



An Investigation of Service Quality in Irish Franchised Motor Dealerships–The Importance of Service Quality for Dealerships and What Actually Constitutes Quality Service.

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Abstract

While there is a substantial volume of existing literature relating to service quality in general, in the context of motor dealerships, research in the area of service quality is quite limited. Regardless of brand or dealership type, the quality of vehicle service experience is paramount for both customer retention and dealership profits. Despite this however, service quality within Irish motor dealerships in particular remains an under-explored area. This paper explores the importance of services and service quality within motor dealerships in Ireland. The paper provides an analysis of service quality from the perspective of senior managers working in franchised motor dealerships under the Volkswagen group of brands in Ireland. The significance of service department operations for dealership performance is explored in the study, along with the important contributory factors influencing service quality. Overall the results of the study indicate that service operations and service quality are vital for both dealership profitability and customer retention. The findings also highlight that many factors contribute to variations in service quality and attitudes towards service provision within dealerships. The paper emphasises the fundamental aspects recognised by senior management within franchised motor dealerships as influencing customer perceptions of service quality and consequently should be the focus of service improvements.

Keywords: Service Quality, Irish Motor Dealerships, Dealer Principal (DP), Service Manager (SM), After-Sales Manager (ASM)

1. Introduction

1.1 Service Quality

Service quality can be a significant differentiating factor for organisations and pivotal for creating a sustainable competitive advantage. Empirical research (Eggert et al, 2014; Baines & Lightfoot, 2013; Zeithaml, 2000) directly attributes increased profitability with the provision of superior service quality by organisations. Moreover, differentiation through service provision is ever increasing in importance due to the relative ease with which physical products can be duplicated, thus making it difficult for organisations to achieve competitive advantage through product differentiation alone (Kotler et al, 2009). In a similar vein, Bitner et al., (2008) contend that firms are no longer able to compete through providing superior quality products alone, rather they must develop long-term relationships and emotional bonds with customers through customer experience management. Furthermore, achieving success commonly requires a constellation of products and services.

1.2 Relevance of Service Quality in Motor Dealerships

Service provision is particularly relevant from the context of the motor industry where vehicles are becoming more reliable and common platforms, components, etc. are being shared between manufacturers (Gaiardelli et al, 2007; Brylawski, 1999). Many research contributions suggest that positive company image, differentiation from competitors and increased customer loyalty to both the brand and the motor dealership can be achieved through effective service provision (Xu et al, 2017; Salles et al, 2011; Stuart, 2006; Edvardsson & Olsson, 1996). Much earlier research by Rathmell (1974) identified the importance of services in accompanying product sales, together with the importance of integrating services with product sales to increase customer satisfaction levels. More recently, Johnston (2005) has suggested there is little distinction between manufacturing and service organisations and most manufacturing companies recognise the importance of competing from a service perspective. Similarly, Balas and Tareef (2011) contend that, to remain competitive, a service provider must be recognised as offering superior value and quality services.

The contention that services play a vital role in supplementing product sales has been described by the term ‘Servitisation’ which has been defined as a “customer proposition that includes a product and a range of associated services” (Johnson & Mena, 2008, pp.27-39). In the context of motor dealerships, servitisation may be considered an appropriate term to describe operations involved in After-Sales activities. Oliva and Kallenberg (2003), contend that servitisation is an important contributing factor for stabilising company revenues. This is especially important for vehicle manufacturers and motor dealerships, particularly during the most recent economic downturn where a severe reduction in motor vehicle sales has resulted in significant financial hardship within motor dealerships (Bacon, 2009). In essence, effective servitisation necessitates coordination of manufacturing, maintenance, logistics and spare parts supply systems. The value of servitisation to both customers and suppliers depends primarily on how the product-service bundles are compiled. Also, the ‘bundle of benefits’ associated with purchasing a particular product requires that services must be ‘value-adding’ and compliment product characteristics as demanded by customers (Slack et al, 2004).

Many research contributions emphasise the increasing importance of services within business. For instance, Vargo and Lusch (2008) suggest that, in reality, all business is actually service business. They use the term “service-dominant logic” to highlight how customers are now perceived as ‘co-producers’ of customised solutions which are dominated by service aspects rather than manufacturing goods. Furthermore, the customer needs to be understood as a collaborative partner actively partaking in the creation of any integrated solution. Similarly, Milton and Johnson (2012), suggest that services are co-created processes, which involve both the customer and service provider. Intensive customer participation and integration into the processes is advocated by Fliess and Kleinaltenkamp (2004) in order to improve service provision. Gersch et al. (2011), contend that customer integration is a constitutional element within service provision. The management of this customer participation using the “production-theoretic approach of service processes” as advocated by Fliess and Kleinaltenkamp (2004, p.393), recognises the service customer as a “co-producer” of the service due to the input required on their part to have the service completed.

2. Research Methodology

The fundamental aim of case study research is to conduct in-depth analysis of a subject within its context, and with the objective of understanding the subject from the perspective of participants (Yin, 2014; Simons, 2009). Thirty-eight face-to-face interviews were conducted for this case study. The interviewees included Dealer Principals and Service or After-Sales Managers from twenty-five dealerships throughout Ireland. Due to the structure of the dealer network, with some organisations operating multiple dealerships, in a number of cases the same Dealer Principal represented more than one dealership, however, each of the Service or After-Sales Managers were directly involved with one specific dealership only. The dealerships were all within the Volkswagen group of brands (VW, Audi, Skoda, SEAT), which cumulatively represent approximately twenty five per cent of the Irish passenger car market. In addition, the Volkswagen group is renowned for placing strong demands on its dealer network in the areas of quality standards and customer satisfaction, which was central to the research.

A purposeful sampling approach was adopted to select participants on the basis of their management position within the motor dealerships. The inclusion criteria for willing participants were that they held either a Service Manager (SM), After-Sales Manager (ASM) or Dealer Principal (DP) position within the dealership. All the participants therefore had direct responsibility for ensuring that high service quality standards were maintained by their dealership.

In-depth interviews were used during the study to unearth information which could not have been otherwise achieved due to the subjective nature of many aspects relating to service quality, which required thorough discussion. The interviews provided the opportunity for obtaining substantial information through verbal communication, along with providing the opportunity to elaborate on specific points raised through appropriate probing. The interviews also facilitated spontaneous answering of questions which adds considerably to the authenticity of responses. Sufficiency and information saturation are the two criteria highlighted by Siedman (1991) for determining when an adequate sample size has been achieved. Sufficiency applies where there are a sufficient number of interviewees to reflect the range of participants and locations comprising the population so that perspectives of others outside the chosen sample are likely to be reflected. Information saturation applies when the interviewer begins to repeatedly hear the same material and there is a dearth of ‘fresh’ information arising from the interviews. The sample size of this study fulfilled both these considerations. All interviews were recorded and transcribed verbatim after each interview. Analysis of data was based on the grounded theory approach, the findings of which are outlined in the following section.

3. Research Findings

3.1 Importance of Service Operations to Franchised Motor Dealerships

The development of long-term customer relationships is vital for the profitability of motor dealerships. Service operations within motor dealerships have always played a significant role, both in terms of dealership profitability and customer retention. To this end, the importance of the service department in developing and maintaining these customer relationships cannot be overstated, as is evident in the excerpt from the interview with one Dealer Principal who reflects the unanimous view of all the Dealer Principals interviewed:

The service department is very important. Basically, when a new car is sold the service department takes over the relationship with the customer and if you want to sell another car to that customer in a few years' time, how happy the customer is with the service experiences in between will definitely influence their decision to come back or not. It keeps the 'loop' going which is crucial, so service department is very important, both financially and for keeping continuity of the relationship with customers (DP, dealership fourteen).

There is, however, evidence through likeminded opinions provided by seven Service Managers during their interview, that former attitudes by Dealer Principals and senior management toward service departments considered it to be a 'necessary burden' within many dealerships. Evidently, the potential of the service department to contribute substantially to dealership profits has significantly increased in recent times and become even more important due to the sharp decline in vehicle sales in Ireland between 2008 and 2014.

I think the service department is more appreciated now than it was before, and I think the dealership is now appreciating and acknowledging the contribution that we make, both financially and for customer retention (SM, dealership twenty-three).

Prior to the recession the main focus was on car sales and the After-Sales department seemed to be like a 'necessary evil' but when sales took a big hit the focus really changed and the service department especially began to be really appreciated (SM, dealership thirteen).

The case study highlights a recognition that the importance of service operations within motor dealerships is particularly prominent during periods where significant decreases in car sales are encountered due primarily to economic factors. Moreover, evidence of a sense of 'under appreciation' from the perspective of service personnel emanates from the study. A recognition of the financial contribution of After-Sales operations towards dealership profits was especially emphasised throughout the economic recession. Indeed, many dealerships found themselves re-focusing their business towards After-Sales activities out of necessity initially, but later as a rational management decision.

In the last number of years, simply as a result of the economic downturn, our business model is based around After-Sales, so we really understand the importance of it. We understand how important absorption is, new car sales are looking after themselves at the moment, but we understand that After-Sales is the lifeblood of the business. After-Sales is significantly more important, sales is more of a roller coaster whereas service is more consistent (DP, dealerships seven and twenty).

The findings highlight the important role After-Sales departments within franchised motor dealerships play, from the perspective of revenue generation, customer retention and overall sustainability of the dealership. To this end, it is necessary to consider what constitutes a quality service.

3.2 Perceptions of What Constitutes 'Quality Services'

According to Bowman (2013), most car owners dislike the experience of having their vehicle serviced in franchised dealerships. Certainly, there is a vast difference in perception of customers when purchasing a new car, in comparison to having to return the car for routine servicing or repairs. Consequently, it is essential that dealerships endeavour to provide quality services which dispel customer apprehensions. It is fundamental that customers believe the service experience to be adding value, rather than a burden which must be endured.

I suppose when a customer buys a car they are generally very happy, but when someone comes into a service department they have an issue or they are spending money they don't necessarily want to be spending so it's very important that a dealership has a strong and dependable service

department to deal with the customer's requirements in a professional manner (SM, dealership thirteen).

The above quotation represents the views expressed by all contributors to the study. This reinforces the need for dealerships to work extra hard to provide quality service to customers. It is therefore necessary to analyse what constitutes a quality service from the perspective of customers.

3.2.1. Service Accessibility

Accessibility is recognised as being critical and effectively the baseline from which quality services are delivered. This is a perception which emanated throughout the study and the perception of managers within motor dealerships is typified by the following statements:

Accessibility is extremely important, today customers are very busy, they need to be able to get their vehicle serviced in a relatively short time-frame and at a time which suits them. (SM, dealership seven)

It is very important to be able to give customers a speedy appointment. In the past it could have been up to five or six weeks. I'm talking now about during the height of the 'Celtic Tiger' years, but there is no way customers would entertain that sort of lead time these days (DP, dealership fourteen).

From the context of management within dealerships, there is a perception that customers are less inclined to wait long periods to access vehicle service than may have been tolerated in previous times. There is an underlying observation of impatience and an intolerance of delays accessing vehicle servicing, which possibly derives from changing culture and instant accessibility within modern society. Indeed, service accessibility can have a significant influence on customer's tolerance levels and overall impression of service quality provided by dealerships.

3.2.2. Right First Time

Reliability and responsiveness are closely related to accessibility in terms of quality service provision. For instance, in cases of vehicle breakdown or where unforeseen faults occur, the ability to respond promptly and alleviate the inconvenience for customers is central to providing quality service. Again, this expectation by customers has evolved from times where more leeway was afforded towards dealerships. 'Right First Time' (RFT) is a key element of reliability which dealerships strive to achieve. Indeed, almost fifty percent of respondents highlighted RFT as the single most important factor when it comes to assessing service quality, as emphasised in the following statement.

I suppose there are a couple of things but number one has to be fix it right first time, because whatever we say and do when people come in to get their car serviced, they just don't want to have to come back again and again for the same issue (DP, dealership nineteen).

The study highlights that not achieving vehicle repairs right first time has consequences beyond the customer directly involved. There can be knock-on effects for other pre-booked service work when a customer whose vehicle was not repaired right first time arrives back to the dealership unscheduled and requires immediate rectification of the issue. This can interrupt the scheduled workflow within the service department and cause a ripple-effect whereby service quality for other service customers is negatively impacted also. Furthermore, the increased pressure and stress on service department staff can have a negative effect on morale and performance, thereby causing a 'snowball effect' which multiplies the problems. It is evident therefore, that right first time is central to delivering high service quality on a consistent basis and enables efficient management of the service department.

Focusing on fix it right first time is vital, you don't want to have the customer coming back with the same issue two or three times. That's going to cause hassle for ourselves in that we end up having to try and fit in work at very short notice, but it is particularly bad for the customer having to come back again for work which should have been done. (SM, dealership four).

The findings indicate that right first time, while vital to delivering high quality service and achieving customer satisfaction, can be difficult to achieve due to the complexities of vehicle repair, particularly in the case of sporadic faults which may not be readily apparent to technicians when a vehicle is at the workshop. Consequently, the quality of well-trained service staff, both frontline, administrative and technical, is core to achieving right first-time service and repairs.

3.2.3. Comprehensive Service

The ability to provide a complete and comprehensive service is something which franchised dealerships have focused on in recent times. For many years when franchised dealerships were very busy, it was common for customers to be advised to visit specialist centres for specific elements of routine maintenance. Tyre centres being a case in point, whereby dealerships did not involve themselves in providing the service but instead ‘farmed’ the work out to specialist tyre centres. The economic downturn from 2008 created a situation whereby dealerships became increasingly interested in taking back this type of work in order to bolster the work within their workshops. Manufacturer supports such as bulk purchasing options and promotions also helped generate increased emphasis with what had previously been viewed as ‘ancillary’ services. Nowadays there is increased emphasis on retaining this work within dealerships for revenue generation, but also to facilitate more comprehensive services for customers. Indeed, time strapped customers appreciate not having to take their car to different locations to have different jobs completed.

We started doing the tyres three or four years ago, that was something we were letting out the door and now it’s offered in-house. Customers appreciate that, they don’t have to go to a tyre company after getting the car serviced, it’s all done in the one shop (ASM, dealership fifteen).

The above quotation represents the view expressed by thirty seven percent of participants in the study, which emphasises the perception within dealerships that providing a comprehensive service to customers is a fundamental element of achieving quality service. As mentioned earlier, the quality of service personnel is instrumental for achieving this. Preparation is key and having staff who are trained and experienced to be able to anticipate parts requirements through a process of ‘pre-diagnosis’, that is, asking the relevant questions in order to try identify potential problems and issues beyond basic servicing needs.

We try to ensure we have good preparation for the customer arrival because a lot of customers have probably taken a day off work or out of their holidays so it’s important to complete whatever is required in one customer visit (SM, dealership three).

The findings from the current study highlight the importance placed within dealerships towards providing comprehensive services to customers, both from the perspective of revenue generation and achieving customer satisfaction.

3.2.4. Service personnel

Central to consistently achieving high quality service is the quality of service personnel, both frontline administrative and technical staff. Generating a sense of confidence and reassurance for service customers is directly associated with the quality of service personnel. This is especially relevant in the case of franchised dealerships where stringent manufacturer standards must be adhered to. Certainly, the significant investment in state-of-the-art showrooms and facilities must be backed up by high quality service provision to avoid situations where customers become cynical regarding service costs and avoid using franchised dealerships.

Staff are so important, from the minute the customer makes the phone call to book in, to when they are greeted by the service advisor, to when the technicians work on the car. If you don’t have good technicians you have issues with quality and revisits, so therefore customers aren’t going to be happy (SM, dealership twenty).

I am a firm believer in “hire for attitude and train for skill”. If we don’t have the right attitude and approach towards customers, we won’t see them again (DP, dealerships, seven and twenty).

The quality of After-Sales personnel for delivering quality services and achieving customer satisfaction, as highlighted in the current findings supports research by Salles et al. (2011) who advocate the involvement of all personnel in delivering service quality improvements, along with emphasising the importance of ongoing training to ensure high service quality. Trust and honesty are further essential elements of service quality underlined in the current study. These are viewed as vital elements for building customer confidence and emanate from the quality of personnel working within the dealership. Furthermore, a core aspect of building trust and confidence with customers is communication.

3.2.5. Communications

Effective communication plays a very important part in providing quality services and being pro-active in communicating with customers helps with reducing customer anxiety and negative perceptions relating to services.

Communication is huge, especially with service where customers are buying something they can't touch or bring home (DP, dealership seventeen).

Communication would be a key issue. Good communication can limit surprises; possibly never eradicate them fully as things always crop up that couldn't be planned for (SM, dealership twelve).

Explanation of invoices so that the customer actually understands what they are getting is vital so they can see there is value for money offered by us as a main dealer (DP, dealership five).

The importance of effective communication for developing an atmosphere of trust and confidence is proffered by twenty-three respondents in the study, with fourteen advocating communication as the most important aspect for delivering high service quality standards. Significantly, the importance of active listening as part of the communication process is noted.

Really key to customer satisfaction is that you listen to their issues, whatever the problem with the car, be it a rattle in the boot or whatever. It's really important to listen fully to what they say, otherwise misunderstandings can happen (DP, dealership fourteen).

The above quotation emphasises the need to have suitably trained staff who have good communication skills, combined with an appreciation of customer requirements. Indeed, effective communication is vital to establish the trust and confidence spoken about earlier, so that customers are fully aware of aspects of services which may not be obvious. In situations where these aspects are made aware to customers, their perception and positive attitude towards service quality may increase significantly.

3.2.6. Building Customer Relationships

Each of the afore-mentioned aspects relating to service quality contribute to building an overall positive relationship with service customers. Indeed, creating and sustaining a positive relationship with customers is very important for motor dealerships in order to generate repeat business for the Sales Department in addition to repeat After-Sales business. All of this must be achieved while remaining competitive in terms of value for money. To this end, while service prices were acknowledged by thirty respondents in the study as an important contributory factor, price was only mentioned as the initial response by six respondents. Thus, the following statement succinctly represents the majority view of the contributors.

People would tell you it is money and pricing that is most important, but I don't really think it is. Customers come to a dealer if they feel taken care of, friendly and good backup service will keep customers satisfied, even if it is a bit more expensive (SM, dealership eleven).

The findings suggest that many contributory factors combine to achieve high service quality within franchised motor dealerships and achieving these aspects while at the same time controlling costs in order to remain competitive is central to achieving maintaining satisfied and long-term customers.

4. Conclusions

Despite there being much existing literature highlighting the importance of service provision and service quality in general, there is a dearth of literature pertaining to service quality specifically within Irish motor dealerships. The current study highlights many important aspects contributing to the achievement of high service quality for customers, as viewed from the perspective of senior management within franchised motor dealerships under the Volkswagen group of brands in Ireland.

The primary conclusions from the current study highlight the importance of After-Sales operations to franchised motor dealerships, both in terms of revenue generation for the dealership, along with fostering long-term customer relationships and customer retention. The findings indicate a significant increase in appreciation by senior management within dealerships for the performance and potential of the service department as a consequence of the economic downturn in Ireland post 2008. Indeed, all the Dealer Principals interviewed acknowledge that it was the service departments which kept dealerships viable, despite car sales plummeting during the period of economic decline in Ireland.

The findings of the study also highlight what managers within franchised dealerships recognise as the most important aspects to achieve and deliver consistently high quality services for their customers. Accessibility, reliability, right-first-time and being able to provide comprehensive services are viewed as important characteristics of service quality. Central to providing these characteristics, however, is the quality of staff - both the front-line administration staff and the technical staff. Moreover, effective communication is deeply embedded within all the elements required to ensure high quality service. The ability of staff to communicate in a complete and pro-active manner with customers and co-workers alike is deemed to be vital for ensuring the delivery of quality service. Finally, the importance of effective recruitment and on-going training of staff is fundamental for achieving all the elements which constitute quality service.

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