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# Customer Experience Management to Leverage Customer Loyalty in the Automotive Industry

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## Abstract

This paper presents an investigation on the current market conditions in sales based in the automotive industry and a new approach triggered by the digitization in this industry. Various studies prove that the behavior of the customers has changed drastically. By this customer experience, management becomes a central strategy in the digital age to reach long-term customer loyalty and enterprise growth. It is therefore necessary to adapt the function of the car dealers and, in general, innovative sales formats and technologies for communication with the customer. This paper describes how Daimler AG is reacting to these market changes with the concept of “Mercedes Me”.

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## 1. Introduction

In the past few years, digitalization has changed our everyday lives enormously. It affects the way we communicate, our leisure time, our buying habits, the way we acquire information and many other issues. Various industries are also being revolutionized by this current trend. Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars states: “We are transitioning from car manufacturer to networked mobility provider, whereby the focus is always on the individual – as customer and employee.” (Daimler AG 2016)

The sales department plays a significant role in this turnaround as this area is closely linked to the customer. It is no longer sufficient to stand out from the competition through innovative technologies, the product quality, the price or the quality of the service. The attention is more and more paid on the customer.

The aim of the present work is to investigate the current market conditions in sales based on the digitalization and, in the next step, to examine whether and how these aspects are practically applied at one of the world's largest

automobile manufacturers, Daimler AG. In the following chapter, the current management approach ‘customer experience management’ is picked up and the present changes in customer behaviour triggered by the digitalization are revealed. Chapter three then analyses the practical application at Daimler AG. The elaboration is concluded with a summary and an outlook.

## 2. Shift in sales of the automotive industry

Due to the digitalization, sales in the automotive industry is in a state of flux. The central strategy in this context is customer experience management. This is taken up in the pre-ceding chapter. In the further course, current trends are pointed out with special eye on the change in customer behaviour.

### 2.1 Customer experience management

Digitalization presents new challenges for many business areas as well as for sales. A current approach to counteract is the so-called customer experience management. The present relevance of this approach is clearly demonstrated by a study carried out by Pierre Audoin Consultants. A survey was conducted in Germany, France and the UK in the year 2015 about the relevance of customer experience management. They found out that 70% of the surveyed companies assessed this approach as a central success factor for their company strategy in the digital age. (Pierre Audoin Consultants 2016)

In the context of this approach, it is firstly necessary to clarify the characteristics of customer experience. According to Boureau the customer experience “... is the sum total of interactions with the customer – from noticing a company, a product or a service via purchasing it to using the product or service.” (Boureau 2017) Central to this definition are the interactions, often described as touchpoints in further readings. “A touchpoint represents any verbal (e.g., advertising) or nonverbal (e.g., product usage) incident a person perceives and consciously relates to a given firm or brand.” (Homburg 2015)

In customer experience management, the main focus is on pattern and continuously adjusting these touch points to the customers. The overall objectives of this management strategy are to achieve long-term customer loyalty and growth of the company. (Pierre Audoin Consultants 2016)

The customer experience management therefore accompanies the customer during the whole process of purchase, including the time before, during and after the buying decision. According to Hefner they are called Customer Information Points, Customer Point of Sale and Customer Service Points (see Figure 1). (Hefner 2010)

These phases can partly flow into one another or overlap. As can be seen from the designations, they are separated from one another by the main functions. As a result, the first one serves to provide customers with information, the next one to the sale itself, and the last to the service. According to the goal of customer experience management, creating long-term customer loyalty, the touchpoints can be used to create a kind of value chain in terms of sales success. Well-informed customers are encouraged to buy. In addition, customers who are well guided during and especially after the purchase also gladly again buy a product of the enterprise. Thus, if a company is able to shape the touchpoints in a customer-oriented manner and meet the requirements of the target group, enormous competitive advantages can be achieved. (Hefner 2010)



Figure 1: Touchpoints (Hefner 2010)

The necessity of this approach is of fundamental importance in the digital age. In today's world, it is no longer sufficient to assert oneself as a company by the product quality, price and the quality of the service. The number of touchpoints with the customers has increased continuously in the course of digitization. This awareness has to be used. A pure use of social media is not sufficient. The entire corporate culture should be customer orientated. As a result of these developments, sales will have to change in the future. It will be a permanent process and no longer a one-time transaction. (Boureau 2017)

## 2.2 *Change in customer behavior*

Until a few years ago, car dealerships were the central sales medium for the disposal of new vehicles. Before buying their car, customers visited various car dealerships to inspect the vehicles physically, to provide information and to receive intensive consultation. These decades established role of the car dealerships is currently facing a major upheaval.

There are some studies which examine the current change in automotive sales with special focus on the customer behavior. Mogensen discovered that six out of ten car buyers don't know which car they want to buy when they start searching for it. A Google Consumer Barometer discovered that 85% of global car buyers determine within three month which car they want to buy. Some years ago it lasts about 18 month. (Google Customer Barometer 2016)

In the same context, the consulting company McKinsey has carried out a very detailed study. Approximately 90% of customers use OEMs' websites or comparable internet ad-dresses at the beginning of the purchase process. Furthermore McKinsey detected that the number of visits a customer does at a dealer before buying a car has dropped from five to just one stay. However, 85% of the customers still visit car dealerships, of which, nevertheless, one out of four is dissatisfied with the process. Also, about 80% of customers want to test drive during the buying process. (McKinsey 2016)

Based on these results, trends can be derived. A clear trend is the strong change in the behavior of the customers, which leads to the fact that the touchpoints have to be optimized. The loyalty of customers to a particular brand has greatly decreased. In addition, the Internet is today the central information medium on which the customer is self-informed and outclasses the car dealers in this regard. Nevertheless, car dealers remain a central point of contact with the customer with a more strategic importance, because customers feeling the urge of seeing vehicles and doing a test drive. It is therefore necessary to adapt the function of the car dealers and, in general, innovative sales formats and technologies for communication with the customer. A standard solution is not sufficient, it must be individually tailored to the customer. (McKinsey 2016)

Based on the study carried out by McKinsey, potential sales formats of tomorrow are also presented. These are online as well as offline. A very banal sounding solution are online stores, however, at the time of the study, there was no way to buy new cars online. Online stores should include an easy-to-use vehicle configurator and show all offers of the company around the vehicle. In addition, this format should be connected to offline stores, for example to arrange test drives. (McKinsey 2016a)

In addition to this online offer, it is also necessary to introduce new formats offline. One possibility is a brand experience center. They are located in urban centers. The focus here is not to present a large number of products. Instead, the customer should be brought to the attention of the image by an entertaining and inspiring product experience. Another format is a concept pop-up stores. These temporary stores are established in high-frequency areas, where, for example, an event takes place at the same time. The goal is to present a specific product and to attract attention. (Daimler AG 2016f)

## 3. **Turnaround in sales at Daimler**

“Mercedes-Benz 2020 – Best Customer Experience” (Daimler AG 2016)

This is how Daimler entitles their current sales and marketing initiative to counteract the challenges due to the digitalization. Essential element of this strategy is the novel service brand Mercedes me which was established in the

year 2014. With this brand, Daimler wants to set new standards for individual customer support. The goal is meeting people in their individual world of life with tailor-made solutions. Mercedes me consists of the five columns: Mercedes connect me, Mercedes assist me, Mercedes finance me, Mercedes inspire me and Mercedes move me. This approach addresses a very broad target group. It does not matter if the user owns a Mercedes-Benz, a vehicle of another brand or none at all. The five pillars take account of all product-related topics. These include vehicle purchase, financing, maintenance and mobility services of Daimler. The format is available both on a digital platform and offline. (Daimler AG 2016)

### 3.1 *The five pillars of Mercedes me*

Mercedes connect me is the link between the driver and the vehicle. It supports the driver in vehicle diagnosis or in case of a breakdown or even an accident. The correct measures are initiated automatically. This can be the next service appointment in the workshop or the help of the breakdown and rescue service. Furthermore, remote online services allow the retrieval of vehicle information without being near the car. For example, the location of the parking lot can be called up, the tank level can be requested or the pre-heating can be switched on. The parking space can also be controlled by a remote park pilot. Mercedes connect me can be used either via the internet browser or via the app. However, all of these services cannot be used on any Mercedes. In most cases this is a special equipment of the vehicle. (Daimler AG 2016a)

Mercedes assist me offers the Mercedes-Benz driver a comprehensive range of services. These range from online access to customer service and simple appointment agreements with a nearby partners to complete service packages. These service packages are individually tailored to the needs of the customers and are available anywhere around the clock. (Daimler AG 2016b)

Mercedes finance me comprises all financial services provided by Daimler Financial Services. This mainly includes the financing and leasing of vehicles as well as insurance for the respective vehicle. Here Daimler offers individual solutions to customers, too. In the case of financing, for example, the payment amount, the contract term and the monthly installments can be adjusted. (Daimler AG 2016c)

Mercedes inspire me lets customers participate in the research and development process via a community. New blog contributions are constantly being written. In addition, there is the possibility of a lively exchange with experts, service staff and other customers on current topics. Issues such as events, travel or lifestyle are also discussed here. (Daimler AG 2016d)

Mercedes move me offers a wide range of mobility services. It is mainly addressed to people who do not have their own car. Moovel, car2go and Mercedes-Benz Rent enable customers to rent a vehicle from the group at any time. In addition to this rental model, customers are also able to access the MyTaxi taxi agency service, the Blacklane chauffeur service portal, as well as the intercity bus provider Flixbus thanks to strategic partnerships. However, Mercedes me move provides only the information on these providers. The bookings must be made via the homepage or app of these companies. (Daimler AG 2016e)

Referring to the quotation by Dr. Zetsche from the introduction, this offer goes beyond that of a simple vehicle manufacturer. In addition, each module addresses the individual needs of the customer, which has become a strong market requirement in the course of chapter 2.

### 3.2 *Customer touchpoints*

In order to offer the new quotes from Mercedes me as well as the vehicles themselves, various touchpoints are used to interact with the customer. The online offer will be enormously expanded in the course of the new sales strategy. The entire offer of the five pillars of Mercedes me described in the previous chapter can be accessed online. In addition, the vehicles can also be purchased online. This can be done either via the homepage or the specially designed app. On the one hand, Daimler is responding to the growing desire of customers to obtain information independently online. On the other hand, the current requirement for offline formats is also given.

The real contact with the customer describes also the focus of the current marketing and sales strategy of Daimler. They are introducing new physical sales formats. For this purpose, Mercedes me city stores open up into metropolises to offer the customer or interested parties an interactive brand and product experience. The world's first

store of this kind was opened in Hamburg in 2014, directly at the Binnenalster. The 550 square meter area is divided into three zones. The largest area is the lounge and restaurant area. This area is used for vehicle presentation, but is also available for various events. In a separate studio the customer can collect information about the Mercedes-Benz brand, the vehicles and their services. Various digital media such as touch screens and configuration tools are available for this purpose. However, there is also a separate room in which, upon request, personal advice can be given. (Daimler AG 2017) Figure 2 shows a part of the Mercedes me store Hamburg. The presentation of only one vehicle in the entire shop underlines the fact that the customer experience is at the forefront.

The concept of the lounge and restaurant area shown in Figure 1 is changeable and therefore, as already mentioned, this area is often used for events. A further measure to connect experiences with the Mercedes-Benz brand. During the first event in November 2016, various artists present their works to a large audience. Another event in this month is the FuckUp Night, in where founders report humorously about success and failure. In addition, a Tango dance course is offered for beginners as well as for advanced students. Furthermore, events are held in the fields of cosmetics, music, vintage and handmade products as well as lectures on various topics. The view of the upcoming events in November 2016 only show the diversity and that they are mostly not related to the topic of automobiles. (Daimler AG 2016f).

In addition to the stationary solution including the city stores, Mercedes-Benz is taking another step to enter into contact with customers. In this case, pavilions and mobile pop-up stores are used. By using these means, Mercedes is on various events such as the district festivals in Hamburg on the road in order to provide direct and uncomplicated contact with the brand. The focus is on people who have not had any contact with the brand yet. Similar to the city stores, this is mainly about positive customer experiences. In addition to the presentation of new vehicle models, there is a catering area, various events take place and information on the brand and all offers are provided. (Daimler AG 2017a)



Figure 2: Mercedes me store Hamburg (Daimler AG 2017a)

All of this has an impact on sales staff, too. By the turnaround, completely new job profiles are created. These include the employees in the city stores as well as in mobile solutions. Not only does it require expert knowledge about the Mercedes-Benz brand and their offers. These have to convince above all in personal contact and reflect the image of the brand. Furthermore, mobile sales consultants are currently on the road. They visit customers and prospective customers at home or at any place for advice. They also organize test drives and provide the vehicle at the desired location. (Daimler AG 2017a)

Daimler is already facing the changing market conditions. The customer's individual needs and the customer experience represent the focus of the current sales strategy. The customer has the possibility to retrieve the offers tailored to him both online and in a physical way.

#### 4. Conclusion

The aim of the present examination is to investigate the current market conditions in sales based on the digitalization and, in the next step, to examine whether and how these aspects are practically applied at one of the world's largest automobile manufacturers, Daimler AG.

In the course of literature research, customer experience management has become a central strategy in the digital age. The customer is clearly focused here with the goal of achieving long-term customer loyalty and enterprise growth. Various studies prove that the behavior of the customers has changed drastically. Customer loyalty has declined sharply. The Internet is the information portal for the customer where he is self-informed. The car dealers are losing this role. Also the number of visitors to car dealers has declined sharply. Nevertheless, the studies also show that there is still a demand for physical car dealerships. It is therefore necessary to adapt the function of the car dealers and, in general, innovative sales formats and technologies for communication with the customer.

Chapter three outlines that Daimler is already reacting to these market changes. In the current sales strategy, the customer and the customer experience are clearly the focus. The new service brand Mercedes me offers individual solutions for the customer far beyond the pure sale of vehicles. New sales formats have also been introduced. The online offer was greatly expanded. Novel sales formats are also being used offline. Those formats include the city stores and the mobile pop up stores where, according to the new sales strategy, the focus is not on the product but on the customer experience. In the future, Daimler will continue to expand this offering with certainty in order to gain a competitive advantage. Among other things, further city stores are planned worldwide.

This elaboration has shown the change in sales through digitization. Another exciting question in this context is whether digitalization in sales will abolish jobs or create new jobs in the future. In addition, further elaborations can be more detailed about the novel offline sales formats such as the city stores.

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