

OEM Customer Management for Automotive Suppliers



Tier 1 automotive suppliers (Tier 1s) each have a limited number of customers, and so the loss of one customer would strongly affect profitability. Most OEMs assume high product quality and low prices as a given, and now also expect considerable flexibility and reactivity. Tier 1s therefore need new ways to differentiate themselves from competitors in order to retain customers. Digital offers unique opportunities to optimize and facilitate customer relationships. One such opportunity is implementing a “360° customer view” that makes it possible to track, monitor and optimize customer relationships. Like any digital opportunity, a 360° view needs to deliver a return on investment that is both measurable and positive.

Automotive suppliers need a global view of the customer even more than other businesses

As a supplier, you need a 360° customer view more than most, for two main reasons: to meet customer needs, and to be able to optimize the relationship from your own perspective. Let’s look at each of these reasons in turn.

Compared with most other businesses, suppliers have unusually small numbers of customers – each Tier 1 typically supplies only around 10 OEMs, and each can generate €1bn turnover a year. That means, among other things, that each customer is crucial – no Tier 1 can afford to lose a single one.

To engage with customers in the right way, it’s necessary to have the best possible information about each customer and their global needs and plans. Customer expectations are on the rise, making that information even more vital. As well as the right quality and price, OEMs are increasingly looking for a more two-way relationship – more of a partnership, where the supplier proposes innovative ideas to them rather than just responding to their requests. This closer relationship would clearly benefit the supplier as well, but it’s impossible to become an effective partner without understanding the customer’s global business.

The other reason for needing a 360° view relates to being able to manage the relationship. Automotive suppliers face complex challenges in terms of customer management, because it’s possible to be simultaneously involved in different phases of the sales cycle with a single customer at any one time. For example, one part of the supplier’s company could be in a pre-sales phase, negotiating the sale of an exhaust system for a car that will be launched in three years’ time and could bring in €100m over a 10-year period. At the same time, another part of the company could be facing operational issues on a part that is already being delivered daily.

These two situations could well affect each other – which is why a global view is so essential. During the negotiation, a customer will know about the difficulties elsewhere, because OEMs already have a global view of their supplier relationship.

Customers will adjust the price they are willing to pay to reflect this knowledge. If the supplier’s account team lacks this 360° view, as is often the case at present, the supplier won’t make as much profit as would be achievable if the team could anticipate and deal with the customer’s position.

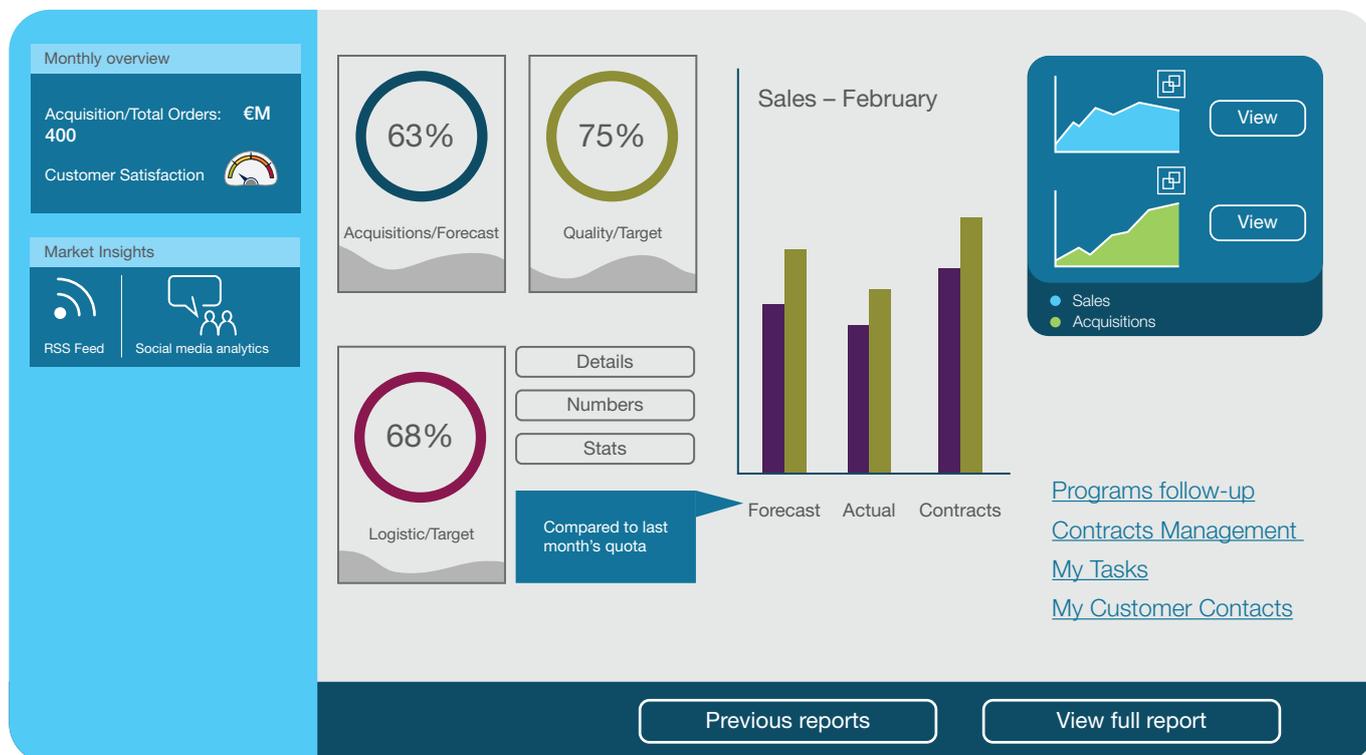
Few suppliers have this global view at present

Even though there are strong reasons to want a 360° customer view, few suppliers currently have one. For each account, there are probably many touchpoints where the supplier deals with different levels of the customer organization and in different locations. The information generated by these contacts is usually held at each location, and it’s virtually impossible to pull it all together within a realistic timeframe.

Getting the global view is also difficult for a Tier 1 supplier. In contrast with some other businesses, Tier 1s need to treat each customer as an individual, following different indicators for each one. OEMs all have their own SLAs and contracts, which are unique to them. There’s no possibility of imposing a homogeneous process across all customer accounts – so everyone typically has their own system (or spreadsheet) for tracking customer interactions, which makes it hard to collect, standardize and integrate data from different sources. The fact that teams are increasingly working out of the office as part of an “enterprise social network” can make getting a global view harder still, even though collaborative tools aim to facilitate information sharing.



Figure 1: 360° customer view



Source: Capgemini Consulting

An additional, and related, obstacle is that the benefits of a single view may not be obvious at local level, so there's little motivation for those working in a plant to contribute their data.

In the past, getting a global view hasn't been seen as a priority. A major reason is that such initiatives are typically sales-driven, but automotive suppliers see themselves as engineering companies rather than sales companies – until recently, most did not even have sales staff. The emphasis has been on delivering rather than selling. When money was tight, the case for investing in customer management was not seen as compelling.

Now is the time to create the 360° view

Now that picture has changed. Investment is an option, and priorities are shifting. Some suppliers are already realizing that a global view will bring significant advantage, enabling them to engage in new ways with customers, while also gaining a stronger negotiating position, together with better lifetime contract management, for themselves.

To achieve this, it's necessary to develop a 360° view of information for each key account (figure 1). This should include both customer information and relevant market insights (such as which competitors have plants near to the customer's future sites, for example).

What does the 360° view provide?

For each key account, the 360° view should provide all the information that a salesperson needs to do a great job, in one place. For example, they should be able to find out instantly who fulfils what role at the OEM, what happened at the last meeting, and what the next actions were.

In addition, there should be real-time reporting of KPIs relating to volumes, financials, quality and so on, all available in real time via this single interface. The 360° view should also give access to dynamic reporting based on a range of business intelligence solutions. As well as generalized company dashboards, there should also be the option for each user to configure dashboards to their personal requirements.

The 360° view should include tools to promote global collaboration and communication between different teams. OEMs manage themselves globally these days, and the better communication enabled by the 360° view should help global teams to do the same. The 360° view must be designed to support mobile access, so that it can be used by salespeople on the move.

Market insights

To complement the 360° customer view, market insights should be developed, making it possible to view the customer's needs and actions in the context of the market. For example, if the sales force is negotiating a deal to supply a part to an OEM factory in Morocco, it is important to know whether competitors already have plant in that region, what deals have already been won there, what labor costs, and how much it costs to set up and run a new plant. This information will make it easier to make the right deals and, in the long run, increase the value of the business done with each customer, benefiting both customer and supplier.

This type of information is available from third-party market research firms, but also from the automotive supplier's interactions with customers. There's a lot to learn from tracking lost bids – who won them, and why?

In the mid term, market insights can be increased by adding a business-to-business-to-consumer (B2B2C) perspective. For example, the supplier could engage in social listening to find out what consumers are saying about a type of part that you manufacture, such as car seats. This type of research is not straightforward because people won't usually refer to the brand or product directly, so a supplier needs to know how to find relevant information.

By aggregating the information already being obtained from OEMs and third-party data providers with the new types available from social networks, it becomes possible to position your sales force not just to understand market expectations better but also to influence product roadmaps. For example, salespeople can use what they've learned about customers' views on car seats (in the above example) to improve the product or propose improvements to OEMs. This type of information is of value to the whole company – not just the sales force.

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Implementation approach

IT aspects

Every automotive supplier will be implementing their new customer management approach starting from a different position. Regardless, our advice is to focus first on the business need, working closely with the sales team and other business stakeholders, rather than on any tools or technology:

- Consider the differentiators that you want to be famous for, then think about what you need to do to achieve these differentiating features at each stage of the customer relationship.
- Conduct gap analysis to see what needs improving – perhaps you are not creative enough during the acquisition phase, or too slow to put forward an offer, for example.
- Assess the services and information that would help with the pain points at each stage.
- Finally, think about the tools and technology that would help you achieve these services and acquire this information – get specialist help in comparing solutions if necessary.

We recommend starting small. Select one account first, and aim to build a 360° view to help the company work with that one customer globally. (Each customer is likely to need a different 360° view design anyway, since they all have different KPIs.) Prioritize a particular pain point that is important to that account, and try collecting just the data that is needed to populate the relevant part of the 360° view display. This will give a better idea of the costs and benefits of a wider exercise.

Populating the 360° view does not necessarily involve large volumes of data, so special tools are probably not needed – it may be possible to work with an existing system such as Salesforce.com.

The main challenge, though, is to bring together information from multiple systems: those used by various company sites, as well as the external systems containing market data. Not only is the internal data likely to be stored in disparate, fragmented systems and spreadsheets, but the data itself is often not aligned in terms of the way fields are defined and formatted. This is partly because of the different requirements for each customer with respect to KPIs, SLAs and so on, and also because terminology can vary between groups within the same company.

It's vital, therefore, that the business works closely with the IT function, and perhaps with external specialists in disciplines such as master data management, to ensure that accurate data is available in real time.

Redeploying resources to realize margin improvements

Introducing the right tools and processes for customer management can significantly reduce the time that the sales force dedicates to this activity, in our experience. To obtain the full benefits of these initiatives, however, it's essential to

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reinvest the time and resources saved into working more efficiently with customers. By doing this, we have found our clients can achieve substantial margin improvements – and in this industry, even a small margin increase translates to huge revenue increases.

Resource reallocation is an essential part of deploying the solution. It requires organizational redesign and change management to move people into new roles (which may require new skills).

In the long term, the changes needed to maximize benefits can be far-reaching. The sales force should be helping to manage the profitability of the entire sales program for a given part, which is likely to run over a five- or six-year period – for example, they should manage change requests to make sure they do not negatively impact on projected margins.

Sustaining performance improvements

To maximize margins, it's important to ensure that the improvements made are permanent. To do this, we recommend several actions:

Review incentive schemes. At the moment, many Tier 1s mainly pay their salespeople fixed wages, with perhaps a small variable element. It may be time to consider introducing sales incentives. There is a choice of approaches for doing this. One is to reward people for their individual sales. Another and perhaps more promising one is to reward people for creating customer engagement – for example, the number of times customers connect via digital platforms such as an enterprise social network. Clients of ours in other B2B sectors such as electronics are successfully using the latter, more sophisticated approach to incentivize the sales force.

Improve sales training. Digital and social learning can be used to train the sales force more effectively, making sure they are aware of innovations as soon as, or before, their customers are – something that is challenging with today's pace of innovation. After saving 30% of your people's time with your new reporting and admin approach, it's well worth reinvesting some of that time in training on efficient modern platforms.

Communicate KPIs better. Make sure improvement objectives are well communicated through the new customer management platform. Measure current performance and clearly show the connection between that performance and overall financial performance. Consider interfacing customer management with the CFO's financial performance monitoring tools. In any case, it's important to show how customer management affects the bottom line.

Benefits

The 360° view, complemented by market analytics, brings a range of benefits for both automotive suppliers and OEMs.

Negotiations and subsequent management of contracts become more effective because each account team now has a global view of the account, just as the OEM has. A team can take steps to deal with any problems that might affect the negotiations, and prepare to address any concerns that the customer raises. The result is better contracts that bring more value to both parties.

The availability of comprehensive real-time information in the 360° view means the supplier really gets to know each customer. As a result, sales efficiency increases. OEMs can be offered greater value and a better experience, encouraging them to see the supplier as a business partner rather than just a supplier.

Sales teams can dedicate more time to listening to the customers, understanding them and creating value for both parties, rather than running reports, since the information they need is available from the 360° view. The team can start to put forward more innovative ideas based on wider market knowledge.

Other benefits include:

- Margin improvements through better use of resources and efficiency. In our experience, sales staff typically spend up to 20% of their time on reporting tasks. With that work automated, they can spend the time saved on value-adding activities.
- Margin monitoring and control throughout the sales lifecycle, making it possible to improve margins further.
- Quotes that are closer to customers' target prices.
- Margin optimization throughout the life of the contract, since you will be reacting swiftly to their needs, achieving operational improvements and avoiding penalties for late delivery.

Perhaps most importantly of all, instead of just being a provider of parts, this approach will help you become a supplier of ideas and innovation. You can use what you know about the customer to target them better with innovative ideas, sometimes even telling OEMs what consumers might want in future based on your market insights. This will reinforce your partnerships with existing customers and safeguard your future market position.

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