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# The Car Industry's Change in the Last Decade

## - A case study on consumer and dealer behavior

**Abstract:**
During the last decade the number of visits an average car buyer makes to car retailers has drastically decreased from five (in 2005) to 1.3 (in 2013). Currently, there is no academic research as to why this change has occurred. Many OEMs (Original Equipment Manufacturers) in Sweden have experienced this shift and are actively working with the retailer network in order to adapt to it. However, there are no academic theories or research projects that deal with the issue or evaluate how the retailers and OEMs should react. This essay performs a case study of Opel Sweden in order to solve those questions. To do this, six different Opel retailers are examined and interviewed along with examination of the evolution of car consumer behavior during the last ten years. The investigation reveals that consumers have shifted their early stages of the decision-making process from dealerships to online platforms. Furthermore, indications show that there are differences between inhabitants in small towns and metropolitan areas regarding their view of whether car purchases are transactional or relational. It is found that dealers have adapted to the altered consumer behavior in the service encounter phase. However, dealers have not made any remarkable changes in meeting the customer already online more than providing product information. The study finds that if the retailers want to remain competitive, they need to shift their service encounter from dealership towards online platforms. Lastly, OEMs are affected of this in the sense that they in the future possibly could be able to cut some dealers out of the supply chain and instead undertake the responsibility of customer contact by providing online services directly to consumers.

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# 1. Introduction

## 1.1 Background

*"I have worked in the car industry for over 25 years, and I have seen more change in the last five than I did during the first twenty. In 2005, the average car buyer visited five different car dealers. In 2013 that number had decreased down to 1.3."* (Rory Harvey, Head of Sales Opel Europe, 2014-01-14)

At a retailer conference held by Opel Sweden in January of 2014 the European Head of Sales stood on the scene and presented the latest news about the sales process of cars. He explained that the average number of visits a normal car buyer makes before purchasing a car had decreased from five in 2005 to 1.3 in 2013. This means that there have been drastic changes in the way people buy cars within the last decade. Furthermore, he also explained how he has never seen such a volatile and changing environment as the one in the car industry during the last couple of years. Subsequently, he emphasized that it was essential for Opel and its dealers to react to these behavioral changes among the consumers. The aforementioned quote and the presentation held by the Head of Sales sparked the initial interest that later evolved into this thesis.

When discussing this matter with the CEO and Marketing Manager of Opel Sweden, they explained that this was quite new information for them. They had realized that there has been a change in behavior among the consumers as smartphones and tablets have become more popular. However, they also realized that Opel had not actively changed the way they worked according to this new information and neither had their retailers.

There are three actors in the car industry that are interesting with regards to the aforementioned change experienced in the last decade. Firstly, there are the consumers who buy the cars, and secondly, there are the dealers who sell the cars to the consumers. Lastly, there are the OEMs (Original Equipment Manufacturer) who are the ones who import the cars and provide the dealers with them. Thus, in order to properly analyze the change in the buying behavior one must consider these actors in the car buying and selling process.

## 1.2 Problem Area

*"The 'tire kickers' have moved online."* (Martin Jonsson, Marketing Manager Opel Sweden, 2014-02-04)

According to the management team at Opel Sweden and the European headquarters, there has been a shift in the behavior of car buyers. Due to this shift there has also arisen a consequent lag in the behavior of car retailers – there is large difference in how they think and act throughout the buying process. According to Jonsson, if there is a too big of a gap between the buyer's and seller's positions in the sales process, the company runs the risk of losing out on a sale. If the buyer is in the final stage and wants to discuss price while the seller is in the beginning of the process, they simply strive for different things and have not understood each other. The buyer might feel that the seller is not listening and might therefore be offended and change his or her mind, Frieberg (Head of Sales, Opel Sweden) emphasizes. Herein lies the fundamental problem that will be the area of focus in this study. In short, Opel has identified a discrepancy between the parties in the buying and selling process of cars, however, they are not aware of why this discrepancy exists or how big it is.

The evolution of this process is not only affecting Opel, but according to our pre-study it is applicable to all OEMs, which deepens the usefulness of examining this problem. There is a complexity to the way cars are sold because the retailers, more often than not, sell multiple brands. Thus, if each and every OEM prefers the retailers to act in a certain way, the dealers might receive mixed signals. This potential competition between the OEMs will also be examined in this thesis, as it is possible that it affects the dealers' way of working and their sales processes.

Researchers have in recent years discovered how much the consumers use the Internet and how mobile devices have facilitated shopping from home (PostNord, 2013). This is something that has affected not only the car industry, but also many other industries in Sweden. Many shoppers research a product online before they go to the store and buy it or order it online (PostNord, 2013). Thus, this thesis will also investigate a general problem that is prevalent in many industries.

## 1.3 Purpose & Research Questions

Currently, there are no extensive studies regarding the development of consumers' and car dealers' behaviors and interaction in the car sales room. However, since the topic is up-to-date and highly relevant to OEMs and dealers, a study on the topic has been asked for by many of the firms that we have been in touch with in our pre-study. Thus, the purpose of this thesis is to explain the past and present behaviors of consumers and dealers in the car buying process and consequently investigate the differences between the two parties. We will examine the change in these processes during the last decade and put much effort on straighten out the consequences for the dealers and OEMs. Our hope is that the concerned parties can use the insights in this report in order to get closer to the situation they face and as a result, understand how to adjust to the developments and even out the possible discrepancies.

In order to fulfill the purpose of this report, we decompose the analysis to the following three questions:

- How has the behavior of car consumers changed in the last decade?
- Has the behavior of car dealers changed in the last decade in response to the consumer behavior? If so, how?
- What implications regarding sales do the behavioral changes bring to the dealers and OEMs?

## 1.4 Delimitations

Since the topic is very wide in general, it is essential to narrow it down in order to be able to study the situation in-depth. The first delimitation to this thesis is that we only examine the Swedish personal car industry. This is due to the fact that consumers and retailers act differently on different markets, depending on how mature the markets are (KPMG, 2014). By not involving other markets than the Swedish, we manage to stay consistent.

Furthermore, since our pre-study indicates that the dealers' behavior are affected by the number of OEMs whose cars are sold, it is interesting to divide the retailers in such way that the phenomenon can be studied. Peter Steiner, Sales Manager in Volkswagen Group, has pinpointed that the retailers do not have a problem with different types of

instructions since their cars are almost entirely sold at retailers that only sell VW Group's cars, and thus receive consistent information and guidelines from the same entity. This indicates that if it would be the other way around, i.e. the dealers would sell several OEMs' cars; it would probably have affected the dealers' behavior and their way of working.

Thus, we will classify six retailers in three different categories:

1. Exclusive: retailers who only sell Opel cars
2. Focused: retailers who sell Opel cars and one other brand's cars
3. Multi-brand: retailers who sell Opel cars and more than one other brand's cars

Moreover, the selection of retailers will also represent geographical diversity, meaning that we will use retailers from both big and small cities. This is not something we are certain of will have any effect on the report's result, however it is important to examine the possible differences.

When examining the buyers and their behavior we will focus on new car purchases, which include both first time buyers and previous car owners, however not situations where second-hand cars are purchased. Lastly, we will only examine their behavior up until the moment of purchase.

## 1.5 Definitions

OEM – The abbreviation is short for Original Equipment Manufacturer, which is the term for the firm that produces the final product in order to make it available for sale on the open market. In the car industry, the product is not sold to consumers by the OEMs, but by the dealers. On paper, Opel Sweden is a subsidiary to Opel Europe, who is the real OEM. However, in our case we treat Opel Sweden as an OEM due to the fact that Opel Sweden and Opel Europe are treated as one single entity by other actors further down the supply chain.

Dealers – Dealers are actors with physical retail stores that sell OEMs' products. In this report, six different car dealers are interviewed.

Behavior – We apply the term behavior on both consumers and dealers. When using the term in connection with consumers, we refer to the purchase behavior in certain parts of the decision-making process. When it comes to dealer behavior, the word refers to certain parts of the dealers' sales process.

Good Better Best – Opel's new program, which intends to educate their retailers on how to attract customers from the web into the dealerships. This includes how to get contact with prospects online, engage customers on the website and how to handle sales requests.

### 1.6 Thesis Outline

The first and current chapter of the report is the introduction and prefaces the study. Hereafter, the division of the chapters will be structured as follows. Chapter two will describe our pre-study. The third chapter will describe the method we use to produce and structure the essay as well as gather information. Thereafter, chapter four will discuss the literature review while chapter five will present the applied theory and adjacent topics that are relevant to our study. In chapter six, we will show the empirical findings of our interviews with car dealers, consumer data reports and our mapping of the Opel's supply chain. This will be followed by an analysis in chapter seven by comparing the dealers with each other and with consumer data. Finally, we will present our concluding discussions in chapter eight, wherein the managerial implications part will play a large role since it will answer one of our three research questions.

## 2. Pre-study

### 2.1 Why a Pre-study?

Due to a close collaboration with, and extensive insights into, Opel Sweden we understood that they experienced the last decade's changed consumer behavior as a challenge. However, instead of relying on a single firm and its encounters, we believed that the topic would be more interesting if several OEMs faced the same challenge. By examining more actors, we would be able to generalize our conclusions in a more

trustworthy way. As a consequence, we chose to conduct a pre-study with more OEMs than only Opel.

## 2.2 Method and Process of the Pre-study

We chose to talk to only OEMs, since our case study is mainly targeted at OEMs. The pre-study's interviews were performed by telephone and email, depending on the convenience for the interviewee. Since there were not too many questions to ask for the pre-study, face-to-face meetings were not required. The interviews by phone took roughly 15-20 minutes each. In total, managers from five different OEMs were interviewed; BMW Group, Audi, Mazda, Honda and Volkswagen. In addition to these, we already had Opel's viewpoint.

| Date | Interviewee | Position | OEM |
|---|---|---|---|
| **4th Feb, 2014** | Martin Jonsson | Marketing Manager | Opel Sweden |
| **26th Feb, 2014** | Thomas Sandahl | Advertising Manager | Audi |
| **27th Feb, 2014** | Peter Steiner | Sales Manager | Volkswagen |
| **27th Feb, 2014** | Jonas Stjernlöf | Sales Manager | Mazda |
| **3rd Mar, 2014** | Fredrik Ellsäter | Marketing Manager | BMW Group |
| **5th Mar, 2014** | Jonas Lindow | General Manager Sweden | Honda Nordic |

*Table 1: An overview of the pre-study interviewees*

## 2.3 Design of the Pre-study

In order to obtain as much information as possible from the pre-study, we chose to split our interview questions in two sections, where both parts were closely related to our objectives presented above. In the first part, we wanted to check if the OEMs had experienced a development that could confirm what we already knew from the case of Opel. Here, we were quite straightforward and asked the interviewees directly regarding the perceived problems we had become aware of, and if they also had had experience from the area in question. In the second part, we let the interviewees speak freely on what changes and developments they had faced and what they think it had depended on.

## 2.4 Findings from the Pre-study

When discussing recent behavioral changes of the car consumers, all of the company representatives had similar comprehensions. Following are the main findings that we gathered from the pre-study.

### 2.4.1 Consumers' Behavioral Changes

As expected, all of the OEMs had perceived behavioral changes of the car consumers. However, these changes had not occurred on a day-to-day basis but instead gradually over a long period of time. Today, the consumers are better prepared when they visit the dealers. They are closer to the actual purchase in the purchase process, which involves that they are more informed than ever when arriving at the dealer. Earlier, the average consumer went to the retailer when they got interested in buying a car in order to gather information from the dealer. Currently, the average consumer only visits the retailer when he or she almost already has decided to purchase a specific car.

The decrease in traffic in the car showrooms probably depends on the fact that the consumers are more educated. According to Ellsäter, Marketing Manager BMW Group, more than 90 % of car consumers have visited the brand webpage as well as other sites on the web in order to search for information prior to the dealer visit. However, the purchase is still done at the dealers'. Research is done on webpages, where consumers diligently use for instance "build your own car" software online.

### 2.4.2 The Dealers' New Role

Due to the behavioral change of consumers, the dealers need to take on a new role. It no longer works to be providers of information about specific product details, but instead dealers need to play a role as a guide through the entire purchasing process. However, the sales staff still needs to be updated with the latest product information in order to keep up with the consumers' increased level of knowledge. Thus, as a consequence to the consumers' behavioral changes, some OEMs have educated the dealers' employees to such an extent that they have become experts within the brand in questions. For instance, Mazda tries to ensure that there is at least one Mazda brand specialist in each car dealership. According to Stjernlöf, Sales Director Mazda, this is of huge importance because if the consumer and the salesman are in two different stages of the purchase process, there is a high risk for the salesman of losing the deal. Thus, the salesperson

needs to be very educated in his or her area and understand what the consumers' intentions are.

### 2.4.3 Proactive Work

According to Lindow, General Manager Sweden Honda Nordic, actors in the car industry need to adapt to the changed consumer behavior by reaching out to the consumers already before their visit to the dealers. Thus, OEMs now try to capture the customers early in their purchase process by improving their digital presence on the Internet. By improving their websites and offering online car configurators, consumers can build their desired cars digitally and get all information where they find it convenient. However, the OEMs do not only try to improve their own webpages, but also push the dealers to optimize theirs. This solution is a valid point to bring up since it has a lot to do with our second research question. We will study this development by interviewing dealers and elaborate more on this in the report.

### 2.4.4 Mixture of Brands

In our pre-study, we repeatedly heard that one factor that has affected the dealers' behavior is the amount of different brands that are sold in their showrooms. Depending on how many OEMs the dealers must take instructions from, they get into more or less complex situations. The more OEMs involved, the more desires and instructions to handle for the dealer. This multi-brand model implies that the dealers get affected a lot, since much focus is on the OEM that has the best campaign for the time being. In addition, there is an increased amount of information that the salesmen have to learn. It is not yet known how much the dealers are affected by the mixture of brands, so in order to sort it out, we use this viewpoint as a part of our method. By doing so, we can compare dealers who sell different numbers of brands and consequently analyze if there are any differences between them. Therefore, we divide the retailers into three categories in the main study.

## 2.5 Conclusions

Our pre-study provides us with rich information and gives us a better understanding of the situation in the current Swedish car industry. Even though we posed questions that were somehow only touching the relevant subject slightly, many of the respondents really

came back to the actual topic and pinpointed that they thought the challenge we had brought up was of great importance to study.

The pre-study delivers deeper insights into the challenges that dealers and OEMs face, but we choose not to re-define the research questions or change our focus of the study. The main reason for it is because our already chosen topic is of large interest for the OEM representatives, all of whom claimed they would gladly take part of our findings in this specific area. In addition, some of the interviewees emphasized that they think the problem we are discussing is highly up-to-date. Though, we take advantage of our newfound information and use it to take into account more aspects than first determined.

Finally, this pre-study now allows us to work towards a generalization of our conclusions and enhances managerial implications for all OEMs in Sweden rather than only Opel.

# 3. Method

## 3.1 Research Structure

According to proprietary research performed by Opel, the car industry is experiencing a challenge where the consumer behavior is, and has been, changing. After discussions with the management at Opel Sweden we decided to perform a pre-study where we interviewed managers at some of the OEMs in Sweden, in order to understand if this was a specific problem for Opel or an industry wide challenge. In the pre-study we targeted both large and small companies (both with respect to market share in Sweden and in terms of production per year) to get an as diverse sample as possible. The result of the study showed that all car companies have experienced the same challenges and are actively working with this. Furthermore, all of them considered the thesis idea as useful and interesting.

The research method for this thesis is an abductive qualitative case study since we chose to mix inductive and deductive methods. The study is based on interviews and participant observations as well as industry and consumer reports. A qualitative approach is appropriate when examining groups and organizations (Strauss and Corbin, 1994) and

contributes to obtaining a deeper understanding into the data (Ghauri and Grønhaug, 2010). Furthermore, the case study design is good for helping us in the process of collecting, analyzing and interpreting our observations (Nachmias and Nachmias, 1992). We chose to perform a qualitative study due to the fact that our focus is quite wide, both in terms of time span and process (Bromley, 1986). The thesis will examine the behavior of car sales personnel, car consumers and subsequently evaluate these in order to find and propose a good solution for the OEMs. Moreover, Merriam (1994) proposes the qualitative case study for when one wants to investigate the dynamics behind a process, which is exactly what is being done in this thesis. These arguments are also supported by Bryman and Bell (2007) who claim that a qualitative study is recommended when writing a descriptive thesis and wishing to understand the entirety of situation. The final result and conclusions will be based on the findings and observations from the research process.

### 3.1.1 Case Study

The structure of the study is based on a central case study of Opel Sweden, which is supported by two subsets of studies. More specifically, on the sales side we will perform six case studies and on the consumer side we will utilize information from these case studies as well as use industry and consumer reports along with interviews with Opel Sweden employees. The choice of case studies is validated by Foreman (1948), who argued that due to the subject matter being quite un-researched academically, it is appropriate to perform a case study.

There are always both advantages and disadvantages when choosing a certain research method to use, and it is essential to weigh the positive side versus the negative. In this thesis, the advantages of using case studies thoroughly overshadow the shortcomings. As described previously, the thesis idea is very well fitted for case studies, which let us produce a holistic description of a process in an unexplored area of research. Nonetheless, there are some drawbacks as well – the main one being the risk of oversimplifying or overcomplicating the factors of the evaluated process. Subsequently, one is faced with the risk of reaching an erroneous conclusion (Merriam, 1994). Furthermore, a common weakness for case studies is the lack of generalizability (Merriam, 1994). However, there is disagreement in the academic world regarding this problem and its legitimacy. Nevertheless, we believe that the results of this thesis will be

generalizable to the actors within the car industry since the actors are very similar regardless of brand. In conclusion, the positive aspects of using case studies have much greater impact than the negative aspects and that makes it the most useful and appropriate method.

According to Yin (2009) there are three different types of case study – explanatory, exploratory and descriptive. A descriptive case study can be used to describe processes and their context in detail. Since we aim to thoroughly scrutinize the sales and buying process of new cars, performing a descriptive case study is the best path to follow.

### 3.1.2 Interviews

The thesis's main source of information is interviews with employees at Opel Sweden and participating retailers. All interviews are personal interviews where we visit the offices of the targeted companies. However, this does not apply to the pre-study, where we performed telephone and email interviews. The interview questions are derived from our research questions as well as the academic theories we use in the thesis, in order to maximize the relevancy of the answers. We use semi-structured qualitative interviews instead of quantitative because they deal with the characteristics of the matter, rather than the measurable traits that is typical for quantitative studies (Kvale, 1996). Furthermore, in order to guarantee the quality of the interviews, we have prepared by researching how to execute them correctly. Since we follow a semi-structured interview pattern we have constructed documents with questions (Bryman and Bell, 2007). For the retailers, we use the same questions for all three categories with the minor difference that we ask the Opel Exclusive retailers about how they *think* another brand would affect them if they would include it in their assortment. According to Trust (1997), one should not ask *why* in response to the interviewee's answers as it may cause them to become uncomfortable. Thus, we follow the guidelines in order to acquire the best possible answers from the interviews. The question list used in our semi-structured interviews can be found in Appendix 1.

### 3.1.3 Ethnography and Participant Observation

Since we are examining the situation that occurs in the car sales room we want to access the actual meeting of the salespeople and the customers. This allows us to observe the situation first hand and get a close look at how the parties behave and interact. Thus, this source provides information about both the retailers and the consumers. Instead of

relying solely on the interview answers from the retailers we document the conversations and emotional expressions of the salespeople and consumers in a live environment.

We gained access to do the observation at Expoautos in Sollentuna. In order to not affect the relationship between seller and customers we chose a covert approach as a complete observer (Bryman and Bell, 2007). We took turns following the salesmen at Expoautos pretending to be new employees and "salesmen in practice", who were there to learn. The covert approach allowed us to not interfere with the behavior of the consumers. However, we could not perform this without letting the salesmen know we were observing them, which might have caused them to act differently than normal. Nonetheless, all participating sales personnel had more than 20 years of experience in the sales industry and we believe that they were not affected and were acting as normal. During the interaction periods we took mental notes of particularly interesting events and after the encounter we wrote them down. The observations were made during a Saturday (the busiest day for car dealers) and we made a total of five observations. These observations would contribute to greater understanding of the subject in question. Furthermore, this increased the reliability of the thesis as we could compare the retailer's answer with their actual actions (see chapter 3.4.1).

### 3.1.4 Industry Reports and Consumer Behavior Reports

Incorporating primary and reliable consumer data is not possible in the scope of this thesis in the given time frame. Thus, instead of performing our own survey on car consumers we use already existing reports from the car industry and reports on consumer behavior. The advantages of doing this is mainly that we can get high-quality data and simultaneously saving a significant amount of time. However, the disadvantage is that we lose the familiarity with the data that one can achieve with proprietary research (Bryman and Bell, 2007).

## 3.2 Theory Selection

We choose to apply marketing theories that we can link and match to the findings in our case study. Since we are examining retailers, consumers and OEMs we need models that cover all these actors.

When analyzing the retailers, we use theories involving the sales process, with focus on the preparation stages until and including the actual transaction. For the consumers, we have decided to use theories that deal with and explain the buying process and the decision-making process involved with high-involvement purchases. We did this because together they cover all the relevant aspects of the consumer behavior that lead up to the transaction. However, we adapt some of the theories and exclude the parts that are not relevant to the scope of this thesis. For example, both in the buying and selling processes, we are not interested in examining the post-purchase behavior and therefore we exclude that specific part of the theory. In order to properly analyze the effects on the OEMs and reaching conclusions regarding what their consequences will be, we apply a supply chain model that looks at all relevant parts of the supply chain.

## 3.3 Data Collection

### 3.3.1 Literature Review

Our primary sources are exclusively interviews. To be able to optimize our results and interview answers, we establish a solid foundation of previous research. However, we are not able to find any research on the topic of this thesis so instead we have to focus our investigation into adjacent areas of research. Rather than looking at research about our subject, we gather information from academic articles and reports that deal with subjects that partially touch ours.

### 3.3.2 Selection of Companies

On the sales and retailer part of the thesis, we perform smaller case studies of six retailers divided into three categories. The category division is made in order to examine whether the number of brands a retailer sells affects their behavior. Since all of the interviewed companies in the pre-study (along with Opel Sweden) explained that they are working with the matter, it is reasonable to believe that they might affect the retailers' behavior. The categories are designed as follow:

1. Exclusive: retailers who only sell Opel cars
2. Focused: retailers who sell Opel cars and one other brand's cars
3. Multi-brand: retailers who sell Opel cars and more than one other brand's cars

Another factor in the choice of retailers is to target one retailer in each category that represents a small town and one that represents a big town. This is made due to the fact that we want to evaluate if there is a difference in consumer behavior in small and big cities. As a consequent step we will be able to see if the retailers express different opinions about the consumers and if this affects the retailers' behavior in any way.

The different characteristics of the dealers help bring variation to the sample and increase the level of complexity of the case studies. In order to maximize the diversity of the companies and simultaneously keep the project executable within the given time frame, we have chosen to include these mixtures of characteristics.

### 3.3.3 Interviewees

When approaching the car retailers we contact persons of interest who we consider to be well fitted for our thesis. It is essential that the interviewees are in positions that give them insights into the sales process and interact with the sales staff and/or customers directly. The interviewees are in positions as CEO, Head of Sales and Brand Manager in dealerships. Furthermore, we interview the Marketing Manager and Head of Sales at Opel in order to gain information about both consumers and dealers. Both authors are present at all interviews to minimize individual biases (Voss et al., 2002) and to improve the probability to detect any unforeseen or diverging findings (Eisenhardt, 1989).

## 3.4 Quality of Research

In order to assess the veracity and trustworthiness of the thesis and assure a high level of quality in the research it is essential to guarantee the reliability and validity of the study (Yin, 2009; Bryman and Bell, 2007). Reliability and validity are closely connected and intertwined and according to Patel and Davidson (1991) one must establish full validity before one can achieve reliability.

### 3.4.1 Reliability

Academic reliability is described as and measured by the likelihood of the results of the thesis being repeatable. To assess the reliability one must answer the question whether the measures and the consequent results are consistent (Bryman and Bell, 2007). Achieving reliability in a qualitative study with deep interviews is difficult as one is dealing with human beings whose thoughts and minds are dynamic, which might cause

the answers to differ and fluctuate over time (Merriam, 1994). In order to avoid this pitfall and mitigate the risk we structure our interviews with non-leading and objective questions. Furthermore, we perform an observation at one of the retailers during their work. By comparing the actions of the salespeople during this observation to the answers we receive during the interview we can gauge whether or not the interviewee is truthful in his responses. One negative aspect of this process is that we can only perform an observation on one of the retailers, which lowers the generalizability of the observation but nonetheless gives us valuable insight to their work. However, Merriam (1994) proclaims that the results of a qualitative study can be reliable regardless of the underlying foundation and research design because it is nearly impossible to achieve an absolutely truthful result in a qualitative study. The observations confirm the answers that Kamryd gives us during our interview, which assists us in strengthen the reliability in that specific part of the report.

### 3.4.2 Validity

There are three different parts to review when asserting the validity of a thesis and these are internal, external and construct validity (Bryman and Bell, 2007; Yin, 2009). Firstly, internal validity evaluates whether or not there is a causal relationship between our conclusions and reality. Furthermore, internal validity deals with the fact whether the thesis presents an accurate picture of reality that makes sense (Miles and Huberman, 1994). If a proposed conclusion does not live up to the internal validity requirement, then it is not reliable. Guba and Lincoln (1985) emphasize that if internal validity is not achieved it is not possible to assert reliability for a conclusion or the thesis overall. Thus, it is useless to attempt to replicate the results as they are not connected to reality and based on false assumptions. With regards to this essay the internal validity is very much connected with the reliability due to the fact that one can never achieve completely unbiased truth in a qualitative study, which is argued by Merriam (1994). LeCompte and Goetz (1982) further argue that it is almost impossible to replicate a qualitative study as it deals with dynamic situations at a certain point in time. When one attempts to replicate it completely, the environment and surroundings might be different, which may cause dissimilarities in the results. By using our observation at Expoautos as a mitigation tool we can only evaluate the likelihood of truthfulness in our obtained answers and subsequent results and conclusions. Our observation at Expoautos was strongly congruent with Kamryd's answers, which indicates that we have achieved internal

validity. Furthermore, by comparing the answer from the six different retailers along with the OEM interviews and consumer data we can further assure the internal validity.

External validity is the second part of the thesis's total validity and measures the generalizability of the essay beyond the specific environment in which it is performed. The final purpose of this essay is to be able to generalize the results to all OEMs in the car industry; it is not plausible that the results are applicable to the same extent in any other industry. However, it is possible that one might be able to draw parallels to similar situations in other industries but as mentioned before, the aim is to generalize the findings to the car industry. The choice of interviewees becomes very important as a way to assure external validity and thus, we decide to interview retailers with different characteristics across three different categories. As mentioned in chapter 3.3.2, we divide the selected retailers into smaller categories with regards to two different aspects in order to examine them in the best way possible. One of the breakdowns is based on the number of brands that a retailer sells. This is due to the reason that in our pre-study, the interviewees responded that the number of brands has impact on the sales process, which implies that there are differences between the groups Exclusive, Focused and Multi-brands. By examining the differences in depth, we might find a coherent pattern that can lead us to conclusions about how sales processes are affected. Consequently, we might be able to connect the findings with our second research question. In addition, the same goes for whether the car dealer is situated in a large or small town. Even though no pre-study interview indicated that there would be any remarkable distinctions, we still choose to examine the possible differences. This is due to our own notions that there could be dissimilarities depending on where in the country the retailer's average consumer lives, because of different levels of technological advancement across the country. By examining this aspect, we might be able to connect the findings with our first research question. These two aspects are important since we do not expect *all* car dealers and consumers to have changed in the same way, but instead depending on their circumstances. In order to be consistent with regards to the knowledge of our interview persons we choose whom to interview based on their insights into the Opel sales process. Therefore the positions of the interviewees differ between the different firms. Due to the organizational structure of the different firms, people with different positions correspond to the same amount of Opel insight. For example, the CEO at one retailer

has more or less the same level of insight as the Head of Sales at another due their different structures.

The third and final part of the validity of the thesis is the construct validity, which evaluates whether the essay actually measures what we intend for it to measure. It is very much related to reliability as construct validity assumes that all other measures in the essay are reliable. If a measurement method or target is unstable in nature (meaning that it is not consistent in its results) it is not suitable as a source for valid measurements (Bryman and Bell, 2007). Our primary tool to ascertain construct validity is to diversify within our sources while being consistent in our processes. Furthermore, the construct validity is improved by using suitable and relevant academic theories for the subject at hand.

# 4. Literature Review

In this chapter, we elaborate on previously written literature that touches our subject as well as important statistics on particularly the technological advancement. We also discuss relevant topics that are closely related to the background of our questions. The first section is about the advancement of technology and how it has revolutionized the markets in Sweden. It is followed by the literature on service encounter, which involves the customer's direct interaction with the product and/or service.

## 4.1 Technology Advancement

The access to the Internet in Sweden has firmly increased from 2 % in 1995 to 89 % in 2012, but the exposure is now slowly starting to halt (Findahl, 2012). However, the use amongst those who already have access is still increasing, especially in the younger age groups. The main reason for Swedes not using the Internet is simply because they are not interested in it. In 2013, 1.1 million people were estimated not to be using the Internet. Even though it can be considered a large number in Sweden, it is still an improvement for Internet using since this group corresponded to 1.5 million people in 2010 (Findahl, 2013).

In addition, tablets have lately become widely popular. Today, one third of all the Swedes have access to a tablet, in which they can access Internet smoothly and easily. This is comparable to only 2 % in 2010. Furthermore, in three years Sweden has seen an increase from 22 % to 65 % when it comes to Internet usage on smart phones. This is a huge growth and it is important to mention that the portable devices have not replaced the laptops and computers, but instead added to them (Findahl, 2013).

According to Findahl (2013), the total household income plays a part when it comes to Internet usage. The higher the income is, the larger use and access of online platforms and devices. This relation is apparent when it comes to smart phones, but mostly regarding tablets. Since the income in general is higher in metropolitan areas, for instance in Stockholm (Statistiska Centralbyrån, 2013), it is reasonable to assume that Internet is more frequently utilized in larger cities.

### 4.1.1 E-commerce's Role in Retail

Hand in hand with the evolution of the Internet, e-commerce has grown big. 84% of Internet users have by the year of 2013 sometime in their life purchased a good or service on the web, which is comparable to only 54 % in year 2005 and 10 % in 2000. The 84 % figure equals 72 % of the Swedish population (Findahl, 2012). The numbers are striking; the turnover in the e-commerce business was 31.6 billion SEK during 2012, which is comparable to only 4.9 billion SEK in 2003 (PostNord, 2013). At the same time, the worries of credit card frauds have decreased remarkably during the last ten years, which welcomes businesses and transactions over the web more than ever before (Findahl, 2012). It is also relevant to mention that not only purchases over the Internet have increased, but also online search for product information prior to a purchase either on the web or in a physical store. Almost 90 % of the Internet users utilize the web for product information (Findahl, 2012). The reason to why consumers search the web for gathering product information is mainly because it lowers the search costs (Goldmanis et al., 2009). In short, cost and price are important factors when it comes to Internet browsing. As a matter of fact, it is the number one reason behind online transactions (Cap Gemini, 2012).

### 4.1.2 Evolution of Buying and Selling Cars

Rubenstein (2001) means that the way vehicles were manufactured changed radically in the late twentieth century, but on the other hand the way vehicles were sold changed

remarkably little. Vehicles reached consumers in the late twentieth century more or less the same way as in 1950, which was through several small, independently owned dealers. At this time, people were not able to see car prices on stickers, but instead needed lengthy conversations with salespeople. With the World Wide Web easily accessible, this was changed quickly, and consumers could now compare car prices from home. In 2002, 20 % of Cap Gemini's survey participants said they went online to do their research on the web before buying a car (Cap Gemini, 2012). By the same time in the U.S., only 1 % was willing to purchase a vehicle online due to unfamiliar buying environment (Rubenstein, 2001). According to Cap Gemini's study of Cars Online (2012), 97 % of today's car shoppers in mature markets start searching for information on the web and by the time they are in the dealer's showroom, they are already well educated. However, Molesworth and Suortti (2001) found that there is a resistance to adopting online car purchase overall, but that a relative advantage is recognized at the early stage of the purchase. As can be seen in the figure below, online services welcome consumers to the initial stages of the car buying process, while others involve some barriers that one needs to overcome. Nevertheless, Molesworth's and Suortti's (2001) findings are contradicted by the CEO of KVD Ulrika Drotz Molin, who states that we are facing a new era in the car industry since 90 % of the consumers on the online used-car dealer platform KVD purchase their cars without physically seeing it in advance (Ehandel, 2014).

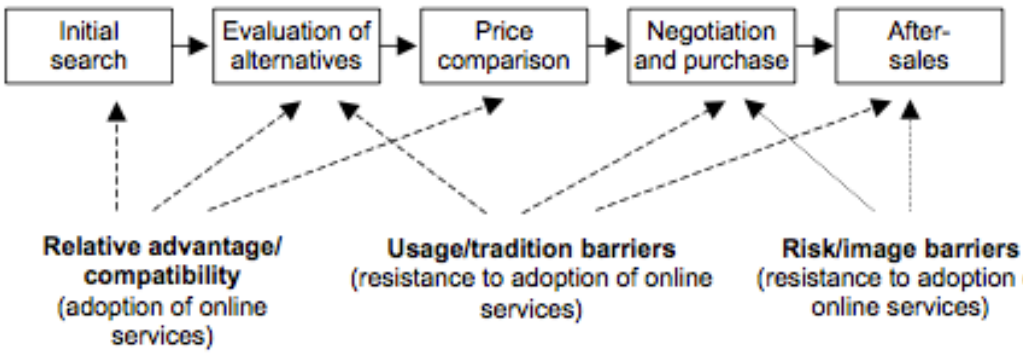



*Figure 1: Barriers in adoption of online services throughout the automotive buying process (Molesworth and Suortti, 2001)*

In the current car industry, consumers still cannot use online channels to bypass retailers and purchase from manufacturers directly. However, they find it easier to learn about products from dealers that they were not aware of earlier (Goldmanis et al., 2009). In fact, in U.S. the number of large car dealers has increased slightly since the birth of e-

commerce, while smaller dealer establishments have decreased in numbers. The fact that retailers are better recognized and easier found by consumers on the web might have given rise to a larger interest in launching a car dealership (Goldmanis et al., 2009). Moreover, dealers' and OEMs' websites are of heavy importance for consumers. In fact, if consumers are not happy with the first "touch point" (OEM's or dealer's website), they turn to another even before they visit a showroom (Cap Gemini, 2012).

## 4.2 Service Encounter

Service encounter is the moment of interaction between the customer and the firm. This is of heavy importance in our study since large parts of both the customers' decision-making and car dealers' sales processes involve parts that fall into the period wherein the service encounter occurs. Ratchford et al. (2007) find that the Internet substitutes time spent at the dealer and negotiating prices. Therefore, a large part of the time the customers put in their pursuit of purchasing a new car has started to shift from the physical retailer to the web. The average time spent interacting with the dealer has decreased by one hour due to the increase in Internet usage (Ratchford et al., 2007). From another point of view, the dealer looses one hour of interaction with the customer, which means that there is a much higher importance than before to focus on online presence. On the other hand, physical sales encounters affect buyers' trustworthiness perceptions. Salespersons' verbal and non-verbal cues influence a buyer's judgment of the staffs' expertise and likability, while a business's physical appearance affects the perception of the firm's capability (Wood et al., 2008). These findings involve that the moment of physical service encounter is of high importance to the retailers since these characteristics influence customers' perceptions.

## 4.3 Conclusion

As we can see, there is no previous research or study done on exactly our topic. We have hardly found any new data regarding sales encounters in the automotive industry, which indicates that there is a gap between the research and the current situation in the car industry in Sweden. In fact, there is research done in the area of how consumers have changed in their general behavior as a public mass, but not particularly how they behave in detail in the car sales room nor how the dealers adapt to the consumer behavior. In addition, there does not seem to exist any relevant research on how OEM's should work

with and handle the eventual discrepancies in the future. In short, there is room for more research in order to both track behavior but also to find solutions on how dealers and OEMs should improve their business.

# 5. Theoretical Framework

The theoretical framework section provides the reader with models and theories that are relevant to the subject in question. Establishing these models in this part will facilitate the process of analyzing the empirical findings. Even though there are, to our knowledge, no theories regarding specifically car dealers' and consumers' behaviors and their development, there are models in the marketing sphere that can be linked to our area of interest. In order to find answers to our research questions, we structure the report with theories, which can help us analyze each question separately and explain the behaviors of dealers and consumers. Thus, we will apply one marketing model each for the consumer purchase process and the dealer sales process. In addition, we will use certain explanatory models, such as the supply chain, in order to understand the different actors' roles in the car sales process.

## 5.1 The Decision-making Process

In order to be able to determine what kind of purchase process model we are going to utilize in this report, it is very important to define the level of involvement the consumer has in the purchase. Since a purchase of a car is a high-involvement purchase (Milesworth, 2001), it is essential to keep in mind that consumers have a different mindset than in low-involvement purchases. According to Kamryd, CEO of Expoautos, a car purchase is the purchase with the next to highest value the average consumer does in his or her life (after real estate), which implicates that the consumer is deeply involved in the process. In combination with the growth of the Internet, the consumer has become very sophisticated due to the fact that almost all information and data nowadays can be extracted in advance, before the physical meeting with the salesman. Thus, the consumer can make the necessary need analysis by him-/herself and consequently the dealers only contribute with relatively low value.

Normally we would utilize The Consumer Decision-making Process (Blackwell et al., 2005), which describes the purchase process from a consumer point of view, divided in five steps. These steps include:

- Need Recognition/Problem Awareness
- Information Search
- Evaluation of Alternatives
- Purchase
- Post-Purchase Evaluation of Decision

However, due to the extreme ease of information access and ability to use benchmarks in the car industry, the average consumer is currently more aware of its needs and what is supplied in the market. Furthermore, the fact that we are not putting emphasis on neither the first nor the last step leaves us with only three stages to examine in the model above. In our opinion, the report would benefit from a deeper analysis, in which the consumers' actions and processes are studied more in detail. As mentioned before, the car consumers' possess a relatively high level of sophistication prior to a car purchase. This resembles a B2B transaction, which is why we are going to treat the consumers' purchase process as a B2B one. More importantly, a car purchase involves economic and technical choice criteria, risks, specific requirements and negotiations, all of which are characteristics of organizational buying behavior. Robinson et al. (1967) describe a B2B sales process in seven steps:

**The Organizational Decision-making Process**

1. Recognition of a problem (need): The first step of the process is about the customer realizing that it has a need of a product or service. However, we are not going to focus on this step in our report, thus it is not relevant to our subject of study.

2. Determination of specification and quantity of needed item: At this stage, the buyer draws up a description of what is required. From the sales perspective, it is possible to already in this stage influence the buyer's specifications.

3. Search for and qualification of potential sources: Speaking of today, when searching for potential sources, there are several mediums and information sites to take part of. In

general, the cheaper and less important the item, the less search takes place (Jobber, 2013).

4. Acquisition and analysis of proposals: After having determined which suppliers who qualify for satisfying the needs of the customer, proposals will be called for and analysis of them undertaken.

5. Evaluation of proposals and selection of supplier(s): Each proposal will be analyzed and compared to with the choice criteria of the customer. The outcome of this procedure should narrow the selection down to one or a few suppliers.

6. Selection of an order routine: The details of payment and delivery are drawn up. At this point, the acquisition itself has been made.

7. Performance feedback and evaluation: At this stage, suppliers can influence the buyer in such a way that the buyer becomes increasingly committed to the supplier through its involvement in the process and the technical assistance it provides. However, this step will be excluded from our report.

As one can see, the Organizational Decision-making Process model covers the whole procedure from need recognition to post-purchase actions. However, we are going to focus on step two to six due to the nature of our study.

## 5.2 Sales Process

The consumers' vast amounts of knowledge nowadays lead to an increased importance for dealers of adding value to consumers. As mentioned earlier, the car consumers' high level of sophistication prior to a purchase resembles a B2B transaction, which is why we are going to treat the dealers' sales process as a B2B one as well. To do this, we will apply Moncrief and Marshall's Evolved Selling Process of the Seven Steps of Selling, which maps the selling process in a B2B situation (Moncrief and Marshall, 2004). An earlier model, the Traditional Seven Steps of Selling conducted by Dubinsky (1980/1981), was vastly recognized and widely used for a long time period, but more and more firms have now started to move beyond this traditional model, which has given rise to the

construction of the new, evolved process. Moncrief and Marshall (2004) mean that technology development, new selling tools and globalization all have a major influence on the sales process, thus changes have occurred and consequently they have developed the new, evolved selling process.

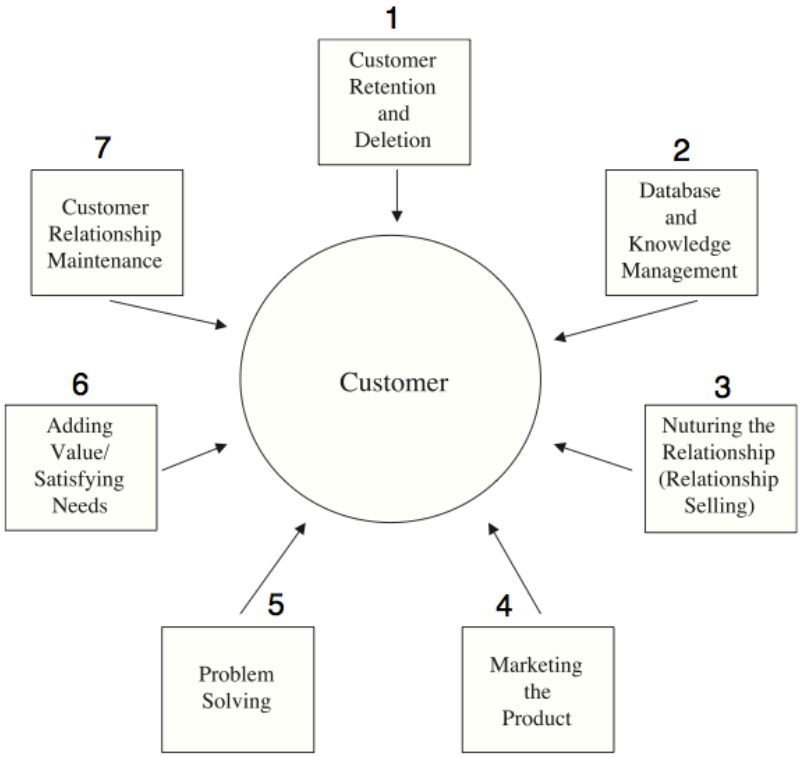



*Figure 2: Evolved Selling Process (Moncrief and Marshall, 2004)*

**Evolved Selling Process**

Moncrief and Marshall (2004) argue that the following seven steps are of importance to the sales organization:

1. Customer retention and deletion: In the traditional model, this stage was called "prospecting", which was a lot about cold calls and searching for new customers. In the modern business environment, organizations find the old 80/20-rule, which implies that 20 % of the customers stand for 80 % of the business, more common than ever. Thus, this step suggests that firms should focus on retaining the correct customers and delete or outsource the rest.

2. Database and knowledge management: This stage indicates that firms have in-depth data of the customers regarding purchase history, personal information and other

important factors. Since the information quality has improved, salespeople take advantage of this when approaching customers.

3. Nurturing the relationship: Since sales are more complex on this level, it is vital to build relationships and provide solutions instead of doing simple approaches in order to sell products. Thus, relationship selling is an important part of the sales process.

4. Marketing the product: This step is the actual sales pitch, where the salesman ought to understand the customer's demands. Much focus of the sales process is on this part because it can be rather complex, thus preparation is essential. Flexibility and adaptability are crucial factors in order to be able to market the product to the customer and many mediums can be used in order to accomplish this phase.

5. Problem solving: Consumers will in most cases have objections that the salesman needs to overcome. However, the salesman should not focus so much on overcoming objections, but instead on serving as a consultant, by consultative selling. By doing so, the salesperson is able to identify problems, determine needs and propose and implement effective solutions. The goal of the solution selling is not necessarily an immediate sale, but rather the enhancement of the relationship based on win-win situations.

6. Adding value/satisfying needs: Instead of desperately going for the close, salespeople nowadays try to add value by satisfying the customers' needs. If it is done efficiently and effectively, it can bring repeat purchases and hopefully increased customer loyalty (Rackham & DeVincentis, 1999).

7. Customer relationship maintenance: The last phase in the Seven Steps of Selling model is about maintaining the customer relationship after the purchase itself. In organizations, continual service and follow-ups are important in order to keep the customer satisfied.

In order to make sure we are analyzing the process with correct tools, we check with the dealers to learn their view on the sales process. For instance, Patriksson at Lindgren Bil means that there are differences in selling to a person in comparison to a company because the private consumer owns the process in a different way than a B2B customer.

A consumer can just walk out of the door whenever, and the process is more on his or her conditions, because Lindgren Bil cannot steer the process to the same extent as in a B2B case. However, the main pillars in the sales process between the two types of customers are strikingly similar, which most of the dealers agree with. Kamryd on Expoautos emphasizes that more and more private consumers nowadays act like professional purchasers, which causes the dealers to treat the processes as B2B ones.

By analyzing the empirical data we collect and by layering it with the theory of the Evolved Seven Step of Selling model, we hope to bring clarity to how it works in reality and consequently build arguments round our second research question. However, similarly to the consumer behavior section, we are not going to focus on post-purchase actions, thus only on step one to six in the Evolved Selling Process.

## 5.3 Supply Chain

Khan et al. (2010) describe a supply chain as a network of suppliers, factories, warehouses, distribution centers and retailers, through which raw materials are acquired, transformed, produced and delivered to the customer. By using the model of the distribution channels for consumer goods by Jobber (2013), we can map the supply chain in the car industry. Jobber describes different versions of supply chains, where consumers receive their products from various actors. The complete supply chain is shown in the figure below.




*Figure 3: Supply Chain (Jobber, 2013)*

Simply put, the producers are the actors who produce the product or service. Agents are often used when selling to foreign markets, in which the producers need help with reaching out to and communicating with local wholesalers. The wholesalers, in turn, buy the products in bulk and sell them in smaller divisions to numerous retailers due to an economic aspect. Lastly, the consumers have the final link to the retailers, whom the goods are possible to be purchased from (Jobber, 2013).

Jobber (2013) also describes the same model, but with some intermediaries cut out, which is referred to as disintermediation. As an example, in some industries and situations, the producer is able to directly deliver to the consumers without the need of agents, wholesalers and retailers. In other cases for instance, only the agent is cut out. By using the model above, we will examine how the supply chain looks Opel cars today and how it is likely to develop and affect the different actors.

## 5.4 Summary of Theories

All the theories are useful in our report since they support us in understanding the past and present conditions in the car industry. The Organizational Decision-making Process is of high relevance due to its explaining nature of how today's car consumer behaves. In addition, the sales process is highly relevant and allows us to understand today's businesses in a more up-to-date approach. The model helps us to map the actual process and answer the second research question. Lastly, the Supply Chain model is appropriate in this study since our objective is to analyze if the role of the actors in the different steps of the supply chain has changed during the last ten years and how the future might look. Since our pre-study indicates that both consumers' and suppliers' behaviors have changed, there is a chance that the roles of the different actors in the industry also have changed. By analyzing the collected empirical data, we will try to map how the supply chain has transformed and consequently be more suited to answer our third research question.

# 6. Empirical Findings

As earlier mentioned, the interviewed firms were chosen so they could be divided into three sub-categories based on the number of brands that were sold in their sales outlet. Furthermore, we made sure that each category included retailers from different geographical areas in Sweden – one in a metropolis and the other in a smaller city. Thus, the empirical findings are presented with respect to these aspects. In addition to the results from the interviews, collected consumer data is presented.

| Date | Interviewee | Position | Dealership | Location |
|---|---|---|---|---|
| 14th Mar, 2014 | Mats Kamryd | CEO | Expoautos | Stockholm |
| 17th Mar, 2014 | Magnus Patriksson | Head of Sales Opel & Nissan | Lindgren Bil | Stockholm |
| 21st Mar, 2014 | Stefan Rylander | Head of Sales Opel & Nissan | BIVA | Linköping |
| 21st Mar, 2014 | Leif Lundgren | Brand Director Opel & Subaru | Holmgrens Bil | Jönköping |
| 24th Mar, 2014 | Johan Hägglöf | Head of Sales Opel | Hedin Bil | Stockholm |
| 26th Mar, 2014 | Rickard Avelin | Co-owner & Sales Director | Motor-Nilsson | Köping |

*Table 2: An overview of the dealership interviewees*

| | Exclusive | Focused | Multi-brand |
|---|---|---|---|
| **Metropolis** | Expoautos | Lindgren Bil | Hedin Bil |
| **Small Town** | Motor-Nilsson | BIVA Linköping | Holmgrens Bil |

*Table 3: An overview of the dealerships divided into the two categories*

## 6.1 Exclusive Opel Dealers

Following are the empirical findings for the retailers, who only sell new Opel cars exclusively.

### 6.1.1 Metropolis – Expoautos

#### 6.1.1.1 Description of Company

Expoautos is one of few car retailers in Sweden that sell only Opel branded cars when it comes to new vehicles. However, they sell used cars from all other brands since the market for it is relatively big and attracts many potential customers to the store. Located in Sollentuna in Stockholm, Expoautos has been operating for three years and sells approximately 250-300 brand new cars per year. Mats Kamryd is the CEO of the firm, which currently has in total eight persons in the staff. He has been working in the car industry for slightly more than ten years, so he is very familiar with the industry culture and expectations on car retailers. More importantly, he has seen a change in consumer behavior when it comes to purchasing cars, which makes him a valuable information source in our research.

#### 6.1.1.2 Perception of Consumer Behavior

Kamryd explains early on that the number of visits in retail stores has dropped significantly, which is something he has not experience alone – according to him the whole industry has noticed this. When the customer comes in, he or she is generally quite prepared and rarely just walks around in the hall. Often, the customer has done the research already at home in front of the computer, using the Internet for information search and price comparisons. In fact, much of the store traffic is driven by web sites as Blocket.se, Bytbil.se and Opel's and Expoautos's own homepages. At times, customers have already made their choice and use Opel's web site in order to request for a time to test-drive a certain car, before they have paid a single visit to Expoautos. Although the majority of customers in general are well prepared, there are people doing spontaneous visits. This behavior is similar to the customers' in the early 2000's. Back then, the visitors had not done their need analysis by themselves at home. Instead, the salesman was able to be present in the larger part of the customers' decision-making process and affect the decision more than they can do today. These spontaneous customers are very different to each other when it comes to the behavior during the actual visit. Some want to stroll around in the showroom quietly before they talk to a salesman, while others prefer to get treated directly when they enter the hall. The salesman simply must read the situation right and act accordingly.

Kamryd regretfully mentions that nowadays, more and more consumers act like professional purchasers. They send their request to many retailers in order to obtain the lowest price possible, and when they come to the retailers, they are fully determined of what they want. It is not unusual that customers have brought a printed Excel sheet of their findings with specifications and price comparisons, showing that they have done their research. Kamryd remarks that it is important to be competitive with prices, but even more important for specifically Opel, since there are many actors in the industry in the same price range as them. He also states that even older people utilize Internet significantly.

In addition, he believes that younger people differ from the older generation. His perception is that younger people, especially people born in the 80's and 90's, are more impatient. They want the car directly after the purchase and expect everything to be

executed quickly, while older customers carefully want to choose the right product with a more planned approach.

#### 6.1.1.3 Sales Process and Behavior

According to Kamryd, Swedes can have some negative preconceptions about car salespeople, which is why it is necessary to be trustworthy and make the customer feel comfortable. After all, Kamryd says, it is often their second largest purchase ever in life. As earlier mentioned, the salesmen have to read each individual situation separately and act accordingly, thus it is difficult to have pre-built templates of how to approach the customer.

Due to the importance of adaptation, Expoautos has employed elder salesmen with earlier experience from the industry and the work tasks. The employees do not actively reach out to new and/or old customers by for instance calling them when it is time to buy a new car, and have never done so either. Instead, they wait for the customer to visit Expoautos. When talking to customers, the salespeople work towards sub targets and making partial closures in the discussion. Back in the days, when the customers did not have the possibility to do their need analysis prior to the visit, it was easier to make these partial closures, but nowadays the customers are well prepared and have greater ability to negotiate.

Since customers are so educated regarding their choice of car, it is important that the salesmen are so as well. Thus, the introduction training is essential, both regarding the working processes and the products. Kamryd's viewpoint is that any salesperson in the firm should be able to continue a paused discussion with a customer, without having to wait for the salesperson that was the customer's first contact. Due to this, much emphasis is put on the training for leads handling and process management etcetera. In addition, Opel provides an education for learning the products. Since Expoautos only sell one new car brand, it is easier for the salespeople to learn the details of the products than in other cases because the whole firm only has to engage in one single brand.

#### 6.1.1.4 Relationship with OEM

Kamryd is in general satisfied with the relationship with Opel, but thinks there is room for improvement. He mentions that nowadays OEMs want large showrooms where retailers should be able to display and emphasize the products and brands, but the

retailers might not want to pay for it since a large part of the decision-making process is done on the Internet. He also believes that the industry is facing an era where cars are going to be bought online. However, he does not feel threatened since he thinks that retailers still will be present in the future because the demand for test-driving cars prior to purchase will always exist for the majority of the consumers.

Furthermore, Kamryd believes that it is both the retailer's and the OEM's responsibility to drive traffic to the showrooms, however the largest part is on the OEM due to the fact that they have so much saying regarding everything else; layout, marketing etcetera. He mentions that Opel's products are really good, which is unfortunately not reflected in the market share they have; 1.5-2 %, corresponding to around 7000-8000 sold cars per year. Thus, Kamryd believes that Opel must work on their marketing and gain momentum. This is not something the retailers can do nor have the budget to.

Another issue is that he would prefer if Opel could stock cars in Sweden and not have to wait for a three months delivery time. Since younger people want their cars instantly after the purchase, it is necessary to create a high customer satisfaction and really serve the customers instantly. This way, Opel would be able to reach higher volumes. Opel would like their retailers to bear the risk for having inventories, but Kamryd does not agree.

"*Unfortunately, there is no natural flow of customers to our showroom, which involves that we cannot predict the sales accurately. Instead, the sales are constantly driven by some kind of campaign, and since the lead time for cars is 10-12 weeks, I do not want to order something today, receive it in three months and face the risk that marketing and campaigns will be totally different.*" (Kamryd, 2014-03-14)

Finally, he mentions that the car industry is going towards resembling the market of electronic appliances. Prices are being pushed and features like auto repair shops and used car are ways to earn money, not selling new cars. In order to avoid this, something needs to be done.

### 6.1.2 Small Town – Motor-Nilsson

#### 6.1.2.1 Description of Company

Motor-Nilsson och Söner AB (hereafter Motor-Nilsson) is a car retailer in Köping that sells new Opel cars and used cars from all possible brands. It is co-owned by two men, Rickard Avelin and Jonas Larsson, who both own 50 % each and act as the only car salesmen in the company. During 2013 Motor-Nilsson sold 145 new personal Opel cars and 51 new commercial Opel cars. With these approximately 200 cars they achieve around 20 % market share in the personal cars market and 40 % in the commercial vehicle market in Köping. Avelin and Larsson have owned and run Motor-Nilsson for two years and have taken over the business from previously different owners and management teams. Back then the company sold both Opel and SAAB.

We interviewed Rickard Avelin who acts as the Head of Sales and deals with the practical work tasks. His partner Jonas Larsson formally holds the position as CEO but in the everyday work he takes care of administrative tasks such as IT. Avelin has been working with sales in the car industry since 2005 and before Motor-Nilsson he worked at a different car company in Västerås. Before that, he owned and ran a Statoil establishment in Köping.

#### 6.1.2.2 Perception of Consumer Behavior

According to Avelin there has been many changes in the consumer behavior during the recent decade. However, he also feels that some parts of the process have stayed the same. By that he means that the process overall looks the same but the way the consumers act in each individual part has changed.

Primarily, Avelin sees much change in how far into the buying process the consumers are when they visit the car retailers. Potential buyers who enter the dealership have (on average) much more knowledge about the products than they did before. They have performed their own need analysis and gathered information about the cars. This is evident when they enter the store and walk directly up to a certain car that they already know they want to buy or are interested in. However, before they visit the store it is very common that the customers contact Motor-Nilsson via email. Most often they have questions regarding prices, the value of their current car that they wish to trade in or specific questions about the Opel model of their choice. Avelin goes on to explain that it

is not completely unheard of that some deals are made up online all together. The increase of information and knowledge available to consumers is not something negative according to Avelin. He explains how he often meets customers who know more about the cars than he does, and when that happens he confesses and gives them credit for knowing more than him.

Furthermore, the increased availability of information also makes it easier for consumers to find the best possible price for a car. Some customers contact several Opel retailers in their vicinity in an attempt to create competition between the retailers. However, in order to combat this, Motor-Nilsson focuses on a higher service level and customer/visitor satisfaction. Avelin feels that when the products become commoditized it is important to raise the service level. He also compares the car industry with the electronics industry, which is known for being extremely price focused and transparent.

When customers visit the retailer store they can either walk directly up to a car that they are interested in or they can take a little walk and look at a few different cars. Nonetheless, Avelin emphasizes the importance of recognizing that a customer has entered the room and give him or her proper attention. Some customers want to be approached and helped immediately while others want to be left alone before they are ready to talk to the salespeople. It is important for a salesman to be able to analyze the situation and interact with the visitors on their terms. After establishing contact with the potential buyer, Motor-Nilsson focuses very much on convincing them to go for a test-drive. The test-drive is the most crucial part of the buying process because it is the first time the customers' expectations can either be met, exceeded or not met at all. Avelin argues that this is especially true for Opel, due to the fact that most car buyers have very low opinions of Opel's cars. If the retailers has had contact with the consumer by email and/or telephone before the visit and they have discussed the price and the trade-in car Avelin estimates there is an 80 % chance that the consumer will buy a car after the test-drive. Thus, he was not very surprised when he heard that consumers on average only make 1.3 visits before purchasing their car. The decline of people in the car sales rooms has been evident and much of the process has moved to the Internet.

#### 6.1.2.3 Sales Process and Behavior

According to Avelin, the most important factor in the sales process is performing a need analysis of the customer in order to properly meet them and sell the correct car to them.

When they enter the store it is important to first analyze whether they want to be approached or if they want to be left alone. Furthermore, it is essential that the staff acknowledges them and shows they are ready to help if needed. After the conversation is started, one must keep analyzing as part of the process. Avelin gave an example of how if a customer comes in and says he or she wants to buy an Opel Astra, it is essential for the salesman to not tell the customer everything at once. Instead one should keep asking questions and then with enough information, propose an offer to the customer. This is much due to the fact that the salesperson initially does not know where in the buying process the customer is.

Even though Motor-Nilsson has been present online since 1999 (Loopia), it is not until lately that Motor-Nilsson has integrated their webpage with Opel's. Nowadays, Motor-Nilsson works actively with their website and tries to show the cheapest cars online in order to attract customers. Avelin mentions that it is the lower priced cars that attract attention and make the customers contact Motor-Nilsson. Generally, the company tries to set price levels on the Internet below the competitors', but in reality they are more service and satisfaction focused. This does not mean that they are afraid to discuss prices with customers or try to discourage it. If the price is the most important factor for a potential buyer it is essential to realize this and satisfy him or her. However, establishing and maintaining relationships is Motor-Nilsson's main driver in the sales process. Avelin considers himself as a quite well known person in Köping with a large network, which he uses to his advantage to sell cars. Without this network he would not be able to achieve the market share that Motor-Nilsson currently holds.

Avelin has many years of experience in the car industry and has noticed many changes in the behavior of both consumers and salespeople. Similarly to consumers, the salespeople also spend much more time using the computer and the Internet as a part of the sales process. As customers approach the retailers via email, the sales force must answer these emails and be present online. Furthermore, both the OEMs and the retailers have become much more aggressive in their marketing efforts and trying to attract visitors to the retailers' showrooms. Avelin once again compares the car industry to the electronics industry where prices are the primary selling points and marketing is essential to survive. He hopes that his efforts to deliver a personal service to the customer are still appreciated and that the car industry can avoid becoming more like the electronics

industry. However, even though relationships are a vital resource for Motor-Nilsson, they do not perform any pro-active selling where they contact customers who soon will become potential buyers due to the fact that they do not have time.

#### 6.1.2.4 Relationship with OEM

Avelin explains that he likes working with Opel and that Motor-Nilsson has a good relationship with the OEM. He considers the responsibility of attracting customers to Motor-Nilsson to be shared between Opel and Motor-Nilsson. Opel must build their brand on a national level while Motor-Nilsson must build theirs locally. If one can combine a good regional reputation of a dealer along with strong brand and respected products, one will become more successful. Nevertheless, he considers Opel to be lagging behind the competition regarding marketing. In order for Motor-Nilsson and Opel to sell more cars, Opel must challenge the fierce competition with more marketing campaigns and a stronger presence in media.

Furthermore, Avelin appreciates Opel's efforts to arrange sales conferences, such as Good Better Best. Even though Motor-Nilsson cannot apply most of the conference's main message due to their small size, it is generally good to reflect on these topics and be reminded about the details. On the other hand, he believes the Good Better Best concept to be very useful for car retailers in bigger cities where the sales environment is more transaction focused.

## 6.2 Focused Opel Dealers

Following are the empirical findings for the retailers, who sell new Opel cars plus one other new car brand in their store.

### 6.2.1 Metropolis – Lindgren Bil

#### 6.2.1.1 Description of Company

Lindgren Bil is a car retailer located in Gustavsberg in Stockholm and has been operating since 1965. The retailer has sold Nissan cars since the start, but began to offer Opel cars during the year of 2012 since they wanted to include another brand in the store. According to them, Opel complements Nissan quite well without cannibalizing on their models, which is why specifically Opel was chosen as the second brand in the

assortment. Since the sale of Opel is relatively new, the sales figures are not very impressive as of yet. Of 600 sold cars last year, Opel accounted for around 120.

We interviewed Magnus Patriksson, the Sales Manager of Lindgren Bil. He works with both Opel and Nissan, and has been working at Lindgren Bil since 1.5 year. He is not new only to Lindgren, but also to the car industry. Patriksson has during his last 25 years worked with sales, whereof the last eight years has been within B2B sales of complex IT-systems. Patriksson is the only one who is new to the car industry at Lindgren; all other four salespeople have been in the car business for more than eight years.

#### 6.2.1.2 Perception of Consumer Behavior

When Patriksson is asked whether there are any recurring behaviors or characteristics of customers, he is quick with answering that they are very enlightened of the car or cars they are interested in. Many customers have read about the cars on the web and have either seen campaigns or have read up on specifications before coming to the retail store. Since customers are very knowledgeable, they are mature in their process, which involves that it is not unusual that they want to discuss price immediately.

Lindgren Bil works hard to meet customer expectations. When the visitors enter the showroom, they expect to be seen, and that the salespersons instill a correct and serious treatment. Also, the customers need to experience that the salesperson is genuinely interested in one's preferences and needs. Patriksson rigorously call attention to the fact that many salespeople can become blind in their everyday work – after all, a car purchase is a very special moment for the customer. Nowadays, many customers call prior to their visit to ensure the car they are interested in is available. Also, they book a time and declare in advance what they are interested in, thus it is of importance for the sales force to be well prepared for the meeting. In relation to this, they are often interested in test-driving, which is key to the firm since there is a clear relation between the number of drives and number of closed deals. Patriksson says that 8 or 9 out of 10 test-drives result in positively surprised customers because Opel products are so good.

#### 6.2.1.3 Sales Process and Behavior

Everybody in Lindgren Bil's sales staff receives an introduction in each department of the firm when hired. They get to meet every section's responsible manager in order to understand how each and every team works. In addition, they get educated in their

specific area of work and products they are going to deal with. The OEM's also assist in the training, both in-house and by visits, with quite much emphasis on the products and not so much on the sales. The employees are constantly updated with follow-ups and dialogues every week.

When the customers know as much as they do nowadays, it is difficult for the salespeople at Lindgren Bil to find where and how to create value. Patriksson ponders what value dealers can contribute with to a customer and his or her purchase process if they already know the product and what they want. He continues with saying that the firm's employees do not actively counteract price negotiations, because the car business is about transaction-focused selling and not relationship-based nowadays. They have requirements and must sell a minimum number of cars every week, month and year, which may involve that much of the process is performed on the customers' terms and conditions. However, he would like his staff to control the conversation and create customer value by for instance trying to build relations with the customers and guide them to a final decision. This is much more difficult now than earlier, since the salesperson needs to understand where in the purchase process the customer is in, so the right type of information is given to the customer.

For spontaneous customers, it is essential to have information brochures, clear displaying and other material in order to stimulate the propensity to buy. On the other hand, if the customer has booked a meeting prior to the visit, the salesperson has the possibility and time to prepare an agenda, documentations and also a quotation in hand. In this case 80-90 % is about preparation while the rest is execution, which is very different from a couple of years ago when customers did not book meetings and thus not giving the staff any possibility to prepare. Nowadays, Patriksson lets his sales force execute outbound activities by calling old and new customers by phone in order to book meetings. However, he states that he notices that it is easier to him to pick up the phone, since he has been in B2B sales, than it is to the traditional sales staff.

In order to meet the maturity of the customer, Lindgren Bil has divided their sales staff in a way where two salespersons are assigned to sell only Opel cars, while two others are assigned to Nissan. This way, the division is more distinct and each person is much more knowledgeable regarding his or her appointed brand. Previously, anybody in the sales

staff could receive whomever, because most probably the salesperson would have more in-depth knowledge than the customer regarding both brands no matter what.

One thing that Patriksson is careful to point out is that the OEMs invest billions in the latest technology, safety and environment, but when it comes to the sales process, it looks the same today as it did 50 years ago. Even though the products are developing at a fast pace, the sales procedures at the retailer stand still. He mentions that there is a lack of routines and documents, and complains that they alone work in more than 15 different computer programs, which is very tiring for the staff.

#### 6.2.1.4 Relationship with OEM

Since Lindgren Bil works with two OEMs, there is a risk for mixed messages and directions. However, Patriksson believes that even though the way to the goal can be different for Opel and Nissan, their final target is still the same; they want to create customer loyalty for their brand and for Lindgren Bil as the retailer. As an example, Nissan contacts new car owners to interview them regarding Lindgren Bil's customer service and to get feedback on how the retailer has delivered the brand, in order to improve to next time.

Regarding the potential cannibalization, Patriksson means that he barely has seen any occurrence of that during his time in the company. Opel was chosen as the second brand in order to complement Nissan due to the fact that their products were so dissimilar. The challenge is instead to familiarize themselves with the different brands as well as their products and campaigns. Lindgren Bil tries to solve the problem by allocating each salesman to one single brand and thus allow him or her to stay updated regarding the brand.

One thought that Patriksson emphasizes is that the theoretical recommendations from OEMs and practical work at the retailer's do not easily match. For instance, he has attended Opel's retailer conference Good Better Best, which he thinks is good in general. However, he pinpoints that it is a larger challenge than having a weekend's course to change a historical routine. Most retailers, including him, go back to the store and let the everyday work take over again. In order to actually implement a change, something more has to be done.

### 6.2.2 Small Town – BIVA Linköping

#### 6.2.2.1 Description of Company

BIVA in Linköping (hereafter BIVA) is one of five car retailer outlets in the BIVA AB group. The store in Linköping sells Opel and Nissan cars and has been run by BIVA AB since 2006. BIVA sells around 450 new cars each year, 250 of which are Opel cars and 200 Nissan cars. Before BIVA assumed the business in 2006, another company ran the establishment, which was strongly associated with SAAB. We interviewed the Head of Sales, Stefan Rylander, who has been working at BIVA for one year. This position is his first in the car industry and previously he has worked with B2B sales in a company in the electronics industry. As Head of Sales, he is the supervisor of the sales team, responsible for the sales budget and ensures the company reaches its sales goals.

#### 6.2.2.2 Perception of Consumer Behavior

According to Rylander, the customers make large amounts of research before they visit the car retailers. It is not until they are ready to make a purchase that they actually come to the store. However, on average, the customers are not at the end of the buying process and have not decided on what car model they want. More often than not, it is the salespeople that must guide the customers to the correct model by performing a need analysis. The customers have a rather specific picture of what they think they need but can often be surprised when they are shown other models by the sales staff. Rylander mentions that even though technology has brought some of the sales process to the homes of the customers, he does not think that it will go much further because the buyers will always want to see and test the car before purchasing it.

Furthermore, it is not uncommon for potential buyers to use other Opel dealers to get the lowest price possible by playing the retailers against each other. The target segment for Opel is very price sensitive so the price is an important factor in the buying process. This is different for Opel as opposed to premium brands like BMW where a price difference from 500 000 SEK to 505 000 SEK does not matter as much as when it is from 150 000 SEK to 155 000 SEK. However, Rylander believes the price is not the main factor in the purchase decision because the service and the personal approach is still what matters the most in the end for the consumers.

Rylander has not experienced a decline in the number of visitors to their establishment, which is probably because of his short time in the industry. He however explains that it is a significant difference between the amounts of visitors when BIVA and/or Opel are doing some kind of marketing campaign. Campaigns attract both potential buyers who are genuinely interested in buying a car and general car enthusiasts who want to see and test-drive a certain car.

#### 6.2.2.3 Sales Process and Behavior

When BIVA hires new sales employees they do not have a set introduction schedule that educates the newly hired persons. Rylander however explains that he recently hired a new salesman who would soon start at BIVA and describes how he would like to introduce the new recruit to the company. Firstly, he would have to learn about the companies and how to work with all internal systems. Secondly, together with the OEMs, Rylander would like to educate him about the products. However, when it comes to pure sales education Rylander does not have anything planned, nor does he intend to pursue this path. Instead he trusts the skills of the new employee and hopes he would be integrated into the company in three or four weeks. Rylander admits that there is room for improvement in the way BIVA handles new employees.

When potential car buyers come to the car sales room it is important to acknowledge them and make sure that they feel they have gotten the attention they deserve. The opinions of what this actually means differ between the employees at BIVA but it can be in the form of a nod, a smile, orally welcoming the customers or simply by establishing eye contact. After that initial potentially silent contact, the salesman must assess the situation and decide when the customer appears ready to talk. Once contact is established, it is essential to analyze the customer and their needs. According to Rylander, it is common for customers to have done their own research at home, which brings them quite far into the buying process where they are ready to discuss price immediately. When this happens, BIVA's salesmen attempt to slow down the process and reverse the process of the buyer. They are not comfortable with discussing price as an initial subject and would rather present different options and analyze the needs of the customer.

Price is not the most influencing factor according to Rylander and BIVA's added value does not come from a low price strategy. However, in order to become more

competitive in the perceived value aspect, BIVA must develop their after-sales department and increase the satisfaction of their current customers. By increasing satisfaction, they can increase loyalty and that is much more important in the long run than the initial performance of the sales team when they meet the customer.

At BIVA, there is a culture of waiting for the customers to come to the showroom rather than actively trying to chase customers. However, Rylander sees the potential in this kind of activity but finds it difficult to perform in the environment they are working in.

Working with two brands does not create any serious complications for the sales team. Rylander acts as Head of Sales for both brands and below him, he has two Brand Managers that primarily sell their respective brands. Nevertheless, all sales employees are able to sell both Nissan and Opel cars but if it is possible, those who work with a certain brand should meet the customers of that brand.

#### 6.2.2.4 Relationship with OEM

Rylander is satisfied with BIVA's relationship with Opel but sees potential for improvement in some areas. He feels that Opel sometimes does not plan ahead with regards to marketing campaigns and assuring that they have sold all old cars before releasing new ones. In this aspect, Nissan is better and Rylander would like Opel to improve their planning.

The responsibility to attract customers to the showroom should be shared evenly between the OEM and the retailer according to Rylander. He argues that Opel should create interest and awareness around its brand while BIVA should focus on the operative tasks and being seen in the media. Furthermore, he emphasizes the importance of working with the brand strength of Opel. There are many prejudices towards the brand that inhibit the sales, which has a negative effect for both the retailers and the OEM. Similarly to the complaint above about planning, Rylander feels that Opel should be better at communicating the marketing campaigns in order to maximize the effect. By synchronizing the marketing efforts of OEM and retailer they can attract more customers to the showroom.

A positive quality that Rylander appreciates about Opel is their engagement to educate the retailers. There is a certain program that aims to improve the sales of used cars that

Opel has started that was useful for the retailers. Opel differentiates itself from Nissan in this aspect as it shows that they are actively working with the improvement of their retailers.

## 6.3 Multi-brand Opel Dealers

Following are the empirical findings for the retailers, who sell not only new Opel cars, but also new cars from several other brands.

### 6.3.1 Metro Area – Hedin Bil Segeltorp

#### 6.3.1.1 Description of Company

Hedin Bil acquired Svenska Bil AB in Stockholm late 2013 in order to grow their business in the capital of Sweden. Prior to that, Hedin Bil was only active outside of Stockholm. The company has been operating ever since the middle of the 20th century and has long experience from the industry. It supplies more than 20 brands all over Sweden, but the retailer in Segeltorp sells Kia, Jeep, Lancia, Mitsubishi, Fiat, Alfa Romeo and Opel when it comes to new cars. In total, the Segeltorp retailer sells approximately 1500 new cars per year, whereof 300 of them are Opel.

We interviewed Johan Hägglöf, who has been Sales Manager for Opel at Hedin Bil in Segeltorp since January 2014. Previous to his current posting, he was a salesman at Svenska Bil for ten years. During that time, he sold everything from brand new Saabs, Chevrolets, Mitsubishis and Opels to used cars, so he has a lot of experience from the industry and its development. As a Sales Manager for Opel, he is responsible for staff, ordering of cars, advertising and other sales-related activities.

#### 6.3.1.2 Perception of Consumer Behavior

Similar to other retailers, Hedin Bil has experienced a clear change in customer behavior. Today, the salespeople do not need to worry about teaching the customers about the cars – instead the customers often walk in with a printout of a specific car and already know what they desire. They compare the price of Hedin Bil's to other retailers' prices and then ask what the cars' differences are due to the price difference. Furthermore, they are more impatient now than before, especially younger consumers, so the salespeople have to be very quick with responses.

Another change in consumer behavior that Hägglöf has noticed is the customers' willingness to first decide what kind of car they prefer before determining which brand they want to buy. For instance, a customer first filtrates the cars on the needs he or she has, which can be size and safety. After that, the customer chooses and compares among the remaining cars. Earlier, it was often the other way around, where loyalty played a large role and people did not dare to purchase cars from unfamiliar brands. Furthermore, Hägglöf thinks that customers today are willing to change brands, which was not the case previously. New car brands have given an interest among potential buyers to try new cars.

Consumers do not come to Hedin Bil to walk around and check out different cars, as they did before. Instead, they choose the cars they are interested in already online. They want to sit at home, build their cars on the car configurators and rotate them in order to see them from different angles and change the colors and rims. There are barely spontaneous customers in the store nowadays, just people who are genuinely interested. This is very clear for the staff, since they have noticed that more and more couples walk into the store than single persons. This indicates that people have come further down in the purchasing process, and are already prepared to determine which car to buy when entering the store.

However, even though consumers have more knowledge of the cars and do their homework at home, Hägglöf means that retailers are still demanded since the customer actually cannot feel the cars online. He believes that his customers do at least two visits at different retailers before the final purchase, because the customer usually compares them to each other. Furthermore, people in Stockholm are very impersonal, which makes it difficult for the staff to build relations. Hägglöf believes that personal relations are easier in smaller cities due to the kind and welcoming characteristics of people.

#### 6.3.1.3 Sales Process and Behavior

Hägglöf is a bit critical towards how the industry handles the changed consumer behavior. Since customers have so much information, they compare the same car between different retailers. Thus, he believes that there is a risk of retailers eliminating each other's margins by constantly lowering the price compared to the competitors. This is not durable and not beneficial for neither the retailer nor the brand. Even though the advanced technology of communication and information search benefits the customers,

it does not mean retailers gain from it. Hägglöf knows this very well, but still they have to compete in the market and thus try to be present online with attractive prices.

Customers enter the showrooms with vast knowledge, so the salesmen need to keep up with the detailed information in the discussion. Therefore, by 2010 Hedin Bil (Svenska Bil) changed strategy from everybody in the sales staff selling all brands, to allocating the salespeople to individual brands. This way, each salesperson could become an expert within his or her brand. When recruiting, Hägglöf makes sure that people he hires have experience from the automotive sector. Other than that, there are a few training sessions and education about the products, but the biggest part in the learning process is learning by doing.

Hedin Bil constantly strives to have salesmen on the floor, because if they are behind their desks, they do not seem so service-oriented from the customer's perspective. It is important to read the situation and do an analysis of why the customer is there by asking relevant questions and do partial closures. Hägglöf also mentions that it is of high importance to instill an impression that the salesman is not only a salesman, but also a personal consultant. This way, customers will hopefully ask all the questions on spot instead of searching the web for information, which consequently can remove the price focus. Lastly, the sales staff in Hedin Bil works hard towards getting the customers to test-drive the relevant car, since it also eliminates the customers' thought of the price.

*"If you cannot get the customer to test-drive the car, you might as well just lay off with your business. Almost every time an Opel car exceeds the customer's expectations, which is why we need to work hard with getting the customer into the car. Since we give the customer something to relate to, the focus on price diminishes."* (Hägglöf, 2014-03-24)

#### 6.3.1.4 Relationship with OEM

In order to avoid the retailers playing out each other, Hägglöf suggests that the whole showroom should be divided into different functionalities and sizes of cars instead of different brands. For instance, Volkswagen Passat should stand besides Opel Insignia due to their similarity in characteristics. This way, brands could compete with each other on site instead of retailers competing with each other regarding the same products. Hägglöf believes that it is better to let a deal go to KIA within the same retailer, instead

of losing the sale to another retailer. However, the OEMs want own entrances and sections selling only their own cars.

Furthermore, Hägglöf is critical towards some of the trainings OEMs provide them with. For instance, if Hedin Bil's KIA cars have high sales while Opel cars do not, it is Opel who is at fault, not Hedin Bil. He thinks that Opel considers Hedin Bil to be doing something wrong, and that Opel wants to teach them the right sales process. However, it is within the same multi-brand dealership (Hedin Bil) the cars are sold, so the sales staff's training is generally the same across all brands within the firm. Thus, Hägglöf means that Hedin Bil apparently knows how to sell cars, because that is already proven with other brands. Instead, the problem is that Opel cars are not that high in demand, which is to a large extent Opel's problem. However, he finishes with saying that the trainings that Opel provides are certainly very good for Opel exclusive retailers.

### 6.3.2 Small Town – Holmgrens Bil Jönköping

#### 6.3.2.1 Description of Company

Holmgrens Bil in Jönköping (henceforth Holmgrens) is the largest car retailer outlet in the Holmgrens Bil group. The Holmgrens Bil group has stores in twelve Swedish cities and is still expanding. In these twelve cities they provide more than ten different car brands and in Jönköping alone, they sell eight different brands. Each year the group sells around 4800 new cars and out of these Holmgrens in Jönköping sells 1800, out of which approximately 300 are Opel cars. Holmgrens has been present in Jönköping for over 50 years but did not start to work with Opel until 1986.

We interviewed Leif Lundgren, who is the Brand Manager for Opel and Subaru for the entire group but is stationed in Jönköping and actively works with the sales team there. He has worked in the car industry and at Holmgrens for over 17 years and during these years he has been involved with sales up until 2012. Before his time in Holmgrens, he worked with sales in a different industry for 13 years.

#### 6.3.2.2 Perception of Consumer Behavior

Customers have done their own research at home online before they visit the store. If you compare this to ten years ago it is evident that the customers are much further into the buying process when they decide to go to a car retailer, Lundgren claims. As a

consequence of this, they are also much more informed and updated about the products they are interested in. According to Lundgren, this Internet transition is not merely for passive information but also for interaction. It is not unusual for potential customers to email Holmgrens with questions regarding prices. Furthermore, in many of these emails Holmgrens stands as the recipient along with all other Opel retailers in the region. This creates a reversed auction where the customers can create an almost perfect market with full transparency. Lundgren adds and explains that it is also very common for people to phone Holmgrens and ask about price directly. These types of customers are often younger, between twenty and forty years old, and/or are currently driving a different brand than Opel. Older customers tend not to be as fierce in their attempts to achieve the best possible price, a behavior that is also true for loyal and returning customers who have purchased cars from Holmgrens before. Lundgren compares the situation to when used cars customers go online, to Blocket.se for example, to look at cars; they search for their desired model and sort on price. For new cars it is a little bit different but the principal is the same – customers focus significantly more on the price than other factors.

During the recent years Lundgren has noticed a decline in the number of visitors to the dealership. However, he was quite surprised at the Opel conference when he heard that it was only 1.3 visits per customer due to the fact that it was so low and an actual concrete number. The decline has been visible to all dealers but that it had actually decreased from five to 1.3 in less than ten years was surprising.

#### 6.3.2.3 Sales Process and Behavior

When hiring a new salesperson, Holmgrens is, according to Lundgren, relatively bad at educating that person properly about the company and the sales process. Assuring he or she has certain skills is a part of the recruitment, but once they are hired, Holmgrens does not further train them. The initial training focuses on company information and internal systems that the new employees must learn. Holmgrens has tried to create a sales education program but has not been successful.

All salespeople at Holmgrens have their offices in the middle of the sales floor at their respective brand's area. The offices have glass walls in order for the employees to have full vision of the facility and be able to detect when potential buyers are present. Once a consumer is noticed, a salesperson approaches them and asks if they need help. If a

conversation is initiated, the salesperson starts performing a need analysis by asking questions about how the customer intends to use the vehicle. More often than not, the customers are quite far into the buying process and are well informed about the cars. Instead of beginning at the start of the sales process, the salespeople instead try to adapt based on the information they receive. As a way to adapt to the more informed customers, Holmgrens has weekly meetings about all brands to make sure all members of the sales team are aware of campaigns and special product news. However, Lundgren regretfully explains that the interaction between customers and salespeople has changed during the recent years and it is difficult to adapt to this change.

One aspect of this change is that customers focus much more on the price than they did previously. Holmgrens's salespeople generally avoid talking about price too early in the process if they notice that customer is price sensitive and focused. Instead they are more concentrated on showing the car's feature and trying to convince the customer to go for a test-drive. By doing this, they are attempting to evoke emotions and trying to get the customer to "fall in love" with the car. After this is accomplished the salesman is more inclined to discuss price. Another way to combat the price focus is by offering a high level of service and establishing relationships with previous car buyers. Holmgrens tries to retain all car purchasers as service purchasers as well – partly because after-sales service is very profitable, but also due to the fact that it strengthens the loyalty with the buyers. Furthermore, Holmgrens has arranged events and special evenings for people who have bought cars from them. A strong relationship can easily distract returning drivers from focusing on the price.

As a car retailer who sells multiple different brands in the same store it is essential to keep them separated. Each brand has a Brand Manager who is responsible for the brand across all Holmgrens Bil outlets and then each outlet has a Junior Brand Manager as well. The Brand Manager maintains the contact with the OEMs and order cars in so called batch deals while the Junior Brand Managers are responsible for the sales at their respective outlets and the contact with the central Brand Manager. Each brand also has dedicated salespeople who are supposed to only sell cars from that brand. However, according to Lundgren, most sales employees has an A-assignment and a B-assignment; for example the first could be to sell Opel but the other could be to sell Chevrolet if the Chevrolet team is not present. Lundgren is generally not afraid of any internal

cannibalism but admits that it can arise inadvertently when certain Brand Managers are more creative in their marketing than others. Simply put, the mere fact of having a multi-brand store brings the risk of cannibalism.

Holmgrens has recently started working with a more pro-active way of selling cars. They have been waiting with implementing this but now they are focusing on actively attracting ready buyers to the store. Previously they have had a tradition of waiting for the customers to come to the stores but now Holmgrens have started sending out direct mail to specific potential buyers.

#### 6.3.2.4 Relationship with OEM

Holmgrens's relationship with Opel is healthy and they get along well. Lundgren considers the responsibility of attracting people to the dealership to be shared between the two parties. However, Opel should focus more on working with the brand strength and Holmgrens should primarily focus on attracting people. He further emphasizes that it is important for the relationship to be strong and amicable. Currently there is an ongoing integration process where Opel's and Holmgrens's websites are combined. Lundgren expresses positive feelings about this integration, as it would allow users to seamlessly jump between the webpages.

Lundgren also comments on Opel's Good Better Best program, which he appreciates. However, even though it is difficult to incorporate the program into Holmgrens he enjoyed the conference and thought it brought up many good aspects of selling cars. Subaru has not focused on developing the sales process of its retailers to same extent as Opel, which shows a greater engagement from Opel's part.

## 6.4 Consumer Data

### 6.4.1 Past Car Consumer Behavior

As mentioned in the literature review, the technological advancement during the early 2000's welcomed consumers to do their own research on the web prior to a dealer visit. Nevertheless, although it was possible for consumers to shift the information search stage of the decision-making process to the web, they were still keen to visit the dealers. According to Harvey, the European Head of Sales at Opel, the average car consumer's

number of visits at the dealer was as large as five during the year of 2005. This is a quite large number since it takes both time and effort to undergo a process at each and every car dealer. However, it might not be considered as very much after all since a car purchase is the second to largest purchase the average person in Sweden ever does.

### 6.4.2 Present and Future Car Consumer Behavior

Even though Internet has been around for a couple of decades now, the real behavioral change in the car industry has not become clear until recently, the time when e-commerce has been booming and people are considering credit card transactions less risky than before (Findahl, 2012). Although people are still generally not considering purchasing their cars online, Internet has definitely changed the consumer behavior during the last decade. The average car consumer's number of visits at the dealer has decreased from five to only 1.3 in 2013 (Harvey, 2014). In line with this, Opel notices an increased number of visits to its website from portable devices as smart phones and tablets (Book, 2014). According to KPMG's Global Automotive Executive Survey (KPMG, 2014), almost half of the respondents believe that conventional sales models are inappropriate (i.e. traditional dealers), with online retailing and multi-brand providers set to rise remarkably. In detail, as much as 71 % expect online dealerships to be important in the future and 63 % view multi-brand dealerships as a successful model. Regarding conventional retailing, only 53 % of the respondents consider it a key approach for future success. This figure is down from 61 % in 2013. These numbers indicate the consumers' willingness to change and adapt to new technologies.

## 6.5 Supply Chain in the Car Industry

In the literature review, we described the general model of supply chain for all industries. Below, we are comparing it to the supply chain of Opel cars that are sold in Sweden. As one can see, Opel Europe is the producer of the cars. Here, the cars are assembled and manufactured. These cars are sold to Opel Sweden, who in turn sells them to the dealers, at whom the consumers can purchase the cars. In many cases, consumers order custom-made cars where certain features and designs are specific, which induces the producer to build the cars on demand. In these matters, the lead-time for receiving the car can stretch up to three months.

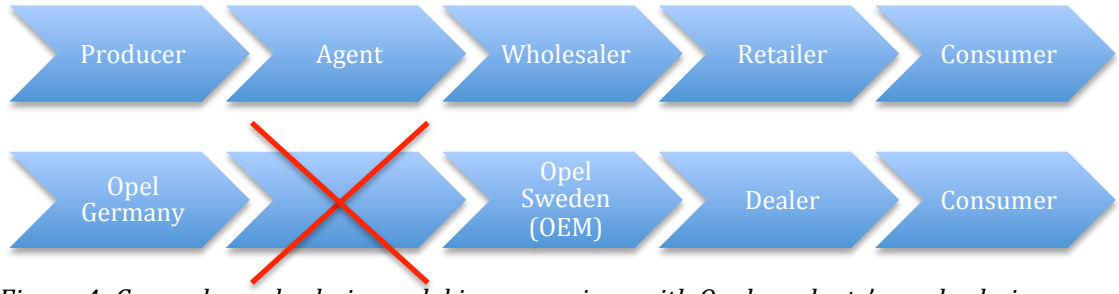



*Figure 4: General supply chain model in comparison with Opel products' supply chain*

# 7. Analysis

The analysis will bring up all aspects that have been touched this far in the report regarding car industry changes. The third research question will however be discussed in the next chapter under Managerial Implications.

## 7.1 Change in Consumer Behavior

### 7.1.1 General Changes in Consumer Behavior

As all of the interviewed dealer representatives claim, it is clear that the number of visits in the dealerships is down. This is both evident in the physical showrooms, but also in the statistics that Opel has shown. The general comprehension regarding the consumers' changed behavior is that they are much more educated and informed than earlier. By mapping the consumer behavior in line with the decision-making process below, we will be able to analyze the situation in more depth. Though, it is important to note that the model does not itself make any difference between the past and the present, but instead works as a framework in order to compare the different behaviors. Molesworth and Suortti (2001) claimed in the beginning of the 21st century that consumers are a bit resistant to using online services already in the sourcing process due to usage and tradition barriers. This shows how much the consumers have developed in their purchasing behavior, since it today does not seem that they have any issues with adapting to online services, not even as late as in the negotiation phase of the process.

**Organizational Decision-making Process**

As explained earlier in the report, we are not going to examine the first and last steps in the decision-making process since they are not of interest in this matter. Thus, we begin on the second stage and finish the analysis in the sixth.

| | Stage 2 | Stage 3 | Stage 4 | Stage 5 | Stage 6 |
|---|---|---|---|---|---|
| **A decade ago** | Online+Dealer | Online+Dealer | Dealer | Home | Dealer |
| **Now** | Online | Online | Online+Dealer | Home | Dealer |

*Table 4: In which forums are the stages in the Organizational Decision-making Process mainly executed?*

2. Determination of specification and quantity of needed item: When it comes to cars, there is seldom any strangeness regarding quantity of needed item. Almost without any exceptions, the number of needed cars for private consumers at each purchase is one. Thus, the relevant factor to examine at this stage is how and when the determination of specification is done. A bit more than a decade ago, as soon as a need of a new car was identified, as low as 20 % of consumers went online to search for information. Instead, a clear majority visited car dealers in order to get consultative help. From a sales perspective, at this point salespeople were able to influence the buyer's specifications and guide them through the full process. However, today's consumers make their decisions regarding which brand they prefer and which characteristics the car will feature already before they enter the showrooms, in front of the computer screen. The availability of information and ease to get enlightened about the vehicles make the consumers very educated – in some cases more than the salespeople they will meet in the showroom.

3. Search for and qualification of potential sources: Jobber (2013) claims that the cheaper and less important the item a consumer intends to buy, the smaller amount of search takes place. On the contrary, since a car is a relatively expensive item compared with other products, a lot of searching should be expected. The searching is, as we already know, very concentrated to the Internet. Today, we see an increased traffic on the OEMs' websites from mobile devices, for instance smart phones and tablets. As for the qualification of potential sources, the single largest factor when comparing point-of-sales is the car price. Thus, it is not surprising that consumers nowadays search the Internet in order to cut costs. This activity was to a large extent done in the dealership stores (during the average of five visits) a decade ago, since only product information from the OEMs was available online and not directly connected dealership information. Though, it is reasonable to assume that in line with product search, some consumers also search the web to consider which dealers to turn to.

4. Acquisition and analysis of proposals: A decade ago, all acquisitions of proposals took place face-to-face with salespeople in dealerships that qualified for satisfying the needs of the customer. After helpful consultation and new insights from the salesperson, consumers could take home their newly acquired information and analyze it. The average number of visits at dealers was as high as five, which gave salespeople a fair chance and a lot of time to convince the consumers with arguments and a high level of service. Since dealers have been used to this type of consumer behavior, the behavioral change is now a challenge. As of consumers today, they do still visit the dealers in order to obtain more information, but a large part of them call and/or email the dealers prior to an eventual visit in order to compare the different retailers' prices already from home. This way they save both effort and time in their pursuit of a new car. Furthermore, the consumers stand the possibility to play the dealers against each other, already before the dealers get the chance to prove their level of service.

5. Evaluation of proposals and selection of supplier(s): Without further explanation, it is clear that this stage is purely a mental action and thus not possible to place in neither the online platform nor the dealership. Instead, evaluation is done at home after careful considerations.

6. Selection of an order routine: This stage is quite unchanged compared to a decade ago, most probably because there are hardly any options for consumers to complete a new car purchase online. However, it is important to mention there are actors who think that even the selection of an order routine in the purchase process will go online or over the phone in the future. According to Molin, the CEO of KVD, the used-car market is already well on their way towards a fully digitalized purchase process without the consumer seeing or feeling the car prior to the actual transaction, and is quite sure the market will see this change also regarding new cars. According to the study done by KPMG (2014), every year more and more consumers believe that conventional retailing will lose importance in the future.

### 7.1.2 Consumer Behavior in Metropolitan Areas versus Small Towns

As far as we can judge from our empirical findings, there are slight differences between consumers in metropolitan areas and small towns. According to our interviewees, it seems that the variation is mostly due to customers' conceptions of the nature of a car

purchase. Metropolitan inhabitants seem to view a car purchase as more transactional one. Consumers in small towns also do this, but not fully to the same level as their urban neighbors. Our interviewees claim that consumers in smaller cities still value service very highly and that they every now and then need to be guided in the last part of the purchase process. We have found one possible reason for the difference between the two categories. As mentioned earlier in the report, it is reasonable to assume that Internet is more frequently utilized in larger cities. This may have caused consumers in metropolitan areas to bring a larger part of the research home, thus also more price focus. On the contrary, small town inhabitants are more into relationship-based purchases due to larger similarities to the past; less use of Internet. At this stage, this theory is still a speculation due to the tenuous foundation for the statement, but it is still very interesting and surely can give inspiration to future research in this area.

### 7.1.3 Other Changes in Consumer Behavior

As the interviewees from Expoautos and Hedin Bil mention, there is a conception that younger people are more impatient than elder. They seldom want to wait a longer time period in order to receive their purchased car. Both of these retailers are situated in Stockholm, which also can indicate that young people specifically in metropolitan areas are more impatient than other. This is an interesting finding since dealers and OEMs need to reconsider their supply chain in order to match the consumers' needs. If consumers would like to drive their purchased car out of the showroom the same day as the purchase, they should be able to do it.

Another remarkable observation is the one that Hägglöf from Hedin Bil has noticed. At Hedin Bil, many of the consumers first decide which type of car they want, before which brand they prefer. According to Hägglöf, the loyalty level towards a brand or a dealer was higher a couple of years ago. Today, the need of functionality is prioritized among his customers. For instance, a customer first looks for a four wheel driven car, and then which brands there are to consider, instead of first choosing for instance BMW as the brand, and then go for the brands' options of four wheel driven cars. This might not be generalizable for all kinds of customers, but instead specifically consumers that visit multi-brand dealers where the options are available. Thus, it can be interesting to dig deeper into this.

## 7.2 Change in Sales Behavior

### 7.2.1 General Changes in Dealers' Sales Behavior

Although the consumers seem to have changed very much in their behavior the last decade, the change in dealers' behavior and work tasks on the other hand is not as big. When it comes to the service encounter on site at the dealership, the salespeople have adapted their mindsets to the consumers' needs. The staff has changed from directly going for partial closures to begin with a more careful approach in order to understand where in the purchasing process the customer is. Furthermore, the dealers have improved their websites and have integrated them with the websites of the OEMs' to an extent they believe is positive for the customer experience.

**Evolved Selling Process**

1. Customer retention and deletion: The evolved selling process's first step suggests sales organizations to focus on the most important customers. This is mostly true in B2B situations where one or a few customers bring most of the business to a firm. Although it is relevant mainly for B2B purposes, the idea is still applicable to this situation. Both Opel Sweden and dealers who sell new Opel cars seem to be aware of the fact that consumers are positively surprised after testing an Opel car. Thus, they need to focus on retaining already existing and important Opel customers and make sure they also buy their next car from Opel by reminding them of the positive experiences related to their previous purchase of an Opel car. Today, it does not seem that the dealers make any distinguishable differences on the customers, which means that this stage has not changed at all.

2. Database and knowledge management: According to Jonsson, Opel today uses technology that is so advanced it allows the website owner to see which specific IP-address the visitor is using and thus also enable communication directly with the visitor. We do not know how much of this information is shared with dealers due to secrecy, but we know it is valuable knowledge. Moreover, there are large databases in which the dealers can filter car owners on what brand they own, how long it has been since the last purchase and other important factors. The in-depth data regarding customers' purchase history welcomes a lot of behavioral changes from a dealer point of view, but the

behaviors are still unchanged – the dealers wait for the customers to enter the showrooms instead of working proactively.

3. Nurturing the relationship: Since car sales are complex processes, the dealers know it is essential to build relationships and act in a consultative way with consumers rather than treating them as one-time customers. This will improve the relationships between the two parties, which can lead to an increased level of loyalty. Previously, this relationship building was a natural step in the process, however it is not as clear today. Since more and more consumers view car purchases as transactional processes, it is difficult for dealers to apply a method in which they nurture relationships. Dealers try their best to implement a relationship based sales approach, but only in the showrooms.

4. Marketing the product: Simply put, this is the service encounter. As the theory says, much focus on the sales process is on this part since this is when the salesman ought to understand the customer's demands. Today, the approach of car salespeople is adapted to the changed behaviors of the consumers in this phase. For instance, not as much details and product information is needed to give the average customer since he or she is much more educated. Also, since the salespeople need to face deeper insights from customers, a new organizational structure has been implemented; from one person selling all brands in multi-brand dealerships, to assign each salesperson to a specific brand. This change is due to consumers' high product knowledge but also due to the fact that OEMs prefer experts with vast knowledge regarding specifically their own brand on the field. The place and time in the process of which the service encounter occurs in have to a large extent remained the same as before. Though, flexibility and adaptability are crucial factors in order to sell the car. In addition, many platforms can be used in order to execute this phase.

5. Problem solving: As some dealers claim, it is not as simple as before to do partial closures. However, salespeople still try to do their tasks in the best way possible, so they constantly strive for identifying the consumers' needs and adapting their sales approach to it. Problem solving and consultative selling has always been a car dealer's main characteristic in their behavior, and still is.

6. Adding value/satisfying needs: As a natural subsequent step after the problem solving, it is vital to add value and satisfy needs. This stage is at large unchanged since the technological development has not influenced the way value is added at the end of the salespeople's sales process.

### 7.2.2 Dealer Behavior Based on Number of Brands Sold

Regarding to which extent the number of brands sold in a dealership would affect the sales behavior, we did not obtain much else new information than what we learnt during our pre-study. As expected, multi-brand dealerships run a risk of cannibalization between brands, while there are no possibilities for it in the category of Exclusive dealers. In the Focused dealers category, we only interviewed dealerships that sell Opel and Nissan cars, which according to the interviewees is a good combination due to the fact that the brands complement each other and thus no cannibalization. However, the Focused and Multi-brand dealers have been affected most by consumers' changed behavior since they have had to restructure their sales staff by brand, whilst all salespeople could sell cars from all brands a decade ago.

The hints we received during our pre-study regarding that dealers would be pulled towards different mindsets and brands due to diverse wills of OEMs did not match with the dealers responds. Multi-brand dealers have already split both their staff teams and their showrooms into brand sections, which facilitates the everyday work and prevents conflicts. Furthermore, one of the dealers claims that it is generally no problem to sell several brands because all of the OEMs have the same target at the end of the day; selling cars. However, some dilemmas can occur in Focused and Multi-brand facilities if certain brands have campaigns or special deals for the time being. Though, it is not as big of a challenge that our pre-study indicated.

# 8. Concluding Discussion

In this chapter, which is the last in the report, we are going to draw conclusions we have found in our endeavor to map the consumers' behavioral changes the last decade, and in response to that also the dealers'. We are putting large emphasis on managerial implications, since that is an important part of this report due to our third research question.

## 8.1 Conclusions

The purpose of the study was to explain past and present behaviors of consumers and dealers and consequently map the discrepancies between the two parties. With support from theories, interviews and heavy research, we have been striving to find answers to our research questions. Following are our findings.

When it comes to consumers, some behavioral changes are more obvious than others. The most distinct development is the one of how consumers have brought home the research and information search for cars instead of obtaining the information directly from the dealerships' salespeople. A large part of the process has shifted from the location of dealership showrooms to online platforms, not least to smart phones and tablets. In line with this, the number of visits at the dealerships has decreased. The early stages are more or less fully executed online, while there are hints that there is interest of taking the whole process online. This is something we had indications on already in our pre-study, but due to the execution of the report, we have been able to map in which platforms the specific parts of the decision-making process have moved towards in the last decade.

Furthermore, a distinct characteristic change of consumers that dealers have noticed is that they view the car purchase as more transactional than before. This is applicable to all consumers, but there are indications that small town inhabitants view the purchases as more relational than metropolitan customers. All dealers have however not confirmed this, thus we cannot draw final conclusions regarding this matter. Two other interesting ideas are that younger people are more impatient than elder and that much loyalty to neither dealers nor brands is seen amongst visitors in multi-brand dealerships. Instead, consumers focus on which type of car they prefer.

Dealers have also changed their behavior in response to the consumers, but they might not have adapted fully to the optimal point. They have adjusted in the actual sales encounter by improving their salespeople's approach in conversations with consumers. For instance, salespeople do not go for partial closures directly but instead wait in order to understand where in the decision-making process the consumer is in, which is a response to the consumers' increased availability of information already before they arrive to the dealerships.

Moreover, focused and multi-brand dealers have divided their salespeople according to brands in order to meet the higher level of knowledge of consumers. Nowadays, the customers are aware of a lot of product details, which encourages the dealers to educate their salespeople even more to serve consumers better in encounters. That would however not be possible practically if the salespersons were not assigned to one brand each, since there is a lot to learn with constantly updated and new information regarding campaigns and products. In addition, in collaborations with OEMs, dealers have improved and integrated their websites in order to serve the customers with information already online, as per the consumers' demands.

Even though a dealer change is apparent, their sales behavior is not fully adapted to the new consumer behaviors. The lack of adjustment might be due to absence of new thinking in the car industry. Many interviewees have responded that they appreciate and employ salespeople with much experience from the car market, which might be a reason for the similarities in sales approaches today and a decade ago. However, there is evidence for new thinking within the industry due to the fact that two out of six interviewees were newly hired from B2B sales organizations in other industries. Both of these interviewees were very open for actions such as proactive work in order to meet consumers' changed behaviors. This was merely a coincidence since we did not target these dealers with respect to the former experience of the contact persons.

## 8.2 Managerial Implications

Managerial Implications is an important part of our report, since this subsection ought to answer our third research question. This part would be included even without our research question, but due to its importance in the matter, we are putting more emphasis on it than otherwise.

### 8.2.1 Implications for Dealers

The changed behaviors of consumers bring managerial implications to the retailers. Dealers have changed their approach in the service encounter and sales approach, but do not actively take action to meet consumers' needs already before they reach the showroom. Some retailers claim that the consumer at the end of the day still needs consultative advises from a salesperson. Therefore, if the sales divisions' managers want

to keep up with being involved in the beginning of the buying process, they must work proactively and approach the consumers before they reach the physical dealerships. As a consequence, they have to move online to a larger extent than they have done today; new and up-to-date websites are simply not enough. Instead dealers need to converse with customers earlier in the process, for instance by implementing direct customer service in form of online chats. Providing consultative selling already online could improve the retailers' business since online is where the consumers are present and can be conversed to prior to the physical meeting. This is especially true among younger costumers, who are claimed to be more impatient than others. If not adapting to current consumers' online presence, dealers face the risk of losing the customer to a competitor just because of the price.

All dealers agree that it is both their and OEMs responsibility to attract consumers, but they still do not seem to work ahead of the times and take the sales online. Since consumers have brought the early stages of the decision-making process home, salespeople should not only be present online, but also work proactively by for instance calling out to consumers with support of the databases with the vast information they have access to. It is still possible for dealers to influence potential customers already in the second stage of the decision-making process (Determination of specification and quantity of needed item), but not in the showroom because that is way too late. Instead, salespeople have to take their service online, especially when the interviewees claim that they want to eliminate the price focus and instead emphasize service. This is extremely important since consumers' number one reason for using the web is to cut search costs and find the lowest prices. If retailers do not take this action, they face the risk of watching the car industry develop as the electronic appliances industry.

Lastly, there is nothing wrong with the salespeople's approach during the service encounter – on the contrary, they have adapted their meeting with consumers quite well. Instead, it is the dealers' responsibility to involve their salespeople in other activities rather than just selling on site. Salespeople do very well in stage four and five of the selling process (Marketing the product and Problem solving), however the stages are performed on a different platform and time than they should. Instead of doing this at the dealership showrooms, these steps should be executed already online.

### 8.2.2 Implications for OEMs

As earlier mentioned, consultative selling can occur already online with the advanced technology of today. Even though dealers can improve a lot to stay in the current business, we believe that in the longer perspective, dealers can and will be cut, especially due to the higher level of acceptance in e-commerce. The customers have already decided which car they are going to buy when they arrive to the showrooms, but salespeople are still stubborn and think that it is the test-drive that makes the customers decide. In our opinion, the test-drive is just an extra confirmation, but the main decision is already made. Thus, it is not necessary to have dealers everywhere. This will of course not happen over a month, but is rather a progress of many years. Our recommendation is that OEMs should implement an operating model where they execute the larger part of the sales process online and only have showrooms in densely populated areas for consumers who really want to touch, feel and test-drive the cars. In practice, it is much easier said than done since this matter is about vertical integration. In a situation where this action is taken by small steps, there is initially a high risk of the OEMs competing with their own dealers. Thus, more research needs to be done in this area in order to examine how feasible our findings are in practice.

Furthermore, we believe that future business will move increasingly towards the consumers' conditions. Therefore, OEMs need to adapt their supply chain and its process towards the consumers' changed characteristics. It is noticed that consumers might be more impatient than before, especially the younger ones. As a consequence, we believe Swedish OEMs need to bear the risk of purchased cars from the producers and keep stocks in order to deliver the products as soon as possible to the customers.

Another implication for OEMs is to use the information regarding implications for dealers, and make sure that they implement the results we have found in this report. It is important for the OEMs that the dealers evolve and are successful; otherwise no cars will be sold. There is a strong synergy between these two actors, and they must work closely together in order to progress in this area as long as both are present in the market.

### 8.2.3 Discussion

In addition to the implications specifically regarding OEMs and dealers, some general thoughts have appeared during the report. First of all, salespeople seem to try to

counteract consumers' price focus with service level. This might be good from one perspective, but if not executed in the right time of the consumers' purchase process, the increased service level might not have any effect. Furthermore, if customers already have all information online and start to consider car purchases as transactional just as purchases in the electronics appliances industry, they might not even consider the service from salespeople as value added. Thus, it is relevant to ask if salespeople's attempt to counteract price focus with service level is at all worthwhile.

Another interesting aspect that we encountered in the report is the importance of test-drives. According to dealers, test-drives are vital in order to sell the products, especially Opel cars. On the other hand, consumer data and trends show that people are willing to purchase cars online and see a future where conventional dealers do not matter as much as they did before. Thus, we believe that dealers might have exaggerated the significance of test-drives. According to them, 80-90 % of test-drives result in purchase, but we suspect that a high number of these purchases would have occurred anyways and that the test-drive is in the consumers' opinion just an extra service before purchasing. This is of course not conclusive due to lack of research in this specific area, but is certainly interesting to find out more about. If the reality corresponds to our suspicions, OEMs might have to reconsider their supply chain and approach customers directly since the need of dealers will not be as high as earlier. However, if dealers persist in the near future, we believe that multi-brand dealerships might be the correct way to go, since consumers today seem to be more focused on price and functionality rather than loyalty to a brand.

## 8.3 Criticism of our Study

This report was written with a focus towards the technological developments in the Swedish market. It is important to mention that there possibly might have been other factors affecting the behavioral changes; as cultural, political and/or environmental changes. Due to the scope of the study, we were not able to cover all these potential factors even though the subject is highly relevant in the current market. Furthermore, our study was limited to a certain geographical area. This was due to time concerns but also financial constrains. We did not have financial aid to manage to travel from our base

in Stockholm to distant places around the country. If we would be able to do that, we might have had been able to cover a larger and more differentiated sample.

The largest, and probably most important, criticism towards our study is the fact that we are using a "decade" as a time perspective in order to compare previous and present behavior of consumers and dealers. Instead of using sources from specifically year 2005 and 2014, we use sources from different years in order to generate an overall picture of how the behaviors have changed. One explanation to this is the lack of literature regarding technological advancement within the car industry from a certain year. Another is the fact that technology has developed in a progressive manner and we did not intend to compare specifically 2005 to 2014. Instead, our intentions were to provide a description of the changes between "now" and "then", and the time span of a decade was most suitable due to Rory Harvey's pronouncement during Opel's retailer conference.

## 8.4 Future Research

It is acknowledged that due to the nature of this study and the use of a small sample, the findings might not be representative for a bigger population. Thus, if the problem area is of interest, future research should utilize larger and more diverse sampling to examine the validity of the findings presented in this report. In addition, it would be interesting to study other high-involvement purchases to examine all involved actors' adoption or rejection in digital environments. We hope that this study can help expand this type of research by creating a base for the subject that future research can use as a starting point.

We did not treat the matter in a larger perspective due to the scope and nature of the study. For instance, we did not question the existence of the current business models of OEMs and dealers. Is this type of business model even going to persist in a couple of decades? This can be compared to the music industry, where not so long ago consumers demanded ownership of their music. They went to music stores in order to buy CD's and cassettes. Today, it is barely about ownership, but instead access to the music. Thus, analysts of the car industry might have to see the situation from an even larger perspective and ask if this type of business is sustainable in the future. If it is not, our study might have little or almost no effect in the situation due to completely new

business models.

Another way to examine this type of phenomenon is by grouping dealers that only sell one specific brand in order to see how different OEMs work with dealers and compare them with each other. By doing so, one could maybe find which OEMs have adapted the most and for instance compare to market shares etcetera. We did not put much emphasize on analyzing the brand images of neither dealerships nor OEMs, which is a strong suggestion for future research. In conclusion, there are several different ways to tackle this area, but we hope that we have set a firm foundation for future research.

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# Appendix 1 – Retailer Interview Template

Following is a template we used for interviews with the dealers. Questions could be tweaked, eliminated or added depending on the on-going conversation.

**General Questions:**

- What is your name?
- What is your position within the company and what are your working tasks?
- How long have you been working here?
- How long have you been working in this industry?
- How long have you been working with sales, and in particular car sales?

**Company Questions:**

- How many cars do you sell each year? Of these cars, how many are Opel cars?
- When was this company founded?
- For how long have you worked with specifically Opel brand?

**Sales Process and Behavior Questions:**

- How do you educate new salespeople?
- How do you keep your sales staff updated with the newest products and campaigns?
- What do you need to prepare prior to customer's arrival?
- What do you do when the customer enters the car showroom?
- A clear majority of buyers surf the web for information prior to purchase. What do you do in order to meet this changed behavior?
- Do you do anything to counteract customers' direct approach towards price discussion?
- What actions do you take in order to increase the customers' perceived added value for going to the dealer?
- What differentiates car sales from sales of other consumer products?
- Have you noticed any changes in the sales behavior?

- What are the primary changes you have encountered during your time in the car industry?

**Customer Oriented Questions:**

- In general, how does the conversation between your salespeople and customer sound like?
- Are there any commonly occurring questions from customers?
- What does the average customer expect when he/she enters the car showroom?

**OEM Oriented Questions:**

- How is it to work with several brands simultaneously? Is there any cannibalism?
- Opel had a conference this winter in order to educate you about the current change in the industry. Since you work with other OEMs, have you recognized any attempts from their side to do similar things?
- Do you experience different messages from different OEMs?
- What do you do in order to keep apart the brands from each other?
- Whose responsibility is it to attract customers to the dealer stores? Why? What do you do?