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# **DIPLOMARBEIT**

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**Market preparation of Volkswagen  
Group China for San Bao (Admin-  
istrative stipulation of customer  
right protection for household au-  
tomotive products in China)**

Mittweida, 2013





Fakultät Wirtschaftswissenschaften

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**Vorbereitung der Volkswagen Group  
China Vertriebsnetze auf die Einfüh-  
rung einer landesweiten Verbraucher-  
schutzrichtlinie für privatgenutzte Au-  
tomobile in China (San Bao)**

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# Preamble

This thesis was written for the Industrial Engineering and Management graduation (Dipl.-Wirtschaftsing. (FH)) at the University of Applied Sciences Mittweida, Germany.

The intent of the thesis is to describe the market preparation of Volkswagen Group China for San Bao, an new administrative stipulation for customer right protection for automotive products in People's Republic of China. Throughout the thesis the content of the San Bao Stipulation as well as the implemented measures and necessary actions for market readiness of Volkswagen Group China will be exposed and analyzed.

The thesis has been developed during an internship at Volkswagen (China) Investment Company Co., Ltd., Aftersales and Parts department in Beijing from March to August 2013. During this period, I was involved into the market preparation process and supported the San Bao project steering.

The thesis is based on public released scientific literature, press articles, market research reports as well as unpublished internal company documents of Volkswagen Group China. It has deliberately been decided not to describe strategies of Volkswagen Group China which are subject to confidentiality and professional secrecy. Business figures of Volkswagen Group China are generally confidential those mentioned originate from public sources. In the events where public sources were not available, the figures have not been further specified.

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## List of Abbreviations

<b>4S</b>	Sale, Spare part, Service and Survey; Vehicle dealerships in China responsible for vehicle retail and vehicle repair services, authorized by a vehicle manufacturer.
<b>AQSIQ</b>	General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China
<b>CD</b>	Car down
<b>DMS</b>	Dealer Management System, a comprehensive business system
<b>DPAC</b>	Defective Product Administration Center of the People's Republic of China
<b>FAW</b>	First Automobile Works, Chinese automotive manufacturer
<b>FAW-VW</b>	FAW-Volkswagen Automotive Company, a joint venture between First Automobile Works and Volkswagen Group
<b>FAW-VW Audi</b>	FAW-Volkswagen Automotive Company Audi, a Sales company of FAW-VW for Audi brand cars
<b>FAW-VW VW</b>	FAW-Volkswagen Automotive Company Volkswagen, a Sales company of FAW-VW for Volkswagen brand cars
<b>JV</b>	Joint venture
<b>OEM</b>	Original equipment manufacturer
<b>OES</b>	Original equipment supplier

<b>SAC</b>	National Standardization Technical Committee of the People's Republic of China
<b>SAIC</b>	Shanghai Automotive Industry Corporation, Chinese automotive manufacturer
<b>SCP</b>	Service Core Process
<b>SVW</b>	Shanghai Volkswagen Automotive Company, a joint venture between Shanghai Automotive Industry Corporation and Volkswagen Group
<b>SVW Skoda</b>	Shanghai Volkswagen Automotive Skoda, a Sales company of SVW for Skoda brand cars
<b>SVW VW</b>	Shanghai Volkswagen Automotive Volkswagen, a Sales company of SVW for Volkswagen brand cars
<b>VCIC</b>	Volkswagen (China) Investment Company
<b>VGC</b>	Volkswagen Group China
<b>VGIC</b>	Volkswagen Group China Import Company





# 1 Introduction

## 1.1 Problem statement

Since the very first announcement of relevant Chinese government authorities, issue a legal binding warranty stipulation for passenger cars in China, it have passed more than twelve years. “San Bao”<sup>1</sup>, the “Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products” is coming into effect on 1 October 2013<sup>2</sup>, protecting the legitimate rights and interests of consumers by creating a unified, legal standard. San Bao is applied, when a vehicle is sold in the territory of the People’s Republic of China (Article 2).<sup>3</sup> As a warranty right, it affects automobile Aftersales services<sup>4</sup> significantly, since the current applied system for consumer protection in China is only based on weak legal regulations concerning minimum warranty periods and individual warranty policies by the manufacturer.<sup>5</sup>

This thesis deals with the market preparation process of Volkswagen Group China for San Bao. The Volkswagen Group China has identified several fields of action in the operational levels of Aftersales, where the existing performance either does not meet the new legal requirements itself or might lead to a customer disputes for it. Eligible modifications and processes have been developed and implemented to ensure the market readiness for San Bao. The affected fields of action are:

- Aftersales IT systems
- Spare parts logistics

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<sup>1</sup>Ref. Sinn (1998), p. 69; Unknown author (2013), China Car Times; “San” [三; Chinese mandarin: Three] and “Bao” [宝; Chinese mandarin: Treasures] have various meanings in Chinese language and mythology due to different accents. The term is synonymously used for legal binding warranty stipulations for consumer products in China. In this context San Bao means “Three Promises” or “Three Responsibilities”, permitted the consumer to free repair, free replacement and free exchange faulty goods.

<sup>2</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 1, (Appendix A-1)

<sup>3</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 2, (Appendix A-2)

<sup>4</sup> Ref. Töpfer (2007), p. 649; Pepels (1999), p. 391; As a reference to the legal framework for Aftersales services based on EU-warranty right

<sup>5</sup> Ref. Klausch (2013)

- Aftersales processes
- Warranty policies
- Retail handover processes<sup>6</sup>

The complex business structure of Volkswagen Group China has to be considered during the entire market preparation process. Whereby one importer, two joint ventures, five sales companies and eight car brands are included, facing different conditions related to their business model<sup>7</sup>, sales volume, target groups and infrastructure. In addition, the implemented measures and processes have to attend to the specifics of China's automobile market and customers' demands.

The achievement of San Bao market readiness is a crucial factor for Volkswagen Group Global because the Chinese market is of particular importance having a significantly stake in the entire sales.

## 1.2 Chapter overview

The thesis is separated into five chapters. After the introduction and problem outline in chapter 1, the automobile market in China, the structure of Volkswagen Group in China and the organization of automobile aftermarket is briefly described in chapter 2. This knowledge should serve as basis and background of the thesis.

Following in chapter 3, the relevant legal content of San Bao Stipulation is presented and explained to establish understanding of the market preparation for San Bao. The focus is on the regulations for operating Aftersales business.

Causation and implementation of market preparation for San Bao is analyzed in chapter 4. Therefore, the performance of status quo is explained for each field of action separately to reason the required measures, processes and tools for San Bao market readiness.

Finally, the impact of San Bao and its market preparation for Volkswagen Group China is summarized and examined from the graduate's view in chapter 5. In addition, an outlook is given on possible further developments.

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<sup>6</sup> The retail handover process rather belongs to area of Sales than Aftersales. However, its modification for San Bao serves an optimized performance in fields of Aftersales.

<sup>7</sup> The term business model refers to the different origins of imported or local manufactured cars.



## 2 Automobile background and specifics

In the following chapter, facts and figures concerning the Chinese automobile- and after-market market as well as the Volkswagen Group China will be presented and explained. Thereby, the dimensions and structures which are affecting the market preparation process of Volkswagen Group China for San Bao will be illustrated.

### 2.1 China automobile market specifics

#### 2.1.1 Market figures 2012

From 2009 to 2012, output volume and sales volume of automobiles in China ranked the first in the world. In 2012 sales volume of passenger vehicles reached a total of 13.2 million, increasing by 7.6%.<sup>8</sup> China's share of world vehicles sales was 23.6%.<sup>9</sup> As sales statistic indicates, 90% of sales came from first, second and third tier cities<sup>10</sup>. Car sales in first tier cities continuously grew by single digits but sales in second and third tier cities grew by 131%.<sup>11</sup>

China has become the second biggest market for premium cars<sup>12</sup> in the world after the United States and will overtake it as earlier as 2016.<sup>13</sup> The top eleven premium brands

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<sup>8</sup> Ref. IHS (2013), Sales Report

<sup>9</sup> Ref. Sousanis (2013), Wards Auto

<sup>10</sup> The categorization of cities in China depends on the infrastructure facilities, population or average income. Shanghai, Beijing, Guangzhou and Shenzhen are commonly considered as first tier cities while second tier cities include provincial capitals mainly. The separating of lower tier cities is fairly inexact. Cities with more than 1 million population fall into fifth tier category of Volkswagen Group China. For more details see in Devonshire-Ellis (2012), "The Yangtze River Delta: Business Guide to the Shanghai Region", chapter 2, p. 17.

<sup>11</sup> Ref. Unknown author (2013), China Car Times

<sup>12</sup> The segment of premium cars also referred as luxury cars. The composition of the segment varies depending on source and analysis' purpose. The McKinsey Report comprise Acura, Aston Martin, Audi, Bentley, BMW, Cadillac, Ferrari, Infiniti, Jaguar, Land Rover, Lamborghini, Lexus, Lincoln, Lotus, Maserati, Mercedes, Mini, Porsche, Rolls-Royce, Smart, Volkswagen Phaeton, Volkswagen Toureg, and Volvo. The China Auto Web sales statistic just covers Acura, Audi, BMW, Cadillac, Infiniti, Jaguar, Land Rover, Lexus, Mercedes, Porsche, and Volvo.

<sup>13</sup> Ref. Sha (2013), McKinsey Report

sold a total of 1.19 million units in 2012. The premium car market expanded at a fast rate of more than 20% on a year earlier.<sup>14</sup>

### 2.1.2 Trade barriers and state interference

The Chinese automotive market possesses significant trade barriers for foreign investors. For foreign auto enterprises producing cars in China, it is forbidden to establish a solo automobile proprietorship. Chinese law permits foreign automaker to participate in a joint venture (JV) with a domestic auto firm holding minority stake. The Sino-foreign joint venture system aims to develop China's automotive industry. Chinese car manufacturing expertise shall be boosted by technology transfer making their products compatible on the global automotive market.<sup>15</sup> Nevertheless China's auto market is still dominated by Sino-foreign brand passenger vehicles. "Their sales volume accounted for more than 58% of the total sales volume in 2012 and the proportion is increasing constantly."<sup>16</sup>

The Chinese consumer market is marked by state interference in customer care related issues with high media attention. Cases, where the consumer rights or expectations are significant violated are show casted by government-controlled television on the annual "Consumer Rights Day".<sup>17</sup>

### 2.1.3 Purchasing and driving behavior

The Chinese customers and drivers are characterized as following:

- 67% of customers are first-time car purchasers<sup>18</sup> (Germany: 5%)
- 14% of new car buyers are loyal to their previous brand (Germany: 52%)<sup>19</sup>
- Average age of new car buyers is around 34 (Germany: 42)<sup>20</sup>

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<sup>14</sup> Ref. Unknown author (2013a), China Auto Web

<sup>15</sup> For more details about legal framework and Joint-Venture system in China's auto industry see in Harwit (1995), "China's Automobile Industry: Policies, Problems, and Prospects", chapter 1, 2, 3, p. 3-67; Domansky (2006), "Automobile Industry: Current Issues", chapter 1, p. 9-13. As a reference for issues with patent infringement in China's automobile market also see in Unknown author (2012), Handelsblatt, "China klaut Volkswagen-Patente."

<sup>16</sup> Cit. RnR (2013), Market Research

<sup>17</sup> Ref. Burkitt (2013), WSJ; Fromm (2013), Sueddeutsche

<sup>18</sup> 80% of Chinese customers were first time buyers identified by an Arthur D. Little Report identified in 2011, ref. Gissler (2011), Arthur D. Little Report

<sup>19</sup> Ref. Netpop (2011), Research Report, p. 91

- 73% of all buying decisions come from referrals (USA: 45%)<sup>21 22</sup>
- “Tend to expect 100% perfection in foreign-made product’s quality”<sup>23</sup>
- Brand image, reputation, quality and safety of the car are the important elements
- Vehicle should be show-off, reflecting identity, lifestyle and status of its owner
- Vehicles mainly used in city traffic with high stop-and-go proportion
- Tight parking lots and blocked roadways often cause passing over curbsides<sup>24</sup>
- Average mileage per year is 18,000km<sup>25</sup>

### 2.1.4 Road conditions and fuel quality

The condition of the inner-city roads and country roads in China varies from very poor conditions to EU-standard. For the most part, China’s highways are in EU-standard. In cities, there is a dense traffic almost always. The traffic density strongly varies on highways and country roads depending on region. Traffic jams often occur in densely populated metropolitan areas.<sup>26</sup> At the end of 2012, China has largest highway network of about 95,600km.<sup>27</sup>

For passenger cars, Otto-engines dominate the Chinese market, Diesel-engine’s market share are less than 1%. The mixture of fuel quality in China subjects to local standards. The fuel quality standards are less strict than the EU guidance. The quality varies regionally and is the main reason for engine damages at Volkswagen Group China.<sup>28</sup>

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<sup>20</sup> Ref. Netpop (2011), Research Report, p. 30

<sup>21</sup> Ref. Alexi Orlov (Chief Marketing Officer Volkswagen Group China) in Reynolds (2013), Guardian

<sup>22</sup> A valid reference figure for Germany has not been found

<sup>23</sup> Cit. Fernandez (2011), p. 178; referred as Sky-high demands of Chinese customers

<sup>24</sup> Ref. Volkswagen Group China Marketing in Utech (2012), Technische Marktinformationen, p. 31

<sup>25</sup> Ref. National Bureau of Statistic China in Utech (2012), Technische Marktinformationen, p. 31

<sup>26</sup> Ref. Utech (2012), Technische Marktinformationen, p. 15

<sup>27</sup> Ref. Ministry of Transport of the People’s Republic of China in Lin (2013), Xinhuanet

<sup>28</sup> Ref. Kraftstoffbuch der Region China, Aggregate Management, Volkswagen Group China in Utech (2012), Technische Marktinformationen, p. 37

## 2.2 China Automobile Aftersales specifics

Aftersales refers to a secondary market of the automotive industry.<sup>29</sup> It is a set of all product service related activities and personal services such as repair, maintenance, distribution of spare parts, accessories, liquids and tools as well as providence of technical information and assistance.<sup>30</sup> In general, automobile aftermarket is a high profitable business. "In Germany, for example, the Aftersales business generates more than half of profits while accounting for only 23% of revenues"<sup>31</sup> The turnover per car in Aftersales depends on several factors: e.g. Car age, vehicle's warranty validity, value of the model.<sup>32</sup> In China 54% of all cars are between one and three years old.<sup>33</sup> The total aftermarket turnover in 2012 was forecasted to reach 33.9 billion USD with strong growing rates over the next few years.<sup>34</sup>

As in general, the aftermarket in China is divided in a regulated and an independent market.<sup>35</sup> "Workshops of the regulated aftermarket have binding contract with at least one original equipment manufacturer (OEM) and provide a closely defined bundle of services."<sup>36</sup> Approximately 15,000 of these exist in China and are referred as 4S<sup>37</sup> Shops. Independent workshops can be divided in with and without system affiliation. Approximately 15,000 workshops are operated within a franchise system by Bosch, Continental or Michelin for example whereas 100,000 workshops are not associated to a system In China.<sup>38</sup>

Spare parts origins in automobile aftermarket are separated into original parts, generic parts and counterfeit parts. Original parts are manufactured by the OEM or original

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<sup>29</sup> Ref. Kotler (2010), p. 43

<sup>30</sup> Ref. Pepels (1999b) in Reichhuber (2010), p. 31

<sup>31</sup> Cit. Gissler (2008), Arthur D. Little Report including passenger cars, SUVs and light commercial vehicles. Valid information about China's aftermarket profitability is not available publicly. Figures of Volkswagen Group China are subject to confidentiality.

<sup>32</sup> Statistics about turnover per car from Volkswagen Group China subject to the author but may not be published for reasons of secrecy.

<sup>33</sup> Ref. Polk Report (2012), p 23; The forecast took place in the beginning of 2012. Other valid figures about China's aftermarket turnover are not available publicly.

<sup>34</sup> Ref. Polk Report (2012), p 24

<sup>35</sup> Ref. Xiong (2012), p. 309

<sup>36</sup> Cit. Xiong (2012), p. 312

<sup>37</sup> 4S corresponds to Sale, Spare part, Service and Survey; Commonly also referred as authorized workshops or authorized repair service provider.

<sup>38</sup> Ref. Polk Report (2012), p 26

equipment supplier (OES).<sup>39</sup> In China, these parts are used by the 4S or franchise workshops. Generic parts and counterfeit parts come from an unregulated grey market and are commonly used in independent workshops.

In general OEM's spare parts logistics aim to ensure that a given demand for spare parts is met in its quantitative, qualitative, temporal and spatial dimensions. The spare parts supply chains in Aftersales are carried out under the circumstances of optimized leadtime and inventories faces the following requirements:<sup>40</sup>

- The demand for spare parts results from the requirements of maintenance and repair work.
- The demand for spare parts is difficult to predict it might arise because of random failure of a vehicle, not only of planned maintenance.
- In the spare parts business also rarely required parts must be kept. Despite partial low costs for certain parts, storage costs are high because of the relatively long storage time.<sup>41</sup>
- Time pressure is the most significant such element in an Aftersales service supply chain.<sup>42</sup>

The most determining factors for Chinese customers in regards to the customer satisfaction in Aftersales services are:

- Quality of the repair work
- Reasonability of servicing costs
- Repair service scheduled by appointment

Workshops in China, who able to achieve highly satisfied customers, are able to generate higher service volume per year and subsequently will generate higher Aftersales profit compared to those with less satisfied customers.<sup>43</sup>

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<sup>39</sup> Ref. Xiong (2012), p. 309

<sup>40</sup> Ref. Bidgoli (2010), p. 106-107; Biedermann (2008), p. 6

<sup>41</sup> Ref. Vahrenkamp (2005) in Klug (2010), p. 453-462

<sup>42</sup> Ref. Taylor (2001), p. 308-309

<sup>43</sup> Ref. JD Power (2013), Market study

## 2.3 Volkswagen Group Entities in China

### 2.3.1 Volkswagen Group China (VGC)

Volkswagen Group China (VGC) coordinates and manages all activities of Volkswagen Group<sup>44</sup> within China. VGC compass 23 Volkswagen Group entities and subsidiaries respectively with a total workforce about 74,500 in entire China.<sup>45 46</sup> Thereby, VGC has an umbrella function. Especially, cross-brands and entity's overlapping topics are supported by VGC. VGC holds the position of an interface between Volkswagen AG, as its parents company, and the Chinese entities.

VGC was founded in 2004 and headquarter is located in Beijing. As directly related to the Group, about 700 personnel are employed including employees of Volkswagen China Investment Company (VCIC), Volkswagen China Import Company and Audi China.<sup>47</sup> President and CEO is Prof. Dr. Jochem Heizmann, also member of the Board of Management of Volkswagen AG with responsibility for the Group function of China.<sup>48</sup>

Figure 1 shows all current and planned production facilities of VGC with the distances from headquarter in Beijing.

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<sup>44</sup> Subsidiaries and joint ventures where Volkswagen AG holds a stake are referred as Volkswagen Group.

<sup>45</sup> Inclusive finance and sales companies but exclusive retailer (4S Shops)

<sup>46</sup> Ref. Mull (2013), China Autos Investor Conference, p. 3

<sup>47</sup> Ref. VGC (2010), Volkswagen in China, p. 4

<sup>48</sup> Ref. VW AG (2013), Media service

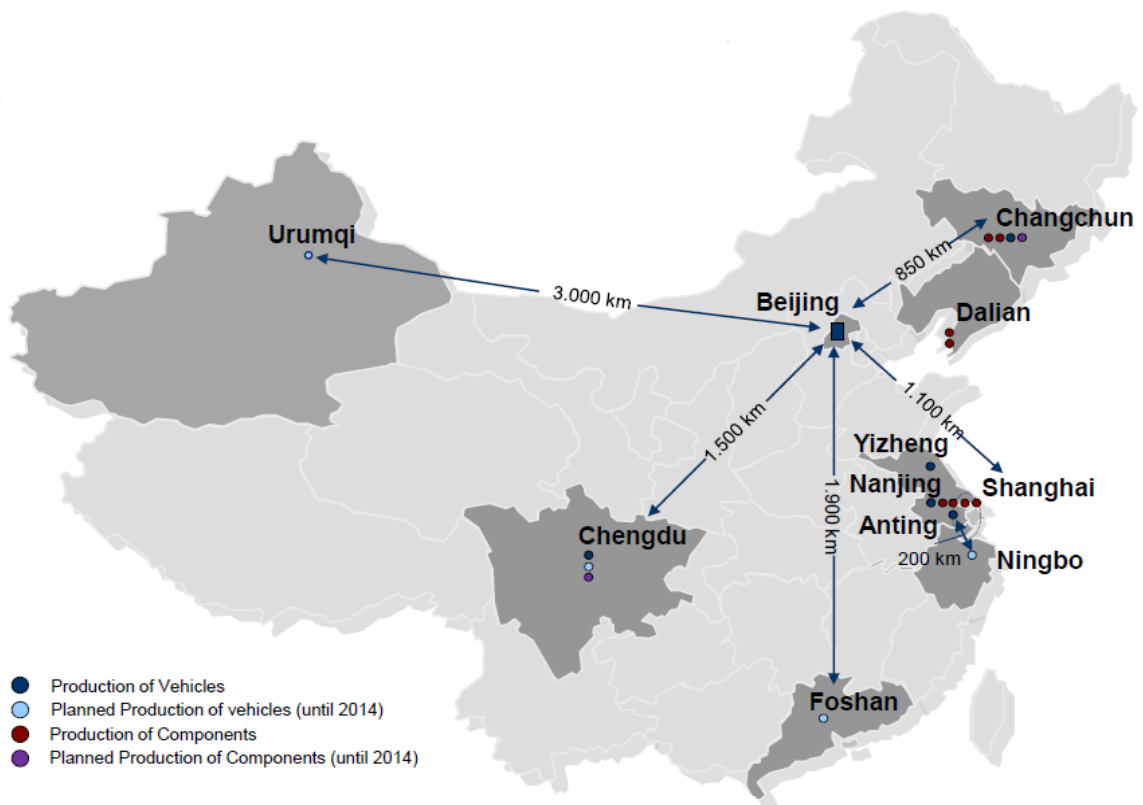


Figure 1: VGC Components & Vehicle Production Sites<sup>49</sup>

### 2.3.2 Volkswagen Group China Import Company (VGIC)

All the importing activities in China of the Group brands Volkswagen, Lamborghini, Bentley and Bugatti are coordinated from Beijing via the Volkswagen (China) Import Company (VGIC). The vehicle import of Seat models is launched recently. The integration of Porsche is under developing since its merger with Volkswagen AG in August 2012.<sup>50</sup> The dealer (4S Shop)<sup>51</sup> networks are separated by brand. The spare parts supply for all dealer networks is carried out via a central depot in Beijing.<sup>52</sup> Figure 2 shows the import models of VW Group brands steered by VGIC in 2012 (except Porsche).

<sup>49</sup> From Lai (2012), VGC Visitors book, p. 14

<sup>50</sup> Ref. Klausch (2013)

<sup>51</sup> As like as in the following chapter, the term „dealer“ refers to authorized dealerships (4S Shops).

<sup>52</sup> Ref. Hempel (2013b)

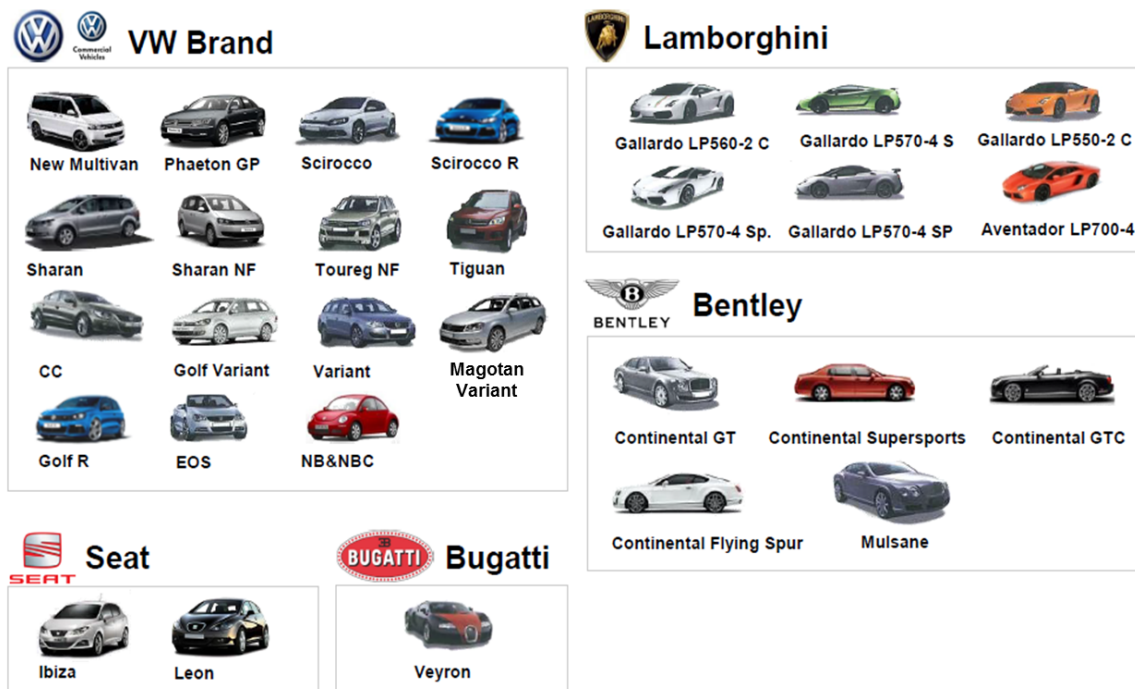


Figure 2: Overview VGIC import vehicle portfolio<sup>53</sup>

Regarding the sales volume of import vehicles of VGIC in 2012; in the volume segment, VW delivered approximately 140,000<sup>54</sup> cars and Seat 2,200 cars to Chinese customers. In the luxury segment, Lamborghini handed over 320 cars, Bentley 2,200 cars and Porsche 13,000 cars (from August to December) to Chinese customers.<sup>55</sup> Bugatti sold 6 cars.<sup>56</sup>

### 2.3.3 Shanghai Volkswagen Automotive Co. Ltd. (SVW)

In October 1984, Shanghai Volkswagen Corporation Ltd. (SVW) was established as the first joint venture of Volkswagen Group in China, which is the oldest surviving Sino-foreign car making joint venture. The interests are shared among SAIC Motor Corporation Ltd. (50%), a Chinese state-owned automotive manufacturing company, Volkswagen AG (40%) and Volkswagen (China) Investment Company (10%)<sup>57</sup>. The joint venture contract

<sup>53</sup> From Lai (2012), VGC Visitors book, p. 16; Vehicle model Seat Alhambra is not shown

<sup>54</sup> Valid public released information about sales volume for VW brand import cars in China is not available. The number is calculated by total VW brand sales volume minus SVW-VW and FAW-VW VW sales volume in China for 2012. VGC internal sales volumes are subject to confidentiality.

<sup>55</sup> Ref. Unknown author (2013a), Automotive World

<sup>56</sup> Unknown author (2013), Jing Daily

<sup>57</sup> Ref. VGC (2010), Volkswagen in China, p. 3



runs until 2030.<sup>58</sup>

The SVW headquarter is based in Anting close to Shanghai. As of 31 December 2012 SVW has a total workforce of 27,344<sup>59</sup> employees and operates automobile assembly plants in Anting, Nanjing, and Yizheng. Currently, two further car plants are under construction in Ningbo and Urumqi.<sup>60</sup> SVW also owns component production plants in Anting, Loutang and Jiading for transmissions and powertrains.<sup>61</sup>

As shown in Figure 3, SVW produce car models of Volkswagen and Skoda brand. Therefore, it has two separated dealer networks steered by respective sales company, SVW-VW for Volkswagen models and SVW-Skoda for Skoda models. The import business of additional Skoda models is in the development at present and managed by VGIC. It will be integrated into SVW-Skoda in future.<sup>62</sup> In 2012, SVW sales surged 9.8% year-on-year and reached 1.28 million units including 1.05 million vehicles of VW brand and 230.000 vehicles of Skoda brand.<sup>63</sup>

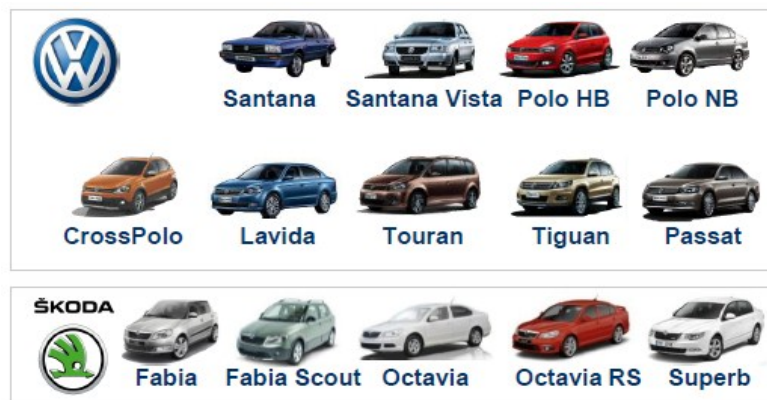


Figure 3: Overview SVW vehicle portfolio<sup>64</sup>

### 2.3.4 FAW-Volkswagen Automotive Co. Ltd (FAW-VW)

In 1990 a joint venture contract was signed between VW AG and the state-owned FAW

<sup>58</sup> Ref. Seemann (2006), Analyst/ Investor Conference, p.7

<sup>59</sup> Ref. VW AG (2012), Company website; Production Plants

<sup>60</sup> Ref. VGC (2012), Standorte China, p. 1

<sup>61</sup> Ref. VW AG (2012), Company website; Production Plants

<sup>62</sup> Currently, import of Skoda models is in developing and compasses only a small number of vehicles. It will not be considered in more detail.

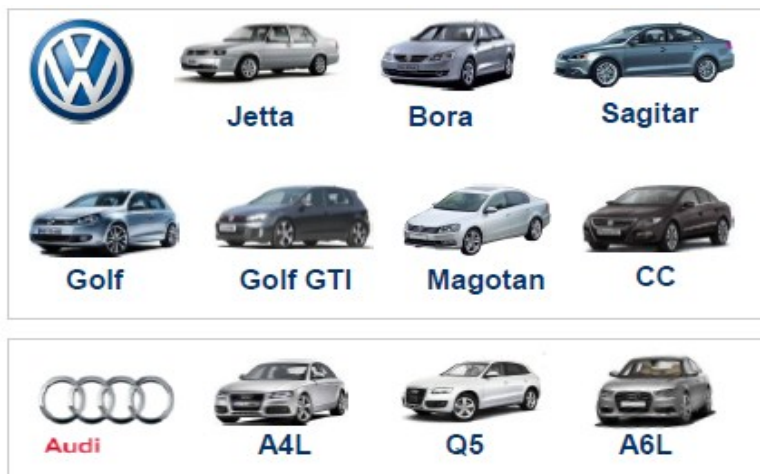
<sup>63</sup> Ref. Lee (2013), Automotive News

<sup>64</sup> From Lai (2012), VGC Visitors book, p. 15

First Automobile Works (FAW), founding the FAW-Volkswagen Automotive Co. Ltd (FAW-VW). The contract was extending until 2041 in 2003.<sup>65</sup> The ownership is shared among FAW (60%), VW AG (30%) and Audi AG (10%).<sup>66</sup> Due to the cooperation with Audi, it was the first agreement on technology transfer for premium vehicles in China's auto industry.<sup>67</sup>

FAW-VW with headquarter based in Changchun has a total workforce of about 22,419 (Status as of 31 December 2012).<sup>68</sup> Automobile assembly plants of FAW-VW are located in Changchun and Chengdu. A new plant presently is under construction in Foshan.<sup>69</sup> Component production plants are operated in Changchun, Chengdu and Dalian for transmissions and powertrains.

FAW-VW produces the models of VW brand and Audi brand locally, as shown in Figure 4. Additional Audi models are imported compassing Audi A8L, Audi Q7, Audi Cabriole, Audi TT, Audi A5 Coupe and Audi R8. Volkswagen brand and Audi brand are divided into two sales companies (FAW-VW VW and FAW-VW Audi) and distributing by their own dealer network separately. In 2012 FAW-VW sales reached 1.37 million units, an increase of 28.7 percent over last year, including 966,000 from VW brand and 403,000 from Audi.<sup>70</sup>



**Figure 4: Overview FAW-VW vehicle portfolio<sup>71</sup>**

<sup>65</sup> Ref. Wedler (2006), Analyst/ Investor Conference, p. 6

<sup>66</sup> Ref. FAW (2011), Company website; Introduction and History

<sup>67</sup> Ref. Wedler (2006), Analyst/ Investor Conference, p. 3

<sup>68</sup> Ref. VW AG (2012), Company website; Production Plants

<sup>69</sup> Ref. VGC (2012), Standorte China, p. 2

<sup>70</sup> Ref. Unknown author (2013b), ChinaAutoWeb; FAW Volkswagen, Brands of current/recent products

<sup>71</sup> From Lai (2012), VGC Visitors book, p. 15

### 2.3.5 China specifics of Volkswagen Group

Ahead all others, China remains Volkswagen Group largest single market accounting for 31% of worldwide sales.<sup>72</sup> Currently, Volkswagen Group is market leader in China with a share of 20%, twice as much as second ranking Hyundai Group.<sup>73</sup>

In China, the Volkswagen Group is represented by 23 entities, including two independent local vehicle manufacturers (FAW-VW, SVW), one import company (VGIC), five sales companies and eight automobile brands.

The production facilities are steered by the respective JV. The three separated logistics network are steered by FAW-VW, SVW or VGIC respectively. The dealer networks are steered by the respective sales company or for VGIC by the brand headquarter in Beijing. The dealer outlets are aligned with the differentiated positioning of the brand and the respective target groups to exploit the market with optimum. Both, dealer and logistics networks are organized as long as adjuvant according to Volkswagen Group standards. But, the IT systems for example are not harmonized.

Volkswagen brand vehicles are produced by two independent entities (SVW and FAW-VW). These cars plus the imported vehicles of Volkswagen brand are distributed by three independent sales companies (SVW-VW, FAW-VW VW and VGIC) in their own separated dealer networks. They are combined in the Volkswagen Group China but being in strong competition with each other. However, Volkswagen brand is regarded as one single unity by public and authorities.

In relations to matters relating to the anti-trust laws in China, the JVs and VGIC are concerned as competitors by the authorities. For example, agreements between VGIC, FAW-VW and SVW to fix or change prices lead to huge monetary penalties and pose a very sensitive topic.<sup>74</sup>

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<sup>72</sup> Ref. VW AG (2013), Media service

<sup>73</sup> Ref. Mull (2013), China Autos Investor Conference, p. 8

<sup>74</sup> Ref. VGC Aftersales (2013), Anti-trust law, p. 2

### 3 Stipulated content of San Bao

Within the following chapter, the core content and essential articles of the San Bao Stipulation will be explained in detail. Further, the San Bao framework including additional legal documents will be described. The used terms and requirements are the foundation for Volkswagen Group China market preparation for San Bao which will be described afterwards.

#### 3.1 Brief introduction of San Bao

San Bao (“The Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products” - General Administration Order No. 150)<sup>75</sup>, is implemented as a legal binding stipulation, regulating civil responsibility. San Bao is focused providing a unified standard framework to protect consumer rights for passenger car<sup>76</sup> only in private use. As a summary, San Bao regulates following:

- the repair scheme for quality related product failures
- the minimum warranty period
- the customer rights within the warranty period
- the OEM, dealer and repair service provider obligations within the warranty period

The dealer refers to the vehicle retailer where the car has been purchased. Repair service providers are the workshops authorized and indicated by the OEM. Commonly, dealer and authorized workshop are 4S Shops within the OEM network.

San Bao can be described as an implied warranty, at which additional clauses in the manufactures warranty policies aiming on limitation consumer rights below the San Bao responsibility become invalid. San Bao will be applied on both locally produced and im-

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<sup>75</sup> A translated English version of “The Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products” (San Bao Stipulation) is shown in Appendix, A-1-14.

<sup>76</sup> Passenger car only for private use is equivalent to household automotive products. Hereinafter, the terms vehicle or car refer to them.

ported vehicles which are sold from 1 October 2013.<sup>77</sup>

The stipulation contains several additional clauses regulating the course of dispute settlement between customer and OEM/ Dealer (Article 32-42).<sup>78</sup> These clauses will become relevant when the customer claims for his rights and the responsible party rejects it.

### 3.2 Overview of San Bao framework

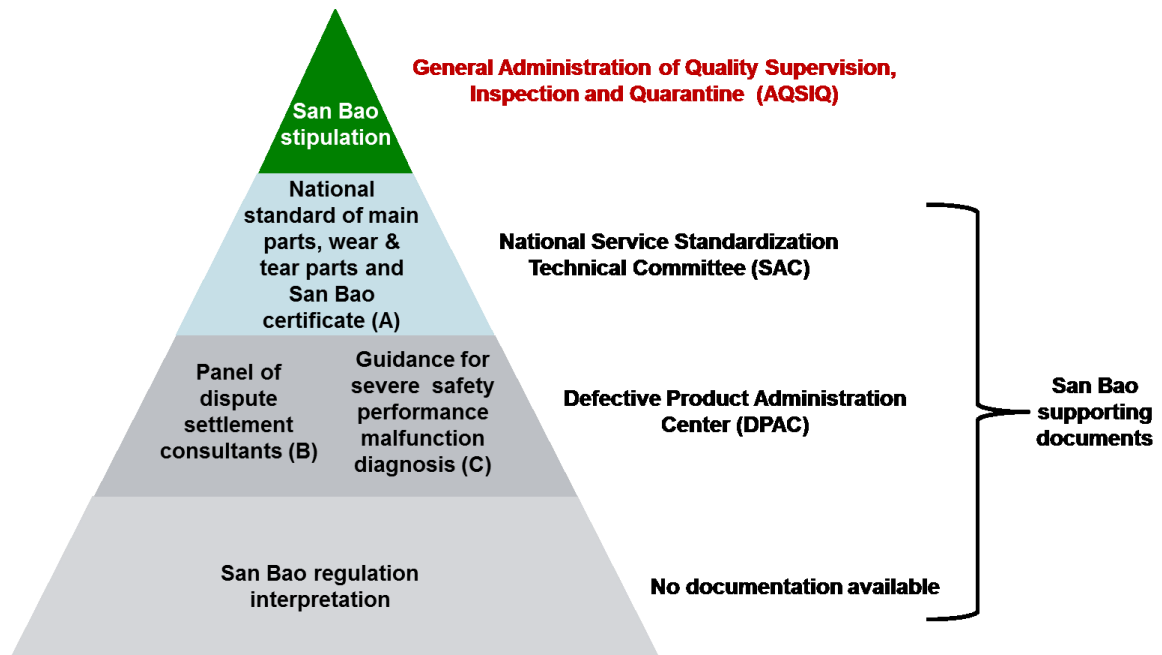


Figure 5: San Bao stipulation and documents<sup>79</sup>

The legal framework of San Bao was officially released by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in January 2013. The content of this stipulation is fixed and will not be changed prior to the implementation on 1 October 2013. As shown in Figure 5, the San Bao Stipulation is completed by the four following San Bao supporting documents.

- “The range of main parts and the guarantees certificate in repair replacement and return warranty of automobiles”<sup>80</sup> issued by “National Standardization Technical Committee of the People’s Republic of China” (SAC), defining the national stand-

<sup>77</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 1, (Appendix A-1)

<sup>78</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 10-12, (Appendix A-10-12)

<sup>79</sup> From Gong (2013a), VGC Aftersales San Bao workshop, p. 3

<sup>80</sup> A translated English version of “The National standard of main parts, wear & tear parts and San Bao certificate” (The Range of Main Parts in San Bao) is shown in Appendix, A-15-24.

ard of main components, wear and tear parts as well as the San Bao Certificate. The content of this supporting document is essential for the market preparation of San Bao.

- “The Panel of dispute settlement consultants” issued by “Defective Product Administration Center of the People’s Republic of China” (DPAC)
- “The Guidance for severe safety performance malfunction diagnosis”<sup>81</sup> published by “Defective Product Administration Center of the People’s Republic of China”
- “The San Bao regulation interpretation”<sup>82</sup>

### 3.3 San Bao validity periods and 3R clauses

As shown in Figure 6, the San Bao Stipulation defines three warranty periods, which are related to different time and mileage periods regulating different consumer rights, manufacturer duties and repair schemes.

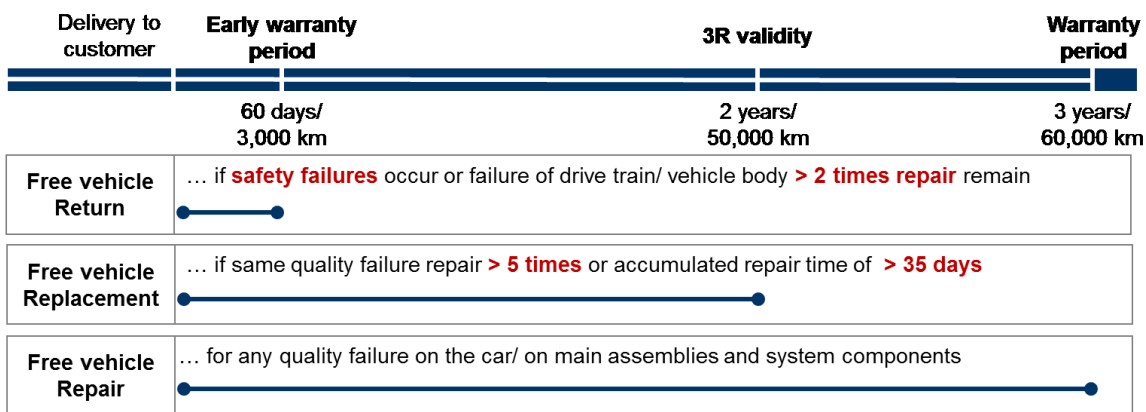


Figure 6: Overview San Bao validity periods<sup>83</sup>

Within Volkswagen Group China the validity periods are referred as “warranty period”, “3R validity” and “early warranty period”. All three validity periods are calculated from the date of issuance of the San Bao Certificate (Article 17)<sup>84</sup>, which is usually the date of vehicle handover to the customer. The stipulated time and mileage specifications of the San Bao validity periods are minimum requirements. The OEM is allowed to offer an extended time

<sup>81</sup> A first draft version was published on 12 July 2013

<sup>82</sup> Neither official released nor published by the responsible authority as of 10 August 2013

<sup>83</sup> From Bachmann (2013c), Training content for San Bao, p. 3

<sup>84</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 6, (Appendix A-6)

or mileage frame to the customer. The terms requirements for free vehicle return, free vehicle replacement and free vehicle repair are referred as “3R clauses” and form the core of the stipulation.

Free repair describes repairs of quality problems free of charge also commonly refer as warranty repairs. It includes labor- and material cost and can be demand at any OEM authorized repair service provider during the warranty period. The warranty period must be at least 3 years or a mileage of 60,000km, whichever comes first (Article 17).

Free vehicle replacement or free vehicle return describe repurchase obligations of faulty cars. The dealer is required to take the old car back and provide the customer with a new one (vehicle replacement), or to refund the purchase price (vehicle return). These obligations are applied during the 3R validity in addition. The 3R validity must be at least two years or a mileage of 50,000km, whichever comes first (Article 17).<sup>85</sup> The repurchase obligations are activated by exceeding the limitation for “San Bao Repair Time” or “San Bao Repair Quantity”. San Bao Repair Time cumulates the retention time a car spends in the workshop for warranty repairs. It includes the waiting time for parts deliveries and is counted in days.<sup>86 87</sup> San Bao Repair Quantity cumulates the amount of repairs due to similar quality issues and refers as San Bao related repeat repairs as well.

During the 3R validity, the consumer is allowed to claim the vehicle replacement, if the following circumstances occur (Article 21):<sup>88</sup>

- Exceeded 35 cumulative days of repair due to any product quality problems (San Bao Repair Time)
- More than five cumulative times of repair due to the same product quality problem (San Bao Repair Quantity)

During the 3R validity, the consumer is allowed to select claiming the vehicle replacement or return, if following circumstances occur (Article 20):<sup>89</sup>

- More than two cumulative times of repair are needed to solve a severe safety per-

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<sup>85</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 6, (Appendix A-6)

<sup>86</sup> Information received from DPAC training course on 24 and 25 April

<sup>87</sup> For explanation: Each 24 hours that passes counts as one day, rounded up to the next full day (1 hour = 1 days, 18 hours = 1 day, 24 hours = 1 day, 25 hours = 2 days).

<sup>88</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 7-8, (Appendix A-7-8)

<sup>89</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 7, (Appendix A-7)

formance malfunction (San Bao Repair Quantity).<sup>90</sup>

- The engine or transmission or the same major component<sup>91</sup> of engine or transmission has to be replaced over two times due to quality problems (San Bao Repair Quantity).
- The same major component of steering system, brake system, suspension system, front/ rear axle or vehicle body has to be replaced more than two times due to quality problems (San Bao Repair Quantity).

The early warranty period must be at least 60 days or a mileage of 3,000km, whichever comes first and describes the most extensive scope of consumer rights and OEM/ Dealer duties. The consumers may select to replace the engine or transmission free of charge, where major components of engine or transmission have any product quality problem and therefore cannot be used normally (Article 18).<sup>92</sup> The consumer is also allowed to select claiming the vehicle replacement or return, in case of any steering system failure, braking system failure, vehicle body crack or fuel leakage (Article 20).<sup>93</sup>

### 3.4 Vehicle buy-back clauses

Where a customer car meets the stipulated conditions for vehicle replacement or return, he is allowed to claim his demand at the dealer. Both scenarios commonly referred as vehicle buy-back.

The customer should claim for a vehicle buy-back in written and the dealer has to reply in written within 10 working days (Article 26).<sup>94</sup> A certificate for vehicle replacement or return has to be issued to the customer within 15 working days after customer's demand (Article 24).

The vehicle has to be replaced timely<sup>95</sup> with a new eligible vehicle of same brand and model. In case of a replacement vehicle with same brand and model is not available, an-

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<sup>90</sup> An official definition of the term "safety performance malfunction" has not been provided by until the finalization of this work. A first draft version was published on 12 July 2013.

<sup>91</sup> For a complete list of range and scope of major components in vehicle assembly systems see in appendix A-19, SAC (2013), The Range of Main Parts in San Bao

<sup>92</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 6, (Appendix A-6)

<sup>93</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 7, (Appendix A-7)

<sup>94</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 9, (Appendix A-9)

<sup>95</sup> The term "timely" is not otherwise specified



other car should be offered with configuration no lower than the original one (Article 22). During the 3R validity where the conditions for replacement are met but the dealer has no new eligible vehicle with the aforementioned conditions available the consumer may choose to return the vehicle (Article 23). The refund has to be paid in a lump sum as per invoice price (Article 24).<sup>96</sup>

In case of replacement or return during the 3R validity, the dealer may charge a reasonable usage compensation fee to the customer whereby within the early warranty period, the dealer has to repurchase the vehicle without any compensation from the customer. A stipulated calculation formula considers vehicle mileage and condition of the vehicle to determine the compensation (Article 25).<sup>97</sup>

Vehicles that are replaced or returned as per San Bao Stipulations and being sold again have to pass a relevant inspection and require to be indicated as a “3R replaced/ Returned car” with the reasons for replacement or return (Article 44).<sup>98</sup>

### 3.5 San Bao Certificate and vehicle handover

Manufactures respectively OEMs who sell passenger cars in China market are obligated to provide a San Bao Certificate<sup>99</sup> with each vehicle purchase (Article 10). It has to be prior registered and approved by AQSIQ (Article 9).<sup>100</sup> The San Bao Certificate must include general vehicle information<sup>101</sup>, details and a list by the OEM authorized repair service provider. Details are legal obligations given along with the vehicle such as scope of warranty period, scope of specific warranty for wear and tear parts<sup>102</sup>, expressly indication of 3R clauses and validity period.<sup>103</sup>

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<sup>96</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 8, (Appendix A-8)

<sup>97</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 9, (Appendix A-9)

<sup>98</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 13, (Appendix A-13)

<sup>99</sup> The term “San Bao Certificate” also referred as “Three Guarantees Certificate”, “3R certificate” or “San Bao Voucher”

<sup>100</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 3, (Appendix A-3)

<sup>101</sup> Product information as product brand, model, vehicle type specification, Vehicle Identification Number (VIN), production date, mileage and purchase date

<sup>102</sup> Described in Chapter 3.6 Requirements for wear and tear parts

<sup>103</sup> Ref. SAC (2013), The Range of Main Parts in San Bao, p. 9-10, (Appendix A-22 – A23)

After replacing the family car product, the seller has to provide the consumer with a new San Bao Certificate and the warranty period, the San Bao validity periods shall be re-counted from the date of replacement (Article 27).<sup>104</sup>

During the vehicle handover to the customer, the sales person needs to indicate the 3R clauses and given warranty periods as well as other relevant information including San Bao Certificate (Article 12).<sup>105</sup>

### **3.6 Requirements for wear and tear parts**

Type and scope of wear and tear parts are stipulated and may not be extended.<sup>106</sup> The warranty period for each wear and tear part needs to be specified by the OEM. Type, scope and specific warranty period has to be indicated on the San Bao Certificate (Art, 29).<sup>107</sup>

In general for wear and tear parts, the applied requirements relating to quality issues are the same as to all other parts (except main components where it is stricter). Wear and tear parts have to be replaced for free during their specific warranty period in case of product quality problems (Article 18)<sup>108</sup>. San Bao Repair Time and San Bao Repair Quantity will be counted. However, regular maintenance of wear and tear parts after their specific warranty period does not represent a quality issue respectively a San Bao case.

### **3.7 Requirements for vehicle repair history documentation**

The authorized repair service providers have to establish and implement a repair records archive system. For each repair, whether it is a warranty repair or not, a repair record should be kept in archive and a copy should be provided to the customer.

The repair record content has to include at least: Time for repair, driven mileage, symptom upon delivery for repair, inspection results, repaired items, name and number of replaced parts, material cost, work hours and work hour fee, haulage cost, supply of spare vehicle or transportation compensation cost, time of delivery of vehicle, stamp or signature of re-

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<sup>104</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 10, (Appendix A-10)

<sup>105</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 4, (Appendix A-4)

<sup>106</sup> Ref. SAC (2013), The Range of Main Parts in San Bao, p. 7, (Appendix A-20)

<sup>107</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 10, (Appendix A-10)

<sup>108</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 6, (Appendix A-6)

pair service provider and consumer (Article 13).<sup>109</sup>

The repair record should be convenient for reading or reproduction for customer and is also used as a reference in dispute cases.

### **3.8 Requirements for courtesy car or transportation compensation**

Within the whole warranty period of 3 Years or 60,000km, in each case where the repair time due to any product quality problem exceeds cumulative 5 days the chosen, authorized repair service provider is responsible to provide a courtesy car or reasonable<sup>110</sup> transportation compensation to the customer (Article 19).<sup>111</sup>

### **3.9 Statutory exceptions**

The San Bao Stipulation also contains exception clauses, where the OEM and his dealers are allowed to neglect their responsibilities coming out of San Bao. In general, the exception clauses are applied in cases of improper usage of the vehicle by the consumer. The San Bao requirements will not be applied at following circumstances (Article 30):<sup>112</sup>

- The vehicle is used for lease or other commercial purpose.
- If the usage instruction manual indicates that the vehicle may not be altered, adjusted or dismantled but this was however done and causes a failure.
- The consumer causes damage to the car due to improper handling.
- In case of any damage caused by the consumer due to improper, maintenance or repair of the vehicle as described in the instruction manual.
- The customer has been informed in writing of the defect of the products prior to the purchase (referred as second hand car).

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<sup>109</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 5, (Appendix A-5)

<sup>110</sup> The term "reasonable" is not otherwise specified

<sup>111</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 6, (Appendix A-6)

<sup>112</sup> Ref. AQSIQ (2013), San Bao Stipulation, p. 10, (Appendix A-10)

Certain exceptions count for the handling of special vehicle parts referred as VIN parts.<sup>113</sup> These are parts exclusively customized by Vehicle Identification Number (VIN). If such a part has a quality issues and therefore has to be replaced, the delivery time for it will not be counted as San Bao Repair Time. Likewise, the time on the road for vehicle rescue will not be counted as San Bao Repair Time (Article 21).<sup>114</sup>

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<sup>113</sup> The scope and type of VIN parts have to be expressly indicated on the San Bao certificate and may not include more than Anti-theft system (ignition lock cylinder, car key, Anti-theft electronic control unit) and wiring of the entire vehicle.

<sup>114</sup> Ref. AQSIIQ (2013), San Bao Stipulation, p. 7-8, (Appendix A-7-8)

## 4 Volkswagen Group China market preparation for San Bao

### San Bao

The following chapter describes the market preparation process of Volkswagen Group China for San Bao. Thereby, existent and target performance are analyzed in order to determine the necessary action. The implemented measures are examined in regards of their necessity for San Bao. The requirements for each action are clearly explained. If required, the different conditions of the sales companies are considered and mentioned.

#### 4.1 Market preparation process

Volkswagen Group China started with the market preparation once the first relevant draft version of San Bao Stipulation was published for commentary in September 2011.<sup>115</sup> This version already described the basic requirements as of today.

At a first step, Volkswagen Group China defined the necessary activities among all operational Aftersales business areas which are affected by San Bao. The respective areas were:<sup>116</sup>

- Repair quality
- Repair duration
- Parts order and parts delivery time processes
- Service core process
- Transparent invoicing
- Escalation process for customer complaints
- Dealer Management System (DMS) knowledge of vehicle history

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<sup>115</sup> Ref. Gong (2013a), VGC Aftersales San Bao workshop, p. 4

<sup>116</sup> Ref. Bachmann (2013b), San Bao Gap analysis; the complete Gap analysis compass 27 topics. Several topics refer to legal and financial issues and coming first relevant when San Bao is already implemented.

- DMS early warning system
- Damage table meetings
- Components failure monitoring
- Parts failure monitoring
- Additional warranty cost

At a second step the sales companies were analyzed to define a status quo in each topic. Due to the largely standardized process within Volkswagen Group China, the gaps for all sales companies were identified in the same fields. Afterwards, eligible modifications and processes have been developed and implemented, founding of a preliminary Gap analysis.<sup>117</sup>

## 4.2 Aftersales IT Systems

### 4.2.1 Retail level

#### 4.2.1.1 *Status quo and required action for market readiness*

On the retail level, the primary IT solution in scope of San Bao is a Dealer Management System (DMS) which is a comprehensive business system including accounting, repair order creation and time scheduling.<sup>118</sup> Amongst the entities, different systems are in place.<sup>119</sup>

- FAW-VW (VW, Audi): DS-ERP and Dealer Portal
- SVW (VW, Skoda): iCrEAM and ASMP
- VGIC<sup>120</sup> (VW, Skoda, SEAT, Bentley): incadea

Within a database of each DMS solution, the vehicle repair history is stored compiling, in addition to the vehicle attributes (e.g. VIN, mileage etc.), the repair parameters like:

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<sup>117</sup> Purpose, performance and result of Gap analysis refer to Kreikebaum (1997) p. 41 et seqq.

<sup>118</sup> Ref. Khosrowpour (2001), p. 184; Features of major information systems

<sup>119</sup> Ref. Cortes (2013), San Bao IT Solution Overview, p. 1

<sup>120</sup> Porsche China IT systems are still not integrated in VGIC ones. Porsche will report for San Bao separately. Due to the relative small number of Lamborghini dealer outlets, they are out of VGIC San Bao IT solution scope and a central solution will be used.

- Repair time which describes the duration between order creation and order closing
- Damage codes with which it is possible to identify the repeat repairs. The damage codes are defined by Volkswagen Group standards.
- Invoice document, which contains the exchanged parts, their material cost, work hours, work hour fee and information about the spare car arrangement.<sup>121</sup>

For San Bao, the current DMS does not sufficiently provide all data collection necessary in order to complete the legal requirements as described. The required features are:

- A full vehicle repair history to be recorded automatically by DMS comprising the information as stipulated<sup>122</sup>
- Repair time tracking needs to be aligned with the stipulated rules and should be carried out automatically; following referred as San Bao Repair Time<sup>123</sup>
- Modified damage codes in order to be conform to the San Bao requirements for repeat repairs in accordance to the limitation of repair quantity for certain quality issues<sup>124</sup>; following referred as San Bao Repair Quantity; the existing damage codes are needed to be enhanced<sup>125</sup>

For an efficient evaluation of this information and in order to be able to apply counter measures in cases where a vehicle approaching the limits for buy-backs, the above data should be displayed in a consolidated form. The following features should be added additionally in the DMS:<sup>126</sup>

- San Bao Status as an additional attribute for each vehicle<sup>127</sup>
- Early warning function in DMS to highlight a vehicle reaching a specified San Bao Status<sup>128</sup>

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<sup>121</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>122</sup> Described in chapter 4.2.1.2 Demands for vehicle repair history documentation

<sup>123</sup> Described in chapter 4.2.1.4 San Bao Repair Time tracking and chapter 4.2.1.5 Pick-up notice feature as proposal

<sup>124</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses; 5 repairs for same quality issues, 2 repairs for defined major components, 2 repairs for severe safety performance malfunctions.

<sup>125</sup> Described in chapter 4.2.1.6 San Bao Repair Quantity tracking

<sup>126</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>127</sup> Described in chapter 4.2.1.3 San Bao Status as an additional vehicle's attribute

<sup>128</sup> Described in chapter 4.2.1.7 Early warning function as additional required feature

The customer is allowed to serve warranty repairs by different authorized workshops. Therefore the information needs to be visible at all workshops and dealer outlets across the entire network.

#### **4.2.1.2 Demands for vehicle repair history documentation**

The vehicle repair history documentation for San Bao market readiness has to be carried out in two ways.

- Single repair documentation after each repair with content as stipulated provided to the customer<sup>129</sup>
- Complete overview about each vehicle's repair status as internal references for calculating each vehicle's San Bao Status and external reference in dispute cases.

In order to fulfill both demands the DMS system has to record following information at each repair:<sup>130</sup>

- Vehicle information (VIN, license plate number, mileage, purchase date<sup>131</sup>)
- Basic customer information (Name, address, etc.)
- Symptom upon delivery for repair (Severe safety performance malfunctions, other malfunctions)
- Reason for repair (Quality issue, accident, others)
- Affected/ exchanged parts (Main components, wear and tear parts, VIN parts, others)
- Repair start/end date, refer to repair time aligned with San Bao Stipulation (San Bao Repair Time)
- Pick-up notice information

A printout including this information together with the invoice<sup>132</sup> will meet the requirements of San Bao. Consequently, DMS is also able to provide a full vehicle repair history of each

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<sup>129</sup> Described in chapter 3.7 Requirements for the vehicle repair history documentation

<sup>130</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p.7-17

<sup>131</sup> Mileage and purchase date also to determine if the repair was arranged with in the warranty period.

<sup>132</sup> The invoice contains material cost, work hours, work hour fee and information about the spare car arrangement.



vehicle by merging the single records, regardless whether they had been performed by the same or a different authorized workshop. Therefore the following information can be calculated and displayed in addition:

- Accumulated repair time for warranty repairs aligned with San Bao Stipulation (San Bao Repair Time)
- Accumulated repair quantity separated for severe safety performance malfunctions, main components and other quality issues (San Bao Repair Quantity)

The full vehicle repair history for each vehicle should be visible among all dealers and repair workshops across the respective network. This will allow the respective dealer in cases where a vehicle approaches the limits of buy-back, to further investigate the root course of a problem in order to apply eligible counter measures.

#### **4.2.1.3 San Bao Status as an additional vehicle attribute**

The San Bao Status has to be calculated automatically and displayed as an additional attribute for each vehicle. The status field should show the remaining or used days for San Bao Repair Time and the expiration date according to San Bao regulation for each validity period (warranty period, 3R validity and early warranty period).

The calculation is based on the warranty start date to current date or current mileage to initial millage of the vehicle. All warranty periods are beginning with the date when the vehicle was sold and the respective millage. Therefore DMS should be able to import respective information from the system.<sup>133</sup>

The warranty status must be shared and visible for each dealer across the network. The possibility to change the warranty status should only be possible for users with special permission. Following reasons for changing can be considered, where San Bao requirements are excluded:<sup>134 135</sup>

- The vehicle is commercial used.
- The vehicle is used by the government or other public authorities.
- The vehicle was modified.
- The vehicle had a major accident or an existing damage.

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<sup>133</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p.7-8

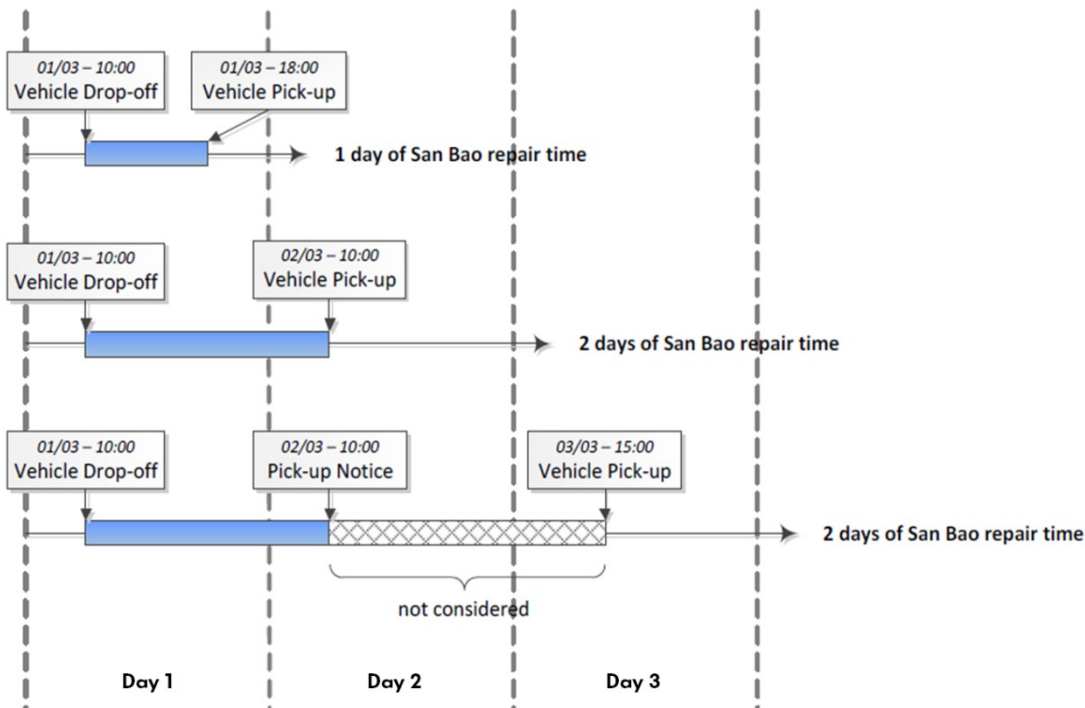
<sup>134</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p.10

<sup>135</sup> Described in chapter 3.9 Statutory exceptions where San Bao will be completely or partly not applied

**4.2.1.4 San Bao Repair Time tracking**

As it is shown in Figure 7, DMS must be able to record the days a vehicle is under repair for quality related issues whilst considering the following stipulated criteria:

- The San Bao Repair Time is the duration between service order creation and repair completion date and may not regard to the date of customer pickup or payment but rather when the customer has been informed that his vehicle is ready for pick-up.
- San Bao Repair Time can only be recorded in daily units.<sup>136 137</sup>
- The waiting for delivery of VIN parts may be deducted from San Bao Repair Time calculation.<sup>138</sup>



**Figure 7: Illustration individual San Bao Repair Time calculation<sup>139</sup>**

<sup>136</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses; San Bao Repair Time

<sup>137</sup> For explanation: Each 24 hours that passes counts as one day, rounded up to the next full day (1 hour = 1 days, 18 hours = 1 day, 24 hours = 1 day, 25 hours = 2 days).

<sup>138</sup> Described in chapter 3.9 Statutory exceptions

<sup>139</sup> From Li (2013), VGIC Process Documentation, p. 4

In general, the time of order creation is printed on the service order document which will be signed by the customer and indicates an agreement about the start of San Bao Repair Time. If a service order is initially placed for non-warranty repair services, and later, an order extension is recommended for warranty related services, a new service order needs to be created specifically for the warranty service so that the repair time calculation can begin at the day the warranty service begins.<sup>140</sup>

#### **4.2.1.5 Pick-up notice feature as proposal**

A pick-up notice feature in DMS is not required by the San Bao Stipulation, nevertheless helpful for accurate and efficient tracking of repair time and could serve as a valid reference in dispute cases. Therefore, an additional field needs to be added at the repair order display. It will be filled by the service advisor when the repair is completed and printed on repair record document for the customer to sign. The first contact attempt will be the one used as basis for San Bao Repair Time calculation. At a minimum, the following information should be recorded by DMS:

- Staff info (ID, Name)
- Contact time (current time as default value)
- Contact method (Phone, email, SMS, etc.)
- Contact info (Phone number, email address, etc.), default value should be the value provided in the appointment
- Successfully contacted (Yes/No)
- Notes (mandatory to input if successful contact was “No”)

The repair completion time should be read-only and not to be changed after it is confirmed by customer’s signature.<sup>141</sup>

#### **4.2.1.6 San Bao Repair Quantity tracking**

In order to track the San Bao Repair Quantity as stipulated it needs a modified damage code structure<sup>142</sup>. This damage code structure has to reflect repeat repairs including the repair reason and the affected or exchanged parts under consideration of different limitations for:

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<sup>140</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p. 11-15

<sup>141</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p. 15

<sup>142</sup> The term “damage code” also referred as service code

- Tracking of repeat repairs for same quality failures.
- Main components in the certain automobile assembly systems
- Severe performance malfunctions
- The specific warranty period of wear and tear parts

All damage codes assigned to a service order will be used in the early warning notification system. The master data source for these damage codes could utilize existing systems which already contain damage codes structure.<sup>143 144</sup>

#### **4.2.1.7 Early warning function as additional required feature**

An early warning notification feature needs to be established in the DMS user interface in order to indicate vehicles approaching San Bao criteria for vehicle buy-back.<sup>145</sup> The notification should proactively be displayed when creating a service appointment to notify service advisors of a sensitive customer's status.

The feature can be as simple as a traffic light alert:<sup>146</sup>

- Green light - San Bao Status is not critical and there is no necessity for special actions or measures.
- Yellow light - there is a potential risk to activate the vehicle replacement or return clause and special actions and measures should be applied.
- Red light - the risk to activate the vehicle replacement or return clause is very high and available recourses to reduce repair time or to ensure repair success should be applied immediately.

The calculation behind the flagging must be based on the vehicle's repair history, by only considering warranty repair records. All dealer DMS data, regardless of vehicle ownership, has to be involved. The calculation method should be shown as a proportion of remaining San Bao Repair Time (days) within the validity period (2 years/50,000km). In addition, the proportion of remaining San Bao Repair Quantity (times) for main assemblies,

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<sup>143</sup> E.g. SAGA/2 a global warranty claim system.

<sup>144</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p. 10-11

<sup>145</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses; 35 days cumulative repair time, 5 repairs for same quality issues, 2 repairs for defined major components, 2 repairs for severe safety performance malfunctions.

<sup>146</sup> Ref. Bachmann (2013c), Training content for San Bao, p. 40-48

included components, other parts and severe safety performance malfunction to used San Bao Repair Quantity (2 or 5 times) for each issue should be calculated.<sup>147</sup>

#### **4.2.2 Wholesale level - Status quo and required action for market readiness**

On the wholesale level, automotive business systems featuring a wide comprehensive set of cross functions such as warranty management, supply chain management, product lifecycle management, analytic and reporting functions.<sup>148</sup>

Likewise to the retail level, different automotive business systems are in place across the entities:<sup>149</sup>

- FAW-VW (VW, Audi): DDC (Dealer Data Centre) and V-BAS Report
- SVW (VW, Skoda): ASMP
- VGIC (VW, Skoda, SEAT, Bentley)<sup>150</sup>: Infosys Dev. Wholesale SB system

The data extracted from the retail level systems needs to be imported into the wholesale level systems one-to-one. The possibility of manipulation and back sending of these data should only be possible where obviously wrong data had been entered. The data should be analyzed and evaluated for reporting and monitoring on different levels (wholesale, region, and dealer) by different authorized user groups.<sup>151</sup>

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<sup>147</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p. 16-17

<sup>148</sup> Ref. Infosys (2013), Company website; Product information

<sup>149</sup> Ref. Cortes (2013), San Bao IT Solution Overview, p. 1

<sup>150</sup> Porsche China's IT systems are still not integrated in VGIC ones. Porsche will report for San Bao separately. Due to the relative small number of Lamborghini dealer outlets, they are out of VGIC San Bao IT solution scope and a central solution will be used.

<sup>151</sup> Ref. VGIC (2013), San Bao Business Requirements IT, p. 1-2

## 4.3 Spare parts logistics

### 4.3.1 Spare parts logistics – Status quo and required action for market readiness

Each entity operates its own logistics network and distribution channel for spare parts. FAW-VW's and SVW's are built up of a master depot in Changchun (FAW-VW) or Shanghai (SVW) and several regional depots (RDC). VGIC operates only one depot in Beijing. SVW depots are owned by different third-party investors. Depots of FAW-VW and VGIC belong to their respective entity. Each dealer or repair service outlet is integrated in their related entity's logistics network.

The outbound supply chains depend on regional arrangements and individual organizations. Dealers can be delivered by their responsible regional depot, by the master depot or directly by the initial supplier.<sup>152</sup> Supplier can be the OEM or a third party supplier (OES). The dealer places the order in the system, where the order will be processed is clustered in the part type (regional depot, master depot or initial supplier). If a part is out of stock in the regional depot, the order will be transferred to the master depot. In urgent cases, the dealer can place an order as a rush order type, therefore, the dealer will be extra charged. These orders are characterized by an increased picking and loading frequency therefore leading to a reduced lead time.<sup>153</sup>

For the inbound supply chains, the origin of parts depends on the origin of vehicles. Spare parts for local manufactured cars are predominantly supplied by local OEM or OES, whereas spare parts for import cars come from overseas OEM or OES.

For the inventory scope within the depots, it is separated between local manufactured and import cars. FAW-VW and SVW possess about a full-range of stock items for local manufactured vehicles in their master depot. Their regional depots are not operated with a full-range stock neither for local manufactured vehicles nor import cars. VGICs central depot is also not operated with a full-range of stock items.<sup>154</sup>

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<sup>152</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>153</sup> Ref. Hempel (2013b)

<sup>154</sup> Ref. Hempel (2013b)

On the dealer level there is no differentiation between local manufactured and import vehicle. Each repair service owns a base stock of spare parts. Stock mix breadth and stock mix depth are determined by empirical values or defined by Group standards.<sup>155</sup>

Due to the given situation of supply chain organization and stocking of depots, significant delays during a repair are possible, where a required part is out of dealer's stock and it also lacks in the next higher steps of supply chain. During a warranty repair, such delays can significantly stretch the San Bao Repair Time. Subsequently, this can lead to vehicle buy-back situations.<sup>156</sup> Measures are needed to limit possible out of stock situations as well as the transportation lead time for urgent San Bao cases. Following features might be beneficial:<sup>157</sup>

- Increments of stocks for all supply chain levels as insurance against out of stock situation.<sup>158</sup>
- An additional order type as San Bao CD-order<sup>159</sup> to reduce lead time should be established.<sup>160</sup>
- Cross deliveries from different regional depots to dealer or from dealer-to-dealer within the entire network should be established. Currently, this is not in place. Dealer can only be delivered by their respective regional depot (master depot or initial supplier).<sup>161</sup>
- In emergency cases, it should be possible to receive parts directly from the series production.<sup>162</sup>
- Express delivery - Either international or domestic express courier service should be applied in urgent cases<sup>163</sup>

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<sup>155</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>156</sup> Described chapter in 3.3 San Bao validity periods and 3R clauses; San Bao Repair Time includes waiting time for parts delivery.

<sup>157</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>158</sup> Described in chapter 4.3.2 Stock increments

<sup>159</sup> CD-Order referred to car-down-order. "Car down" is the case where a vehicle stays in the workshop and waits for the delivery of required parts.

<sup>160</sup> Described in chapter 4.3.3 San Bao Car down order type

<sup>161</sup> Described in chapter 4.3.3 Cross supply within the distribution network

<sup>162</sup> Receiving parts from series production is already in place and will be applied in urgent cases.

<sup>163</sup> Special express delivery services are currently not in use but will be concerned for future urgent San Bao cases.

For a proper San Bao market preparation, special attention for VGICs stock is needed due to the import business. Selected spare parts for import vehicles of JVs also originated overseas, but due to the regional depots they have reduced domestic lead time.<sup>164</sup>

### 4.3.2 Stock increments

Stock increments are an effective instrument to ensure the parts availability but might lead to increased storage space cost and fixed capital.<sup>165</sup> The demand for increased stocks is calculated on each level of supply chain distinguished between extension of stock mix breath/ depth and increased safety stocks. Each entity faces different requirements and has analyzed its stock. Based on the analyses, stock mixes and inventories are adjusted.<sup>166</sup>

Extended stock mixes have to be particularly considered for depots without a full-range of stock items. This applies for all depots subsequent of the master depot and for spare parts for import cars in general.<sup>167</sup>

The biggest challenge might arise for the luxury brands Lamborghini, Porsche, Bentley and Bugatti. Respective vehicles contain unique handmade parts, sometimes individual modified for the customer. The reestablishing and delivery of those parts in time might not be possible. The stocking of such parts results in a significant financial impact.

### 4.3.3 San Bao car-down order type

This chapter refers only to deliveries within the respective logistics network to the dealer. Deliveries among the depots or from external suppliers are not considered by San Bao market preparation.

As mentioned, a rush order type is already in place. A San Bao car-down order type should only be placed in urgent cases. Urgent cases are assumed where a vehicle with a critical San Bao Status gets a warranty repair but the required part is out of dealers stock. The respective depot will then handle this order with highest priority. The San Bao car-

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<sup>164</sup> Ref. Bachmann (2013b), San Bao Gap analysis

<sup>165</sup> Ref. Guam (2013), VGC Logistics San Bao workshop, p. 2 and Hempel (2013b)

<sup>166</sup> The analyses are still in preparation. Valid results and demands will first be available when San Bao is coming into effect. Currently, all stocks on all levels are slightly increased.

<sup>167</sup> Ref. Hempel (2013b)



down order describes the processing with the first-in-first-out principle, a higher packing and handover frequency and usage of express delivery services.<sup>168</sup>

The dealer will not be extra charged for it. In order to prevent malpractice<sup>169</sup>, the necessity of such order needs to be verified by the affected vehicle's VIN. This order type will also be applied for cross supplies.<sup>170</sup>

#### 4.3.4 Cross supply within the distribution network

Cross supplies referred to the delivery from different regional depots to dealer or from dealer-to-dealer, always from that point where the required part can be delivered quickly. Cross supplies from different regional depots to dealer are only possible for FAW-VW and SVW where regional depots are in place. For VGIC, dealer-to-dealer cross-supplies might be possible.<sup>171</sup>

To operate and steer this cross supplies efficiently, it will be managed and controlled by a central point in the respective headquarter. Dealer-to-dealers cross supplies can be applied as a simple telephone request to the closest dealer or managed by the central point in form of a telephone hotline.<sup>172</sup> Essential for cross supplies is the stock visibility throughout the entire network. The conditions of each entity are different in regards to the used IT systems and their respective business model:<sup>173</sup>

- FAW-VW (VW and Audi): Transparency between the central warehouse and the Regional Depots as well as between the regional depots is already in place. Checks of respective dealer stocks can be carried out manually.
- SVW (VW and Skoda): As the centers are owned by different suppliers, a process has already been established involving active data exchange between RDC's.
- VGIC: Dealer stock is transparent to headquarter.

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<sup>168</sup> Ref. Guam (2013), VGC Logistics San Bao workshop, p. 5 and Hempel (2013b)

<sup>169</sup> It is assumed that dealer could tend to use this feature for normal business cases as well.

<sup>170</sup> Ref. Hempel (2013b)

<sup>171</sup> Ref. Bachmann (2013a), San Bao Gap analysis

<sup>172</sup> Hempel (2013a), VGC Logistics San Bao workshop, p. 3

<sup>173</sup> Ref. Guam (2013), VGC Logistics San Bao workshop, p. 3

## 4.4 Aftersales processes

### 4.4.1 Service Core Process in the Authorized Services Centers

#### 4.4.1.1 Service Core Process – Status quo and required action for market readiness

What is known as Service Core Process (SCP)<sup>174</sup> is the set of sub processes and activities which take place around the customer and the vehicle in the workshop. The Service Core Process is carried out in all Volkswagen group brands similarly. As it is shown in Figure 8, it has been divided into seven sub-processes or procedures which take place in a defined sequence, following the path of a customer.

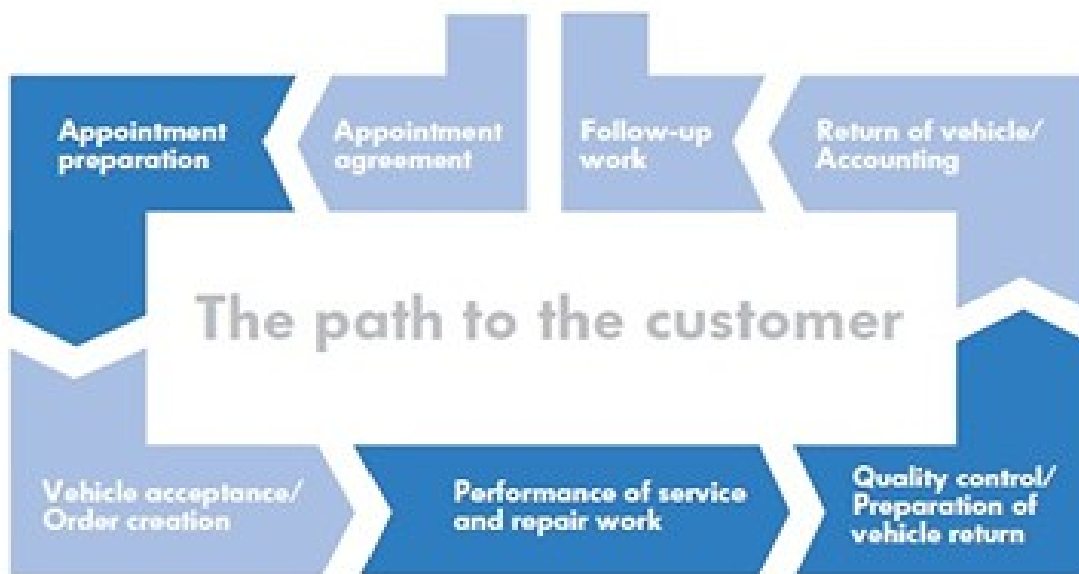


Figure 8: The path to the customer, Volkswagen Group Service Core Process<sup>175</sup>

1. Appointment agreement;
2. Appointment preparation;
3. Vehicle acceptance/ Order creation;
4. Performance of service and repair work;
5. Quality control and preparation for vehicle return;

<sup>174</sup> The term “Service Core Process” also referred as Service Cycle

<sup>175</sup> Ref. Li (2013), VGIC Process Documentation, p. 11

6. Return of vehicle/ Accounting;

7. Follow-up work

Correct deployment of the seven steps implies a quality service management in all areas of the authorized service center, capable of achieving the target of the activity: Customer satisfaction and loyalty.<sup>176 177</sup>

The legal requirements of San Bao enforce the structural dealer organization and IT systems to be amended to fully support stipulated San Bao data collection and reporting, subsequently the Service Core Process needs to be enhanced to guarantee the fulfillment of all requirements.<sup>178</sup>

- San Bao legal requirements<sup>179</sup>
- Additional data required for San Bao Status tracking<sup>180</sup>
- Special handling is given to customers who approach San Bao buy-back criteria, in order to reduce the risk of such a case.<sup>181</sup>

Considering the different business models, IT systems and logistics structures, the required amendments might vary among the entities and brands. In general, they are countermeasures to improve the existing aftersales process and ensure the San Bao risks for vehicles are minimized.

The Service Core Process is executed by the service centers entire staff team. All employees have different functions which are affected by San Bao in many ways. To apply the taken measures efficiently, some team members will have to take additional responsibilities in accordance to their function.

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<sup>176</sup> Ref. SEAT After Sales Organization (2011), SCP, p. 4; (Appendix A-26)

<sup>177</sup> For more information about Volkswagen Group Service Core Process see in appendix, A- 25-58, Service Core Processes of the Authorized SEAT Service

<sup>178</sup> Described in chapter 4.4.1.3 Enhancements in Service core process for market readiness

<sup>179</sup> Described in chapter 3 Stipulated content of San Bao

<sup>180</sup> Described in chapter 4.2 Aftersales IT Systems

<sup>181</sup> Described in chapter 4.3.3 San Bao car-down order type; 4.3.4 Cross supply within the distribution network; 4.4.1.3 Enhancements in Service core process for market readiness

#### 4.4.1.2 San Bao specific responsibilities for service staff

The detailed restructuring of additional responsibilities and functions for employees on the retail level is administered by the brands and entities according to their individual requirements. The following table shows the organization for VGIC and can be applied for all brands and entities similarly:<sup>182</sup>

<b>Role</b>	<b>Responsibility</b>
Service advisor	The service advisor has direct liaison to the customer, and is responsible for alerting the San Bao coordinator of any sensitive yellow/red light cases, or any other cases which might be sensitive (e.g. intense customer complaint buy-back).
San Bao coordinator – usually shared function as service manager	<p>This function is responsible for dealing with sensitive San Bao cases, determining which special service or incentives to provide to customer, or escalating to General Manager in case of buy-back situation. In addition, this function is the coordinator with San Bao team of regional office/ Headquarter of brand and in communication if assistance is needed, or if brand identifies vehicles through monitoring that need special handling.</p> <p>Communication channels: This position has direct contact with regional office/ Headquarter of brand for San Bao buy-back cases; technical support from respective brand or Group department for difficult technical cases.</p>
Technical support specialist	This position is filled by a more senior or experienced staff who can be responsible for supervision of repair of sensitive (repeat repair) vehicles.
Workshop manager	This position is responsible for ensuring San Bao vehicles are serviced with highest priority.
Quality controller	This function is responsible for ensuring high standard of repair and reduction of repeat repair cases (as before, but stronger focus on San Bao critical cases).

<sup>182</sup> Ref. Li (2013), VGIC Process Documentation, p. 25

General Manager	The General Manager is responsible for approval of any special incentives or buy-back cases
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**Figure 9: San Bao Team Retail Level<sup>183</sup>**

#### **4.4.1.3 Service Core Process enhancements for San Bao**

The following pages are describing the additional actions which will be carried out at each step, on top of the existing Service Core Process. All San Bao relevant activities are included as additional actions to the existing process, and only processes that are affected are highlighted.

##### **1. Appointment agreement<sup>184</sup>**

During the conversation with the customer, the schedule planner should query the customer vehicle for early warning status based on VIN Number and immediately will see and flag if the customer is a San Bao sensitive case via green/yellow/red light. Vehicles highlighted in a yellow and red status should receive special service and escalation to the responsible person.<sup>185</sup>

As stipulated, free of charge replacement mobility compensation is mandatory for warranty services exceeding 5 days.<sup>186</sup>

In general, if the current job refers to a warranty or repeat repair it will be highlighted with a clear note in the appointment data and subsequently be assigned with higher priority. As San Bao repeat repair definitions are specifically related to buy-back regulation, such repairs or repairs at San Bao defined main components take priority over other sensitive jobs.<sup>187</sup>

##### **2. Appointment preparation<sup>188</sup>**

<sup>183</sup> From Li (2013), VGIC Process Documentation, p. 25

<sup>184</sup> As a reference for current VW Group standard of appointment agreement, see in appendix A-28-31, Service Core Processes of the Authorized SEAT Service

<sup>185</sup> Described in chapter 4.2.1.7 Early warning function as additional required feature

<sup>186</sup> Described in chapter 3.8 Requirements for courtesy car or transportation compensation

<sup>187</sup> Ref. Li (2013), VGIC Process Documentation, p. 12-13

<sup>188</sup> As a reference for current VW Group standard of appointment preparation, see in appendix A-32-34, Service Core Processes of the Authorized SEAT Service

If customer's San Bao Status is sensitive for repair time (e.g. yellow/red light based on repair days) and parts are not in stock, part orders should be rushed and an additional note should be set specifying the order is San Bao critical.<sup>189</sup>

The service adviser will first receive a summary status via DMS Early Warning system and then should query the nationwide repair history via DMS in order to retrieve repair information from other dealers.<sup>190</sup> If additional information from other dealers is available, the service adviser may have the option to investigate more or contact the other dealer for further information.

Repeat repair values are shown automatically after input of the VIN number and the service adviser can query DMS repair history, as mentioned above to investigate the reason for the repeat repair.<sup>191</sup>

If warranty repair job and schedule is identified to require more than 5 days, the service adviser should inform and offer free of charge replacement mobility compensation to the customer as stipulated in San Bao.<sup>192</sup>

If customer is San Bao sensitive, the service adviser should escalate to the respective San Bao responsible person for handling assistance. Group brands and entities will implement their own strategy regarding any additional special treatment e.g. goodwill, or when to offer a possible proactive buy-back.<sup>193</sup> Any special arrangements should be communicated to downstream staff by the San Bao responsible person.<sup>194</sup>

Likewise, the described repair history checks and further steps are applicable for walk-in customers.<sup>195</sup>

### 3. *Vehicle acceptance/ Order creation*<sup>196</sup>

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<sup>189</sup> Described in chapter 4.3.3 San Bao car-down order type

<sup>190</sup> Described in chapter 4.2.1.2 Demands for vehicle repair history documentation; chapter 4.2.1.3 San Bao Status as an additional vehicle attribute; chapter 4.2.1.7 Early warning function as additional required feature

<sup>191</sup> Ref. Bachmann (2013c), Training content for San Bao, p. 47-48; San Bao escalation process

<sup>192</sup> Described in chapter 3.8 Requirements for courtesy car or transportation compensation

<sup>193</sup> Described in chapter 4.4.2.3, Proactive vehicle buy-back as proposal; proactive buy-back means to repurchase a vehicle by the OEM prior to the fulfillment of the conditions for replacement or return of San Bao

<sup>194</sup> Ref. Li (2013), VGIC Process Documentation , p. 14

<sup>195</sup> Walk-in customers referred to customers which go to the workshop without a prior appointment agreement.

<sup>196</sup> As a reference for current VW Group standard of vehicle acceptance/ order creation, see in appendix, A-35-44, Service Core Processes of the Authorized SEAT Service

As with current SCP process, repeat repair should be marked on service order. This flagging should be based on San Bao related repeat repair criteria. Additionally, jobs with sensitive San Bao Status referring to repair time should be highlighted.<sup>197</sup> When a vehicle enters the workshop, the sensitive San Bao Status has to be obvious to the personnel due to such kind of special marking.

The service staff has to be aware that the customer needs to sign on the order contract to indicate agreement to the repair start time which is initiating the San Bao Repair Time tracking.<sup>198</sup>

The mobility contract should be aligned with mobility compensation guideline of San Bao (free of charge for warranty repairs exceeding 5 days)

With forwarding of the order to the workshop planners, the personnel must be notified about the vehicle's San Bao Status.

The workshop planner then needs to coordinate with San Bao responsible persons<sup>199</sup> as for what special service is required for the customer. For sensitive San Bao status, related to repair time, workshop planning must prioritize service and work bay to these vehicles in order to limit the waiting time.<sup>200</sup>

#### *4. Performance of service and repair work<sup>201</sup>*

A strict monitoring of warranty services is suggested, especially for San Bao sensitive vehicles in order to ensure that mechanics provide highest quality of service.

In case of any difficult cases, especially if sensitive for San Bao buy-back, the San Bao responsible person from dealer side should contact Technical Support at regional or headquarter level for support.<sup>202</sup>

Potential major issues which can cause San Bao buy-back should be identified and raised to the San Bao responsible persons, for assessment as a possible early buy-back

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<sup>197</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses; chapter 4.2.1.3 San Bao Status as an additional vehicle's attribute

<sup>198</sup> Described in chapter 4.2.1.4 San Bao Repair Time tracking

<sup>199</sup> Described in chapter 4.4.1.2 San Bao specific responsibilities for service staff

<sup>200</sup> Ref. Li (2013), VGIC Process Documentation, p. 16-18; Bachmann (2013c), Training content for San Bao, p. 47-48; San Bao escalation process

<sup>201</sup> As a reference for current VW Group standard of performance of service and repair work, see in appendix A-45-49, Service Core Processes of the Authorized SEAT Service

<sup>202</sup> Ref. Bachmann (2013c), Training content for San Bao, p. 47-48; San Bao escalation process

Where during diagnostics, a new warranty service is identified while a non-warranty service has been performed, a new service order must be created to record the repair starting time for the warranty portion exclusively.<sup>203</sup>

#### *5. Quality control and preparation for vehicle return<sup>204</sup>*

For vehicles with sensitive San Bao status, a higher qualified or senior staff should conduct the quality checks to ensure limitation of repeat repair risk.

Prior to returning the vehicle, the service adviser must contact the customer and record the contact attempt and method in DMS, to mark the repair as completed and to set the repair end time (ref. to San Bao Repair Time). In case of future questions regarding repair end time, it is verifiable via computer records (DMS Pick-up notice feature) to check that the service adviser did contact the customer to inform that the repair is completed.<sup>205</sup>

In addition to customer complaints, the service adviser must document whether any main component, according to the San Bao Stipulation, repair was performed (e.g. select the respective damage code in DMS, in order to track main assembly failures).<sup>206</sup>

Service adviser should verify the documents referring to repair start/end time, repair categories, and quality control notes to minimize future rework possibility and to ensure accurate data recording.<sup>207</sup>

#### *6. Return of vehicle/ Accounting<sup>208</sup>*

The function check with customer on the initial complaint should be carried out very diligent in order to ensure customer's complaint is resolved and customer signature to confirm accordingly in the next step.

In addition to common invoice explanation, it has to be ensured that the customer signs for both, to confirm the start and end date of his repair and agreeing that the repair was

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<sup>203</sup> Ref. Li (2013), VGIC Process Documentation, p. 19-20

<sup>204</sup> As a reference for current VW Group standard of quality control and preparation for vehicle return, see in appendix, A-50-52, Service Core Processes of the Authorized SEAT Service

<sup>205</sup> Described in chapter 4.2.1.5 Pick-up notice feature as proposal

<sup>206</sup> Described in chapter 4.2.1.6 San Bao Repair Quantity tracking; Tracking of repair quantity harmonized with San Bao stipulation

<sup>207</sup> Ref. Li (2013), VGIC Process Documentation, p. 21-22; Bachmann (2013c), Training content for San Bao; San Bao escalation process

<sup>208</sup> As a reference for current VW Group standard of return of vehicle/ accounting, see in appendix, A-53 -55, Service Core Processes of the Authorized SEAT Service



successful. In general the invoices must also be updated to meet San Bao requirements for wording and content.<sup>209</sup>

#### *7. Follow-up work<sup>210</sup>*

For carried out telephone surveys, the questionnaire needs to be updated in order to evaluate San Bao related issues successfully.<sup>211</sup>

### **4.4.2 Vehicle buy-back**

#### ***4.4.2.1 Vehicle buy-back handling – Status quo and required action for market readiness***

Currently, buy-back of a customer vehicle by the OEM is interpreted as a gesture of goodwill. Repeated quality issues can be the reason for this voluntary offer as to retain the customer relationship as well as the brand reputation. The warranty and goodwill policies of Volkswagen China Group brands and entities pursue the same objectives. The limits for buy-backs are individually designed among the brands and entities and are executed as case to case decisions.<sup>212</sup>

Due to San Bao, strict criteria are implemented where a consumer is entitled to claim for vehicle replacement or refund by law.<sup>213</sup> These regulations force the OEM and respective dealers to replace a vehicle with an eligible new one or to repurchase it. San Bao also stipulates the respective timeframe until the customer is provided with a new car or the refund. Refund and buy-back are subject to a possible depreciation factor as regulated by the stipulation.<sup>214</sup>

For San Bao market readiness, Volkswagen Group China needs a process which describes a flow of the customer claim for a vehicle replacement or return. This process needs to ensure full compliance with legal requirements.

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<sup>209</sup> Ref. Li (2013), VGIC Process Documentation, p. 23; Bachmann (2013c), Training content for San Bao, p 47-48; San Bao escalation process

<sup>210</sup> As a reference for current VW Group standard of follow-up work, see in appendix, A-56-58, Service Core Processes of the Authorized SEAT Service

<sup>211</sup> Ref. Li (2013), VGIC Process Documentation, p. 24

<sup>212</sup> Ref. Bachmann (2013d)

<sup>213</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses

<sup>214</sup> Described in chapter 3.4 Vehicle replacement or return clauses

#### 4.4.2.2 Vehicle buy-back process

As it is shown in Figure 10, the vehicle buy-back process is divided into four sub-processes. The external processes are describing the contact to the claiming customer whereas the internal processes refer to the organization within the brand or entity. All actions need to be established based on relevant San Bao regulations.

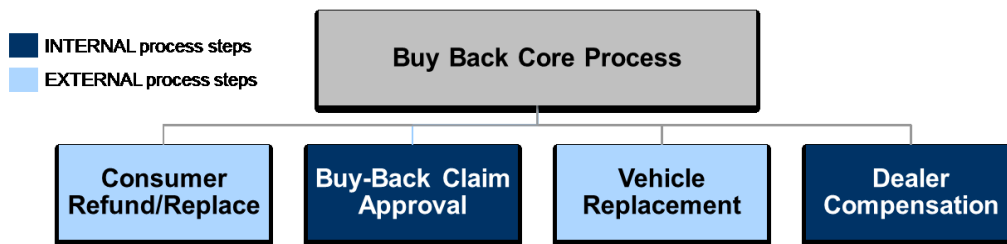


Figure 10: Buy-back process overview<sup>215</sup>

##### Consumer refund/ Replace process<sup>216</sup>

The Consumer refund/ Replace process starts with the customers claim for vehicle replacement or return under reference to the stipulated conditions and ends when the claim is rejected, the replacement car is handed over or the refund is paid. San Bao requires a written reply, which has to be submitted within 10 days after customer's request, within this time the subsequent Buy-Back Claim Approval process has to be finished. On a verified claim, a vehicle refund certificate shall be issued within 15 days after customer's request. The detailed content refund certificate is not specified by law. It has the effect that the customer's claim is accepted and becomes valid. The replacement vehicle or refund shall be provided timely.<sup>217 218</sup>

##### Buy-back Claim Approval process<sup>219</sup>

The *Buy-back Claim Approval* process requires a chain of approvals from dealer- to region- to wholesale level, and up to Volkswagen AG (for import vehicles). A rapid approval turnaround time at each step is crucial for retaining consumer satisfaction. The claim will

<sup>215</sup> From Bachmann (2012a), Buy-Back To-Be Process, p. 6

<sup>216</sup> An overview of the respective process steps is attached as appendix, A-60, Vehicle-buyback Consumer Refund/ Replace Process

<sup>217</sup> Described in chapter 3.4 Vehicle replacement or return clauses

<sup>218</sup> Ref. Bachmann (2012a), Buy-Back To-Be Process , p. 8

<sup>219</sup> An overview of the respective process steps is attached as appendix, A-59, Vehicle-buyback Claim Approval Process

accepted if the conditions for vehicle replacement or refund are obviously met. The decision is based on vehicle repair history documenting in the DMS.<sup>220 221</sup>

#### *Vehicle Replacement process*<sup>222</sup>

This sub-process describes the search for a new eligible vehicle and ends when the replacement vehicle or refund is accepted by the customer. As stipulated, the replacement vehicle has to be of same brand and model and may not be with configuration lower than the original vehicle. For the search on regional and wholesale level a reporting system must be present to show vehicle inventory in dealer network, on transit or in production pipeline.<sup>223</sup> It needs to be defined which kind of vehicle with higher value shall be offered, if an exact matching vehicle cannot be provided. Where the customer refused the offered vehicle and demands for a refund, an escalation process has to be established. However a refund should only be offered as worst-case scenario as consumer could leave the brand. After replacing the vehicle, a new San Bao Certificate has to be issued and the warranty period and San Bao validity period will start again from the date of replacement. The depreciation for usage of the old vehicle has to be calculated according to the stipulation and will be paid by the customer for vehicle replacement or may be deduct from the refund.<sup>224</sup>

#### *Dealer Compensation process*<sup>225</sup>

The Dealer Compensation process includes the steps which have to be taken after the vehicle replacement or return in order to compensate the losses of the respective dealer. San Bao does not stipulate the internal financial compensation for vehicle replacements/returns. The criteria for determining dealer liability, especially when multiple dealers are involved, are a sensitive and open topic. Each vehicle buy-back will be investigated individually to define the cause of the claim. The financial liabilities should be shared among the involved parties. The created repair history transparency and precise documentation are eligible for a case to case investigation, which can help to minimize the possibility of

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<sup>220</sup> Described in chapter 4.2.1.2 Demands for vehicle repair history documentation

<sup>221</sup> Ref. Bachmann (2012a), Buy-Back To-Be Process, p. 9-10

<sup>222</sup> An overview of the respective process steps is attached as appendix, A-62, Vehicle-buyback Vehicle Replacement Search Process

<sup>223</sup> Ref. Bachmann (2012a), Buy-Back To-Be Process, p. 11-12

<sup>224</sup> Described in chapter 3.4 Vehicle replacement or return clauses

<sup>225</sup> An overview of the respective process steps is attached as appendix, A-61, Vehicle-buyback Dealer Compensation

dispute with the involved dealers. Optionally, the dealer contracts should be adapted with regulations for liability.<sup>226</sup>

For the reimbursement the depreciation of the claimed vehicle, the legal costs in case of any dispute, transportation costs and additional duties on imported vehicles used for replacement or dealer bonus adjustments have to be considered.<sup>227</sup>

#### **4.4.2.3 Proactive vehicle buy-back as proposal**

As stipulated, where a vehicle is repurchased under the conditions of San Bao and will be sold again, it has to be expressively marked as such a car with specification of the reason for replacement or return. Prior, the vehicle has to pass relevant inspection.<sup>228</sup>

In order to prevent a buy-back, the vehicle can be repurchased prior to the fulfillment of the conditions for replacement or return.<sup>229</sup> Such proactive buy-backs are voluntary offers to satisfy the customer. The dispute is solved without the legal involvement. Such vehicles can be re-sold without a remark of a San Bao buy-back car.<sup>230</sup>

With the support of San Bao status feature in DMS and monitoring by the service staff, vehicle close to San Bao replacement/ return can be identified. Therefore the internal San Bao escalation channels are adapted. Individual criteria should be defined and decision making processes installed by each brand and entity.

## **4.5 Warranty policy – Status quo and required action for market readiness**

The preparation accordingly to the warranty policies only considers adjustments for the warranty period but not for 3R validity or early warranty period. San Bao requires a warranty period about 3 years and 60,000km for vehicles sold from 1 October 2013.<sup>231</sup> As Figure 11 shows, these conditions currently only met by the luxury brands Bentley, Lam-

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<sup>226</sup> Ref. Gong (2013b), VGC Aftersales San Bao workshop, p. 4

<sup>227</sup> Ref. Ref. Bachmann (2012a), Buy-Back To-Be Process, p. 13-14

<sup>228</sup> Described in chapter 3.4 Vehicle replacement or return clauses

<sup>229</sup> Ref. Gong (2013b), VGC Aftersales San Bao workshop, p.4

<sup>230</sup> Even though, the vehicle will pass an elaborate inspection and required repairs but the blemish of a San Bao buyback car keeps. In general, customers might not be interest in such a car only if it is underpriced. The other issue is a possible loss of reputation especially for Volkswagen Group brands as manufacturers of cars with highest quality standards. Buybacks are associated with the confession of quality problems whereas legal forced buybacks give the impression to do not care about the customer satisfaction.

<sup>231</sup> Described in chapter 3.3 San Bao validity periods and 3R clauses

Lamborghini and Bugatti. An extension of warranty period of the other brands is required. Such extensions are associated with warranty provisions. Especially for the third year, where vehicles become more susceptible for repair due to wearing, significant higher warranty expenses need to be calculated.<sup>232</sup> A final decision of prospective warranty periods is not taken so far.

<b>Volume /Premium</b>	<b>Entity/Brand</b>	<b>Warranty period</b>	<b>Mileage</b>
<b>Volume</b>	SVW VW	2 years	60,000km
	FAW-VW VW	2 years	60,000km
	VGIC VW	2 years	unlimited
	SVW Skoda	2 years	60,000km
	VGIC Skoda	2 years	unlimited
	VGIC Seat	2 years	unlimited
<b>Premium</b>	FAW-VW Audi	2 years	unlimited
	Porsche China	2 years	unlimited
	VGIC Bentley	3 years	unlimited
	VGIC Lamborghini	3 years	unlimited
	VGIC Bugatti	3 years	unlimited

**Figure 11: Overview current warranty policy of Volkswagen Group China by brand<sup>233</sup>**

<sup>232</sup> Ref. VGC Finance (2013), VS Presentation, p. 4-5; Public valid information about allocation of warranty expenses and costs are not available. Figures of Volkswagen Group China are subjected to confidentiality.

<sup>233</sup> From VGC Sales and Marketing (2013), VS Presentation, p. 5

## 4.6 Retail handover process updates required for market readiness

The retail handover process referred to the steps required during handover of new vehicle to the customer. The process takes place in dealership's sales area and belongs to area of Sales accordingly as mentioned at the introduction. It starts with the agreement of the vehicle purchase followed by the vehicle transfer to the dealer and ends with the payment and vehicle handover to the customer.

Due to San Bao, the sales person has to consider additional issues during the vehicle handover:<sup>234</sup>

1. Determining if the customer is qualified for San Bao or not, e.g. if the vehicle will be used for private or commercial purpose.<sup>235</sup>
2. Providing the customer with the San Bao Certificate and other relevant documents (required to be provided along with the vehicle as stipulated).
3. Explanation of content of San Bao Certificate and 3R clauses to the customer.<sup>236</sup>

## 4.7 San Bao specific training required - Execution and content

San Bao affects personnel's work in dealer outlets and repair services. Changes are caused by modified processes and new features from San Bao market preparation. Additionally, the staff must prepare itself for the extended customer rights while dealing with customer.<sup>237</sup> To guarantee that the taken measures achieve its purpose and the customer gets an excellent Aftersales service, training for involved personnel on retail and wholesale level including call center staff is required. The trainings content is customized for specific functions of staff as well as the individual requirements of the brands and entities. The training covers the following areas:

- The legal content of San Bao stipulation

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<sup>234</sup> Ref. Li (2013), VGIC Process Documentation, p. 7

<sup>235</sup> Described in chapter 3.9 Statutory exceptions where San Bao will be completely or partly not applied

<sup>236</sup> Described in chapter 3.5 San Bao certificate and vehicle handover

<sup>237</sup> E.g. 3R clauses (ref. to Chapter 3.3 San Bao validity periods and 3R clauses), demands at vehicle handover process (ref. Chapter 3.5 San Bao certificate and vehicle handover), updates in Service Core Process (ref. Chapter 4.4.1.3 Enhancements in Service core process for San Bao market readiness)

- The methods and features of Volkswagen Group China used for San Bao market preparation
- How to solve San Bao disputes.

The training is provided by Volkswagen Academy China (VWAT). This department prepares the training material for VGIC as well as JVs and subsequently executes the training towards the respective entities trainers. The training is carried out as self-teaching guide. It aims to quickly gain a San Bao introduction and to upgrade required skills.<sup>238</sup>

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<sup>238</sup> Ref. Kouam (2013), San Bao Training, p. 2

## 5 San Bao impact as a summary and prospective developments

In the final chapter, the gained achievements are summarized and an evaluation of the preparation process is made from the perspective of the author. Furthermore, potentials for further developments are evaluated.

### 5.1 San Bao and process enhancements

San Bao market preparation of Volkswagen Group China (VGC) is focused on two key aspects.

- Adaption, enhancement and implementation of processes to ensure that the new legal requirements are fulfilled.
- Implementation of measures and tools helping to avoid situations where the customer might claim for its legal rights.

All legal requirements have been met except the adaption of VGC warranty policies to the required 3 years and 60,000km. The final decision is not yet taken and remains a very sensitive topic. It needs to be aligned to adhere to the required limits, prior to the San Bao implementation on 1 October 2013. As a proposal, the prospective warranty policies should be harmonized across all brands of Volkswagen Group China. Hence, the brands deliver a uniform picture of the Group. Regardless of the financial impacts, the adaption of warranty periods for San Bao beyond mandatory requirements should be considered. This gains positive customer recognition. Some competitors on Chinese market have already placed warranty periods up to 6 years and 150,000km (Lexus hybrid cars).<sup>239</sup>

The extensive adaptations in the IT systems for tracking and reporting of San Bao status and vehicle repair history are from utmost importance, even more so considering the high vehicle volume VGC has in the market and is required to manage. The taken measures to improve the spare parts availability and shortening of the lead time for sensitive cases are

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<sup>239</sup> Ref. VGC Sales and Marketing (2013), VS Presentation, p. 5; Source: Requests from hotlines and websites of respective competitors (Mercedes, Volvo, Land Rover, Infiniti, Lexus)



effective. Stock increments, cross-supplies, the San Bao car-down order type as well as the Service Core Process enhancements might contribute to avoid legal buy-backs.

With regards to the remaining growth rates in vehicle sales together with the current high workshops capacity utilization and the rising vehicle ages, improvements in all areas of Aftersales are required regardless of San Bao.

## 5.2 San Bao and customer relationship

The protection and improvement of consumer rights by San Bao will lead to an even more increased awareness of Aftersales service and vehicle quality. The introduced legal requirements constitute the minimum customer expectations. The role of customer satisfaction in China and its impact on further vehicle sales is widely known.<sup>240</sup> Any violation against the stipulated rules or an exceeding of the limits (ref. to San Bao Repair time/quantity) can cause a significant decline of brand reputation.<sup>241</sup> From this point of view, the enhancements of Aftersales service for San Bao should not only be seen as a fulfillment of the new legal requirements but also as effort to improve good relationships with customers.

However, the Aftersales processes itself might not be the crucial factor for future success of VGC under San Bao. The personnel will be the key factor. If the processes are not correctly executed or the customer rights are not seriously adhered, disappointments might become the result.

## 5.3 San Bao and product quality

Especially on German brands, Chinese consumers place the highest quality demands.<sup>242</sup> Even if most of the sold cars from VW or Audi in China are manufactured in China, they are being considered as “German Engineering”. Product quality problems can become a serious barrier at further market penetration of Volkswagen Group China. San Bao should be taken as occasion to initiate improvements in this field.

At a first approach, it appears to the author that the specific climatic conditions, driving behaviors or fuel quality in China need to be focused more during the vehicle design.

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<sup>240</sup> Described in chapter 2.1 China Automobile market specifics, 73% of all buying decisions come from referrals

<sup>241</sup> Described in chapter 2.1 China Automobile market specifics, Consumer Rights Day in China

<sup>242</sup> Described in chapter 2.1 China Automobile market specifics, Sky-high demands

Many warranty repairs could be avoided making the best benefit for brand reputation and San Bao.

For product quality issues occurring within the market phase of a car, it can remedy by a more accurate sourcing and improved repair performance, which will imply a dense field monitoring. Intense cooperation and communication among customer, dealer/ repair service, JVs/ VGIC and the headquarter Quality Assurance departments are required in order to develop optimized fault elimination procedures. Particularly with regards to limitation of main component's replacements (ref. to San Bao Repair Quantity), an extended repair depth could create benefits which aim to fix malfunctions by part- rather than component exchange.

## 5.4 San Bao and Finance

Financial impacts caused by the San Bao stipulation require a differentiated approach.

One financial impact arises straight of the legal requirements by the required extension of warranty period for this brands which currently do not offer the 3 years and 60,000km.<sup>243</sup> The resulting increased warranty expenses are significant. How far the extended warranty periods cause to increased warranty cost can only be estimated at the present time. Higher costs are especially assumed for warranty repairs during the third year, where vehicles become more prone for repairs due to wearing.<sup>244</sup> If this is the case, the cost compensation is still an open point. It seems questionable to the author how far additional warranty costs can be borne by the customer by allocating on the purchase price, especially since vehicles of Volkswagen Group China are already located in the upper price segment.

The stock increments are the other crucial financial factor leading to increased storage space cost and fixed capital. Particularly regarding the luxury brands (Audi, Porsche, Lamborghini, Bentley), due to their higher parts value a significantly higher storage cost might not be avoidable. Whether the stock increments are really required ensuring parts availability, or cross supplies and rush orders are sufficient cannot be defined at the present moment. The stock needs to be analyzed continuously to find potential for reduction.

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<sup>243</sup> Only Bentley, Lamborghini and Bugatti achieve the legal requirement currently. Ref. to Chapter 4.5 Status quo of Volkswagen Group China warranty policy and required actions for San Bao market readiness

<sup>244</sup> Ref. VGC Finance (2013), VS Presentation, p. 4-5; Public valid information about allocation of warranty provisions is not available. Figures of Volkswagen Group China are subject to confidentiality.

## 5.5 San Bao and Legal

San Bao has been implemented to regulate the legal warranty framework giving a scope of customer rights and OEM/ Dealer obligations. Nevertheless, it has left room of interpretation. An example is given for the scopes and types of main components. The terms given by the authority are vague, even within VGC the understanding is different which part belongs to a certain main component. Such indefiniteness might lead to prospective disputes. Thereby, alignments among the JVs and VGIC are required in order to ensure a common policy and application. Additional communication with the authorities might help to clarify the interpretation of legal grey zones.

San Bao leads to further legal issues regardless of the improvements of customer rights and stricter OEM/ dealer obligations. The contracts regulating the relationships between OEM and dealers as well as between OEM and OES are still based on the old legal warranty framework and should be rearranged. The assumption of cost between OEM and dealer needs to be clarified in cases of buy-backs due to delays or weak repair performance for which the dealer was responsible. Contracts between OEM and OES need to be adapted for the required extended warranty period. Especially product quality issues at main components supplied by one OES and assembled in one piece should be considered. Higher warranty provisions on the part of the OES could be the result.



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## Appendix

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## San Bao Stipulation



January/2013

**“Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products” of General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China**

**(General Administration Order No. 150)**

No. 150

“Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products” was reviewed and approved on June 27 2012 in administration affairs meeting of General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. It is hereby issued and will be implemented starting from October 01 2013.

Director of the General Administration

December 29 2012



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## Stipulations on Responsibilities for Repair, Replacement and Return of Household Automotive Products

### Chapter I General Provisions

- Article 1** In order to protect the legal rights of consumers of household automotive products and clarify responsibilities of repair, replacement and return (hereunder abbreviated as 3R) for household automotive products, these Stipulations have been formulated in accordance with relevant laws/regulations.
- Article 2** 3R of household automotive products that are manufactured and/or sold in the territory of the People's Republic of China should follow these Stipulations.
- Article 3** These Stipulations are the basic requirements on 3R responsibilities of household automotive products. Operators of household automotive products are encouraged to commit 3R responsibilities that are more beneficial for maintenance of legal rights of consumer and much stricter than these Stipulations, and commitment should be fulfilled once made in accordance with law.
- Article 4** For the purpose of these Stipulations, 3R responsibilities shall be legally assumed by the distributor. After the distributor assumes the 3R responsibilities in accordance with relevant stipulations, in case of occurrence of any responsibility to be borne by manufacturer or other operators, the distributor may recover the same from the manufacturer or other operators.
- The operators of household automotive products may enter into contract to stipulate the assumption of 3R responsibilities, but without infringement of any legal right and interest of the consumers, and it is not allowed to exempt from the 3R responsibilities and quality obligations as stipulated herein.
- Article 5** The exercise of rights, performance of obligations or assumption of responsibility of consumer and operator of household automotive products should follow the principle of good faith and honesty. Malicious fraud is strictly prohibited.
- Operators of household automotive products should not deliberately delay or refuse without justified reasons the 3R responsibilities requirements that are in compliance with these Stipulations as put forward by consumers.



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**Article 6** The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (hereunder abbreviated as General Administration of Quality Supervision) shall be responsible for coordination, guidance, supervision and administration of implementation of these Stipulations; shall organize and establish 3R information disclosure system of household automotive products, and legally entrust relevant institutions to establish the 3R information system for household automotive products and undertake relevant information administration work.

Local quality and technology supervision departments at all levels shall legally be responsible for coordination, guidance, supervision and administration of implementation of these Stipulations within their own jurisdiction areas.

**Article 7** All relevant departments, institutions and working staffs should take the obligations to keep the acquired commercial secrets and personal information confidential in accordance with law.

## Chapter II Obligations of Manufacturer

**Article 8** Manufacturer should implement pre-delivery inspection system strictly; no household automotive product should be delivered from factory before passing inspection.

**Article 9** Manufacturer shall register information related to 3R of household automotive products such as basic information of manufacturer, vehicle model information, agreed sales and repair outlet data, product usage instruction manual, 3R certificate, repair/ maintenance manual, information of 3R responsibilities dispute settlement and return/replacement to General Administration of Quality Supervision, and update the registration in case of change of information.

**Article 10** Household automotive products should have product certificate or relevant certificates and product usage instruction manual, 3R certificate, repair/maintenance manual in Chinese and other documents given along with vehicle.

Product usage instruction manual shall meet requirements specified in the Consumable Usage Instruction and other national standards. Where the usage performance and safety performance of household automotive products have not been specified in the relevant standards, then their performance indicators, work conditions, work environment and other requirements shall be expressly indicated in the product usage instruction manual.



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3R certificate should include following information: product brand, model, vehicle type specification, vehicle identification number (VIN), production date; manufacturer name, address, postal code, customer service telephone; sales outlet data such as distributor name, address, postal code, telephone, sales date; repair service provider name, address, postal code, telephone and other repair outlet data or their relevant inquiry methods; 3R clauses of household automotive products, warranty period and 3R validity as well as other contents specified expressly in stipulations.

Repair/maintenance manual should have normalized format and practical contents.

Tools, spare parts and other articles as given along with vehicle shall be attached with the list of articles given along with the vehicle.

### Chapter III Obligations of Distributor

**Article 11** Distributor should establish and implement the acceptance inspection system when replenishing their stocks and verify the quality certificate and relevant certificates and other identifications of household automotive products.

**Article 12** Distributor that sells household automotive products shall meet the following requirements:

- (I) Delivery of eligible household automotive products and invoice to consumer;
- (II) Delivery of tools, spare parts and other goods as given along with the vehicle to consumer in accordance with the list of articles given along with the vehicle;
- (III) Examination of the exterior and interior trim and other quality conditions that may be examined on spot for household automotive products;
- (IV) Express indication and delivery of product usage instruction manual, 3R certificate, repair/maintenance manual and other documents given along with the vehicle;
- (V) Express indication of 3R clauses, warranty period and 3R validity of household automotive products;
- (VI) Express indication of name, address and contact phone number of repair service providers and other repair outlet material as agreed by the manufacturers, provided that manufacturers cannot limit the consumer's choice of any of those repair service providers among repair outlets;





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- (VII) Completion of relevant sales information on 3R certificate;
- (VIII) Remind consumer to carefully read safety items to be noticed, use and maintain product as per requirements of usage instruction manual.

Regarding the imported household automotive products, it is also necessary for distributor to expressly indicate and provide documents such as "Goods Import Certificate" issued by customs and "Inspection Certificate for Imported Motor Vehicle" issued by entry-exit inspection and quarantine organ.

#### **Chapter IV Obligations of Repair Service Provider**

**Article 13** Repair service provider should establish and implement repair records archive system. The written repair record shall be in duplicate, one copy should be kept in archive, and the other copy should be provided to consumer.

Repair records contents should include time of delivery for repair, driving mileage, symptom upon delivery for repair, inspection results, repair items, name and number of replaced components, material cost, work hours and work hour fee, haulage cost, supply of spare vehicle or transportation compensation cost, time of delivery of vehicle, stamp or signature of repair service provider and consumer, etc.

The repair record shall be convenient for the reading or reproduction for consumer.

**Article 14** Repair service provider should keep reasonable stock of components required for repair, so as to ensure normal repair work, and avoid delay of repair due to shortage of components.

**Article 15** Components used for repair of household automotive products should be eligible components provided or approved by manufacturer, and the quality should not be lower than those products on assembling line of household automotive products.

**Article 16** During the warranty period and 3R validity of household automotive products, where household automotive products have any product quality problem or serious safety performance malfunction and therefore cannot drive safely or are impossible to drive, it is necessary to provide telephone consultancy service; where the telephone consultancy service cannot solve the same, the spot service shall be carried out, and the repair service providers shall assume reasonable vehicle haulage fee.

#### **Chapter V 3R Responsibilities**



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**Article 17** The warranty period of household automotive products should be no less than 3 years or mileage of 60,000km, whichever comes earlier; the 3R validity of household automotive products should be no less than 2 years or mileage of 50,000km, whichever comes earlier. The warranty period and 3R validity of household automotive products shall be calculated from the date of issuance of vehicle purchase invoice.

**Article 18** During the warranty period of household automotive products, if household automotive products have any quality problem, the consumer may require the repair service provider to repair the same for free (including work hour fee and material fee) by presenting 3R certificate.

Where, within 60 days or driving mileage of 3,000km of household automotive products from the date of issuance of vehicle purchase invoice by distributor (whichever comes earlier), major components of engine and transmission have any product quality problem, consumers may select to replace engine and transmission free of charge. Type/scope of major components of engine and transmission should be expressly indicated on 3R certificate, and should be in compliance with relevant standards or regulations of China, the specific requirements will be stipulated separately by General Administration of Quality Supervision.

Where wearing/consumable components of household automotive products have any product quality problem within quality warranty period, consumers may select to replace wearing/consumable components free of charge. Type/scope of wearing/consumable component and quality warranty period should be expressly indicated by manufacturer on 3R certificate, and type/scope of wearing/consumable component expressly indicated by manufacturer should be in compliance with relevant standards or regulations of China, the specific requirements will be stipulated separately by General Administration of Quality Supervision.

**Article 19** During the warranty period of household automotive products, in case each repair time due to product quality (including the time for waiting for the spare parts for repair) exceeds 5 days, it is necessary to provide spare car to consumer or give reasonable transportation compensation.

The repair time shall be from the time when the repair service provider and consumer determine the repair to the time of completion of repair. Where a repair is less than 24 hours, it shall be calculated as a day.



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**Article 20** During 3R validity of household automotive products, where household automotive products meet the conditions for replacement or return, the consumer may require the distributor to replace or return the same by presenting 3R certificate and vehicle purchase invoice.

Where, within 60 days after the issuance of the car purchase invoice by the distributor or within driving mileage less than 3,000km (whichever comes earlier), the household automotive products have any steering system failure, braking system failure, vehicle body crack or fuel leakage, and the consumer selects to replace or return the household automotive products, the distributor shall be responsible for replacing or accepting the return of the car for free.

During 3R validity of household automotive products, under one of the following circumstances, where the consumer selects the replacement or return, the distributor shall be responsible for the replacement or return:

- (I) Where there are two cumulative times of repair due to severe safety performance malfunction, and the severe safety performance malfunction cannot be eliminated or new severe safety performance malfunction occurs;
- (II) Where, after two accumulative times of replacement of engine or transmission, or after two accumulative times of replacement of the same major component of engine or transmission due to quality problem, it is still impossible to use normally, the number of replacements of engine, transmission and major component will not be calculated repeatedly;
- (III) Where, after two accumulative times of replacement of the same major component of steering system or brake system, suspension system, front/rear axle and vehicle body due to quality problem, it is still impossible to use normally;

The major components of steering system, braking system, suspension system, front/rear axle and automobile body shall be expressly indicated on 3R certificate by manufacturer, the scope/type thereof shall be in compliance with relevant standards or regulations of the state, and specific requirements shall be specified by General Administration of Quality Supervision separately.

**Article 21** Where, during the 3R validity of household automotive products, cumulative repair days due to product quality problem are over 35 days, or number of cumulative repair times



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due to the same product quality problem exceed 5 times, the consumer may require distributor to replace by presenting 3R certificate and car purchase invoice.

The time taken under following circumstances should not be calculated in the repair time specified in above clauses:

- (I) Time taken for transportation of special components such as anti-theft system and wiring of the entire vehicle required to be customized as per vehicle identification number (VIN); scope/type of special components shall be expressly indicated on 3R certificate by manufacturer;
- (II) Time taken on the road to rescue.

**Article 22** During the 3R validity of household automotive products, where the conditions for replacement are met, the distributor shall timely replace for consumer with new eligible household automotive products of the same brand and model; in case household automotive products of the same brand and model are not available for replacement, the distributor shall timely replace with another household automotive products with vehicle configuration no lower than that of the original vehicle.

**Article 23** During the 3R validity of household automotive products, where the conditions for replacement are met, the distributor has no household automotive products with the same brand and model or household automotive products no lower than the original vehicle configuration, the consumer may choose to return vehicle and distributor shall be responsible for accepting such return from the consumer.

**Article 24** During the 3R validity of household automotive products, where the conditions for replacement are met, the distributor shall issue to the consumer the certificate for replacement of household automotive products within 15 working days after the date when consumer required for replacement.

Where, the household automotive products meet conditions for return within 3R validity, the distributor shall issue the return certificate to the consumer within 15 work days after the consumer's demand for return, and shall be responsible for returning in full the vehicle payment in a lump sum as per the invoice price.

In case of replacement or return of household automotive products, it is necessary to handle relevant procedures such as vehicle registration in accordance with stipulations of relevant laws and regulations.



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**Article 25** In case of replacement or return in accordance with the stipulations herein, the consumer shall pay reasonable usage compensation for usage of such household automotive products, with the exception of free-of-charge replacement or return by the distributor in accordance with the stipulations herein.

The calculation formula of reasonable usage compensation fee: [(vehicle purchase price (Yuan) x mileage (km)) / 1,000] x n. The usage compensation coefficient "n" shall be determined by the manufacturer somewhere between 0.5% and 0.8% as per factors such as usage time and usage condition of household automotive products and shall be expressly indicated in 3R certificate.

In case of any replacement or return of household automotive products, the taxes and fees incurred shall be in compliance with relevant regulations of the State.

**Article 26** During the 3R validity of household automotive products, where the consumer demands to replace or return vehicle in written, the distributor shall make written reply within 10 work days after the date when written demand of consumer for replacement or return was received. In case of failure to reply on time or failure to replace or return vehicle in accordance with these Stipulations, it shall be deemed as intentional delay or refusal without justified reasons.

**Article 27** Where consumer lost 3R certificate of household automotive products, distributor and manufacturer should re-issue 3R certificate within 10 workdays after receiving application from consumer. After consumer's application to distributor and manufacture and re-issuance of 3R certificate, consumer should be continuously be entitled with relevant rights in accordance with these Stipulations.

After replacing household automotive products in accordance with these Stipulations, distributor and manufacturer should provide new 3R certificate to consumer, and warranty period and 3R validity of household automotive products should be re-calculated from the date of replacement.

In case of any transfer of ownership of household automotive products during the warranty period and 3R validity of household automotive products, 3R certificate should be transferred along with the car, and 3R responsibilities will not change due to the transfer of ownership of car.





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**Article 28** Where the operators go bankrupt, merge with another company, split or change, their 3R responsibilities shall be implemented in accordance with stipulations of relevant laws and regulations.

#### **Chapter VI Exemption of 3R Responsibilities**

**Article 29** Where wearing and consumable components have any quality problem beyond quality warranty period as expressly indicated by manufacturer, the operators may be exempted from 3R responsibilities of household automotive products as specified herein.

**Article 30** During the warranty period and 3R validity of household automotive products, under one of the following circumstances, the operators may be exempted from the 3R responsibilities specified herein for any product quality problem involved:

- (I) Where the consumers have been informed in writing of the defect of the products they purchased;
- (II) Where household automotive products are used for lease or other commercial purpose;
- (III) Where usage instruction manual expressly indicates that vehicle concerned cannot be altered, adjusted or dismantled, but the consumers alter, adjust or dismantle themselves and thereby cause any damage;
- (IV) In case of any product quality problem and the consumers cause damage to the product concerned due to their improper handling;
- (V) In case of any damage caused due to consumer's failure to correctly use, maintain or repair the products in accordance with requirements of usage instruction manual;
- (VI) In case of any damage caused by any force majeure event.

**Article 31** During the warranty period and 3R validity of household automotive products, the operators may be exempted from assuming the 3R responsibilities specified herein if there is no valid invoice or 3R certificate.

#### **Chapter VII Dispute Settlement**

**Article 32** In case of any dispute arising out of 3R responsibilities of household automotive products, consumers may negotiate with the operators to solve the same, or may legally file any



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compliant to all levels of protection organization for consumer's right and interests and other third party institutions to mediate to solve the same, or legally appeal to relevant administrative departments including local quality and technology supervision departments to apply for mediation to solve the same.

Where both parties involved in the dispute concerning 3R responsibilities of household automotive products are unwilling to solve the same through negotiation or mediation, or fail to reach an agreement after negotiation or mediation, either party may legally apply for arbitration as per agreement or bring a lawsuit to people's court.

**Article 33** Operator shall properly handle the consultancy, inquiry and/or complaint relating to 3R issues of household automotive products as put forward by consumer.

Operator and consumer shall actively support quality and technology supervision departments and other relevant administrative departments to handle any dispute concerning 3R responsibilities of household automotive products.

**Article 34** Provincial or above level of quality and technology supervision departments may organize and establish technical consultation talent archives for handling of 3R responsibilities dispute of household automotive products, so as to provide technical consultation for handling dispute; with consent of both parties of dispute, it is allowed to select technical consultant to participate the handling of dispute, and consultation fee of technical consultant should be settled through negotiation between both parties.

Operator and consumer shall support quality and technology supervision departments in the construction of technical consultation talent archives for handling of 3R responsibilities dispute of household automotive products, recommend technical consultant and provide necessary technical consultation.

**Article 35** When handling the dispute arising out of 3R responsibilities of household automotive products, quality and technology supervision departments shall implement in accordance with relevant regulations on the handling of product quality appeal.

**Article 36** Where any inspection and appraisal on relevant product are required in the handling of the dispute arising out of 3R responsibilities of household automotive products, it should be implemented in accordance with relevant regulations concerning product quality arbitration inspection and product quality appraisal.

## Chapter VIII Penal Clause



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- Article 37** In case of violation against the stipulations of Article 9 hereof, the party in violation shall be given warning, and be ordered to make correction within time limit and be imposed a fine of no less than RMB 10,000 but no more than RMB 30,000.
- Article 38** In case of violation against the stipulations of Article 10 hereof, and if such violation constitutes an illegal activity according to the stipulations of relevant laws and regulations, the party in violation shall be punished legally; if such violation does not constitute an illegal activity according to the stipulations of relevant laws and regulations, the party in violation shall be given warning, and be ordered to make correction within time limit; and be imposed a fine of no less than RMB 10,000 but no more than RMB 30,000 in case of serious violation.
- Article 39** In case of violation against the stipulations of Article 12 hereof, and if such violation constitutes an illegal activity according to the stipulations of relevant laws and regulations, the party in violation shall be punished legally; if such violation does not constitute an illegal activity according to the stipulations of relevant laws and regulations, the party in violation shall be given warning, and be ordered to make correction within time limit; and be imposed a fine no more than RMB 30,000 in case of serious violation.
- Article 40** In case of violation against the stipulations of Article 13, Article 14, Article 15 or Article 16 hereof, the party in violation shall be given warning, and be ordered to make correction within time limit; and be imposed a fine no more than RMB 30,000 in case of serious violation.
- Article 41** In case of failure to assume 3R responsibilities as per these Stipulations, the party in violation shall be ordered to make correction and will be legally publicized to the society.
- Article 42** The administrative punishment as specified herein shall be legally implemented within the scope of authority of quality and technology supervision departments at county level or above and other administrative departments, and violation against law will be recorded in quality credibility archive.

### Chapter IX Supplementary Provisions

- Article 43** For the purpose of these Stipulations, the following terms are defined as:  
Household automotive products refer to passenger car purchased and used by consumer for personal life consumption demand.





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Passenger car refers to the passenger car specified in relevant national standard other than the special purpose passenger car.

Manufacturer refers to organizations that are established legally in the territory of the People's Republic of China for manufacture of household automotive products and issue product certificate in their own name. Organizations that import household automotive products from foreign countries and sell in the People's Republic of China are deemed as manufacturer.

Distributor refers to the organization or individual that directly sells and delivers household automotive products to consumer and collect payment and issues invoice in its own name.

Repair service provider refers to the organization or individual that has entered into agency repair contract with manufacturer or distributor to provide repair service of household automotive products to consumer as agreed.

Operator includes manufacturer, distributor, other distributor that provides products to the distributor and repair service provider, etc.

Product quality problem refers to problem which affects normal usage of household automotive products, or leads to the impossibility for normal usage, or the problem of product quality inconformity with quality status expressly indicated by regulations, standards and manufacturers.

Severe safety performance malfunction refers to that household automotive products has product quality problem that will endanger the personal and property safety, and lead to the impossibility for consumer to safely use household automotive products, including failure of safety device to provide the required protection function or existence of dangerous situations such as fire.

**Article 44** Where household automotive products that are replaced or returned as per these Stipulations are sold again, the replaced or returned household automotive products should pass relevant inspection and expressly indicate that such car are "3R replaced/returned car" and the reasons for replacement or return.

3R responsibilities of "3R replaced/returned car" should be implemented as per contract.

**Article 45** The specific requirements on relevant information system and information openness and management, manufacturer information registration and management of technical



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consultation talent archives for handling of 3R responsibilities dispute covered in these Stipulations will be stipulated separately by General Administration of Quality Supervision.

- Article 46** Where the repair, replacement and return of household automotive products are separately specified in relevant laws and administrative regulations, such laws and administrative regulations should be followed.
- Article 47** General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China is responsible for interpretation of these Stipulations.
- Article 48** These Stipulations will be implemented from October 1 2013.

## The Range of Main Parts in San Bao

A12



National Standard of the People's Republic of China

GB/T 29632—2013

The range of main parts and the guarantees certificate in repair  
replacement and  
return warranty of automobiles

Released on 07 - 19 - 2013

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RELEASED BY:

GENERAL ADMINISTRATION OF QUALITY SUPERVISION, INSPECTION AND QUARANTINE OF THE  
PEOPLE'S REPUBLIC OF CHINA &

STANDARDIZATION ADMINISTRATION OF THE PEOPLE'S REPUBLIC OF CHINA

GB/T 29632—2013

### Foreword

This Standard is drafted in accordance with the rules set forth in GB/T 1.1-2009.

This Standard is put forward and administered by the National Standardization Technical Committee 8(SAC/TC264)

Drafting institutions of the Standard: China National Institute of Standardization, AQSIQ Defective Product Management Center, China Consumer Association, China Standardization magazine, Shanghai General Motors Co., Ltd., Dongfeng Peugeot Citroen Automobile Co., Ltd., Chery Automobile Co., Ltd. and Guangzhou Honda Automobile Co., Ltd.

Main drafters of the standard: Zeng Yi, Liu Chengyang, Wu Xiaobo, Wang Yan, Cao Lili, Li Han, Wu Yousheng, Zhao Hongchun, Qiu Jianguo, Song Juan, Li Han, Wang Rong, Zhang Yiwei, Hu Jiancheng and Pan Youquan.

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## Introduction

In recent years, China has become a leading consumer of automobiles. After-sales services for automobiles have become an important issue that affects the vital interests of consumers. To protect the legitimate rights and interests of consumers, the General Administration of Quality Supervision, Inspection and Quarantine has issued the sectorial regulations *Provisions on Repair, Replacement and Refund Responsibilities Concerning Household Automobile Products* and promotes the formulation of a series of supporting standards and regulations.

The provisions of this Standard should be used in combination with the relevant articles of *Provisions on Repair, Replacement and Refund Responsibilities Concerning Household Automobile Products*, which jointly constitute the essential technical requirements for consumers to get their vehicles replaced and refunded. This Standard is an important technical support document for *Provisions on Repair, Replacement and Refund Responsibilities Concerning Household Automobile Products*.

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## The range of main parts and the guarantees certificate in repair replacement and return warranty of automobile

### 1. Scope

This Standard prescribes for the type and range of the main parts and wearing parts of the assemblies and systems involved in the Three Guarantees of household automobile products (hereafter referred to as "Automobile Product"), as well as the main contents of the Three Guarantees certificate.

This Standard shall apply to the relevant activities undertaken by automobile product producers, sellers and repairer to fulfill their Three Guarantees responsibilities for automobiles.

### 2. Terms and definitions

#### 2.1

Guaranteed repair, replacement and return warranty of automobile ("Three Guarantees")

〈Automobile〉 The responsibilities concerning the repair, replacement and refund which the automobile product producer, seller and repairer undertakes for automobile products arising from product quality problems within their warranty period.

Note: The warranty period includes the period of guaranteed repair, the term of validity of Three Guarantees and the warranty period of wearing parts.

#### 2.2

Assembly

〈Automobile〉 An automobile component which is assembled with several parts, components, combined components or accessories and possess independent functions.

Note: Assemblies mainly include the engine, transmission, etc.

#### 2.3

System

〈Automobile〉 A collective or device which is interconnected to achieve a specified function and purpose.

Note: The systems mainly include the steering system, braking system, suspension system, front/rear axle, body, etc.

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## 3. Range of main parts of main assemblies and systems

## 3.1 Type and range of main parts of engine and transmission assemblies

The main parts of the engine and transmission are to be explicitly shown on the Three Guarantees certificate by the producer. Their type and range should at least include what are specified in Table 1.

Table 1: Type &amp; Range of Main Parts of Engine and Transmission Assemblies

Assembly	Type & Range of Main Parts
Engine	Crankshaft, main bearings, connecting rod, connecting rod bearings, pistons, piston rings, and piston pin
	Cylinder cover
	Camshaft & valve
	Cylinder
Transmission	Gearbox housing
	Gears, shafts, bearing and gearbox internal power transmit component (including clutch and braking unit)

## 3.2 Type and range of main parts of the automobile system

The main parts of the steering braking, suspension, front/rear axle, body and other systems are to be explicitly shown on the Three Guarantees certificate by the producer. Their type and range should at least include what are specified in Table 2.

Table 2 Type and Range of Main Parts of the Automobile System

Automobile System	Type & Range of Main Parts
Steering system	Steering gear assembly
	Steering column & steering universal joint
	Steering rod (excluding ball head)
	Knuckle
Braking system	Brake master cylinder
	Brake sub-cylinder
	Booster
	Brake pedal and bracket
Suspension system	Springs (coil spring, torsion bar spring, leaf spring, air spring, hydraulic spring, etc.)
	Control arm & connecting rod
front/rear axle	Axle housing
	Main reducer & differential
	Drive shaft and half shaft
Body	Body skeleton
	Secondary frame
	Stringer & beam
	Front and rear door body

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## 4. Range of wearing parts

The type, range and warranty period of wearing parts are to be explicitly shown on the Three Guarantees certificate by the producer. The type and range of wearing parts to be explicitly shown by the producer should not exceed the scope as defined in Table 3.

Table 3 Type and Range of wearing parts

Sequential Number	Type & range
1	Air filter
2	Air conditioning filter
3	Engine oil filter
4	Fuel filter
5	Spark plug
6	Brake lining
7	Clutch plate
8	Tire
9	Battery
10	Remote controlled battery
11	Bulb
12	Wiper blade
13	Fuse & ordinary relay (not including integrated unit)

## 5. Range of special parts

Those special parts of an automobile product which needs to be customized based on VIN include the anti-theft system and the vehicle-wide main harness. Among them, the anti-theft system should not go beyond the ignition lock core, key and anti-theft control unit.

## 6. Three Guarantees certificate

The Three Guarantees certificate includes a front side and a back side. Of these, the front should at least include product information, producer information, seller information, Three Guarantees provisions, etc, while the other information on Three Guarantees for automobiles should be listed on the back side.



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Other information on Three Guarantees for automobiles mainly includes:

- Range of main parts of main assemblies and systems;
- Type, range and warranty period of wearing parts;
- Use compensation coefficient for replaced/refunded vehicles and its calculation formula;
- Information on special parts which need to be customized based on VIN

For the contents on the front side of the Three Guarantees certificate, refer to Appendix A. For the contents on the back side, refer to Appendix B.

Based on the outlet distribution, number and other information of its repairers, the producer may list repairer information separately.

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**Appendix A**  
(Normative Appendix)  
Three Guarantees Certificate (front)

Three Guarantees Certificate Number:	
Product information	
Product brand:	Model:
Vehicle type:	Vehicle specification:
VIN:	Production date:
Producer information	
Name:	Postal code:
Address:	Customer service phone number:
Seller information	
Name:	Postal code:
Address:	Tel:
Sales date:	
Three Guarantees provisions	
Warranty period for automobile products:	
Term of validity of Three Guarantees for automobile products:	
Other commitments concerning Three Guarantees responsibilities:	
Signature & seal of seller:	
Note 1: For vehicle types, refer to GB/T3730, 1-2001; for vehicle specification, refer to GA 24.4-2005.	
Note 2: VIN is the sole number of the Three Guarantees certificate.	

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**Appendix B**  
(Normative Appendix)  
Three Guarantees Certificate (back)

Type and Range of Main Parts of Main Assemblies and Systems

Assembly & System	Type and Range of Main Parts
Engine	

Range and Warranty Period of Wearing parts

Wearing Part	Warranty Period
	XX months/XXx10,000KM
	XX months/XXx10,000Km

Use compensation coefficient for replaced/refunded vehicles and its calculation formula:
Type and range of special parts which need to be customized based on VIN:

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**References**

1. *Provisions on Repair, Replacement and refund Responsibilities Concerning Household Automobile Products*, January 2013
2. GB/T3730.1-2001 *Motor vehicles and trailers—Types—Terms and definitions*
3. GA 24.4-2005 *Code of vehicle registration information Part 4: Code for vehicle type*

## Service Core Processes of the Authorized SEAT Service



### THE SERVICE CYCLE Core Processes of the Authorised SEAT Service

Developed by	Version	Date
After Sales Organisation	2	11-2011

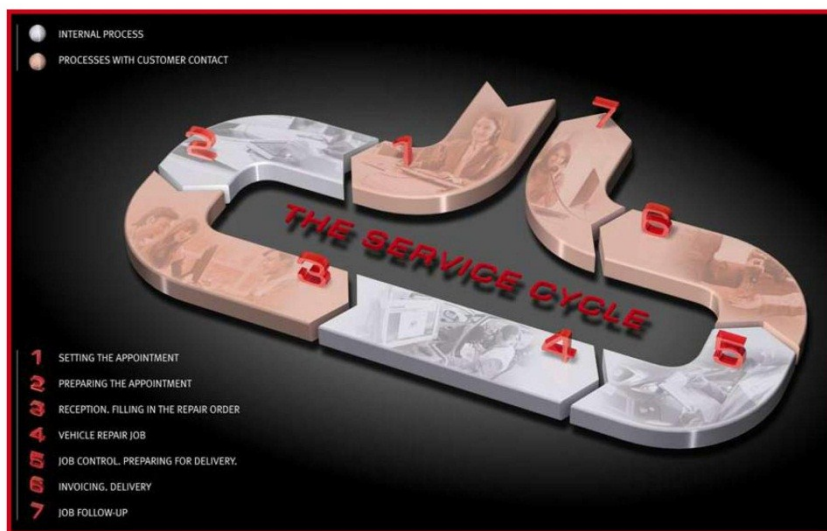


## Introduction

The decisive influence aftersales has on the positioning of the Brand in the market and customer loyalty is widely known. For the Authorised Services, this loyalty is essential for the consolidation and development of the business.

What is known as Service Cycle is the set of facts and activities which must take place around the assistance to a vehicle in the workshop.

For better analysis, the Service Cycle has been divided into seven processes or procedures which take place sequentially.



Correct development of the seven processes implies a quality service management in all areas of the authorised service, capable of achieving the basic target of the activity: customer satisfaction and consequently loyalty.

Before analysing each of the processes, the following general aspects are principles or premises for configuring the Service Cycle:

### Perception of quality

The well-known saying: "Being good is not enough, you also have to seem good" can be directly applied when it comes to rating the quality of performance of an Authorised SEAT Service. It is not sufficient to do things objectively well if what we transmit to the customers and what they perceive does not meet their expectations.

They will decide whether or not to come back to the Authorised Service depending on their views on the quality of service received.

The quality that matters, for all practical purposes, is the quality customers assign us. Therefore, the Service Cycle and its processes are focused on achieving customer satisfaction, and fulfilling their expectations.

Obviously, to achieve it, things have to be done properly. Yes ... but not only.



### The common denominator

Every customer is unique and different from the rest. His way to appreciate and value things is part of his own specific personality. Then, how can we establish general guidelines and criteria in order to achieve a quality service?

Although it is true that we are all different from each other, it is also true that there are universal values which can be appreciated or even required by all.

This is the common denominator which can be summed up into four points, the four essential goals that customers must perceive:

1. **INTEREST** in customer service
2. **QUALITY** of vehicle repair work
3. Sincere **ADVISING**
4. **COMPLIANCE** with commitments

Then, to customise performance to fit the values and expectations of each customer, we must listen and ask to obtain all necessary information.

There are training courses on these subjects aimed at the Authorised Service members who have direct contact with the customers, mainly Service Advisers.

### Team work

Although the Service Adviser is the main actor when it comes to customer relations, there are more people involved in the Service Cycle (workshop technicians, parts staff, telephone care, administration staff, etc.) whose actions have an influence on the overall customer perception.

Once gain, teamwork becomes a must for achieving a satisfactory result.

### Learning out of complaints

Claims should be regarded as an opportunity to better understand the work carried out and also a means to track possible faults that might have occurred. To such purpose, it is necessary to generate a service attitude throughout the organisation, where professionals from the Brand develop active Customer listening, service and treatment skills. Listening, solving and learning are, therefore, the main requirements to deliver an excellent Customer Care in SEAT

Failure to accomplish optimal service or a negative perception of the Customer about the actions carried out, may culminate in Customer dissatisfaction. This is likely to occur in any of the seven stages the Service Cycle is made of and, therefore, all persons involved in the processes should be ready to detect the sparkle of complaints and act in a Customer oriented manner, according to the established procedure for Claims management.



## 1. Setting the appointment

This process:

- begins the moment the customer decides to contact an Authorised Service, and
- ends when a date and time to bring in the car is agreed (or when the customer does not agree to it).

Being the first contact means that the manner in which this process is handled will influence the customer and condition his attitude towards the next ones.

### 1.1 Customer expectations

When arranging an appointment, customer's expectations are:

<b>Ease of contact</b>	Telephone contact should be easy. Do not have constantly engaged lines, calls not being attended (never let more than 4 tones go without picking-up the phone), or long musical waiting times.
<b>Immediate contact</b>	The same person attending the call should be able to set the appointment, or if the call has to be transferred to someone else, be fast and effective.
<b>Proper attention</b>	It is a constant expectation in all the Service Cycle processes where the customer is involved. Show respect and an interest in looking after the customer. If you have access to the database, identification and addressing the customer by his name show very positive results.
<b>Short Term appointment</b>	Very few are the customers who plan their visit to the workshop in advance. Generally, when the decision is made, they want to take their car to the workshop as soon as possible. If long waiting times are the usual, you should consider increasing the workshop's working capacity.
<b>Possibility of choosing from several options</b>	It is frequently the case that it is not possible to set the appointment on the date and time the customer wants. In such cases it is important that the customer can feel our interest in looking after him by offering different options so that he can choose whatever suits him best.
<b>Offering a courtesy car</b>	You must ask the customer if he would like to have a courtesy vehicle, as long as there are cars available, and if he does inform him about the terms. If you cannot provide him with a courtesy car, you can consider other alternatives so that the customer can return from the Authorised Service.
<b>Directions on how to get the service and how to access</b>	If it is the first time the customer is coming to the Authorised Service, he will appreciate very much any directions you give him so that he can get to and access it and access the Service.





## 1.2 Process development

The appointment process has to be done according to the 7 steps listed below:

<b>Reception</b>	<p>Welcome greetings. Avoid a mechanic and monotonous tone. Identify the service "Authorised SEAT Service..... Good morning. ....speaking how can I help you?</p> <p>Ideally, the person attending the call should be able to set the appointments. Otherwise, tell the customer the call will be transferred to the person in charge of appointments, and do it fast.</p>
<b>Defining the job</b>	<p>Ask the customer about the type of job he wants, to know into which workshop section to programme it.</p> <p>For maintenance inspections and very clear jobs, the job can be assigned the real time. If they are repairs difficult to estimate, it is advisable to handle a standard time to charge the workshop, which shall be later adjusted at the reception process.</p> <p>If it is a warranty repair, or if it is known that it is a repeat job or a job with a submitted claim, make note of this fact in a clearly visible way in the appointment data (which is to be assigned with priority) so that the following processes are taken into account.</p>
<b>Search for availability</b>	<p>Search for the earliest free gaps in the workshop loads planning. Check for Service Adviser availability for reception, with a minimum margin of one hour before, so as to avoid dead times in the workshop or having to re-programme if the customer is late or if there are delays at the reception.</p> <p>As has been mentioned in the previous step, appointments for repeat jobs, jobs linked to a claim and warranty jobs (affecting proper running of the vehicle) are to be given priority.</p>
<b>Appointment agreement</b>	<p>Once workshop and reception availability is confirmed according to said criteria, offer the customer the date and time for him to bring his car in.</p> <p>If the customer agrees with the proposed appointment, proceed to the next point of data retrieval. Otherwise, find the next available workshop gaps and repeat the described procedure.</p> <p>If the customer conditions the reception to certain hours then try and meet his demand even if this means the appointment is later than the initial options offered.</p> <p>It is also possible to find gap in reception that meets the customers needs, but notifying him that the car will be in stand-by until there is workshop availability. This option should only be used if there is space available for having the car in stand-by.</p>
<b>Mobility offer</b>	<p>The Service Partner has to offer to the client a replacement vehicle or at least 2 alternatives to the replacement vehicle, e.g. pick-up and delivery service, taxi vouchers and/or tickets for public transportation.</p>
<b>Updating the Agenda</b>	<p>As soon as you agree the appointment with the customer, you should introduce into the Appointments Agenda the data for booking the Adviser and technicians' time so that these resources, which have already been assigned, are not offered in further appointments.</p>



<b>Data retrieval</b>	<p>Once the appointment has been agreed, retrieve the data to identify the vehicle and the customer. If you are linked to the database, check the records by registration plate number.</p> <p>This allows us to identify the customer and handle him in a personalised way, not ask him again for data which he already provided us with before, only mention them to him for confirmation.</p> <p>Minimum data to include in the appointments agenda are:</p> <ul style="list-style-type: none"> <li>- Name and surnames /Company address</li> <li>- Type of job</li> <li>- Contacts (telephone numbers, fax, e-mail) and when is the best time for telephone contact.</li> <li>- Registration plate number, version, vehicle engine, mileage (km) and contracted services.</li> <li>- VIN number or any other vehicle info that permits to prepare the jobs requested (ELSA maintenance lists, parts, etc) before customer's arrival.</li> </ul> <p>If it is a repeat job, object of claim or warranty, it is important to indicate this circumstance in the appointments agenda.</p>
<b>Closing and farewell</b>	<p>When you have the data, and before saying good-bye, confirm with the customer the appointment date and time for reception and the type of service ordered.</p> <p>If it is a new customer, you can give him directions on how to get to the Authorised Service and access the facilities.</p> <p>When saying good-bye to the customer, remind him of the documents and objects he needs to bring with him to reception. Vehicle documents, Maintenance Book, radio code, wheel nuts anti-theft key/wrench, etc.</p> <p>Always thank the customer for choosing us to look after his car.</p>

**1.3 Process requirements**

To carry out the appointment process in an agile and efficient way, it is recommended to have some of the resources listed in this section available. Although they are not mandatory and absolutely necessary, the result of the process can be seriously limited if you do not have them

<b>Telephone support</b>	<p>There must be a telephone communication support that allows attending customer queries and consultations without delays and in an agile way.</p> <p>Ideally, there should be a specific line for appointments or an automatic selection extension for the customer.</p> <p>In Authorised Services with not too many phone calls, the person who looks after the switchboard can be trained to set the appointments.</p> <p>In every case, communication with the Authorised Service must be easy.</p>
<b>Guide for appointment process</b>	<p>As there are several phases to cover during setting of the appointment, it is recommended for the person in charge of this function to have a guide and to follow it so as not to forget any aspect (you will find the proposed guide for setting up the appointments in Annexe 1).</p>
<b>Accessing the database</b>	<p>In order to be able to provide a personalised attention to the customer asking for an appointment, you should be able to access the database directly where the historic registry of jobs is, while attending the customer.</p> <p>This is how you can avoid asking again for data which we already have, which only need to be confirmed. Also, this is a way of detecting whether it is a repeat job, even if the customer does not mention it.</p>



<b>Workshop planning</b>	<p>It can be a more or less complicated computer programme, or as an extreme, even a manual process. However, when it comes to setting an appointment it should be known what the situation is regarding workshop availability so as to know when there are resources available to which assign new jobs.</p> <p>The planning must be permanently updated, both for resources (registrations, removals, permits, etc.) and for work loads, immediately including the ones for each agreed appointment, especially for:</p> <ul style="list-style-type: none"><li>- Recall campaigns.</li><li>- Repeat repairs.</li><li>- Promotional campaigns.</li></ul>
<b>Reception Agenda</b>	<p>Correct programming of a date does not only affect the workshop resources but also the Service Advisers who have to carry out the reception and further vehicle hand-over.</p> <p>The average time for reception according to the standards in effect is 15 to 20 minutes.</p> <p>Once availability of workshop resources has been confirmed, Adviser availability, the sooner the better, has to be found with a margin for possible delays (it is recommended 1 hour before).</p> <p>Availability of Advisers must be controlled in this document (whether computerised or not), which must be permanently updated.</p>



## 2. Preparing the appointment

Data retrieved during the setting up of the appointment can (and must) be used in such a way that the further processes of Reception and Job on the vehicle are done in an agile way and without problems.

If the Service Adviser has these data beforehand, he can liberate time at reception so as to reinforce is advising and selling task.

Also, if the information provided by the customer about the job allows it, the Adviser can confirm stock availability of parts needed or get provisioning in order to avoid delays and dead times.

Finally, the customer's perception will be very positive if, when carrying out the reception process the Service Adviser shows he is aware of his case, of the jobs and services he wants and even about his service history.

### 2.1 Customer expectations

Even though the customer's expectations take shape when he arrives at the reception, many of them are attended during this preparatory process. for instance, that his records are known, that they know what he indicated when setting up the appointment, that there is no problem to carry out the job, that what was offered when setting the appointment is still in effect, etc.

The customer also takes for granted that if there is any circumstance difficulting the reception and job as planned he will be immediately informed about it so that he does not have to drive to the Service for nothing, and that new alternatives will be offered to him.

### 2.2 Process development

During the job preparation process, prior to the programmed reception, the following actions take place:

<b>Appointments consultation</b>	<p>With enough time in advance the Service Adviser must access the information about the programmed appointments.</p> <p>As well as serving for planning his work, he can obtain useful information for correct actions (for instance: repeat job, courtesy car, etc.).</p>
<b>Consultation about campaigns</b>	<p>You must always consult in the ELSA "Vehicle individual indications" section, whether the vehicle's VIN is included in any field campaign established by the manufacturer.</p> <p>If this is the case, add the jobs to the appointment jobs, for correct workshop programming.</p>
<b>Customer/vehicle records</b>	<p>It is very useful to consult the vehicle's historic record in order to confirm the times and mileage (km) between jobs, possible repeat jobs, warranty and goodwill to be applied, etc.</p> <p>Consultation per customer provides other information which is also useful at reception, such as prior or simultaneous vehicles' ownership, for how long he has been a customer, other personal data included, etc.</p>



<b>Technical solutions consultation</b>	If the information included in the appointments agenda is explicit enough, you should consult in ELSA or DISS the possible causes for the problem described and the existing Technical Product Information (TPI) so that there is some advanced information about the diagnosis and prescription available prior to the reception
<b>Confirming resources</b>	With time enough to notify the customer about any possible change, confirm availability of the necessary own resources for the job, both materials (parts, equipment, and courtesy car) and human (adequately qualified technicians) as well as any possible external services.
<b>Notifying changes</b>	If, as a result of the previous activity it is deemed necessary to introduce some change to what was previously agreed with the customer, it is very important to let him know immediately, apologise, explain the reasons for the change, and offer new alternatives.
<b>Appointment reminder</b>	If you have enough means it is recommended to remind the customers with some hours in advance about their appointment. This is how the faults and delays at reception are reduced.
<b>Preparing documents</b>	If the job required by the customer includes an Inspection and Maintenance Service, consult the "Additional tasks" in ELSA and print it out if necessary.

### 2.3 Requirements for preparing the appointment

To carry out in a more agile and efficient way the tasks involved in the Job Preparation process, you need some resources which are listed in this section.

However, it must be recognised that the need for them is less evident for small structures with less staff and activity.

<b>Service Adviser</b>	It seems obvious to say that for this process to be carried out it is necessary to have a Service Adviser.  The reason for including him in the list is to highlight that it is not enough to have this profile. It is very important that the number of Service Advisers is enough to describe the activities described, as well as the rest of the functions assigned.
<b>Appointments agenda</b>	It must serve as a guide for the process of setting up the appointment and collect the information obtained at them.  The appointments agenda has to be computerised and on-line, so that any Service Adviser can access the necessary information.





<b>Elsa</b>	<p>From this computer application developed by the Brand, it is possible to access a wide range of information related with the service activity.</p> <p>For instance, you can consult whether the vehicle is included in any manufacturer campaign, and if so, which is the job to be carried out. It also allows access to the Dealer Information Service System (DISS) and to the Technical Product Information (TPI) documents.</p> <p>The Service Adviser therefore needs rapid access to this program.</p>
<b>Historic record of the vehicle</b>	<p>It has to be a computer based information easy to access by the Service Adviser in order to consult the records of the vehicle and the customer.</p>
<b>Workshop planning</b>	<p>It is necessary to consult the workshop planning during this process in order to confirm the programming of the job and the validity of the appointment agreed.</p>
<b>Information in the net</b>	<p>The Service Adviser must have the necessary resources for:</p> <ul style="list-style-type: none"> <li>- Establishing telephone contact with other areas.</li> <li>- Consulting and modifying the appointments agenda.</li> <li>- Consulting availability of direct labour.</li> <li>- Consulting original parts availability.</li> </ul>



### 3. Reception and filling in the Repair Order

If setting up the appointment is the first contact of the customer with the Authorised Service, during the Reception process the first face-to-face and direct meeting between the customer and the person in charge of "his case" takes place.

It is true that whatever way the setting of the appointment has been handled this might have generated a positive or negative approach in the customer when it comes to arriving for reception. However, it is what actually happens in this process which has a higher influence on his attitude and what makes him trust in us, which is a basic condition for achieving satisfaction and loyalty.

These circumstances make the Reception process the most important of all the Service Cycle processes, obviously clearly stating that the result of the repair job is the key condition of the service goal.

#### 3.1 Customer expectations

The basic expectations of a customer arriving at the Authorised SEAT Service for the reception of his car are described below.

<b>Ease of access</b>	<p>It has two parts: how to get to the Authorised Service, and once there, where to park the car and where to go to be attended.</p> <p>The first part will only worry the customer who has not been there before. In any case, during the process of setting the appointment the adequate directions should have been given if it is a new customer or if there are circumstances affecting the normal situation (work, change of direction, etc.)</p> <p>Once at the Authorised Service installations, signalling and location of the various zones must make it easy for the customer to access and park.</p>
<b>Contact without having to wait</b>	<p>If the customer arrives on time as appointed, it is only logical that he expects to be attended without having to wait.</p> <p>If waiting is unavoidable, the customer must be informed on arrival, explain to him the reasons and apologise for it.</p> <p>Try and make the waiting time as comfortable and entertaining as possible (comfortable room, press, TV, coffee, etc.).</p>
<b>Exclusive dedication</b>	<p>Once the client is being attended by the Service Advisor, expects to receive his full attention, with no interruptions, calls or distractions.</p> <p>This is one of the reasons for insisting that Advisers do not receive calls while attending a client, and why should there be support staff to do so.</p>
<b>Interest in understanding and attending</b>	<p>All customers like feeling that the person they are talking to is interested in listening and understanding what they are saying, and in attending and solving their case.</p> <p>This is one of the aspects with a higher influence in the opinion of the customer about the service received.</p>



<p><b>Clear and professional explanation</b></p>	<p>The customer wants to be looked after by a professional who can diagnose with accuracy and recommend the most efficient job.</p> <p>Such a professional knowledge must be transmitted in such a way that the customer can understand it. But, watch out! the level of automotive knowledge can vary greatly from one customer to another.</p> <p>It is recommended to start at a very basic level, but being attentive to the customer's attitude. If he shows certain knowledge, the technical level used should be increased so that the customer does not feel offended. However, let the customer know that if any of the comments is not clear to say so in order to explain it better.</p>
<p><b>Agreement about the job</b></p>	<p>It is important for the customer to agree with the job to be done on his car.</p> <p>Regarding this aspect, it must be insisted on the fact that the Service Adviser informs, explains, gives his opinion and recommends what he believes to be most adequate for solving the problem. But who decides the job to be done, is the customer.</p> <p>This is how it should be told to him so that he understands the advising function of the person he is speaking to and does not feel under pressure.</p> <p>If the customer considers that the Adviser is acting with knowledge and sincerely, he will rely on him and will agree with his suggestions.</p> <p>Make sure that the customer is really convinced about the convenience of the job to be done; this will prevent misunderstandings when presenting him with the bill.</p>
<p><b>Complete information</b></p>	<p>Customers always expect a convincing and complete explanation of everything related with assistance to his vehicle. Why did it happen, how is it resolved, what will be done, how much can it cost, what alternatives are there, etc.?</p> <p>It is particularly important for this information to include a job cost estimate as precise as possible.</p> <p>This information must be given to the customer in written form, although sometimes there might be open aspects which can only be specified when certain components are removed.</p> <p>Acknowledging and accepting the budget implies automatic acceptance of the invoice, as long as they match each other.</p> <p>If during the job, it is necessary to carry out some further job or use material which has not been included in the budget, the customer must be informed about it before proceeding, so that he accepts it.</p>
<p><b>Compliance with what was offered at he appointment</b></p>	<p>Any circumstance or detail offered to the customer when setting the appointment (courtesy car, date of delivery, reception by a specific Adviser, parking space booking, or anything else) is a commitment that the customer obviously expects when he arrives to the vehicle reception.</p> <p>If any of these aspects does not coincide with what was offered to the customer, give the customer the required explanations and apologise for it.</p>





### 3.2 Process Development

For better understanding of the different phases and activities that must follow each other in this important and complex process, two blocks have been established:

1. **PRE-RECEPTION PROCESS**
2. **RECEPTION PROCESS**

#### a. Pre-reception process

The **pre-reception process** starts the moment the customer arrives at the Authorised Service and continues until he is attended by a Service Adviser for the vehicle reception. It includes therefore, situations prior to the actual reception; this is why it is called Pre-reception.

At the Pre-reception stage, the customer is welcomed on arrival and directed towards the Welcome Desk, the SEAT Reception Area or the SEAT Customer Parking.

<b>Reception</b>	The person in charge of pre-reception (depending on the cases it can be the person at the telephone switchboard or at the information desk) greets the customer and welcomes him showing an interest in attending him.
<b>Confirming the appointment</b>	Ask the customer for his name or vehicle registration plate number to confirm that he is in the list of programmed appointments, and then conform with the customer the agreed time.
<b>Checking the situation</b>	By consulting the planning of receptions and handovers, you can check whether the appointment has been previously assigned to the customer is available at the agreed time.  If this is not the case, and there is another Adviser available, change the prior assignment to avoid the customer having to wait.
<b>Customer information</b>	Once the situation is clear, inform the customer about the estimated waiting time, the Adviser who will look after him, where to wait, the facilities available (press, TV, coffee, etc.) and how he will be called or met for reception.  If there is an information panel in the customer area, you have to update it.



**b. Reception process**

The **reception process** starts when the Service Adviser addresses the customer to attend him and ends when he says goodbye after agreeing the job and the date and time for collecting the car, and if necessary, the courtesy car.

<p><b>Welcome</b></p>	<p>As soon as he is ready for looking after him, the Service Adviser meets the customer at the waiting area and addresses him by his surname if he knows it from the available documents. He introduces himself by name and surname, and mentions that he is very pleased to look after him. He shows him along to his workdesk.</p> <p>If there has been any delay, apologises and explains the reason.</p>
<p><b>Data collection and preparing the documents</b></p>	<p>Data available must be confirmed with the customer. Both regarding the vehicle and the customer (address, ways of contact) as well as what is included in the appointments agenda about the job required.</p> <p>If there was no previous appointment set or if the data available is incomplete get them at that time.</p> <p>In the previous process, the "visual inspection of the vehicle at Reception" can be prepared, as well as, if it is an Inspection and Maintenance Service, the one obtained from ELSA: "Additional tasks".</p> <p>If this has not been the case because of it being a customer without an appointment, or because of any other circumstance, make sure you now get the "Additional tasks" document from ELSA and complete the heading of the "Visual vehicle inspection at Reception" printout.</p>
<p><b>Active listening</b></p>	<p>It is a very important phase. As soon as the data have been collected, the Service Adviser must prepare to listen to what the customer has to say, showing an interest in what he is saying and asking for explanations or additional information in order to make sure he has understood him correctly. It is advisable to take notes of the different approach in order to take them into account when inspecting the car and drawing up the Repair Order.</p> <p>The Service Adviser should not be interrupted or distracted in any of the reception process phases with other issues, but especially in this phase.</p>
<p><b>Vehicle Inspection</b></p>	<p>When the customer has finished explaining, invite him to come up to the car and check the state of the different items and the indications made by the customer.</p> <p>This inspection must be done at the Dialogue Reception work-bay and with a lift available. If the customer has parked the vehicle in another area, the Service Adviser shall pick it up and place it at the Dialogue Reception work-bay. He will take with him the "Visual inspection checklist" print out and the notes he has taken from the customer explanations.</p> <p>Correct visual inspection and the aspect to be checked in the different job positions are detailed in the "Procedure and contents of the visual inspection at reception" document.</p> <p>If the type of fault to detect and diagnose allows it (steering, brakes, vibrations, noise, etc.) carry out a drive test of the vehicle with the customer in the passenger seat.</p>



<b>Setting the protections</b>	Once the visual inspection of the car has been done (and the test drive if necessary) and the customer's intention of leaving the car to be repaired confirmed, before going back to the desk with the customer, all the protections have to be put in place in front of the customer (driver's seat, shift lever knob, steering wheels, handbrake and mats).
<b>Collecting documents</b>	Ask the customer to hand in all the items that might be needed to work on the car: maintenance book, driving license, radio code, wheels anti-theft key, etc.)
<b>Opening the Repair Order</b>	<p>The Service Adviser, based on what has been observed on the vehicle and on the indications of the ELSA document "Additional tasks" (if it is a maintenance inspection), explains to the customer the jobs he recommends and agrees with him the job to be done, which he states in the repair order.</p> <p>This is the right moment to suggest to the customer to install certain accessories and to contract certain services, based on the priorities and likes of the customer and on the state of the vehicle.</p> <p>Any faults detected on the vehicle which the customer does not want to repair have to be noted down on the remarks section.</p> <p>If the customer does not want an estimate or if he is contented with a verbal guidance, he must sign the RO box where he clearly states that he does not want an estimate.</p> <p>If the customer wants an estimate, proceed as stated in the next point.</p> <p>Once the Order has been completed hand over to the customer the third copy signed by the Service Adviser</p>
<b>Budget estimation</b>	<p>Unless the customer waives his right to a budget estimate on the RO, it is mandatory to hand him a written estimate, using for it a specific document which the customer has to sign in agreement so that the jobs can be carried out.</p> <p>When the job to be done is properly defined as to know the jobs to be done with their times and materials to be used, the customer can be given a final estimate.</p> <p>If knowing these data entails to carry out certain check-ups or removals, hand over to the customer the estimate for these necessary previous jobs for an overall evaluation of the job needed. This circumstance (prior jobs needed for further estimate) must be clearly stated on the estimate document handed over to the customer for signing.</p> <p>When the estimate for the job planned has been carried out, it has to be approved by the customer (it is recommended to use the e-mail or fax so that there is proof of it registered without the customer having to come to the Authorised Service).</p> <p>If the customer decides not to go ahead with the job, he must pay the amount (approved by him) for the jobs done to prepare the estimate. The budget estimate document must also include the customer and vehicle data, a list of the jobs and materials included, with the amount for each of them.</p> <p>It must be clearly stated whether the budget includes or not the tax to be applied to the invoice.</p> <p>When preparing the budget estimates, special care must be taken to avoid as far as possible that the real amount is more than what has been estimated. Should this happen, explain the reasons to the customer and if possible ask for prior consent.</p> <p>As a document for estimates the same document as the one for the invoices can be used, making sure that the number and reference are independent, that their budget estimate nature is clear and that it includes a paragraph with the budget validity period from the date (two or three weeks maximum).</p>



<b>Programming delivery</b>	<p>Once the job has been agreed, the Service Adviser will confirm the planning to carry it out and will indicate the customer from what time can he collect his car, making sure there is enough room for possible deviations and for carrying out the "Job control Preparing for hand-over".</p> <p>If there are means available for it, offer the customer the possibility of contacting him when the car is ready, by phone or by e-mail.</p>
<b>Mobility</b>	<p>If when setting up the appointment, the customer indicated that he wanted a courtesy car accompany the customer to the car (which has been prepared beforehand) and hand over whatever documents are necessary. If he doesn't want a courtesy car you should offer him to call a taxi or direct him to the closest public transport.</p>
<b>Farewell</b>	<p>When seeing the customer off thank him for trusting his vehicle's care to us and remind him of the date and time for collecting it.</p> <p>Make sure that he gets: a copy of the Repair Order, copy of the budget estimate (if so) and the original "Reception vehicle visual inspection" printout. All these documents have to be signed by the Service Adviser.</p> <p>The original or the repair order and of the budget estimate, if applicable, and the copy of the visual inspection will remain at reception, all of them signed by the customer</p>
<b>Vehicle removal</b>	<p>The vehicle has to be taken to the waiting area until work starts on it. The place where it is parked must be indicated on the Repair Order to make it easily found by the technician assigned.</p>
<b>Transferring documents to the workshop</b>	<p>If it is an Inspection and Maintenance Service, the Service Adviser must complete the relevant ELSA forms: Visual inspection (based on the reception vehicle visual inspection printout), maintenance list and additional tasks.</p>

### 3.3 Reception process requirements

To carry out the Reception process actions in an agile and efficient way, it is recommended to have some of the resources listed in this section available. Although they are not mandatory and absolutely necessary, the result of the process can be seriously limited if you do not have them.

<b>Access and parking</b>	<p>Both accesses, to the Authorised Service and to the customer parking area, have to be properly signalled and have the proper dimensions in order to provide the maximum comfort as possible. SEAT customer parking spaces must be specific and identified as SEAT.</p>
<b>Pre-receptionist</b>	<p>In some cases it is necessary to meet the customer and direct him where he needs to go. This function is carried out by the Pre-receptionist.</p> <p>Except for large volume services, the pre-reception function does not require another staff member; it is actually an existing employee who will make this task compatible with other administrative tasks.</p>





<b>Appointments agenda</b>	In order to provide the arriving customer with complete information and also introduce the arrival data into the system, the pre-receptionist must have a computer terminal with access to the Appointments Agenda.
<b>Information panel</b>	Placed at the customers waiting area and connected to the Appointments Agenda, it shows the list of programmed appointments and the customer names, the Adviser assigned to each and an estimated waiting time.
<b>Service Adviser</b>	<p>The main feature for the reception process is the Service Adviser. Two basic characteristics must be part of his profile: technical knowledge and communication skills (kindness, reasoning, service attitude, etc.)</p> <p>Also, such a resource, as any other, must be available in a balanced amount proportional to the volume of work and/or according to the manufacturer's requirements.</p>
<b>Reception workplace</b>	<p>The Service Adviser workplace must be comfortable for the customers. It is not necessary for it to be isolated, but it should be in an area that allows for a quiet conversation (little movement and little noise).</p> <p>As well as the Adviser's workplace, the Dialogue Reception work-bay must have a lift in order to inspect the vehicle according to the Brand's standards.</p>
<b>Agenda and planning</b>	<p>Receptions are scheduled when taking the appointment. Then, during the reception itself workshop jobs are planned and delivery of the vehicle is programmed. Therefore, both the meeting agenda as workshop planning should be considered resources for carrying out the reception process.</p> <p>Having a computer program to support both the handling of appointments and the assigning of workshop jobs is the ideal situation.</p>
<b>Computer terminal</b>	As well as access to the Authorised Service computer system (DMS) for consulting in the database the customer records and the status of the appointments and the workshop jobs programming, the reception computer terminal should be able to connect to the systems developed by the Brand (ELSA and DISS) for sending information about the vehicle faults, for consulting technical solutions available (TPL) and for printing out the "Visual inspection", "Additional tasks" y "Maintenance list" documents if it is a maintenance inspection.
<b>Print-out and hand-board</b>	<p>To carry out the vehicle inspection according to standards, the Service Adviser must have the "Visual inspection checklist" printout.</p> <p>And to complete it and write down any possible remarks while standing by the car it is recommended that he uses a hand-board to lean on.</p>
<b>Telephone systems</b>	<p>From the workplace where the reception is being carried out, there must be easy telephone access to the other posts involved in the process: appointments, original parts, workshop, Service Responsible, etc.</p> <p>It is very important to be able to block the phone to any incoming calls while looking after a customer.</p>



### 3.4 The Repair Order

This specific point is for the Repair Order, due to its crucial importance in the Service Cycle, where it has several functions in the processes of reception, vehicle job, job control, invoicing and hand-over.

<p><b>Functions</b></p>	<p>The most important functions of the Repair Order are:</p> <ul style="list-style-type: none"> <li>- It includes the agreement between the customer and the Authorised Service regarding the job to be done, and has contractual value once signed by the customer and the Service Adviser.</li> <li>- It provides information for the necessary jobs to be programmed and carried out in the workshop.</li> <li>- It is the basis for the delivery note of the materials used, with the necessary detail required for the invoice to the customer.</li> <li>- It is a database that allows carrying out different analysis about the workshop activity through the I.T. system of the Authorised Service (DMS).</li> </ul>
<p><b>Recipients</b></p>	<ul style="list-style-type: none"> <li>- The original document (sheet 1) with the customer's signature and the first copy (sheet 2) remain at the Authorised Service. (If the customer does not sign to reject the budget estimate, together with these two copies of the RO a copy of the budget estimate handed over to the customer has to be filed)</li> <li>- The second copy (sheet 3) is to be handed over to the customer at the reception. It has to be signed by the Service Adviser</li> <li>- As well as documenting the contractual agreement for the job, it serves the customer as a "proof of deposit" of his vehicle.</li> <li>- Sheet 4 is sent to the workshop, which shall act according to the information contained, regarding both the job to be done and possible hand-over commitments.</li> </ul> <p>Generally, this same sheet ("cardboard") is used for registering the technician's times, warranty jobs, and additional tasks not included in the RO.</p> <p><b>To be adjusted considering local legislation.</b></p>



### Contents and completion

The document used as Repair Order must have several spaces available for including the following contents:

#### General data

- Workshop and customer identification (personal data, address and phone number, just in case the order needs to be extended or the hand-over date changed).
- Vehicle identification (VIN, registration plate, model/type, date of hand over, mileage (km), type of warranties, etc.)
- Order identification (order no., date of repair ...).

#### Job instructions

The service Adviser must include as exactly as possible the customer's comments regarding the fault and the job required. If the Adviser is able to know for sure, either from observing the vehicle or from the customer's comments, the jobs to be done, he can list them in this information block.

He can also list the parts to be replaced when they are obvious.

#### Various information

The Repair Order must have spaces available for:

- Describing possible damages the vehicle has at reception and which are not going to be repaired (scratches, bumps, cracks on lamps, blown off bulbs, spots, etc.)
- Description of functional faults the customer decides not to repair (particularly if they can affect safety or driving regulations).
- Description of the necessary jobs detected during the job the customer authorises to be repaired
- Date committed for vehicle hand-over (if it cannot be clearly estimated, notify the customer by phone or e-mail of when it can be done).
- Special circumstances: repeat job, claim repair, job under contractual warranty in effect.
- Customer signature rejecting the budget estimate, under the text "I hereby authorise the described repairs without a budget estimate, as well as any test that might be needed in this regard. I declare conformity with the conditions indicated in this current document. Customer Signature."
- Signature of the customer who does not reject the budget estimate, under the text: "I hereby authorise the described jobs, according to the amounts included in the budget estimate... (reference). I declare conformity with the conditions indicated in this current document". "

At the foot of the document there must be -even if in small print- texts regarding the repair warranty, the deposit responsibilities and confidentiality of use of data. These texts must adjust to the particular legislation in effect in each country.

In case of subcontracted works, it might be necessary to inform the client that the vehicle could be repaired at some other dealer (to be determined according to Russian legislation).

**To be adjusted considering local legislation.**



	<p><b>Warranty repairs</b></p> <p>Descriptions of the warranty repairs submitted by SAGA. They must include all the data required by this procedure. This information can be included at the rear of sheet 4 ("cardboard") or in a separate document.</p> <p><b>Jobs control</b></p> <p>Generally included at the back of sheet 4 ("cardboard"). It includes the times utilised in the jobs carried out on the car, per technician implied (see next process: Job on the vehicle). This control should be always carried out on a computer, if the proper programs are available.</p>
<p><b>Other types of Repair Order</b></p>	<p><b>Internal order</b></p> <p>An internal job order (I) is opened every time the workshop has to provide services to other departments/budgetary centres in the company. It also account for the productive orders such as the customer order, as the workshop also obtains benefits by charging the budgetary centre of the department ordering the job.</p> <p><b>Workshop order</b></p> <p>Workshop orders are jobs for the workshop itself, such as:</p> <p>W1 = Own workshop (Workshop to workshop)</p> <p>W4 = Finish-off jobs.</p> <p>Unlike the K, G and I orders, the workshop orders (W) are not productive and do not provide any earnings from labour; therefore they should be limited to the unavoidable minimum.</p> <p><b>Permanent order</b></p> <p>For frequently repeated orders from the same ordering or budgetary centre, it is recommended to open permanent working orders to be invoiced on a monthly basis. This is applicable both to productive and non-productive orders. For obvious reasons non-productive jobs (finishing-off) must always be okayed by the Workshop Manager.</p> <p>The permanent job orders, of which small quantities are needed, can be produced with the help of the original attached for copying.</p>





#### 4. Vehicle Repair Job

Correct development of this process is the most determining factor for customer satisfaction with the product and the service, or, in other words, with the brand SEAT.

The process of working on the car starts when the reception process ends and the Service Adviser has completed all the additional documents to the repair order.

This process ends when the technician finishing the job closes the repair order and the vehicle is ready for the "job control and preparing for hand-over".

If during the job process, and due to special reasons, such as lack of material, pending material, etc, the customer removes the car temporarily from the Authorised Service without the Repair Order being closed, the reason for this and the date must be indicated on the Repair Order.

##### 4.1 Customer expectations

Even when in this process there is no direct action by the customer, his main expectations when coming to collect the vehicle will be satisfied or not, depending on how the job has been carried out, both regarding efficiency and deadlines and costs.

Customer expectations regarding the job on the vehicle can be summarised as follows:

<b>Job adjusted to what was agreed</b>	<p>During the reception the customer has reached an agreement about the job to be done on his car and wants it to meet what was agreed, meaning that everything agreed at reception is done to the car, and only what was agreed.</p> <p>Otherwise he will loose trust in the technical capacity of the Service Adviser or in the Authorised Service's transparency of actions.</p>
<b>Quality work</b>	<p>All customers want and demand their car to be handled according to the procedures and standards established by the Brand, with the proper technical means and professional skill. They also demand their vehicles to be handled with care. With the necessary precautions so as not to cause any aesthetic or functional problem.</p> <p><b>It is this set of circumstances that define a quality job.</b></p> <p>It is important that any problem the car might show at reception is made clear to the customer and that he is asked whether he wants it resolved. If this is not the case, this circumstance must be included in the repair order and later in the invoice.</p>
<b>Effective result</b>	<p>The quality of the job must result in an effective outcome that guarantees eliminating the problems or adequate vehicle maintenance.</p> <p>For this, there is plenty of support from the Brand, both regarding tools and equipment to be used, and methods to be followed, providing solutions to technical problems (TPI) and permitting, when necessary direct consultation to the Technical Centre.</p> <p>For the effective customer repair expectation to come through, it is very important that the quality controls established by SEAT are carried out; these are described in the next process.</p>



<b>Compliance with commitments</b>	<p>After the expectation of his vehicle being properly handled and put back into perfect condition, customers give great importance to the fact of the agreements, commitments and offers made in the processes prior to the job on the car being ratified and respected during the job process, so that the terms and the results of the jobs carried out and the costs correspond to the agreements.</p> <p>If for any reason, any of these aspects were to vary regarding the agreed, such a circumstance should be notified to the customer as soon as possible, informing him about the causes, reasoning them, apologising and asking for conformity for the new jobs, costs or terms, that have to be made clear to him, and giving him options if any.</p>
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**4.2 Job Process development**

<b>State of the workplace</b>	<ol style="list-style-type: none"> <li>1. The technician shall make sure his work bay is available for access with the vehicle, and check for proper order and cleanliness, both of the work bay and of his own tools and equipment.</li> <li>2. If any of the above conditions do not comply, make sure the correct conditions apply before starting to repair the vehicle.</li> <li>3. The technician shall make sure that the clothing and shoes he is wearing are the ones indicated by the brand and that they are in good condition and clean, before making contact with the vehicle.</li> </ol>
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<b>Collecting the Repair Order and the Vehicle</b>	<ol style="list-style-type: none"> <li>1. The technician collects the repair order from the workshop planning pigeon box, and respects the assignment order indicated by the planner.</li> <li>2. The technician starts the clocking-in process electronically in the DMS or mechanically in the Repair Order and on the daily file.</li> <li>3. Spot the car by its identification number (triangle, card, registration plate, etc.) and move to the technicians work bay.</li> <li>4. In the work bay check the state of the car (if the state of the car does not correspond to the damage form, communicate to the Workshop Responsible or to the Adviser), check correct vehicle identification (in the repair order): colour, model, V.I.N., engine type, gearbox, type of warranty -if applicable-, or any other issues (renting, taxi, etc.), in order to find and provide all the necessary information correctly.</li> <li>5. The technician must make sure that the vehicle is properly protected: Protective covers for the seats, steering wheel and shift lever knob protection, foot mats, wing protections for the working areas and any other item which is considered to be necessary for protecting both the interior and exterior of the vehicle. If the state of vehicle protection is not correct, inform the Workshop Responsible or the Adviser</li> </ol>
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<p><b>Diagnosis</b></p>	<ol style="list-style-type: none"> <li>1. This phase is not necessary if both the diagnosis carried out at reception and the process for the jobs to be done, are correct, clear and specific. In this case it would be the inspection and maintenance services or the parts replacement, on customer demand: wiper blades, blown-off bulbs, etc.</li> <li>2. If the fault or the way to resolve it have not been fully determined, it is necessary for the technician to whom the job was assigned or some "SEAT MASTER TECHNICIAN" to check whatever needs to be checked in order to be completely sure of the jobs to be done, using the technical means available (tools and equipment), the TPIs developed by the brand available in the ELSA and DISS applications, as well as any other technical literature available in the Service (self-study programmes, technical circulars, etc.)</li> <li>3. We shall begin by carrying out a visual inspection of the elements that might be affected by the claim; any time diagnosable parts or systems with diagnosable control units might be involved, a guided fault finding should be carried out to start with the diagnosis and then carry out the diagnosis tests indicated by the VAS 505X until the fault is resolved. You must save in electronic format the list of faults, the diagnosis tests and all the settings and confirmations carried out with the VAS, for further consultation, printing, handing over to customers, or sending to different SEAT departments that might ask for them.</li> <li>4. When the fault cannot be diagnosed with the VAS 505X, carry out the tests and confirmations indicated in the ELSA manuals, TPIs, or whatever ones are necessary, until you find the fault.</li> <li>5. When it comes to noises, it is necessary to carry out a drive test in most cases, where as well as the driver the technician who is going to repair must be present, because the only way to make sure the noise claimed by the customer is eliminated is by making the technician listen to it.</li> <li>6. For parts subject to natural wear and tear the HST limits and the technical indications in effect have to be taken into account. For aesthetic claims, the possible origin of the damage should be taken into consideration.</li> <li>7. If it is not possible to find out the reason for the fault and technical help is needed, a technical consultation to the Importer's Product responsible should be carried out. If implemented, use the DISS system through ELSA, by providing all the necessary information, complete LGA, Confirmed TPIs, any previous repair that might affect, parts replaced, tests carried out, multimedia files (photos, sounds, videos). Follow the steps indicated by your product responsible, and inform about the results obtained. The jobs to be done are to be included in the repair order.</li> </ol>
<p><b>Job on the vehicle</b></p>	<ol style="list-style-type: none"> <li>1. Once we know the part or elements that need to be worked on, we proceed as instructed in the ELSA repair manuals, where the steps for removing and assembling, adaptations and measures to be taken into account are indicated.</li> <li>2. If, during this process the need of carrying out additional jobs which had not been foreseen in the prior diagnosis/petition comes up, the workshop responsible/Adviser must be informed so that he gets the customer's consent; Also, an estimate budget shall be attached should it imply a variation of the initially planned budget to the customer.</li> <li>3. To carry out the jobs on the car it is necessary to use -at least- the basic SEAT tools set and the special tools defined in the ELSA tools &amp; equipment manuals, which should be used as instructed in the ELSA repair manuals.</li> <li>4. If, after having carried out the jobs set by the diagnosis process, the fault is not resolved and technical help is required, a DISS technical consultation can be carried out through ELSA, by providing from the start all the necessary documents: complete LGA, confirmed TPIs, previous jobs that might be affecting somehow, parts replaced, tests</li> </ol>



	<p>carried out, multimedia files (photos, sounds, videos). Follow the steps indicated by your product responsible, and inform about the results obtained. The jobs to be done are to be included in the repair order.</p> <ol style="list-style-type: none"> <li>5. The jobs done are to be included by the technician who carries each job out in the repair order by marking with a V.</li> <li>6. The technician has to include the jobs done in the Repair Order.</li> <li>7. As soon as the job on the car is completed, the technician shall close the times clocking and will return the Repair Order to the planning for a new planning, quality control or completion, as required.</li> </ol>
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<b>Parts</b>	<ol style="list-style-type: none"> <li>1. The technician to whom the job has been assigned must proceed to determine -as soon as possible- the necessary parts for carrying out the job which are not already indicated in the Repair Order. This is generally done with the person who supplies the original parts to the workshop, who opens a delivery note including the following data:             <ul style="list-style-type: none"> <li>- the parts reference, including the colour code</li> <li>- the quantity needed</li> <li>- the name of the part</li> <li>- the unitary price</li> <li>- the total price in the appropriate column</li> </ul> </li> <li>2. If there is no stock of some of the parts, they need to be ordered immediately. If this might cause delays to the planned date of job completion, the Service Adviser must be informed so that he can let the customer know.</li> <li>3. Up to completion of a Repair Order, the delivery note for the materials shall remain at the materials delivery. Once the job has been completed and the final test carried out by the Service Adviser, the material delivery note shall be sent to invoicing together with the Repair Order, a copy remaining at the warehouse. The delivery order process can be computerised and integrated in the DMS.</li> <li>4. Once the original part has been replaced three different procedures are possible:             <ul style="list-style-type: none"> <li>- Returning to SEAT. Clean the part and prepare it as indicated in the HST for returning parts under warranty.</li> <li>- Returning to the customer. Clean the part and prepare it so that it does not dirty and leave it in the car -when possible- or hand it over to the adviser (do not stack up at the work bay).</li> <li>- Waste to be eliminated. Materials should be disposed of as soon as possible into the different waste containers, separately as set by the environmental standard in effect for each Service.</li> </ul> </li> </ol>
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<b>Job control and termination</b>	<ol style="list-style-type: none"> <li>1. It is absolutely necessary to control the quality of the workshop jobs in order to develop a continuous improvement process.</li> <li>2. As soon as the job is finished, the technician shall carry out a self-monitoring of the job done, making sure that all the removal and assembly jobs have been completed satisfactorily.</li> <li>3. Regardless of the job control carried out prior to the delivery process, during the job it is necessary for the Workshop Manager of Quality Control Responsible to monitor the work being carried out in the workshop in a random way by using the control programmes 01-02-03-04 and the in-service Phantom tests.</li> <li>4. The technician will make sure the rest of the car is in the same condition as when he received it (on-board literature in its right place, windows closed, controls in the right position, seats in the right position, etc.)</li> <li>5. The technician has to return the tools and equipment to their original place after cleaning them and ready for reutilisation.</li> <li>6. The technician must park the car in the parking area, without blocking out the working areas and if necessary shall clean up the work bay before starting the next job</li> </ol>
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**4.3 Vehicle job requirements**

For this process to be properly carried out as indicated, it is very important to have the following:

<b>Direct labour staff qualification</b>	<p>Correct qualification of the direct labour staff members in line with their professional knowledge and with the workshop loads, will allow assigning the jobs to the best skilled technicians to carry them out.</p> <p>Such a requirement implies the need of having a large enough staff to attend demand and a training plan for each of its members.</p>
<b>Access to technical literature</b>	<p>The workshop technicians must have the possibility of accessing, directly or through the person in charge, the technical literature the Brand makes available to the Service Network where the procedures and rules for acting are established, the technical solutions to be applied are made available and consultation to the Technical Centre is permitted, if necessary.</p> <p>Access to such information is basically done through the ELSA and DISS programs.</p>
<b>Appropriate equipment</b>	<p>The workshop must be provisioned with general and specific tools and equipment for measuring, testing and working, established by the Brand for servicing vehicles.</p>
<b>Quality control</b>	<p>It is absolutely necessary to control the quality of the workshop jobs in order to develop a continuous improvement process.</p> <p>Regardless of controlling the job carried out as a preparation for hand-over (next process) during the job the quality of what is being done must be controlled by the team responsible or leader.</p> <p>Other information about the quality of the jobs is obtained via the telephone follow-up (last process of the Service Cycle) and from some of the customer answers to the CSS (Customer Satisfaction Survey).</p>



## 5. Job control. Preparing for delivery.

As in the "Preparing the job" process the object is that the reception and further job on the car take place as agreed without any problems, in the "Job Control Preparing for hand-over" process the necessary measures are taken so that hand-over takes place as planned, with customer satisfaction.

This process begins as soon as the technician finishing the job closes the Repair Order and leaves the car in the hand-over parking zone, and ends when the Quality Responsible, Service Adviser, Service Manager or any other person depending on the structure of the Authorised Service, consider the vehicle as ready for handing over by okaying the Repair Order.

### 5.1 Customer expectations

As previously mentioned, customer expectations regarding the job on the vehicle can be summarised as follows:

- That the job matches what was agreed.
- That the job is a quality job.
- That the result is effective.
- That the agreements are complied with.

### 5.2 Process development

<b>Functional control test</b>	<p>After carrying out the job, it is important to check that the problem the car had has been resolved so that the customer does not have to come back again, which would mean a Repeat Repair. A minimum operation test has to be done in every case, even if it is a maintenance inspection. Such an operation test can vary from "pressing the control button of an electrical system" to a road drive test to check the customer's claim. See Drive Tests Procedure.</p> <p>Check the interior and exterior cleanliness as far as anything related to the workshop job is concerned, and take the necessary measures to leave it as it was before the job.</p> <p>The technician carrying out the operation test shall use the Tests and Controls Registry form, in order to document compliance with all the steps included in such control. Any operation test carried out which IS not OK must be registered in the Defects list for test drives and final controls.</p> <p>The minimum info regarding test drive should be:</p> <ul style="list-style-type: none"> <li>- Input Km.</li> <li>- Output Km.</li> <li>- Entry and departure time.</li> <li>- Previous client's authorisation.</li> <li>- Explanation of results to the client.</li> <li>- Registers of conformity of the test.</li> <li>- Responsible.</li> <li>- Date.</li> <li>- Signature.</li> </ul>
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<p><b>Controlling the job</b></p>	<p>When controlling the job, we must make sure that all aspects related with the job have been carried out correctly. Check that the jobs demanded have been completed, that the DISS has been closed -if processed-, that the TPI no. is included, if any of the technical solutions indicated in ELSA have been applied.</p> <p>Check that all required documents are included (test measuring, VAS protocols, maintenance charts, controls carried out, Repeat Repair follow-up...).</p> <p>Confirm description of the jobs done; it is advisable to check allocated times for Repeat Repairs or complex repairs, when it comes to invoicing the customer.</p> <p>The technician carrying out the operation test shall use the Tests and Controls Registry form, in order to document compliance with all the steps included in such control.</p> <p>Any operation tests carried out, which is not OK must be registered in the Defect list for test drives and final controls</p>
<p><b>Preparing for delivery</b></p>	<p>Preparing vehicle delivery to the customer is a crucial moment. Before the customer arrives, everything should be ready so that his visit is as satisfactory as possible. It is important not to leave a margin for the unexpected.</p> <p>Cross-check -against the Repair Order- compliance with the jobs demanded by the customer as well as the necessary data and permits. Make sure that all the documents required are attached.</p> <p>Visually check for correct vehicle condition. If any fault alien to the job is observed, make note of it and inform the customer and ask does he want it repaired.</p> <p>As for exterior cleanliness it is recommended to include a free wash for jobs involving a certain amount of money. However, for automatic car-wash, consult the customer as some do not use this system on their vehicles because they consider it to be aggressive.</p> <p>If the job done implies handing over any informative material, check its existence and correct completing. If there is any SEAT or Authorised Service campaign running at that moment, which includes any information or promotional support, proceed to place it in the car.</p> <p>As soon as the previous phases have been satisfactorily completed, the car has to be parked at the area assigned to deliveries, so that collecting the car is as comfortable as possible for the customer and without having to carry out difficult manoeuvres or laps. Write down on the Repair Order where the car is parked for easy locating later on.</p> <p>The Repair Order and all the attached documents shall be handed over to the person or department in charge of invoicing.</p> <p>The technician who is to Control the Job done shall use the Tests and Controls Registry form to document compliance with all the steps included in this control.</p> <p>Any operation tests carried out, which are not OK, must be registered in the Defects list for test drives and final controls.</p> <p><b>NOTE</b></p> <p>If carrying out a control 01-02-03-04, as well as the specific Job Control Process and preparing for delivery print-outs, the Quality Program 01-02-03-04 forms have to be used.</p>



### 5.3 Vehicle job requirements

To carry out this process properly, the organisation and the structure of the Authorised Service must allow having:

<p><b>Staff in charge</b></p>	<p>In the staff, there must be enough people with carrying out this process included in their functions.</p> <p>Depending on the size and the organisation, it could be the Service Advisers, the Service Managers or other people who are specifically in charge of such a task and of other aspects related to quality control.</p>
<p><b>Process duration</b></p>	<p>Planning the appointments, receptions, jobs and handovers must always take into account enough time between the job and the hand-over so that this process can be done or even any small job to eliminate any faults detected, before the customer arrives.</p> <p>If the time required for having the car ready for hand-over means having to delay hand-over, the customer must be immediately informed. If there was no time to do so and the customer arrives as planned, he must be informed about the situation and of how long the delay will be, give him the option -if it is a short period- to wait as comfortable as possible, or provide him with a courtesy car until hand-over becomes effective. In every case reason the delay for quality reasons and apologise for it. That the customer should be coming to collect the car in very short time is not excuse for not contacting him and explaining what the situation is.</p>





## 6. Invoicing. Vehicle delivery

Although getting their car back is a positive event for a customer, the fact of having to go to the Authorised Service in a working day and having to pay the invoice are unfavourable circumstances against achieving customer satisfaction.

It is quite frequently that the customer arrives to collect his car with a "defensive" attitude or at least with uncertainty: will I have to wait?, will they charge me more than expected?, will the car be in perfect condition?

Regarding the amount to pay, it is very important for the customer to have an approximate idea before he arrives to collect his car. Either from the budget estimate at reception of form further calls during the job, once the cost of the job is known.

### 6.1 Customer expectations

Here, we are exclusively referring to the customer's expectations regarding invoicing and hand-over process only.

- Proper attention
- Everything ready and without having to wait
- Everything clear and explained

<b>Proper attention</b>	Coming across contact people who are polite, kind and professional and who show an interest in attending them is a permanent customer expectation in all the Service Cycle processes where there is telephone or personal contact.
<b>Everything ready and without having to wait</b>	<p>If the customer arrives to collect his car within the agreed margins, it is logical that he expects to be "expected", meaning that everything should be ready and that he is attended without further delay.</p> <p>If waiting is unavoidable, the customer must be informed on arrival, explain to him the reasons and apologise for it.</p> <p>Try and make the waiting time as comfortable and entertaining as possible (comfortable room, press, TV, coffee, etc.).</p>
<b>Everything clear and explained</b>	<p>Customers want to be assured that the vehicle has undergone all agreed work that it was necessary to have it done, that the result has been effective and that only what has been done has been charged to him, as established in the tariffs in effect.</p> <p>Depending on the attitude of trust or mistrust and on the level of automotive knowledge, to achieve such a conviction with some customers does not require any explanation efforts, however with other customers this means providing detailed explanations about each aspect.</p> <p>It is the people who attend the customers who have to decide, based on their professionalism and experience, the level to use when attending each of them so that there are no doubts and they do not feel they are being treated as "ignorant".</p>



## 6.2 Process development

<p><b>Preparing the invoice</b></p>	<p>The person or department responsible for invoicing gets the Repair Order and attached documents from whoever has carried out the job control and the hand-over preparation.</p> <p>It is checked that all the data (times, signatures, references, etc.) have been completed and the corresponding invoice is drawn up, which must be easy to understand for the customer and include the following information:</p> <ul style="list-style-type: none"> <li>- Break down by labour and materials with a clear description of the jobs and time, as well as of the original parts units incorporated.</li> <li>- Indication of the jobs recommended to the customer and not authorised by the customer.</li> <li>- Identification of the Service Adviser who carried out the reception.</li> </ul> <p>Attach to the invoice the results issued by the control equipment used, and if it is an Inspection and maintenance, a copy of the "Visual Inspection", "Additional tasks" and "Maintenance List" documents. If the order includes warranty jobs, pass it on to the person in charge of processing them.</p> <p>Once the invoice has been prepared, and if there is a way to do so, notify the customer that the vehicle is ready for collecting.</p>
<p><b>Preparing documents</b></p>	<p>All the documents to be handed over to the customer must be available with the invoice when he arrives to collect his car: Maintenance book completed and stamped, information about warranty jobs carried out, Service Adviser business card, information about offers, services, presentations, etc., car key and any other items handed in by the customer such as the wheels anti-theft key, etc...</p>
<p><b>Pre-handover</b></p>	<p>Similarly to what was commented for the reception process, for middle sized or large reception Authorised Services, there must be a pre-handover with phases similar to pre-reception: Welcome, confirming the appointment, checking the situation, informing the customer and informing the Service Adviser.</p>
<p><b>Collecting the courtesy car (if applicable)</b></p>	<p>The Service Adviser asks the customer whether he has liked the courtesy car and collects the keys. If he comments any fault or any deficiency about the car, make a note so that it is resolved.</p> <p>Write down the mileage (km) and fuel level.</p>
<p><b>Explaining the invoice</b></p>	<p>This phase has to be carried out in all cases. It is to be done by the Service Adviser, or in order to avoid having the customer waiting, by someone else who is sufficiently qualified and able to handle customers as required. The explanation to the customer will be done as far as possible next to the car and it must cover the following aspects:</p> <ul style="list-style-type: none"> <li>- explain the jobs invoiced and how they show up on the invoice.</li> <li>- explain any warranty jobs done.</li> <li>- remind him about any jobs pending and recommend they should be done as soon as possible.</li> <li>- remind him of the next Inspection and Maintenance Service.</li> <li>- show him the parts replaced, if the customer wants.</li> <li>- inform him about other products and services from the Brand or Authorised Service that might be of interest to him.</li> </ul>



<b>Charging and handing over documents</b>	<p>This phase is generally carried out at the cashier. However, the growingly extended use of credit cards allows the Service Adviser to charge the invoice, after having explained everything to the customer in detail.</p> <p>In any case, together with the stamped invoice, the documents prepared in the second phase of this process are to be handed over to the customer.</p>
<b>Vehicle delivery</b>	<p>The Service Adviser or the employee responsible for this function shows the customer to his car and removes the protections in front of him.</p> <p>He is to be greeted farewell wishing him to enjoy the road with his car.</p>

### 6.3 Vehicle hand-over and invoicing requirements

<b>Access and parking</b>	<p>Both accesses to the Authorised Service and to the customer hand-over parking area have to be properly signalled and have the proper dimensions in order to provide the maximum comfort as possible.</p>
<b>Pre-receptionist</b>	<p>Same as for Pre-reception, there must be a person in charge of directing the customer to the right location.</p> <p>Except for large volume services, the pre-handover function does not require another staff member; it is actually an existing employee who will make this task compatible with other administrative tasks.</p>
<b>Program for invoicing</b>	<p>The Authorised SEAT Service must have in its DMS (Dealer Management System) a program for preparing invoices automatically by entering the job codes and parts references and with closed job packs for the most frequent jobs.</p>
<b>Charging systems</b>	<p>There must be charging system available to make life easier for the customer (cards, cheques, etc.) as well as the usual forgery notes detection systems.</p>



## 7. Job Follow-up

This process closes the Service Cycle that takes place with every vehicle job.

Several goals are covered by it: the customer can perceive clearly our interest in attending him, which has a positive influence on the image of the Authorised Service and contributes to maintaining customer loyalty.

It also allows detecting and handling dissatisfaction which has not been manifested by customers, which if unnoticed could mean losing customers.

Thirdly, the information obtained from the telephone follow-up allows (as well as solving specific cases) reaching conclusions about our service activity and performance and introduce any improvements needed so that we can always reach a higher degree of customer satisfaction.

### 7.1 Customer expectations

In this process, customer expectations are generated at the time of making contact with him, as the call is never announced previously. We can identify the following:

<b>Brevity</b>	<p>Currently, telephone market processes make us reject and show a "defensive" attitude towards commercial telephone calls. Also, time availability is generally small and this type of phone calls is not welcome time wise.</p> <p>When they occur it is expected and wished for them to be brief.</p>
<b>Freedom of opinion</b>	<p>Once the reason for the call is known, the customer wants to be able to express his opinions freely and for them not to be questioned or discussed.</p>
<b>Effective reaction</b>	<p>The customer needs to feel that his contributions will be taken into account; whether to effectively resolve any question he is not happy about, or to improve certain aspects of the Authorised Service's performance in the future.</p>



## 7.2 Process development

<p><b>Services selection</b></p>	<p>The process begins with the Quality Manager's selection of the jobs carried out in the workshop he is going to submit to telephone follow-up.</p> <p>Any problem repairs or those whose final result has not been possible to check, as well as the repeat jobs.</p> <p>The SEAT Service Partner shall guarantee there is always a follow-up of the workshop throughputs (excluding internal and fleet orders). The follow-up methodology to be used will depend on the type of repair , prioritizing telephone follow-up for:</p> <ul style="list-style-type: none"> <li>- "Repeat repair" jobs.</li> <li>- Problem repairs or repairs where it has not been possible to check their final result.</li> <li>- Claim customers.Contractual warranty jobs.</li> </ul> <p>This selection can be carried out daily or in weekly packs.</p>
<p><b>Establishing contact</b></p>	<p>The calls must be carried out by someone (staff member or contracted) with enough qualities and knowledge to carry out the conversations with the right tone and method and to collect data in the appropriate way.</p> <p>Contact must be made within the following week to the workshop service, ideally between 4 and 6 days after.</p> <p>It is important to make clear from the first moment which is the object of the call and that it will be a short one.</p> <p>If you cannot make contact try again and at different time. After three tries, eliminate from the selection or replace.</p>
<p><b>Data retrieval</b></p>	<p>The conversation must follow an established pattern to assure retrieving the information required in an agile and systematic way, in order to make further processes easier.</p> <p>However, to avoid the customer having the feeling of being submitted to a standard questionnaire, be flexible enough to let him carry on with whatever he wants without cutting him off to adjust to the script.</p> <p>Because the contact refers to a specific workshop job it must be documented (invoice, repair Order) and records for specific cases.</p>
<p><b>Handling dissatisfaction</b></p>	<p>If, during telephone contact, the customer comes up with any dissatisfaction that can be resolved (for instance: job result), the person carrying out the follow-up must tell the customer that he will pass on the information to the Service responsible who will contact him to deal with the issue.</p> <p>This information has to be effectively passed on to the Service Manager or person responsible for quality as soon as possible.</p> <p>Contact with the customer to provide a solution has to take place within the next 2 days after the follow-up contact.</p>



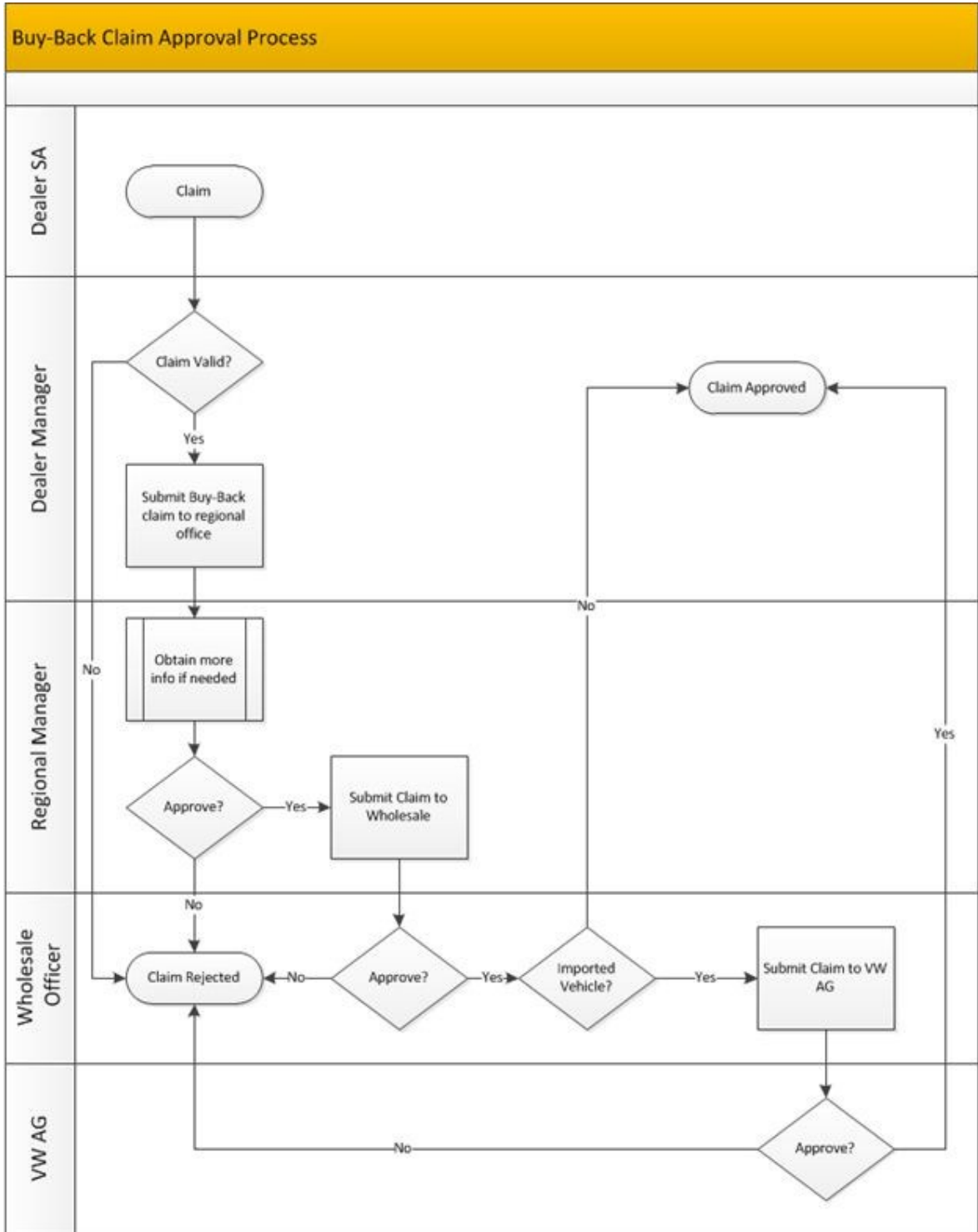


<b>Exploiting the information</b>	<p>As well as immediate handling mentioned in the previous phase for dissatisfactions that can be resolved, the information obtained from all the contact (comments, opinions and aspect evaluated) has to be retrieved to be handled at the quality meetings with the aftersales staff, as an incentive to improve if it is critics or as a motivation element if it is praises.</p> <p>It is also very useful to know the evolution experimented by each of the aspects analysed throughout time. For it, we recommend a graphic representation for every aspect, setting on the vertical axis the percentage of unfavourable opinions received every month compared to the total number of contacts carried out in that month</p>
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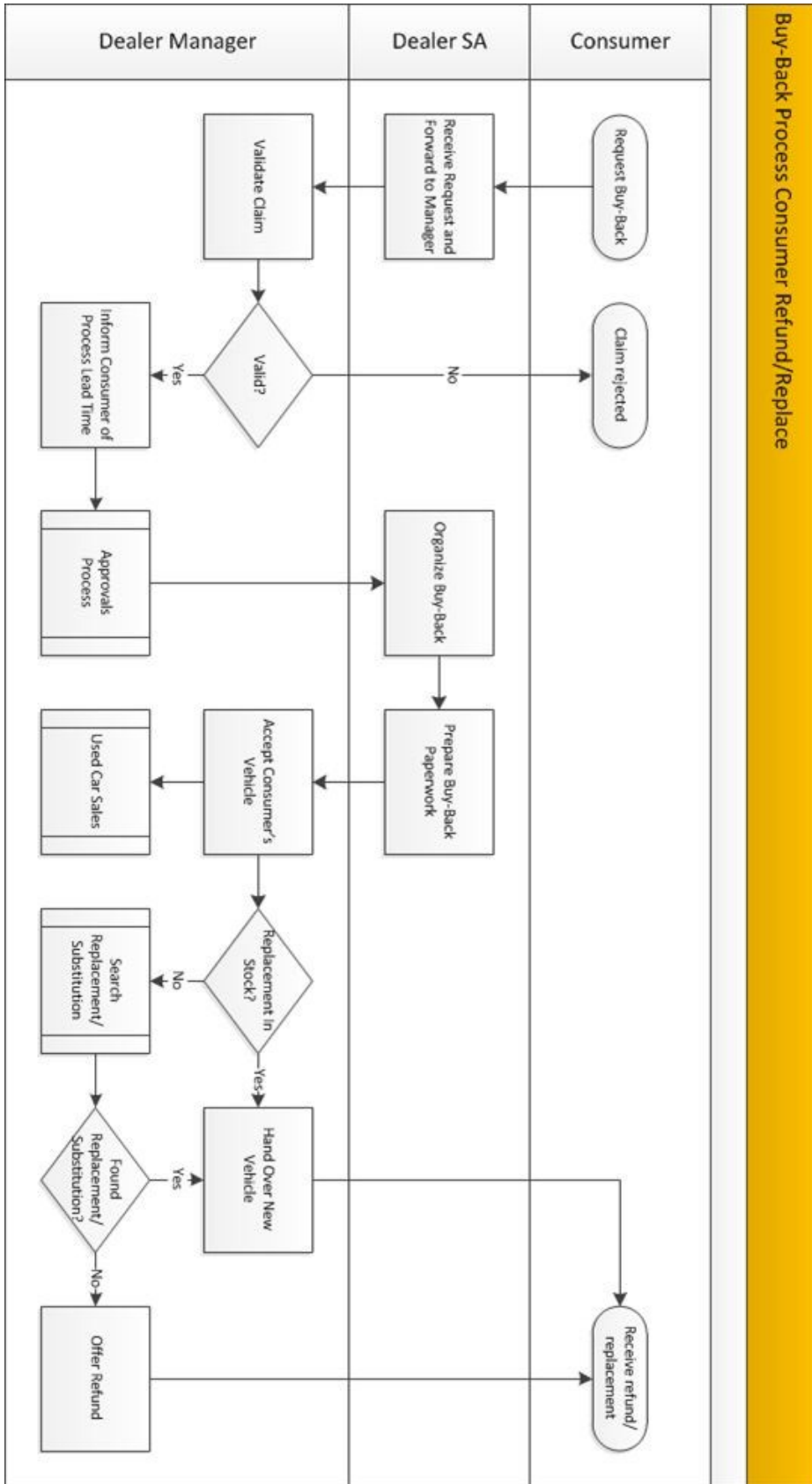
### 7.3 Telephone follow-up requirements

<b>Staff</b>	<p>For the process to be carried out according to the established criteria, it is necessary to have guaranteed the availability of persons who have to be in charge of it.</p> <p>For this reason it is considered best to contract a company or person not belonging to the staff, than part time dedication by some staff member who will have to compatibilise functions.</p>
<b>Conversation guide</b>	<p>A document is attached as a conversation guide example that responds to a telephone follow-up concept which is simple and to the point. The guide varies depending on the different aspects to be known and to the degree of detail required.</p> <p>There is also another example of guide that corresponds to a much more extensive and detailed concept about the information to retrieve.</p>
<b>Registering the results</b>	<p>There must be available a support (preferably computerised) to collect the customer answers to the telephone follow-up, which allows analysing this information in an individualised and statistical way in order to include measures for improvement an follow-up the evolution of each of the aspects to be analysed.</p> <p>Under Annexe 30 you can find a format sample for data collection and monthly evolution graphs.</p>

## Vehicle buy-back: Claim Approval Process

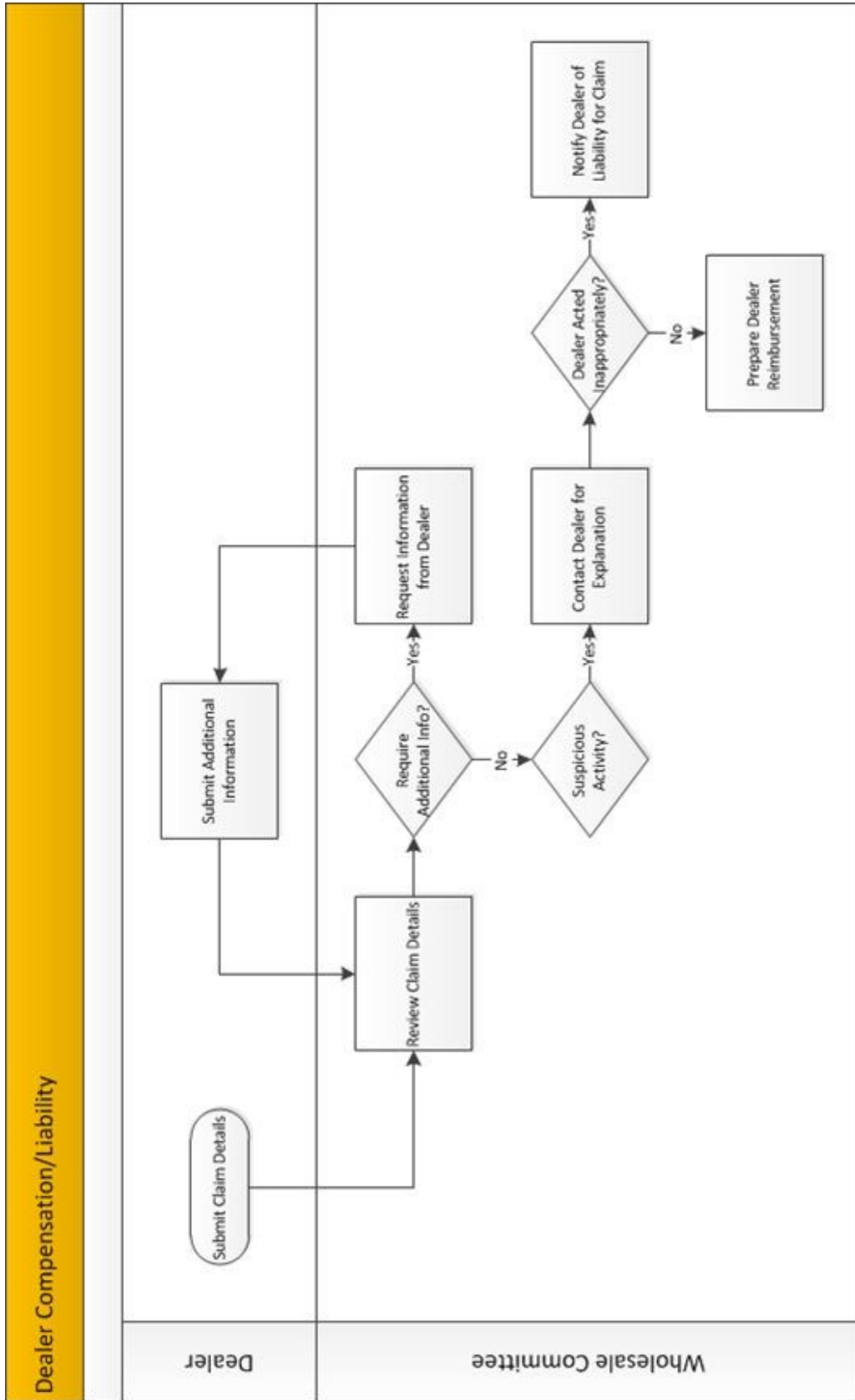


### Vehicle buy-back: Consumer Refund/ Replace Process

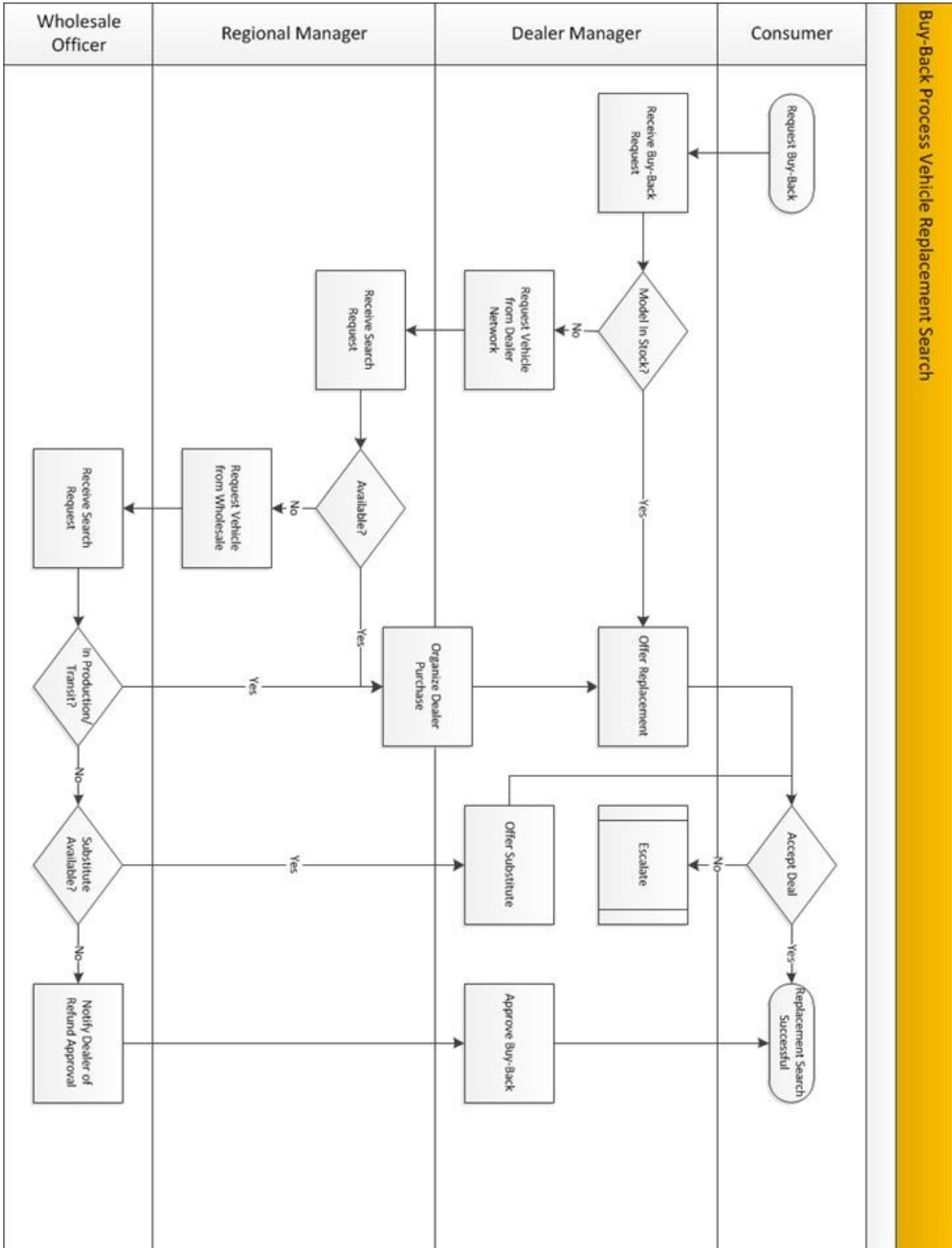




### Vehicle buy-back: Dealer Compensation



### Vehicle buy-back: Vehicle Replacement Search Process







# **Selbstständigkeitserklärung**

Hiermit erkläre ich, dass ich die vorliegende Arbeit selbstständig und nur unter Verwendung der angegebenen Literatur und Hilfsmittel angefertigt habe.

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Beijing, den 23. August 2013

Matthias Heine

