Multi-brand Selling in the Automotive Market: The Santogal Case

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Dissertation submitted in partial fulfilment of requirements for the degree of MSc in Business Administration, at the Universidade Católica Portuguesa, 6th June 2011

Preface

This dissertation represents the end of the biggest academic challenge of my life. It was an extremely valuable experience to understand the automotive industry market and, specifically, the Portuguese dealership market. Before starting this project my only relation with the automotive industry was my passion for cars. This was, of course, an extra motivation to develop the present project. The reason why I chose to work on the automotive market was the fact that this is a highly competitive industry in which strategic decisions are paramount to achieve success.

During the last three years, I have been a student of the Master of Science and, at the same time, I have started my professional career. Conciliating my academic, work, and personal life was not an easy task and I would not have managed to accomplish what I believe is a successful outcome without the support I received from my teachers and from Santogal's management and staff to whom I wish to deliver the most sincere and kind word of gratitude.

First of all, I wish to thank Professor Pedro Celeste for the strong contribution and support provided during the preparation of this dissertation, being always present when I needed his guidance and recommendations.

Secondly, I want to leave a special word of acknowledgment to Professor Luís Janeiro, he was always present when I attended the Master of Science with the Deloitte class, helping me achieve my academic objectives.

I wish to thank Dr. Luís Pessanha for giving me the opportunity to work at Santogal and develop an academic study based on one of the enterprise's strategic domains to which he contributed significantly. Without his help, personal contribution and endless commitment this work would not be possible.

I wish also to thank Eng. Luís Barreto for all his dedication and the time offered providing information and details about the automotive market and, in particular, about Santogal’s corporate culture, environment and market positioning. I also cannot forget all the Santogal staff who gave their contribution during this project, for them a very special word of acknowledgment.

Finally, I wish to thank all those who were always there when I really needed my family and friends who gave me all the support and strength to accomplish this rewording task.

Abstract

Title: Multi-brand Selling in the Automotive Market: The Santogal Case

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At the start of the last decade, the European automotive industry faced a market showing several flaws in its functioning. It was excessively concentrated; the six major manufacturers (Volkswagen, Peugeot/Citroën, Renault, General Motors, Ford e Fiat) held 75% of market share. This favourable position led manufacturers to establish agreements and contracts both with suppliers and retailers aiming at protecting their interests and entailing a reduction of competition in the market. In light of this situation, the European Commission intervened and adopted Regulation n° 1400/2002, which prohibits any agreements affecting competition and promotes new retailing possibilities.

This new context led to huge changes both for manufacturers, on one side, and importers and retailers on the other. This study aims at contributing to widen knowledge on the subject through the analysis of the Santogal case. Starting as an importer, the company has always been linked to the automotive sector for more than 60 years. The changes the market has undergone along the years led Santogal to develop new strategies and business models in order to attain its objectives. This study focuses in particular on Santogal's "multi-brand" project developed in the last few years and which has revolutionized its way of selling cars and created the conditions to exploit to the full the potential of its structure.

The main objective of the present study is to challenge academics, manufacturers, importers and retailers to develop new sales models to face the change in the competition conditions observed in the European market. The work carried in the context of the present study allows to conclude that, although for the customer price is the main differentiation factor, new sales models widening the offer and aiming at facilitating comparisons and counselling the client during the decision making process represent a competitive advantage for companies which adopt them.

Resumo

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No início da última década a indústria automóvel europeia apresentava diversas deficiências no que representa ao bom funcionamento do mercado. O mercado encontrava-se excessivamente concentrado, os seis maiores construtores (Volkswagen, Peugeot/Citroën, Renault, General Motors, Ford e Fiat) detinham juntos 75% de quota de mercado. Esta posição favorável levou a que os construtores desenvolvessem acordos e contratos, tanto com fornecedores como com revendedores, de forma a proteger os seus interesses e, simultaneamente, diminuindo a competitividade do mercado. Face a este cenário, a Comissão Europeia, interveio e adoptou o Regulamento nº 1400/2002 proibindo quaisquer acordos que afectem a concorrência e promovendo novas formas de revenda.

Este novo contexto levou a enormes transformações, quer ao nível dos construtores bem como dos importadores e revendedores. Este trabalho ambiciona precisamente contribuir para alargar o conhecimento sobre o tema através da análise do caso da Santogal. Ao longo de mais de 60 anos de história, esta empresa esteve sempre ligada ao sector automóvel, tendo começado por ser importador de marcas. As alterações que o mercado foi sofrendo ao longo dos anos levaram a Santogal a desenvolver novas estratégias e modelos de negócio de forma a atingir os seus objectivos. O presente estudo debruça-se sobre o projecto “multimarca” desenvolvido nos últimos anos pela Santogal, o qual veio revolucionar a forma de vender automóveis e potenciar ao máximo a sua estrutura.

Em suma, o principal objectivo do presente estudo é desafiar académicos, construtores automóveis, importadores e revendedores a desenvolver novos modelos de venda para fazer face às alterações das condições competitivas verificadas no mercado europeu. O trabalho realizado no âmbito desta tese permitiu concluir que, embora para o cliente o factor principal de diferenciação seja o preço, novos modelos de venda que alarguem a oferta e visem facilitar as comparações e aconselha-lo durante o processo de tomada de decisão representam um benefício competitivo para as empresas que os adoptam.

Contents

Introduction

There have been hardly any industries exposed to such intense scrutiny as the automotive industry during the current crisis. The industry is characterized by high competition between car manufacturers due to an aggressive product policy and overcapacity. Therefore, it is legitimate to ask how can automotive retailing companies achieve success in such a competitive market? How can they differentiate from each other?

The company I will analyze in this study is Santogal, which has been in the Portuguese automotive market since 1946 and had to adapt its business model during all these years, moving from car importer to a multi-brand automotive car retailing company. Nowadays, Santogal sells more than 26 brands but what makes it unique from its competitors is the multi-brand project. What characterizes this project is the"Santogal Ambassador "concept. Under the project, each one of Santogal's individual dealerships became an ambassador dealer and sells all its 26 brands. Santogal saw in this the opportunity to differentiate the company through the provision of a new and better dealership experience. The purpose of the study is to analyze Santogal's multi-brand project and the reasons for its success, therefore the key research questions are:

1. Is the multi-brand business project a key competitive advantage in the Portuguese automotive retail market?
2. Which are the key success factors in the implementation of this strategy, particularly in terms of organizational inputs?
3. What are the key differentiating factors for the customer?

Methodology

This study used primary data collected from in-depth interviews with representatives from Santogal and visits to its facilities. The in-depth interviews were made in two stages. First, with the top management in order to understand the strategic decisions made to develop the multi-brand project. Secondly, through visits to Santogal's facilities and interviews with several staff among its dealerships in order to analyze how the project is run. The main objective of this part of the research was to understand the project and see how it is implemented in the company, collecting all the data needed to elaborate the case. An on-line survey was conducted to analyze customers' perception about the Santogal multi-brand concept. Secondary data was collected from the on-line survey using the university platform EBSCO for academic research through the spider web technique taught in class.

Literature review

1. Introduction

During the first decade of the XXI century, the automotive retailing market suffered major transformations. In fact, the new regulatory guidelines changed the competitive environment and enhanced competition between players. Differentiation became a major factor in order to achieve success and companies had to take several decisions involving strategic models. Competitive instruments became the ultimate tools to build effective strategies. The current section, analyses the theoretical background sustaining academic knowledge on the automotive retailing market. It is extremely important to know in detail the principles supporting the strategic models applied in the industry in order to understand the reasons behind their success.

1.1 The automotive retailing market

Retailers are businesses whose revenue comes mostly from retailing (Kotler, 2005). Considering the automotive retailing sector, revenue comes from two main activities, sales and assistance at auto dealers. The auto dealers market contemplates sales of used and new cars as well as assistance, maintenance and selling of auto components. Consequently the automotive retailing market must be divided in sales and after-sales services. Sales consist in selling new and used passengers and light commercial vehicles, while passengers' cars are divided into 6 different segments according to their own characteristics and taking into account the model range of each brand. The six segments considered are: subcompact, compact, intermediate, standard/luxury, sports and minivans (Verboven, 2002). These different segments represent the categories available in the market and are included in the European Commission car price report.

The importance of the automotive retailing market is not limited to its primary market, as the after sales services comprehend all assistance and spare parts market.

1.2 Distribution Channels and servicing alternatives

The distribution channels in the European automotive market depend essentially upon a basic set of comparable combinations as described below; even if there are occasionally significant differences in the importance of the individual distribution channels from manufacturer to manufacturer (Landemann, 2001). Until recently the structure of the European automotive industry has remained untouched and the distribution of new cars, services and spare parts was usually done by authorized single-brand dealers under the control of manufacturers or their national importers (Riel, Liljander, Semeijn & Polsa, 2011). The market was regulated by a regime of vertical restrictions delaying certain competitive developments. After entry in force of European Commission regulation nº 1400/2002, the automotive market was encouraged to develop innovative forms of distribution (London Economics, 2006) creating a more competitive environment with independent repair services, other dealers, multi-brand distributors and new distribution channels (Riel, Liljander, Semeijn & Polsa, 2011). Consequently, the European automotive distribution environment is nowadays a multi-channel distribution system. Multi-channel distribution became more the rule than an exception (Frazier, 1999). Such a development is due to the fragmentation of markets, to technological advances as well as to increased inter-brand competition (Jeanpert, 2002). The multi-channel strategy offers the opportunity for companies to multiply their contacts with consumers reinforcing the relationship and promoting consumers’ retention (Vanheems, 2009). Therefore, we are now facing an important turning point in the relationship between manufacturers and dealers. Negotiation power has been increasing for dealers who create real partnerships in order to achieve an advantage in purchasing and sharing common interests (Mangin; Valenciano & Koplyay, 2009).

Considering the European automotive distribution, there are 5 channels or combinations which should be analyzed (Lademann, 2001). The first distribution channel is the franchise dealer, who usually represents and sells only one brand, constituting in fact an indirect sales system. The franchise dealers were the ‘traditional’ mono-brand distribution channels (Becker & Hamilton, 2006) before the entry in force of Regulation n° 1400/2002 when manufacturers could create networks of selective and exclusive dealerships (Riel, Liljander, Semeijn & Polsa, 2011). The competitive environment created by the above regulation made possible to some franchise dealers, which were turning into group dealers at the time, to develop their dealership networks and become multi-brand dealers representing several manufacturers in their showrooms.

The direct sales concept must be divided into two different branches. First, the direct sales entirely managed by the manufacturer, who has its own dealerships. Secondly, the importers or national importers; which are the manufacturer's representatives in a country and have their own dealership network (Lademann, 2001). Finally, Regulation n° 1400/2002 also created the possibility to develop e-commerce in the automotive industry. The internet has been used by manufacturers and dealers in order to create a larger contact network. It certainly increased the amount and depth of information available to consumers and enhanced inter-brand comparisons at a lower cost (London Economics, 2006). However, "an independent sale of new cars alone via the internet still remains virtually excluded" (Lademann, 2001).

Regulation n° 1400/2002 aimed at increasing competition in the sales of new vehicles, repair and maintenance services. It also offers new possibilities for the provision after sales services. Distributors of new vehicles can still provide after-sales services themselves or subcontract to an authorized repairer of the brand. Authorized repairers are also provided for under Regulation n° 1400/2002; they are members of the distribution network which can only repair, maintain and sell spare parts (Gambs, 2003). According to Lademann (2001), 6 different servicing alternatives should be considered. First, the authorized distributor, which provides both car selling and repairing services. Secondly, the authorized repairer, which only provides after-sales services. A third group is composed of independent workshops, which can be divided into two categories according to their brand specialization. Another group is constituted by the specialized independent workshops (in one or more brands) and the independent workshops with no specialization. In the last years, we have been assisting to the increase of 'fast-fit' repair chains. These are specialized in fast and simple services as tires changes, oil changes and simple repairs. Finally, there are petrol stations which also provide repair and maintenance services, and quite recently some of them offer these services through a partnership with a 'fast-fit' company.

2. Branding, marketing competitive instruments and communication

2.1 Branding

Brand is “a name, term, sign, symbol or design, or combination of these, intended to identify the goods or services of one seller or groups of sellers, and to differentiate them from competitors” (Boone and Kurtz, 2002). The brand can be divided into two parts, the spoken part, which includes words, numbers or letters (ex: BMW, Skoda or Alfa Romeo), and the brand mark, which is the brand element that cannot be spoken, usually a symbol, design or logo. Usually, three categories of brands can be distinguished: (i) manufacturer brands, (ii) own label brands and (iii) generic brands (Pelsmacker, Geuens and Bergh, 2007). For the purpose of this dissertation we will focus on manufacturer and own label brands. Considering the automotive sector manufacturers brands are the producers like BMW, Mercedes or Alfa Romeo, which are commonly perceived as car brands. A own label brand exists in the automotive sector when a retailer develops its own brand name in order to differentiate from competitors, enhance its stores image, gain power and increase independence from manufacturers.

When a company considers developing brands it usually has four choices; line extension, brand extension, multi-brand or new brand (Kotler, Wong, Saunders & Armstrong, 2005). Line extension and brand extension are more likely to happen in the development of automotive manufacturers brands while multi-brand or new brand often happens in the development of retailers own label brands. The success of a brand is usually related to 6 different determinants: innovation, added value, good quality, long term integrated communications support, management and employee support and differentiation (Pelsmacker, Geuens and Bergh, 2007). First of all, successful brands are differentiated; consumers clearly perceive them as unique in terms of offers when comparing with competitors in the market. Secondly, leading brands are continuously innovating in order to reply to customers demand and changing tastes, while being ahead of their competitors. Thirdly, successful brands position themselves as providers of quality and added value to their customers, offering valuable products as well as additional services in order to create a competitive advantage in relation to their competitors. Lead positioning can only be sustained if management and employees are totally committed to and support the branding strategy. Finally, to achieve success stories, companies must ensure long-term commitment regarding communications support in order to make customers aware of their uniqueness and value.

2.1.1 Brand equity and branding benefits

Building a brand requires substantial investment in communication, distribution and other actions. The question that needs to be answered before investing in a brand is how important it is for the company compared to other investment alternatives. The idea of brand management assumes that the brand is highly important to the top management. (Fisher, Volckner & Sattler, 2010). Branding implies 4 development stages; identification, differentiation, personification and asset. A brand ensures that consumers are able to identify a product. Branding allows the company to differentiate from competitors in a mass production, distribution and communication market where the need to be identified is critical in order to achieve success. However, branding is more than differentiation; it represents the identity, image, value system, personality, relationship and value added of a company and its product or products. Therefore, branding is also personification or, at least, the measure of brand value. Brands are the mediator between the company and its product on one side, and customer awareness, recognition, loyalty, and perception of performances and value, on the other. These characteristics symbolize the value of a brand in the market; which has led in the last few years to the reporting of brand equity on balance sheets, increasing the necessity of its measurement (Ropper & Parker, 2006). Brand equity can be divided into two categories: financial and customer based equity (Keller 1993). The financial perspective views it as a financial asset due to the value created by brands (Baylie and Ball, 2006). The value may be expressed as the "additional cash flow created by a brand" (Biel, 1992). The customer-based perspective focuses on the evaluation of consumer response to a brand name (Keller, 1993). The customer-based value can be defined as "the value added endowed by the brand to the product as perceived by a consumer" (Park and Srinivasan, 1994). Creating a strong brand brings benefits for the company, retailers and consumers. In this section we will analyze the benefits for the company and the consumer. Considering the benefits of brands for consumers, it can be pointed out that they help them locate and identify products, services or places and evaluate their quality (Pelsmacker, Geuens and Bergh, 2007). They simplify the development of consumer expectations and attitudes. An attitude is conceptualized in the present context as “a person’s consistently favorable or unfavorable evaluation, feelings, and tendencies toward an object or idea” (Kotler, Wong, Saunders & Armstrong, 2005). As attitudes are formed over a period through consumer experiences, they turn out to be resistant to change (Boone & Kurtz, 2002). Therefore, consumers will repeat their purchase behavior buying the same brand continually and thus benefiting the company. It can be assumed that, strong brands are capable of developing advantageous attitudes and perceptions leading to more sales and profits for companies (Pelsmacker, Geuens and Bergh, 2007).

2.1.2 Branding Retail

During the last decade, the increase of information sources available to anyone created sophisticated consumers. In this new environment, retail is no longer just about providing a point of purchase (Fulberg, 2003). It is therefore understandable why multi brand retailers can and must develop their own brand, with which consumers can identify, and, at the same time, rethink the underlying business model needed to deliver the products (Henderson and Mihas, 2000). As indicated in the previous section, branding brings a large number of benefits to consumers, the company and also the retailer. In what concerns the retailer, the benefit brought by strong brands is due to the improved store and services image, which as a result attracts consumers (Pelsmacker, Geuens and Bergh, 2007).

2.2 Marketing competitive instruments

Marketing instruments can be structured according to different combinations (e.g. the 4 P’s Approach). A recently developed classification establishes three marketing instruments categories: value, relationship and brand (Johnson, Hermann & Huber, 2006). According to this classification, value instruments include the core offering, products, price and services. Relationship instruments include all the actions aiming at establishing, improving and enlarging customer relationships (Wel & Bojei, 2009). Brand instruments are those which refer to communication activities aimed at establishing brand image. These three instruments affect customer perception differently

(Bruhn, Georvi & Tuzovic, 2009). Value perceptions will apply to customer perceptions of the product, price and service (Brady & Cronin, 2001). Relationship perception respects the way customers perceive the marketing instrument with the objective of developing customer relationships (Bruhn, Georvi & Tuzovic, 2009). Finally, brand activities aim at developing brand communications, which refer to customers' perceptions of different communication instruments (Bruhn, Georvi & Tuzovic, 2009).

In the case of the automotive retailing market, we must consider seven marketing and competitive instruments: price / discounts / promotions, advice from salespeople, distance from servicing provider, possible test drive, range of equipment available for selection, personal contact with dealer and, finally, delivery time (Lademann, 2001).

2.3 Communication

Advertising is usually seen by consumers as a synonym of marketing communication due to its visibility. However, there is a large variety of marketing communication instruments available: (i) advertising, (ii) sales promotion, (iii) sponsorship, (iv) public relations, (v) point-of-purchase communication, (vi) exhibitions and fairs, (vii) direct marketing, (viii) personal selling and, finally, (ix) e-communications (Pelsmacker, Geuens and Bergh, 2007). Communication should not focus only on the corporate dimension out on both planned and unplanned communication (Berry, 2000). Planned communication contemplates all the marketing activities designed and executed by the marketer (e.g. advertising, promotion), while unplanned communication refers to communications not controlled by a marketer such as word of mouth and non-pain publicity. Planned communication is the major source of information in retail services. However, there are studies documenting the positive effect of recommendation by a friend or family as well as of non-pain publicity in building strong brand value (Bansal & Voyer, 2000). The impact of word-of-mouth is due to the fact that the information about a product or service comes from an experienced source; therefore, it may reduce consumers' uncertainty and anxiety (Lee & Hsu 2010). Corporate responsibility as non-pain publicity is also another credible source of information as it may contribute to consumers' awareness (Klein & Dawar, 2004).

2.3.1 Word-of-mouth communication

Word-of-mouth when it is positive is usually reported has a significant influence on consumers' decision in order to adopt a new product or service, (Rogers, 2003). The importance of word-of-mouth is being recognized by companies operating in businesses with high levels of advertising and promotional disorder (Plummer, 2007). Positive word-of-mouth reduces promotional expenses while accelerating new products, services and brand acceptance (Graham and Havelena, 2007). On the other hand, unfavorable word-of-mouth impedes brand acceptance and destroys reputation in the market. The impact of a positive experience with a product or service is not enough to promote positive word-of-mouth and, as a consequence, marketers try to induce word-of-mouth by promoting and advertising the products or services (Graham and Havelena, 2007). Interest in the impact of positive word-of-mouth is growing because traditional forms of communication are losing effectiveness (Nail, 2005). Using word-of-mouth strategies is appealing for companies due to the fact that it combines the prospect of reaching consumers with a considerably lower cost.

3. Services Marketing

The emergence of services marketing as a specific branch of marketing started at the end of the sixties after a legitimacy debate (Bielen & Sempels, 2007). Before that all marketing techniques were based and largely dominated by a unique logic, the product. No distinction was made between product and service. The services marketing paradigm is based on the difference between services and products specificities. Intangibility, inseparability, heterogeneity and perishability are the characteristics commonly admitted as the fundamentals on which services marketing has developed (Lovelock & Gummesson, 2004). Intangibility is one of the most important characteristics of services as they do not have a physical dimension. The inseparability of services is usually referred as the inseparability of the production and consumption of the transaction. The heterogeneity of services is due to the human involvement in the delivery and consumption process. The perishability of services defines the real time nature of the product, including the view that services cannot be stored and therefore there is no possibility to create stocks (Gabbott & Hogg, 1997).

3.1 Customer satisfaction

It is commonly accepted that it costs less to keep a customer than to attract new ones (Bloemer & Lemmink 1992). Customer satisfaction is a necessary condition in order to achieve customer loyalty, unsatisfied customers don´t repeat their purchases and worst, they spread through word-of-mouth their negative opinion about the product or service. On the other hand the relation between satisfaction and loyalty is not linear due to the fact that only very satisfied customers show high levels of loyalty (Saías, 2007). There is a strong relationship between client retention rates and company profits; this fact is at the origin of the 3 R's model: client retention, related sales and referrals (Saías, 2007). According to the model, companies must develop their corporate strategy in order to achieve client retention, encouraging the purchase of other products or services and promoting positive word of mouth.

Considering the automotive market, three different types of customer satisfaction must be identified; satisfaction with the car, satisfaction with the sales service and satisfaction with after sales services (Bloemer & Lemmink, 1992). All three types have a positive impact on brand loyalty, as well as on dealer loyalty.

4. Achieving brand and dealer loyalty in the automotive industry

Brand loyalty is directly associated with product related satisfaction. Consequently, product satisfaction is linked to car quality and represents the manufacturer effort to fulfill its clients' expectations (Huber & Herrmann, 2001). The greater product satisfaction is, the greater will brand loyalty be, product satisfaction is therefore the most significant determinant of brand loyalty (Huber & Herrmann, 2001).

Dealer loyalty implies satisfaction with the physical product as well as satisfaction with the sales and after-sales services (Bloemer & Lemmink, 1992). The fact that dealer loyalty is an intervening variable between product related satisfaction and service satisfaction, can lead us to assume that the degree of loyalty to the brand has a positive impact on the degree of loyalty to the dealer (Huber & Herrmann, 2001).

As we have seen, there is a direct influence of brand loyalty in dealer loyalty. In fact, the dealer is perceived by customers as the brand representative and so the positive effect of the physical product in the satisfaction level of the customer will also affect, indirectly, the impact on and influence dealer loyalty (Huber & Herrmann, 2001). The automotive dealer plays the most important role in achieving customer satisfaction. He is the primordial point of contact during the pre-purchase, selection, decision, waiting and delivery phases. All these phases directly influence the degree of dealer loyalty and have also a significant effect on brand satisfaction. Therefore, we may affirm that the greater the dealer satisfaction, the greater the satisfaction with the product (Huber and Herrmann, 2001). Bloemer and Lemmink (1992) carried out a research study which led to conclusion that there is a relationship between customer satisfaction and dealer and brand loyalty, as 80% of the respondents indicated that customer satisfaction was the main factor determining brand and dealer loyalty. It can be concluded that the development of brand and dealer loyalty has several management implications. Manufacturers must invest in the quality of their products and ensure by its support that excellent sales and after-sales services are provided by the dealer. Such support can generally include staff training and the establishment and implementation of services quality standards (Bloemer & Lemmink, 1992).

Case Study

In a sunny Sunday afternoon a few years ago, Dr. Luís Pessanha took a pencil and a white paper and started to design a draft of the "multi-brand" project. In 2003, Santogal was already a well establish company in the automotive retailing market. It had changed its strategy by abandoning the import business and focusing in retailing, becoming a major player in the Portuguese market. However, the company business model wasn't much different from its competitors. The legal framework had changed, facilitating new retailing models and giving retailers more independence from manufacturers. For Dr. Luís Pessanha this was the perfect moment to act, he felt that Santogal's structure had a high potential of optimization and differentiation. The "multi-brand" project could revolutionize the retailing model and bring about major changes in the company's brand image and services. It took two years of tough work and full dedication to put in practice this new business model and at the end of which Santogal was able to propose a new way to sell cars, while attempting to satisfy customer's expectations by offering a better service.

The European Regulation n° 1400/2002 on the automotive market

In the early 2000, the European automotive market was dominated by the six largest manufacturers (Volkswagen, Peugeot/Citroën, Renault, General Motors, Ford and Fiat), which, at the time, had a market share of 75%. That was considered by the European Commission to be an oligopolistic situation; smaller manufacturers were facing many difficulties to operate and looked at mergers (ex: Volvo and Ford) and joint ventures with big manufacturers as the key for their success, which was increasing concentration in the industry. At the same time, Regulation nº 1475/95 on the automotive market was not fully respected by car manufactures, forcing the European Commission to act by imposing fines in four different lawsuits. The structural nature of this situation led the European Commission to legislate in order to increase inter and intra-brand competition in the EU. Hence Regulationº 1400/2002 sets out a number of rules in order to eliminate block exemption (Article 2 (1))[1] in relation to an extensive array of types of vertical agreements in the automotive sector. The purpose of those rules was to allow all sorts of competing formats in the distribution and servicing car market, impeding manufacturers to make vertical agreements. The main objectives of Regulation nº 1400/2002 were, therefore, to prevent the closure of small manufacturers and give them access to the vehicle distribution and repair markets, while reinforcing inter and intra-brand competition through an increase of multiple distribution formats. It also introduced several changes in after sale business to protect competition between independent and authorized repairers by promoting automotive spare parts manufacturers' access to the after sales market. Regulation nº 1400/2002 can be summarized in two major purposes:

The first concerns sales of new cars in the EU and aims at prohibiting the combination of selective and exclusive distribution, putting an end to the exemption of location clause as of October 2005.

The second is to enhance and encourage new formats of vehicle distribution, stipulating the unbundling of car sales and after sales activities and prohibiting manufactures to apply restrictions on multi-branding.

[1] http://eur-lex.europa.eu

The Automotive Industry 2000-2010

Regulation nº 1400/2002 introduced several changes in the automotive industry, manufacturers had to adapt themselves to a more competitive environment while losing some market power. During this period, the concentration of new car sales by manufacturers decreased, while the intensity of the rivalry among them rose. The number of franchise dealers fell and the concentration of dealer's increased. Car dealers applied several restructuring procedures in order to rationalize networks and maximize structure potential. The size of dealer groups increased, while at the same time the manufacturer's feeling of losing control of the retail business led them to increase their direct sales channels. The big car manufacturers were now competing with the purpose of maintaining their market shares, while smaller manufacturers were threatening them has they had now access to the same distribution channels. In order to increase market shares, manufacturers made a strategic change and started producing cars in all segments. For example, if we consider BMW, which used to produce only in the higher segment, and analyze its production throughout the decade, we can observe an increase in the product range in order to enter new segments. Nowadays, the BMW product range begins in the 1 Series, which are smaller cars than the classic 3 Series and produced for young clients or second cars for families. Besides the 5 and 7 classic series, BMW also produces now the X Series, which are luxury SUVs. All car manufacturers extended their product range with the objective of reaching more client segments. This aggressive product policy and high sales objectives, set by car manufacturers and imposed to their retailers, led the car industry into an overcapacity situation. Car retailers are supplying a commodity product and are hardly able to differentiate from each other on anything but price.

The Automotive Market in Portugal 2000-2010

The year 2000 was a fantastic one for the automotive retail market in Portugal; more than 410.000 cars were sold (Exhibit 1.1), the best year in the decade. From 2000 to

2003 cars sales dropped every year at an average rate of 13.8% (Exhibit 1.1). In 2004, the market raised 3.9% (Exhibit 1.2).

From 2004 to 2008, car sales were stable and around 270.000 (Exhibit 1.2 &1.3) were sold each year. In 2009, due to the international financial crisis, the market suffered a turndown, dropping more than 25%; 199.919 cars were sold, 68.874 (Exhibit 1.3) less than in the previous year.

The automotive market represents around 3.9% of Portugal's GDP and 20% of the national total revenue[2].

Distribution channels in Portugal

There are three major distribution channels in the automotive new car market in Portugal, franchise dealers, direct sales and multi-brand dealers. Franchise dealers usually represent only one brand; have a simple structure, and sometimes more than one showroom but representing the same brand. They typically provide the client with various, sales, repair and maintenance services. Considering geographical impact on the market, franchise dealers are usually concentrated in one area. Direct sales dealerships are operated by manufacturers or their national importers, and usually possess large showrooms where they sell their brand or brands. The showroom and services standards are usually defined by the manufacturer and also applicable to the franchise dealers. Finally, multi-brand dealers sell brands of competing manufacturers. The multi-brand dealers are very important players in the Portuguese automotive retail market. Most of them were brand importers until following market liberalization manufacturers established themselves in the country and started to directly import their cars. The old importers changed their business models and became multi-brand dealers. However, there are players in the market that still import some brands.

[2] http://www.acap.pt/

Automotive multi-brand retail players in Portugal

There are seven major players in the automotive multi-brand retail market in Portugal. They can be differentiated among each other by the brands they represent, their location and the holding label behind the sales force. Considering the number of brands they represented, there are the following:

- Grupo Salvador Caetano and Santogal with 26 brands, of which 6 are not common to both groups. Grupo Salvador Caetano is also the importer of Toyota and Lexus in the Portuguese market and has more than 113 dealerships geographically scattered throughout the country.
- Grupo MCoutinho, represents 20 brands in 59 dealerships with 30 after sales units spread in 8 different Portuguese districts.
- Grupo Auto Industrial, represents 19 brands, has more than 30 dealerships spread through the country.
- Grupo Entreposto represents 15 brands and is the Hyundai importer in Portugal. The group has 30 dealers in 20 different cities.
- Grupo Multiauto Galilei has 9 brands and a special agreement with Grupo Sorel, which has 5 more brands, with dealers in 10 different cities.
- Grupo Siva is the importer of Audi, Volkswagen, Skoda, Bentley and Lamborghini and has also its own dealership operated by one of its companies, SAG. Siva has 14 dealers in Lisbon, Porto and Barreiro.

A brief part of Santogal's History

"Mocar", the first company of the Santogal group, was founded in 1946 by Fernando Espírito Santo Moniz Galvão. The company was at the time the importer of Alfa Romeo in Portugal and opened its first dealerships one year later. It also became a Peugeot and Packard importer. Twenty years later, Santomar, one of the group's companies, became the national Honda importer. In the eighties, it established the first "joint venture" with

Honda to import motorbikes. In 1991, Santogal SGPS was founded to become the holding of a multi-brand automotive retailing group. Between 1992 and 2007, the group successively added brands to its portfolio; nowadays it represents more than 26 brands in the Portuguese car retailing market, being one the biggest multi-brand dealers. Its activities are concentrated in the Lisbon district, but in 2007 it expanded its business to Madrid where the group represents Ferrari, Maserati, Nissan and Mercedes. With more than 60 years of history the group is a reference in the Portuguese automotive retailing market.

Santogal as a multi-brand car dealer and its business model

During the late eighties, the Portuguese market in general was undergoing a major liberalization / deregulation; this had a strong impact in the automotive market in what concerns car imports. In this context, it was quite interesting for manufacturers to set up an operation in Portugal as importing directly their cars was more cost effective and provided more control of dealership operations in the country. At the time, Santogal viewed this not as a threat but as an opportunity to change their business model and strategic goals. In 1991, when Santogal was founded as the holding company of a multi-brand car dealership, it was a way to anticipate the transitions faced by the car import sector. The company was in the automotive market for more than 40 years and the management decided to concentrate its activities in the dealerships business because it believed to possess the necessary skills to succeed. The main reason was that the know-how it had acquired during the years as an importer was seen as a crucial factor in developing a multi-brand dealer capacity, which was a fundamental asset for the success of the company. Car manufacturers didn’t have new products every year so diversifying into a multi-franchise should reduce the risk of operating in a highly volatile market and should allow to extend the offer to clients.

Santogal's positioning in the Portuguese automotive retailing industry

As we have seen so far, the automotive industry is very competitive in what concerns its retailing part. Despite the fact that Regulation nº 1400/2002 gave more independence to retailers to design their business model and sales formats, product policies as well as sales objectives are set by the manufacturers. In 1991, when Santogal SGPS was established as a multi-brand automotive dealer it changed completely its business model. An experienced importer, Santogal had now decided to concentrate its activities only in retailing. At the time, this was seen by top management as a major necessity to establish a new strategic business model in which positioning should became a key feature. The group decided to start a process of adding brands to its portfolio with a strategic purpose. Santogal aimed at positioning itself as a major player in the retailing market and to become the first company in the Lisbon area, so all its dealerships should be located in the Lisbon district. This choice of positioning was due to the fact that it found crucial to have a common back office for all its activities and to keep centralized control of the business by top managers. This structure should make economies of scale possible, while the company was adding brands to its portfolio as well as dealerships, and should ensure that decisions taken by top management would be applied uniformly in all dealerships. Typically, brand dealers usually feel a closer link to the brand than to the dealer group, therefore for Santogal to create a strong corporate identity for its workforce was also a major strategic issue. Finally, concentrating its activities in a defined geographical area was expected to simplify the segmentation of its client base in order to develop and design services that could maximize the offer and fulfill client needs and expectations.

The importance of brand identity for Santogal

The process of adding new brands to its portfolio was considered to be a strategic differentiation factor by Santogal's top management. The company was focusing in the retailing business while its competitors were still importing and selling cars in a classic way. For Santogal, this was an opportunity to innovate and develop a brand for its dealerships; the idea was to create a unique brand for all dealers, regardless of the car brand being sold. The purpose of this move was to build awareness for potential clients, who expectedly would recognize Santogal as a multi-brand car dealer and, despite their preferences in relation to brands, would look first at the Santogal dealership which sold their preferred one. Developing a brand strategy was a process to be carried out while the company was increasing its portfolio and, at the same time, establishing the identity of the Santogal umbrella brand common to all its dealerships. Acquiring a brand statement and establishing action plans to achieve the proposed objectives was seen by management as a continuous process which had to be revised according to market developments and company objectives. In 2002, the following brand statement was chosen: "*the brand behind the brands*". This was the way the company aimed at communicating to the market the meaning and offer of the Santogal label, comprising in particular a large dealership and after sales services network representing a wide number of car brands in the Portuguese market. The company decided then to also develop a cluster of services common to all dealerships and to be perceived as Santogal services regardless of brand. The main purpose of this strategy was to add value to Santogal's label and enlarge the offer for clients.

Relationship with car manufacturers

In the automotive market the relation between car manufacturers and retailing companies is usually determined by the fact that manufacturers make the rules and set the guidelines for dealerships. The power to make decisions rests mainly with the car manufacturer and the dealer works as a franchise. Since Santogal established itself as a multi-brand group, there was a strategic need to obtain the confidence of car manufacturers in order to build a stronger relationship and become a real partner with power to take decisions in order to achieve operational improvements and develop a new sales and services format. Becoming a major dealer in the automotive market was the objective of Santogal not only on number of brands but mainly regarding market share. For Santogal, market share was the key factor to develop a good relationship with car manufacturers. It was assumed that if it could achieve in the Lisbon area for each brand a market share equal to its national market share it would be considered by car manufacturers a very important player in such a competitive market.

Santogal multi-brand Project

In 2004, Santogal had intensely invested in creating a brand which represented all its car brands and services. The company represented then more than 24 different brands and had built strong partnerships with car manufacturers. Under such circumstances, and in order to continue the differentiation in relation to competitors, Santogal developed the multi-brand project. The project consists in a cross selling system in which every dealer in the company became a “Santogal ambassador” and sells all car brands available within the group. The dealerships continue to follow car manufacturers’ guidelines and to be identified according to the manufacturer brand they represent. The difference is that a client who enters the showroom and says he is considering buying one of two or more different cars receives two or more selling propositions and is offered the possibility to test drive and compare the cars in question. It is possible, for example, that a client who contacts a Santogal Peugeot dealership eventually acquires a Fiat because the dealer, despite representing Peugeot, is primarily a “Santogal ambassador”. This cross-selling system was considered by Santogal to be an effective way to attract clients and acquire their loyalty. The company wanted to differentiate from competitors by building up a new way of dealing in the automotive industry. There were several conditions that made possible developing the project. First of all, the fact that Santogal represented then the majority of the automotive brands in the market. Secondly, being geographically concentrated, the company was able to take cars from different dealerships and making them available to clients in a relatively short period of time in order to make the test drives and comparisons possible. Thirdly, the fact that dealerships shared a common back office made possible to build up information chain centrally managed, providing and maintaining updated all the comparative information needed in relation to its product range. Due to these structural conditions, the multi-brand project is a unique way of dealing and it is very difficult for competitors to copy it or develop a similar concept. That is the main reason why it represents a source of competitive advantage for the company.

Developing the multi-brand project

When Santogals' managers were developing the multi-brand project it became obvious that it could be applied to its dealerships and also facilitate entering new markets like companies' sales, as companies usually buy cars for their fleets from fleet management operators.

Santogal started by developing first the business model in the dealerships to address individual clients entering its dealerships looking for a car. In this case, the objective was to provide the client a better buying experience, offering a larger range of products and aiming at not losing him to a competitor just because he was looking for a Peugeot but had doubts and, finally, bought a Volvo. Once the dealer gains the client's loyalty, it is likely the latter will contact him whenever he intends to buy a car, for him or his family, regardless of the dealer's brand. The real potential of this model unfolds when dealers acquire clients' loyalty. If we consider that a significant number of Santogal's loyal clients own a car and also that other members of their families own or plan to own a car, this means that Santogal can also respond to the clients' family needs. For Santogal, the final objective is that each of its clients, when considering buying a car, think at reaching a Santogal dealer before even thinking about the car brand.

The potential of this sales model is not exhausted with individual clients. In fact, when the project was launched Santogal also created a new service for company sales (Santogal Empresas). This department should apply the cross selling model to car sales to companies. The main objective was, once more, to acquire new clients by offering a better buying experience. When buying cars, companies usually use fleet management enterprises to intermediate the process. Fleet management services commonly sell cars to companies but their real specialization is to manage companies' car fleets and finance the acquisition operation and are not focused on direct sales. Santogal created a service for companies focused on sales by offering a larger product range, providing better information about the different models available and optimizing the offering to clients' needs. The Santogal Empresas dealer acts more as a consultant to companies, its aim is to analyze clients' needs and build a good proposition in order to maximize sales. The service works in different ways in order to better meet clients' expectations. The "Santogal Empresas" dealers can only advise and make sales offerings to companies. Financing of the operation and management of the fleet during its life span can be conducted by a fleet management company or, alternatively, “Santogal Empresas” can handle financing through its service “Santogal Financiamento” and manage the fleet through the “Plano Santogal” service. The aim of the “Santogal Empresas” service is not to cut the middle man in this operation but either to offer clients a better service or to act only as a sales consultant.

Training the workforce for the multi-brand project

For Santogals’ managers, the project’s success or failure was directly linked to its dealer’s capacity to understand it and to put it into practice. It was essential for Santogal that every dealer should be able to sell cars and not only a car brand. The automotive industry had been converging in the manufacturing of its products, and it became common that different car manufacturers used the same “chassis” or motor. So, to highlight specific differences between cars, Santogal built an online platform comparing all cars available in its portfolio. Dealers are therefore able to provide their clients comparative information about different cars. This platform is also directly offered online in the Santogal website. What really differentiate brands are sales marketing campaigns. In order to give dealers information about the campaigns of the different brands, Santogal set ups a department responsible for monthly reporting about current campaigns and for providing all the information a dealer needs when selling a car. Such information is communicated by phone or through the web. After the project tools were made available to dealers, Santogal had to motivate them to practice the new sales model. Commonly, dealers are very oriented to achieve manufacturers’ objectives in order to gain manufacturers’ bonuses. Every month, manufacturers set a specific sales objective for each brand dealership and once the objective is reached the dealership receives its bonus. Santogal also developed a bonus chain within its multi-brand project: dealers who sell under the multi-brand cross sales model receive bonuses according to their performances. It is really important to emphasize the fact that Santogal does not want to compete with manufacturers regarding bonuses, as its own bonus system comes on top of the former. The project’s aim is to gain more clients and the cross sales model makes possible that every dealer contributes to achieve manufacturer’s objectives and gain their bonuses, while also being rewarded with the multi-brand bonus. To be successful, the multi-brand project had to be a continuous challenge for dealers; Santogal invested a lot in team building activities with the participation of all its dealers in order to introduce the idea of being a Santogal dealer first and then a brand dealer. The bonus chain also created a challenge among dealers, every year the highest sellers win a trip to a beach destination as a reward them for the results achieved. These rewards are similar to what manufacturers usually give to their best dealers; Santogal's objective is to make clear to its dealers that what really matters is selling a car in the Santogal universe despite the dealership brand. The aim is to maximize the potential of its dealer network while gaining more market share.

Used cars in the multi-brand project

Selling new cars commonly generates an inflow of used cars; clients who want to buy a new one usually sell back the old car to the dealer and pay the difference between the value of the new and the old car. Santogal view was that old cars were also part of the car business. Therefore, it created a specific dealership brand for used cars called "Nacional Car". Santogal set up explicit guidelines for the used cars business; only cars until a certain age are accepted in "Nacional Car" dealerships; every detail of the car is thoroughly analyzed by experts who establish a car report, after which a team of mechanics makes the necessary repairs. After this process is completed, the car is placed in a "Nacional Car" dealership. Used cars that are not in a condition to be sold in a "Nacional Car " dealership are placed in auctions or in other used cars dealerships. "Nacional Car" is a brand perceived by clients as providing good quality condition used cars. Santogal managers decided that it would be a perfect opportunity to incorporate the used cars business in the multi-brand project. So all "Nacional Car" used cars sold by a Santogal dealer count for the multi-brand bonus objective and, therefore, dealers are rewarded as if they were selling new cars. This is a perfect way to promote the used cars business in which margins are commonly higher than in new cars sales.

Santogal Services: Creating value for consumers

At the time the multi-brand project was being implemented, the company also developed the Santogal's services concept. The company had been investing in a unique brand for all its dealerships and was creating a new wholesale dealing concept so it was the right time to aggregate all its services under the Santogal label. During the last decade, the automotive market underwent major modifications while consumers' expectations also changed. The demand for more services from car dealers increased and generated the opportunity to enlarge the value chain for dealerships. For Santogal managers it was important to deliver the expected services as they would be provided in its entire dealer network. Services such as insurance, financing, accessories and assistance should all be marketed under the Santogal label. It was imperative to find partners specialized in those services in order to enhance service quality and provide good margins for the company. The contracts made with those partners were always signed for a short period of time. The aim of signing short term contracts was, in first place, to have the possibility to evaluate the quality of the service provided and, secondly, to continuously explore the market in order to obtain better prices from suppliers. For Santogal, the services provided under its label could not only concern finance and insurance, so the company developed a large range of services, especially focused on assistance and maintenance. Santogal concentrated its efforts in services addressing client convenience and satisfaction, so it developed services such as the "comfort service", providing car pickup and delivery before and after servicing. Santogal also developed a large range of on road assistance services. All services provided under the Santogal label are available in all dealerships and for all clients. In order to communicate and promote the services Santogal created the "Santogal Card", which is sold to clients, at a nominal price, when they buy a car and handed with a flyer detailing all services provided. Santogal focused its services strategy on client satisfaction; being geographically located in the Lisbon area, the majority of its clients are townspeople who live always in a rush. Time is a luxury good for them, so the company built up services focusing on client convenience. Santogal developed this range of services under its label in order to add value for clients, while also enlarging Santogal's value chain.

Communicating the multi-brand project

Since the creation of Santogal as a unique brand for all the dealerships, the company has always made an effort to promote its brand name before promoting manufacturers' brands. According to manufacturers' guidelines, the companies who hold a dealership are obliged to bear much of the advertising and promotion costs relative to the manufacturers' brand. Despite this fact, it was crucial to promote Santogal as a dealership brand, which should contribute to differentiate it from other dealers. To enhance the importance of promoting the Santogal brand, each dealership has a dedicated budget, which comes on the top of the manufacturers' promotion costs in order to ensure that the same brand related standards are applied in each dealership. When the multi-brand project was developed, the question managers asked themselves was how to promote it in the most effective way. At the time, the company spent a lot in promoting Santogal and its services. It had a marketing strategy defined to maximize the brand potential and so management decided that the better way to promote the multi-brand project was by hearsay from its clients. If the project satisfied clients they would become the best vehicle to promote it. Therefore, what was important for the company in terms of marketing was continuing promoting Santogal as a whole. This way of promoting the project should be more effective because it implies that clients must to be satisfied after using Santogal multi-brand services and so enhances their importance for the workforce. Success should be measured by dealers' capacity to satisfy clients and to acquire their loyalty. So far, we have covered promotion of the multi-brand project in what concerns services for individual clients, promoting it for companies was a different thing. For Santogal managers, the best way to promote and reach the largest number of companies was through market prospection. Dealers made visits to major companies offering their services and promoting the project and its unique offer when compared to those of management fleets companies. As soon as dealers started selling cars to companies using the multi-project services, the hearsay promotion channels should also work through conversations between companies' top managers about Santogal specific services.

The importance of internet in the multi-brand project

When e-commerce became a common way of trading, several analysts said that it would revolutionize distribution channels in the automotive industry. Despite all the legislation reinforcing the possibility of developing new channels, independent sale of new cars alone in the internet still remains excluded. For Santogal's management, internet was never considered to be a distribution channel although it always saw in it a perfect mean for communication and promotion. The company developed its home page in order to make it reflect its corporate image, dealerships and services. When the company was building up the multi-brand project it became obvious that the web page should reflect all the services and products offered in the dealerships. When entering the web page clients can compare all the cars sold by the group. The comparative page provides information about performances, characteristics, prices and has a photo of each car. After choosing the cars to compare, the potential client has the option to obtain a proposition, ask for more information or for a personal contact. The page also provides information, about services and the possibility to schedule a repair, an annual car inspection and to rent a substitution car during repairing. The web page is the multi-brand project online version, promoting it, acquiring new clients and functioning as a communication interface for existing clients. The web page potential is not exhausted only by being an interface for clients or potential clients but is also a fantastic tool for dealers.

Discussion

In order to understand customer's motivations and preferences influencing the decision making process while buying a car, we used an on-line survey. The survey was developed using the Survey Monkey website and the replies were collected by spreading it on social networks and mailing lists. We obtained 138 replies, which in our assessment represents a significant sample of the population.

The key factor in buying a car

The replies to the survey show that 81.9% (Exhibit 2.1) of respondents consider to be the key factor in buying a car price or discount offered by the salesperson. This finding is not a surprise. During the field work all dealers interviewed told us that the majority of customers made their buying decision depending on the price offered. This result shows that the main competitive instrument in the automotive sales industry seems to be price. During the interviews with Santogal's top managers, we were told that although the key factor in buying a car is price or discount, the way to differentiate from competitors could not be price, because with more or less margin all players are able to compete on price. Analyzing the replies to question 2 on the characteristics influencing the decision making process, 52.2% of respondents indicated that the most important characteristic is the car brand or model (Exhibit 2.2). Consumption is selected in second place by 31.2% of respondents (Exhibit 2.2). These results show that there are some characteristics customers consider to be more important and, consequently, dealers can influence the decision making process by advising or clarifying their doubts about those characteristics.

What customers value in the decision making process?

The survey results show that 76.8% of respondents (Exhibit 2.3) considered several models from different brands in their decision making process when buying a car. There is a connection between the replies to question 2, brand and model, and the replies to question 3 on what consumers pondered while buying a car, 88.4% (Exhibit 2.3.1) of respondents who indicated that the brand and model was the most important characteristic when buying a car also considered different models from different brands.

So in the decision making process to buy a car, customers consider different models and different brands which represent a major determinant for their decision. The results show the importance of being a multi-brand player in the automotive market. Representing more brands increases the likelihood to sell a car due to the fact that customers usually take into account in their decision the characteristics of different models from different brands. However, to benefit from having different brands, the dealer must make an offer including all those possibilities.

The importance of salesperson advice

The replies to question 4 on the importance given by consumers, show that 44.2% of respondents (Exhibit 2.4) attribute considerable importance to salesperson's advice. However, the average importance rate was 2.5 (Exhibit 2.4.1), in the mid-point between important and not that important. In order to maximize the impact of advice from the salesperson, dealers must focus their assistance on the differences between the brands and models composing the offer. This is only possible when the dealer represents a multi-brand group, otherwise the dealer will only differentiate his offer by price.

Demand for additional services

The majority of respondents showed that they look for additional services, such as financing and insurance, when buying a car. This is definitely the case for insurance, 98 of the 134 respondents (Exhibit 2.5) also look for insurance while buying their cars. This represents an opportunity for dealerships to enlarge the services offered and benefit from selling other services. This is rather important when in a market in which price is the primary competitiveness factor. By offering other services, the dealerships can profit from the margins in those services to compensate the potential loss in the car margin. In what concerns demand for financing, the survey shows that the respondents were divided (Exhibit 2.5.1). This result is probably due to the fact that customers used to obtain financing from a bank when buying a car, although more and more dealerships offer the possibility to finance their acquisition.

After-sales services

Quality is the major influence when customers look for after-sales services, representing 45.7% of replies (Exhibit 2.6). The results are very significant when we consider the importance of quality after-sales services in brand and dealer loyalty. What is more interesting to analyze is that price is far from being important for customers when they search for after-sales services, only 17.4% of respondents (Exhibit 2.6) considered price to be influent in their choice of an after-sale service provider. This shows that dealerships must invest in the quality of their after sales services because this will have a positive impact in customers' dealer loyalty and possibly promote futures sales. The fact that price does not influence customers choices, implies that dealers can look for better margins in the after-sales comparing to the sales business.

Brand Label Recognition

The survey results showed that the majority of respondents do not recognize the label of the multi-brand group behind the dealership. Although 59.4% (Exhibit 2.7) of respondents did not recognize the multi-brand dealer behind the dealership, Santogal is by far the most recognize brand. 22.5% (Exhibit 2.7) of respondents indicated that they bought their last car in a Santogal dealership. These results show the effort made by Santogal in order to define a standard for all its dealerships.

In order to better analyze brand recognition, we used the Google search statistical tool and compared the level of interest people have searching using the following words: Santogal, Salvador Caetano, Siva, Entreposto e Auto Industrial. The results (Exhibit 1.4) show that Santogal is by far the word with more searches in Google from 2004 until now, that can be explained by two reasons; firstly, the investment made by Santogal to promote their brand and, secondly, the development of web tools that fulfill clients' needs.

Santogal's next step

The multi-brand project has been developed and is already a success for the company; nowadays it has a specific department to develop the project. Competitors have not been able to create or promote new dealing methods or channels and so the multi-brand operation continues to be a source of competitive advantage. Santogal has been consolidating its positioning in the Portuguese automotive market and its brand has gained more value in terms of recognition among customers.

The Portuguese market is now saturated, with too many dealerships competing in a environment which faces a serious downturn. That is the reason why, in 2007, the company started an internationalization process opening its first Spanish showroom in Madrid. It started by opening a Ferrari and Maserati showroom, but now it already manages seven showrooms representing brands such as Peugeot, Nissan, Mercedes, Ferrari, Maserati and Smart. It is worth noting the fact that all showrooms are in the Madrid area. Santogal replicated its domestic business model while developing its internationalization strategy. The company wants to concentrate its activities in a specific geographical area, sharing a common back office concentrating the decision making process. This is the replication of what was done in the Portuguese market, even if the Spanish market seems to be different from the Portuguese, in that it is not as concentrated and multi-brand dealer companies do not have the same market share and importance. That is why, since the move to Spain, Santogal has been resisting several business opportunities outside Madrid, while investing all efforts in that area. The company wants to develop its business in the Spanish market following the same model applied in Portugal; it is the best way to put in practice all its knowledge and to differentiate itself from local competitors. For Santogal, the biggest challenge is now to develop its business in Madrid, the question being whether it is able to implement its ideas and models and how will Spanish customers react? Will Santogal be able to deal in such a competitive but high potential market? The capacity the company showed developing and creating innovative services and sales models can be an advantage to adapt to new markets in its internationalization process.

Conclusions

The work carried out in the present study and the results obtained lead to a number of conclusions. In fact, the new legal framework made possible to implement alternative retailing models such as Santogal's multi-brand project, which represents an innovative way of dealing. Actually, it is a source of competitive advantage; service differentiation was instrumental in positioning Santogal's offer to customers as compared to its competitors. It has unique characteristics that make it hard to copy, in particular Santogal's size, market positioning and geographical dispersion. Being able to create an offer allowing customers to compare different cars requires the company to have a large number of brands in its portfolio. Comparing cars side by side is only possible when there is a small distance between dealerships. Promoting different brands sales in a dealership network requires a strong relationship with car manufacturers. Although price is the main competitive instrument, as dealerships have more or less the same margins to change price, the potential for differentiation lies in providing a more comprehensive service. As we have seen, Santogal developed a new dealership model based in its organizational characteristics. However, there were several key inputs that made possible to accomplish the project. In particular, management was able to prepare and motivate the workforce in order to focus on the project. Without staff commitment and strong dedication, the project would be a failure as it represents the main operational force behind it.

The project genesis is based on understanding clients' needs and expectations and promoting sales in order to attain results. In fact, the survey carried out within this study showed that customers consider several models from different brands and value as important advice obtained from salespersons. The project made possible for a single salesperson to provide an offer comprising different models from different brands and help clients make their choice without any brand preference. On the other hand, Santogal's managers considered an opportunity to introduce new services under its umbrella brand and enlarge the offer for additional services. In fact, the demand for additional services is growing and represents a new business for dealerships. Finally, it is important to conclude that customers primarily value the quality of after-sales services; dealerships must sell cars in order to ensure that the service will be provided in their facilities and, then, offer a high quality standard service. A good sales service able to respond to clients' needs and an after-sales service based on quality are key factors for dealer loyalty and higher profits in the long-run. The results obtained in the case study have provided well-funded replies to the three key research questions initially proposed.

Limitations and directions for further research

The present study gives an important overview about multi-brand selling in the automotive market, its legal framework and competitive environment. However, the limited time available to conclude the study didn't allow for a deeper research on theoretical and more practical aspects. During the study I decided to start with a more global approach and focus on the Portuguese context and especially on Santogal’s activities. Further research can be made on both parts of the work.

Regulation nº 1400/2002 opened the possibility for European companies to move geographically in the EU zone without being constrained to vertical agreements set by manufacturers. Further theoretical research should focus on multi-brand systems developed in other EU countries, especially in the automotive industry. Considering the methodology used in the case study and in view of deepening the research, it would be interesting to further analyze Santogal's move to the Spanish market. In order to compare both markets, it would be interesting to carry out a data collection exercise applying in the Spanish market the survey used in the study to evaluate the potential of Santogal’s strategy in a different environment.

Teaching Note

1. Learning Objectives

The Santogal case study was developed in order to be taught in different marketing courses and also used by academics in undergraduate, master and MBA courses. The main goal is that students understand the basic principles of the automotive retailing market and identify the core theoretical aspects sustaining retailer's strategies. Students should understand the European automotive market and the implications influencing dealing models for retailers. Finally, they should give their opinion about Santogal's multi-brand project and its importance as a source of competitive advantage.

2. Case study Synopsis

The present study focuses on Santogal's "multi-brand" project during the first decade of the XXI century. It analyses the main issues behind the business model adopted by the company and its main factors for success.

The case can be divided in 5 main sections. First, it provides information about the background of the automotive retailing market and analyses the theoretical issues behind automotive retailing strategies, always taking in consideration the generic application of those principles and then applying them to the automotive context. Secondly, it describes the evolution of the European legal framework and its implications to manufacturers, retailers and spare-parts manufacturers. Thirdly, it presents the Portuguese automotive market and gives a brief history of Santogal and its positioning in the market. Fourthly, it describes Santogal's strategy and how the company developed the multi-brand project. Finally, it analyses the market and customers' expectations in order to understand the major elements supporting the decision making process and the reasons for the success of the "multi-brand" project.

3. Suggested assignment questions

1. What are the distribution channels in the automotive retailing market? Identify the model adopted by Santogal's? (Closed question).

Students should be able to identify the following channels:

- Multi-channel distribution (Santogal's adopted model)
- Franchise dealer (mono-brand)
- Direct sales concept (managed directly by manufacturer or by national importer)
- E-commerce

For additional theoretical background, students should check the following: Riel, Liljander, Semeijn & Polsa (2011); Vanheems (2009); Landemann & Partner (2001).

2. Describe Santogal's positioning in the Portuguese automotive market identifying the key factors in the implementation of the multi-brand project (Closed question).

Topics for answering:

- In 1991, Santogal SGPS was established as a multi-brand automotive dealer and completely changed its business model.
- The process of adding brands to its portfolio with a strategic purpose (key factor for the multi-brand project).
- All its dealerships should be located in the Lisbon district (key factor for the multi-brand project).
- Have a common back office for all its activities and keep centralized control of the business by top managers

3. Considering the actual European automotive market competitive environment, develop a dealing model in order to achieve customers' needs and expectations, while differentiating from competitors (Open question).

Annexes

TOTAL DO MERCADO DE VEÍCULOS LIGEIROS

MÊS	2000		2001		% Variaç. 2001/00		2002		% Variaç. 2002/01		2003		% Variaç. 2003/02	
	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.
JAN	37.550	37.550	31.101	31.101	-17,2	-17,2	29.195	29.195	-6,1	-6,1	21.151	21.151	-27,6	-27,6
FEV	34.747	72.297	24.362	55.463	-29,9	-23,3	27.065	56.260	11,1	1,4	20.702	41.853	-23,5	-25,6
MAR	39.768	112.065	32.819	88.282	-17,5	-21,2	30.114	86.374	-8,2	-2,2	23.382	65.235	-22,4	-24,5
ABR	32.602	144.667	26.751	115.033	-17,9	-20,5	25.643	112.017	-4,1	-2,6	22.620	87.855	-11,8	-21,6
MAI	35.224	179.891	37.348	152.381	6,0	-15,3	32.836	144.853	-12,1	-4,9	22.358	110.213	-31,9	-23,9
JUN	37.288	217.179	35.959	188.340	-3,6	-13,3	29.844	174.697	-17,0	-7,2	23.849	134.062	-20,1	-23,3
JUL	34.033	251.212	35.953	224.293	5,6	-10,7	31.672	206.369	-11,9	-8,0	26.358	160.420	-16,8	-22,3
AGO	29.085	280.297	22.561	246.854	-22,4	-11,9	17.650	224.019	-21,8	-9,3	16.077	176.497	-8,9	-21,2
SET	25.034	305.331	22.685	269.539	-9,4	-11,7	19.077	243.096	-15,9	-9,8	18.423	194.920	-3,4	-19,8
OUT	30.128	335.459	27.726	297.265	-8,0	-11,4	22.537	265.633	-18,7	-10,6	20.003	214.923	-11,2	-19,1
NOV	34.210	369.669	27.329	324.594	-20,1	-12,2	19.919	285.552	-27,1	-12,0	20.457	235.380	2,7	-17,6
DEZ	40.861	410.530	29.300	353.894	-28,3	-13,8	19.835	305.387	-32,3	-13,7	23.480	258.860	18,4	-15,2

Exhibit 1. 1 Total de Mercado de veículos ligeiros de 2000-2003 (inclui: Lig. Passageiros, Todo-o-Terreno, Monovolumes com +de 2300Kg e Com. Ligeiros)

Source: ACAP

MÊS	2004		% Variaç. 2004/03		2005		% Variaç. 2005/04		2006		% Variaç. 2006/05		2007		% Variaç. 2007/06	
	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.
JAN	19.997	19.997	-5,5	-5,5	22.164	22.164	10,8	10,8	20.980	20.980	-5,3	-5,3	19.901	19.901	-5,1	-5,1
FEV	20.044	40.041	-3,2	-4,3	20.883	43.047	4,2	7,5	20.720	41.700	-0,8	-3,1	19.079	38.980	-7,9	-6,5
MAR	28.100	68.141	20,2	4,5	27.284	70.331	-2,9	3,2	27.096	68.796	-0,7	-2,2	27.601	66.581	1,9	-3,2
ABR	23.122	91.263	2,2	3,9	22.245	92.576	-3,8	1,4	22.074	90.870	-0,8	-1,8	21.959	88.540	-0,5	-2,6
MAI	25.627	116.890	14,6	6,1	25.878	118.454	1,0	1,3	24.568	115.438	-5,1	-2,5	25.586	114.126	4,1	-1,1
JUN	25.820	142.710	8,3	6,5	33.487	151.941	29,7	6,5	27.011	142.449	-19,3	-6,2	34.102	148.228	26,3	4,1
JUL	24.510	167.220	-7,0	4,2	24.271	176.212	-1,0	5,4	23.159	165.608	-4,6	-6,0	26.402	174.630	14,0	5,4
AGO	16.858	184.078	4,9	4,3	14.958	191.170	-11,3	3,9	15.569	181.177	4,1	-5,2	15.048	189.678	-3,3	4,7
SET	19.187	203.265	4,1	4,3	18.777	209.947	-2,1	3,3	17.503	198.680	-6,8	-5,4	17.148	206.826	-2,0	4,1
OUT	20.562	223.827	2,8	4,1	19.492	229.439	-5,2	2,5	19.945	218.625	2,3	-4,7	20.656	227.482	3,6	4,1
NOV	23.540	247.367	15,1	5,1	21.783	251.222	-7,5	1,6	20.738	239.363	-4,8	-4,7	21.425	248.907	3,3	4,0
DEZ	21.508	268.875	-8,4	3,9	21.904	273.126	1,8	1,6	19.826	259.189	-9,5	-5,1	21.330	270.237	7,6	4,3

Exhibit 1. 2 Total de Mercado de veículos ligeiros de 2004-2007 (inclui: Lig. Passageiros, Todo-o-Terreno, Monovolumes com +de 2300Kg e Com. Ligeiros)

Source: ACAP

MÊS	2008		% Variaç. 2008/07		2009		% Variaç. 2008/09		2010		% Variaç. 2010/09	
	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.	Mensal	Acumul.
JAN	20.206	20.206	1,5	1,5	11.357	11.357	-43,8	-43,8	17.516	17.516	54,2	54,2
FEV	21.763	41.969	14,1	7,7	12.761	24.118	-41,4	-42,5	18.464	35.980	44,7	49,2
MAR	27.253	69.222	-1,3	4,0	15.984	40.102	-41,3	-42,1	27.719	63.699	73,4	58,8
ABR	23.193	92.415	5,6	4,4	15.376	55.478	-33,7	-40,0	20.048	83.747	30,4	51,0
MAI	25.141	117.556	-1,7	3,0	16.245	71.723	-35,4	-39,0	23.337	107.084	43,7	49,3
JUN	25.468	143.024	-25,3	-3,5	18.972	90.695	-25,5	-36,6	30.077	137.161	58,5	51,2
JUL	26.350	169.374	-0,2	-3,0	20.306	111.001	-22,9	-34,5	23.918	161.079	17,8	45,1
AGO	15.481	184.855	2,9	-2,5	12.901	123.902	-16,7	-33,0	14.625	175.704	13,4	41,8
SET	17.927	202.782	4,5	-2,0	15.554	139.456	-13,2	-31,2	17.660	193.364	13,5	38,7
OUT	19.200	221.982	-7,0	-2,4	18.845	158.301	-1,8	-28,7	19.248	212.612	2,1	34,3
NOV	19.919	241.901	-7,0	-2,8	19.646	177.947	-1,4	-26,4	22.643	235.255	15,3	32,2
DEZ	26.892	268.793	26,1	-0,5	21.972	199.919	-18,3	-25,6	33.907	269.162	54,3	34,6

Exhibit 1. 3 Total de Mercado de veículos ligeiros de 2000-2003 (inclui: Lig. Passageiros, Todo-o-Terreno, Monovolumes com +de 2300Kg e Com. Ligeiros)

Source: ACAP

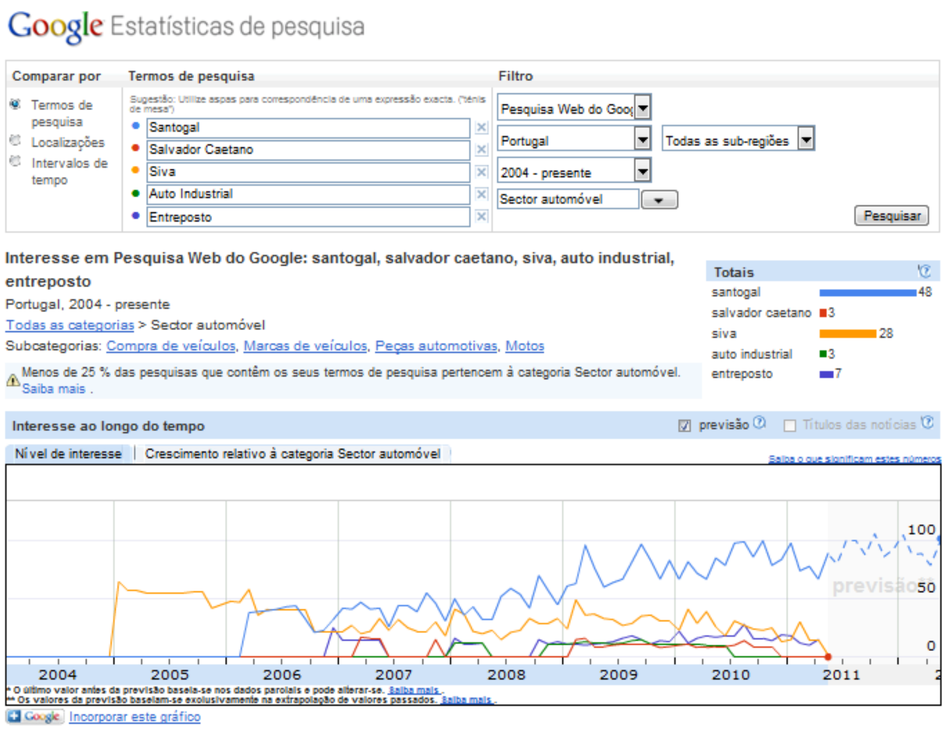

Exhibit 1. 4 Google search statistics – Comparing searches with different automotive retailing companies

Quando comprou o seu automóvel qual foi o factor preponderante para a sua decisão? (Escolha apenas um)		
Answer Options	Response Percent	Response Count
Preço / Desconto oferecido	81,9%	113
Possibilidade de realizar test-drive	1,4%	2
O contacto pessoal com o vendedor	5,1%	7
O serviço e conselhos dados pelo vendedor	9,4%	13
Localização do concessionário	2,2%	3
	answered question	138

Exhibit 2. 1 - Answer to question 1 in Survey "Portuguese Automotive Market"

Qual das seguintes características é a mais importante na compra de um automóvel? (Escolha apenas um)		
Answer Options	Response Percent	Response Count
Marca / Modelo	52,2%	72
Os consumos	31,2%	43
As performances	10,9%	15
Dimensões do automóvel	5,8%	8
A carga fiscal	0,0%	0
	answered question	138

Exhibit 2. 2 - Answer to question 2 in Survey "Portuguese Automotive Market"

Quando comprou o seu automóvel o que ponderou para a tomada de decisão? (Escolha apenas um)		
Answer Options	Response Percent	Response Count
Vários modelos de marcas diferentes	76,8%	106
Vários Modelos da mesma marca	13,0%	18
Equipamentos a escolher (ex: motor, extras)	10,1%	14
	answered question	138

Exhibit 2. 3 - Answer to question 3 in Survey "Portuguese Automotive Market"

Relation Between Marca/Modelo & Question 3		
Answer Options	Response Percent	Response Count
Marca / Modelo & Vários modelos de marcas diferentes	88,4%	114
Marca / Modelo & Vários modelos da mesma marca	7,8%	10
Marca/Modelo & Equipamentos a escolher	3,9%	5

Exhibit 2. 3.1 - Relation between answer in question 2 and 3 in Survey "Portuguese Automotive Market"

Qual a importância que dá aos conselhos e serviços prestados pelo vendedor para a sua tomada de decisão na compra de um automóvel ? (Sendo 1 Pouca importância e 4 Muita Importância)						
Answer Options	1	2	3	4	Rating Average	Response Count
Importância	16	49	61	12	2,50	138
					answered question	138

Exhibit 2. 4 - Answer to question 4 in Survey "Portuguese Automotive Market"

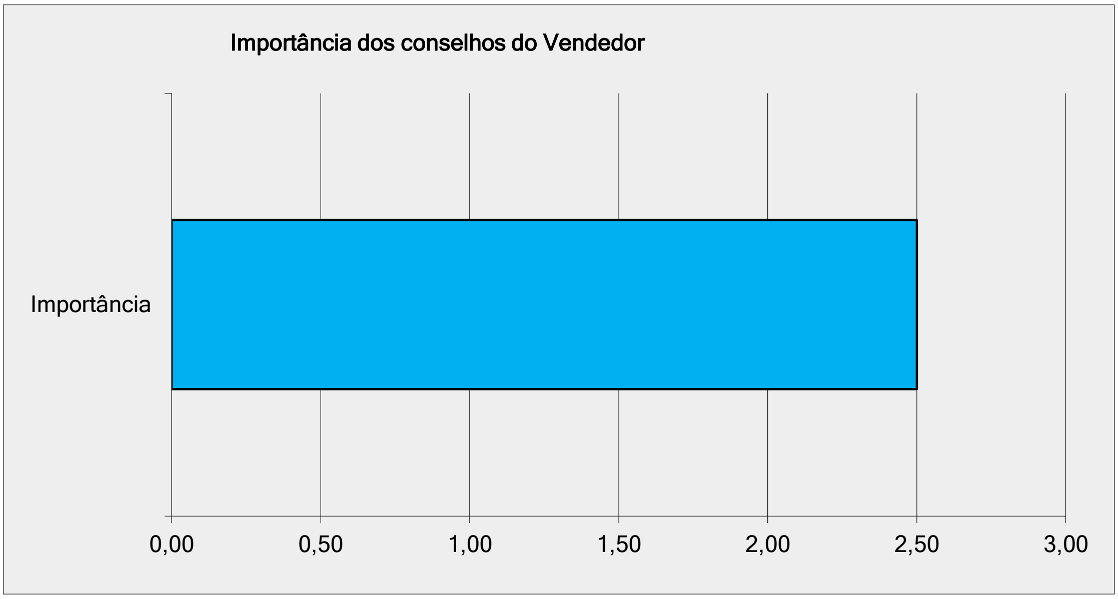

Exhibit 2. 4.1 - Table question 4 in Survey "Portuguese Automotive Market"

Quando compra um automóvel procura serviços adicionais?				
Answer Options	Sim	Não	Rating Average	Response Count
Financiamento	69	67	1,49	136
Seguro Automóvel	98	36	1,27	134
			answered question	138

Exhibit 2. 5 - Answer to question 5 in Survey "Portuguese Automotive Market"

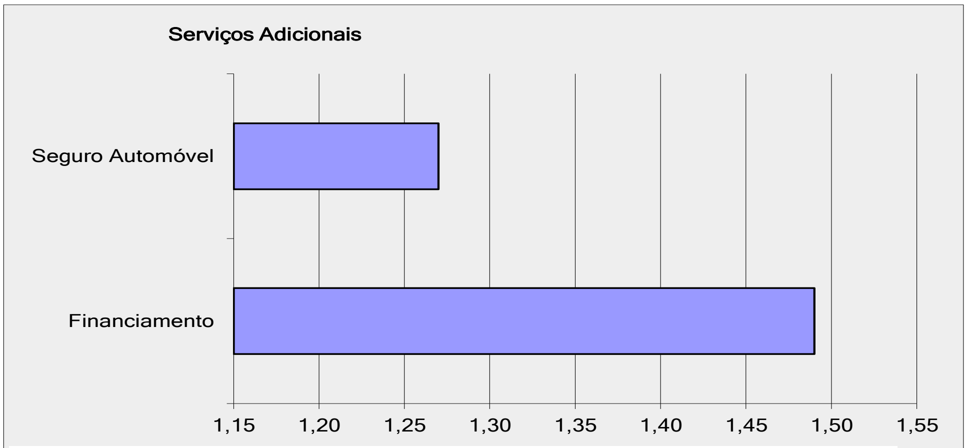

Exhibit 2. 5.1 - Table question 5 in Survey "Portuguese Automotive Market"

Quando recorre a um serviço pós-venda (ex: peças, oficina) o que mais o influência na escolha do local?		
Answer Options	Response Percent	Response Count
Próximidade	20,3%	28
O mesmo onde realizou a compra	16,7%	23
Onde é mais barato	17,4%	24
Qualidade do serviço prestada	45,7%	63
	answered question	138

Exhibit 2. 6 - Answer to question 6 in Survey "Portuguese Automotive Market"

O último automóvel que comprou foi em algum dos seguintes concessionários?		
Answer Options	Response Percent	Response Count
MCoutinho	0,7%	1
SAG/Siva	2,2%	3
Entreposto	2,2%	3
Auto Industrial	2,2%	3
Multiauto Galilei	5,1%	7
Salvador Caetano	5,8%	8
Santogal	22,5%	31
Nenhum dos anteriores	59,4%	82
	answered question	138

Exhibit 2. 7 - Answer to question 7 in Survey "Portuguese Automotive Market"

Quantos automóveis tem o seu agregado familiar?		
Answer Options	Response Percent	Response Count
1	16,7%	23
2	33,3%	46
3	23,2%	32
4	12,3%	17
5 ou mais	14,5%	20
	answered question	138

Exhibit 2. 8 - Answer to question 8 in Survey "Portuguese Automotive Market"

De quanto e quanto tempo troca de automóvel?		
Answer Options	Response Percent	Response Count
Todos os anos	1,4%	2
De 2 em 2 anos	2,2%	3
De 3 em 3 anos	8,0%	11
Mais de 4 e menos de 8 anos	60,9%	84
Mais de 8 em 8 anos	27,5%	38
	answered question	138

Exhibit 2. 9 - Answer to question 9 in Survey "Portuguese Automotive Market"

Qual a sua idade e o seu sexo?		
Answer Options	Response Percent	Response Count
Entre os 18 e 24 anos Feminino	13,0%	18
Entre os 18 e 24 anos Masculino	24,6%	34
Entre os 25 e 34 anos Feminino	18,8%	26
Entre os 25 e 34 anos Masculino	22,5%	31
Entre os 35 e 49 anos Feminino	8,7%	12
Entre os 35 e 49 anos Masculino	9,4%	13
Entre os 50 e 64 anos Feminino	0,7%	1
Entre os 50 e 64 anos Masculino	1,4%	2
Mais de 65 anos Feminino	0,7%	1
Mais de 65 anos Masculino	0,0%	0
	answered question	138

Exhibit 2. 10 - Answer to question 10 in Survey "Portuguese Automotive Market"

Survey

Esta pesquisa realiza-se no âmbito da minha tese de mestrado sobre o mercado de retalho automóvel em Portugal. O objectivo é analisar os factores principais da experiência de compra de um automóvel por parte dos clientes.

A resposta a este inquérito não leva mais de 2 minutos, todos os dados obtidos serão mantidos em total anonimato e serão apenas usados no âmbito da realização da minha tese de mestrado.

Muito obrigado pela vossa participação.

1. Quando comprou o seu automóvel qual foi o factor preponderante para a sua decisão? (Escolha apenas um)
    a. Preço / Desconto oferecido
    b. Possibilidade de realizar test-drive
    c. O contacto pessoal com o vendedor
    d. O serviço e conselhos dados pelo vendedor
    e. Localização do concessionário

2. Qual das seguintes características é a mais importantes na compra de um automóvel? (Escolha apenas um)
    a. Marca / Modelo
    b. Os consumos
    c. As performances
    d. Dimensões do automóvel
    e. A carga fiscal

3. Quando comprou o seu automóvel o que ponderou para a tomada de decisão? (Escolha apenas um)
    a. Vários modelos de marcas diferentes
    b. Vários Modelos da mesma marca
    c. Equipamentos a escolher (ex: motor, extras)

4. Qual a importância que dá aos conselhos e serviços prestados pelo vendedor para a sua tomada de decisão na compra de um automóvel? (Sendo 1 Pouca importância e 4 Muita Importância)
    a. 1 2 3 4
       ☐ ☐ ☐ ☐

5. Quando compra um automóvel procura serviços adicionais?

	Sim	Não
Financiamento		
Seguro Automovel		

6. Quando recorre a um serviço pós-venda (ex: peças, oficina) o que mais o influência na escolha do local?
    a. Proximidade
    b. O mesmo onde realizou a compra
    c. Onde é mais barato
    d. Qualidade do serviço prestada

7. O último automóvel que comprou foi em algum dos seguintes concessionários?
    a. MCoutinho
    b. SAG/Siva
    c. Entreposto
    d. Auto Industrial
    e. Multiauto Galilei
    f. Salvador Caetano
    g. Santogal
    h. Nenhum dos anteriores

8. Quantos automóveis tem o seu agregado familiar?
    a. 1
    b. 2
    c. 3
    d. 4
    e. 5 ou mais

9. Quantas marcas diferentes de automóveis tem o seu agregado familiar?
    a. 1
    b. 2
    c. 3
    d. 4
    e. 5 ou mais

10. De quanto e quanto tempo troca de automóvel?
    a. Todos os anos
    b. De 2 em 2 anos
    c. 3 em 3 anos
    d. Mais de 4 em 8 anos e menos de 8 anos
    e. Mais de 8 em 8 anos

11. Qual a sua idade?
    a. Entre os 18 e 24 anos
    b. Entre os 25 e 34 anos
    c. Entre os 35 e 49 anos
    d. Entre os 50 e os 64 anos
    e. Mais de 65 anos

12. Qual o seu sexo?
    a. Feminino
    b. Masculino

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