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AUTOMOTIVE

inSIGHTS

Automotive Competence Center Client Magazine

No. 02_2009

> Sales Agenda 2009/2010: Turning the crisis into an opportunity
> Interview: Allan Rushforth, Vice President, Hyundai Motor Europe
> Fleet business in emerging markets – A potential bright spot in difficult times

inSIGHTS

Editorial

Dear Reader,

The global automotive industry is facing both tough challenges and promising potential. The vast majority of players are busy tackling severe problems in a harsh economic climate. There is no "silver bullet" solution for success, but rather the consistent, decisive and rapid implementation of well thought-out strategies. This includes innovative powertrain solutions, safety- and comfort-enhancing driver assistance systems, new business models and continuous improvement along the entire value chain.

We are once again offering insights on how to develop and implement strategies with impact. We wish you pleasant reading and welcome your feedback.

Sincerely,

Ralf Kalmbach

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A LOOK AROUND THE WORLD

E-mobility – China wants to lead the world market for electric cars

China's automotive industry is bypassing further refinement of combustion engines and is instead aiming to blaze the trail for electric and hybrid vehicle technology. To reach this goal, the government is providing massive tax incentives and subsidies.

By 2020, the global market share for electric vehicles (EVs) and hybrid vehicles (PHEVs) will be between 9% and 10%. In countries such as China, it could be as high as over 15%. The markets for batteries, motors and other components will experience similar outstanding growth: by 2020 they will equal EUR 20 to 50 billion annually, and in the following decades to more than EUR 100 billion. At the same time, the competition will become increasingly fierce. To succeed, manufacturers must take the necessary steps now. They have to cut costs, secure market share, expand business models and form strategic alliances. When it comes to electric and hybrid cars, China is challenging the automotive industries in Western countries. The technological head start Western manufacturers have in conventional powertrains is tough to overcome – and the Chinese know this. But the race for electric mobility is just getting underway. The share of electric or partly electric vehicles will increase in all automotive markets. This means a corresponding increase in the market for powertrain components. To help the Chinese manufacturers tap this market, the Chinese government is providing subsidies and tax incentives to stimulate the development and marketing of "new energy vehicles". Their goal is to make the Chinese automotive industry a technology pioneer of future electric powertrain systems.

Pole position for China's electric car manufacturers

Chinese manufacturers have already gotten off to a good start, thanks to certain advantages: A majority of the raw materials needed, such as lithium, are processed in China and are therefore available at low cost. In addition, cheaper labor provides Chinese manufacturers of lithium-ion batteries with cost benefits of about 30%. This means that prices for the actual batteries are distinctly lower. Because this market is becoming a volume market, economies of scale and scope are critical.

China already has considerable production capacity for lithium-ion batteries and is investing heavily in expanding its production as well as in R&D for new battery technologies. For example, Chinese manufacturers have developed a new lithium-iron battery that is more reliable, lasts longer and is better for the environment. Besides battery technology, Chinese manufacturers are also well positioned for taking charge of motor production. For instance, they have already successfully developed high-quality permanent magnet synchronous motors. Because China has 80% of the world's available neodymium – a raw material needed for permanent magnets – these motors cost significantly less than those produced by non-Chinese competitors. Taking all these facts into account, China's goal of becoming the technology leader in e-mobility is very realistic and should serve as a wake-up call for all automakers and suppliers operating in China.

Players need to act fast

Established foreign automotive players need new business models to reduce costs, establish partnerships and achieve a competitive size. On the other hand, local carmakers would be wise to seize the opportunities of government support and use cost advantages to develop new-energy cars for both local and export markets. Meanwhile, local suppliers are benefiting from cost advantages and playing an active role in becoming the global powertrain supply base for all local and overseas players.

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A LOOK AROUND THE WORLD

Challenges and opportunities for the Italian automotive industry

The global economic downturn has hit the Italian automotive industry hard. However, Italian car sales plunged less dramatically than in other Western European countries. Obviously, the market-stimulating incentives worked particularly well in Italy. Such incentives are especially effective for small, stylish and low-emissions cars – traditionally a strong feature of the Italian market.

Yet although registrations shot up in recent months, the overall picture is worrisome. In fact, sales generated by suppliers, dealers, aftermarket distributors, logistics players, car financing companies and other related service companies are expected to plunge by 25% this year with a corresponding decline in margins.

The number of unprofitable companies is soaring. According to one estimate, more than 30% of car dealers are losing money and the number of suppliers using the "Cassa Integrazione" (a government aid program for redundant employees) increased exponentially since the beginning of the year. In the light of the credit crunch, the strong increase in working capital tie-up associated with decreasing operating profits can lead to serious cashflow problems.

The Italian automotive suppliers are facing, in particular, seven specific challenges, each of which offers its own specific opportunities if tackled successfully. Automotive players can now review the competitive game and pave the way for sustainable growth over the long term. Here's a list of the challenges and their associated opportunities:

Challenge #1: Innovation and technology leadership
Suppliers today account for 70% of the EUR 3 billion in Italy-based automotive R&D. Many of the suppliers based in Italy are technology leaders, recognized by the OEMs. However, the landscape appears to be uneven, with some suppliers losing control over engineering to the OEMs.

How can companies keep innovating (or at least try to catch up) and reshape their cost structure at the same time? The key is to reduce engineering spending by at least 20% without reducing R&D intensity. Modularization and standardization still offer opportunities for some Italian tier-1 suppliers. There is evidence that, for engineering services, low-cost countries such as India could be better leveraged, also within the framework of strategic partnerships.

Challenge #2: Sustainable cost structures with lower market volumes
Resorting to government aid provided by the "Cassa Integrazione" has an immediate effect on direct costs. But this relatively easy action delays other necessary structural adjustments. Process innovation and rightsizing indirect costs through lean company concepts are also required. The current level of SG&A and HQ costs makes it necessary to review the organizational footprint and redesign underlying processes.

Challenge #3: Critical mass
For some business segments, Italian automotive companies are too small to successfully cope with the global market. Consolidation through M&A, currently inhibited by the lack of available credit, is expected to take place over the next few months. The challenge for Italy-based suppliers is to prepare a clear action plan for steering the process, as followers risk losing the game. Consolidation provides an opportunity to strengthen competitive positioning and increase the share of voice toward OEMs currently undergoing transformation.

A LOOK AROUND THE WORLD

Challenge #4: The whole supply chain as a new entity
Redesigning automotive SME networks and setting up innovative ways to interact should be the way forward for the fragmented Italian automotive industry. This includes new coordination frameworks, joint investments, common e-collaborative platform, common process standards and a new deal with the banks. Now is the time to act as a powerful federation while maintaining each individual company's identity.

Challenge #5: Business diversification
Companies should reinforce their presence in highly promising markets (60% of suppliers are already international) and enter new related business segments. The challenge is to understand how to extract new value from the reshaped business portfolio using a combination of new products/markets. Some Italian suppliers are showing how to seize new market opportunities: there are some examples of reasonable diversification into the renewable energies sector.

Challenge #6: The e-mobility trend
Important e-mobility initiatives in Italy involve OEMs, contract vehicle manufacturers, utilities and public administrations. But many Italian automotive suppliers are probably underestimating the e-mobility revolution, even though this is expected to be a promising market in the medium term.

The last G8 summit hosted in l'Aquila showed how the electric car can draw media attention. And at the Milan Expo 2015 ("Feeding the Planet, Energy for Life"), e-mobility will be taking center stage after the initial launches expected in 2010-11.

Challenge #7: The family business and the next generation
A majority of second- and third-generation family businesses are characterized by the strong influence of their founders. In some cases, internal strife hampers new business opportunities. The challenge is to preserve the tradition and be aware of whether or not the new generation is ready to face the unique and complex situation in the automotive landscape. Redesigning the governance model and deploying experienced external managers can serve as an opportunity to merge the old generation with new inspiration.

These challenges represent an excellent opportunity for Italian automotive suppliers to successfully shore up their long-term competitiveness. But it's not just suppliers who need to roll up their sleeves. The key stakeholders in the process need to show new commitment. Banks, for instance, are starting to develop their industrial expertise to be able to target only the true value creators in the lending process.

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SALES AGENDA 2009/2010

Turning the crisis into an opportunity

How the automotive industry can leverage current market pressures and exploit potential in sales and distribution.

Entitled "The automotive industry's last pot of gold"[1)], our first in a series of Europe-wide studies on automotive excellence was published in mid-2007. In that study we looked at sales and distribution and defined the key action fields that would cut costs while achieving sustained increases in both customer satisfaction and sales.

The structural problems within car distribution were deepening. Pressure to act was building not only on manufacturers but also on the wholesale and retail level of the automotive industry.

The onset of the economic crisis and resulting slump in sales worldwide in recent months makes the issues we dealt with back then even more critical. And this is creating new challenges, like the dramatic piling up of car stocks or the growing threat of insolvency facing strategic trading partners.

Germany's green trade-in incentive scheme did bring relief in 2009 especially to the makers of economy and midsize cars, but the incentives will only push the sales problem forward into 2010, unless the economy takes off again.

The question we now pose for auto distribution is: "If not now, when will things be turned around?" This is the central topic of our Sales Agenda 2009/2010, which identifies seven action fields and develops solution-oriented initiatives.

Most of these actions are well-known. But what has so far been lacking is the resolve to put them into practice in a highly focused manner. The time has come to get this done.

Sales organizations that leverage current pressures and systematically exploit the widespread potential that still exists will be the winners. They will emerge strengthened from the present crisis.

Why manufacturers must act now

The downturn in the world economy triggered by the financial crisis affected both mature and growth markets. The automotive industry has been hit very hard, especially since it was already in trouble and suffering from structural problems (overcapacity, overcrowded dealer networks, etc.). The situation was exacerbated by a further collapse in demand in 2009 – but cushioned by various scrappage schemes in major markets. Nevertheless, the crisis already had done its damage, e.g. in Germany:

> Up to 87,000 jobs (8% of workforce) in the German automotive industry are at risk of being lost between 2008 and 2011

> Due to deteriorating company results OEMs have already adjusted their capacities and reduced their workforce by more than 14,400 employees (as announced until August 2009)

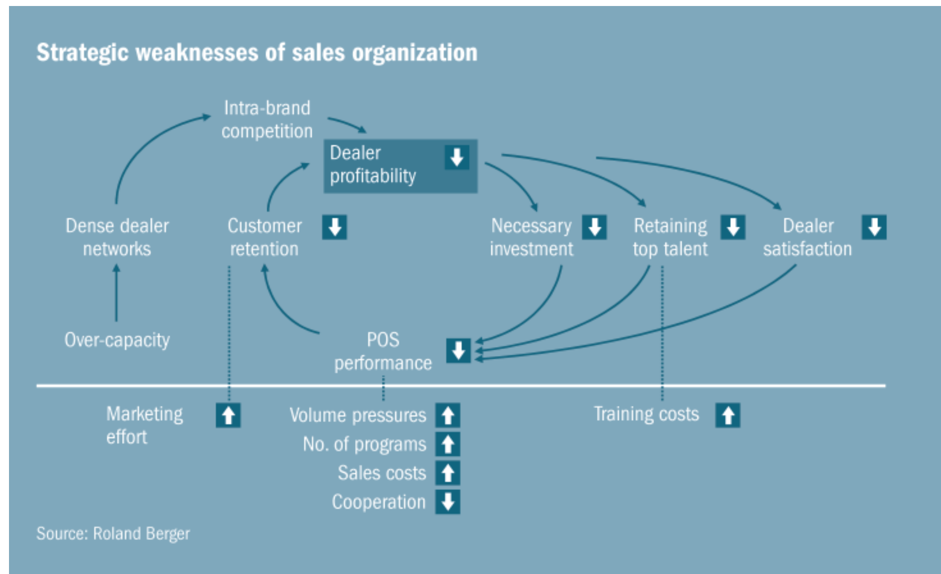
> Along with the OEMs also the German supplier industry has already announced the loss of approximately 12,500 jobs (as of first half 2009)

> And despite the government incentive programs, the number of OEMs sales partners went down by 600 until the end of Q1/2009

The search for quick ways to cut costs and raise performance soon leads management to look at sales and distribution. For here lies enormous potential for improvement. In Europe alone, the costs of distribution and service amount to almost EUR 100 billion – or about one third of the price of a car. This can be illustrated with an example that in the current situation is more relevant than ever:

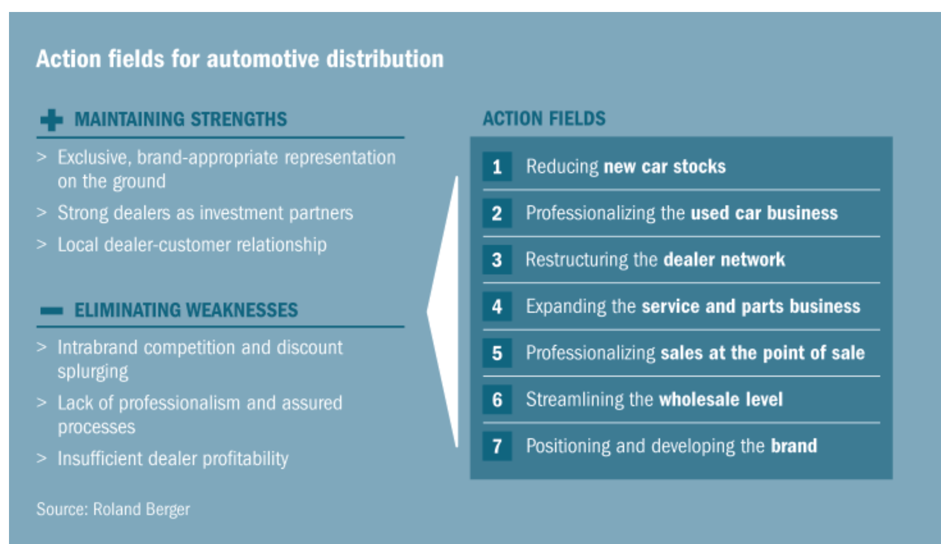
1) Available on request from Roland Berger Strategy Consultants

SALES AGENDA 2009/2010



Given this situation in automotive distribution, it is imperative for the industry to maintain its strengths and eliminate weaknesses. This process of change must be supported and accelerated by focusing on the right action fields. For this purpose, Roland Berger Strategy Consultants has drawn up the Sales Agenda 2009/2010 – in collaboration with experienced sales managers from the industry and representatives of selected dealer groups.

The Agenda identifies seven key action fields for change in auto distribution that can boost earnings in the short term. The potential gains will vary from manufacturer to manufacturer. In the long term, they will enable the players to break out of the vicious circle of overproduction, overcrowded retail networks and low profitability.



SALES AGENDA 2009/2010

The Sales Agenda 2009/2010 – Action fields and potential

Looking at the current situation in the automotive industry, we have prioritized seven action fields. They cover what we see as the decisive levers in automotive distribution and are intended for manufacturers and dealers alike. We have also developed a set of solution-oriented initiatives that, if implemented, will contribute to achieving the earnings potential mentioned above. The action fields and potential in detail:

Action field 1: Reducing new car stocks
Actions in the first field are designed to shorten the inventory periods for new and nearly-new cars from today's three months (based on one year's output) by up to 30%. This would allow the inventory period to fall back to a normal level of about two months (depending on the way stocks are counted). It is also important here to ensure that reasonable inventory periods are maintained after the various government's trade-in incentive schemes has ended.

Action field 2: Professionalizing the used car business
The aim of actions in this field is to reduce the average inventory periods for unsold used cars. At present, used cars are sitting in dealerships for at least 100 days and this period can be shortened by as much as 25%. And, as in action field 1, reasonable inventory periods must be maintained after the trade-in scheme has ended.

Action field 3: Restructuring the dealer network
A powerful dealer network is essential to raise sales performance. But this can only be achieved by reducing network density, through takeovers and consolidation, for example. However, the actions in this field also aim to permanently boost network profitability.

Action field 4: Expanding the service and parts business
This lever primarily aims at increasing market share of the local service trade by 10%. Advances here will not only enable retailing profits to rise, but will also have a positive impact on the bottom line for the wholesale level.

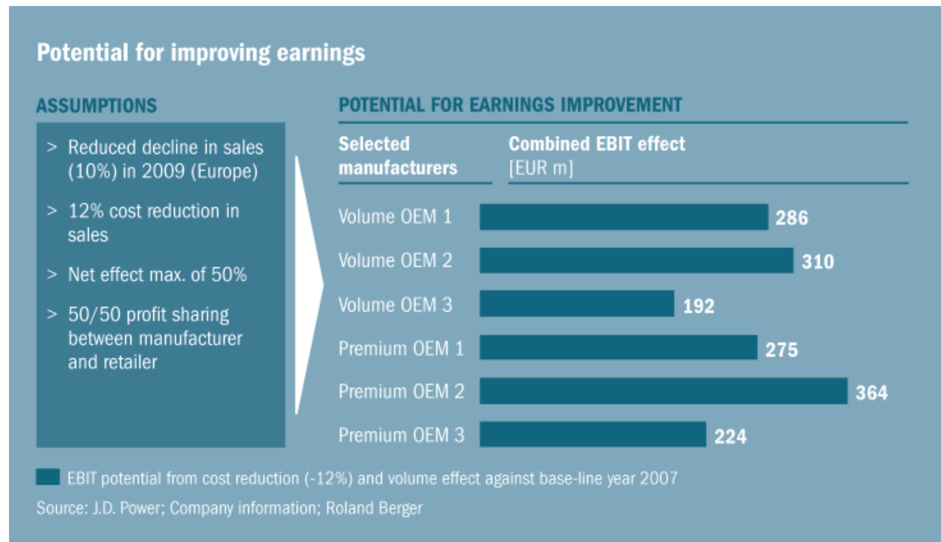
Action field 5: Professionalizing sales at the point of sale
Despite the countless initiatives already taken, there is still scope to improve sales performance at the POS by up to 10%. Surveys show that 60% of a dealership's regular clientele do not receive ongoing customer support in the run-up to their next car purchase.

Action field 6: Streamlining the wholesale level
The aim of actions in this field is to cut overhead cost at the wholesale level by up to 40%. The goal is above all to generate synergies by pursuing Europe-wide centralization or bundling administrative functions at the regional level.

For many of the actions in the above fields to be implemented effectively, there must be a sufficiently large pool of customers and prospects. Auto brands that lack this critical size will first have to work at raising their profile in terms of customer recognition. Only then can they benefit from steps to make sales more professional. The following, additional action field is designed specifically for those brands.

Action field 7: Positioning and developing the brand
The point here is to ensure that potential customers looking for a car will actually take notice of the brand and see it as relevant to their choice. So the main task of initiatives here is to improve brand attractiveness and brand recognition.

All seven action fields must be tackled consistently and the initiatives they contain implemented in full. Only then can distribution costs be significantly reduced in the long term and sales performance improved. Our analyses show that a medium-term cost-cutting potential of up to 12% exists for both manufacturers and dealers. We also estimate that the negative impact of collapsing sales can be halved by systematic efforts to develop the market.



Taking these effects into account, the changes offer manufacturers an additional EBIT of approximately EUR 220 million in the premium segment or EUR 190 million in the volume segment. To put these figures into perspective, it should be noted that we have based our estimate on the assumption that only 50% of the total potential is achieved and we divided the earnings effect equally between manufacturers and dealers.

If not now, when? Most of these actions are by no means novel. Yet we have seen a lack of determination and pressure to actually put them into practice in a consistent way. Instead of reining in marketing budgets in line with the general business situation, the time is now right to push forward with a communication campaign. Instead of leaving the dealer networks to their fate, the industry needs to invest in restructuring and thus create stronger sales networks with fewer, larger and better dealers.

The current market pressure presents an opportunity to seize – at long last – the countless opportunities that exist in automotive distribution and create sustainable solutions to the problems faced. Those who approach this task with determination will create clear competitive advantages for themselves and will emerge stronger from the crisis.

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CONSTRUCTION EQUIPMENT MANUFACTURERS

Challenges ahead of global construction equipment manufacturers

After having hit commercial vehicle OEMs, the economic crisis has also arrived to construction equipment manufacturers. New orders and revenues are crumbling while business profitability is falling below break-even. But the current market downturn should not be seen only as a threat to construction equipment suppliers, but also as a challenging opportunity to lay the foundation for sustainable post-crisis success.

Downturn in the overall construction market is strongly impacting machinery sales

Between 2003 and 2007, the global market for construction equipment (heavy and earthmoving equipment) more than doubled in size, reaching an unprecedented EUR 83 billion. However, the worldwide economic crisis and the contracting construction industry have put the brakes on this growth. On average, construction machinery accounts for approximately 10% of total building project costs. As a result, global machinery demand has contracted by 12% in 2008 compared to 2007, reaching a level of just EUR 73 billion. The boom in the construction equipment industry is thus well and truly over.

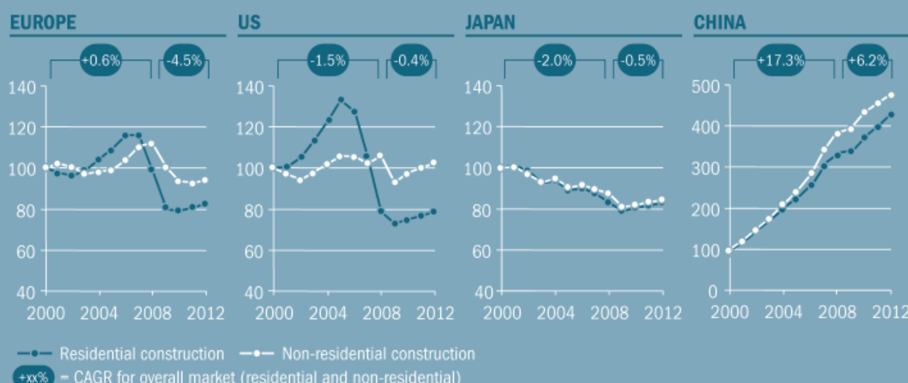
The downturn in the overall construction market first occurred after the collapse of the US real estate market. Even fairly optimistic scenarios for the US market, (taking into account the USD 787 billion in federal financial aid, about one-tenth of the US government stimulus package is dedicated to infrastructure projects) – foresee an annual drop of 10-12% in construction activity (value of new construction put in place) since 2007.

The picture is similarly bleak in Europe. Economic stimulus packages were unable to prevent a year-on-year 3% drop in construction activities in 2008 and an expected additional decline of 8% in 2009. After six years of consecutive growth, order income in the German construction market fell 14% in the first quarter of 2009 compared to 2008.

The current decline in new orders may lead to a decline in global construction industry demand of as much as 2-3% p.a. between 2008 and 2012. A return to overall market growth is not expected before 2012. Mature markets such as North America, Europe and Japan will bear the brunt of the market decline, shrinking by around 6% p.a. until 2012. Only in emerging markets will growth continue, although at a much slower rate of 4% a year.

The construction market will not recover before 2012 – only China continues to exhibit strong growth

Construction market by region and segment (new construction put in place; index year 2000 = 100)



Source: Euroconstruct; Prognos; Freedonia; Global Insight; ENR; press research; Roland Berger analysis

CONSTRUCTION EQUIPMENT MANUFACTURERS

Although hopes are high that governmental stimulus packages will cushion this downturn to a certain degree, public construction spending will not make up for an overall decline in residential and non-residential construction. The pattern of increasing public construction activities fueled by government spending can be encountered in all major economies.

Germany's government has earmarked EUR 21 billion to help the construction industry in 2009, but this spending won't have an effect until the late second half of 2009.

Canada, a major importer of construction equipment, plans to spend EUR 5 billion on residential construction and EUR 7.5 billion on public construction between 2009 and 2011. The Chinese government's investment package, announced in early 2009, comprises EUR 150 billion (RMB 1.5 trillion) in support of public infrastructure construction, EUR 100 billion (RMB 1 trillion) for rebuilding the earthquake-damaged Sichuan province, and an additional EUR 80 billion (RMB 770 billion) for improving overall living standards, including residential housing.

Yet none of these stimulus packages will fully offset the steep decline in residential and non-residential construction caused by the economic crisis. Furthermore, due to its "investment character", construction equipment will be affected worse than the overall construction industry, as postponed equipment purchases are more likely to be changed by available funding and conditions rather than governmental stimulus packages.

Declining construction machinery demand has induced a freefall of revenues and earnings at major manufacturers

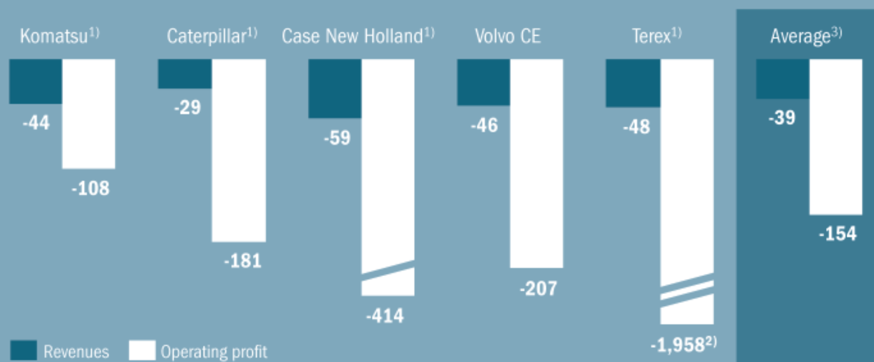
Crumbling construction machinery demand around the world led to a drop of around 40% in order income and revenues for major construction equipment suppliers in the first quarter of 2009 compared to 2008. The decline in revenues goes hand in hand with a slump in profits of around 150% on average. This has prompted a raft of cost-cutting initiatives at all major market players as a first response to severe market conditions.

Komatsu, the Japanese market leader in construction equipment, saw its revenues drop by 60% between November 2008 and February 2009 compared to the same period a year earlier. First-quarter revenues in construction and mining equipment in 2009 were down 44% year-on-year. This was caused by a sharp drop in demand combined with a strong yen. The Japanese Machine Tool Builders' Association expects order income to fall by at least 20% in 2009 year-on-year, mostly due to shrinking export markets. To make up for the nearly 50% decline in net profit in 2008, Komatsu Ltd. announced the closure of two plants in Japan in March 2009 with an annual saving of JPY 5 billion (EUR 39 million).

CONSTRUCTION EQUIPMENT MANUFACTURERS

In Q1/2009, average revenues fell by about 40% and operating profits by 150% for major construction equipment suppliers

Construction equipment revenues/operating profits of major CE suppliers, Q1 2009 vs. 2008 (in %)



1) Construction equipment business unit only
2) Deviation mainly due to net sales impact (approx. 70%) and restructuring expenses (approx. 30%)
3) Weighted average

Source: Company information; press research; Roland Berger analysis

At the same time, structural actions will cost Komatsu about twice this amount (EUR 78 million) this fiscal year, in addition to last year's JPY 32 billion (EUR 250 million).

The US manufacturer Caterpillar has announced plans to cut 26,000 jobs (about one in five) due to the dramatic slump in incoming orders in the first quarter of 2009 compared to 2008. Machinery revenues at the company fell by 29% in the same period, and full-year sales are expected to be down by up to one-third – the largest drop since the 1930s. Caterpillar is suffering the most on its home turf, with North American sales down almost 50% in the first quarter of 2009 compared to 2008. Severance payments are likely to cost the company up to USD 700 million in 2009.

Case New Holland (CNH) saw its first-quarter construction equipment sales down 59% year-on-year in 2009. The company plans to cut costs by USD 250 million and lay off 10-15% of its salaried workforce. CNH is forecasting a market decline of 40-45% in light construction equipment and 30-35% in heavy construction equipment (retail units in 2009 vs. 2008).

Revenues at Terex fell 45% in the first quarter of 2009 year-on-year, and order books have shrunk by one-third since the end of 2008. The company has started cutting costs, mainly by slashing jobs, to save USD 300 million in 2009.

The overall gloomy business prospects for the industry have led to a lower credit rating for Terex by S&P one notch further into junk territory reaching "BB"-level. Moody's followed suit with their own assessment by giving a similar credit rating.

CONSTRUCTION EQUIPMENT MANUFACTURERS

Prospects and opportunities – Actions are needed now

Government stimulus packages and cautious cost-cutting will not be enough to combat the unprecedented downturn in the market. OEMs need to take strategic decisions to prepare for future growth. Management must proactively shape their company's future by making the right decisions now to prepare for post-crisis success. Key levers include streamlining the current organizational model, improving operational efficiency, offering innovative products and ensuring sustainable company growth in emerging markets.

a) Reshape the organizational setup and manufacturing footprint

The market slowdown should not be seen solely as a threat; rather, it is an opportunity to streamline and restructure the bloated organizational structures that built up over the recent growth years. Focusing on core competencies and streamlining the workforce are crucial to make corporate structures leaner and more flexible. Other key steps include adjusting corporate overheads, optimizing the manufacturing footprint and increasing overall efficiency. Especially the increase in low-cost country manufacturing and assembly plays a predominant role in successfully tackling emerging markets.

b) Improve manufacturing efficiency and expand in aftermarket and financial services

To prepare for the forthcoming price increases in raw materials, steel (about 10% of the cost base) and commodities, construction equipment suppliers must improve their cost base now. One lesson learned from commercial vehicle manufacturers is the importance of modularizing and standardizing components and platforms. Adopting best practices in platform architecture and pursuing a parts-sharing strategy will help construction equipment OEMs gain a competitive cost advantage.

Managers should pay greater attention to customer needs. Today's customers want not only reliable and cost-effective equipment, but also aftermarket and full-service contracts, including long-term maintenance, leasing services and fleet management solutions. Leading market players generate up to 20% of revenues from value-added services other than pure machinery sales. By offering comprehensive services, OEMs can stand out from the competition and develop valuable customer relationships.

Four key levers for ensuring post-crisis success

Key levers for ensuring post-crisis success in the construction equipment industry

a) Reshape organizational setup and manufacturing footprint
- Restructure the organizational setup
- Streamline overheads
- Optimize the manufacturing footprint

b) Improve manufacturing efficiency and business scope
- Standardize and modularize
- Employ a parts-sharing strategy
- Expand the aftermarket and financial service offering

POST-CRISIS SUCCESS

c) Leverage innovation and technology
- Pursue fuel-efficiency programs
- Push hybridization of equipment propulsion technology

d) Expand into emerging markets
- Establish a strong position in emerging markets
- Engage in mergers or acquisitions focusing on low-cost manufacturing locations

Source: Roland Berger

c) Leverage innovation and technology as major selling points

Fuel efficiency and alternative powertrain technologies, including hybrid engines, are becoming increasingly important selling points. The German construction equipment supplier Liebherr already charges a price premium of 15% compared to its US and Japanese competitors for greater fuel efficiency and operational reliability, which lead to a lower total cost of ownership. Technological features that reduce operating and maintenance costs are increasingly relevant, even in emerging markets.

Stricter emissions regulations across all markets are forcing all construction equipment OEMs to actively engage in optimizing the combustion engine and exhaust after-treatment. As with on-road vehicles, alternative powertrain technologies to comply with stricter emission limits are becoming a major selling point for construction vehicles. Construction equipment with hybrid drive systems is already available and enjoying growing demand, despite the market downturn. One prominent example is Caterpillar's diesel-electric hybrid bulldozer D7E, scheduled to be launched mid-2010. The bulldozer will achieve fuel efficiency of up to 30% and sell at a 20% price premium over conventional machines.

d) Expand further into emerging markets

Many major players lack an established position in emerging markets. On average, less than one-third of the revenues of leading market players – Komatsu, Caterpillar, Case New Holland, Volvo CE and Terex – comes from emerging markets such as Eastern Europe and the BRIC countries. Yet the Chinese construction equipment machinery market is the world's second largest import market after the US, worth USD 5 billion. It is growing despite the current crisis, albeit more slowly than before. Machinery suppliers should actively seek this opportunity to move away from imploding domestic markets and benefit from global diversification.

While mature markets will recover fairly slowly from the downturn, emerging markets such as China and India are likely to pick up much faster. Local construction equipment enterprises are still less technologically advanced than their global competitors, so international corporations have a good chance of penetrating these markets further. The overall market downturn also creates opportunities for global companies to acquire local players that are in need of capital. The aim of such acquisitions should be to expand locally and take over existing sales channels, as well as gaining a cheaper manufacturing cost structure.

There can be no doubt about it: times are tough for construction equipment manufacturers. What will distinguish the successful players from the less successful ones is how they react to the current downturn. Senior managers need to make key strategic decisions now to prepare their companies for the future. The Automotive Competence Center at Roland Berger Strategy Consultants has the necessary industry knowledge and expertise to support senior management in this process, helping to turn the crisis into an opportunity.

CONSTRUCTION EQUIPMENT MANUFACTURERS

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BOOKS & STUDIES

International restructuring study 2009
The financial and economic crisis – Impact and opportunities

In the spring of 2009, Roland Berger Strategy Consultants once again conducted a study on trends in restructuring, our fifth since 2001. We surveyed the directors and managers of approx. 4,600 companies from various industries across the globe. The aim of the study was to find out how much and where the global economic crisis has affected the companies concerned and also where management sees the opportunities and risks. The key study findings are presented for five core regions: USA, UK, Western Europe (WE), Central & Eastern Europe (CEE) and Asia. The detailed findings are then presented separately for the individual regions.

think:act STUDY – Chinese Consumer Report 2009

Over the past 20 years, Roland Berger has conducted more than 80,000 interviews in China with people from all walks of life, giving us unprecedented access to the way Chinese consumers see their world. We have found out about their preferences and dislikes, their hopes and fears, their aspirations and what they are happy with in the status quo.

These interviews were mostly held in connection with one of the more than 200 assignments we work on in China each year, affording us unrivalled insight into the Chinese market. For at least 15% of these assignments we have used our Roland Berger Profiler tool to analyze the behavior of Chinese customers. To keep on top of developments in 2008/2009 we felt it was important to conduct a large-scale survey to consolidate our knowledge of this exciting and still growing market.

This study presents you with some of the results of this undertaking, which covered 12,000 Chinese consumers in 64 cities, ranging from the four megacities Shanghai, Guangzhou, Shenzhen and Beijing down to tier-3 cities.

FAMOUS CARS
Triumph TR 6

The Triumph TR6 was the ultimate incarnation of the Triumph TR series chassis that had begun with the TR2 in 1953. It ran from late 1968 to 1976, and just under 95,000 were built.

Many saw the TR6 as the last of a breed of classic British sports cars. Under the surface, the TR6 is essentially a TR5 PI. The 2.5 liter six-cylinder engine actually traces its roots back to the 803 cc 4-cylinder Standard Eight engine, but you would never know from its sweet-revving exuberance, or its very musical exhaust note. The Lucas fuel injection system was configured purely for power, and the TR6's original 150 bhp was considered to be quite something for a pushrod 2.5 liter.

BOOKS & STUDIES

India: Opportunities & Challenges

India is booming – the country is currently enjoying growth rates of 6%. For Western companies, the subcontinent still offers vast opportunities.

Roland Berger Strategy Consultants and Tata Strategic Management Group have therefore embarked on the first formal collaborative venture between a leading international strategy consultancy and Indian management consultants. The alliance combines comprehensive knowledge of the Indian market with several decades of global consulting experience, and can thus help companies to successfully enter the market.

Interested in the studies?
Contact: dana_rehfuss@de.rolandberger.com

Triumph was looking for a quick update of the 1961 Michelotti style of the TR4/5, and gave the complete TR6 style and tooling contract to Karmann in Germany.

The result is considered to be one of the most ingenious and successful of facelifts. A useful option on the TR6 was the one piece detachable steel hardtop which easily converted the car to a neat sports coupe. Production of the TR6 ended in July 1976.

The 1971 model shown here belongs to a colleague in the Munich office, who drives it happily and often.

ALLAN RUSHFORTH – INTERVIEW

"Consumers want value, but without compromising on quality"

Allan Rushforth
Vice President, Hyundai Motor Europe

1. Why did Hyundai profit so much more than the competition from the different scrappage programs?

First of all, Hyundai has widely-praised new entrants in the three segments that have seen the highest levels of additional interest as a result of the scrappage programs. These Hyundai "i-range" vehicles – the A-segment i10, B-segment i20, and C-segment i30 – have been designed in Europe to meet the tastes and expectations of European motorists. They are fuel-efficient, high value and high quality: all highly desirable features in these recessionary times, and in tune with the needs and wants of those buying cars under the scrappage programs.

We have also been able to exploit the improved flexibility in our manufacturing, enabling us to respond very quickly to the scrappage program opportunity. For example, in Germany we anticipated a big increase in demand early on, and so placed orders for additional vehicles that our production facilities have successfully been able to fulfill.

At the same time, we took steps at an early stage in Germany to coordinate marketing, dealer communication and promotional messaging in order to raise our profile among prospective buyers. We then applied this best-practice in other key markets including Austria, Spain and the UK. All of this happened at a time when many other major European manufacturers were concentrating on scaling back their manufacturing capacity. The difference in approach gave us an important advantage.

Scrappage programs are amplifying the effect of CO_2-based car taxation, causing customers to downsize. The economic crisis has meant consumers are more focused on value, and more open-minded about the brands that can deliver it. All this has clearly benefited Hyundai, but it is important to stress that our cars are not the cheapest on the market. Consumers want value, but without compromising on quality.

2. What will Hyundai do in the future to maintain and expand its strong market position?

We have now improved availability of our key i-range compact cars, allowing them to fulfill their true potential. Our new plant in the Czech Republic will boost our production output for Europe, manufacturing the i30 five-door and Crossover Wagon. And we will have greater supply of the i10 and i20 – both of which will have their first full year of sales.

The i20 presents a very significant opportunity for us. Production of the Hyundai Getz peaked at 108,000 in 2004 and the widely-praised i20 is well-placed to do better. We launched the three-door variant earlier this year, and a number of new model derivatives across the i-range will follow [see question 6].

We are also at an advanced stage with plans to maximize our operational efficiency and sales performance in some important markets that have been challenging this year, notably Italy, Spain and Greece. We see such markets as crucial to driving Hyundai's overall European business improvement during the first half of 2010.

More broadly speaking, we are honing our marketing and communications strategies, paying particular attention to the retail experience for our customers. To fulfill the expectations of our customers, including our growing number of fleet businesses, we have invested heavily in a dealer enhancement program, including rolling out a new showroom identity across our dealer networks. The objective is to provide the very best experience at every stage of ownership.

3. How is Hyundai's European strategy different from its approach to BRIC markets?

The BRIC markets will make an important contribution to Hyundai's global sales in the years ahead. However, the challenges in Europe are currently much more formidable. European consumers are among the most sophisticated in the world, and the regulatory environment – particularly in terms of safety and environmental standards – is very tough.

However, there are some fundamental differences in our local BRIC strategies because these markets are so different in composition and character. For example, in India, A and B segments account for over 80% of the market and Hyundai is one of the market leaders with a 20% share, so we have solid foundations to build on.

In China, we operate within the framework of a 50-50 joint venture with a local partner, unlike India where we have our own, 100%-owned Hyundai subsidiary.

Another difference is that unlike India where small cars dominate, Chinese customers prefer larger cars. So we've tailored our Elantra and Sonata models to Chinese tastes, and the local versions of these two cars are doing well for us, taking us into the number four sales spot in China this year. Also, outside of the manufacturing partnership, we operate our own import channel which sells Hyundai cars such as Genesis and Equus through a sales channel separate from the joint venture.

In Russia, we're operating along three paths. We are building our own 100%-owned manufacturing subsidiary in St. Petersburg which will open in early 2011 to build B+ segment cars. Parallel to this, we have had a long-standing contract with a third party, TagAz, to do kit assembly of our cars which avoids the 30% duty on built-up units. In 2008, sales through this route accounted for about 100,000 units, so it's quite an important part of our business. Thirdly, we conduct our own import business, with around 90,000 units sold last year.

With regard to our fast-growing Brazil operation, we have plans to build our own manufacturing subsidiary which will open by 2012 to build B+ segment cars. We will also work together with a contract assembler.

4. How will you address the European fleet market (small/midcap companies & large fleets)?

In 2008, non-private Hyundai sales increased by 33% on the previous year, with almost 95,000 Hyundai cars sold to fleet customers. However, there remains significant room for us to increase our fleet-related revenues.

We will target the European fleet market selectively, in three stages. Firstly, we are putting in place the people and processes – at country and dealer level – to target fleet business, particularly among SMEs.

Secondly we will improve our service levels to major European leasing companies and key opinion leaders, for example by improving their exposure to new Hyundai models. This will enable us to increase and improve our dialogue with SMEs regarding current and future products, highlighting ownership benefits relevant to their needs.

Finally, we are developing strategic alliances with leading European rental businesses, with a view to bringing our short-cycle business in line with industry averages, increasing our exposure to company car drivers and improving Hyundai product awareness. In the largest five European markets our C-segment sales to rental firms are less than 10%, well behind the sector average of 13%.

Our relationships with the fleet market will be aided by the arrival of relevant new products – including larger models and niche vehicles – and by positive appraisals from residual value experts. For example, EurotaxGlass's has just confirmed that the Hyundai i30 will exceed the residual value average in the C-segment after three years and 30,000 km.

We will of course continue to enlarge our marketing capacity and manage volumes to leasing and rental businesses carefully in order to optimize our hard-won gains in terms of residual values.

5. How will you respond to the CO_2 challenge?

We are already responding on several fronts. Under the Hyundai "Blue Drive" banner we are bringing to market a range of affordable environmentally-friendly vehicles, using various cleantech solutions that improve fuel efficiency and minimize emissions. Over the next five years we will invest more than USD three billion in the development of eco-friendly cars.

ALLAN RUSHFORTH – INTERVIEW

The first fruits of the Blue Drive initiative in Europe came with the launch of the i30 Blue, which is fitted with the innovative "Idle Stop and Go" system, reducing CO_2 emissions and improving fuel efficiency by 7% on the official combined cycle.

As part of the same Blue Drive strategy, we have launched our first hybrid cars this year, starting with the Elantra LPI Hybrid in July. We also have plans to commercialize fuel cell vehicles by 2012, starting with the deployment of vehicles in California.

Governments are demanding that average CO_2 levels are cut to 120 g/km by 2012. We anticipate that a number of factors will play a part in enabling Hyundai to achieve this goal. Our vehicle sales in the A-, B- and C-segments will grow as more consumers downsize; a range of technological improvements are introduced; and hybrid vehicles reach the marketplace.

Through the various facets of the Blue Drive initiative, we are absolutely determined to deliver further significant reductions in fuel consumption and CO_2 emissions to our fleet and retail customers.

Blue Drive is not focused solely on the development of eco-friendly vehicle technologies. It starts with clean manufacturing and our efforts to minimize waste and CO_2 emissions at the factory level. Equally important, at the other end of the cycle, we are developing recycling technology for end-of-life vehicles and maximizing the recyclable content of our vehicles.

6. What is your recommendation for 2010 (when there's no scrappage?)

No one can fully predict what will happen to registration patterns when the scrappage programs lapse, so our strategic focus is to grow market share. Our goal is to reach a 2.5% share by the end of 2009, and we have already made considerable progress over recent months. In the first half of 2009, we increased our share to 2.3% across Europe, compared to 1.8% during the same period in 2008.

Clearly, having the right products is very important, and the continued trend for downsizing to high value, high quality compact cars will mean our current i-range of vehicles will remain in high demand well after the scrappage programs have been discontinued.

As we headed into 2008, 34% of Hyundai registrations were for our SUV models, but in 2009, 80% of Hyundai sales will be of the compact i-range cars. This illustrates how the market is responding to the greater breadth and depth of our product range, and how these new models are aligned with current preferences of European buyers.

More drivers will seek out vehicles offering lower levels of CO_2 emissions and greater fuel economy – in part because of the tax incentives increasingly prevalent across Europe. The current Hyundai i-range, our forthcoming models and the Blue Drive cleantech innovations will ensure we continue to provide highly competitive offerings for these customers.

To further build the momentum created by today's Hyundai i-range, by the end of the first quarter of 2010 we will commence production of ix35 – the successor to the Tucson SUV, a model that sold over 65,000 units at its peak in 2005. This C-segment SUV will herald the start of a substantial Hyundai product offensive to follow in the second half of 2010, further expanding our model range. Some of these new vehicles are larger and more expensive than our current i-range models, and will attract new converts to our brand at a time when the European economy has begun climbing out of recession.

Recent sales growth will help us accelerate efforts to build awareness of our brand and our products through positive word-of-mouth endorsement. Investment in our dealer networks will then enable us to harness interest from growing numbers of potential buyers.

7. What do you think are the key success factors for the next three years in the new car market in Europe? What's at the top of your agenda?

In terms of manufacturing and operational processes, it is crucial for carmakers to keep costs under control. Although Hyundai has always been a brand with its costs firmly under control, we are very pleased with the progress we have made over recent years and are confident about our position into 2010 and beyond.

Capacity also needs to be well balanced. The recent expansion of our production network means we are now a truly global carmaker – an important strategic development for us. The new Hyundai facilities outside Korea produced over one million vehicles for the first time in 2008, underlining our international status and providing a platform to build greater profitability and market share. We believe the growth in our production capacity will ensure we can meet demand for our current i-range, as well as for the models that will feature in our product offensive, which will get fully underway in the second half of next year.

Demand for vehicles offering greater fuel efficiency and lower emissions will intensify, and we have anticipated this by increasing investment in our Blue Drive initiative. This will ensure we can serve the growing number of new car buyers who want to make an ecologically-sound choice by driving a car that is as clean and as fuel efficient as today's technology will allow.

Innovation will remain crucial – both in terms of our products and the way we operate. We intend to learn from our own experiences and bring forward fresh thinking. Key developments will become more apparent when we communicate further details of our product launch strategy later this year.

Finally, we must also increase our efforts to improve awareness of our brand and products among opinion leaders and potential customers. We are seeing high levels of growth despite awareness levels that are around half those of our strategic rivals, so successfully tackling this issue will certainly help drive further growth. This effort needs to be product-led, but it will also be driven by the retail experience, so our current dealership development program will be crucial.

The regulatory framework in Europe is changing, and in the years to come there will be fewer investors funding businesses at a dealer level, resulting in higher sales volumes per outlet. The potential improvement of our retail business model combined with a richer mix of sales will be an important opportunity for us, especially as we seek to secure higher rates of brand exclusivity in outlets across Europe.

FLEET BUSINESS

Fleet business in emerging markets – A potential bright spot in difficult times

Looking at tough times ahead – at least for a couple of years to come – the international automaker industry is well advised to hold on to anything that can contribute to surviving a period of drought. One such hope could lie in the fleet business in emerging markets, for three key reasons:

First, with fleet sales shares of 10 to 25%, emerging markets such as Brazil, Russia, China and India still have significant potential compared to established fleet markets with shares in excess of 40% of the overall car market (Germany 2007: approx. 60%, UK: approx. 50%). Even though not all of this difference can be pure upside, a considerable amount is still expected to account for additional car sales as opposed to replacing purchases of private cars.

Second, despite the global economic downturn, GDP growth rates for 2009 in the countries mentioned above (with the exception of Russia: -5%) are still forecast to be positive (Brazil 2.4%, India 5.5% and China 7.2%), providing a sound economic basis for further business opportunities. (Source: World Bank; The Economist)

Third, and most important, despite having certain ongoing fleet sales activities, most OEMs appear to have no clear fleet strategies for these markets, let alone organizational structures dedicated to the fleet business. Simply implementing professional structures and improving existing processes will lead to better performance. Especially in difficult times, a structured and deliberate approach is likely to make the difference between success and failure and set a company apart from potential competitors.

Of course, OEMs active in the fleet business within these markets will be faced with similar difficulties as in other, more established countries. Besides increasing competition, other external factors have a negative impact on the fleet markets.

Especially during an economic downturn, cost-cutting actions and reluctance to invest are key concerns for companies that will also affect their vehicle purchasing behavior. This will be especially true for international companies from Europe, the US or Japan. Furthermore, excessive rebate demands as well as a general trend toward downsizing and smaller cars will not make the life of fleet departments any easier.

However, taking the yet untapped potential of emerging markets into account, the time appears right to establish structures that will ensure long-term success. As the first two factors mentioned above can hardly be influenced, the third one – defining a clear strategy and substantiating it with adequate structures and efficient processes – appears to be an area for action.

OEMs planning to enter or expand their fleet business in emerging markets should be clear about the characteristics of the specific countries. Based on thorough market research, a product portfolio should be defined and target groups selected. Furthermore, required organizational structures as well as underlying processes have to be defined and implemented. Once the operation is up and running, constant monitoring is essential and efficiency needs to be constantly improved (see Figure 1).

FLEET BUSINESS

Different markets require different approaches

Despite being referred to with the blanket term "emerging markets", there are significant differences among these countries in terms of market characteristics and customer requirements when it comes to fleet car sales. For instance, in India about 90% of all fleet sales are generated in the A-segment, whereas in Russia this figure is close to zero. In contrast, in Russia more than 60% are generated in the C-, D- and E-segments – in which there are hardly any sales in India.

Another example is the engine/fuel type. In China, standard gasoline accounts for 95% of sales; in India 70% of sales are diesel engines; and in Brazil, nearly 90% of all engines are designed for flexi-fuel (ethanol-mix) usage. Furthermore, brand perception may be completely different across those countries, which is especially important for multi-brand OEMs as they have to answer the question of which brands they want to deploy in each country.

Hence, it is crucial for OEMs to take all relevant market characteristics and their differences into account and define a fleet strategy not only for emerging markets in general, but for each country individually. Brands, models, body types and engines should be determined for each country separately. Additionally, pricing structures, terms and conditions need to be carefully developed.

This is also true for finance products and additional services, since fleet customer requirements differ in this segment as well as seen by comparing India and China: Nearly 90% of all fleet sales in India are financed by credit, whereas in China only 15% choose the credit option and more than 80% pay by cash or cash equivalent. In Brazil, leasing is the most common form of financing new vehicles. See Figure 2 for an overview of different market characteristics in emerging countries.

The definition of a clear set of customer target groups including their expected demands is an extremely important factor and is also likely to influence the product portfolio. For example, in China, nearly 45% of all fleet vehicles are sold to the government directly or to related organizations and another 20% to taxi companies, leaving only a third for traditional corporate fleet sales. In Russia, the corporate share is nearly twice as high at 64%, and in India the government share is only around 4%.

Such country-specific customer structures influence the contact method. Large international companies may already have a relationship with the OEM and can be approached directly, whereas local companies will have to be captured via marketing actions or cold calls. Governments and public organizations typically call for tenders and very small companies may just approach the nearest dealer.

Figure 1: Key actions to establish/enhance fleet business

Preparation	Strategy definition			Operation	
1 Market transparency	**2 Product portfolio**	**3 Target customers**	**4 Structure & processes**	**5 Implementation**	**6 Operation/ Monitoring**
> General market characteristics > Legal restrictions > Customer structure and requirements > Competitive situation > Pricing/ incentives > ...	> Definition of product portfolio regarding: – Brand(s) – Models – Financial offers – Other service offers > Setting of general terms and conditions > ...	> Definition of target customer groups > Definition of target group specific terms and conditions > Definition of customer approach > ...	> Dealer/ service network > Organizational structure and processes (incl. personnel development) > IT systems and tools > ...	> Implementation of defined structures and processes > Adaptation/ development of systems > Active marketing measures > ...	> Constant monitoring of results > Profitability analysis > Continuous improvement measures > Best-practice exchange between countries > ...

Source: Roland Berger

Furthermore, the size of target corporate customers is highly relevant. With large accounts, high volumes can be achieved. But are they going to maximize profits? Unlikely, as larger customers (especially car rental and leasing companies) tend to demand the biggest discounts. In addition, they typically flood the used car markets after short periods of time with large volumes of used cars, which in turn will put pressure on residual values.

Hence, it might be worth it for OEMs to put special sales emphasis on small enterprises with small fleet sizes – either as pure additional sales opportunities or even as a lever for increasing profitability. The latter could become an interesting option once a critical amount of cars is sold to these smaller companies and unprofitable larger accounts can be consolidated or improved.

Consequently, OEMs trying to capture emerging market fleet sales opportunities need to be aware of each market's individual characteristics and carefully define and select their product portfolios, target customers and customer approaches. Once these tasks are accomplished, the focus will shift to adapting internal structures and processes.

Internal structures and processes need to fulfill market requirements

Information gathered through market research is not only essential for defining the products offered but also for designing internal structures and processes. Some OEMs see fleet business in emerging markets as a kind of add-on business causing a lack of clearly defined fleet responsibilities and structures. However, besides achieving significant internal efficiency gains through dedicated structures and responsibilities, many customers in the fleet segment are likely to demand attention by professional fleet personnel. OEMs should therefore install dedicated fleet key account and contract management in all countries where they want to engage in the fleet business.

In addition, establishing an appropriate (or adapting an existing) dealer and service network which also serves the needs of corporate customers is important. Besides merely setting up such structures, training all related dealers in handling fleet customers is also crucial to success. Adequate training – especially for sales people – must be adapted to local demands and special cultural considerations.

Figure 2: Differences across key emerging markets Brazil, Russia, India and China

Country	Main segment sales	Main fuel types	Main body types	Main financing	Key customers
Brazil	A: 16% B: 62% C: 16%	Flex: 90%	Sedan: 27% Hatchback: 58% Pick-up: 10%	Cash: o Credit: + Leasing: ++	Corporate: ++ Government: o Transport: +
Russia	B: 9% C: 47% D/E: 16%	Gas: 83%	Sedan: 69% Hatchback: 3% Van: 23%	Cash: 71% Credit: 5% Leasing: 22%	Corporate: 64% Government: 24% Transport: 12%
India	A: 89% B: 10%	Diesel: 67%	n/a	Cash: 9% Credit: 88% Leasing: 3%	Corporate: 69% Government: 4% Transport: 23%
China	B: 10% C: 37% D: 25%	Gas: 95%	Sedan: 72% Hatchback: 9% SUV: 9%	Cash: 83% Credit: 15% Leasing: 2%	Government: 41% Corporate: 33% Transport: 20%

Source: Roland Berger

In general, OEMs should base their structures, IT systems and fleet-related processes on their other, already established fleet markets and try not to reinvent the wheel. However, the right adaptations and adjustments to local characteristics obviously make sense. Throughout the entire process, a healthy "hands-on" mentality should be applied to keep complexity low.

Questions such as "What do we really need to get started?" and "What will we need when sales pick up?" should be answered up front and priorities clearly defined. Structures and processes should be kept transparent and simple. Especially as external structures and workflows in these emerging countries may be completely different from established markets, some improvising is likely to be required sooner or later.

Constant improvements necessary to ensure long-term success

Emerging markets are moving fast and their conditions may change rapidly and without warning. It is therefore crucial to constantly monitor progress, continuously improve processes and aim for efficiency gains once the organization is up and running. Best practices in fleet management should be shared between old and new markets.

With a dedicated fleet sales force and clearly defined responsibilities in emerging markets, OEMs will be able to react to local customer demands and realize new sales opportunities, as opposed to just having the general retail staff doing additional work for the local fleet business.

As most OEMs are already present in the key emerging markets in one way or the other and also have local market knowledge, defining a consistent fleet strategy and complementing it with the required structures and resources should prove worthwhile. Especially in difficult times, every effort should be made to realize additional upcoming opportunities. Furthermore, moving now could lead to a decisive competitive advantage in the future.

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CORPORATE RESPONSIBILITY
SUSTAINABLE PROFITS

Consumers want management to be socially and environmentally responsible

Even in times of crisis Corporate Responsibility (CR), that is, socially and environmentally responsible management, is a hot topic. The question is: do consumers in the automotive industry really want CR, and does it pay to invest in it?

Study delivers new findings

Roland Berger Strategy Consultants and GfK Panel Services Germany took this question as the basis for a comprehensive study on the subject of Corporate Responsibility. The study not only asked consumers how they see CR, but also compared this with what they actually buy.

We developed the CR Profiler to systematically analyze the whole range of CR issues as consumers see them. This tool is based on empirical studies and can depict the CR profiles of individuals and groups, such as brand users. Those CR profiles can vary significantly as the figure shows. The study identified five general types of consumers who differ in terms of what they think about CR and expect of it. Some types of consumers, such as "Dedicated volunteers", for example, are more interested in traditional CR issues such as the environment, ethical standards and human rights. Others, like "Self-responsible family people", are more concerned about issues such as food and health.

People's attitudes toward CR affect buying behavior

What is interesting here is comparing what consumers say they think with what they actually do: this clearly shows how one affects the other. When asked "Do you buy green products?", for example, more "Dedicated volunteers" (58%) than average said they did. If we look at what this group buys, we find they spend more than the average on, for example, green detergents and cleaners.

Businesses and brands vary dramatically in how far they go to give consumers what they want in terms of CR. Companies need to be aware of these differences and incorporate them into their strategy. The CR strategy itself then must be implemented in all relevant units of the company's value chain.

CR profiles for different types of consumers

SELF-RESPONSIBLE FAMILY PEOPLE

DEDICATED VOLUNTEERS

Above-average agreement | Below-average agreement

Source: GfK Panel Services; Roland Berger

This may entail, for instance, the targeted selection of suppliers in purchasing, product development and marketing activities. An example is BMW's EfficientDynamics technology, which reduces fuel consumption and emission levels, thereby addressing an environmentally oriented target group. CR needs to be understood holistically and should cover risk management, business enhancement and ultimately business generation. CR is now too important in society to be ignored. It's in a company's interests to develop holistic CR strategies and use the CR Profiler to better understand customer CR needs.

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