



On the front line

ELAINE CATTON

AT THE RECENT opening of a new Audi dealership in New Jersey (more on that next month), I had the opportunity to pick the brains of none other than the boss of Audi of America himself, South African Johan de Nysschen.

He and a team of his top people had flown in especially all the way from Michigan to New Jersey for the evening, which is something of an indication of the seriousness with which Audi views its sales network here.

The event brought home to me the level of dedication on the part of the dealer (both emotional and financial), and I wanted to know from de Nysschen how he was working with his network and what he hoped to achieve.

He began by pointing out the relative market saturation which Audi now has in Europe, and reminding me of the corporate goal to achieve substantial growth on a global level. As I have already mentioned on these very pages, this strategy makes the US one of the company's key growth markets. Dr. Winterkorn has been quoted as having an annual sales target for the US of 200,000 vehicles. With 2005 volumes coming in at around 84,000, this is clearly a goal to get any importer in a sweat.

For Johan de Nysschen, the development of the Audi dealer network is key to this. "We currently have 260 stores in three categories," he explained. "85 of those are Audi exclusive, with 70 being brand dedicated, and the rest universal." With the absence of Europe's block exemption ruling, the 'universal' dealer is a common sight here, with several competing brands being sold out of one single showroom.

For de Nysschen, the target is not to increase the absolute number of dealers, but rather to focus on increasing the level of exclusivity, for which you can read quality and dedication. "We are aiming to have 100 exclusive dealers in the US by the end of 2006," he stated. He went on, "We won't be increasing overall dealership numbers until we see appropriate volume increases."

His twin goal is to improve brand perception and to ensure profitability, which, in fact, go hand in hand. De Nysschen is well aware that the culture of discounting in the US market erodes brand value and hurts profitability and residual values. "However, this issue cannot be ignored," he said. "It would be naïve to refuse to support the dealer network with incentives." Nevertheless, he went on to use the words uttered by VW chief Bernd Pichetsrieder on this issue, "We will not buy market share".

This is all very well, but how do you convince hardened US dealers of this, especially when you want them to pour massive investment into exclusive dealership facilities.

Firstly, Audi is currently enjoying the benefits of arguably the freshest and most exciting model line-up it has ever had, which in itself is no small inspiration for an enthusiastic dealer. They also aim to instil product passion into their sales force, by way of driver training days. But dealers don't live on passions and inspiration alone, and AoA backs this up with a scheme of subsidies based on the exclusivity of the dealership.

De Nysschen also wants to work with his dealers on customer retention, which "is not quite where we need it to be." Aside from dealer-related issues, this can be partially blamed on product quality problems which affected the old A6 in particular, which suffered numerous recalls in the US over its lifetime. "The new A6 is such a vastly different car that one could argue that it should have been renamed," says de Nysschen, whose job may well have been made easier here if it had been.

However, there is another important element to consider within the customer retention figures. Audi's all-new product line-up is shifting its customer demographics, attracting a quite different set of people.

In the US, Audi customers are becoming younger and more affluent. By moving the brand image up-market, the aim is to attract a more discerning type of buyer.

De Nysschen cites the A8 as an example, pointing out that the Audi flagship sells here for \$70,000, which is more than BMW is apparently able to demand for its 7 Series. From the BMW perspective, this is somewhat unfortunate, as the ugly backside on its top model was allegedly penned with the Yanks in mind.

De Nysschen is obviously looking forward to the arrival here of the Q7, which is long overdue in the opinion of every industry observer you might care to talk to. He is also not concerned by the current slump in SUV sales resulting from high fuel prices, saying that this is a temporary state of affairs. He is also eagerly anticipating the raft of new models on their way from Ingolstadt. While the likes of the Q5 will fill another gaping hole in the product line up, the new R8 should provide a great halo for that brand value thing, not to mention keeping those dealers excited.



South African Johan de Nysschen, Head of Audi of America.