

The manufacturer can turn customer bargaining on price, specification demand and preferred delivery date to his advantage and use the price mechanism to stabilise and plan production in advance.

CONVINCING THE CUSTOMER THAT TIME IS MONEY

The current system is characterised by waiting only for exclusive product. However, it is clear from the manufacturer's point of view that availability from ageing stock is less attractive than express built-to-order. In addition, quality does not have to take time. That build quality should equate with time is an anachronism; in a time-short society, build quality should be a given, and time reduction the aim for meeting the convenience of more affluent customers. As in many sectors, those with less time have means to pay for faster or more efficient services.

The first volume VM to move towards a 3DayCar can undermine the Specialist claim on long order lead times. Demolishing the "myth" that long order lead times equate with build quality should have a major impact. However, care needs to be taken to protect the core values of quality, reliability and desirability, whilst changing expectation of lead times. Poor brand management during implementation of fast build-to-order could seriously damage the product image. Some customers feel that it would be something a manufacturer with poor product and image would attempt, since it seems so misaligned to customer needs as currently perceived. Removing the illusion of quality being reliant upon long lead times will require very strong advertising and warranty support to protect key product values.

BUILDING CARS FOR CUSTOMERS

The 3DayCar permits a shift from a confrontational negotiation to a co-operative meeting of customer needs, requiring a radical change in the behaviour and attitude of both dealers and customers.

For the customer, a 3DayCar can be made attractive as the "car they want, when they want"; a service based on convenience for the customer. An end to stock-push would enable dealers to take a new role involving both negotiators and non-negotiators in the buying process. Flexible and transparent pricing will be a critical element of the marketing mix, to gain the maximum benefit from the 3DayCar capability by managing the flow of demand, whilst simultaneously meeting customer demands for flexible pricing, product and timing of delivery choices. Quality guarantees will be needed to overcome the entrenched belief that high quality takes a long time; the key aim must be translating the advantages for the manufacturer into value for the customer. The message must be portrayed that a quality vehicle can be built to the customer's required specification and delivered reliably when the customer wants it, even in a very short period of time.

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EXECUTIVE BRIEFING

The Customer and the 3DayCar

by Ben Waller, MSc

based on
**a series of six Customer Focus Groups
carried out in liaison with Simpson Carpenter
and a Survey of and Workshop with Dealers**

The objective of this study is to understand customer behaviour within current stock-push systems, and how a rapid build-to-order system would be received in the present environment.

This briefing highlights the findings of the investigation into how consumer demand for product and value can be better satisfied at the same time as manufacturers gain the full cost benefits of build to order.

DECISION TO PURCHASE

A new car is an infrequent luxury purchase. The decision to place the order generally comes after a long consideration process, whether private or fleet. This process is one of gathering information from media, internet, word of mouth, etc. The core information which decides the vehicle to be purchased is contained within the negotiated deal and part exchange. Dealers are crucial for the latter stages in the selection process, but surprisingly not as a primary information source. There is much cynicism over the accuracy of information provided by dealer staff. This includes scepticism of offers from manufacturers as conveyed by dealers. Consequently the dealer's role is pushed towards the end of the selection process.

BUYING AND BARGAINING

Many customers are good negotiators who understand the key negotiating levers, preferring to take control of the buying process and make an offer to the dealer. Negotiators will compromise on what they claim to be important specification details (i.e. colour) to obtain price discounts or specification upgrades. Because stock-push encourages dealers to discount and sell from stock, negotiating customers expect and prefer the process of using availability of stock and specification as a price lever. Consequently, buying from stock benefits the buyer through discounts or upgraded specification. However, those customers who are by nature non-negotiators are alienated by the stock push system. They are unwilling or unable to actively bargain a deal. These customers are, however, very responsive to clear, structured, marketing offers; and to pre-packaged deals conveyed in an "official" way. Such customers want an alternative to the current buying process because

of their mistrust of information and offers made by the dealer.

Volume car dealers incentivise customers to be flexible, often not being able to meet their real needs. Volume car customers do not always actually want their declared demands. The level of product substitution at the dealer is hard to measure due to its being an accepted part of the negotiating and selling process, and this makes the understanding of real demand extremely difficult. However, there is no evidence of any discernible lack of customer satisfaction in specification compromise as long as a good deal is obtained. In terms of lead-time, the current scenario actually favours buying from stock since the best deals are obtained on the shortest delivery time.

EXPRESS BUILD TO ORDER

Customer perceptions of a short order lead time are mainly negative as shown in the table shown below. There is a consensus from both dealers and customers that an ideal order to delivery time is currently between 7 and 14 days, but this can vary from 1 hour to 4 weeks plus. Dealers feel

| IMMEDIATE ORDER FULFILLMENT | EMOTIONAL PULLS & PUSHES | LONGER LEAD TIME |
|-----------------------------|--------------------------|---------------------------------|
| Instant gratification | ↔ | Anticipation, specialness |
| Shoddy/quality compromise | ↔ | Well made |
| Unpopular | ↔ | Popular |
| Old stock/model | ↔ | Mint, latest |
| Mass produced | ↔ | Special, crafted |
| Pressure (to organise) | ↔ | Easy to organise/less stressful |
| Expected | ↔ | A con/marketing ploy |

that a cooling-off period of 3 to 4 days within the 7 days would allow customers finally to review their specification choice and agree to the financial commitment. However, there is no explicit demand for express build-to-order.

A mixed message is sent out by build to order and express delivery. The customer expects build to order to take some time, whilst express delivery is something that they expect from cars bought from stock. An express build to order service seems contradictory and so is confusing.

CHALLENGING DISCOUNTING AND COMPROMISE

Price is the key issue: under build-to-order the customer has no obvious bargaining power as opposed to the position under stock push. Such lack of consumer power is reinforced by a perception that an express build-to-order new car will carry a significant price premium.

This merely confirms the fact that changes made possible by a 3DayCar are essentially a technically led development, for the cost benefit of the supply chain. The radical nature of the step change in supply needs to be balanced by a radical change in managing demand: production slots will have to be sold. The customer, used to having control over price through bargaining on stock, will have to retain a level of control over price under build to order; the difference is that this price will have to be centrally managed.

Real-time variable pricing, both dependent on current demand and against delivery lead-times are two means of achieving this objective.