

J.D. Power Asia Pacific Reports: Increasing Number of Auto Dealers in India Foresee a Decline in Profits

Attractive Range of Vehicles is Critical for Dealers and Automakers to Succeed

SINGAPORE: 31 May 2013 —One-in-five dealers in India expect to take a financial loss in 2013, more than double the number compared with 2012, and only 44 percent of dealers expect to make a profit for the 2012-2013 financial year, according to the J.D. Power Asia Pacific 2013 India Dealer Satisfaction with Automotive Manufacturers Index (DSWAMI) StudySM released today.

“Declining profitability for dealerships in India not only highlights the impact that the slowdown in new-vehicles sales has on the viability of a growing number of dealers, but also underlines the importance placed on automakers to provide adequate support to their respective networks” said Mohit Arora, executive director, J.D. Power Asia Pacific.

Now its third year, the study measures dealer satisfaction with vehicle manufacturers or importers in India and identifies dealer attitudes regarding the automotive retail business. Overall dealer satisfaction is determined by examining nine factors: marketing and sales activities; product; vehicle ordering and delivery; sales team; parts; warranty claims; after-sales team; training; and support from the manufacturer.

The study provides feedback on how dealers view their relationship with automakers, the outlook on their financial viability and identifies areas for improvement. In particular, with the slowdown in India’s GDP growth and decline in new-vehicle sales, the study is able to provide automakers with important information on how best to assist dealers in achieving their overall business objectives.

Need to improve the supply chain

In 2013, the largest decline in dealer satisfaction is in parts operations, with notable brand level declines around the prompt delivery of parts and ease of ordering parts.

“This highlights the need for some automakers to further support dealers with an improved and more efficient supply chain,” said Mohit Arora, executive director, J.D. Power Asia Pacific. “Improving the speed of parts delivery not only allows for work orders to be handled more efficiently, but also ensures customers are not troubled by unexpected delays or extended wait times.”

Decline in satisfaction with the product lineup

An attractive range of vehicles remains critical for both dealers and automakers to succeed in any market. The study shows a large variance in dealers’ opinions on the competitiveness of their brand’s model lineup. On average, 82 percent of dealers indicate their brand provides a model range that can effectively compete in the highly contested Indian auto market. However, fewer than 65 percent of dealers for some of the volume brands indicate the same.

“With changes in customer preferences, the industry needs to adapt by providing a contemporary lineup across the main and niche segments,” said Arora. “The importance for both automakers and dealers in the market is the need to increase customer traffic in the showrooms with an attractive model range.”

Dealers must diversify to survive the headwinds

The study finds that it is important for dealers to diversify their revenue base in order to mitigate any sudden decreases in their income and protect their viability during a slowdown in new-vehicle sales. Dealers that increase their share of revenue on after-sales maintenance and repair work—as well as promote other parts of their business, such as finance and insurance, spare parts and accessories and used-vehicles—can better spread their risk.

The study finds that the main revenue sources for dealerships are service (29%), new-vehicle sales (28%) and spare parts (14%).

High satisfaction comes from collaboration

Among the manufacturers included in the 2013 study, Maruti Suzuki and Toyota perform particularly well in overall satisfaction. Dealer satisfaction for both manufacturers has improved from 2012.

“The success of Maruti Suzuki and Toyota not only demonstrates the automakers’ commitment to ensuring the dealers’ operations are viable, but it also their active support regarding such areas as training, marketing and sales activities,” said Arora.

On average, 88 percent of dealers believe that they definitely would continue to work with their automaker in two years. Among dealers in the top quartile of satisfaction, 98 percent expect to be working with the same automaker in 2015. In contrast, dealers who rate their experience with the automaker in the bottom quartile of satisfaction, only 72 percent expect to be working with the same nameplate in two years’ time.

About the Study

The 2013 India Dealer Satisfaction with Automotive Manufacturers Index (DSWAMI) StudySM is based on responses from 618 dealership general managers or dealer principles across all main nameplates. The study was conducted in association with the Federation of Automobile Dealers Associations (FADA), and was fielded between February 2013 and April 2013.

About J.D. Power Asia Pacific

J.D. Power Asia Pacific has offices in Tokyo, Singapore, Beijing, Shanghai and Bangkok that conduct customer satisfaction research and provide consulting services in the automotive, information technology and finance industries. Together, the five offices bring the language of customer satisfaction to consumers and businesses in China, India, Indonesia, Japan, Malaysia, Philippines, Taiwan and Thailand. Information regarding J.D. Power Asia Pacific and its products can be accessed through the Internet at www.jdpower.com.

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(Page 3 of 3)