MANAGEMENT SUMMARY

## Study "European Truck Customer 2010"

# Customer focus shifts into high gear

- **Overall customer satisfaction fell during the crisis**
- **Highest priority for customers continues to be vehicle uptime**
- **Customer tailored solutions are the best way to beat the competition**

**Following a steep drop in the economy that saw sales and orders plunge dramatically, the latest indicators for the commercial-vehicle sector are pointing toward recovery. If manufacturers intend to sustainably profit from the forthcoming upswing, they must put together intelligent, understandable packages of solutions that are precisely tailored to meet the needs of individual customer groups and that also address regional requirements. For German customers, for instance, service-related issues are much more important than for other customers in Western and Eastern Europe. Overall, OEMs must significantly improve the solutions they offer. This is the only way that they can create a competitive edge and form long-term relationships with customers. These are some of the findings of the study "European Truck Customer 2010" in which Oliver Wyman, Europe Net and Pleon explored customer needs and satisfaction across Europe.**

The commercial-vehicle industry experienced its worst crisis ever in 2009. Following years of booming markets in Western and Eastern Europe as well as in Asia, a plunge that was unparalleled both in its speed and size began in the fall of 2008. As a result, sales figures in 2009 plummeted 36 percent in North America and 16 percent in South America. Asia was the only area to overcome the trend, producing a gain of 6 percent. The situation was much more dire in Eastern Europe, where the decrease totaled 65 percent. Western Europe fared only slightly better with a drop of 43 percent. Overall, this crisis caused worldwide sales to fall 18 percent. While more than 2.2 million commercial vehicles were sold around the world in 2008, only about 1.8 million of them were purchased in 2009. In many cases, only pre-existing orders were processed. Hardly any significant new orders were received.

Today, the commercial-vehicle market appears to be recovering around the world faster than expected. Numerous manufacturers have announced positive quarterly results with high growth rates in new orders, even if the base line is the very low levels from the crisis year of 2009. In the first half of 2010, the commercial-vehicle industry in Germany generated double-digit growth rates in new orders, production, sales and exports compared with the anemic first half of 2009, according the Association of the German Automotive Industry. The market appears to have bottomed out and is rebounding. But it will take some time before pre-crisis levels are reached again. The years of 2007 and 2008 were just too good.

**Uptime and total cost of ownership become more critical to the customer**
Customer focus and customer loyalty are becoming more important in the aftermath of the crisis. This requires a sound understanding of customer needs, which vary sharply not only among individual customer segments but also among regions. This situation has further intensified in the wake of the market consolidation that has occurred in recent years. Oliver Wyman has been monitoring customer needs in the commercial-vehicle market since 2006. For the new study “European Truck Customer 2010”, more than 2,300 commercial-vehicle customers in 15 European countries were surveyed. The study found that the service offering had grown in importance among German customers since 2008. Two years ago, fuel consumption led the Top Ten list of reasons for purchasing a vehicle. Today, the top issue in Germany is vehicle uptime, followed by warranties/goodwill, and service quality, both of which were not among the five most important customer needs in 2008. The fourth most important reason is the availability of spare parts (2008: ranked fifth), followed by fuel consumption as a result of falling oil prices. The significance of cost-related issues has changed as well. Increasingly, customers are focusing on total cost of ownership, which is made up of the purchase price, residual value, and operating costs. Accordingly, the customer wants a vehicle that is always available and can be operated at clearly calculable costs.

But the survey discovered that manufacturers are not meeting customer expectations in all areas. Especially in Germany, one of the biggest gaps between expectations and reality involves the issue of warranties and goodwill. In this area, customers have high expectations that they think are not being satisfied. Significant differences exist in terms of total cost of ownership. By contrast, the service offering that is so important to customers scored relatively well. In fact, customer satisfaction with OEMs has improved in individual areas in recent years. This is clearly demonstrated in the service network and in the quality of service locations. Customer criticism has been addressed here.

**Solution-based thinking is the order of the day**
Manufacturers are meeting product-related needs as well, from cabin comfort to engines. Nevertheless, in addition to the vehicle itself, other criteria that can impact a purchase decision are moving to the forefront. The challenge facing the OEMs as a result is to create a competitive edge through the solutions they offer and thus form a long-term relationship with the customer.

One example of a solution designed to increase vehicle availability is mobility-service packages. The uptime of vehicles is becoming increasingly important. Disruptions in vehicle-based operations are costly. To increase customer satisfaction, manufacturers have not only to increase the uptime of their vehicles, but also to take steps to ensure that repairs are carried out quickly and professionally when a vehicle does break down as a way of keeping the loss of service to a minimum. To achieve this goal, an extensive service network must be created – using partnerships with other manufacturers and independent specialists when necessary – to keep downtimes short and to guarantee optimal vehicle availability. By taking this approach, manufacturers can perform well in the measurably intensifying competition against independent providers. Customers say that roughly 40 percent of all mobility services are being provided by independent providers.

Up to now, however, manufacturers have been unable to achieve much with high-quality supplemental services in Germany or in Western and Eastern Europe. Such services include both mobility guarantees designed to secure customers’ business operations and replacement drivers, short-term rentals, fleet management, and insurance. These OEM services have not been sufficiently perceived as an added value by customers up to now. Manufacturers must work hard on their communication practices in this area. Furthermore, they must examine their frequently complex and confusing price structures and make allowances for the needs of various customer segments. In the future, manufacturers need also to think less in terms of products and more in terms of customer life cycles and solutions. Applying this approach requires organizational changes to be made. Customer value can be optimized only if all individual departments ranging from vehicle sales, repairs, and supplemental services work together in an intelligent, customer-focused manner.

**Consider regional needs**

In designing the offerings to meet the needs of diverse customer segments, special regional features must not be ignored. The most important reasons for purchasing a vehicle are indeed similar in Germany and in Western and Eastern Europe. In both regions, though, more vehicle-related issues than workshop-related concerns are found at the upper end of the Top Ten. In Eastern Europe, the purchase price in particular is very important, ranking third. In Germany, however, it does not even make the Top Ten as an individual factor.

Providing better service to meet the needs of Eastern European customers will emerge as a critical success factor for Western Europe OEMs. And the reason for this new focus is clear: While these companies have secured their market position in the structurally very saturated Western European market over the years, the rapidly growing Eastern European market provides room for expansion. Market shares here are not as firmly divided as they are in Western Europe. None of the Western European players has been able to achieve a dominant market position. In addition, competition among Eastern European incumbents and Western European as well as Asian manufacturers is in full swing. For Western European OEMs, their proximity to Eastern Europe and the somewhat similar customer structures are important. This makes it easier for Western European manufacturers to successfully establish their vehicle portfolio and their services in Eastern Europe.

The key requirement for this is developing solutions perfectly tailored to the special needs. The entire service offering must be designed in a customer-focused manner. This is true both in terms of individual customer segments and in terms of regions. The winners will be those manufacturers who have an excellent understanding of customer needs and who create efficient structures to put together customized, easily grasped solution packages.

## Action areas for European commercial-vehicle manufacturers

**1. Develop a superior understanding of customers**
Manufacturers must increasingly break down customer needs into specific target groups – both in terms of regions and individual customer industries. In addition, willingness to purchase service products and product bundles must be determined.

**2. Create solution offerings that stretch across the value chain**
A superior understanding of customers makes it possible to develop solution offerings consisting of the vehicle, services, and mobility. Easily understood, target-group-specific bundles can be created from a modular "product tool kit".

**3. Set attractive prices**
To maximize customer value, price structures for specific customer groups must be optimized. Packages of solutions must be priced in such a way that the willingness to purchase them is addressed across the customer life cycle. In this work, the simple tallying up of individual services must be avoided to prevent them from being priced out of the market.

**4. Optimize communication**
To create clear, user-focused communications, the complexity of the package structures must be kept to a manageable level. At the same time, the benefits of the bundles must be clearly underscored.

**5. Organizationally reflect customer orientation**
A systematic focus on customer needs requires manufacturers to make organizational changes. To be able to "think" in customer value throughout the entire customer life cycle, the processes must be integrated throughout the value chain.

**About the study**

The study "European Truck Customer 2010" by Oliver Wyman was conducted in cooperation with Europe Net and Pleon. It is based on a survey regarding image and brand experience that was carried out from February to May 2010. More than 2,300 commercial-vehicle customers from 15 European countries took part in the survey. The study provides a comprehensive overview of the needs and satisfaction level of commercial-vehicle customers in terms of product, price, costs, sales process, service offerings, and supplemental services. Oliver Wyman conducted the "Truck Customer" survey for the first time in Germany during 2006 as a way to systematically identify the needs of commercial-vehicle customers. Today, the biennial study is a highly respected industry standard. For the first time, the study "European Truck Customer 2010" provides a European-wide spectrum of opinions, which yielded five comprehensive and manufacturer-specific focal points for European commercial-vehicle makers to address. In the partnership, Oliver Wyman assumed responsibility for the study's content and methodology, Europe Net contributed its customer access, and Pleon assisted with communications.

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### ABOUT EUROPE NET

Europe Net is a European service organization that with 12 service partners in 39 countries in Europe currently offers individual mobility packages and breakdown services for the commercial vehicle sector. The Brussels-based company pursues the goal of ensuring the highest standards with regards to service quality, availability, and service depth in cooperation with national service partners throughout Europe.

### ABOUT PLEON

Ketchum Pleon is the european market leader for Corporate Communications, Public Affairs, Change, Healthcare, Brand-, and Sales Communications. We offer and develop communication strategies and communication programms for companies, institutions, and organizations and deliver a measurable contribution to the success of our clients. For more information please visit www.ketchumpleon.com.