



How Volkswagen Group UK Builds Aftersales Profitability with PolkConnect

CHALLENGE:

Keeping Ahead of a Shifting Automotive Retail Market

The automotive retail business has experienced a dramatic shift. As new car sales have declined, the aftersales business has taken on increasing importance for auto retailers. This is certainly true at Volkswagen UK, where aftersales business accounts for up to 65 percent of a retailer's profits.

As part of his role as Aftersales Product Planning Manager for Volkswagen Group UK, Mark Snelling looks for ways to help Audi, Volkswagen Passenger Cars and Volkswagen Commercial Vehicle retailers improve the efficiency and profitability of their aftersales operations whilst focusing on retaining customers as they move into Segment II vehicles (those in the 4-to-6-year age range).

In an environment where retailers compete with independent garages for customers, Volkswagen Group retailers need innovative ways to attract service customers and build loyalty. And, they need consistent metrics to measure and analyse their performance in the aftersales business.

SOLUTION:

Integrated Marketing and Measurement Solution

Volkswagen has partnered with Polk on aftersales solutions for more than a decade, and was an early adopter of PolkConnect when this comprehensive aftersales CRM and performance measurement solution became available approximately five years ago. Today, almost 400 retailers representing Audi, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles make use of two related components of PolkConnect. *Predictive marketing* automates the process of scheduling and tracking service visits and the *Key Performance Indicators* (KPIs) module provides consistent metrics to measure and analyse performance.

Predictive Marketing: Targeting Customers to Identify Best Opportunities

Volkswagen Group retailers use the predictive marketing component of PolkConnect as an automated and consistent way of targeting service offers to

appropriate customers. This sophisticated system develops individual customer driving profiles to predict when particular service events are due based not only on mileage, but on driving patterns, model-specific data and other criteria gathered from previous service visits. For example, when a customer comes into the retailer for routine service, the technician performs a '39-point check' to identify future service opportunities, which are then scheduled in PolkConnect.

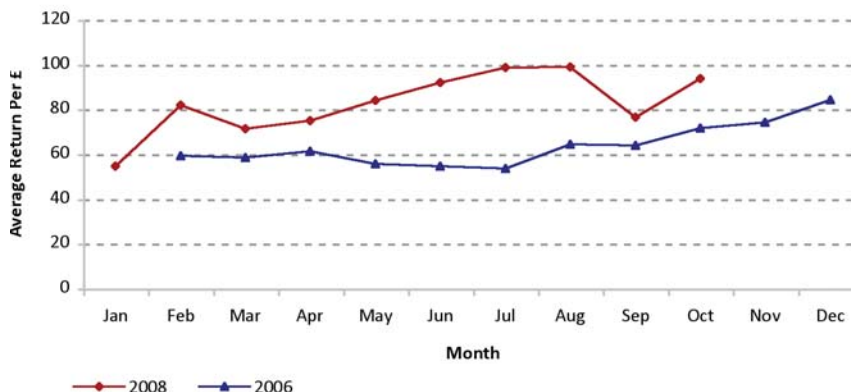
PolkConnect makes it easy for Volkswagen Group retailers to continuously communicate with customers. Each week, the system automatically generates a list of customers whose vehicles are in need of a particular type of service, which allows retailer personnel to focus on these aftersales opportunities, actively engage with the customer and secure a potential profit opportunity.

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“The field consultants bring immense and immeasurable value to PolkConnect. They truly make the product live and breathe.”

– Mark Snelling, Aftersales Product Planning Manager for Volkswagen Group UK

Average Return Per £



Increase in Return on £ Spent – Volkswagen Passenger Car

On average, ROI per pound spent increased 42 percent from 2006 to 2008.

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Recognising that multiple points of contact are often most effective, predictive marketing utilises a two-wave communication approach. First, targeted customers receive a mailing inviting them to visit their Volkswagen or Audi retailer for a specific service. Several weeks later, PolkConnect initiates a 'wave two' phone campaign to customers who haven't responded to the mailing. As Volkswagen Group considers adding text messaging, email and web-based communication, PolkConnect will provide the flexibility to support these communication channels as well. Regardless of the method of communication, Volkswagen Group retailers are able to provide their customers with direct communication on a topic of interest, not a mass communication that might be viewed as 'junk.'

Volkswagen and Audi retailers also use PolkConnect to target customers for ad hoc marketing campaigns, such as 'air conditioning health checks.' These are offered at a promotional price and timed to drive customers into the retailer when it would otherwise be slow. And, since the goal is to build profits, not just a busy workshop, retailers also use predictive marketing to target customers in need of specific high-margin services or repairs.

Going beyond traditional Dealer Management Systems (DMS), PolkConnect also provides Volkswagen Group retailers with consistent tools to monitor the effectiveness of their aftersales campaigns. PolkConnect's predictive marketing online dashboard indicates the response rate, revenue, average repair order value and return on marketing spend, among other metrics. Each retailer can view its own predictive marketing metrics to measure the success of aftersales marketing efforts. And, regional, brand and Group Services staff view aggregate results to assess what works and what doesn't without having to rely on retailer staff to report results themselves.

Key Performance Indicators: Tracking Performance with Consistent Metrics

PolkConnect's Key Performance Indicators (KPIs) complement predictive marketing metrics and provide a broader view of aftersales performance and workshop efficiency through KPIs that include parts and labour sales. The KPI module also shows each retailer's share of the aftersales market in the trade area.

Regional and brand managers can view results at a 'drill down' level for in-depth analysis and on aggregate for comparison purposes and to provide input into strategic five-year plans. Volkswagen Group has found this online information to be a huge improvement over assessing performance via compiled service invoices.

Mark and the team at Volkswagen Group have found that the real value of the KPIs is not merely analysing them, but acting on them. Like others using PolkConnect, Volkswagen Group retailers have realised that focused resources are necessary to translate metrics into improvement plans. In the case of Volkswagen Group, Polk Field Consultants serve this role, working with the retailers to translate findings into action items and monitor ongoing success.

“With PolkConnect, we're able to reach the right customers with the right message at the right time.”

– Mark Snelling, Aftersales Product Planning Manager for Volkswagen Group UK

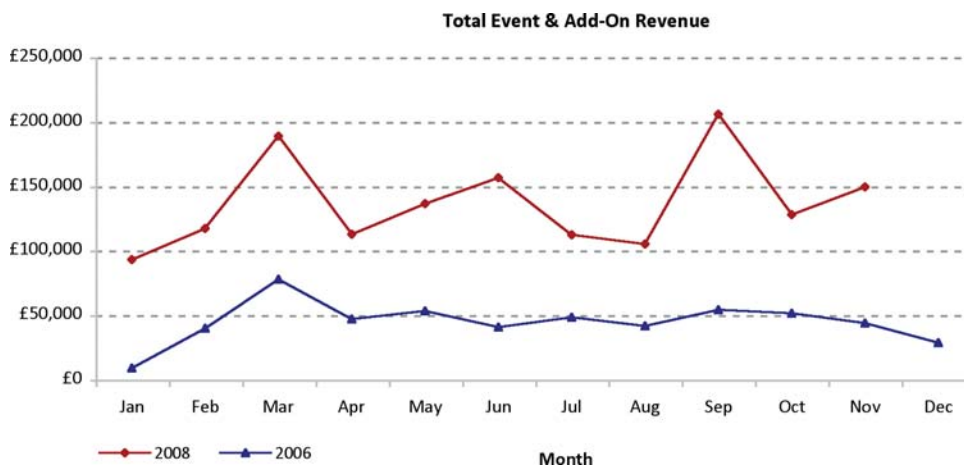
RESULTS: Success at the National and Local Level

Volkswagen Group UK has realised a number of impressive results from PolkConnect at both the local and the national level.

On the local level:

- Lindvale Volkswagen used predictive marketing to create a list of 795 customers who were due for a cambelt change. With a 3 percent response rate to a simple mailing, the retailer generated more than £9,000 in add-on revenue with minimal work for retailer employees.

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Increase in Event & Add-On Revenues: Audi

On average, total monthly event and add-on revenues rose 193 percent from 2006 to 2008.

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- Volkswagen retailer Martins of Basingstoke found that predictive marketing contributes up to 46 percent of overall retail sales in select months. Additionally, by working with field consultants to better utilise predictive marketing, the retailer increased revenue by 73 percent and return on marketing spend by 56 percent.

At the national level, results were analysed for a sub-set of each brand's retailers that have used PolkConnect since 2006. Results include:

- *Significant increase in number of available leads:* For the sub-set of Audi centres, the average monthly number of leads available through PolkConnect rose an average of 45 percent from 2006 to 2008.
- *Higher response to targeted marketing promotions:* The average number of customers per month who responded to marketing communication and visited a Volkswagen Passenger Car retailer for a specific advertised service rose by an average of 79 percent from 2006 to 2008. And, at Audi retailers, the number of respondents from 2006 to 2008 increased by an impressive 166 percent.
- *More efficient use of marketing budget:* Audi's average return on each pound spent rose an average of 79 percent from 2006 to 2008 due to more targeted communication. At Volkswagen Passenger Car retailers, the return on pound spent increased 42 percent from 2006 to 2008.
- *Higher revenues:* Monthly 'event and add-on revenues' (revenue from the event that the customer was contacted about plus any additional work performed at the time of the customer's visit) went up. Audi retailers saw an average monthly increase of 193 percent from 2006 to 2008. The Volkswagen Passenger Car retailers saw an average monthly increase in event and add-on revenues of 77 percent during the same two-year time period.

SUMMARY:

Building Aftersales Profitability with PolkConnect

Challenge
Maximising efficiency and profitability in the aftersales business
Solution
PolkConnect: Integrated Marketing and Measurement Solution
Results
<ul style="list-style-type: none"> • Increased leads available • Increased responses leading to more workshop business • Higher return on marketing £ spent • Higher revenues

About R. L. Polk & Co.

R. L. Polk & Co. is the premier provider of automotive information and marketing solutions. Polk collects and interprets global data, and provides extensive automotive business expertise to help customers understand their market position, identify trends, build brand loyalty, conquest new business and gain a competitive advantage. Polk helps automotive manufacturers and dealers, automotive aftermarket companies, finance and insurance companies, advertising agencies, media companies, consulting organizations, government agencies and market research firms make good business decisions. A privately held global firm, Polk is based in Southfield, MI with operations in Australia, Canada, China, France, Germany, Japan, Spain, the United Kingdom and the United States. For more information, please visit www.polk.com.