

POLITECNICO DI TORINO



MASTER DEGREE IN AUTOMOTIVE ENGINEERING

PSA Group: "Service Contracts. Tools for customer fidelization"

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1. Introduction

Nowadays, if the success as a company is what you seek, you must be strongly customer focused and heavily committed to marketing. To better understand and satisfy customer needs, these companies must define specific target markets.

One of the company milestones is to build lasting customer relationships based on creating value.

In today's market, customer relationships and value are of great importance due to dramatic technological changes and economic, social and environmental challenges.

Customers pay a lot of attention when they buy something and they are reevaluating their relationship with brands. As a consequence, it's fundamental to build strong customer relationships. [1]

The simplest definition of marketing is: "To manage profitable customer relationships".

The two targets of marketing are:

- To attract new customers by promising superior value;
- To retain current customers by delivering satisfaction.

In recent years, marketing comes to you in the good old traditional forms (ads that fill your TV screen, magazines, or stuff your mailbox), and with new marketing approaches (smartphone apps, social networks and blogs).

These new approaches reach you directly and personally, in fact marketers' aim is to become part of your life and to enrich your experiences with the brand. [2]

Peter Drucker says: "The aim of marketing is to make selling unnecessary". If the marketers understand consumers' needs, develop products with high customer value, distribute and promote them efficiently; as a consequence products can be easily sold.

This thesis will describe my internship at PSA Groupe in Milan branch in the After-Sales Direction, in particular at the Service Contract Office.

Service contracts are services offered to the customers with three different levels, which can comprehend warranty extension, maintenance and substitution of worn parts (i.e. brake pads

and disks). This kind of service allow to get a closer relationship with the customer, in order to retain it for future sales and make him profitable for the after sales network, following the idea of “Customer for life” developed by Carl Sewell.

The work is developed in the following way: at first there is a brief introduction regarding marketing, marketing process and buying process definition, this is done with the aim of giving general guideline of how company try to build customer satisfaction and in which way customer decide which product to buy.

After this, there is a small excursus about service marketing, underlining the transaction that these days is taking place from tangible product towards an hybrid solution between product and service.

Then, it is described the switching from marketing to commercialization in the automotive market. In this section, it is also illustrated the history of PSA, the global economic result and sales volume, market share and mix in Italy for 2017. It continues giving information about channel management for an automotive company and then how the company covers the national territory with its network.

In the third part, it is reported a brief sum up about marketing services in the automotive sector that divided into: used market, repair and spare parts and accessories.

In the following section, there is a really small explanation of what is CRM (Customer Relationship Management) because it is important to spend some word to describe a new concept which is really important in these days.

Thereafter, it is described the organization chart of PSA branch in Milan. In particular, which are the main actors to who I referred to during my internship.

Finally, we pass to the critic analysis of my activities, problems description and possible solution that can be implemented.

2. Marketing Definition

Marketing can be seen as the process by which individual and organization create and exchange value each other.

Hence, we define marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

The marketing process is made up of five steps of which the first four have the function of creating value for customers. [3]

Figure 1. Model of marketing process.



- **1st Step**

Human needs are defined as states of felt deprivation. They include basic physical needs (i.e. food), social needs for belonging and affection; and individual needs for knowledge and self-expression. These needs are intrinsically part of the human being and so marketers did not have to create them.

Instead, wants are developed by individual personality and culture. The difference between wants and needs can be easily seen when people from different country need food but want different dishes.

In other words, wants are characterized by your own society and can be described by those objects able to satisfy the needs.

When supported by buying power, wants turn into demands. Taking into account wants and resources, people ask for products with can give the highest value and satisfaction.

Consumers' needs and wants are achieved thanks to market offerings that is a sort of combination of product and service. So the sale do not result just in the ownership of tangible goods.

Many sellers make the big mistake of focusing just on the specific product they are offering, instead of the benefits and experience produced by them. They forgot that the product is just a mean to settle a customer problem. This phenomenon is called marketing myopia.

- **2nd Step**

After having understood the consumer and the marketplace, it is necessary to define a customer-driven strategy which has the function to find, attract, retain, and increase target customers by creating, delivering and communicating superior customer value.

The 2 milestones needed to develop this strategy are:

- Definition of the target market;
- Definition of the value proposition;

For the first one is very important the concept of market segmentation and targeting. Marketing managers know very well that is impossible to serve all the consumers and so it is important to choose the one that can give the higher profitability.

The company need also to determine how it will differentiate and position in the marketplace. A brand's value proposition states the benefits and values delivered to customers to meet their needs. A strong value proposition is a key factor to have a competitive advantage in their marketplace.

- **3rd Step**

The integrated marketing program has the function to transform into action the marketing strategy previously defined. Formulation of marketing mix and tools used for the implementation of the strategy. The most important marketing tools are organized in what is called the four P's of marketing: product, price, place and promotion.

The company, to present efficiently its value proposition, should form a need-satisfying market offering (product). Then to decide how much it should charge for it (price) and where making the offer available. In the end, the firm have to communicate the offer to the

consumers and persuade them of its worth (promotion). The merger of the different marketing tools allow the introduction of a new concept called “Integrated marketing program”.

- **4th Step**

Customer relationship management (CRM) can be seen as one of the most important characteristic of modern marketing. By definition, CRM is the process of building and maintaining profitable customer relationships by delivering superior value and satisfaction; in other words it deal with increasing the number of customers and keeping/improving the customer relationship.

What do we mean by **Customer Value**?

Nowadays every consumer buys from the company that offers the highest customer-perceived value, which is a sort of difference between all the benefits and costs that the client will get from buying it. However, sometimes customers do not evaluate this different objectively but on the perceived value. For instance, there are clients that are more sensible to pricing while other prefer to pay more to get more.

What do we mean by **Customer Satisfaction**?

It depends on product’s perceived performance relative to buyer’s expectations. Winning company’s aim is to keep important clients satisfied because high level of satisfaction leads to greater loyalty which results in higher performance of the company. A smart way to satisfy the client is to promise what the company can deliver and then deliver more in order to delight him.

A delighted customer can become the best promotional tool.

Even if a customer-centered strategy has the aim to maximize customer satisfaction, company must always take into account to maintain a good profitability in doing that. [4]

- **5th Step**

Good CRM creates customer satisfaction. As a result, satisfied clients remain loyal and “promote” the company and its products. The recent economic crisis had put high pressure on

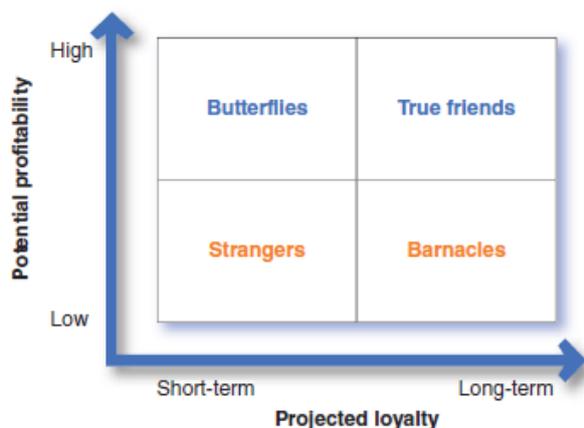
the concept of customer loyalty. It increased the consumer's sensibility to price, in fact more or less 55% of U.S. consumers would rather have the best price than the best brand. Researches also shows that is more convenient, from the economic point of view, to keep an old client rather than acquire a new one.

So, ultimately, the company value proposition must be formulated with high level of attention and bearing in mind to keep loyal the profitable customers.

When you lose a customer, you do not lose just a single sale but the future purchases that the client would have done. This is the classic concept of "customer lifetime value".

However, company must carefully analyze which kind of customer they want to keep loyal or better to say, on which customer they want to invest. In fact based on the potential profitability and the projected loyalty we can identify different types of customer.

Figure 2. Customer Relationship Groups.



The four types of customer presented in the scheme on the side of the page are: [5]

- *Strangers*: low potential profitability and loyalty. It is better not to invest on this kind of client;
- *Butterflies*: high potential profitability but not loyal. Efforts to convert butterflies into loyal customers are rarely successful. The best approach is to capture as much of their business is possible in the short time during which they buy from the company;

- *True friends*: both profitable and loyal. To delight these customers and nurture, retain, and grow them;
- *Barnacles*: highly loyal but not very profitable. Most problematic customers. Invest to improve their profitability, if they cannot be made profitable it would be better to get rid of them.

2.1 Buying decision behavior

Buying behavior varies greatly for a drink, a smartphone, house, and a new car. More complex decisions usually involve more buying participants and more buyer energy in making them. The following scheme shows the types of consumer buying behavior based on the amount of buyer involvement and differences among brands.

Figure 3. Consumer Buying behavior.

	High involvement	Low involvement
Significant differences between brands	Complex buying behavior	Variety-seeking buying behavior
Few differences between brands	Dissonance-reducing buying behavior	Habitual buying behavior

- *Complex buying behavior*: consumer is highly involved in a purchase and perceive significant differences among brands. (expensive, risky and unfrequently purchase);
- *Dissonance-reducing buying behavior*: consumer is highly involved but see little difference among brands;

- *Habitual buying behavior*: occurs under conditions of low involvement and little significant brand difference. (always the same brand but it is not loyalty; no information research);
- *Variety-seeking buying behavior*: situations characterized by significant perceived brand differences but low involvement. (i.e. buying food, you choose a brand without much evaluation and then make your evaluation regarding it). [6]

2.1.1 Buying decision process

During a purchase, the buyer goes through a decisional process which is made up of several steps. The process above mentioned is reported in the next flowchart.



The marketer's function is to perceive the consumer's behavior at each stage of the process and the factors that can affect it. During need recognition, the customer recognizes his need that would be satisfied by a service/product present in the market. The consumer is then aroused to look for more information and so moves to the information search stage. After this step, the consumer proceeds to the evaluation of alternatives thanks to the information collected before about the different brands. Finally, the customer buys the product but the process ends after the fifth step when the consumer takes action based on his satisfaction/dissatisfaction. [7]

However, if we talk about new products, the buyer decision process is different and it is called adoption process. A new product could be a service or good that can be considered new in the market, so the adoption process is the mental process through which every individual passes from first learning to final adoption. In other words, adoption is the decision made by an individual to become a regular user of the product.

The adoption process is made up of five stages:

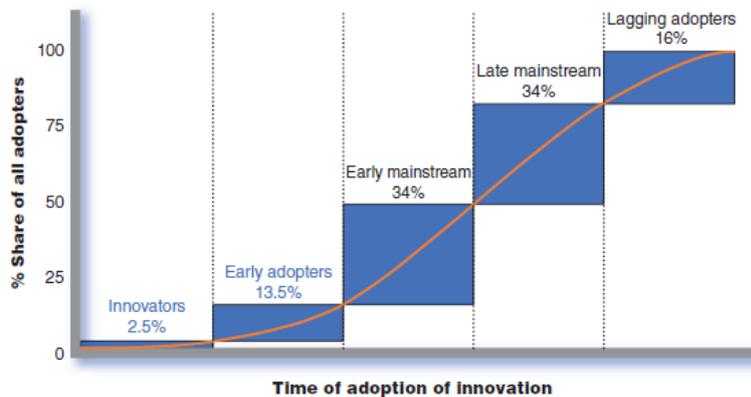
1. *Awareness*: The consumer begins to be aware of the new product but lacks information about it;

2. *Interest*: The client looks for information about the new product;
3. *Evaluation*: Consideration by the client whether to try the new product or not;
4. *Trial*: The consumer tries the new product to improve his or her estimate of its value;
5. *Adoption*: The client decides to make and regular use of the new product.

New-product marketers need to help clients to move through these stages.

Nevertheless, for new products, consumers have different adoption rate depending on product characteristics and their readiness to try new product. Clients can be classified into several adopting categories as in the graph below. [8]

Figure 4. Adopter categories based of time of adoption.



As it can be seen in the picture, after a slow start, the number of clients for the new product increases.

Innovators are defined as the first 2.5% of buyers who adopts a new idea; the early adopters are the next 13.5% ; and then come early mainstream, late mainstream, and lagging adopters.

Every group could require different marketing approaches that is why marketers try to draw attention of potential early adopters, especially those who are opinion leaders. Finally, several characteristics influence the rate of adoption: relative advantage, compatibility, complexity, divisibility, and communicability.

2.1.2 Customer-driven marketing strategy

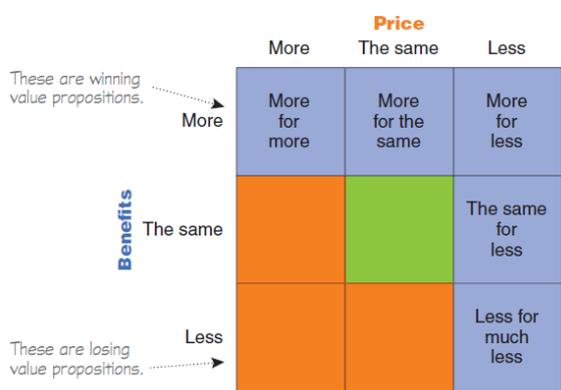
Most companies have moved away from mass marketing and toward target marketing: identifying market segments, selecting one or more of them, and developing products and marketing programs.

The four main steps in defining a customer driven strategy, which have been already mentioned above, are:

- *Segmentation*: segments on buyers with distinct needs, characteristics or behavior which need different strategy;
- *Targeting*: evaluate profitability of each segment and then selection of one or more of them;
- *Differentiation*: differentiation to create superior customer value;
- *Positioning*: to arrange an offering to occupy a clear, distinctive and desirable relative to competing products for target clients.

The brand's full positioning is called its value proposition. It is worth to mention that companies can choose from one of five winning value propositions on which to position their products and are reported in the following picture as a function of benefits and price. [9]

Figure 5. Possible brand value proposition.

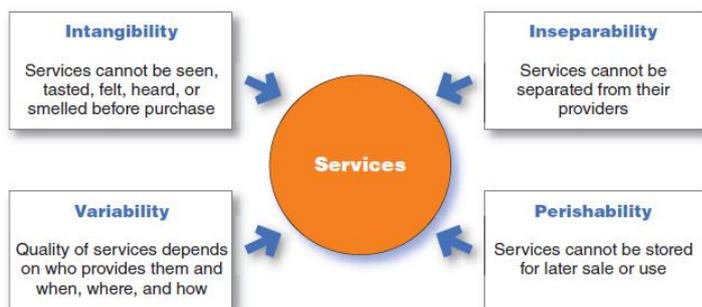


2.2 Services Marketing

In recent year, services have undergone an exponential growth, in fact it account for close to 65% of the U.S. gross domestic product (GDP). Service industry is still growing and it is estimated that by 2014 four on five jobs in United States would be associated to it. This growth is even faster in the rest of the world where 64% of gross world profit is made up by service industry. [10]

A firm must consider the four main aspects that characterize a service:

Figure 6. Service characteristic.



Although services are “products” in a general sense, they have special characteristics and marketing needs. The biggest differences come from the fact that services are essentially intangible and that they are created through direct interactions with customers.

Marketers’ job is to find a way to make the service more tangible, reduce variability, increase the productivity of providers due to inseparability and supply capacity for perishability.

The peculiarity of services is mainly in the fact that a service is considered or perceived, for its effective value, when it is supplied.(i.e. in car market, quality of the insurance). Another point worth mentioning is that services are characterized by a lower efficiency than normal manufacturing products. Therefore, it is necessary to have a better organization and optimization of the relative processes.

Winning service companies bear attention to both customers and employees because they know the service profit chain that is the link between profit and clients/employees satisfaction. For this reason there is not only external marketing but also internal (to motivate employees) and interactive (to create service delivery skills for providers).

In conclusion, service marketers must create competitive differentiation, offer high service quality and find ways to increase service productivity.

One of the most important characteristic of the service is its quality. Service quality has a crucial value and among all the factors which have to be assessed by service managers, the following can be mentioned: [11]

- *Access* (measured by different aspects, i.e. according to waiting time which implies managing queues);
- *Trust* (employees must be reliable, accurate and to inspire security);
- *Credibility* (reliability of the company towards their clients);
- Reply capacity (ability if the company to satisfy the needs of the customer quickly and promptly);
- *Knowledge of the customers* (empathy of the company towards its clients);
- *Tangibility* (the service quality depends on how the aspects of the product are perceived. There are other concrete and tangible elements, such as the tools and machines to deliver the service, the written documents and so on).

However, even though products and services are very different from each other, there is a progressive mixing that is taking place.

This wide phenomenon, appears as a process which generates a fusion between the different sectors. It is just the developing demand of customers which carries more and more complex needs, and the companies' reply seems to be of service nature. The capacity of this phenomenon is not clear enough but it fits in the so called "New Economy".

This overlap between service and product is justified by the tertiary sector which is becoming dominant in advanced economies and that in every company there are some service processes in customer relationship, for instance related to the sales of a product or technical assistance. Another reason is that companies are progressively enhancing their offers adding benefits to the core services. [12]

For the car market, we could speak about warranties, services under not warranty, purchase financial formula, courtesy cars, roadside assistance, etc..

The increasing presence of joint offers, services and products, ends forcing companies to look after the service in order to make of it a competitive weapon. In every company, many of the activities adopt also a dimension of customer service. This is why attention is given to the front line (sellers, shop assistants, receptionists and technicians).

Beyond the tangible product, importance is given to aspects regarding waiting time, behavior, environment, etc..

Therefore we are not only assisting to an overlap of products and services, but also to the companies' change towards joint management and sales. [13]

Due to this merging between product and service, it is necessary to measure out the tangible/intangible combination, which is part of the customer's experience, and to behave accordingly. In the case of highly tangible product/service, it is important to give the right importance to the relationship with the client and vice-versa, while in the opposite case, highly intangible, what it is important is to value the physical evidence and the elements of industrialization.

The marketing management in service company is slightly different than manufacturing one. In the analysis phase (on competitors, external environment, market etc.), the study of consumer behavior is the most important, while the market analysis is oriented toward the niche rather than segmentation.

Another challenge of service company is to make the offers as much tangible as possible in order to facilitate the assessment to the relative tangibility of the services. Another point worth mentioning is the existence of the low entry barrier for the service sectors. Anyway, all the marketing tools already described in the previous chapter are still valid (i.e. 4's P) [14]

2.3 Personal Selling

The people, who perform the selling process, have different names such as salespeople, representatives, agents, district managers, sales consultant and engineers.

Most companies use salespeople and some of them assign this figure an important role in the marketing mix, in fact they are considered as the interpersonal arm of the promotion mix.

While advertising involves nonpersonal form of communication, personal selling consists of interpersonal communication between the sellers and the clients. For firms selling business products, the sale force is the customer's only direct contact and so they could be seen as a representation of the company itself. While for consumer-product companies, the selling process takes place thanks to intermediaries. The company sales force works behind the line with wholesalers and so on supporting them allowing an increased sale performance.

Given that salesforce is a promotion mix, it can be efficient in prospecting and information gathering. They learn about customer need and work with other marketing and nonmarketing people in the company to develop greater customer value.

Salesforce is seen by the clients as the tangible representation of the company and as a consequence they become loyal both to the seller and the company. That is why salesforce have to be a valuable asset in managing profitable customer relationships given its role of liking. [15]

Theoretically salesforce and people with marketing functions should work together in order to obtain an higher value for the clients, but sometimes it does not happen. Therefore, we could have the marketers and salesforce blame each other for the poor performance and so neither group values the other's contribution.

Due to this problem and in order to avoid damage to customer relationships and company performance, the firm can increase the communication between the two groups allowing them to work together as much as possible. In addition, the company could create a sort of performance reward for the people who works as link between the two factions.

Personal selling need an effective sales management process which is made up of six steps:

1. Designing sales force strategy and structure;
2. Recruiting and selecting;

3. Training;
4. Compensating;
5. Supervising;
6. Evaluation performance.

In the first step, sales management have to take into account different issue such as which type of sales force structure will work best (i.e. territorial, product, customer, or complex structure), sales force size and how sales and sales-support people will work together). [16]

In the recruitment of salespeople, a company should look to the duties and features of its best salespeople as a reference. Then, it must search for applicants with ads, recommendations of current salespeople, college recruitment and so on. The selection processes, may vary from a single informal interview to lengthy tests and interviews..

After the selection process, new salespeople are trained to the art of selling but also to the company's history, policies products and competitors.

The motivation and direction of the salespeople is achieved thanks to a proper compensation. However, all personal selling need supervision and continuous motivation due to the frustrating environment they face every day. In addition, periodically their performance has to be evaluated in order to help them in doing a better a job. For the evaluation, the company relies on information from the sales reports, personal observation, customer surveys. [17]

2.4 Competitor

Nowadays companies have to face the strongest competition ever and so developing a strong customer relationship is not enough. In order to gain competitive advantage, it is necessary to deliver an higher value than the competition with the aim of winning the same customer. That is why a company must continuously studies its competitors and develop a competitive marketing strategy that allow to position it the best way.

To assess an effective marketing strategy, a company has to discover every possible information regarding its competitors and then compares to them its own strategies and marketing mix. Using this approach, the company can find area of potential competitive advantage and disadvantage.

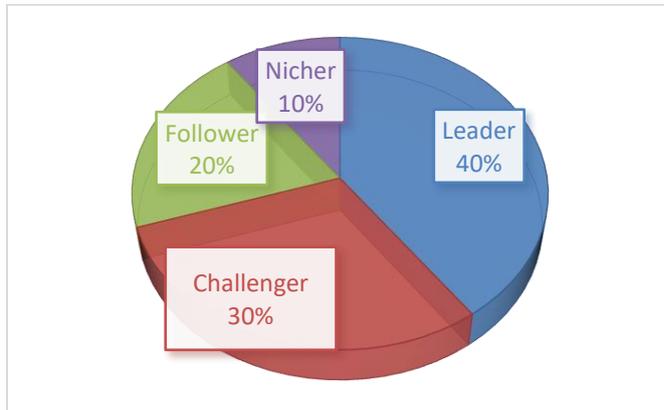
Competitor analysis is made up of three steps: first identifying and assessing competitors and then selecting which of them attack or avoid.

The most important thing to remember for the first step is not to be affected by competitor myopia, which means to pay more attention to latent competitor instead of current ones. For example, Kodak did not lose to other film makers such as Fuji; it lose the digital camera producers that does not use any film. The same case for Nokia and the smart phone industry. It is also very important to anticipate the future and prevent the situation of the above mentioned companies. [18]

After the identification of the competitors, the company gather information on their objectives, strategies, strengths and weaknesses and their reactions to our behavior. The firm has to know competitors' current profitability, market share growth, cash flow, technological and service leadership and so on. In this way it is possible to forecast what your competitor will do in the future and anticipate it.

It is clear that competition is useful to improve quality of product/service and performance of the company itself. But it is very important to choose wisely the competitor analyzing its capabilities and avoiding a battle that can be harmful for both the parties.

Figure 7. Market subdivision according to company strategy.



After the selection of the competitor, now the company need to choose which of them attack or avoid. There are different kind of competitors: weak or strong, distant or close, god or bad. Therefore, it is important to choose carefully the competitor taking into account the company resources and willingness to improve. Most companies prefer to challenge weaker competitors because it requires less resources and time but on the contrary with stronger competitors the company sharpens its abilities. [19]

The choice of the competitive marketing strategy depends on the company's industry and on whether it is the market leader, challenger, follower or nicher. The previous definition are assigned to a company depending on its market share as follow:

The market leader must create strategies to increase and protect its total market.

Instead, a market challenger is a firm that wants to expand its market share by attacking the leader, other runner-up firms, or smaller companies in the market. The challenger

Has the possibility of selecting between direct or indirect attack strategy.

A market follower is a runner-up company which makes the choice not to be in the first line. However, the follower still has a strategy and tries to use its abilities to increase its market share. Sometimes, followers have an higher rate of return than their market leaders.

A market nicher is a smaller company that does not attract the attention of larger firms. Market nichers often are specialists in some sector, customer category, geographic area, or service. [20]

3. Commercialization in the car market

Commercialization can be seen as a complex series of activities part of the marketing process; in particular distribution and promotion.

Manufacturing companies often see commercialization as a secondary activity with respect to design and production. However, nowadays this perspective is less evident due to the vast range of products present in the market and also to the overcapacity that urges dealers to sell.

These days, the sale does not involve only the product but also services, especially those which are specifically linked to sales in the new car market, but also the after-sales, used car market, insurance, loan, car rental, extended warranty and other services. Before the spread of marketing, industrial culture defined the commercial techniques as a set of legal, fiscal, distribution and so on. Within this range of different techniques, the distribution was considered a primary logistic key while sales represented just the exchange of product/service between companies and their customers.

So, thanks to marketing introduction, commercialization has become a sector in constant growth that need to be study separately from marketing.

Generally speaking, it can be said that no one want to live without a car, both for objective and subjective reasons. That is why that the sales of both used and new cars thrive.

Anyway, it is important to underline, that there are a lot of continuous pressures on the car system such as normative, economic and social pressures of which it is always necessary to be well aware.

Surrounding the car market exists an entire social economic system, used car, after sales service and consumer leading are just the tip of the iceberg. There are other activities linked to the commercialization process which are intrinsic to the principal business of selling, i.e. insurance companies, demolition services. Among these services, some of them are of public or institutional nature, i.e. MOT tests for allowing the circulation of every car.

3.1 Car Market's Overview

In 2015, more than 91 million cars and commercial vehicles were produced and China is the first country producing vehicles overpassing Japan, USA and Germany.

In Western Europe, the circulating vehicles exceed 253 million, of which almost 38 million are commercial vehicles, with an average age of 9.7 years and an average density of 574 units per 1000 inhabitants. [21]

Another interesting record is the world fleet: They exceed 600 million, with a constant growth, mainly due to the contribution of the emerging countries.

Regarding the market demand, it can be divided into:

- Vehicle registration application, supplement for multi-motorization is also considered;
- Substitution channel, replacement of scrapped vehicle.

The number of the circulating vehicle are necessary to evaluate the substitution demand, oil expenses, the amount of traffic and other important information.

The market demand and its growth rate can be classified into different categories:

- Low demand market and reduced growth, i.e. Africa;
- Market expansion, wide margins of growth, i.e. BRIC (Brazil, Russia, India, China);
- Mature market, limited growth levels focusing mainly to purchase top substitute the vehicle at the end of its life, i.e. Western Europe, USA.

However, for every of the above mentioned market, the evolution of demand is made up of five stages, according to the level of vehicle purchased:

1. *Elite motorization* : when the cost of the product is high compared to the return; vehicle density not superior to 20 units per each 1000 inhabitants. Car makers are still responsible for the sales and this kind of market is strongly influenced by the used cars;
2. *Motorization taking off*: good return rate, density is comprised between 20 and 200 vehicles per 1000 inhabitants. Here, a network of distributors, dealers and professionals in the sector is needed in order to be efficient in the sales;
3. *Mass motorization*: density between 200 and 400 per 1000 inhabitants due to the decreasing prices. The vehicle culture is already spread and the substitution market become more consistent with the increasing number of used vehicle. The structure of the operators on the market is already differentiated and it is being selected;

4. *Mature motorization*: Reduction of the growth rate, multi-motorization starts;
5. *Saturated motorization*: The highest number of circulation vehicle is reached. Density around 500-600 units by a thousand inhabitants. The extinction of the vehicles is fast either technically or psychologically.

3.2 Car Makers' Customers

The most relevant clients of a car maker firm are:

- Private customers;
- Dealer and subsidiaries of the parent company which in turn sell to the end users;
- Employees;
- Fleet for small/medium/large companies;
- Government.

And so apart from the products itself, all the services needed to keep and capture them is very important:

- Service and spare parts, accessories ;
- Leasing formulas and renting;
- Financial formula;
- Used market;
- Mobility service.

Let's analyze briefly the most important types of customers.

The most important one, for sure, is the private customer who can buy directly from the head office or dealer network. That is why, dealer are fundamental for the company. They represent the company in front of every client and so monitoring and controlling their performance is vital especially if the company strategy is focused towards customer loyalty.

Dealers are obviously independent people or companies that operate at their own risk (entrepreneurs), while the sales subsidiaries, also called sales centers or flagship, are directly possessed by the main office. All manufactures still maintain their own subsidiaries both to

have a direct control over the market characteristic and to intervene, when possible, to the integration of the dealership network.

For employees exists a special domestic market. The Head office is provided with a special structure where they can purchase. Generally, for employees discount and other free benefits are granted, (i.e. ownership tax, a period of third party liability insurance). It is a sales method which has the nature of benefit and discrimination of treatment, (i.e. according to hierarchy). This enhance the sense of belonging and motivation to the company.

Given the peculiarity of this niche, importance is given through:

- A mix of dedicated marketing, included communication and promotion;
- A particular sensibility in managing the human resources (motivation and internal marketing)

Fleet should be distinguished mainly according to the potential volume of purchase, that is:

- Small, up to 10 cars per year;
- Medium, up to 100 cars per year;
- Large, beyond 100 cars per year.

For small and medium fleet, the sales are performed by the dealer, while for the larger one, the head office is directly responsible and sometimes inside the firm exists a dedicated office. The company tends every day more to make use of specialized financial services such as leasing or long-term localization. The critic factor in these kind of situations, is often the so called buy-back program which involves an high economic risk.

Public supplies are contracts for pecuniary interest relating to the purchase, rental or leasing agreed between a supplier and a public administration (i.e. police) or the local government (regions, municipalities...)

There are administrative and technical procedures, according to the country, arranged to participate in the call for tenders which will allow for the awarding of the contracts and grant equal treatment to the participants. The selection process in the vehicle field generally involves a private bid or competitive tender and therefore excluding private negotiations.

The selection process involves two steps: lowest price or cost-effective offer with the required terms of delivery, cost of use, quality, esthetic nature and all the conditions requested in the specifications and call for tender document.

In this difficult market, the dealerships built up their organization with direct structures and the best are compelled to get the opportunities coming from all the European countries.

The sales to the employees, large fleets, governments are also defined “reserved channel”, just because they are main office’s absolute competence.

3.3 PSA History

Strengthened by its French industrial heritage, Groupe PSA has since its very beginnings contributed to the history of the automotive world through its three car brands: Peugeot, Citroën, and DS. With its worldwide presence, the Group today is addressing the profound transformations under way in the sector with ambition, vitality and efficiency.

Two car manufacturers emblematic of French industrial know-how are at the root of the Groupe PSA: Peugeot, one of the first companies to produce and sell petrol cars at the end of the 19th century, and Citroën, whose avant-garde technologies in design and industrial processes revolutionized the automotive world from the beginning of the 20th century.

The Peugeot company starts out in the metal industry in 1810, while the first Peugeot brand’s first petrol car was sold in 1890.

PSA (*Peugeot Société Anonyme*) is founded in 1966. Ten years later, the merger of *Citroën S.A.* and *Peugeot S.A.* gives rise to the PSA Peugeot Citroën group. The Group harnessed its solid results to buy out Chrysler Europe in 1978, making it Europe’s number-one group and world number-four.

In 1976, there was the creation of the PSA Peugeot Citroën group through the merger of *Citroën S.A.* and *Peugeot S.A.* The PSA Peugeot Citroën holding company owns 100% of the two companies *Automobiles Peugeot* and *Automobiles Citroën*. In 1978, PSA Peugeot Citroën took over Chrysler Europe. In 1979, there was the creation of CREDIPAR, which supported the development of the Group brands and their retail networks by bringing private and business customers a complete range of financing and services. During 80s, the successive chairmanships of Jacques Calvet and Jean-Martin Folz lead to deep-seated restructurings within the Group. Synergies were unlocked to sharpen the Group's competitive edge, including platforms common to the two brands, a harmonized technical and manufacturing organizational structure, and project-driven management, along with strategic alliances formed with other car manufacturers to improve production and R&D costs. The PSA Peugeot Citroën group relied on robust growth to build stronger international presence, notably in fast-growing countries such as China and Brazil. In 1984, Jacques Calvet was appointed as Chairman of the Group Management Board. Then, in 1987, *Aciers et Outillages Peugeot* and *Cycles Peugeot* merge to form ECIA, a subsidiary of PSA Peugeot Citroën and an equipment supplier with a European dimension. While, 1992 a joint venture founded with Dongfeng Motors for the assembly of the Citroën ZX in China (DCAC). A final assembly plant was built at Wuhan in Hubei province. Powertrain activities are based in Xiangfan. Five years later, Jean-Martin Folz appointed as Chairman of the Group Management Board.

In 1998, PSA Peugeot Citroën acquires Sevel Argentina. Conclusion of a friendly IPO by ECIA of the equipment supplier Bertrand Faure. PSA Peugeot Citroën had an over 50% stake in the new entity, which was called Faurecia.

The companies stepped up its international growth in the 2000s. The decade was marked by the ramp-up of proprietary technologies, initiated by the invention of the particulate filter in 2000 and culminating in the launch of the three-cylinder EB PureTech engine in 2012, reducing CO₂ emissions by 18%. In 2001, a new production site in Brazil (Porto Real) was inaugurated. During 2002, Dongfeng Motors and PSA Peugeot Citroën created DPCA, a joint venture expanding their collaborative effort in China (the production of Peugeot and Citroën cars). Few year later, there was the inauguration of the new design centre in Vélizy, the Automotive Design Network (ADN), bringing together all the Group's styling and innovation studios.

2005 was characterized by the inauguration of the Kolin production site in the Czech Republic, shared by the company and Toyota, while in 2006 for the Trnava production site in Slovakia.

In a turbulent economic and social environment, the firm relied on three strategic focused to get back in the race in 2014: the streamlining of the ranges of its three brands, Peugeot, Citroën and the newly created DS; the optimization of its production base; and the strengthening of the Group internationally. Drawn up in advance in relation to its objectives, the “Back in the Race” plan helped the Group to restore its fundamentals and took to the future with an ambitious mindset, by rolling out its plan of profitable organic growth for 2021, entitled “Push to Pass”.

In 2010, a joint venture with China Changan Automobile Group in China (approved in July 2011 by the Chinese authorities) was signed. While, in 2011, BMW and PSA Peugeot Citroën set up a joint venture for hybrid technologies, investing €100 million. During 2012, PSA Peugeot Citroën and General Motors have created a Strategic Global Alliance. The next year, the group opened a new plant in Shenzhen, China as part of the joint venture with China Changan Automobile Group.

The year 2014 was characterized by some important events: Carlos Tavares was appointed as Chairman of the Group Management Board; Signature of the definitive agreements between the firm, Dongfeng Motor Group, the French state, EPF and FFP and the new chairman presented “Back in the Race”, PSA Peugeot Citroën’s strategic plan for pour 2014-2018. Achieved in record time, it was replaced in 2016 by the “Push to Pass” Plan. In 2016, PSA Peugeot Citroën became Groupe PSA. Instead 2017, was characterized by the acquisition of the Opel/Vauxhall group.

3.3.1 Global Economic Results of 2016

In 2016, for the third year in a row, the Group achieved growth on three fronts:

- Growth of the Automotive division operating margin to 6% versus 5% in 2015;
- Growth of sales : 3,15 million vehicles sold, up 5.8% ;
- Growth of the net financial position thanks to a positive €2.7 billion Free Cash Flow in 2016.

In 2016, Group revenues were €54,030 million compared to €54,676 million in 2015 and Automotive revenues were €37,066 million, compared to €37,514 million in 2015 (a growth of 2.1% and 2.7%), due to the success of new launched models and the company's pricing strategy.

The Group recurring operating income was €3,235 million, up 18% compared to 2015. The Automotive recurring operating income was €2,225 million, up 19% compared to 2015. In an environment characterized by adverse exchange rates, this growth was driven by higher volumes, positive price and mix effects, and lower fixed and production costs.

The Group non-recurring operating income and expense was a charge of €624 million, compared to a charge of €757 million in 2015.

Net financial income and expense was a charge of €268 million versus a charge of €642 million in 2015.

Net income reached €2,149 million, an increase of €947 million compared to 2015. Net income, Group share, reached €1,730 million compared to €899 million in 2015.

Banque PSA Finance reported recurring operating income of €571 million⁵, up 11% versus 2015.

Faurecia recurring operating income was €970 million, up 17%.

The free cash flow of manufacturing and sales companies was €2,698 million.

Total inventory, including independent dealers, stood at 406,000 vehicles at 31 December 2016, an increase of 56,000 units year on year.

The net financial position of manufacturing and sales companies was €6,813 million at 31 December 2016, compared to €4,560 million at 31 December 2015.

A dividend of €0.48 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 15 May 2017, and the payment date on 17 May 2017.

In the following table is reported the sales mix divided with the European segmentation criteria for just the old members of the group (Peugeot and Citroen/DS) and follows also a table in which are reported the volume for the sales mix for the 2017. These sales volume results are taken from the internal websites MADAP (for Peugeot) and MADAC (for Citroen and DS). The numbers reported here are the effective number of vehicle immatriculated, also KM 0 are taken into account.

Table 3. Sales Mix for the main brand of the PSA group.

A segment	Citroen C1
	Peugeot 108
	Citroen Czero
	Peugeot Ion
B segment	Peugeot 208
	Citroen C3
	DS3
C segment	Peugeot 308
	Citroen C4- C.Elysee
	DS4
D segment	Peugeot 508 (also Hybrid)
	DS5 (also Hybrid)
J segment	Peugeot 2008-3008-5008
	Citroen C3 Aircross- C4.Cactus
M segment	Citroen C4.Picasso-C4.Gran Picasso
	Peugeot Traveller
	Citroen SpaceTourer
	Citroen Berlingo (VE)
	Peugeot Partner Teepe (VE)
Light Commercial Vehicle	Peugeot Bipper-Boxer-Partner-Expert
	Citroen Nemo-Jumper-Berlingo-Jumpy

Table 4 & 5. Sales volume for Peugeot and Citroen/DS for the 2017.

FAMIGLIA	PRODUZIONE			CONSEGNE CLIENTI		
	G	M	A	G	M	A
	C-ZERO	0	0	41	0	0
E-MEHARI	0	1	2	0	2	35
N CL	0	272	7646	0	361	7751
C3 3	0	0	23	0	1	1869
NUOVA C3	0	2643	43605	0	3127	40882
C3 AIRCROSS	0	1156	6586	0	679	2137
C3 PICASSO	0	0	5077	0	8	5733
C4 2	0	7	974	0	25	973
C4 CACTUS	0	257	6603	0	211	7116
N C4 PICAS	0	240	5286	0	196	4852
NGR C4 PIC	0	198	4544	0	249	4141
BERLINGO	0	10	1275	0	85	1154
BERL ELETT	0	0	30	0	0	10
C5	0	0	229	0	44	332
C4 AIRCROSS	0	0	157	0	23	519
N JUMPY VP	0	29	267	0	14	234
SPACETOURE	0	36	559	0	46	639
JUMPER VP	0	14	95	0	9	90
C.ELYSEE	0	7	878	0	14	1129
C3 3	0	0	0	0	3	126
NUOVA C3	0	44	1083	0	141	893
C3 PIC.CBI	0	0	347	0	38	446
C4 2	0	1	124	0	12	140
NEMO VAN	0	60	1216	0	123	1087
BERL CBI	0	1	1266	0	154	1052
BERL VAN	0	62	3718	0	421	3296
BER ELETTR	0	0	21	0	0	68
JUMPY VU	0	0	0	0	0	24
N JUMPY VU	0	41	2719	0	335	2825
JUMPER VU	0	400	7251	0	671	6932
Totale - CITROEN	0	5479	101622	0	6992	96573
DS3	0	102	1166	0	41	1213
DS3 CABRIO	0	2	67	0	0	70
DS4	0	66	703	0	15	725
DS4 CROSS	0	11	204	0	7	230
DS5	0	17	330	0	35	399
DS5 HYBR	0	3	26	0	3	29
DS7 CBACK	0	8	34	0	20	20
DS4 CBI	0	2	5	0	2	5
DS5 CBI	0	0	4	0	0	9
Totale - DS	0	211	2539	0	123	2700
Totale	0	5690	104161	0	7115	99273

FAMIGLIA	ORDINI CONCESSION		PRODUZIONE			CONSEGNE a Cliente Finale (DS12)		
	Ordini Rete		G	M	A	G	M	A
	M	A						
<u>ION</u>	0	30	0	0	9	0	1	27
<u>108</u>	1056	6717	0	239	6566	0	443	6847
<u>208</u>	3126	38042	0	2318	38659	0	2357	38088
<u>2008</u>	3008	24796	0	1533	23995	0	1496	23553
<u>308 T9 BL</u>	1852	9216	0	719	8924	0	569	8085
<u>308 T9 SW</u>	1616	8977	0	635	9201	0	467	7851
<u>308 T9</u>	3468	18193	0	1354	18125	0	1036	15936
<u>3008</u>	0	-1	0	0	0	0	1	73
<u>3008 HYB</u>	0	0	0	0	0	0	0	1
<u>3008 P8</u>	1638	19455	0	1214	18287	0	1270	18081
<u>5008</u>	0	-1	0	0	2	0	1	113
<u>5008 P8</u>	765	5954	0	502	5274	0	501	3459
<u>508 BL</u>	12	79	0	5	69	0	3	211
<u>508 SW</u>	126	799	0	61	856	0	27	1069
<u>508</u>	138	878	0	66	925	0	30	1280
<u>508 RXH</u>	0	14	0	0	11	0	2	28
<u>BIPPER</u>	135	1216	0	172	1461	0	183	1141
<u>PARTNER B9</u>	411	5318	0	129	6182	0	684	5296
<u>B9 VP ELEC</u>	0	22	0	5	34	0	0	13
<u>B9 VU ELEC</u>	0	64	0	3	22	0	0	52
<u>PARTN ELEC</u>	0	86	0	8	56	0	0	65
<u>EXPERT G9</u>	0	1	0	0	0	0	0	43
<u>EXP KO VP</u>	13	243	0	4	262	0	23	195
<u>TRAVELLER</u>	58	804	0	33	675	0	54	683
<u>EXP KO VU</u>	426	2845	0	100	2633	0	391	2649
<u>BOXER X250</u>	486	4460	0	366	4874	0	598	4401
Totale	14728	129050	0	8038	127996	0	9071	121959

3.4 Channels Management

In order to deliver efficiently product/service to every customer, it is needed an appropriated channel management which is a Key Success Factor (KSF). We have already talked about it, in general terms, in the previous chapters, but now we will analyze channel management in the car market.

The distribution network in the car market is made up of authorized/independent retailer and wholesalers but recent years have seen the starting point of electronic commerce with quite good results from the used cars market.

The objective of channels, for all sectors, is to put the consumer in the intention (sale) and possibility (distribution) to make an effective purchase.

In other words, once the logistic activity related to transport and warehousing is defined, the main management decisions related to distribution channel are:

- the configurations of the channel structure, according to defined criteria;
- market coverage strategy.

3.4.1 Channel Structure

Distribution channels are classified according to the amount of levels from the manufacturer to the end user and, therefore, they can be of two types:

- *Direct channel*, without intermediaries, regarding sales through own POS (points of sale), sometime also direct-mail, telemarketing, online dealings; (generally adopted by large companies with high financial resources that want to reduce their dependency toward intermediaries);
- *Indirect channel*, with an intermediary (brief channel) or more intermediaries (long channel).

Sales in the field of complex and industrial liabilities (not long consumption) are normally carried out by distributors or manufacturer's representatives.

When the channel is indirect and the sale is conducted by intermediaries (i.e. agents, representatives, dealerships) the company is dealing with a different kind of customer. The

firm has to pay attention not only to the needs of the end user but also to professional/legal aspects related to the same intermediaries who distribute and operate in the field.

It is frequent in market situations that companies turn to different channels at the same time, either to create a competitive environment between distributors, or for complementary requirements, in order to reach customers with different sales habits. All this requires complementary strategies and strictly related to marketing plan.

The criteria preceding the channel choice are different and linked strictly to

- *Market characteristics*: (i.e. if the size and area of the market is too vast, it is advisable to use intermediaries);
- *Product characteristics*: Perishable food must necessarily have a brief channel.

Brief channel are generally adopted for products with high managing or transport costs and technically complex products which require particular assistance. On the contrary, long channel are used for standardized products with a low/medium value.

Table 6. Advantages and disadvantages of direct and indirect channel.

	Direct channel	Indirect channel
Advantages	Direct relationship with the client; Direct control from the management; Direct responsibility in the implementation of the marketing programs; Direct participation in the modulation of the objectives.	Possibility of widely establish contacts; Experienced personnel.
Disadvantages	Limited capacity to contact clients; more capital exposure invested in equipment; Management exposure frequently non coherent with (technological, productive) tradition.	The intermediary does not normally work as sole intermediary; Risk of disruption of the relationship; difficulty of involvement in the objectives, strategies, business tactics; Holding risk in case of participation; Risk of insolvency with consequences also on the company's image.

4.3.2 Market coverage strategy

After the decision of which channel structure to adopt, the company must define the distribution intensity strategy.

The intensive distribution strategy, it is used for low price and standardized product in order to involve the highest number of customers, in this way is possible to maximize the availability of the product.

The selective strategy can be of two types: quantitative in the amount of selected products, or qualitative for the pre incorporated standards. It is applied when the manufacturer appeals to an inferior number of intermediaries compared to the number of the available ones. It is typical of established brands when the purchase is contemplated and the clients take the time to compare the different prices and characteristics of the products.

Opting for a selective distribution, the manufacturer limits the product availability and needs a better collaboration from the distributor (i.e. participation in charge of promotion, maintenance, provide information). However, distributors in a selective regime do not have the enjoyment of territory protection. All the distributor have the right to actively seek clients in every territory of the E.U. by any advertising method.

Exclusive rights strategy represents the extreme way of exclusive distribution. In this case, we have the highest product availability, with tight relationship between the manufacturer and the intermediary, with constant performance controls. The number of intermediaries could be limited (i.e. one per sale area) .

This strategy is useful when it is necessary to distinguish between high quality, prestige or service excellence and it is applied to industrial durable goods, fashion.

A particular type of exclusivity is “franchising”: a contractual system, where the company (franchisor) allow another (franchisee) the faculty to use its own commercial formula. The franchisor assures the name of the brand, methods, procedures and presence, the franchisee deposits the initial fee and percentage of the sales.

Basically, it is a system controlled by the franchisor but financed by the franchisee, and it is a formula which is gathering lots of success and normally linked to a good product or service.

The type of franchising are at least four:

- franchising that gathers a manufacturer and a retailer (Benetton);

- franchising between a manufacturer and wholesaler (Coca Cola);
- franchising between a wholesaler and a distributor;
- franchising between a service company and a distributor (Avis, Midas).

There are different parameters to analyze the intensity of the distribution, such as:

- *Penetration*: the weight of the company on the distributor compared to the other firms that use the same distributor. (i.e. number of company units over the total sales of the distributor);
- *Coverage*: percentage of the company intermediaries over the total number of intermediaries present in the market;
- *Weighted penetration*: weight of the channel over the total market.

3.4.3 Channel choice for automotive sector

In general, for domestic market, the choice is a mixed type between direct and indirect channel.

While for the sales in the external markets, the choices are often of different nature. Either franchising, which delegates the sales to the dealers, or, just for the less important market, use importers, who are similar to the wholesalers, which can independently organize their sales network for their territory.

The approach is completely different in the developing market where it is necessary to have a good organization, with representatives, or importers and being aware how much is important is the distribution for having success.

In the automobile field it is possible to trace back the mixed style articulation and they are:

- Direct sales for important and precise market categories (employees, large companies/clients, public administration);
- A commercial network, dealers (rather than retailers) with an indirect sell out on the end user, nowadays handling beyond the 75% of the sales in the domestic market, and tending to the 100% abroad.

At the same time, the dealers have their own procedure, consisting in an sub-network, focusing towards the medium/small fleet and so on.

It is therefore obvious that the dealership will risk the commercial success of all the manufacturers.

However, some words need to be spent of the used car market.

The used market should be considered as a further channel, with its own autonomy and need a separated planning. It involves, not only the network for the new cars, but also pushes several manufacturers to introduce appropriate strategies, providing a series of organized direct operators. The used market organization, in the markets of high substitution, is already a necessary condition to sell the new units.

A professional management of the used market has two significant effects:

- Facilitate the business of the new, with a careful management of the supplies, control of the rotation index and availability of the necessary working capital;
- Keep the residual value of the products, assuring not only the profitability of the businesses but also customer satisfaction, with positive effect for the brand image.

In conclusion, the choice of the channel must be made taking into consideration all the factors and parameters above mentioned. Nevertheless, the economic aspect must not be forgotten. There is a parameters used for it which is called distribution margin defined as the difference between the price paid by the end user and the price paid to the manufacturer from the first purchaser. The cost change a lot if the channel is brief or long that is why the profitability of the channel must be always taken into account during the channel choice.

3.4.4 After Sales Distributors

Distributors who sell cars are not obliged to supply after sales assistance directly. They can sub-contract to one or more authorized repairers who meet the requirements of the manufacturer. However, the manufacturers have to be sure that the activity of free service and recall is exercised by the dealership itself or by an authorized repairer in the event of subcontracting. To ensure the territorial proximity between the distributor and repairer, the distributor is obliged to inform its customers of the name and address of the authorized repairer before concluding the sale.

There is not a maximum number of authorized repairers because each one that matches the criteria should be recognized as one. Authorized repairers can also be multi-brand if they have the requirements of the different companies. In addition, they are not obliged to sell new or used cars.

Another figure present in the after sales of the automotive sectors is that of independent repairers. They should not be subjected to any restriction for accessing technical information, diagnostic equipment, tools, software, training need for repair activities and maintenance. Nevertheless, car makers are not obliged to provide technical information classified as intellectual property, or that allows to bypass or disable anti-theft devices, to recalibrate electronic devices or modify speed limitation systems.

Instead, for what concerns spare parts, manufacturers will be free to sell their own products directly to the distributors, authorized repairers or end users. The same is applied to whom produce equipment or instrumentation. However, there is always the distinction between “original” or “equivalent” spare parts etc., and so it is important to prevent fraud from resellers, especially in those situations from which the brand image can be damaged.

3.4.5 PSA channels

After this brief explanation of how automotive distribution channels are characterized and how in general the criteria of choice are defined, let's pass to the description of how PSA is present in the Italian Territory.

Italy for PSA group is one of the member of the G5, which are the country which the highest sales volume, and so the coverage strategy is to be present in each area of competence with a given number of authorized repairers which refer to only one dealership which is the one that sells them new vehicle (sort of exclusive distribution). For example, for Milan, we have one dealership which is the one present in Via Gattamelata (for both Peugeot and Citroen/DS) and a certain number of repairers.

The company want to avoid as much as possible the interaction of different dealership in order to avoid that a repairers near the boundary would buy a vehicle from the other area dealership instead from the one that they should do.

In order to give some number just for the brand Peugeot, in Italy are present 108 dealerships which can be also multi-brand (Citroen/DS and Peugeot) while there are more than 800 repairers and 60 bodyshops. In addition to this, it is worth to mention that in the near future, with the launch of the new DS7 Crossback, the central headquarter wants that those new vehicles have to be sold and repaired in particular center dedicated to the brand DS Automobiles.

In fact, the aim is to make a new premium brand from DS and so make a sort of differentiation for both the sale and the maintenance.

Apart from that, the channel structure is quite similar to what has been described in general terms in the previous paragraphs.

However, in 2017 a big revolution took place for that concerns spare parts and accessories distribution. While in the recent years every repairer and customer had the possibility of buying them directly from the dealership, in 2017 were born a sort of logistic distribution center which has the function to sale and stock all those components. Those distribution centers are called DISTRIGO. Now the whole network has to buy components from the nearest center from their location. This theoretically should increase the availability of

different types of parts. However that is not always true especially because it is a newly born system which still needs time to work properly.

There are 13 DISTRIGO site in Italy, and the main one which is also the logistic center of all parts coming from the France, is located in Pregnana Milanese.

3.5 Marketing services in the automotive sector

The most important services in the car market are: used market, after sales (spare parts, accessories and repair).

3.5.1 The used market

In order to sell new cars, the used car market cannot be neglected, especially in markets of high replacement. In other words, in mature economy, the automotive sector, is characterized by the large amount of change of ownership. On the used market, there is a complexity of analysis and planning greater than the new one. In Italy, during the first trimester of 2017 for 100 new cars there are 135 used ones sold, and these values do not refer to temporary ownership. The increase year after year is continuing, that is why is important to implement an appropriate strategy for the management of this kind of market.

The “Km 0”, which some consider a type in itself, and still represents a common phenomenon in every country, exceeded 15% of the unit sold in the 2017, that is why it can be considered a market itself.

Almost similar to the applications for the new cars, which of the used cars is articulated in three different type:

- First supply application;

- Request for an additional car in the family;
- Application for a used car to replace a used one already owned.

In addition, in the last years the depreciation curve had a worsening due to emissions' constraints that are updated more frequently and pressing, especially for diesel engine. For example, if you live in a big city and you owe a Euro 4 car or older, you cannot use that certain days due to the block. This will become even worse after the 2020 with the new emission constraints.

For the reasons underlined above, companies are very attentive to the marketing strategies of this business, supporting the dealership networks in different ways. The operators network is very dense, and includes mainly exhibitor and dealers of the parent company. Even manufacturers have a used car to manage and commercialize directly. If we think to the employees market, the withdrawn cars from fleets, leasing or renting, there is always a high probability of economic loss, which is necessary to minimize with targeted programs.

For home dealers that granted a commission on the new, it depended only on the ability of the dealership to close in active or in even the used vehicle match; if it lost, it was only for its evident incapability. A direct relationship with the sale of the new was not taken into account. With time, in an always more competitive situation, the attitude of the home dealers has changed profoundly, and it has become essential not only to stimulate the dealership's initiatives, but also to organize in a technical and financial manner, this important activity sector.

The strategy that has definitely changed the approach in question was the predisposition of organizations that are including all the networks in order to provide the sold vehicles with some types of assistance and warranty.

With "selection" and "warranty" of used vehicles in name of make organized systems, customers feel much more reassured, and the dealership has full interest in the credibility of the brand.

If we take a look at the numerous publications that show the sales available, we see the frequency and intensity with which home dealers make vehicles re-enter their system.

Another point worth mentioning is that, an Italian anomaly is the cost of ownership transfer which is up to 500 euros compared with the 18 of Germany. This has a great consequences on the market dynamics and so on the used market price.

Some indexes used in this kind of management are:

- *Index of trade-in*;
- *Index of conquest* (referring to vehicles withdrawn from other brands);
- *Time of storage* (expressed in days and referred to the entire storage);
- *Turnover rate* (expressed as number of days).

3.5.2 After Sales : Repair

Among the activities which have a commercial role and potential economic profitability, up to the point to consider them a real business, are the repair activities, use and resale of spare parts which are generally included in the word: technical assistance.

In general terms, technical assistance is one of the key activities to support the sale of vehicles, and an activity that should follow closely the evolution of product characteristics. It is obvious that there is a relationship between the reliability of a vehicle: a "childhood" covered by the warranty, a "maturity" to be protected ordinarily, and an "old age" with a strong increase of breakdowns and repairs.

In these last years, in which products constantly change their characteristics, with the increase of applied electronics, with innovative technological solutions, new material, we see a constant effort on professional updating, modernization of facilities and equipment and of rationalization of the management techniques.

The professional update is made even more challenging due to the large number of models on the market and the need of documentation always more difficult to obtain and appropriate to the intervention. In general, it is possible to see a diminishing number of real repair intervention, balanced by the work of replacement of broken pieces. Certainly, this task requires the use of appropriate diagnostic equipment.

From an operational point of view, the technical assistance is seen mainly as an activity of intervention on the vehicle and therefore, it should be distinguished between:

- repair, or maintenance of the restart function, which is done after a failure;
- maintenance enforcement, service or preventive maintenance, often programmed by the parent companies, to be done before the breakdown.

So far, it was mainly held the repair activity but the preventive maintenance is becoming more and more important, and so all manufacturers are offering special packages (i.e. extended warranty service, maintenance service and so on).

A very delicate and important matter is the activity related to recall campaigns, which unfortunately continue to be very numerous, proof that there is still much to do regarding product quality.

Some important characteristics of technical assistance that have to be considered are:

- Customer loyalty;
- Customers' attitude toward prevention, that is a possible opportunity of profitability;
- Warranty, it is becoming a competitive factors between car maker companies.

Warranty service, in particular, involves repair and replacement of parts after the verification of the conditions provided in the warranty contract. The activities of the workshop is one in which the customer perceives greater the level of service offered by the dealer. So, programming skills, stock management as well as customer management are the most important factors in this kind of environment.

3.5.3 After Sales: Spare Parts and Accessories

It is clear that, when the client buys a car, he will also buy its spare parts. The use of spare parts in car repairers, implies that specific functions have set up in the companies, sometimes integrated in a single direction (i.e. After Sales) for making strategies related. Certainly, spare parts and accessories are assets with their own tangibility, support to repair but with all the features of an independent business.

For the spare parts, there must be a strategic and operative planning that follows the rules of a complete managerial sector. In spare parts we are in a B2B (business to business) logic because in this case the seller is directly the producer of the spare parts.

The sale which concerns us is the one that merges into the availability of the product, when a repair is needed, and structured in several transfer procedures, depending on how the dealer network is designed. Even though with spare parts there is a high margin of profitability, that market is very difficult to control.

In this kind of market, competition is not only characterized by a great number of operators but also by presence of different categories of competing products:

- *original spare parts* supplied by the OEM;
- *correspondent quality spare parts*;
- *high quality spare parts*;
- *second level spare parts lines*;
- *reconditioned spare parts lines*.

“Original spare parts” are replacement parts whose quality is the same of the components used to assemble a new vehicle. The original replacement parts could be produced by the car manufacturer or by other with the permission of the OEM. The manufacturers can ask their repairers to exclusively use this category of new original spare parts for the repairs made under warranty and for the revision of the defective vehicles. However, the majority is produced by the spare parts manufacturers under supply agreements with the car manufacturer, such parts are manufactured according to the technical specifications and standards supplied by the manufacturer and in many cases are produced on the same production line as the components used for the assembling of the vehicle.

It is not necessary that the technical specifications and standards have to be developed by the manufacturer, but they can be the result of a joint development or the development assigned to a supplier by the manufacturer.

In this case, the supplier who has the technical specifications and standards of the original spare parts, can in turn sell them directly to the distributors or repairers, with the nature of “original spare parts”.

Operatively, the spare parts producer can use his own logo on them and also on the car manufacturer's. The producer can supply his spare parts to anyone interested.

It may also happen that the manufacturer, providing the specifications and standards, enters into agreements with suppliers that do not make components: also in this case, we can speak of “originals”. Operationally, even in this case the producer may use his brand and deliver them to its distributors.

Instead “spare parts of correspondent quality” are components of the same quality of the ones used for the assembling of the vehicle in question, but they are not products made from the technical specifications and the production standards supplied by the manufacturer. So it means that such parts can be either of the same or even better quality. They can, for example, be produced with other material or to be simply of another color.

It is important to underline that with the word “accessories” we do not intend a commodity of the car in general. An accessory is identified as an item which is installed on the car after its sale. In other words, for example, if the radio is installed in the production line for new vehicle, if it would need a repair, it would have been considered as a normal spare part. This distinction is very important to remember.

The spare parts and accessories are subdivided in groups and macro-families, and the dealerships are ranked by their sale potential.

For the activities of forecasting, target setting, monitoring of performance and so on, the quantification of the demand is calculated from the relationship between the circulating fleet up to 10 years and the consumption of spare parts for vehicle (average cost). For the spare parts is very important the timeliness of tax evasion, and orders are distinguished obviously depending on the urgency (or normal depannage).

The need of service requires, of course, an appropriate stock management with the need of balancing the level of service (for which the companies have their own strategies), with the

turnover rate (parameter that identifies the index of efficiency of rotation of stocks and working capital) and the level of stock. It is important to establish the policy of service in terms of the percentage of customer satisfaction that cannot be tolerated by clients. Spare parts are classified as fast moving and slow ones, according to this is also managed the stock following the target service level previously mentioned.

3.5.4 Conclusion to service

In several of the services mentioned, the nature of business requires strong competence regarding marketing and relationship sensibility.

In addition, it must be known the basic offer that can vary depending on the manufacturers/operators or product characteristic.

The evaluation of the offer available, requires an activity of benchmarking by all clients.

There are various and often personal evaluation parameters, always guided by the type of purchase you are about to do.

In general, grounding on a very rational criteria and typical processes for the commercialization of the industrial vehicles, among the principal criteria of evaluation of the service we can mention:

- *Completeness*: the variety of services offered;
- *Accessibility*: the availability of dedicated channels by the use/membership to the service itself (i.e. internet based services, services available through call centers);
- *Utility*: usefulness of the service in the lifetime of the vehicle;
- *Distinction of the offer*: presence of distinctive elements that characterize the offer in a particular way.

3.6 Customer Relationship Management (CRM)

Let's recall the definition of Customer Relationship Management, from the previous chapter: CRM is a business strategy to select and manage the most valuable customer relationships. It requires a customer-centred business philosophy and culture to support effective marketing, sales and service processes.

The mental focus shift from operational to customer point of view is not so difficult if you are in a car dealership: the constant dialogue, customized reports, research opportunities will soon become an integral part of a cultural attitude of the operators. The customer becomes the idol to understand and serve, with the best techniques possible. Theoretically speaking, CRM should be applied by all institutions of sales with a large number of customers.

However, it is increasingly difficult to get in touch with customers, due to the exponential growth of supply, increased competition, bombardment of messages sent to consumers and proliferation of channels, as a consequence CRM should be applied in order to solve those problems. CRM should be a tool for managing clients without losing sight of the centrality of the contract which signs the relationship between clients and firms, and in the case of automotive companies, it is valid both in the buying cycle and in the property cycle.

When referring to technology that contributes to the creation of a CRM strategy, it is important to make a distinction between "operational CRM" and "analytical CRM".

The operational and analytical CRM feed off each other, according to a logic of learning and adaptation and, if they are coherently integrated, represent an environment of interaction that has at its core customer needs, and is able to provide, regardless of point of contact, a unified vision, constantly updated.

The operational CRM involves all areas where you have a contact with the customer, with the exception of the visit and the personal interview.

The operational CRM includes therefore the set of applications that allow interactions with customers, with the exploitation of technological means of communication.

It should be noted that call centres increase customer satisfaction but also the collection of information. As a consequence, sellers have more information that increases their productivity. With the progressive acquisition of knowledge of the customer, the experiences, needs, companies will be able to reach the realization of customer lifetime management.

In practice, due to the greater knowledge of customer, you get the benefits that enhance the improved service, increased efficiency, maximize cross-selling initiatives and up-selling, adaptation and the continuous refinement of the shares.

The role of technology is to make available, on one hand, applications that allow you to interact with customers and, on the other hand, applications that allow you to capture all relevant customer information to decide "how" to relate to him.

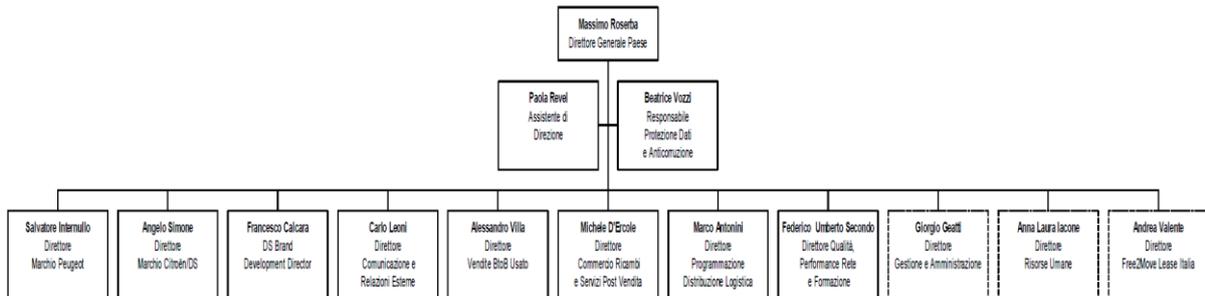
Therefore, the analytical CRM includes, from a technological point of view, the set of applications that allow you to analyse and interpret data collected about customers, to gain knowledge of their needs and preferences.

In turn, the customer, "responds" to the actions taken and provides knowledge for the company.

4. Psa Milan Branch

Here, below is reported the organizing chart for the Milan branch of PSA. As it is possible to see the director of the After Sales department is Michele D'Ercole.

Figure 8. PSA group, Milan branch directors for each department.



Zooming on the After Sales department, we have the following charts. In red is highlighted the Contract Service accounted personnel. Beatrice Vozzi was my tutor for 4 months, while in the last two month she changed position and my new tutor became Massimo Negri who was already responsible for after-sales B2B and bodyshops. There was another person who was accounted to follow me during my internship was Matteo Bestetti, who is a specialist of CEM/SAGAI which is one of the tool used in the company.

Figure 9. Market subdivision according to company strategy (Part 1).

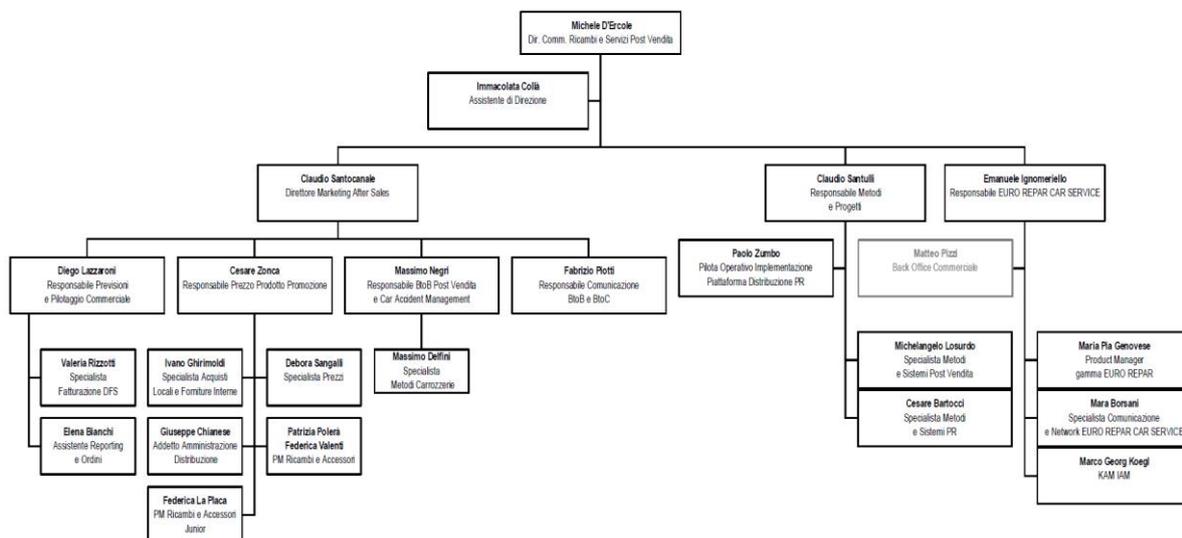


Figure 10. Market subdivision according to company strategy (Part 2).

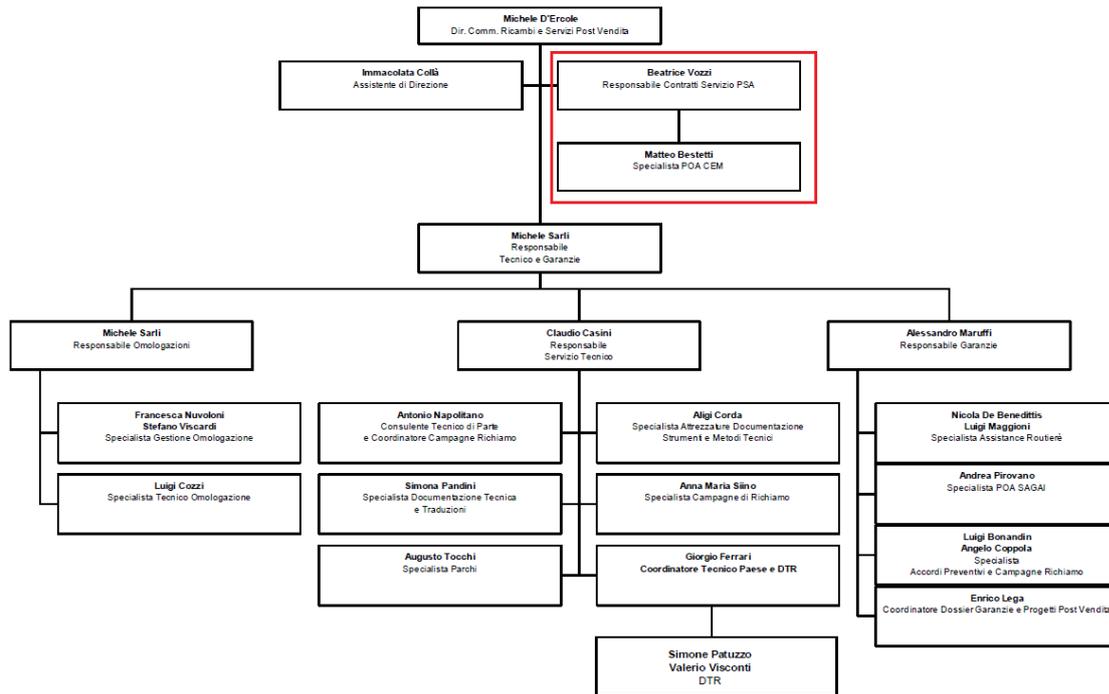
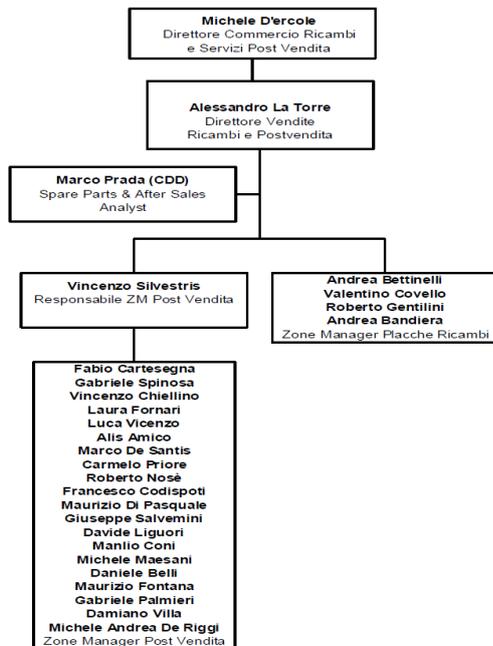


Figure 11. Market subdivision according to company strategy (Part 3).



5. Internship

My internship was held in the direction spare parts and after-sales services of the Milan branch of PSA group. During my apprenticeship, the fusion with Opel was just started and so my daily works was based only on the two old brand Peugeot and Citroen/DS. In particular, I worked in the Service Contract office. Where for Service Contracts are defined a sort of service sold to the clients in 4 different levels for both brands. These services are very important to enhance a strong relationship with all customers and increase the turnover coming from workshop. Another important aspect is to keep the client as close as possible which is an important aspect especially in the competitive market on these days.

The level above mentioned are reported in the following table with the different names for the two brands:

Table 7. Service contracts divided by brand and level of offer.

Level	Peugeot	Citroen/DS
Warranty Extension	Security	Essential Drive
Ordinary Maintenance	Efficiency Light	Ideal Drive Light
Warranty Extension+ Ordinary Maintenance	Efficiency	Ideal Drive
Warranty Extension+ Ordinary Maintenance+Wear	Dynamic	Free Drive

Below is also reported the price list for an Efficiency contract for a Peugeot 108, as it can be noticed, the client has the possibility of choosing from different duration and kilometers, and the contract ends when one of the two conditions is reached.

Table 8. Price List for Peugeot 108 Efficiency (level 2) maintenance contract.

VEICOLI	Efficiency gruppo B1							
	KMM/MESE	24	36	48	60	72	84	96
108	20.000	-	€ 698	€ 821	€ 993	€ 1.154	€ 1.380	€ 1.578
	30.000	-	€ 779	€ 891	€ 1.047	€ 1.176	€ 1.407	€ 1.611
	40.000	-	€ 784	€ 956	€ 1.170	€ 1.374	€ 1.578	€ 1.815
	50.000	-	€ 795	€ 977	€ 1.493	€ 2.115	€ 2.432	€ 2.797
	60.000	-	€ 875	€ 993	€ 1.525	€ 2.169	€ 2.497	€ 2.872
	70.000	-	€ 956	€ 1.063	€ 1.541	€ 2.185	€ 2.513	€ 2.889
	80.000	-	€ 1.058	€ 1.181	€ 1.557	€ 2.201	€ 2.534	€ 2.915
	90.000	-	€ 1.165	€ 1.262	€ 1.584	€ 2.217	€ 2.550	€ 2.931
	100.000	-	€ 1.278	€ 1.342	€ 1.600	€ 2.234	€ 2.566	€ 2.953
	110.000	-	€ 1.332	€ 1.369	€ 1.670	€ 2.250	€ 2.588	€ 2.974
	120.000	-	€ 1.450	€ 1.557	€ 1.901	€ 2.266	€ 2.604	€ 2.996
	130.000	-	€ 1.702	€ 1.906	€ 2.051	€ 2.282	€ 2.625	€ 3.017
	140.000	-	€ 1.874	€ 2.094	€ 2.250	€ 2.298	€ 2.642	€ 3.039
	150.000	-	€ 2.062	€ 2.309	€ 2.480	€ 2.491	€ 2.867	€ 3.297
	160.000	-	€ 2.266	€ 2.540	€ 2.727	€ 2.738	€ 3.152	€ 3.624
	170.000	-	€ 2.497	€ 2.797	€ 3.007	€ 3.023	€ 3.474	€ 3.995
	180.000	-	€ 2.770	€ 3.066	€ 3.297	€ 3.490	€ 3.705	€ 4.070
	190.000	-	€ 3.017	€ 3.382	€ 3.635	€ 3.705	€ 4.199	€ 4.827
	200.000	-	€ 3.318	€ 3.715	€ 3.995	€ 4.070	€ 4.617	€ 5.144

The members of the office have the function to manage the payment for the sellers, the constant control for the achievement of the different objectives for the resellers as well as different type of payment (fixed and variable contribution), the insertion of the contract for the used cars coming back from leasing and buy back, pricing definition of the different level, possibility of defining different promotion, monitoring of the KPI and of all costs concerning the different intervention, organization of the training for sellers and so on.

As it happens in all companies, all the activities have the aim to reach the targets that are defined by the sales plan. In this are reported all information regarding budget, market penetration and so on. This plan as in every company is made up of different steps. Below are reported the most important ones in general terms.

- **Sales Target**

All starts with the negotiations where the sales directions together with the directions validate the targets taking into account market, channels and available resources.

In this stage the defined targets are included in the budget, which once approved becomes an enforceable document. The sales target measures, expressed in quantitative terms, the impact that the company wants to have in a given portion of the market. It is a specific and voluntary objectives that the company wants to achieve, and not a prediction or guidance. The sales

target can be to achieve a certain market share in the given market or to sale a given number with a specified channel or to achieve a defined turnover in the spare parts sales.

Due to their intrinsic nature, the sales targets must be clear, realistic, achievable with effort (ambitious), scheduled (short and medium term), measurable.

- **Development of the levels and strategies by channel**

Then, it is necessary to define the most important means, channels in first place, but also all the means that can help in the achievement of the set sales target.

In the automotive sector, channel choices resist in time unless radical changes in the regulation or the markets. So, after the channels' definition, the planning involves the creation of the channel budget.

In this phase is also important the disaggregation of the sales targets by channels, but it could be done even according different criteria such as by products, markets , timing (months, years , trimesters).

In this phase the involvement of those who must assume operational responsibility is delicate. In fact the head of the plan should not interpret the decisions of marketing as an imposition and the head of the operational units should feel involved.

The intense involvement in determining sales targets, gives insight to the negotiation, allows for a greater personal responsibility, reinforce the sense of belonging to the company, stimulates competence and above all clarifies the issues related to implementation.

For the establishment of sales targets, it is needed to know in advance and to assess the principal factors that will come into play, in order to modify and affect the results.

Among the several factors which the sales managers must be aware of are the one related to external environment and those on which a direct influence can be exerted, those ones on which the company can intervene.

Among the external factors can mention: the life cycle of the various products, each product has a potential that varies in time or from area to area. So, distinction is made between the performance of a product to launch, development or decline. Other external factors are the interaction between other market segments, presence of competitors in the area of reference.

On the contrary, the domestic factors are elements influenced from the sales management or at least intrinsically connected to typical data of the company.

Among the commercial factors what weigh instead, and are asserted by the sales managers, there are the choices regarding the marketing mix.

- **Control**

The better the process of fixing and involvement of the sales targets is carried out, less will be the efforts to fulfill the operational tasks and the better the results will be. However, it should be noted that in practice the sum of the target sales delivered, is always higher than to the central targets of the plan. It is obviously necessary to protect of the defaillances.

As a principal measure of control, let's cite just the market share. At first sight, the market share seems to be represented by a simple ratio between our results and the whole market. And so we can have different type of market share (i.e. value, quantity). However it is very important to know the source of the information and especially the reliability of them.

Going back to the topic, I will talk about my job in PSA, explaining the main problems that I have encountered and all tools a procedure adopted by the company.

5.1 Anomalies

My first task was to solve a great amount of anomalies that were born from a tariff changed in July 2017. With the name anomalies are identified all the VIN that should have a Service Contracts but due to problem, the contract was blocked. These problems are caused by error done by the sellers during the insertion process (i.e. incorrect type of client, tariff, tax percentage) and so from a TXT updated on daily basis, it possible to see all these VIN that are having this kind of problem. This file is automatically prepared by a computer which after having updated it every day allow the download from the company website.

Right below is reported a screenshot of a portion of one of those TXT file.

Figure 12. Screenshot of the file TXT for the anomalies.

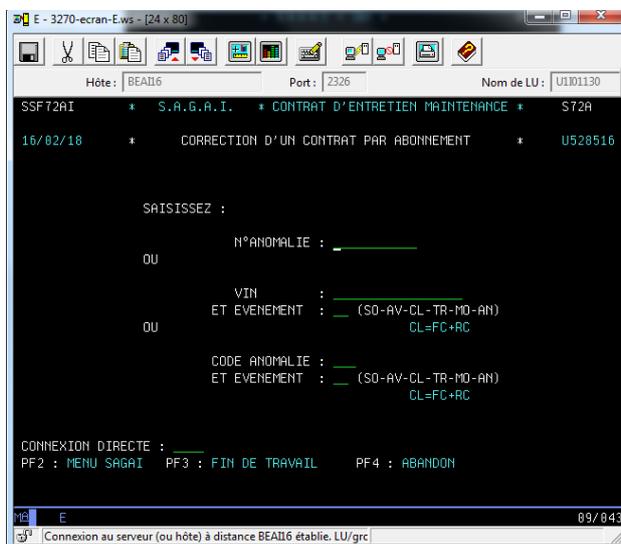
N° CONTRAT ANOMALIE	VIN	EVT TYPE CEM	DUREE KM	DATE DE SOUSCRIPT	LIBELLE	ANOMALIES	DONNEE
20160129036	VF37N9HPOCJ590132 7102855381	AV	60 150000		102-AVENANT SUR STATUT NON ACTIF		VF37N9HPOCJ590132
SSFL171 6/10/2017 CONTRATS D'ENTRETIEN MAINTENANCE AP - IT ANOMALIES BLOQUANTES SUR MOUVEMENTS CREDIPAR TRANSMIS LE 03/03/2016 PAGE : 2							
20160303019	VF37B9HFOCJ518357 7502569971	AV	60 90000		102-AVENANT SUR STATUT NON ACTIF		VF37B9HFOCJ518357
SSFL171 6/10/2017 CONTRATS D'ENTRETIEN MAINTENANCE AP - IT ANOMALIES BLOQUANTES SUR MOUVEMENTS CREDIPAR TRANSMIS LE 08/03/2016 PAGE : 3							090000
20160308038	VF30A9HR8C5082546 7402813921	AV	46 80000		068-MONTANT PERIODICITE NON RENSEIGNE 076-MONTANT PERIODICITE OPTION NON RENSEIGNE 102-AVENANT SUR STATUT NON ACTIF 150-MONTANT DE BASE CREDIPAR INVALIDE		0,00 0,00 VF30A9HR8C5082546 0,00
SSFL171 6/10/2017 CONTRATS D'ENTRETIEN MAINTENANCE AP - IT ANOMALIES BLOQUANTES SUR MOUVEMENTS CREDIPAR TRANSMIS LE 21/04/2016 PAGE : 4							
20160421046	VF3HURHC8C5048677 7402739271	MO			101-MODIFICATION SUR STATUT NON ACTIF		VF3HURHC8C5048677
20160421047	VF3XSAH28C2002091 7402636351	MO			101-MODIFICATION SUR STATUT NON ACTIF		VF3XSAH28C2002091
20160421051	VF3LHAHXWF5006252 7504209411	FC			099-FIN DE CONTRAT SUR STATUT NON ACTIF 144-NUMERO DE CONTRAT NE CORRESPOND PAS AU VIN		VF3LHAHXWF5006252 7504209411
SSFL171 6/10/2017 CONTRATS D'ENTRETIEN MAINTENANCE AP - IT ANOMALIES BLOQUANTES SUR MOUVEMENTS CREDIPAR TRANSMIS LE 27/04/2016 PAGE : 5							

So every type of anomaly is identified by a different number below is reported an image on which are reported the different type of anomalies, each of them has to be solved manually with different criteria thanks to a particular simulator, which is described in the next paragraph.

In CEM there is also a session in which you are able to solve those anomalies. Using the univocal code of the anomaly taken from the TXT file above mentioned, you are able for each VIN to change the contract parameter and so to solve the problem.

If the anomaly is corrected in the right way, in the updated TXT of the next day you should not find that particular VIN.

Figure 15. Screenshot CEM/SAGAI anomalies resolution section.



Solving the anomalies is very important because the most important KPI is affected by it. This KPI which is called in Italian “Penetrazione Totale” is the ratio between the total number of service contract and the number of new vehicle sold. So, when some contracts are blocked, they are not counted as active contracts that is why it is important to solve them as soon as possible in order to count them in the monthly objectives.

In fact, due to the fact that there was a very high number of anomalies in the first days of October 2017, after having solved all of them, was recorded a massive increase of the number of contract (30% more than the previous month) that, at first, was not accounted to the solution of all those blocked contracts but to some promotion or sales done by authorized repairers.

5.2 WRC and data extraction

Another of my tasks in the company was the data extractions from the website WRC.

WRC stands for “World Reporting Contract” , it is based on SAGAI/CEM but it is more user-friendly and allows big data extraction with little effort and amount of time. The only problem of this site is the updating time and also the uncertainty of data in some particular situation. For this reason is important to monitor the state of the site, and extract the data needed only when the site is correctly updated and works properly.

The extraction are used for the computation of all KPIs needed for the control and monitoring of the situation. Check if the targets are reached and understanding the reasons behind a given results is fundamental in order to constantly improve. This is done also to monitor if particular promotions or actions defined in the “Action Planning” (Piano d’azione PA) are having the forecasted results or generated additional problems.

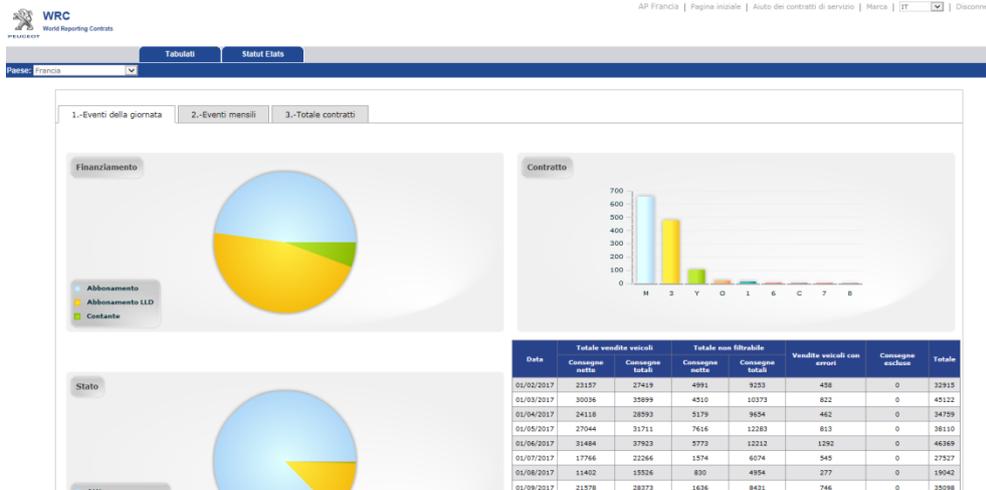
In those extractions, it is also possible to have data concerning theoretical costs of each contract which is a sort of estimate done by the headquarter in France.

That value is very important for the definition of discounted prices for B2B, promotion, CVO (contract for used vehicles), Free2 Move Leasing contracts and so, for every situation when it is needed a change of the price for the contract.

However, all these simulations, after having defined the overall strategy, must be validated by the central headquarter.

Below is reported a screenshot of how the website looks like. An important aspect of this site is that it is possible to obtain all the data also from all countries.

Figure 16. WRC home page screenshot.



This is useful in order to understand the mix of the other countries and analyze their results in order to apply successful strategy here in Italy.

The best aspect of WRC is that is possible to obtain a list of all the contract subscribed in a given period of time. In this list, you are able to put all the parameters of these contracts, such as subscription data, amount of money paid by clients, type of contract, contract, vehicle seller and so on. These are important both for carrying out analysis of mix as a function of time and for the computation of the variable part of the reward for the sellers.

As a consequence, another part of the job in the company was to prepare a report on daily basis which reported the amount of contract for each seller.

In PSA, each dealership and authorized repairer is able to sell contract and so they need this report in order to monitor their monthly performance and check which VIN is paid and which not. As a consequence, in the next paragraph it is described how is the report and its functions.

5.2.1 Report CdS (Part 1)

At first, this report was prepared by two colleagues, one for each brand (Peugeot and Citroen/DS), anyway, after my first period in the firm I learned from them how to update those files and so I become the person accounted for the computation of the payment of the network of contract's sellers. The report is sent to the different zone manager VN, where VN stands for "Veicolo Nuovi", which are different from the zone manager PV which stands for "Post Vendita".

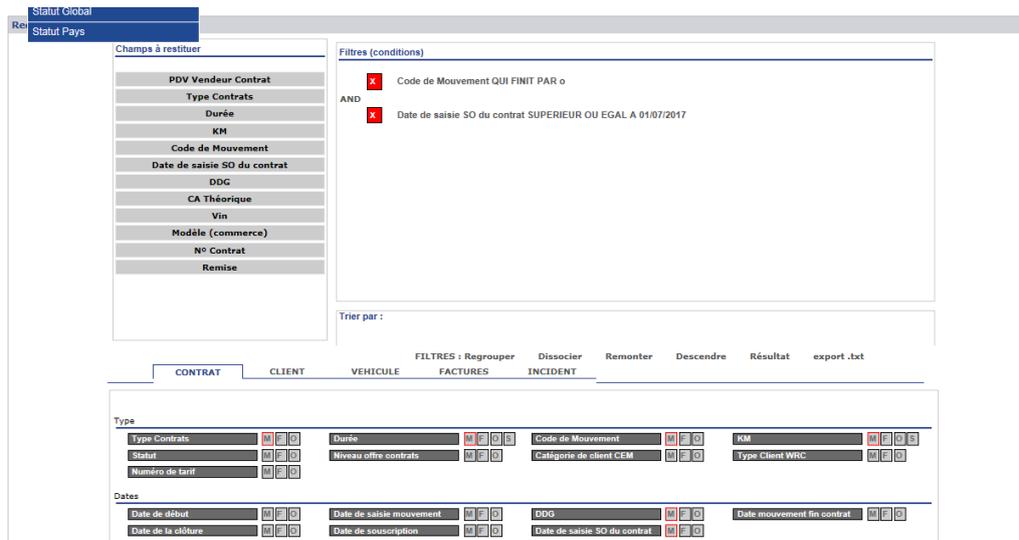
The zone manager (ZM) is a figure which is a sort of bridge between the company and network, they work directly on the field, travelling from seller to seller, solving different kind of problem and reporting eventual doubts and concerns to the company. So they can be seen as the front-men of the company toward the network. Each ZM is accounted for a given area, in total there are 12 people for sales and the same number for after-sales.

So the ZM analyses the report and communicate the results to the different sellers that are present in their area of reference. Theoretically they should communicate those data just to the dealership and not to the whole network.

From this point on, I will briefly describe the main steps in the preparation of the above mentioned report for the brand Peugeot.

The first step is to perform a data extraction from WRC, in fact, in a dedicated section, selecting the parameters needed and putting given filters is it possible to obtain which contracts must be taken into account. Below is reported the query used in order to get all the data for the contract subscribed after the 01/07/2017 in which are shown VIN, car model, type of contract, payment of the client, number of contract (which is different from zero only for contract bought with purchasing financial formula) and so on.

Figure 17. Screenshot of how to make up a query for data extraction.



This extraction is used as one of the input for the report, the other one is a file prepared by each brand in which are reported the number of new vehicles sold divided with the different PDV code of each dealership.

The PDV code is a string of 6 number which univocally identified each dealership and repairer. Even repairers can sell new vehicle but, they have to buy vehicle directly from the nearest dealership and so those vehicles are effectively sold with dealership code and not with repaired code.

The criteria used in order to identify the level of remuneration is to compared the value of the share which is the ratio between the number of contract and the number of new units sold, to the value of the penetration defined by the brand in sales plan defined each trimester and we will talk about it the next paragraph.

Due to the problem of new vehicle sold by repairers are associated to the PDV code of the nearest dealership, the codes of repairers are associated to their respective dealership and then it is computed the above mentioned ratio to identify the level of remuneration.

Below is reported a screenshot of how some repairers are associated to the dealership.

5.2.2 Remuneration Table

As I mentioned before, each trimester this table is communicated to the different sellers, the criteria can be changed or reconfirmed depending on the situation. Below it is showed the table for the brand Peugeot for the first trimester of 2017.

Table 9. Reward criteria for the first trimester of 2017.

Level	Security	Efficiency Dynamic
≥35% < 40%	0%	5%
≥40% < 50%	0%	10%
≥50% < 60%	0%	15%
≥60% < 70%	0%	20%
≥ 70%	0%	25%

The percentage is referred to the money paid by the clients. In other words, depending on the level reached, the seller will get that percentage.

However, the seller is not paid just on a variable base but also on a fixed one which was introduced in January 2017 and it is still valid until now. This fixed fee depends on the type of contract and is equal to 10 € for Security and 50 € for Efficiency and Dynamic.

The fixed fee is paid automatically to the PDV used for the subscription right after the insertion in the system.

In the table we can see that for Security contracts, the sellers do not get any money from their subscription, this was done before my entrance in the company. The aim was to increase the number of Efficiency and Dynamic sold. Due to the strict objectives coming from the French

headquarters, the branch defined that strategy in order to increase the share of those contract because are more lucrative and grant the possibility to enhance a stronger and more durable relationship with the customer.

However, the strategy was not successful and due to the high number of security sold, the Peugeot head of sales with my boss, decided to change it and so was introduced the new criteria which are reported in the following table.

Table 10. Reward criteria for the forth trimester of 2017.

Level	Security	Efficiency Dynamic
≥35% < 40%	5%	5%
≥40% < 50%	10%	10%
≥50% < 60%	15%	15%
≥60% < 70%	20%	20%
≥ 70%	25%	25%

As it is possible to see, in this case, even the security are rewarded. However, the result in terms of market penetration of efficiency and dynamic were not reached, even with this change

5.2.3 Report CdS (part 2)

So, depending on the table of the remuneration, the total amount of money to be paid to the sellers changes. However in order to simplify the consultation of the report, the layout is kept constant even if the criteria are changed.

Below is reported a screenshot which shows how the report looks like. As we can notice, when the penetration is not reached the total amount of money is just equal to the fixed part, while when the percentage is high enough, the variable part is computed according to the value in the table multiply by the total turnover of the respective level of the offer.

Figure 19. Small screenshot of the report where are reported number of contract and reward for each dealership.

DR	AREA COMM.LE	CODICE CVII	RAGIONE SOCIALE	TOT CDS	TOT SECURITY	TOT EFFICIENCY	TOT DYNAMIC	CDS IN OMAGGIO	TOT VN MADAP	31-ago	penetrazione livello 2+3	PROVVIGIONE SECURITY	PROVVIGIONE DYNAMIC + EFFICIENCY	PROVVIGIONE TOTALE	PROVVIGIONE MEDIA PER SCARICO D51+	provvigione media per ecoservizio
01	05	110260	ELIMAR	10	5	4	1	0	30	33,33%	16,67%	€ 0,00	€ 0,00	€ 245,90	€ 8,20	€ 1
01	05	115840	NOVAUTO	3	3	0	0	0	30	10,00%	0,00%	€ 0,00	€ 0,00	€ 32,79	€ 1,09	€ 1
01	05	111070	PADOVAN & FIGLI	1	0	0	1	0	23	4,35%	4,35%	€ 0,00	€ 0,00	€ 40,98	€ 1,78	€ 1
01	05	116470	BLIZ	26	3	18	5	0	51	50,98%	45,10%	€ 190,54	€ 4.818,46	€ 5.976,22	€ 117,18	€ 22
01	05	117490	AUTOLEMENE	5	2	0	3	0	34	14,71%	8,82%	€ 0,00	€ 0,00	€ 139,34	€ 4,10	€ 1
01	05	117640	BIASON AUTO	10	6	2	2	0	33	30,30%	12,12%	€ 0,00	€ 0,00	€ 213,11	€ 6,46	€ 1
01	05	110910	MATTAROLLO	14	8	4	2	0	58	24,14%	10,34%	€ 0,00	€ 0,00	€ 311,48	€ 5,37	€ 1
01	05	117650	WAR-AUTO	15	4	11	0	0	41	36,59%	26,33%	€ 64,33	€ 484,02	€ 1.031,96	€ 25,17	€ 1
01	05	116760	ANDREOTTI AUTO	11	9	1	1	0	32	31,82%	9,38%	€ 0,00	€ 0,00	€ 155,74	€ 4,87	€ 1
01	05	117420	AUTOVENEZIA	17	17	0	0	0	51	33,33%	0,00%	€ 0,00	€ 0,00	€ 139,34	€ 2,73	€ 1
01	05	117660	GHIRALDO & AUTONI *	24	4	15	5	0	72	33,33%	27,78%	€ 0,00	€ 189,05	€ 1.227,03	€ 17,04	€ 1
105	105 Totale	ZM DEL ZOPPO		136	61	55	20	0	455	29,89%	16,48%	€ 254,87	€ 5.488,53	€ 9.513,90	€ 20,91	€ 1
01	06	117100	ESTENSE MOTORI	5	4	1	0	0	40	12,50%	2,50%	€ 0,00	€ 0,00	€ 73,77	€ 1,84	€ 1
01	06	110400	AUTOLUNA E.R.	17	9	1	7	0	36	47,22%	22,22%	€ 240,60	€ 762,68	€ 1.404,91	€ 39,03	€ 1
01	06	110020	NUOVA AUTOFRANCE - Modena	16	8	6	0	0	37	43,24%	21,62%	€ 286,69	€ 435,14	€ 1.115,28	€ 30,14	€ 1
01	06	110010	NUOVA AUTOFRANCE - Reggio Emilia	31	27	4	0	0	34	91,18%	11,76%	€ 1.280,75	€ 1.348,02	€ 3.014,01	€ 88,85	€ 1
01	06	111190	MONTEVECCHI QUINTO & FIGLIO	39	34	0	5	0	40	37,50%	12,50%	€ 3.187,14	€ 1.992,81	€ 5.704,54	€ 142,51	€ 11
01	06	113630	DAVONI F.LLI	21	17	1	3	0	67	31,82%	5,99%	€ 0,00	€ 0,00	€ 303,28	€ 4,53	€ 1
01	06	113640	F.LLI BENELLI	13	6	4	3	0	48	27,68%	14,58%	€ 0,00	€ 0,00	€ 336,07	€ 7,00	€ 1
01	06	115070	LATTUGA GIULIO	6	6	0	0	0	22	27,27%	0,00%	€ 0,00	€ 0,00	€ 49,18	€ 2,24	€ 1
01	06	118420	VERNACCHI zero	4	1	2	1	0	20	20,00%	15,00%	€ 0,00	€ 0,00	€ 131,15	€ 6,56	€ 1
01	06	118430	FERRARI GIORGIO	17	9	1	7	0	39	43,59%	20,51%	€ 237,09	€ 545,31	€ 1.184,04	€ 30,36	€ 1
106	106 Totale	ZM FUMAGALLI		169	121	22	26	0	383	44,13%	12,53%	€ 5.232,27	€ 5.083,96	€ 13.316,22	€ 34,77	€ 1
DRM		DR MILANO		729	348	217	164	0	2298	31,72%	16,58%	€ 9.463,32	€ 52.400,88	€ 80.585,31	€ 35,07	€ 11
02	01	111480	BARONICINI NELLO	9	9	0	0	0	53	16,98%	0,00%	€ 0,00	€ 0,00	€ 73,77	€ 1,39	€ 1
02	01	115640	AUTO P	11	11	0	0	0	44	25,90%	0,00%	€ 0,00	€ 0,00	€ 90,18	€ 2,05	€ 1
02	01	117080	DEDO LARINI	4	3	0	1	0	14	28,57%	7,14%	€ 0,00	€ 0,00	€ 73,77	€ 5,27	€ 1
02	01	117500	BARTOLOZZI GIACOMO	5	5	0	0	0	25	20,00%	0,00%	€ 0,00	€ 0,00	€ 49,18	€ 1,97	€ 1
02	01	110680	SENA MOTORI	6	4	1	1	0	37	16,22%	5,41%	€ 0,00	€ 0,00	€ 196,72	€ 5,32	€ 1
02	01	115790	PAPINI AUTO	0	0	0	0	0	18	0,00%	0,00%	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 1
02	01	117140	AUTOMOTOR	1	1	0	0	0	20	5,00%	0,00%	€ 0,00	€ 0,00	€ 8,20	€ 0,41	€ 1
02	01	116200	SICAR	3	2	1	0	0	8	37,50%	12,50%	€ 14,96	€ 43,85	€ 116,18	€ 14,52	€ 1
201	201 Totale	ZM PERSI		39	35	2	2	0	219	17,81%	1,83%	€ 14,96	€ 43,85	€ 807,99	€ 2,78	€ 1
02	02	115760	AUTOMPORT	5	5	0	0	0	24	20,83%	0,00%	€ 0,00	€ 0,00	€ 40,98	€ 1,71	€ 1

The different dealers are divided according to the different area, this allow an easier consultation for all the ZM.

The importance of this file is not limited only to monitoring of sellers activity but has the important function, at the end of trimester, to define the reward for each sellers of the network. However, it is easier to say than to do.

In fact, the first thing to do is to consider the premium agent separately because, as I said before, they have particular rights and are paid as independent dealership.

After this step, the report is sent to the country directions.

Here, in Italy, there are two main directions, one in Rome and one in Milan, the reason is to have a better territorial coverage. However the Rome Direction, is a little branch compared to the Milan one.

So the two directors after having evaluated all the market penetration, communicated the presence of “special cases”. For special cases are identified all the dealership which for a little number of contract do not reach a certain value of market share. For example, in the case of a give dealership which reaches 49.87% of market penetration, they communicate to change that percentage to the higher one in order to increase the variable part from 10% to 15% of the turnover which sometimes is a huge increase.

It is taken from granted that this kind of operation are not communicated to the network and the increase amount of money that the direction has to spend, must be communicated to the Management Direction in order to record this kind of operation.

So after the communication of these cases from the two directions, it is possible to finally pay the different sellers.

5.2.4 Problems encountered

The main problem of this report, apart from its complexity which is intrinsically born from the high number of sellers and the distinction of premium agent, is due to the fact is not used by the ZM. In other words, they do not communicate to the dealership the results reached and the authorized repaired are left to themselves because their importance is smaller in terms of turnover.

Here, it must be said that there is a big difference between Citroen and Peugeot, in fact while Peugeot pays directly the sellers, Citroen pays the dealership and then the dealer has to pay the seller for each contract subscribed. This causes a lot of issues that cannot be solved by us,

because the company is not able to intervene in the relationship between dealership and repairers.

Another issue that is possible to find, similar to the one above mentioned, is the problem arising from selling a contract with a financial formula of PSA bank. In fact, if a repairer want to sell this type of contract, it has to use the PDV code of the dealership and so all the rewards regarding that contract will be paid to the dealer. Then, it is up to the dealership to pay the effective seller.

For this reason, it is possible to see all kind of complaints regarding the nonpayment from the dealership. This cause a lot of dissatisfaction in the network, and in my opinion should be handled in a different way.

There is also an additional controversy related to Free2Move Lease. This is a new brand of PSA which is an independent department of the company that deals with B2C leasing. Let's spend some word regarding the definition of leasing.

Leasing

Leasing is a consolidated process, that technically falls in the form of financing, but it is a commercial logic very close to the rental, of which it is a competitor.

Normally, the captive companies themselves are the ones who sell in instalments, offering also the opportunity of the leasing formula. According to the dealers, leasing does not have a particularly interesting dynamics, but remains an important service to be proposed to the clients because it enables additional revenue, and facilitates the sales of new vehicles.

Dealers also believe that in the near future, it will be the long-term rental to record the highest growth rate, and identify in the lack of added services the principal element of competitive weakness of leasing compared to long term rental. While the minor cost and the possibility of buy back being the strong points.

Leasing works in the following way: a lessor sells the vehicle to a tenant (18, 24, 48 months) maintaining its property. The tenant deposits monthly instalments. In the leasing contract, so included in the rent, there are car property tax, insurance, and any other services' expenses.

Leasing is a type of financial formula addressed mainly for B2B, just like "buy back".

Normally, leasing is predominantly required by entrepreneurs and professionals who want to drive premium brand and luxury cars. Such customers, in most cases, using leasing may found fiscal advantages.

Going back to the topic, due to this independent brand, the company had already issue for the discount for the price of contracts before the start of my internship and now the problem is related to whether consider or not those leasing in the cumulus of contract for the dealerships. So, it is important to not consider their turnover in the reward computation.

Another issue is due to the lack of information from the network development department which should communicate any network changes, so to compute in the proper way the market penetration and so on.

However, the biggest problem of the report in the absence of any reference to the VIN which are taken into account for the reward of that period. In fact, requests of data extraction requested by all the dealerships are frequent and require a prompt response in order to make the information available.

For all the reason explained above, my director decided to create an ad-hoc platform, fed by us, that allow all the dealership to check what are the VIN rewarded, how much and with what criteria. This should be a strong tool that would allow all the seller to know the amount of money earned and so could also increase the effort made by them during the sales. In this way, the contract would be seen as a profitable source of money for network business. A platform with these function was already present in the past, it starts to work in the 2015 but no one knows the reason why it does not work anymore.

Here below are reported some screenshot of how the platform, that at the time was called “Cruscotto delle Performace” looked like:

Aggiornamento dati: **cadenza settimanale e giornaliera a fine mese.**

Cruscotto performance EcoService	
Nome concessionario: LOGOTEL SPA Codice concessionario: 000001	
Performance al 30/09/2014	Telaio al 30/09/2014
Contratti e retribuzione	
Totale contratti Ecoservice	68
Retribuzione maturata	5.181,92 €
Contratti Security	55
Contratti Efficiency	9
Contratti Dynamic	4
DS 12	176
Percentuale di penetrazione	38,64%
Retribuzione Security	2.619,85 €
Retribuzione Dynamic ed Efficiency	2.562,08 €
Cifra d'affari Security reale	17.465,54 €
Cifra d'affari Dynamic + Efficiency reale	17.080,56 €

Cruscotto performance EcoService			
Nome concessionario: LOGOTEL SPA Codice concessionario: 000001			
Performance al 30/09/2014		Telaio al 30/09/2014	
Telaio			
Scarica il report telaio in formato Excel			
Tutti i codici			
n°	Modello	VIN	Contratto
1	208	VF3CC8HROET075117	0
2	208	VF3CAHMZ0ET143490	7103974941
3	208	VF3CCHMZ0ET102997	7103991281
4	2008	VF3CU9HPOEY083137	7103963171
5	2008	VF3CU9HPOEY086625	7103993791
6	5008	VF30E9HDBES190706	7103988931
7	208	VF3CC8HROET101351	7103965861

REMINDER: ABBONAMENTO TARDIVO

As it possible to see, it is very simple and easy to consult, and its lunch is scheduled for the next April 2018.

5.3 Reward simulation

Due to the fact that I was responsible of updating the report concerning the rewards, I was also accounted for the simulation of the new rewards criteria for 2018.

Every year, the reward criteria changes according to what are the targets and the results of the previous one. This is done mainly because the company was to check if changing criteria could also affect the sales and in which way it is possible to increase the margin from every contract.

The only constraint comes from the French headquarter which put as a limit, for the reward of the network, the 10% of the total yearly turnover, where this quantity is the sum between the variable and fixed part. So taking into account this, the reward criteria are simulated having that quantity as limit.

The criteria simulated were several, some of them are reported below.

Table 11. Reward criteria simulation 1.

Soglie obj (Penetrazione CdS)	Remunerazione Variabile livelli 1/2/3	Booster Mix Liv2/3 ≥ 25%
40% - 49%	5%	5%
50% - 59%	10%	10%
≥60%	20%	10%

Table 12. Reward criteria simulation 2.

Soglie obj (Penetrazione CdS)	Remunerazione Variabile livelli 1/2/3	Booster Mix Liv2/3 ≥ 20%
40% - 49%	5% su tutti i livelli	+5% solo sui livelli 2 e 3
50% - 59%	10% su tutti i livelli	+10% solo sui livelli 2 e 3
≥60%	15% su tutti i livelli	+15% solo sui livelli 2 e 3

Table 13. Reward criteria simulation 3.

Soglie obj (Penetrazione CdS)	Remunerazione Variabile livelli 1/2/3	Booster Mix Liv2/3 ≥ 20%
40% - 49%	6% su livello 1	4% solo sui livelli 2 e 3
50% - 59%	12% su livello 1	8% solo sui livelli 2 e 3
≥60%	20% su livello 1	10% solo sui livelli 2 e 3

Table 14. Reward criteria simulation 4.

Soglie obj (Penetrazione CdS)	Remunerazione Variabile livelli 1/2/3	Booster Mix Liv2/3 ≥ 20%
40% - 49%	10% su tutti i livelli	+10% solo sui livelli 2 e 3
50% - 59%	15% su tutti i livelli	+10% solo sui livelli 2 e 3
≥60%	20% su tutti i livelli	+10% solo sui livelli 2 e 3

The decision, as ever, was made by the brands sales directors and the responsible of the service contract, so if the criteria would respect the 10% constraint and after having been validated by the central, it would be published in what it is called “Piano d’Azione” (PA) which is the plans of actions of that specific trimester. After different meeting, the chosen criterion was the following one:

Table 15. Reward criteria chosen for 2018.

Soglie obj (Penetrazione CdS)	Remunerazione Variabile livelli 1/2/3	Booster Mix
40% - 49%	6% su livello 1	Liv2/3 \geq 20% 4% solo sui livelli 2 e 3
50% - 59%	12% su livello 1	8% solo sui livelli 2 e 3
\geq 60%	20% su livello 1	10% solo sui livelli 2 e 3

All my simulations were carried out taking into account the month of November 2017, because in the opinion of the brand director was the one most recent which have had consistent results with respect with the whole year. Some of the simulations were done considering just a variable reward instead of an hybrid solution which is the one recommended by the central.

In the end the chosen criterion was an hybrid solution with the fixed part equal to the one used in the 2017 and the variable one which is characterized by the introduction of an additional method which is the “Booster Mix”, that was introduced to increase the sales volume of level 2 and 3 contract (i.e. Efficiency and Dynamic for Peugeot), The aim of increasing their volume comes from the higher profitability of those type of contract and the possibility of tightening more the relationship between company and customers.

Greater attention was paid to the reward criteria definition because due to the fact that, on monthly basis, given target for all offer level are communicated by the central, and for 2017 the target for level 2 and 3 was never reached. Here below there is a table in which are reported the target for January 2018 and what was effectively reached for the main European country in which the company is active. There are also present the data for the previous year just to understand the trend. For Italy, we can notice a good increase with respect to the same month of the previous year, however the target is not still reached, that is why other work should be done in order to reach it.

Table 16. Target in term of market penetrations for the main European countries.

		Tous contrats					Pénétration N 2& 3				
		2018			2017		2018			2017	
		janv-18	Cumul	Objectif	janv-17	Cumul	janv-18	Cumul	Objectif	janv-17	Cumul
DEUR	AP	33,70%	33,70%	37,30%	33,40%	33,40%	21,00%	21,00%	23,40%	22,30%	22,30%
	AC	28,80%	28,80%	36,90%	27,10%	27,10%	15,20%	15,20%	18,80%	13,90%	13,90%
	PSA	31,70%	31,70%	37,10%	30,70%	30,70%	18,60%	18,60%	21,30%	18,70%	18,70%
Allemagne	AP	29,10%	29,10%	28,20%	26,60%	26,60%	26,90%	26,90%	21,00%	23,80%	23,80%
	AC	20,30%	20,30%	28,40%	19,20%	19,20%	13,50%	13,50%	19,60%	11,20%	11,20%
	PSA	25,00%	25,00%	28,30%	23,00%	23,00%	20,70%	20,70%	20,30%	17,60%	17,60%
Royaume Uni	AP	34,60%	34,60%	39,00%	26,10%	26,10%	13,40%	13,40%	21,50%	14,80%	14,80%
	AC	41,00%	41,00%	42,10%	28,80%	28,80%	17,20%	17,20%	15,60%	10,50%	10,50%
	PSA	37,30%	37,30%	40,40%	27,20%	27,20%	15,00%	15,00%	18,80%	13,00%	13,00%
Espagne	AP	43,40%	43,40%	40,10%	46,10%	46,10%	14,70%	14,70%	19,40%	13,80%	13,80%
	AC	37,80%	37,80%	38,00%	25,60%	25,60%	14,90%	14,90%	16,40%	12,30%	12,30%
	PSA	40,90%	40,90%	39,10%	36,70%	36,70%	14,80%	14,80%	18,00%	13,10%	13,10%
France	AP	38,90%	38,90%	41,00%	43,60%	43,60%	32,70%	32,70%	30,00%	37,00%	37,00%
	AC	33,90%	33,90%	41,00%	35,90%	35,90%	21,60%	21,60%	24,00%	22,10%	22,10%
	PSA	36,80%	36,80%	41,00%	40,40%	40,40%	28,10%	28,10%	27,40%	30,80%	30,80%
Italie	AP	38,00%	38,00%	38,40%	28,20%	28,20%	12,90%	12,90%	16,80%	9,20%	9,20%
	AC	22,50%	22,50%	31,70%	20,70%	20,70%	8,50%	8,50%	9,20%	5,00%	5,00%
	PSA	30,90%	30,90%	35,30%	24,80%	24,80%	10,90%	10,90%	13,30%	7,30%	7,30%
Pays Bas	AP	10,30%	10,30%	15,00%	9,90%	9,90%	8,00%	8,00%	10,00%	6,30%	6,30%
	AC	14,70%	14,70%	27,50%	20,60%	20,60%	10,10%	10,10%	16,70%	15,40%	15,40%
	PSA	11,60%	11,60%	19,60%	13,50%	13,50%	8,60%	8,60%	12,50%	9,50%	9,50%
Belux	AP	19,70%	19,70%	35,60%	18,50%	18,50%	10,30%	10,30%	21,30%	11,60%	11,60%
	AC	16,50%	16,50%	34,20%	16,80%	16,80%	6,80%	6,80%	18,30%	6,80%	6,80%
	PSA	18,40%	18,40%	35,00%	17,70%	17,70%	8,80%	8,80%	20,00%	9,40%	9,40%
Portugal	AP	14,10%	14,10%	22,70%	15,70%	15,70%	10,90%	10,90%	17,00%	11,00%	11,00%
	AC	22,20%	22,20%	21,50%	2,60%	2,60%	16,00%	16,00%	16,10%	1,10%	1,10%
	PSA	17,40%	17,40%	22,20%	10,30%	10,30%	12,90%	12,90%	16,60%	6,90%	6,90%
Suisse	AP	13,00%	13,00%	34,80%	15,40%	15,40%	4,60%	4,60%	18,00%	4,20%	4,20%
	AC	15,20%	15,20%	30,70%	32,80%	32,80%	4,40%	4,40%	17,60%	7,30%	7,30%
	PSA	14,10%	14,10%	32,80%	22,70%	22,70%	4,50%	4,50%	17,80%	5,50%	5,50%
Autriche	AP	11,90%	11,90%	32,20%	11,20%	11,20%	2,60%	2,60%	16,50%	3,50%	3,50%
	AC	14,00%	14,00%	34,80%	13,70%	13,70%	2,40%	2,40%	19,30%	2,90%	2,90%
	PSA	12,80%	12,80%	33,30%	12,50%	12,50%	2,50%	2,50%	17,70%	3,20%	3,20%
Pologne	AP	23,60%	23,60%	37,50%	14,10%	14,10%	3,70%	3,70%	20,90%	4,20%	4,20%
	AC	11,80%	11,80%	37,50%	16,00%	16,00%	4,70%	4,70%	20,90%	6,60%	6,60%
	PSA	17,90%	17,90%	37,50%	14,90%	14,90%	4,20%	4,20%	20,90%	5,20%	5,20%

Nevertheless, on the other hand, even if it is necessary to increase the sales by paying more the network, it should also be considered the threshold value of 10% as mentioned before. This was not done due to the fact that November was characterized by a quite low volume of sales and so was not consistent with the targets, the criteria turned out to be too high and so the 10% was exceeded.

The problem of the 10% came out in February after a first month which was as good as the last October. An accountant, my tutor and me had a meeting, and we talked about this problem. In fact there was a problem of budget, due to the wrong criteria. From what I learnt during that meeting, in 2014 there was the same problem of budget caused by a too high remuneration for the network and for that reason the reward method was changed a lot and as a consequence there was a huge decrease of sales. However, this was already predicted but the company consider the service contract already very profitable and was not willing to lose all that money to pay the network. In order to give an order of magnitude of how much out of the budget we were, it resulted a 200.000 € on 900.000€, that is why it was decided to change criterion in March for the following trimester. However the new methodology is not decided yet.

However, waiting for this, I implemented a simple mathematical model which using a input some data of the 2017 and the target that, according to the central, should be reached this year, it is able to tell whether the threshold of the 10% is respected or not. In the next table are represented the input data for my model.

Table 17. Input data for the model.

DS12 totale 2017		121959
DS12 rete (2017)		95692
Fissa Security	€	8,20
Fissa Eff+Dyn	€	40,98
CA totale Security 2017	€	6.990.773,95
CA totale Eff+Dyn 2017	€	18.772.131,56
Penetrazione totale Obiettivo		38,40%
Penetrazione Eff+Dyn Obiettivo		16,80%
Soglia massima remu su CA totale		10,00%
% remu variabile per obiettivo		6,00%
% Booster mix per obiettivo		4,00%
Totale Contratti 2017 Eff+Dyn		13087
Totale Contratti Rete 2017 Eff+Dyn		11984
Totale Contratti 2017		35420
Totale Contratti Rete 2017		32769

As it can be seen, we assume the total volume of sales and the sales volume performed by the network as constant for 2017, the same holds for the total turnover of Security and Efficiency+Dynamic. Then, using as corrector factors the number of contract sold by the network over the total number of contract for 2017 we are able to compute, using as input the target of the central, the predicted volume for the 2018.

After this, assuming that the average reward for a contract is the sum of three contribution an average fixed, an average variable and an average booster mix, it is able to compute that average reward which can be then compared with the limit value. The limit value, as already told before, is the 10% of the turnover, but in this case is assumed for the single contract and so the 10% of the average turnover. Here below are reported all the results for the criteria used in the first trimester of 2018.

Table 18. Results of the model.

# Totale		46833
# Tot Rete		43328
# Efficiency e Dynamic		20490
# Eff+dyn Rete		18764
# Tot Security		26343
# Tot Security Rete		24564
Remunerazione Fissa media	€	22,40
CA media Security	€	265,38
CA media Eff+Dyn	€	916,16
CA media singolo contratto	€	547,21
Penetrazione totale Rete		45,28%
Penetrazione Eff+Dyn Rete		19,61%
Remunerazione Variabile media	€	32,83
Booster Mix medio	€	15,87
Remunerazione totale	€	71,10
Remu limite	€	54,72
Δ	-€	16,38

As we can notice, the difference between the limit value and the total average reward is negative, that means that the company will pay more than the threshold given by the central. For this reason, I will carry out more simulation in order to define a new criteria that is below the limit.

Another point worth mentioning is that with the actual criterion, good sellers are rewarded in a better way with respect to the 2017 method. This penalize average sellers, for this reason it is necessary to develop a new method that allow also a balanced reward for all sellers, in this way an increase in the sales volume should be possible because increasing the volume of a bad seller is easier and less costly with respect to increase the volume of a good one. It is taken for granted that the criterion has to respect the 10% threshold.

5.4 CVO (used vehicle market)

As in every automotive company, even PSA gives great importance to the used vehicle market.

As it was mentioned in the previous chapters, for many years, home dealers have considered the used vehicles problem sole responsibility of dealerships. With time, in an always more competitive situation, the attitude of the home dealers has changed profoundly, and it has become essential not only to stimulate the dealership's initiatives, but also to organize in a technical and financial manner, this important activity sector. A growth of the operative tools was registered: seminar organization, stock control, focus for a correct management, publicity campaigns with payment facilities, even the predisposition of exhibition spaces ad hoc. The strategy that has definitely changed the approach in question was the predisposition of organizations that are including all the networks in order to provide the sold vehicles with some types of assistance and warranty. Similar to those activated for the new vehicle. With "selection" and "warranty" of used vehicles in name of make organized systems, customers feel much more reassured, and the dealership has full interest in the credibility of the brand.

In PSA there is a department called BBVO, which stands for "Buy Back e vetture d'occasione", which has the function to distribute to the dealership and promote the reseller of a great amount of vehicle which comes back from Buy Back . Buy Back is financial purchasing formula and is briefly described below.

Buy Back

It is a purchase formula, which provides an option to repurchase the vehicle by the dealer at the end of the funding. In this case, the attractiveness for the client is according to a high final instalment, equal to or slightly less than the residual value.

It is a system of partial sale, every company may use a different name, where an initial instalment and monthly instalment which are 20 up to 40% of the value of the car, following 24-36 monthly instalments.

At the end of the instalment period, there are three possibilities:

1. To buy another car of the same brand name using the residual value of the owned car as deposit for the new;

2. Leave the car to the dealership without paying anything else;
3. Complete the purchase paying a final big rate or financing the remaining amount.

This kind of purchasing formula is becoming an instruments of enhance strong loyalty with the customers.

So then, BBVO deals with vehicle which are returning from buyback and has the function to resale them. The main problem for these vehicle is the way they are handled by customers. In fact, often, they are given to short term rental company and so there are used by hundreds of clients. This is why some clients are mistrustful towards this kind of vehicle.

In order to increase the perceptive value of those vehicle, the company decides to offer an extended warranty contract basically for free to the clients. However, the cost of the contract was sustained by the BBVO direction with its own budget. It is taken for granted that was used prices with an high discount on the price list.

Nevertheless, how does company define the price of a product in these days? Nowadays, market is characterized by a fierce and fast-changing pricing environment. Winning companies able to successfully create superior customer value with the other marketing mix activities must still capture some of this value in the prices they earn. Anyway, price reduction is not always the best solution. Cutting prices too much may lead to profit's losses and, in addition, it can cheapen the brand letting the customers think that price is more important that customer value, in fact firms must always sell value, not price.

A very raw definition of price is: the quantity of money charged for a product or a service. The price can be also seen as the sum of all the values that the customer exchanges to gain benefits for having/using a product/service.

The only source of revenue in the marketing mix is the price while all the other elements are costs.

Companies have the possibility to choose among three most important pricing strategy: customer value-based pricing, cost-based pricing, and competition-based pricing.

Customer value-based pricing uses clients' perceptions as starting point for pricing. Correct price is born after a deep understanding the value created by a product/service for the

customers. Client perceptions of the product/service value set the maximum value of price, in fact a consumer will never buy a product whose price is higher than the perceived value.

Cost-based pricing consists of setting the price as a function of all the costs sustained by the company (production, distribution and so on) plus a fair rate of return for all the efforts and risks taken. While customer's perceived value set the maximum value of the price, costs set its minimum one. If the price turns out to be too high compared to the perceived value, the firm has to lower its markup or sales. In other words, it can be said that this type of pricing strategy is product-driven rather than customer-driven.

Competition-based pricing is to set prices as a function of competitors' strategies, prices and so on. Possible clients judge a product/service value on the prices that competitors has for similar products. If the perceived value is higher. Then the company can increase the charge. In the opposite case, the company has two solutions, either lower the price or justify its higher price with a greater value.

Above it is described pricing in general terms, PSA for contract service uses a cost-based pricing. The base cost of the contract is defined taking into account costs from all interventions registered by the network. This cost are monitored on a monthly basis and if big changes are recorded for a long period, the pricing is adjusted.

The whole pricing list is communicated by the central for every country and then it is added the VAT.

This has pros and cons. On one hand it allows you to avoid to spend a lot of time to carry out analysis to define a price and to get a validation from the central which has its own margin. On the other hand, it does not give to the branch enough flexibility and eventually competitiveness with respect to the other brand present on the market. In addition some prices present on the chart seem to be inconsistent from what they should be, and so due to the fact that those charts are communicated from the central, you are not able to do something about it, apart from communicate it to the French headquarter.

Going back to the CVO vehicles, the problem arose when, the management, analyzing the margin noticed that the price was too low with respect to the theoretical costs sustained for each vehicle and also lower with respect to an analysis done for 2016 and 2017 of the credit applications for the service contract.

In addition, the pricing was not validated by the central and so there was the risk that they would find out sooner or later.

For these reasons, right now deeper analysis are carried out in order to find a correct price for each model and allow a proper margin. From one side we have a direction which want to sell as much as possible those used cars while on the other side a lot of attention must be paid to check margin. Then, as it happens in every company you have to fight for “your own interest”.

A simple proposal could be to offer a contract only on certain models and just for vehicles bought with a purchasing financial formula of PSA bank. In order not to lose those contract which were about 10% of the total volume of 2017. Those prices still need to be defined but the intention is to use a forfeit price so to facilitate the work of bank employees.

5.5 Sellers' Training

The owner of the dealership is an entrepreneur and a full organizer. Instead, we must be aware that the deed of sale itself is the result of a multi-step process carried out by specialist figures: the "vendors".

In this consumer society, both industrial and post industrial customers with traditional or innovative, with goods and services that multiply and relate to the market at a relentless pace, the "seller" has taken on a role that is fully recognized and constantly reassessed. The common man still conceives the function of the seller as the job of those who, without qualifications, do not know better, have adapted to perform an activity “easily”.

This is not true, in fact the seller is not just a simple employee, is the representative of the holding, a sort of "ambassador" who often work in conditions of total autonomy, without decision support: it is one that goes into someone else's house, with its own personality and professionalism, difficult process to activate a psychological connection between the customer and the company it represents. In fact, the seller must be equipped with several modern psychological knowledge, a professional training always able to respond to requests or needs of the customer's products and services, and their competition, so that it stands as a professional real. In the end the stereotype of "talkative" and the ability to convince almost barker, is now far from reality, replaced by relational skills capacity and credibility that are

the basis of the continuity of the relationship (loyalty), service (continuity) between company-vendor-client relationship. The sales force should not be considered as a cost but a critical resource, a stake with invisible capital, maintain and continually improve.

It is important to underline that we have passed from the concept of “salesmanship” to “sales techniques” which emphasizes procedures, negotiation and persuasion. So, the figure of the vendor is becoming that of a consultant who knows both the product and customer needs, from a perspective of personal assistance in mobility activities.

The management of the sales force a special effort must involve also in the "recruitment", the "selection" and "training" of sellers. In sales manuals, the "excellent prototypes" of the seller are described in various ways, with emphasis on one or the other requirement. In general, the most common features are: ability to be empathetic and motivation as the tension that leads to the sale closure.

When the "seller" comes into play, you start an interaction in which one of the partners try to convince the other, which is mostly happy to be, despite the contrary impression that they may have initially interested in the product that he offers. The interaction and negotiation skills, as is well known to all, are universally applicable: he not only sells products, but also his image, his ideas, his credibility. Our relationship, in general, rely on the case, but if we all had a good tactical approach, if we knew that some of the techniques of persuasion and about psychology of sales, the results would be even better. With the knowledge that the marketing skills apply to many personal situations, of course, here delimit the field to well-defined sales situations. While presenting signs of a general nature, our reference will be the ability of a vendor who works in marketing-oriented company, in the presence of numerous and fierce competitors, with meetings continuing relational type, and with a wealth of technical knowledge and market sufficient.

In the sale process it is possible to distinguish five basic steps:

- Meeting/reception timing;
- Moment of discovery;
- Selection and tender submission;
- Follow-up.

It is taken for granted that the steps above mentioned are valid for the sales of new cars, but it is important to know very well how, when and to who propose the contract because as it was already mentioned before, it a very important tool in the fidelization of customers. The aim is to ensure that the customer will remain faithful and satisfied of the company over time, so to create other purchases.

So the sale, both for new vehicles and contracts, is a structured process which requires from the sellers very specific skills and expertise.

Especially in the initial situation, the qualities that should make the seller are mainly listening to the customer and the ability to ask questions: only through the knowledge of the client, his family, his hobbies and his work, you can get closer and understand his dreams.

Sellers need to have the following characteristics:

- *Credibility*: the creation of a trusting relationship with the customer in the long run and the ability to offer a good image of himself and the company from the beginning;
- *Product-market intelligence*: knowledge of the "product" and the "target market";
- *Interpersonal communication*: knowledge of the basic elements of communication. In the sale, to persuade others, we must make ourselves understood, expressing ourselves well and knowing dialogue, playing with the tone of voice, gestures, eye contact with. We have to talk, but also to listen, to communicate effectively;
- *Elements of the selling technique*: must be used in different phases of the process. We must be able to stimulate interest in the approach that starts with the customer, must be able to discover the motivations of the customer, must be able to handle the most difficult objections, closing the sale, manage the price;
- *Interpersonal skills*: The relational capabilities is the ability to put stakeholders at ease, and is a synthesis of skills, such as the ease of making a good impression ("impact"), to adapt to different styles of people ("flexibility"), and to support their arguments ("constructive confrontation").

It is true that the vehicles are increasingly known to the potential buyer, but the seller must have knowledge bases and technical arguments such as to dispel any doubts concerning beliefs/comments or requests on technical merit and on the many positive qualities and

characteristics of what is subject.

After having stressed out the main characteristic of the seller and his functions, let's analyze what PSA does. As every other company holds training course for its seller both for new vehicles and for contracts. For contracts, the theme is really controversial in fact, vendors have the priority to sell new vehicle instead of contract that is why they do not talk about them a lot of times being scared to lose his client. For this reason, it is important to understand how and when propose the contract and also know which type of contract to propose according to the clients sellers are facing.

These are just some of the topics of the courses held both in Rome and Milan for vendors. Those course were done for both the main brands, Peugeot and Citroen .

These courses were given by an external consultant of Verona, which is account also for the new vehicle seller courses. However, the content (slides and so on) was prepared by me before the date of the event. I used all that I learn from my university courses and I had the chance during this preparation to discuss about these topics with Andrea Moretti, who is the responsible of this project. Nevertheless, I noticed that what I already knew was not so far from reality.

The main topics of the courses were the ones already mentioned before, so the importance of vendor, the sales' process steps, how to deal with customers and so on. However, the point that was stressed out the most was the understanding of the terms of the contract and in details. Here below is reported a small part of the contract for the new DS7 Crossback.

7.3.4 Taxi per il ritiro dell'auto sostitutiva

Qualora il Cliente in seguito a, a seguito del trasporto del veicolo in un punto di assistenza per guasto, dovesse recarsi da tale punto di assistenza alla stazione di autonoleggio per il ritiro dell'auto in sostituzione messa a disposizione dalla Centrale Operativa, la stessa, su precisa richiesta del Cliente, metterà a disposizione dello stesso un taxi per permettere al Cliente di raggiungere la società di autonoleggio, con un contributo massimo di € 52,00 per evento. Non sono previste spese di taxi diverse da quelle sopra indicate.

7.3.5 Rientro del cliente o proseguimento del viaggio (in caso di guasto avvenuto oltre 100 km dal comune di residenza del Cliente).

Qualora a seguito di guasto, il veicolo restasse immobilizzato sul posto e non potesse essere riparato in giornata, la Centrale Operativa organizzerà il rientro del Cliente o il proseguimento del suo viaggio in treno (prima classe) o in aereo (in classe economica) o con altro mezzo concordato a seconda delle necessità. La Centrale Operativa corrisponderà le spese fino ad un massimo di € 600,00 per evento. Prestazione erogata in alternativa alla prestazione "Spese di albergo".

7.3.6 Spese di albergo (in caso di guasto avvenuto oltre 100 km dal comune di residenza del Cliente). Qualora in seguito a guasto, il veicolo restasse immobilizzato sul posto e non potesse essere riparato in giornata, pernottamento e la prima colazione fino ad un massimo di 4 giorni o di € 1000,00 per evento, saranno a carico di DS ASSISTANCE (per un massimo di € 250,00 a notte). Non sono previste spese di albergo diverse da quelle sopra indicate. Servizio erogato in alternativa alla prestazione "Rientro del cliente o proseguimento del viaggio".

7.3.7 Recupero dell'autoveicolo riparato (in caso di guasto avvenuto oltre 100 km dal comune di residenza del Cliente).

Qualora il Cliente avesse fruito della prestazione "Rientro del Cliente o proseguimento del viaggio", la Centrale Operativa metterà a disposizione del Cliente un biglietto ferroviario (prima classe) o aereo (in classe economica) o con altro mezzo concordato a seconda delle necessità, o eventualmente un autista per andare a recuperare il veicolo riparato. DS ASSISTANCE tiene a proprio carico le spese fino ad un massimo di € 600,00, oppure la Centrale Operativa, limitatamente all'Italia, metterà a disposizione del Cliente un'auto sostitutiva di cilindrata equivalente o inferiore (secondo la disponibilità locale) al veicolo riparato, a chilometraggio illimitato per un giorno. Relativamente all'autovettura a noleggio o all'autista sono escluse le spese di carburante e di pedaggio (autostrade, traghetti, ecc.) che restano a carico del Cliente. Se vuole recuperare personalmente il veicolo, il Cliente deve chiedere alla Centrale Operativa di mettergli a disposizione il biglietto di viaggio o l'autovettura a noleggio. Se intende utilizzare l'autista, il Cliente deve consegnare all'incaricato della Centrale Operativa le chiavi, il libretto di circolazione, l'autorizzazione alla guida del veicolo, la carta verde se prevista.

The trainer stressed out what are the main features present in the contract such as the total amount of money available for the client in particular cases (i.e. numbers of night in a hotel in the cases the workshop is closed). This was done with the purpose to explain all those details to the clients and increase the value perceived by them. Clients want to be sure to have a sort of backup in the largest amount of possible cases and so vendors have to remove all client's doubts concerning the contract. All vendors did not know all those features and also for that reason, the trainer stressed on those aspects in order to transmit the higher amount of information possible. Because, if a client would make a question regarding one aspect of the contract, the seller will be able to cancel out all his doubts.

Another point that was really deepens in detail was the difference amongst the types of contract. In fact a lot of vendors present during the training sessions did not very well the difference that is why was necessary also to explain in detail these matter.

After the discussion about all the topics explained above, the sellers together with the trainer analyzed some examples of clients that would need a service contract even if they are buying a new vehicle. The purpose of this phase was to analyze if sellers had understand which type of contract to propose to customers with different demands.

So, all what explained before were the contents of the training curses which I take part in. However, as it happens in these cases, at the end, participants can express their opinion both for what concerns the quality of the course and also their problems during the sales, what the clients think about.

All sellers agreed that during the sales of a new vehicle, clients have to be handled carefully and so they all prefer to not stress on service contract thinking about the high risk to definitely loose the client. However, most of them do not understand that modern client are going

toward purchasing financial formula, such as leasing, not only because of the lack of cash but also because they want to avoid all problems concerning the maintenance, taxes and so on. In addition, it is not perceived that with those contract, you “bind” the customer to you, in other words, we will come back for maintenance , warranty and so on which have the greatest turnover. Every automotive company knows that the after-sales is more profitable than the pure sale of new cars. Until all vendors understand the importance of customer fidelization, after sales will always be seen as marginal with respect to the sale of new vehicles.

Another point about which was spent few words is the possibility to sell contract after the sales of the vehicle. For example it is possible that a customer comes to the workshop after a failure of a component right before the end of the contractual warranty (here in Italy is 2 years as stated by law), so if this failure would have happened after the deadline, the client would have to pay for it. So if there is a person, in that precise moment, that would propose to the client a service contract maybe the client would have bought it. That is for sure that it is not a certain sale but it is an additional possibility.

Just as a sort of information, Security/ Essential Drive contract can be subscribed within two years after the sales of the vehicle while the other after just one. So taking into account that the clients during this period have a strict relationship with the company (i.e. due to warranty) there are plenty of possibility to sell those contracts.

However, all sellers criticize the problems concerning the figure of the “acceptor”, in Italian he is called “Accettatore”, who is the first person that you meet when you go in a workshop. Seller told me that they have a lot of work to do, they are always busy, do not pay any attention to CRM and they say that they are not sellers. This is just the tip of the iceberg, in fact a lot of inspection are done in order to check the behavior of these figures, but still tons of work still have to be done , in order to avoid a bad perception of the company by customers.

This is very important especially because, even if you have sold the vehicle, it does not mean that you will sell it again in the future especially in the competitive market of these days. For this reason, all companies are stressing out the concept of “Customer For Life”, defined by Cark Sewell, and in order to implement it properly a good CRM and proper milestone has to be followed especially in the after-sales that is the higher source of incoming for automotive company.

5.6 Cross-Fidelity Program

After having performed several data extraction from WRC we noticed that about 12% of the total number of contract was sold in a different moment than the sales of the vehicle itself, that are the so called “aftersales contracts”. So this represents a totally new opportunity to increase the number of sales. However, as it was already mentioned before the problem of a figure which should perform the sales in the workshop or in the aftersales in general is still missing. The company is trying to solve all problems concerning this figure, nevertheless, the resistance put on by the actual employees is really huge. They do not want to change their way of working and they do not want to be accounted for the additional task of selling something while they are already busy with other tasks.

For this reason the cross-fidelity program was implemented, with the aim of placing side by side the acceptor with the seller of new vehicle, in this way they could help each other.

The program was structured in several steps. The first step was to collect of data concerning vehicle which has already a service contract but with the deadline within the year, in fact it is possible to subscribe a new contract after the 2 years of contractual warranty only if you already have a contract. After having collected all those useful information form WRC, the second step was their communication to an external company which is accounted for calling of all those clients.

The function of that company is to call the clients, ask them if they are interested and if the answer is positive, they can fix an appointment in the nearest dealership or authorized repairer.

Even if the idea seems good, the clients’ response was not positive at all, in fact only 5% of the total client were interested and went to the dealership. Of them less than one half subscribed a new contract, this was due to the presence of two conflicting figure that have different interests and also different background.

For the above mentioned reasons, the company is trying to solve that problem revolutionizing what was the old program. The idea of calling all clients still remains, but now it would be possible to have a different approach during the call even offering a small discount in order to incentivise the customers. For the vendors instead it has been decided to use just the acceptor as vendors, because he is the one that will gain the greatest benefit both for the reward and the

work in the workshop for the maintenance of the vehicle. As a consequence, the company is organizing specific training course for this new figure of vendor.

5.7 Audit for repairers

Even if out of topic, in this paragraph is described how audit for repairers works, just to underline the importance of cost monitoring and quality perceived by the clients.

PSA commits to support its dealer business, in particular:

- Improve customer satisfaction and quality of the repair;
- Increase the percentage of credit application approved;
- Optimization of warranty process;
- Improve the assistance and control of workshop processes.

For the above mentioned reasons, the company developed the Warranty Process Improvement (WPI) programme. The program is entrusted to an external company MSX which is accounted for these kind of activities by all automotive manufacturers.

In the past, those activities were internal to the company. There was a team of four people who monitored the warranty costs and credit application of all repairers. However, the company decided to externalize it for reducing a fixed costs, from workers, to a company which is paid depending on the number of visits to repairers' sites. This choice was done without taking into account network satisfaction and so quality in general.

MSX, as a monitoring criteria, uses a Gaussian Distribution curve in which are reported the total amount of credit application of each repairer, after having identified the 20% of the best performers. Then, it is evaluated the difference between the worst of the best performers and each repairer. In this way it is possible to understand how bad a given repairer is compared to the worst of the best performer.

Now, depending on how big is the difference we can have different types of depth control.

There are three type of control that consists of one week visit from MSX that sends a team on the site and carries out all control that are defined in the concession contract. Those three types are called: Step 1, Step 2 and Audit. As shown in the scheme below.

Figure 20. Different steps for Peugeot WPI (Warranty Process Improvement) program.



In the Step 1, in order to determine the fine to be paid, only level 3 anomalies are considered. Anomalies are classified from 1 to 3 according to their importance. While in the Step 3 and Audit are taken into account anomalies from all level.

In all type of control are analysed 50 credit applications from the month when the visit takes place.

The control, from the contractual point of view can be done just for the general warranty costs but in reality there are also control done for the service contract credit applications. The difference in that in the first case from the 50 applications just 10 are from service contract tasks while in the latter there are 25.

Another point worth mentioning is that, when a repairer already had a Step 1 visit, it passes directly to the Step 2 but it is not said that it is impossible to have directly an Audit, depends on how much critical the situation is.

However, the control is not done just from the economic point of view but also other area of improvement which are:

- Reception;
- Workshop management;

- Technical aspect;
- Warranty management;
- General processes.

All this analysis are done in way that all aspects written above are compared to described procedure that have to be properly followed.

So after having deeply studied all those 50 cases, the one that are considered anomalies are accredited to the repairer. Nevertheless, this is valid only for Step 1 and 2 while in case of Audit the total amount computed is divided by 4 and then multiplied by 52, as if the repairer would have been subjected to visits for the whole year.

Even if these control are something more related to warranty, it is important to say that during my internship credit applications for service contracts were studied because it was noticed low profitability for Dynamic and Ideal Drive. This is bad because it lowers down the margin from the service contract budget and so the margin which are used for promotion and discount.

6. Conclusion

In this work, all my activities carried out during my internship are described in details as well as tools and procedures adopted by PSA Group.

After the brief introduction regarding marketing concept (i.e. buying behaviour/process and customer driven strategy), we have passed to the commercialization in automotive market as well as services in the after sales market. Then, there is a description of the company, its channels, sales volume and sales mix in the national territory. This was done just with the aim of giving general information concerning the fact that PSA is one of the main actors of the automotive market here in Italy.

Thereafter, it is illustrated the structure of the after-sales department of PSA, because my internship occurred in the “Service Contract” office, which has the function of managing and control everything regarding those contracts offered to clients which comprehended warranty extension, ordinary and extraordinary maintenance.

Even if, not well known, those type of contract are very frequent especially in the case of a sales with a purchasing financial formula, in other words when the client do not pay directly cash. In addition, todays clients do not want to have any kind of trouble with their vehicle and are willing to pay more in order to avoid that. So, every automotive company is trying to gain a competitive advantage over its direct competitors and are paying a lot of attention not only to the profitability coming from the sales, which is already high enough due to the high reliability of modern vehicles, but also to the possibility of strengthening the relationship with its customers and ensuring a future sales.

It is well known, between automotive expert, that the aftersales has an higher profit rather than the sales of the new vehicle in itself, this is just to underline where the modern market is going and what is the request of customers.

However, the aim of this text is to analyse, and comment in a critical way, all tasks carried out during the past six months, the problems met and possible solutions that can be adopted to solve them.

Starting from the problem due to changes introduced in old tool (CEM/SAGAI), going through problem concerning reporting and data communications to sellers, developing of reward criteria for the network and the performance control thanks to the audit.

All the activities described as well as the tool available are adopted to increase the sales volume, as it happens in every company but the objective is not only limited to that.

Firstly, some constraints are present both for what concerns the maximum value for the reward and the pricing. As it was mentioned, the pricing is decided by the central as well as monthly target. For this reason it is important to achieve those target with constant monitoring and developing of new procedures and strategies.

Possible solutions are: the “Cruscotto della performance”, which allow an easier check of the sales volume, reward and VIN for each contract sold in the period considered and the sellers’ training sessions, which are fundamental to increase the consciousness of vendors, can be seen as some of the initiatives carried out by the company to sell more contracts.

Seller’s training has the function of increasing the sales volume by teaching vendors processes and procedures to perform a sales in the correct way. It is very important that the frontman of the company shows truly professionalism and knowledge of products, especially because this will affect the perception that customers have of the company itself. Nevertheless, sellers’ point of view toward fidelization must be changed because customer retention is profitable for both the parties.

However, which is the reason why PSA, and also all automotive firms, are willing to pay a lot of attention to those kind of activities? Well, on one hand for profit, as it was mentioned above, but the most important reason is the customer retention.

Customer retention should not be seen strictly as the possibility to have a future sale but also to have a tight relationship during the whole cycle of life of the product because, as I mentioned right above after sales is more profitable than the new vehicle sales. We have a strict relationship with clients especially in the first two years after the sales because of contractual warranty, but after that period this is not valid anymore. Clients tends to go to their trusty mechanics or to a cheaper repairer.

In order to avoid that, companies introduced service contracts. In fact, with one of those, the customer has to be loyal to the network of the company, which is a positive factor, not only for the manufacturer but also for the repairer who has the possibility to increase its turnover. People who work in the automotive sector know very well that sometimes some mechanical

interventions, under contractual warranty, are rejected because the client did not follow the maintenance program as decided by the manufacturer. This is an additional reason which would be advisable to perform the maintenance program in manufacturer's network.

Linked to the concept of quality are the audit visits, when are evaluated all procedures concerning repairing activities, bureaucracy and so on. That is directly linked to costs control, using credit applications, but it is also important for the quality perceived by clients and especially for the network. If the network has a good perception of the company, this turns out to be positive not only for the quality of the working environment but also for the final customers.

Finally, it is possible to say that all tools and procedures described in this script are useful for checking costs and reduce it as much as possible, in order to make contracts more profitable. They have also the functions of increase the quality perceived by the final customer and to make them more loyal through an higher satisfaction.

Customer's loyalty is one of the milestones on which every automotive manufacturer is stressing. This is due to the fact that market is very competitive and as a consequence to keep old customers loyal is as important as investing resources trying to get new customers, because it is quite costly to get a customer from a competitor. However, the index of conquest should also be taken into account and some strategy could be implemented in order to get clients from other firms. In order to conquest new customers is important to offer superior value to them and so, service contracts can be a strategic asset. Especially because, thanks to the word of mouth of loyal clients, new potential customers, using the web and other communication tools, have the possibility to know better the company, the offer and, in some cases, become true clients.

In conclusion, we have seen how selling service contracts can be profitable both for the manufacturers and repairers. They allow to ensure a longer relationship between clients and company. In order to have a good relationship, quality and satisfaction play the most important role. Nevertheless, for satisfaction means both the one of the customers and the one of the network. Winning service companies bear attention to both customers and employees because they know the service profit chain that is the link between profit and clients/employees satisfaction.

Then, we are talking about a delicate matters in which people and company with conflicting interest work. As a consequence, as it happens in the service sector, it is fundamental to find the right compromise that allows the highest profit and the greatest satisfaction both for customers and network.

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