Audi's Three Steps to a Winning CRM Strategy

This case study shows how Audi takes reactive, proactive and selective approaches to customer relationship management. It believes its three-step strategy will create lasting ties with customers.

Core Topic
Customer Relationship Management: Creating Business Value for CRM

Key Issue
What is a CRM strategy, and how does it relate to and integrate with other enterprise business strategies, processes and operations?

Audi is a leading manufacturer in the prestige automobile market. In 2002 it produced more than 735,000 cars, generating revenue of over 22.6 billion euros. Audi is part of the Volkswagen (VW) Group and is headquartered in Germany. It has over 51,000 employees and sells through over 5,000 dealers across more than 100 countries.

Problem: Audi's customer relationship management (CRM) initiative started because of:

- Changes in customer buying behavior.

- Customer relationship improvements in other industries.

- Competitor pressure, exacerbated by impending block exemption rules in Europe.

- Difficulties in managing customer relationships in a dealer-oriented, multitier sales organization.

Two immediate factors that drove Audi to invest in CRM were that: a) Audi believed its acquisition and loyalty rates could be improved and b) more customers were seeking direct contact with their car manufacturer, so the customer experience was not as dependent on the dealer. Audi needed a more systematic approach to developing customer lifetime value. In 1999, in a review of its overall sales and marketing strategy, Audi identified CRM as a required core competency for business success.

CRM poses a number of challenges for an automotive manufacturer. There are multiple customer "touch points" like direct marketing, dealers and trade fairs. Customer contact is often infrequent, and the relationship is primarily with the dealer, not directly with the manufacturer, which makes it difficult to ensure a consistent customer experience. Contact between Audi

Gartner

and its customers is often a result of negative experiences like repairs and maintenance. There is often difficulty in convincing dealers that it would be worth their while to give valuable customer data back to the manufacturer.

Objective: Audi sees CRM as a strategic marketing discipline for systematically acquiring and retaining customers. It is taking a long-term approach to CRM in that, at any one moment, it is involved with between 30 and 50 different projects around the world. This case study looks at the results of some of the first 50 projects.

Audi's approach can be summarized using Gartner's Eight Building Blocks of CRM Framework (see "The Eight Building Blocks of CRM").

CRM Vision

Audi's brand values are in being sporty, progressive and sophisticated, and in having an association with leading-edge automotive technology. Behind Audi's vision for CRM was the idea that innovation, intensive dialogue and unique customer orientation would convince customers to establish long-term partnerships with it. Audi has analyzed key life stages to look for customer needs such as improved mobility, convenience and more space. For example, parents with a new child may want more passenger space, and a customer who has taken up golf may want more trunk space.

Customers need to be heard and made aware of what's available in the Audi product range; otherwise they will look elsewhere. In its vision of CRM, Audi decided to differentiate between the entire customer experience and a subset of this, known as the "contact experience." Audi was aware that the customer experience is affected by many factors, including car design, availability of spare parts, the test drive and the attitude of the dealer. Audi chose to focus on the contact experience, where some immediate effect could be felt.

Approach:

CRM Strategy

The goals of Audi's CRM strategy are to improve directly the customer's acquisition levels and loyalty. The CRM strategy is interrelated with the brand, sales and IT strategies for Audi and the VW group. Audi started by analyzing core competencies and setting performance targets. Its CRM strategy has three broad steps.

- **Reactive CRM:** "Do ordinary things extraordinarily well" by providing excellent inbound customer service processes for customer contacts. These processes cover everything from inquiries about new vehicles to information on financing options.

- **Proactive CRM:** "Create as many customer relationships as possible," and increase customer loyalty and market share through improvements to outbound processes such as campaign management.

- **Selective CRM:** "Select and treat customers by segment" to focus on customer profitability by creating loyalty programs and integrating with dealers more tightly.

These three steps are happening at different speeds in different markets and are iterative. Audi recognizes that the steps overlap, but believes the order is important, as there is no point investing in sophisticated propensity analysis if the complaints management procedure is inadequate.

CRM Processes

Audi looked at what it does for its customers (value), how it does it (processes), and then what tools could improve them. The processes for inquiries ("Can I have a brochure for the new A4?") and complaints management ("My tire has burst, my spare is flat and I am on holiday abroad") were identified as key influences on the customer experience.

These processes have been optimized by using a common knowledge base. Customer histories are now available to agents. A single agent is responsible for this, regardless of the inbound channel, handles each inbound contact electronically. Pre-sales, aftersales and other Audi business units now have an integrated set of processes that reduces the number of interfaces between internal business units, centralizes coordination and control, shortens lead times and lowers service costs.

Organizational Collaboration

Extensive change management activities were carried out, and are still in place, to intensify the focus on customer needs. The entire organization, not just the customer care center, strives to maintain this focus. The marketing department is responsible for "owning" CRM and developing the CRM strategy, but CRM is cross-functional and so local customer care and workshop departments are responsible for operational CRM, as they are intimately connected to the needs of the customer locally.

To coordinate CRM better, the pre-sales and after-sales customer service organizations were merged. More recently, in 2003, the Internet and CRM activities were consolidated, so that CRM is responsible for the Internet as a communications channel. Customer service agents now take ownership and responsibility for ensuring customer satisfaction. Other departments, such as the export and legal departments, have been given access to customer data and can add comments directly into the system. A new group was established to handle requests from dealers, registering all contacts related to customer requests.

CRM Technology

At the heart of Audi's CRM technology is KuBa, its customer database. This gives users a complete picture of customer information across the whole of Audi. KuBa displays technical details, interior equipment data for each vehicle and dealer master data. KuBa was built on mySAP CRM — the platform for CRM throughout the VW Group. The nonSAP order management system was integrated into KuBa, so that when an order is created for a new customer, a new vehicle record, and new customer and dealer relationship details are automatically created. The Audi knowledge base, where correspondence templates are stored, is fully integrated into the KuBa system. The vehicle data warehouse has not yet been fully integrated, although some data is extracted from it and fuller integration is planned. An e-service tool called "Ask" has been integrated into mySAP CRM.

Audi started implementation in September 2001 and went live in Germany in April 2002. This was followed by Italy in February 2003 and Brazil in March 2003. There are about 300 Audi users on the system and roughly 500,000 of its 3 million customers in these markets have used the system. A major challenge for the future will be a more complete integration with dealer management systems.

Transformation of Data Into Applied Insight

Integration of customer data was a big challenge for Audi. There were various customer databases in Germany, some of which were more than 20 years old. Like all large automotive manufacturers, Audi has a "heterogeneous landscape" of numerous dealer management systems. Its long-term vision is to standardize these systems, but this can only be done over the next five to 10 years as the supplier contracts expire. Meanwhile, Audi is taking a phased approach to data integration. KuBa contains master data and interaction data and is used for day-to-day operations. It feeds the SAP Business Information

Warehouse (SAP BW), which is used for service analytics, campaign management and to help improve product life-cycle analysis. SAP BW insights can then be used to optimize customer-facing processes and to gather market intelligence that can then be fed back to product development.

Customer Experience

Audi looked at key customer interactions from the customer perspective. It devised what it called "customer walks" to understand the detail of the customer experience, and discover what was inadequate. For example, when visiting a showroom, a customer might try to park his or her car, only to find all the spaces blocked by dealers' cars.

The type of customer experience that Audi is aiming for can be described in the reactions from customers that Audi wants to hear.

- "Audi takes me seriously, they have never disappointed me."

- "Audi knows me and my needs."

- "Audi doesn't only want to sell cars to me."

A single point of contact in the call center and multichannel access have helped Audi provide customers with a positive experience. Analytics are used to monitor service performance and gain market insights. These enable Audi to continuously improve its customers' experience, and to tailor products and services to customer segments or individuals.

The customer experience is determined mostly by the dealers and by the car itself. So it is critical to improve product quality and to work more tightly with dealers. Audi is training its dealers more intensively in customer service. It is putting required service standards in its dealer contracts and providing dealers with better tools and processes for effectively managing customer relationships.

Customer-Centered Metrics

A balanced scorecard approach is central to the CRM initiative. SAP BW provides valuable qualitative and quantitative insights into Audi's market and the quality of customer interaction. This means Audi can quickly identify market opportunities by analyzing the response to a marketing campaign from customers and prospects. A recent personalized marketing campaign in Italy, aimed at A8 owners, demonstrated response rates of 11 percent. This was four times the average rate from direct marketing. Within the existing Audi customer segment, the response rate was nearly 15 times the average. An analysis of

requests and complaints by vehicle type is fed back to product management and development.

Audi focuses on metrics for satisfaction and retention as part of the balanced scorecard. It uses the New Car Buyer Study to measure how many customers replace their Audi with another. The introduction of a loyalty program has increased the retention rate of Audi owners. The results are unclear by how much, as typical car replacement happens every four to six years in Germany, so it will take longer for meaningful statistics to be available. The goal is to increase loyalty by 3 percent.

Audi also uses indexes such as the Customer Satisfaction Index and American Customer Satisfaction Index, to compare itself with competitors in terms of overall satisfaction and of satisfaction with the dealer, workshop and vehicle. Audi is using these measures to identify the quality of its contact experience in those processes it can influence, such as the test drive. It is working to fix the basics first by integrating internal information on these processes with information from the dealers, importers and distributors.

Results: Audi has built a highly effective and efficient multichannel customer care center for the German, Italian and Brazilian markets, which will roll out to other countries. Audi now has effective, individualized marketing campaigns. Customer process costs, in areas from brochure request to delivery, have improved dramatically, and lead-processing times have been reduced by more than 80 percent. According to its customers, Audi has also improved the quality of customer communication by personalizing it.

Critical Success Factors/Lessons Learned:

- A detailed definition of requirements is key.

- It is critical to have a long-term perspective on strategy, to implement some of that strategy at an operational level, and to re-evaluate it in light of the success, or otherwise, of the operational CRM.

- The internal merger of the customer care units helped coordination.

- Knowledge and mapping of business logic and processes before implementing them in the application technology.

- Implementation of CRM must be carried out one project at a time. Audi has completed over 50 projects, each lasting no more than six to nine months, and has as many as 50 more in progress at any one time. It is measuring the success of each project.

• Key users should be involved at an early stage.

Bottom Line: Audi's CRM strategy stands out strongly. Its three-step approach of reactive, proactive and selective CRM shows that basic levels of customer service must be met first before up-selling or cross-selling, and that a step-wise approach to CRM is more successful.