

Sales and Distribution Networks Are the Automotive Industry's Last Pot of Gold, According to IBM / Roland Berger study

Double-digit growth in profitability would be possible by restructuring dealership networks

MUNICH, GERMANY, June 12, 2007 – A joint study by IBM Global Business Services and Roland Berger Strategy Consultants reveals that automotive companies that restructure their car distribution networks can realize sales growth of as much as 11 percent and cost savings of 12 percent. Entitled “Automotive Sales Champions,” the study is based on interviews with automobile manufacturers (OEMs) and dealers, which represent more than 80 percent of the automotive market in Western Europe, in addition to analysts and financial service providers.

The study concludes that the only remaining potential for the industry's profitability improvement is in its car sales and distribution network. Today about 25 to 30 percent of a car's retail price are spent for sales, marketing and distribution because of their duplicated efforts and complicated networks. By building better organized sales and distribution systems, including dealer networks, and with greater cost transparency, the auto industry will be able to achieve the double-digit sales growth and cost savings it has long aimed for.

“Automobile manufacturers in Europe have taken efficiency potentials in development, production and cooperation almost to their limits,” says Ralf Landmann, an Automotive Competence Center partner at Roland Berger Strategy Consultants. “In the future, OEMs will concentrate on sales and distribution networks because this is where there is an opportunity for significant performance improvements.”

The main weaknesses that currently beset sales are:

- lack of process integration and too little comparative cost analysis (benchmarking)
- lack of sustainability and monitoring of the efficacy and success of sales initiatives
- marked silo mentality
- lack of management qualities among dealers
- lack of communication along the entire chain of sales activities.

More than 80 percent of respondents complain about a lack of change management principles, as well, such as communication. Additionally, 70 percent of them claim that the success of their sales activities is sustained inadequately while 57 percent of them think that they lack systematic industry benchmarking.

“Using our interviews and the study results, we have developed a set of specific recommendations for the automotive industry, so they can increase profits and sales,” says Claudia Schmitt-Lühmann, associate partner at IBM Global Business Services. “These action-oriented recommendations focus on qualitative aspects of the dealer network, especially in the areas of collaboration, qualification of dealers and elimination of silo structures, and customer relationship management between dealers and consumers. We also suggest that they have long-term sustainable sales strategies. Many dealers told us that they often suffer from short-term and frequently changing strategies.”

If you have any further questions, please refer to:

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