

Crash through or crash for auto industry

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Abstract: New car sales in Australia are booming but car dealers and makers are locked in a battle of wills that is keeping the industry in a technology gridlock. Vehicle sales for 2004 are expected to hit 960,000, up from nearly 910,000 in 2003, says the Federal Chamber of Automotive Industries (FCAI)... However, the industry is grappling with customer relationship management (CRM) issues, costly supply chains and a lack of true real-time integration between dealers and manufacturers.

Full Text:

NEW car sales in Australia are booming but car dealers and makers are locked in a battle of wills that is keeping the industry in a technology gridlock. Vehicle sales for 2004 are expected to hit 960,000, up from nearly 910,000 in 2003, says the Federal Chamber of Automotive Industries (FCAI).

However, the industry is grappling with customer relationship management (CRM) issues, costly supply chains and a lack of true real-time integration between dealers and manufacturers.

Suitable technology is not the problem -- distrust, rivalry and jealousy -- have stopped the industry from making revolutionary changes that could ultimately mean more money for all parties.

Gartner Research research vice-president Kristian Steenstrup says it is an international issue.

The search for common ground between dealerships and manufacturers is happening globally and to different degrees, he says.

But the question is who pays? But most think manufacturers will have to dig into their pockets for dealers to have consistent systems.

CRM is a battleground, with dealers and manufacturers both saying they have a claim to valuable customer information.

Moving from a transaction-based to a relationship-based approach, with a meaningful data-mining processes is one of the ultimate goals for the industry.

Dealers are after repeat business and manufacturers want loyalty to the brand. But the two don't always coincide, Steenstrup says.

Gordon Towell chief executive officer of automotive IT specialist IDS Enterprise Systems (that has deployed systems into Volkswagen, Subaru, Jaguar, Porsche, Holden, Mitsubishi and DaimlerChrysler) says the debate over the ownership of customer data is the single biggest issue facing the industry.

It is why there has been so little in the way of good technology solutions in that downstream area, he says.

If you look at the automotive industry generically, they have done quite well in terms of technology at the factory and there has been enormous improvements in interfacing with suppliers. But downstream from the factory, because of this rivalry and infighting in the industry, there has been very little connectivity and attention paid to improvements.

This is why there is a massive parts oversupply compared with demand, and massive finished vehicle oversupply compared with demand, because no-one is talking to anyone else. The manufacturers

don't know how many cars they should build and dealerships don't want to share this information.

Business analysts AT Kearney says manufacturers could save billions of dollars by having better integration of systems and CRM.

IDS's Towell says it is no simple matter to get there.

But a lot of manufacturers are terrified of disrupting the channel, he says.

One manufacturer will have to break ranks before the others follow lemming-like, he says.

He says China may become a frontrunner. There has been an explosion of automotive industry over there and, because it is greenfield industry, the manufacturers have finally got their own way and they are forcing the dealerships to use their system.

Despite the problems, both Steenstrup and Towell say the industry is gradually moving towards improvements in the downstream area -- albeit with resistance on the dealer side, while manufacturers take a tougher stance.

Holden is taking a collaborative approach to a substantial portal upgrade, data exchange and dealer management system (DMS) integration program, called Global Retail Integration (GRI).

Holden executive director information systems and services Julie Fahey says she struggles with the concept the program is compulsory for dealers. She believes it must involve investment at both ends.

Holden sales and marketing planning manager Andrew Power believes the manufacturers must take a leading role.

If the business return is predominantly on the dealer side, we will look for investment on the dealer side, he says.

But, when the return is on the Holden side of the fence, then head office will make the investment.

Part of a global program, the GRI will improve parts and vehicle ordering, warranty and distribution.

Holden is pouring a lot of money into the project. Fahey says about 40 per cent of IT spending at Holden is funnelled into software development. Next year, about 15 per cent of the development funds will go towards the retailer integration process.

The portal -- which has been deployed in the US and Europe -- was developed at General Motors's software facility.

Holden is looking for a local company to help it deploy the software.

Power says work on data interfaces and DMS integration will enable the portal project.

The warranty element of the portal was deployed in the first half of this year, parts orderings will be rolled out next year and vehicle ordering and distribution will go live in 2006/07.

Power says the warranty system means dealers get real-time feedback on their claims, instead of waiting weeks.

It has enabled us to remove a lot of overhead by streamlining the approval process, he says.

Holden is looking at, but has not confirmed, a 2005 rollout of parts ordering.

Rather than have the dealer maintain a costly stock inventory, maybe we could start to manage it for them, Power says.

Holden expects to go live with OneView, a Siebel CRM tool, before the end of the year.

The aim is to merge five legacy systems so we have a consolidated set of customer data, Power says.

The global project has been under way for about a year.

Accenture and EDS have been contracted for local deployment.

Work is under way at the dealer end for Holden.

Hunter Holden, one of its big dealers is working with IDS on a next-generation DMS.

A pilot is expected to begin in October and a fully functional system will be up and running by next April.

Hunter Holden uses a Reynolds & Reynolds DMS.

The pilot, phase one, will replace the Reynolds system.

Phase two is scheduled for the end of the year and will contain CRM and vehicle visibility.

Phase three will include integration of third-party applications, such as registration with NSW Roads and Traffic Authority, compulsory third-party green slips and ownership checks with REVS (Register of Encumbered Vehicles).

Phase three will enable customers to query our database about the vehicle's history and to book in the car for a service, Hunter Holden's IT manager Michael Norton says.

The customer can look at what time is available and interrogate our database.

Hunter Holden managing director Adam Kaplan says, even though the system has taken longer to develop than initially envisaged, the functionality the new system will deliver cannot be underestimated.

He expects to be able to reduce staff and increase sales.

Norton backs him: Because of the present system, its inefficiencies and lack of integration, we have too many stops in the process, there are too many avenues it just causes chaos.

Kaplan says every dealer he knows is frustrated with DMS: The current generation doesn't fully integrate what we do on a day-to-day basis. The ones that have most of the market are not very flexible and we just find we are doing too many things manually that we shouldn't have to do.

Toyota -- with a 21 per cent market share in Australia, according to FCAI figures for July -- is bedding down a four-year supply-chain integration program using web services to link suppliers and dealers.

The transformation program involves 100 suppliers and 240 dealers using technology based on BEA WebLogic Integration 8.1.

Seen as a global testbed for Toyota, it involves several business-to-business (B2B) projects to create a real-time information system in a disparate \$10 billion-a-year supply chain

It includes: an electronic proof-of-delivery system; an advanced shipping notice system for vehicle deliveries from trucking partners; a supplier accounts payable portal; and vehicle ordering.

This will allow dealers to set forecasts and place orders in advance as to how many of each model they plan to sell over the next few months.

A fifth project is to help fleet sales integrate with Toyota's core systems.

In January, Toyota began its tJunction program to give dealers a real-time view of the extended supply chain via the web.

The system improvements will be introduced in about 180 Toyota dealers nationally over the next four years.

Four dealers have gone live on the system to receive inventory data information about vehicles and arrival times.

Full functionality -- including giving customers greater transparency about the price, location and availability of vehicles -- will be in place by the beginning of 2008.

Toyota is working with Reynolds & Reynolds and Infomedia on tJunction.

It is also working with IDS to roll out a \$600,000 warranty processing system to 300 Toyota dealers.

IDS's Towell says portals have gained a greater degree of mindshare with manufacturers in the past six months.

In addition to Holden's portal project, Ford is investing in a portal revamp, costing tens of millions of dollars.

It moved quite early on -- about 15 years ago -- to network Australian and New Zealand dealers to enable vehicle and parts ordering, warranty claims and the submission of financial statements direct to head office.

It is doing a revamp of this system using Global Ford systems which is scheduled for completion by mid-2006.

We are taking them from legacy systems to a state-of-the-art web-based system, says Steve Matthew, Ford's business systems manager.

The original systems were developed locally.

Some of the new systems are used in the Asia-Pacific, North America and Europe, while some are still in development, Matthew says.

We have a joint venture in India called Ford Technology Services where regional Ford systems are developed and that organisation deploys those systems throughout the Asia-Pacific region.

While the objective is to globalise processes, the systems will be tweaked to include regulatory changes.

Matthews declined to comment on the time frame of specific system rollouts, details or benefits of the systems due to competitive reasons, but says about 20 per cent of the dealer-facing systems had been updated.

Dealers will see improvements in lead times for parts delivery and more efficient processes in the back office.

In the past three years, Ford has implemented another web-based portal -- a dealer communications centre -- where information such as catalogues and pricing lists are available online to dealers.

Ford is working on a CRM system as well. The project was started three years ago and an inhouse system was deployed last year.

Ford integrated marketing manager Steve Waldmeyer says Ford has one central database of customer data, after integrating about a dozen legacy systems -- some manual.

We've seen some major benefits already from what we have achieved, he says.

Over the next two years the infrastructure largely will be complete and then it will be a case of looking at the business opportunities.

Among the smaller players in the Australian market, Subaru Australia has rolled out a communications portal giving dealers full visibility of stock in hand and customer orders.

Prior to the Subaru central portal going live in May, communication between head office and the company's network of 93 dealers was mainly paper-based.

The Plumtree Software dashboard gives dealers direct access to data such as inventory, order status and promotional details.

By the end of September, dealers will gain access to several other IT systems through the portal that will allow them to review the status of cars at other dealerships.