

DEALER MANAGEMENT SYSTEMS

DRIVING FORWARD THE EUROPEAN AUTOMOTIVE INDUSTRY –
DEALER MANAGEMENT SYSTEMS FROM ATOS ORIGIN

SOLUTION PAPER



Executive Summary

Deregulation of the automotive industry in Europe in September 2002 is changing the balance of power between automotive manufacturers and independent dealers and altering the structure of the industry. Independent dealers are gaining more power as they moved from small locally or nationally-based businesses to become large pan-European operations, while automotive manufactures are looking to retain control of the market through development of their own dealer networks and standardization of processes across the dealer network, whether tied or independent.

These changes require automotive manufacturers and dealers to develop robust new processes, underpinned by a strong IT infrastructure. A Dealer Management System (DMS) implemented as part of a wider information systems strategy will provide the support automotive manufacturers and independent dealer groups need to deliver on their business strategy in this rapidly changing world.

A DMS can provide improved communication between different parts of the supply chain (supporting moves to build-to-order), better management information, and better support for customer-facing activities in both sales and after-sales services. These benefits apply to both passenger and commercial vehicle dealerships.

A well-chosen, well-implemented and well-maintained DMS can be expected, with enhancements, to serve a dealer group for more than ten years. Choosing the right technology components and the right partner to implement them and provide ongoing support is critical.

The technical solution needs to be flexible and open and support easy integration and strong data management capabilities. The implementation and support partner needs to be experienced at handling complex, multi-site, multi-country projects, have a high level of expertise in base technologies such as enterprise resource planning (ERP) solutions and services such as Enterprise Application Integration (EAI).

Atos Origin is ideally placed to help you tackle the challenge of implementing and operating the DMS that will underpin your future competitiveness and success. We have an excellent track record on a wide range of international projects for the automotive industry. Our design-build-operate methodology, which covers the entire system lifecycle, is backed up by robust and proven approaches to project management and change management. All of that is underpinned by extensive experience in key services such as integration and core technologies such as ERP (Enterprise Resource Planning).

Introduction

Deregulation of the automotive industry in Europe in September 2002 is changing the balance of power between automotive manufacturers and independent dealers and altering the structure of the industry. Trends that are already emerging include:

- > expansion from locally or nationally based operations to pan-European dealer groups and manufacturing consortia
- > automotive manufacturers taking direct ownership of more of their dealer networks in an attempt to retain control of the market
- > automotive manufacturers developing new forms of contract with independent dealer networks, again in an attempt to retain control of the market
- > greater tension between dealers and automotive manufacturers as to who "owns" the customer, with greater use of direct marketing methods such as brand-specific internet sites by automotive manufacturers
- > automotive manufacturers looking to standardize processes on a national or even trans-national basis across their dealer networks, whether directly owned or not
- > independent dealers are extending their operations to work with multiple brands
- > independent dealers are engaging in mergers or acquisitions to create much larger operations able to exert great bargaining power in their dealings with automotive manufacturers, leading to a changing balance of power between automotive manufacturers and independent dealers
- > more direct relationships between dealers and suppliers of spare parts, eliminating the automotive manufacturers as middlemen in the relationship. Spare parts sales have typically been a highly profitable source of revenue for automotive manufacturers and by dealing direct with suppliers, independent dealers can undercut tied dealers

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> changes to the functions undertaken by different organizations within the value chain. For example, the local importer often handled stock optimization of spare parts for all dealers in that country but independent dealer groups may wish (or have) to take on this role themselves

Alongside these specific changes to the European market, we are seeing a number of global trends:

- > mergers or alliances between passenger car manufacturers to create a small number of global groups, with a similar process in commercial vehicle manufacturing underway
- > a focus on using process and technology improvements to shorten timescales in every aspect of the business from vehicle design, build through the use of standard vehicle platforms and components for different models and optimization of the supply chain
- > new approaches to handling customers using telephone, internet and other telematic services and centralized contact centers

All these changes are already placing significant demands on automotive manufacturers and dealers to develop robust new processes, underpinned by a strong IT infrastructure. A Dealer Management System (DMS) implemented as part of a wider information systems strategy will provide the support automotive manufacturers and independent dealer groups need to deliver on their business strategy in this rapidly changing world.

A DMS is effectively a “lite” version of the ERP systems which are used by automotive manufacturers and their suppliers to manage their operations. The main components of any dealer management system are shown here:

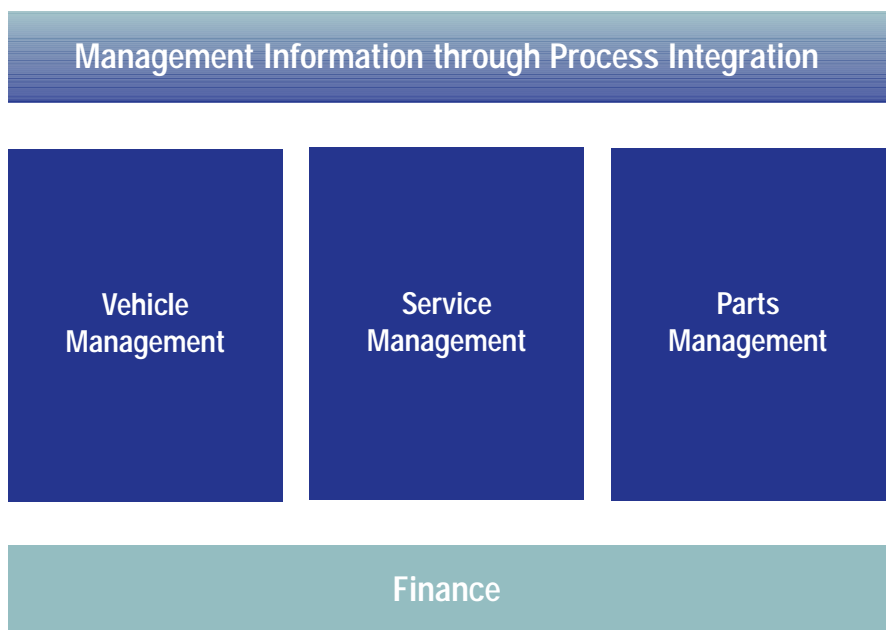


Figure 1 DMS Components

A well-designed and well-implemented DMS offers a significant ROI and can provide your business with a key competitive edge.



Because the market is continuing to evolve rapidly, automotive manufacturers and independent dealer groups need to choose and implement systems that provide:

- > flexible operations and procedures which can react quickly to changing business needs, respond to new threats and take advantage of opportunities. Flexible IT solutions will be a key factor in delivering adaptable business processes
- > faster and more consistent communication and integration between all parts of the supply chain
- > the chance to achieve synergies from mergers and acquisitions and support an ongoing program of cost reduction and enhanced customer service
- > easy scalability, so that they continue to work well as the size of dealer networks grows
- > improved management information for individual dealerships and the dealer network as a whole

This paper will look at how a Dealer Management System (DMS) can benefit your business, some of the issues and

pitfalls involved in choosing and implementing a dealer management solution, and how Atos Origin can help you design, build and operate a DMS that will deliver real business benefits to your organization.

What a Dealer Management System can do for your business

Implementing IT systems can be tricky and expensive, yet a well-designed and well-implemented DMS offers a significant return on investment and can provide your business with a key competitive edge.

Some of the benefits that any dealer (whether independent or owned by an automotive manufacturer) can reap from a DMS include:

- > improved communication between different branches to allow stock and other resources to be used more efficiently
- > improved management information not just at the level of individual dealer branches but across the network as a whole
- > improved support for customer-facing activities

Independent dealers and automotive supermarkets handling simpler service tasks such as oil and tire changes might see the following benefits:

- > achieving operational synergies between branches, especially in groups formed through merges and acquisitions, which will reduce operating costs
- > automating links to systems supplied by automotive manufacturers – such as warranty and spare parts solutions – to deliver a seamless customer experience
- > aggregating and consolidating services and DMS components provided by multiple automotive manufacturers
- > handling activities previously handled by automotive manufacturers or their importers, such as stock management
- > supporting development of the business, such as taking advantage of the opportunities to work directly with suppliers of spare parts in order to offer lower prices than dealers tied to particular automotive manufacturers yet achieve higher margins

Automotive manufacturers who own their dealer network are likely to see the following benefits from implement a DMS:

- > support for the processes involved in the move to build-to-order, which will reduce working capital requirements and increase competitiveness against other brands
- > improved communications between dealer and automotive manufacturer which not only cuts costs but will also help dealers to capture more of the market for after-sales services
- > effective support for delivery of after-sales services – which offer better profit margins than new-car sales - to allow tied dealers to compete with generic suppliers of services and spare parts, such as automotive supermarkets

A DMS project will typically involve rolling out similar software across multiple sites, possibly in different countries and a number of languages.



Manufacturers of commercial vehicles and their dealer networks will also find a DMS can help them meet the specific challenges they face:

- > marketing more intensively to a smaller number of prospects, who include not only owner/operators but also drivers, who have a significant influence on the buying process since their level of satisfaction with the vehicle affects how well they drive which, in turn, impacts on fuel and maintenance costs
- > delivering high-margin but high-risk after-sales service operations. Commercial vehicle operators demand high levels of service – such as the ability to ensure spare parts can be shipped anywhere in Europe in 24 hours – to maximize the time their vehicles spend on the road. The logistics and supply chain elements of a DMS will underpin the effective delivery of these services
- > the ability to support sales of an extremely complex and highly configurable product set: a truck line, for instance, may offer up to one billion possible combinations, compared with 20,000 combinations for a typical passenger car
- > operating dealer networks which are typically larger than those for passenger vehicle sales and which need to operate more closely with vehicle manufacturers, who are looking to invest heavily in systems to support their dealers

Challenges and issues in building and operating a successful DMS

A well-chosen, well-implemented and well-maintained DMS can be expected, with enhancements, to serve a dealer group for more than ten years. Given the lifespan of such a system, it is critical that the automotive industry looks not only at the costs of designing and implementing the initial system but also the costs of operating and enhancing it over its full lifetime. The total cost of ownership over the lifetime of the system – covering design, build and operation – should be identified and the ongoing costs in particular should be controlled carefully.

However, any new system should clearly be designed to meet the needs of the business and the components used to build that system should be chosen for their ability to deliver that vision. When choosing a DMS, the following factors are of particular importance:

- > a flexible design which will allow you to reconfigure your DMS easily to meet changing business needs
- > an open architecture which will allow new modules to be introduced quickly and easily as the needs of the business change
- > a strong focus on easy and seamless integration with other systems, such as
 - spare parts catalogues from multiple suppliers
 - manufacturers' warranty systems
- > strong data management capabilities that will deliver support for all data related to multiple models, possibly from multiple brands, stretching back 20 years, whether held within the DMS or accessed through links to manufacturers' data sources.

Implementing A DMS brings its own set of challenges. A DMS project will typically involve rolling out similar software across multiple sites, possibly in different

Atos Origin has applied its design-build-operate philosophy to create a proven methodology to successfully deliver DMS solutions.



countries and a number of languages. These kinds of projects have proved difficult in other industries – such as the manufacturing sector - and the failure rate is high. Particular attention needs to be paid to cultural issues and ensuring localization of software, as well as the practical logistics involved in preparing dealers for the new system and implementing technologies, processes change and user training at more than one site.

When calculating the implementation costs and total cost of ownership, automotive manufacturers and dealer groups should factor in the additional costs which are always incurred when delivering any complex, pan-European, multi-site project.

Once the system has been implemented, the infrastructure and user base needs to be supported effectively. Managing systems at geographically dispersed branches is a difficult task at the best of times, throwing up issues such as how to handle software updates, how to get an engineer on site if a part needs replacing or how to give users access to centralized helpdesk support in

multiple languages. Many system management tools and services now exist which make the task easier and automotive manufacturers and dealers should look either at implementing these solutions or working with a managed services provider which already has the infrastructure to offer effective support for remote users.

Atos Origin's approach to DMS

Atos Origin has applied its design-build-operate philosophy to create a proven methodology to successfully deliver DMS solutions. This methodology is delivered through a matrix of solutions and services which allow our customers to tackle projects with a scope and pace which match their business needs.

Our methodology spans the whole development lifecycle, from initial scoping and awareness of the solution potential, through solution assessment and implementation onto to ongoing operation and support. Each stage of the design-build-operate process consists of a number of separate services, which can be packaged together to support your needs.

However, we pay particular attention to making sure foundation elements are in place, as well as providing a complete solution covering software, hardware, consulting and organizational issues.

As an international IT services provider, Atos Origin has a strong track record of successfully implementing and operating similar systems across multiple locations in multiple countries. We are particularly experienced at helping global organizations roll out standard processes and systems on an international basis while taking account of the localization issues and cultural factors that cause many multinational projects to fail.

Because a DMS is an ERP-lite, we can draw on our extensive experience in successfully implementing multi-site ERP systems for a wide range of clients around the world. Moreover, while components of a generic ERP system may provide a foundation for the DMS, delivering base functions such as accounts, we ensure DMS-specific modules from specialist vendors are tightly integrated with this foundation. Naturally, we have strategic alliances with vendors of key DMS systems and system components which allows us to offer a wide range of DMS solutions to meet your needs.

Where you have requirements which are not met by an existing package, our implementation services are supported by our extensive experience in enterprise application integration across a broad range of technologies and applications. Moreover, while our enterprise application integration expertise lies at the heart of the build phase, we recognize the importance of integration expertise once your solution becomes operational. The experienced staff who deliver our application management services will take all components into account when resolving ongoing operational issues.

Once your system is operational, we have the breadth of expertise to support every aspect, from the desktop at the dealer site through the network and application servers to the mainframe running in the heart of an automotive manufacturer's operations.

All of these services are underpinned by our robust and proven approaches to project management and change management.



Close relationships between the client and Atos Origin allows new functionality to be deployed quickly.



All of these services are underpinned by our robust and proven approaches to project management and change management, which allow projects to be tightly controlled and delivered within budget and on time, while ensuring the organization is ready to move forward and employees are equipped with the right attitudes, skills and behavior.

Our range of services focused specifically around DMS include:

- > consultancy to help automotive manufacturers and dealers understand the changing market and their business needs, shape a vision for their operations and deliver that vision to the business in the form of practical rollout of process, technology and change management program
- > a one-stop shop for all elements of the solution throughout the systems lifecycle
- > the supply and ongoing operation and support of all infrastructure elements
- > provision of a managed service to provide a single point of contact for all system support, from user calls to the help desk to collating new system requirements and ensuring the solution evolves to meet new business needs. This single point of contact can be provided for a specific dealer group or for an automotive manufacturer working with a mix of independent and manufacturer-owned dealerships

A proven approach

Our many satisfied customers in the automotive industry will testify to the success of Atos Origin's approach to DMS.

We have a proven track record in automotive distribution projects. For one client, we designed and built a European Contact center which provides assistance and service for customers in eight countries on a round-the-clock basis. The center, which was fully operational within seven months, has allowed the French OEM to take ownership of the customer relationship without excluding dealers. In fact, the center, which is based on a SAP CRM solution, provides the benefits of CRM to dealers and helps them support customers more effectively and gain additional revenues.

For the same client, we have also delivered a sales analysis solution which spans 2000 across 450 dealers and delivers information to three levels of the business. The project started with consultancy from Atos Origin to understand the dealer network and how it might be restructured to perform more effectively and what indicators would be required to manage it. We then built a Data Warehouse, accessed through a dealer extranet, to deliver standard reports and decision support tools to users.

At a large car dealership, the requirement was for a mobile solution to allow sales staff to access commercial information such as customer-specific promotions while on the road. The solution developed and now operated by Atos Origin uses SMS and e-mail to deliver data to PDA devices. Customer satisfaction and sales have increased since the system was introduced, while operating costs have fallen.

Atos Origin has also designed, developed and continues to host and maintain a number of web-based systems for several automotive manufacturers and dealers. These sites offer functions to consumers and dealers such as online vehicle configuration and have helped generate leads and create a sense of community amongst customers. Close relationships between the client and Atos Origin allows new functionality to be deployed quickly. In the Dealer Management Systems arena, Atos Origin is currently working with a number of major automotive manufacturers and independent dealerships.

Conclusion

A well-implemented, well-designed and effectively operated Dealer Management System will be the key to facing the current upheavals in the automotive sector, for manufacturers and dealers alike. Atos Origin's whole lifecycle approach to information systems – design-build-operate – together with its expertise and experience in a wide range of technologies, applications and industries makes us ideally placed to help you tackle the challenges facing the European automotive industry in Europe.

To find out what Atos Origin could do for you, please visit www.atosorigin.com, email more-info@atosorigin.com or contact:

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