The Automotive Industry's Last Pot Of Gold

Delivering Sales Excellence in Challenging Markets

Pan-European Automotive Sales Excellence Study 2007

June 2007

SHORT OVERVIEW

Roland Berger Strategy Consultants

IBM

2.5 m people in Western Europe market, sell and service new and used cars

Car Distribution in Western Europe, 2006

- 2.5 m people in marketing, sales, distribution, service etc.
- 16 major OEMs with 33 brands and 329 manufacturer-owned NSCs/importers
- > 74,300 sales and 97,900 service outlets
- > EUR 92 bn sales & distribution cost (new cars only)

- 16.7 m new and 32.0 m used cars sold in 2006
- 5.2 m leasing/financing contracts closed by Captive Finance companies
- 205.1 m cars on the road

Source: Datamonitor; J.D. Power; Company Reports; Roland Berger analysis; IBM GBS Consultants Analysis

Sales and distribution cost amount to EUR 92 bn p.a.

Sales related cost estimate for new cars, Western Europe

EUR 18,400
weighted avg. net MSRP[1)] new car

30%

X

16.7 m cars sold in Western Europe 2006

=

EUR 92 bn p.a.

70%

West-European top-selling models 2006 ['000 units]

Model	'000 units
Renault Clio	455
Peugeot 207	425
Opel Astra	415
VW Golf	409
Ford Focus	404

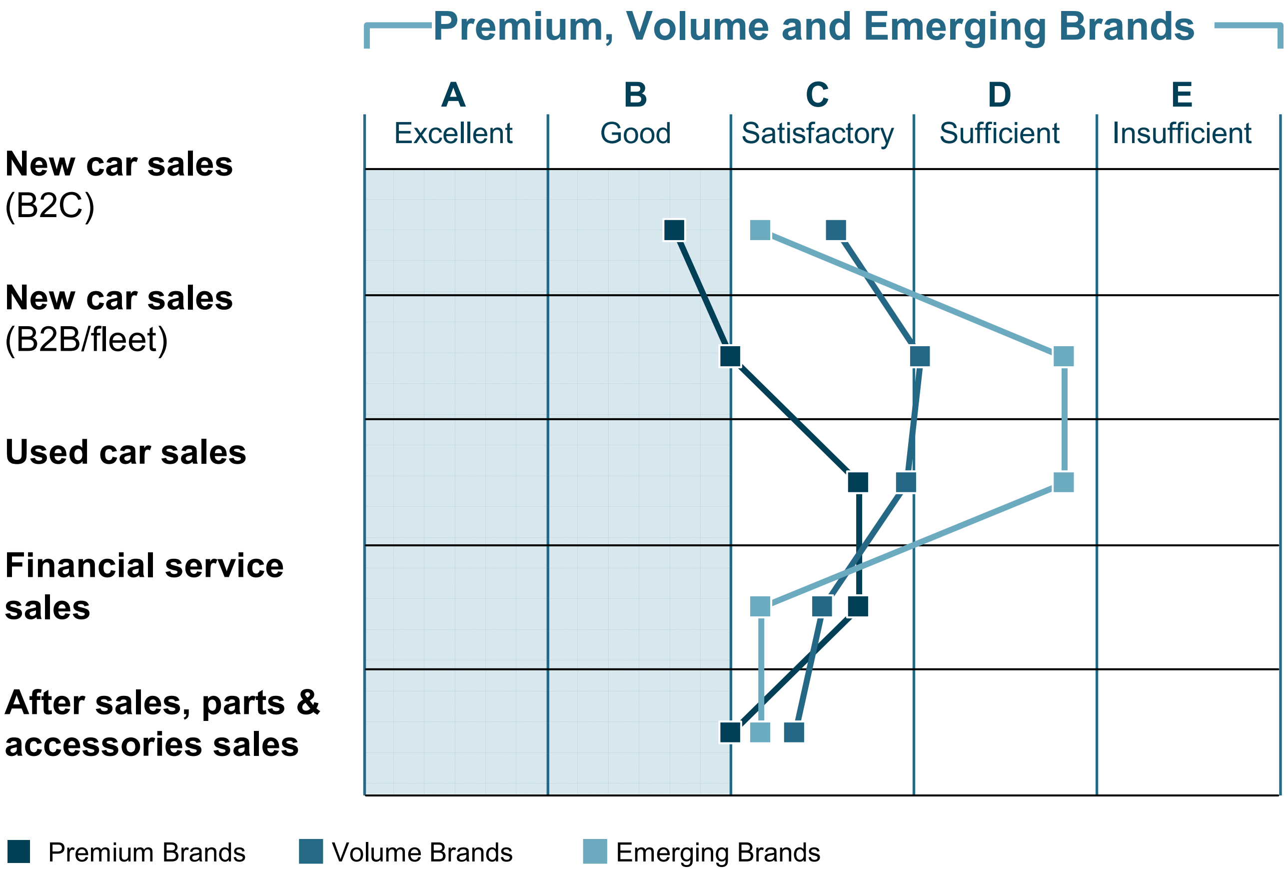
New cars only

- Dealer margin
- Discounts/incentives/ reductions
- Labor
- Marketing
- Distribution
- Stock
- etc.

1) MSRP = Manufacturer's suggested retail price
Source: J.D. Power; Roland Berger Analysis

Particularly emerging brands see significant improvement potential in their own sales performance

Looking at the current state of your sales operation, how do you rate its performance?



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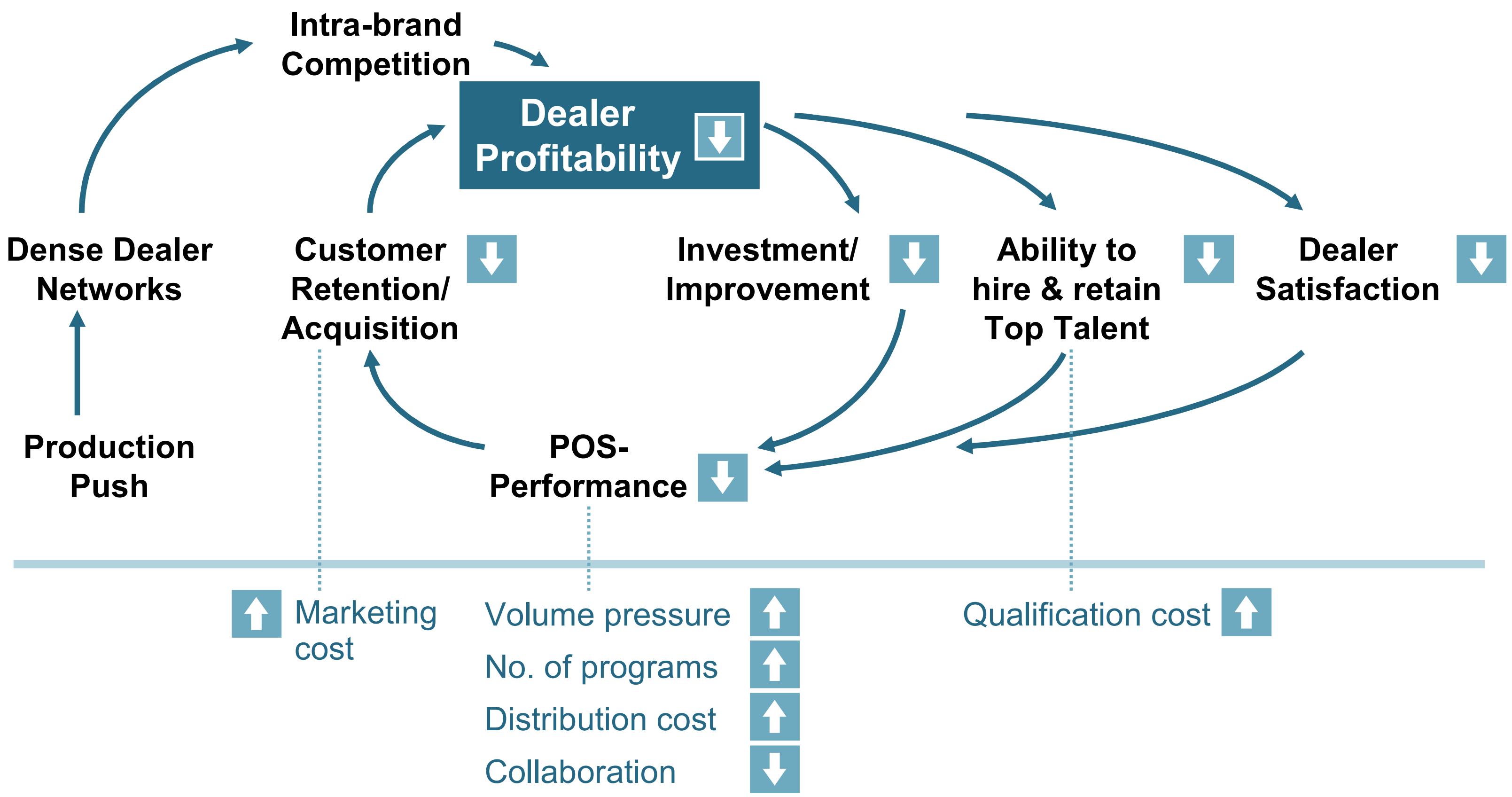
Volume pressure and intra-brand competition destroy the profitability equation

Strategic shortcomings of retail networks



Our pan-European study addresses the key performance levers in automotive sales and after sales

Study's focus

COST DOWN
How to improve operating efficiency?

SATISFACTION UP
How to exceed customer and dealer expectations?

SALES UP
How to turn excellence into market share gains?

- **OPPORTUNITIES**
- **HURDLES**
- **KEY LEVERS**
- **KEY SUCCESS FACTORS**

We chose a comprehensive approach and interviewed more than 60 top sales/aftersales executives and industry experts

STUDY/ APPROACH

- **Face-to-face interviews with more than 60 European top executives**
  - Vehicle manufacturers
  - Wholesalers
  - Retailers
  - Captive Finance providers
  - Analysts and academia

SCOPE/ COVERAGE

- All distribution levels from vehicle manufacturers, wholesale to retail
- All relevant functions from new/used card sales to after sales and leasing/financing
- (Western) Europe's top markets

JOINT INITIATIVE

- Study carried out by Roland Berger Strategy Consultants and IBM GBS Consultants in Spring 2007

IBM Roland Berger Strategy Consultants

Our study delivered the key levers to improve sales performance and reduce cost

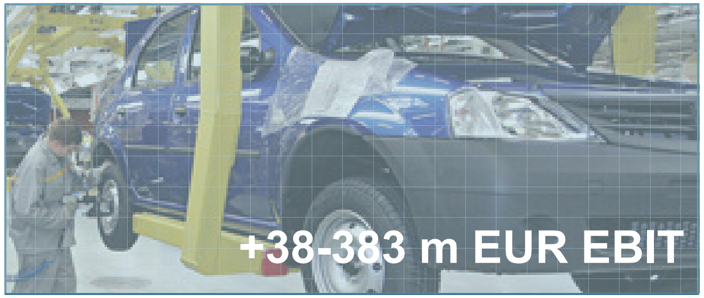
KEY LEVERS

SALES UP +11%

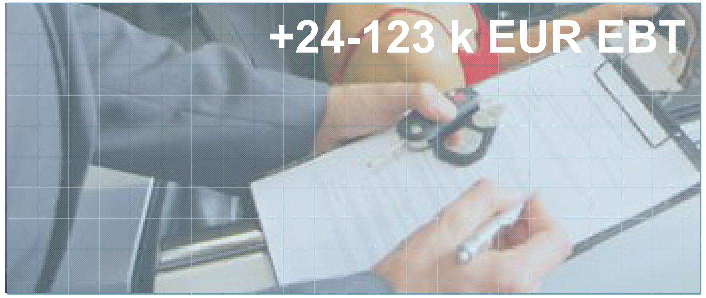
- Qualification of dealers/sales-people
- Cooperation of sales, after sales and captive finance

COST DOWN -12%

- Professional incentive/discount management
- Incentive reduction through limited intra-brand competition



Substantial EBIT/EBT increase for both OEMs and Retailers achievable



To improve network performance and maximize joint value creation stakeholders should follow 11 key recommendations

Key levers to improve performance

SALES STRUCTURE
1. Optimize your retail network !
2. Clean up your wholesale structure !

PEOPLE
3. Collaborate within the network !
4. Remove functional silos !
5. Qualify your retail network to the next level !

MARKET & CUSTOMER ORIENTATION
6. Know your customers (current and potential) !
7. Get to grips with incentives !
8. Live the brand !

SEGMENTS
9. Market used cars !
10. Don't forget the other half (fleet) !

11. Dare to follow your long-term strategy !

IBM

Roland Berger
Strategy Consultants

Long-term success is based on built-in profitability and determination to implement the necessary changes

Strategic guideline to maximize value

TODAY

- Ensure outstanding customer experience at the POS and maximize your brand's value
- Restructure retail networks to ensure a "built-in" minimum dealer profitability
- Align your organization to maximize your profits along the lifecycle of your customers and their cars

Imple-men-tation

Brand value up

Customer satisfaction up

Profits up

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