

## Dealer ERB Pre Meeting 14 October 2020

Barchetti opens the meeting. It is a special year and a special meeting. The aim is clarification from the board of the past period and coordination for the next ERB meeting.

### Participants:

Austria	Netherlands	Switzerland	
France	Norway	United Kingdom	
Germany	Poland		
Greece	Portugal		
Italy	Spain		

### Pending issue from May 2020

We will follow up on the still pending issues from last meeting, especially those listed in red:

*“Please keep in mind that retailers are trying very hard to make as many sales as possible in the current difficult situation, nobody deliberately makes losses. But the OVE measures are sometimes in their way to be even more successful and our suggestions are intended to help to improve the situation for both sides:”*

- *Therefore we suggest to discuss a common way to increase aggregated margins (margin per unit) as the overall volumes is falling significantly*
- *The same is valid for a re-design of the cash model. The actual model, where the dealers finance a high portion of the working capital of the manufacturer confronts dealers with huge cash challenges*
- *The wholesales interest free period is linked to performance and other qualifiers which is not appropriate in the current situation and even worsens the situation of the retailers*
- *We request to suspend the CSI assessments for the time being, since a lot is currently influencing the results that we cannot control (f.e. delivery situation cars, parts) or Corona restrictions in retailer operations (rejected as a proposal)*
- *We ask for an adjustment of retail targets considering the loss of Adam, Karl and Mokka and agreeing for targets over a longer period of time in order to have more planning security*
- *Price positioning of products, especially Corsa. Today Opel takes VW as a benchmark but we are still not there. And at the same time this makes it very difficult to win customers from A segment, where we used to have Karl and Adam*
- *Warranty labour rate is in several countries under the cost effort for handling a warranty case because of the high administrative burden and in addition vehicle sanification must be offered now on top*
- *The availability of parts is still unsatisfactory and leaves the customer unsatisfied*
- *Contract change related to data transfer: In our view a mutual agreed contact plan and a bidirectional connection between the retailer-CRM and Customer First is a prerequisite for the change*
- *The new integrations with PSA System should lead to an evolution of better integration and lower work effort but currently unfortunately it is the opposite*

## GDPR

Strong cooperation with Peugeot and Citroen EU DV. We opened the discussion in early September. It is still running and the documents cannot be signed yet. We want a more equal collaboration in the exchange of customer data. Open issues are:

- Distinction between Customer and prospect
  - o Customer
    - Purposes
      - Customer recognition
      - CSI-survey
      - Marketing initiatives (24 months consent period)
        - o Generic (brand communication)
        - o Tactical (specific opt-in on this marketing program)
    - Opt-in to the marketing program
  - o Prospect
    - Purposes
      - Customer recognition
      - CSI-survey
- Data exchange needs to go via third party Trust (FCS)
- Joint Contact Plan must be agreed with the FB and not only informed
- Define better the technical tools (data exchange must be bi-directional)

## Customer First (C1st)

Barchetti runs through an earlier PSA presentation in which the future online brand strategy is communicated. The systems, websites and platforms will be more integrated. PSA wants a unique customer experience that is centrally managed. However, a joint customer contact plan will have to be drawn up to determine who approaches which customer and when. Data sharing rules is the main issue.

Centrally run call centres (PSA) ask customers for permission to use customer data for their own initiatives. This can put the dealer out of play. PSA wants to take control of digital leads and prospect process, because it believes that too many leads / opportunities are lost when dealers do it themselves.

Certain models will only be available online in the future.

Discussions are ongoing about the interfaces between Dealer DMS and C1st. This will have to be a bi-directional interface for the quotation. In addition, there are technical issues to be solved on SDH (configurator).

Girerd explained the sales process of the Citroen Ami. The dealers are allowed to deliver these cars, but under far-reaching rules. PSA can also place this offer with parties other than dealers.

PSA will migrate to Chronos & GEOS and will replace OWB (Spring 2021). The RIT fund approved this interface investments (3.5 million).

The C1st integration is on hold, until we solved the bi-directional integration of the quote and technical issues on SDH and all the GDPR issues mentioned before.

## Commercial Policy (COMPOL)

- LEV percentage (political environment, rural areas, economical differences). This is not definable as an objective number. No Threshold.
- Quality threshold. One month counts only single. No recovery on trimester base.
- To achieve the missing numbers (80%) of the previous month.
  - o M+0 target of 100. Achievement 70
  - o M+1 target of the month +10
- Changes of COMPOL during the year need to be absolutely avoided (we need structure for our profitability)
- Reduced warranty rates cannot be in place when not qualifying for aftersales parameters.
- Differentiated bonus depending on registration day of the month

- There should be no threshold that kills all Bonus like CSI. Qualification should be for the next month, not for the running one. So you have a better foundation for your calculation and offers. Bonus stays on COI's after done qualification. No Warranty labour rate reduction with low CSI – bad built cars may be a reason for a bad CSI-voting, but to repair the cars in a warranty case has to be paid fully.

#### **Retail IT (RIT) fund**

- Actually 12 million Opel fund.
- Our fund allows us to block projects such as C1st, because we do not release funding.
- We are looking at how Peugeot and Citroën dealers can join this. The monthly fee may also be adjusted downwards. The question is whether both organizations can also supplement the fund. Their monthly fee may be higher and that for Opel lower. It is also possible that part of the total Opel fund can be placed in a joint fund and another part is solely for Opel matters.
- There must be a trust instead of an Opel account. This is discussed with the Opel management.

#### **Business model**

- The 3% margin model is not sustainable.
- E-cars against ICE cars margins. The volume of the e-cars will increase, so the average aggregated margin will decrease. LEV cars will be a qualifier so we will be obliged to sell with low margin
- SOL purchases will increase so the average aggregated margin will decrease
- Aftersales business models.
- CO2 qualification is important for a manufacturer, but for the dealer is volume more important.

#### **Sales:**

Peter List (Austria) stated the following issues:

- Low product availability
- CO2 cannot be more important than volume, dealers need volume
- MY specification changes are too frequent and out of control

#### **Aftersales**

- **Parts Availability**
  - o BO situation
  - o BO status in SB
  - o Missing parts, Parts Pricing Master File
- **DISTRIGO**
  - o IT system readiness
  - o Parts management & information
  - o RIM / ASR Returns
- **Parts Pricing**
  - o Life cycle pricing strategy
  - o Pricing development 2019/ 2020
  - o Analysis of Dealer part number list (app. #1000 fast movers)
- **Business case for Dealers (not Hub)**
  - o With the introduction of the Hubs a “standard dealers” had the following losses\_
  - o Lost trade business
  - o Lost average 10% of margin
  - o Furthermore:
  - o Incidence of warranty and recall campaigns jobs increased = lower margin
  - o The margin on the parts remuneration decreased
  - o The reimbursement of the warranty labour decreased (specially for southern countries)

- The administrative work for a warranty claims increased, everything seems to be more and more complicated!
  - The standard times decreased (see below)
  - So the business case of the aftersales business is just broken.
  - Urgent action required to redefine the business case!
- **Product Quality and Recall Campaigns / Policy Strategy.** The overall quality of the product decreased, and the number of recall campaigns exploded. **The average time of car stopped in the workshop just increased** (parts deliver, warranty claims, long procedures, etc) . This leads to bad customer satisfaction and low aggregated margins.
  - **Simplified Operating Standards:**  
Although most standards in theory make sense, the execution is hardly achievable without further expanding the number of service advisors / indirect aftersales staff. In The Netherlands the current ratio is 1 unproductive to every 2,2 productive workshop employees. With the increasing amount of work for service advisors - among other things tasks of the parts manager and partly dual processes because of ICT transitions (f.e. Service Box + Menu pricing), this ratio is very likely to increase in the near future. The fact that billed hours per work order are decreasing - and will further drop with EV - will put it even under more pressure.
  - **WAC / TAC LEVEL OF SUPPORT AND QUALITY**  
Answers take too long. Long response times for goodwill requests. Rental car requests (after 4days free) cannot be extended, because first request has not been approved yet.  
See specific case listed in Italian (last pages)