



the

AUTOMOTIVE INDUSTRY

A Compilation of Peppers and Rogers Group
articles and ideas on **Customer Based Initiatives**
in the Automotive Industry

Peppers & Rogers Group





the **AUTOMOTIVE** INDUSTRY

Putting customers first is fast becoming the business strategy for leading automobile manufacturers. However, in this vertical segment, there are unique challenges: determining how the Web fits in, identifying the role of the dealership, building direct relationships with consumers without alienating dealers, to name just a few.

In this compilation, Peppers and Rogers Group reviews some of the trends and best practices of leading automobile manufacturers who are meeting these challenges and working to implement customer strategy.

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General Motors Puts Employees Into the One-to-One Driver's Seat



BY KIMBERLEE ROTH

General Motors finds ways to communicate with their employees.

March 2003

One-to-one employee management is fast becoming an integral part of a customer-focused firm's enterprise-wide relationship strategy. For large organizations with tens of thousands of employees, communicating with all of them individually can be a logistical challenge. General Motors (GM), for instance, employs approximately 190,000 workers across the country, and less than one-third are salaried in-office staff. The Internet can all but eliminate this problem, but is it cost-effective and beneficial for companies to build and maintain an intranet to communicate with employees? GM says, "You betcha."

From 1996 to 2001, Socrates, the auto maker's enterprise portal, offered access to more than 2,000 intranet sites and some 4 million pages of information -- but only to salaried staff at the office. "It was like the wild, wild West," says Mike Leslie, director of Web development at GM. "Highly disorganized; every site was different; navigation was different -- kind of like the Internet." It wasn't unusual for employees to have to log in to five or 10 sites daily to get company news and communications.

Two cultural mantras led to the development of mySocrates, the personalized incarnation of the portal: "Act as one company" and "go fast." The first was designed to unify corporate communications and push them out to all employees, both hourly and salaried. The latter was an effort to simplify internal processes, including human-resource (HR) functions, and to keep only those steps that add value. GM representatives worked with the United Auto Workers (UAW) union and Workscape, a Framingham, Mass.-based provider of hosted HR self-service applications, to design mySocrates. (Workspace's competitors range from ERP providers, such as SAP, Oracle and PeopleSoft, to independent firms, such as Kadiri, Aon and Plumtree.)

The portal was launched in phases in late 2001. Employee-access dates were assigned by lottery; an internal communications campaign, "Let Me Drive," promoted the launch; and many applications existed offline for three months to give employees time to adjust.

According to a 2002 HR Service Delivery Survey Report by Towers Perrin, a human-resources consultancy based in Stamford, Conn., companies have moved swiftly to Web-enable HR service delivery. More than 90 percent of salaried employees at almost all participating companies can access an HR intranet for reviewing personalized employee information; 72 percent of hourly employees also have access to the site.

Poised for personalization

At GM, besides conducting many human-resource transactions through a single sign-on to mySocrates (changing an address, adding or removing a dependent, updating emergency contact

General Motors, cont.

information or modifying benefits elections, for instance), employees have access to nearly 6,000 variations of content and applications.

They can further customize portal views, tweaking layouts and choosing whether and how they see news feeds, stock, weather and traffic reports, among other options. Union members see UAW leadership messages. Workers can choose to see facility news. Finance employees can access the general-ledger system; managers can view vacation and performance-review schedules, while project managers see a "dashboard" with at-a-glance summaries of their work. Corporate attorneys can access Web-based legal tools such as LexisNexis, and shop stewards can view links to the UAW Web site. One of the most popular mySocrates applications, particularly among hourly workers, lets them view pay stubs several hours before hard copies are available. Executives can access reports that are off-limits to others. And to encourage use, GM offers subsidized Internet access so employees can log in from home. About 30 percent do.

mySocrates is updated every other week. The next step is to add event-based applications for work-life occurrences, such as "onboarding" (new-hire processing), marriage, divorce and birth of a child, and to consolidate the myriad steps and forms for each. Other plans include access for Canada- and Europe-based employees and integrating additional business-related, industry-specific content from the Web and through GM's library.

Driving results

To date, employee feedback has been positive, judging from a paper survey and online polling. Ninety-five percent of GM's U.S. workforce has used the portal, and most do so more than once per week. Leslie's been surprised by the number of log-ins after hours (4,000 to 5,000 on Sundays) and during vacations (2,000 on Christmas; 30,000 to 40,000 daily last summer). Now that the company's email system is integrated, usage has only increased.

In terms of efficiencies, a key metric is the "multiple millions" of transactions, including compensation planning and subsequent employee acceptance of pay increases, which can be seen through mySocrates and take minutes when they used to take days or weeks. And all employees view their personal benefits statements online, saving GM untold dollars in development, printing and mailing of documents.

It's difficult to correlate improved employee satisfaction to mySocrates, but Leslie notes that dissatisfaction with the inability to access email and the intranet from home has been eliminated. From an employee standpoint, "HR becomes less painful," he adds. And from an HR standpoint, "They can really deal with more people issues. If you want a one-on-one conversation, these folks now have time to have it."

Our Take

This effort is solid. Where it could be improved is in the area of metrics and feedback. First, prior to launching any further initiatives, General Motors should determine up front what metrics would help it gauge improvements in employee value -- such as tracking their cross-sells and up-sells, defection saves and even sick days. Then, it can build the necessary steps into its process design to obtain that data. In addition, surveys, triggered by specific employee behavior or events and conducted through the mySocrates portal, would uncover gaps in the relationship, and highlight opportunities for improving it. ■



Room For Three



Leading auto-industry executives share their practices and views.

September 2002

Putting the customer first is fast becoming the de facto way of life for leading companies today. Yet many are still struggling with the right path to take to get to the ultimate goal of increased customer loyalty and value. Some industries, such as automotive, have struggled more than others in trying to determine such things as where the Web fits in, what role the dealership will play in the years ahead and how to get to know buyers and build direct relationships with them, while at the same time keeping dealers content. Here, leading auto-industry executives share their practices and views.

Roundtable participants:

- Karen Ebben
General Director of Marketing
General Motors Customer Network
- Susan Thomson
CRM/Interactive Senior Manager
DaimlerChrysler Corp.
- Flarel English
Corporate Customer Relations Manager
Toyota Motor Sales USA Inc.
- Jeffrey Smith
Senior Manager, Corp. Affairs and Communications
American Honda Motor Co. Inc.
- Katherine Kress
Senior Consultant & Auto-Industry Specialist
Peppers and Rogers Group

1to1 Magazine: By their very nature, automobiles are sold almost entirely through resellers (i.e. dealers). How are you able to learn about the wants and needs of your individual buyers, build relationships with them and keep the interaction going?

Ebben: We do a lot of customer research to find out what they want and need. Conducted by the factory, this helps us shape and tailor programs to meet our business objectives. We also have a number of customers who contact us directly. In the U.S. alone, about 8 million customers will contact us this year. They also will talk to dealers. And we do see the dealer as having the primary relationship with the customer. Most of the ways we would stay in touch with people over the lifecycle of their vehicle is in concert with our dealers.

Thomson: We keep owner information and we have quite an extensive database. We have an open dialogue with them as well, throughout their ownership cycle. So we learn not only about their

Room for three, cont.

vehicle, what they have and what they're interested in, but also their lifestyle interests, so we can communicate with them based on their lifestyle passion points, and keep the dialogue targeted throughout their ownership. We're getting better and better at that all the time, through this owner-communication process.

English: Our view is that the ongoing interaction with our customers should happen through the dealer. And our role here at headquarters is to facilitate that, so Toyota's approach is collaborative. We do, however, collect information from our buyers and from every touchpoint we have. On the service side, for example, we survey our customers and try to understand what they like and don't like about the product and their experience. We look at the call-center information when customers contact us. We analyze the Web-site information and the emails we get. Then, of course, we have large market research going on. All of those things give us information about the wants and needs of our buyers. On an ongoing basis, though, the relationship really happens with the dealers. We do owner communication from here, but we try to link it back to the dealer.

Smith: We also do extensive market research and clinics on our buyer base and our customer base. We preview products with them. We follow up with them once they've purchased products and we maintain an extensive and detailed database on millions of Honda customers. We call it the 'Honda garage' concept. If a customer owns a Honda motorcycle, Honda Accord, Honda Civic, Honda snow blower and Honda lawnmower, we know that, and we reach out to that customer and make sure he is happy.

"I prove to them that I'm going to give them something of value, so they're more than happy to partner with me on things."

Kress: From what we're seeing, the degree of information manufacturers can capture about the end user depends on their technological capabilities and business processes. Most auto makers today do not have a direct link between the dealer databases and their own database systems. That's one of the key areas of breakdown. Most of the automotive manufacturers see this as a big issue and they want to look into it. Part of the problem that the OEMs and dealers have in general is that there are not a lot of systems today, even for dealers, that allow them to look at their customers from an overall perspective.

Dealer-management systems historically have been for finance functions. The sales and service portions are separate, which means they can't get a full picture of their customers. Some dealers do a better job than others of trying to create that complete picture. Automotive companies approach data sharing with dealers differently. Many are trying to create links with dealers so they can feed leads back and forth, but there are not a lot of consistent systems yet that do this well, as far as we've seen.

1to1 Magazine: How receptive are dealers today in handing over customer information, and how have you incentivized them to do so? What kind of success have you had with such programs?

English: We exchange a lot of information with our dealers, but it's an exchange. The way we've structured it is that we're exchanging value with each other. So they're very willing to give me information that they have if I give it back to them enhanced, or with a tool that enables them to keep in better contact with their customers. I prove to them that I'm going to give them something of value, so they're more than happy to partner with me on things. For example, they have access to the names of the customers who come to them for service. They're the ones that keep that information. They have agreed to give me that information, because I'm going to calculate customer loyalty and how many of their customers are coming back to them, or if they're not coming back, where else they're going. Then I do a follow-up survey to find out what their reasons for defection might be. I give that back to the dealer and that helps him process changes during business hours. All of that helps him improve his service to the customer. So he's willing to exchange information if I give him something he can use.

Room for three, cont.

Smith: We have a good reciprocal arrangement with our dealers. We provide them with leads and they're good about following up on them. And to the extent that it's possible, the dealers provide us with sales information, so we can follow up on such things as warranty work.

Kress: For the most part, though, dealers are not passing the information back. There's not a huge amount of trust overall between the dealers and manufacturers. [The dealers are] very independent. It's not incumbent on them to share the data with the auto makers, and some of them see that as part of their power. They see the customer as being their customer. When the Internet opened up the possibility for direct sales to customers, there was an inherent fear by dealers that OEMs would try to bypass them. This is not likely to ever be the case in the auto industry given the nature of an auto purchase and the recognized importance of the dealer not only for the closing the initial sale, but also ongoing service.

1to1 Magazine: What do you see as the Web's ability to sell cars?

Ebben: It's been very effective for us in helping people get quotes on vehicles through the GM BuyPower service. It not only provides general information such as brand, colors, trim and pricing, but it also helps potential customers find specific vehicles and get dealer quotes. BuyPower is the enabler that helps that happen.

“At this point we don't see the Web replacing our dealers at all. It's really a supplement supporting their business.”

English: We see the Web as being really important for our customers who are information hounds and want to get as much information as they can before purchasing. We try to fulfill the needs of the information seekers and put as much information as we can on our Web site about our vehicles, as well as competitive comparisons. We also use the Web to create awareness for our new products such as Matrix. [When Matrix was launched], we offered customers video mixers where they could create their own Matrix video on the Web, using several different pieces of audio and animation.

Kress: I think the Web has a role in the purchasing process, but you can't separate it out. Customers don't look at channels individually anymore. They use a variety of channels to make a purchasing decision. I think the primary role of the Internet today is in the consideration phase.

1to1 Magazine: Are you taking orders for cars via the Web right now? And if not, do you ever see this as a viable process?

Smith: Not at Honda. We don't sell directly and have no plans to do so. We sell through our dealers and provide leads to them.

English: We use the Web as a marketing tool for creating awareness and generating leads on a small scale for specialty vehicles such as Prius, our hybrid vehicle, and our RAV 4 electric vehicle. We sold them online during their first year of production. The customer then had to go to the dealer to execute the actual sale and delivery. And there were only certain dealers they could interact with. It wasn't every single Toyota dealer that was able to deliver that. So the Web also acted as a dealer locator in that sense. But we're now selling those vehicles through our traditional dealer network. At this point, we don't see the Web replacing our dealers at all. It's really a supplement supporting their business.

1to1 Magazine: What are the Web's shortfalls, and do you see those shortfalls dissipating down the road? If yes, how long will it take?

Room for three, cont.

Ebben: I can't test drive on the Web. I can't smell the leather on the Web. You want to get a customer or a potential customer upset? Put a car on display and lock the doors. It's the original interactive experience. It's why, when our cars are on display down at Disney, we have to replace seats in them, because people want to just sit in the Corvette and dream, even if they never buy one. The Web won't replace that. And neither will mass media, or direct marketing, or anything else.

Thomson: [The Web] is just one more piece of the puzzle - one more way for consumers to obtain the knowledge they feel they need before making their purchase. It's better for our dealers, as well as for us, because salespeople can spend less time explaining. A lot of the shopping process is done before they enter the dealership.

People still go into a dealership and request actual, physical printed brochures that they can hold in their hand..."

Kress: From a logistics perspective, I don't see the ability to purchase a car over the Web as being viable in the near term. When you're going to spend that amount of money on a product, you want to be able to look at the person you're buying from and get some kind of guarantee. On the Web, even if you buy small things, there isn't a person you can go back to. You want to be able to go back to the salesperson and say, "You sold it to me. You fix it." With the dealership, there is some kind of a relationship; some kind of a responsibility factor there, whereas the Web is more impersonal; more of a black hole. And with large dollar amounts, that [still] causes people discomfort to a degree.

1to1 Magazine: How important is direct mail in your marketing mix today, how has that changed from three years ago, and how do you see that changing three years from now?

Thomson: The whole brochure world is changing. Printed brochures still amount to about 90 percent of our [marketing mix]. People still go into a dealership and request actual, physical printed brochures that they can hold in their hand so they can look at the beautiful pictures of the cars.

Smith: Direct mail is still very important for us, as well. But we've taken steps to do, not less mail, but smarter mail. With our increased database resources, we're able to target our mail more effectively to individual demographics and individual customers who have specific likes and wants.

English: We also continue to find brochures very, very useful and direct mail a strong selling tool. They play a key role in our marketing mix. And we've used the Web to try to electronically deliver some of our brochures to people who want to receive information that way. It allows us to personalize something that we've been doing for a long time.

Kress: I think, for the automotive industry in particular, you can make a big impact with a printed brochure and direct mail piece, particularly with agencies becoming more adept at producing customized brochures. There will always be a role for the printed [brochure], and that's true in any industry. Even though cataloguers such as J. Crew and Lands' End have Web sites from which you can buy direct, their catalogue business hasn't shrunk. It's grown, because they complement one another.

1to1 Magazine: How much do customized brochures come into play for you right now? How will that change down the road?

Thomson: We'll be more heavily involved in customized digital print in 2003. That means, if somebody comes to our Web site and they're looking at a vehicle, they can hit the button that says, "Send me a pre-printed brochure," or "I would like a customized page that I can print at home." Say you're interested in a silver PT Cruiser. The brochure could have a picture of a silver PT Cruiser on the front. Then the copy could say, "Hello, this is the vehicle you picked out. This is the dealer in your area and here's

Room for three, cont.

the incentive if you choose to buy. Or if you're looking at leasing, this could be your monthly payment." These are the things we're going to offer if the customer prefers it. We'll leave it up to them to choose which brochure they would like. We currently offer them for the Jeep brand. We did a test for the 2003 model when we launched the Liberty, and it's gone well.

1to1 Magazine: Will customized cars ever reach critical mass?

Thomson: That's a little out of my area of expertise. But putting on a giant corporate hat, I think it would be tough to do, mainly because, how would you know what to stock? In an ideal world, it would be great. But I don't know how we're going to get there, at least in the next few years. If you go into a dealership and say, "I want these tires and I want this color and I want this package" - that's pretty customized. The only thing we do now is force you down a path of picking the package you want. And in that package, you get that equipment. So in a sense, you could say we're there, but as far as totally customized, I think it could be tough.

Ebben: We had a concept at an auto show around a car that was highly customizable, the AUTOmy. But it's really a future kind of thing. It's really more along the lines of, if the underpinnings of the car are the same, how can you change the exterior? But it's a future state.

Smith: There was an automaker years ago that boasted that customers could order 60 different steering wheels, but that kind of made-to-order car is not practical from a cost standpoint. I don't think you're going to see made-to-order cars.

1to1 Magazine: How will the role of the dealer change over time, as more people contact manufacturers directly?

English: Toyota's position is to maintain a very strong partnership with our dealers. So we're not interested in changing that relationship. We're trying to make our dealers stronger.

Smith: We believe the dealer is the frontline with the customer. Those relationships and that personal rapport the person establishes with the dealer are very important, and we think our dealer network [will continue to be] the way to go. Other manufacturers may go in other directions, but that's our direction.

Thomson: It's always a path that we need to walk together. Yes, the dealers have relied on us more to provide information to consumers, obviously via the Web. This is something that, 10 years ago, we didn't have. More and more, consumers are finding the information they want on the Web and walking into the dealerships pretty much knowing what they want and the price they want to pay. And so, the role could change where the dealers could get more customer-focused on the back end of the store, on service. Looking into the future, the actual walk-around on a vehicle on the sales-floor still takes place, but the interaction may be to a lesser extent, because people have done a lot of the pre-shopping.

Kress: Dealers need to become much more educated on the customer's purchase behavior. They recognize now that most customers who come in have already been to a Web site, that customers already know what the Blue Book value is. The Web has changed the entire negotiation of the vehicle, from a dealer's perspective. Where I see dealers really coming into play in the future is not so much in educating customers, but rather in consulting with them about customized payment plans, delivery plans and what the customer actually wants from the vehicle, really trying to link the sales and service side of things together much more. There will also be more of a focus on what happens after the car is purchased. Dealers will try, more and more, to differentiate themselves in the maintenance and ownership phase. What you're going to end up seeing is a closer look between the manufacturer and the dealer about what it takes to keep customers loyal and profitable over the long term. ■



Customized event invitations help sell more Ford SUVs

BY STEVEN SCHNOLL



Maintaining and improving vehicle sales at Ford.

January/February 2003

With strong market share for its Explorer SUV in 2000, Ford Motor Co.'s marketing strategy was somewhat textbook: develop a program that would maintain, as well as improve, the vehicle's position among the clutter of newly released competing SUVs. The solution: a nationwide enthusiast-event tour, with invitations customized based on current or previous customers' individual interests.

After the devastating news concerning the Firestone tires equipped as standard on all Ford Explorers, however, Ford was faced with not just an ordinary marketing test, but also one of the most catastrophic problems in its history, making the success of the program even more important.

Data was the driver

Ford drilled deep into its database of customer information - called the Customer Knowledge System (CKS) - for insightful information on Ford owners. "We data mined the records of our SUV owners looking for particular tastes to build an effective relationship-marketing program," says Doug Scott, truck group marketing manager and former SUV group marketing manager.

This was no easy task, since many of these records were in disparate legacy systems that did not communicate with each other. To help round out this information, Ford conducted some research and learned that its SUV owners were more than just suburban soccer moms. They were often active outdoors people involved in a variety of lifestyle activities. The challenge was how to capitalize on this information to stimulate the purchase of another Ford product.

To keep the regional events from being sales oriented, Ford corporate paid the majority of costs.

Working together with Detroit-based agency J. Walter Thompson and marketing services firm Budco (Highland Park, Mich.), the "No Boundaries Experience" - or NBX program - was born. With kayaking and white-water rafting pools, climbing walls, downhill ski simulators, on- and off-road test tracks and a personalized direct-mail campaign, Ford bet it could maintain brand loyalty by drawing significant crowds to these lifestyle events.

Budco designed and mailed personalized and versioned invitations to customers based on the interests mined out of the CKS database. If a person liked kayaking, his personalized brochure showed a kayaking photo.

Over the last three years, Ford has run 18 interactive NBX brand events for more than 100,000 customers culled out of the CKS database. Attendees test drove an average of seven vehicles and spent over two hours at an on-site event. This all occurred while Ford was undergoing one of the most bat-

Customized event invitations, cont.

tering marketing experiences in its history.

"We segmented the CKS database to carefully build a predictive model of who would not only attend a lifestyle event but also repurchase," explains Glenn Fontaine, a director at Budco. "We chose the people to invite and then created personalized...invitations." Registrations were taken via a Web site and toll-free number. Individualized confirmation letters were also sent, and each participant was bar coded, so Ford could monitor his activity. Every event was scrutinized and tracked against a non-invited event control group.

Events were staffed with athletes skilled in the respective activities to ensure a pleasurable, safe experience. The on- and off-road driving experiences had professional drivers to teach both basic and advanced driving techniques on all types of terrain, in all weather conditions and at any speeds. The goal of each event was to make it exciting, entertaining and educational.

Response outshines goals

Ford surpassed its goals: 93 percent were satisfied with the events; 84 percent said they were more likely to purchase another Ford product. "The previous loyalty rates on SUV products were in the 55- to 60-percent range," notes Ford's Scott.

After nine event cities, 9.9 percent of attendees—who were all current or previous owners—purchased another Ford product in 2001, vs. 3.1 percent for the control group. In 2000, with five cities, 11.3 percent purchased or leased a new vehicle, vs. 4.7 percent for the control group. Final metrics for the four cities in 2002 are not yet in, but to date, the average attendee test drove at least seven different Ford vehicles, equating to more than 100,000 test drives. Those who did not purchase represent a highly qualified prospect list.

"Their mission was to provide an outstanding visitor experience that stressed the pride Ford had in its product line and the respect it had for its loyal customers."

One of the more interesting highlights of the program was how Ford dealt with the local dealer networks. Ford corporate paid for the majority of the program's costs because it didn't want the [regional] events to be sales oriented. "The mission was to provide an outstanding visitor experience that stressed the pride Ford had in its product line and the respect it had for its loyal customers," Scott says.

Our take

Ford now has some pretty powerful information about its customers' habits, lifestyles and interests. It should take that information and use it to offer customized add-ons for its SUVs that match the wants and needs of its most valuable customer groups.

A customer advisory board, from which feedback could be looped back into the organization, would ensure Ford's competitive edge by more closely aligning its products and services with what its customers value most. ■



Kia Motors Rolls Out New Call Center Model



Building an outsourced call center with a vested interest in the customer.

September 2002

When Kia Motors America, a South Korean manufacturer of value-priced cars, started selling state-side in 1994, its 88 dealers sold 12,000 units. Last year, the company sold 223,000 units through a network of 625 dealers. The growth prompted a new customer-service model. Kia originally outsourced customer service to its roadside-assistance company, Cross Country Automotive Service. Cross Country's assignment was to take messages and refer customers back to dealers. If a customer didn't want to return to the dealer, a manual case was created and sent to one of Kia's few regional consumer-affairs offices.

As volume increased, so did dissatisfaction with the existing process -- customers could end up in a repeat cycle of phone calls. Dealers had no view of contacts to the service center and could be put in the position of referring issues repeatedly back to corporate. Kia was not only providing sketchy service, it had no mechanism to aggregate and learn from customer feedback.

Michele Cameron, U.S. manager of consumer affairs, was charged with overhauling customer service. The make or buy decision was a tough one. "I know firsthand how important it is to have staff with a vested interest in taking care of the customer," she says. "That seemed to go against the grain of outsourcing." But the cost of building a call center from scratch was daunting.

Cross Country met Kia's capacity requirements, and the company had deep automotive experience, solid technology and the ability to scale up. Still, Kia wanted to ensure real-time visibility to what the case managers were doing. That meant making their own call on front-end software. Cameron explains, "I didn't want to totally relinquish our control of the system. We wanted to be in a position to tell the call center how the software would be used to capture the information that meets company and customer needs."

Since no database of frequent inquiries or complaints existed, the company manually sorted through a three-month log of calls and set up the software and its operations, e.g., shift hours, around the manual data. The result: even the information about call intervals and peak times proved to be fairly predictive.

The human factor

Managing the people side has been as important to Kia as capturing customer data. The company was involved in every stage of the hiring process, from recruiting to final interview to extension of offers. To strengthen their sense of belonging, customer-service reps are housed in a separate Kia room, wear company shirts and have a similar workstation setup to that of Kia employees in California. Agents also have a good deal of contact with Kia personnel. And a program was set up so that, after one year of service, agents can pursue employment opportunities directly with Kia.

Kia motors, cont.

To keep morale up, agents also take positive calls, such as sales inquiries, and make outbound service calls, even though it's expensive for them to do that type of work. The CIC recently celebrated its first anniversary. In that time, 24,000 inbound and outbound calls per month were handled by 18 outsourced agents. About 75 percent of calls were resolved with one call.

ACTIONABLE IDEA

To make outsourced help feel and act like dedicated employees: include them in meetings; communicate with them often; give them a tour of your plant, introduce them to everyone, and above all, listen to what they have to say. ■



Driving E-Shoppers Into Customers

BY DON PEPPERS



Auto manufacturers engineer new vehicle sales.

February 11, 2002

On the heels of recession, the auto industry's customer-friendly financing plans helped the U.S. economy stay afloat during Q4 2001. In one patriotic swoop of marketing genius, auto manufacturers engineered a wave of new vehicle sales, albeit to varying degrees of profitability.

But temporarily lost in the economic crisis is the auto industry's effort to meet the needs of a growing number of customers who are researching, comparing, and purchasing vehicles online. Interacting with Web site visitors -- and building relationships that turn prospects into loyal customers both online and off -- is fast becoming high priority. And with good reason: According to Jupiter Media Metrix, the percentage of Internet-generated, new car sales is expected to rise from 13 percent in 2001 to 32 percent in 2006.

Here's a case in point: It was 8 p.m. on a September Saturday when Julie Chaffee, VP of marketing and sales at N.Y.-based Chaffee's Swimming Pools, found out a company van went bust at one of the busiest times of the year. Existing customers are calling for seasonal pool "closings," explains Chaffee, and there's a rush to get as many "holes" dug as possible before winter. "It was not the best time for one of our older vehicles to bite the dust."

Dealerships were closed and time was precious, so Chaffee logged on to Ford.com to explore her options. Why Ford? "I had recently received two direct mail pieces," she remembers. One recalled that her company had purchased a van from Ford in 2000 and offered her a "cash back" incentive. A second piece, also personalized, offered incentive financing. "So I figured, let's see what they have on the Web," she says.

Driving E-shoppers, cont.

An e-strategy that gets attention

What she encountered was "absolutely astonishing," says the VP. "I was able to find the specific vehicle I wanted already on the lot at two dealerships within 15 miles of our office." But what "really blew me away," she adds, "was that I was able to click on to the two dealers' sites and print out the window sticker of the van we wanted. That was so cool."

Fresh off the interactive experience, company president Harold Chaffee walked into the local dealer with a definite idea of the van he wanted and a list of questions. Here's where salesperson Keith Lathrop clinched the deal, recalls Julie. "I wanted someone to handle the registration, the insurance, and the financing." Basically, she explains, "I wanted dad to be able to show up, grab the keys and drive off -- he's got pools to build." Fortunately, Lathrop remembered Chaffee Pools from previous interactions: "Harold (Chaffee) is a no-nonsense kind of guy," says Lathrop. "So we assured Julie we'd have everything in order and we'd get them in and out in 15 minutes." The Chaffees drove away in their new Ford Econoline 250 on Tuesday morning, just three days after the old van called it quits.

A match made in auto heaven

"Clicks and bricks: that's what we had in mind back in August 2000 when we began forming Ford.com," explains spokesperson Chris Vinyard. The goal was to build powerful functionality -- a link with Ford.com -- as well as a consistent look and feel to participating dealer Web sites. Participation is voluntary, but so far about 80 percent of dealerships are working with Ford.com to link inventories and other site-specific information.

Ford.com's Web integration efforts are proving highly successful. "What we're finding," says Vinyard, "is that Web prospects tend to be much better prospects than customers who just wander in." Internet shoppers, he says, "tend to know what they want and when they find it, they complete the transaction quickly." To date, says Vinyard, "We're running a closing rate of about 16 percent -- much higher than with customers who visit dealerships alone." ■



Personalization On Wheels

Sony technology partners with Toyota resulting in a new concept car.

inside 1to1[®]

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Imagine you're driving along a highway when another car suddenly swerves in front of you. Before you can say "road rage," your car shoots a blast of cool air into your face, while soothing music fills the vehicle, calming your anger to avert further danger. This sounds like a scene straight from science fiction, but it may become driving reality.

In line with the wildly popular, robotic e-toys that pick up on their owners' emotions, Toyota and Sony are developing the "Pod," a "concept car" that actually "thinks" for its driver. Unveiled at the Toyota

Personalization, cont.

Motor Show in Japan last October, Toyota says the Pod expresses its owner's personality by sharing moods, learning the driver's characteristics, and programming personal preferences. Chief engineer Kitagawa Naoto says he wants the Pod to become a reliable partner that grows with its owner. "It would be a new direction for cars in the 21st century where information technology is widely established," envisions Naoto.

Shinya Matsumoto, manager of Toyota's media relations group in Japan, says the Pod acts as an information terminal on wheels. The owner programs his preferences by removing the Sony-designed "mini-pod" from the dashboard and taking it home to record television shows and music from an electronic program guide, and to choose interests, such as entertainment or shopping. Owners can then store the information in the mini-pod by downloading URLs from a PC. When placed back in the vehicle, the Pod distinguishes the owner's interests and trends by exporting a browser's "favorites" folder, and offers advice and guides that pertain to the programmed information.

So when the owner plays a CD, for example, the mini-pod acquires information about the CD title and artist through the Internet to understand trends about the owner. If the system's sensors detect the owner mentioning an artist's name, the mini-pod searches the Internet for a song by that person. Another example: Based on the owner's preferences, the Pod even delivers updates about specific topics, such as the owner's favorite restaurants or movies.

Through a "joystick" driving controller that combines steering, acceleration and braking, the system detects the driver's emotional state by comparing the vehicle's speed, pressure applied on the accelerator, and the distance between the vehicle ahead with the driver's pulse and perspiration. The car reacts to driving styles by displaying its own "emotions" through an electronic control unit. For smooth driving, the unit shows clapping hands; for reckless driving, a fearful expression. By remembering the styles, the car can also adjust the suspension when traveling over rough or winding roads. The Pod can even snap a photograph of the car's occupants if it senses (via laughter) that a conversation is one to remember.

Although Sony and Toyota haven't yet set a launch date, they consider the Pod a technological breakthrough. "This (IT) technology has much importance and will deeply affect the car industry," Matsumoto says. "We would like to offer this vehicle to the world as the new concept for the future of vehicles' style." ■

Practice Leader

SOPHIE VLESSING PARTNER
PEPPERS AND ROGERS GROUP

Sophie Vlessing is a Partner at Peppers and Rogers Group and has been with the organization since 1999. Sophie's expertise ranges from helping clients in developing a vision and a roadmap for how customer strategies can transform their business to driving key initiatives that enable that transformation. She has significant expertise in customer experience management across touchpoints.

Sophie has consulted on strategic issues to senior management across industries. Her clients have included: BMW, Jaguar, The Premier Automotive Group, Citibank, Heinz, Tropicana, Sprint, US West, IBM, Unisys and Payless ShoeSource.

Sophie is a skilled facilitator of workshops, planning sessions and idea sessions with management teams and customers. Prior to joining Peppers and Rogers Group, Sophie was a principal at Marketing Corporation of America (MCA) where she consulted on strategic marketing issues across industries. Sophie's previous consulting experience was with Mercer Management, where she focused on new product development strategies.

Sophie gained her line-management and product launch experience at Nabisco where she launched Snackwell's Toaster Pastries and managed Snackwell's Cookies and Crackers.

Sophie received her MBA in marketing and organizational behavior from the Kellogg Graduate School of Management at Northwestern University. At Kellogg she was a member of the Beta Gamma Sigma Honor Society. Sophie has a BS in economics from the Wharton School of the University of Pennsylvania.

About Peppers and Rogers Group

Founded in 1993 by Don Peppers and Martha Rogers, Ph.D., Peppers and Rogers Group is a management consulting firm recognized as the world's leading authority on customer-based business strategy. It is dedicated to helping companies compete and win by identifying differences within the customer base and using that insight to maximize the value of each and every customer relationship.

Recognized by the World Technology Network as having played a significant role in developing the field of CRM, Don Peppers and Martha Rogers, Ph.D., are the co-authors of the revolutionary *The One to One Future* and a series of business books that further develop the unique one-to-one methodology espoused by their firm. Peppers and Rogers Group is headquartered in Norwalk, Connecticut. For more information about Peppers and Rogers Group, visit their web site at www.1to1.com.

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