Digital Transformation in Automotive Retail

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The Million Dollar Question…

How to digitalize a dealer group with more than 500 dealerships and more than 50 brands?
Corporate profile: China Grand Auto (600297.SH)

The biggest Automotive Dealer Group in China

China’s biggest provider for passenger vehicle financing and rental services

Vehicle Sales & Service

- Revenue 93.7b RMB (12.7b €)
- No. of new vehicles sold 633,000
- 5.58 million repaired vehicles
- No. of used vehicles sold: 46,000
  Ranking No.1 among dealers in China.

Vehicles Financing and Rental

- Quantity of vehicles leased: 113,000
  Ranking No.1 in China.
- Covering 30 provinces, municipalities and autonomous regions

Dealer’s network covers the whole country

- Number of dealerships 542
- Covering 25 provinces, autonomous regions and municipalities
- Covering all top 20 brands in China Total number of brands 50

NB: all numbers from 2015
Providing one-stop integrated services throughout the entire vehicle lifecycle

Vehicle Sales
- Vehicle purchase
- Financing and rental

After-Sales Service
- Maintenance
- Financing and insurance agency
- Service extension

Upgrading
- Second-hand car

(Internet + Ecosystem Service)

Data source: ACMR China Automobile Dealers Association

Evolution of New Vehicle Sales and Rankings

- Sales (10,000 vehicles)
- Revenues (million yuan)

Annual growth rates from 2009 to 2015:
- Units of new vehicles sold: 21.4%
- Revenue: 23.5%
Expanding the Dealer Network

Our dealership network is spread throughout the whole country and has grown to 542 dealerships.
Our Brand Portfolio

Selection of our luxury brands

Selection of our high and mid-end brands

95% of 4S stores represent high and mid-end brands and generate 93.7% of total sales
Model Company Approach
What is Foundation? What is Differentiation? What is Innovation?

Categorizing the functional areas to define project priorities

- **Foundation**
  - Increased productivity
  - Core Dealership Processes
  - Financial and Management Accounting
  - Centralized Human Resources & Payroll

- **Differentiation**
  - Better Design
  - Better ideas
  - KPI Framework to enable benchmarking
  - Integrated Quota and Rebate Management
  - Centralized Procurement
  - Workshop Scheduling

- **Innovation**
  - New ideas, new processes
  - Untapped territory
  - Better ideas
  - Digital Marketing
  - Integration to E-Commerce Platform
  - Mobile Pre-Check

- **Common ideas**

- **Better ideas**
How to start?
Deploying the Model Company for Automotive Retail

- Pre-Configuration of End-to-End Scenarios for Automotive Dealers
- Acceleration of Scoping Phase through Delta Blueprinting
- Involvement of key/end users with the system very early in the project

**PRE-CONFIGURED PROCESS FLOWS**

- Digital Marketing
- Integration to E-Commerce Platform
- Mobile Pre-Check
- KPI Framework to enable benchmarking
- Integrated Quota and Rebate Management
- Centralized Procurement
- Workshop Scheduling
- Core Dealership Processes
- Financial and Management Accounting
- Centralized Human Resources & Payroll

**EXAMPLE ORG STRUCTURE**

- HQ
- Dealer 1
- Dealer 2

**EXAMPLE SET OF MASTER DATA**

- Customers
- Vehicles
- Parts
- Prices

**Model Company for Automotive Retail**

Determine GAPS and China Best Practices
How to structure?
Governance through Categorization

- **Innovation**
  - New ideas, new processes

- **Differentiation**
  - Better Design

- **Foundation**
  - Increased productivity

- **Governance Architecture**
  - New ideas, new processes
  - Better Design
  - Increased productivity

- **Methodology**
  - Project Planning

- **Architecture**
  - Change Management

- **Strict Control** vs. **Experimental**
How to make it beautiful?
Focus on User Experience

• Enable pre-check on mobile device at vehicle reception for service
• Allowing service advisors to expedite reception process
• Allowing them to spend more time with their customers
Focus on User Experience – Agile Methodology

**DISCOVER**
Who are the users and how do they work now?
What are their daily challenges?

**DESIGN**
Create UI Mock-Ups
Get and Incorporate Users Feedback

**DELIVER**
Implement the solution and conduct User Acceptance tests

**SAPUI 5 and Gateway**
Reasonable effort from realization POV
The Journey of the Pilot
Deploying the Model Company for Automotive Retail

- Agreement to adapt dealer processes to SAP’s Global Best Practices
- Only allowed deviations are “China Best Practices”
- ZERO Modifications
The Outcome of the Pilot
Deploying the Model Company for Automotive Retail

**Project Result**
- Go Live in time, budget and quality of the agreed scope with 1500 users in 10 month
- 15 dealer stores in pilot region Huabei, regional HQ and main HQ
- Dealerships fully digitalized – full functional support end-to-end, wall-to-wall
- Roll-out to further 109 dealer stores with 8000 users in 4 months

**Business Result**
- Accelerated monthly closing time by factor 10
- Established a KPI Framework: make 15 dealer stores of different brands comparable
- High automation for internal control (introduced 200 internal control points)
- Realtime transparency – management dashboards
CEO Dashboard
Real-time reporting powered by HANA
The Next Steps 1/2
Roll-out to further regions and brands

- 134 dealers
- 26 brands

- 137 dealers
- 26 brands

- 81 dealers
- 33 brands

- 15 dealers
- 22 brands

- 13 dealers
- 13 brands
- main HQ and regional HQ

Kick-Off
05/2014

Pilot Go Live
02/2015

Wave 1
11/2015

Wave 2
03/2016

Wave 3
08/2016

6 months roll-out

4 months roll-out

3 months roll-out
Success factors for accelerating the roll-out

• Top management support from SAP and CGA (e.g. assure support from regions)
• Strong governance on functional enhancements
• Stable pilot due to strong DBM product
• High degree of automation and standardization (e.g. tools for quick deployment, automated testing)

But most of all:

TEAM SPIRIT AND HARD WORK!
The Next Steps 2/2
Innovation on top of the Model Company for Automotive Retail

**Foundation**
- New and Used Vehicle sales
- Workshop Management
- Parts Sales and Decoration Management
- Financial and Management Accounting
- Quota and Rebate Management
- Payroll
- Treasury
- Commission Management

**Innovation**
- Digital Marketing
- E-Commerce Scenarios
- Social Media Integration

**Differentiation**
- Integrated Leasing
- Risk Management
- Electronic Payment
- HANA Enterprise Search

**Functional extension**
- Functional extension – extending existing processes, e.g. vehicle sales with digital marketing
- Functional extension – in new business areas, e.g. leasing integrated with dealer business

**Enable new business processes**
- Enable new business processes, e.g. service booking through web and mobile

**Leverage HANA capabilities**
- Leverage HANA capabilities – fast search of vehicles, orders, customers, leads and opportunities

**New ways of interacting**
- New ways of interacting with consumers through social media
George Liu

A graduate from Dalian University of Technology in China and ICB of Hong Kong University.

George is experienced in CMMi, ITIL and project management methodologies and served for several multi-nationals in China including General Electric, British Telecom and Reed Elsevier among others.

In his current role, George is responsible for running the IT department as a General Manager and was representing China Grand Auto at the Steering Committee of the SAP implementation.
Chris Naab

Chris is a solution architect and has first joined SAP in 1999. In his current role, he is providing architectural guidance to MaxAttention customers and supports One Service engagements. He is delivering Application Architecture Evaluation services with a view of improving processes, their underlying design and simplifying application architectures.

Prior to his current role with SAP Active Global Support, Chris has worked in consulting as well as in the Industry Business Unit Automotive where he was driving portfolios through continuous innovation of SAP solutions.

Chris is a frequent speaker at conferences such as SAP Innovation Camps, SAP user groups, MaxAttention Forums and industry summits.