributor



DCUK recognised that managing data was critical to the success of CRM at Mercedes-Benz. Central to the whole new approach was building a total picture of the customer. First, instead of multiple databases operated by each dealership and DCUK, a single database was set up. This was implemented across all MAs and DCUK. Using IT, every customer contact would now be recorded and acted upon using an organized approach. Second, the sales process was carefully set out to support data capture. Customer support and sales personnel were trained in how to accurately record important customer information, improving the quality of data. Salespeople were encouraged to obtain as much customer information as possible, whilst dedicated data capture agents were responsible for all data entry. Importantly, it was made clear to all staff and especially salespeople, the imperative of building a complete profile of a customer.

DCUK set targets for the MAs covering every aspect of the customer experience – including retail and after-sale. For example: prospect follow up target was increased to one hundred per cent; the number of prospects converted to test drive and subsequent sale was increased; and CSI (customer satisfaction index) on pre-delivery was improved.

At the outset of the CRM initiative, a business case was set out to win the support of dealers for CRM and to determine the benefits and returns that would be delivered to the customer, to each MA organization and to DCUK. It was critical that measures were put in place to prove that CRM delivered

the anticipated results and justified the massive expenditure within the businesses. DCUK and the dealers agreed a range of measures and these were used in two ways. First, these monitored the success of all aspects of CRM including customer satisfaction, customer retention, sales performance, and profitability. Second, the measures would be used within the CRM margin, a critical portion of the reward structure for MAs ensuring that there was a total focus within the business on CRM processes.

One problem facing the CRM initiative was that the new dealer network included dealers at different stages along the road to CRM. Some MAs had undergone massive structural reorganization, including buying and selling of dealerships as well as many changes in staffing and roles. Other MAs had less experience with applying technology to understanding their customers. At the other end of the spectrum, some MAs had undergone little reorganization and were relatively sophisticated in their use of the customer data base to building customer relationships. An immediate task was to determine the state of readiness to adopt CRM within each MA, so that CRM processes could be implemented smoothly.

The CRM team recognized that processes alone would not deliver enhanced customer service; the success of CRM would depend on engaging the hearts and minds of both the leaders and employees throughout the distribution network. An examination of MAs pointed to the need for comprehensive training designed to educate employees at every level in CRM as well as to gain their commitment to it. The training programme was devised with four individual modules, designed for various groups within the MAs and DCUK.

CRM Best Practice Workshops: These workshops were designed specifically for the senior management teams within each MA, as well as Directors within DCUK with direct responsibility for the MAs. Each workshop aimed to build awareness of the benefits of CRM as well as educate how to implement successful CRM through case studies of best practice in CRM. The three day workshops entailed a mix of presentations and visits to companies where successful CRM was evident. The outcome would be a practical plan drawn up by each MA, that the senior management could use to help change the mindset within MAs and successfully implement the CRM strategy.

CRM Uncovered: This module was designed primarily for customer facing staff, both within the MAs and DCUK. The one day course aimed at building enthusiasm for CRM as well as creating understanding of the benefits of CRM for the MA, the customer and for themselves. The training programme was highly interactive so that participants could easily transfer the skills they learned to their work situation. Activities within the programme were designed to be fun and highly motivational, creating an excitement around CRM.

Systems and Processes: The CRM project team recognized that it was imperative that all staff within each MA as well as many within DCUK

required comprehensive training on the new Kerridge CRM software. Training involved two steps. First was a basic training on the system, its benefits and capabilities. Second was specific training within the MA, to provide practical experience of operating the system.

Soft Skills: The fourth module of training involved specific soft skills training. An analysis of training needs would identify specific requirements and then groups of staff would attend appropriate courses. These skills related to building relationships with customers, including telephone skills, communication skills, customer complaint handling and customer service.

The Results

To win the hearts and minds of leaders and employees, it was critical that there would be some quick wins from CRM. These results could be broadcast through the dealer network to encourage others. One MA was chosen to test out processes and to confirm the benefits. Quickly the financial benefits to the MA were established as well as steady improvements in key measures of customer satisfaction and customer loyalty. Cross selling and up selling opportunities were used to advantage and the MA reported that relationships with customers were extended and deepened. The MA could justify the significant expenditure on CRM systems and processes by the impressive financial returns as well as improvements in critical customer measures.

For example, the additional volume of business generated by CRM activities was achieved in the following areas: services booked, extra work booked, sales leads, test drives, finance deals, and annual safety checks booked. Importantly, customers reported that they liked the new consistent approach in the way their relationship was handled.

Communicating these results to other MAs reinforced the business case for adopting CRM. Every opportunity was used by DCUK to share the experiences of dealers in implementing CRM. For example, the Best Practice training programme incorporated a session reporting progress on implementing CRM within the retail network. Individual dealers were invited to report their success with CRM as well as highlighting any problems and concerns.

Winning the CRM margin has become highly important for dealers and is ensuring that the CRM initiative stays at the forefront of people's minds. Staff are aware how their individual efforts contribute towards the success of CRM. For example, capturing complete and accurate information about customers is now a priority for all salespeople.

Despite widespread acceptance of the benefits of CRM, continual ongoing efforts need to be made to support attitudes to this new approach to the customer. Dealers have responded to this opportunity in different ways. For example, one dealer recognized the importance of nurturing a team

spirit and so took all employees away to a five star hotel to say thank you for their efforts in CRM.

The initial results of the CRM implementation have been very encouraging. There is a great enthusiasm within both the MAs and DCUK for improving the customer experience and establishing closer relationships with customers. Already, two years into the programme, customers are reporting improvements in critical service quality measures. Importantly, there is now full recognition that the future of the Mercedes-Benz brand lies in a continuing journey of matching the highly acclaimed product with an outstanding customer experience.