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Dedications

I dedicate this thesis to all my family and friends. To my parents Isabel and Julio, for always giving me unconditional support and always guiding me. To my brothers Mary and Osquitar, for being always there and for enjoying together the little things of life. To Rosabelle, who always gave me unconditional advice and support. To my classmates of Tricon II and MGB, for all the moments lived and shared throughout this program.



Abstract

Euromotors SA is the exclusive representative of the Volkswagen, Audi, Porsche, and SEAT brands in Peru. Founded in 1993, the company has grown in size and sophistication from an automobile importer to over one dozen concessionaires in locations around Lima engaged in the sale of vehicles, new and used cars, servicing and sale of original spare parts. Euromotors is looking at opportunities to improve its competitive position within the Peruvian automotive retail sector after a few years of declining profitability. Based on a consulting process that included both company and industry analysis, the main problem of Euromotors was defined, which is the lack of adaptability to the current market environment. This problem affects the company as a whole and prevents them from achieving their vision of understanding the customers' needs. Therefore, the goal of this proposal is to solve said problem by formulating and suggesting cost-effective solutions, founded in both qualitative and quantitative analysis.

When applied, these proposals will help improve the company's bottom line and enhance its reputation in a rapidly changing and increasingly competitive marketplace dominated, particularly at the entry-level vehicle segment, by Asian brands. The findings showed that Euromotors mainly lacked a way to track its performance and had almost no social media presence. With the proposed solution, the company will now have the capability to measure and track its performance through the use of sales KPIs. Moreover, Euromotors and its dealer, Euroshop, will be able to improve their online marketing presence, leaving a positive impression on their brands and customer service attitudes. Overall, these measures will enable the company to interact and communicate effectively with its customers, aligning it with its vision and goals, allowing the company to understand, satisfy and anticipate its customers' needs, and, most importantly, be able to adapt to changes in the external environment and consumer behaviors.

Resumen Ejecutivo

Euromotors SA es el representante exclusivo de las marcas Volkswagen, Audi, Porsche, y SEAT en el Perú. Fundada en 1993, la compañía ha logrado desarrollarse y crecer como importador y distribuidor de autos, teniendo más de una docena de concesionarios alrededor de Lima, encargados de la venta de vehículos, nuevos y usados, así como de proveer el servicio post-venta y la venta de repuestos originales. En base a un proyecto de consultoría que incluye un análisis interno y externo, se definió el principal problema de Euromotors, el cual es la falta de adaptabilidad en el mercado actual. Este afecta a toda la compañía y evita que esta logre la visión de entender las necesidades de los clientes. Dicho esto, el objetivo de las propuestas de mejora es resolver el problema formulando y sugiriendo la implementación de soluciones eficientes, fundamentadas en análisis cualitativo y cuantitativo. De ser implementadas, estas propuestas ayudarán a la compañía a mejorar su performance y sus resultados operativos, incrementando también su reputación en un mercado bastante dinámico y competitivo.

Los resultados muestran que Euromotors principalmente carecía de mecanismos para evaluar su performance, así como también una presencia en redes sociales prácticamente nula. Con las soluciones propuestas, Euromotors tendrá la capacidad de medir y evaluar su performance mediante el uso de indicadores de venta. Asimismo, la compañía y su concesionario principal, Euroshop, tendrán la posibilidad de mejorar su presencia en línea, la cual actualmente se encuentra descuidada, dejando impresiones positivas en sus marcas autorizadas y servicio al cliente. En términos generales, estas medidas permitirán a la compañía interactuar y comunicarse efectivamente con sus clientes y el público en general, alineándola con su visión y metas, permitiendo a la compañía entender, satisfacer y anticipar las necesidades de sus clientes; y más aún, adaptarse a los cambios externos de la industria y de las preferencias del consumidor.

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Chapter I: General Situation of the Organization

This chapter will discuss the general situation of the organization through a brief summary of Euromotors SA, the Peruvian automotive industry, and an in-depth external and internal analysis that outlines opportunities and threats from a macro perspective, as well as strengths and weaknesses from a micro perspective.

1.1 Company Background

Euromotors SA began its operations in 1994. Before acquiring its license to represent European automotive brands, Euromotors was a small dealer located in the southern Peruvian region of Arequipa. In 1993, the Volkswagen Group indicated to all Peruvian automotive dealers that the brand was available for representation, after the previous representative lost the rights to it. At this time, the soon-to-be-called Euromotors presented its proposal, and ultimately won the rights to represent Volkswagen and Audi's brands (Euromotors, n.d.).

Towards the beginning of its operations, Euromotors functioned only as an automotive importer. Due to the need of improving their customer service, however, the company created Euroshop in 1997, and established its first dealer concessionaire in Peru (Euroshop, n.d.). Later, Euromotors acquired the rights to represent the automotive brands, Porsche and SEAT, as well as Ducati for motorcycles. In 2008, the dealer, Automáticos y Mecánicos SA., also known as AMSA, joined Euromotors, expanding their business even more with the rights to represent Volkswagen.

Currently, between Euroshop and AMSA, Euromotors has over one dozen concessionaires in locations around Lima, including a business unit designed to sell second-hand cars called ONE. According to Euromotors, each dealer operates independently with its corresponding brands, including their core processes involving sales and services. As an importer, Euromotors shares back office and administrative activities for all the brands

available. Information pertaining to the company's organizational structure is shown in Appendix A.

1.2 Company Statements and Values

Vision

According to the company, Euromotors' vision is "to be the best in knowing, anticipating, and satisfying the customers' needs in the automotive industry."

Mission

The company indicates that it aims to achieve its vision through the following:

- Identify the customers' needs and provide them with services and vehicles that exceed their expectations.
- Continually improve our systems to make the purchasing process easier for our customers.
- Provide outstanding service, reasonable prices, and spare parts availability, in order to gain our customer's' trust and leave concerns behind with regards to their vehicle use.
- Encourage a customer service attitude and constant communication as a way to keep our customers for life.
- Continuously improve our processes to maintain our position as industry leaders.

(Euromotors, n.d.)

Values

According to Euromotors, the company considers the following values as a guideline for its day-to-day activities:

Enthusiasm. "We are enthusiasts and view the future with optimism. We quickly learn from our mistakes and do not let them affect us. We aim to turn problems into

opportunities. We work in an enthusiastic environment that is transmitted to our customers. We seek success, celebrate when it happens, and treat it as a learning experience.”

Transparency. “We are honest and transparent. We are fair and compete in a fair way, always communicating the truth and sharing our experience with others.”

People’s Well-Being. “We care for our workers’ well-being and know that feeling good in the company is a fundamental component of achieving good results. We are committed to our workers’ personal development, help them achieve their professional and personal goals, and support them during difficult times.”

Knowing How to Listen. “We know that the best source of information comes from friends and customers’ feedback. We learn from what others have to say, not criticizing their perspective, but rather accepting them to improve our operations. We also seek for the best practices to innovate our processes.”

1.3 Peruvian Automotive Industry

KPMG (2014) indicates that Peru is one of the fastest-growing automotive markets in Latin America. According to KPMG (2014), 2% of Peru’s GDP is derived from the automotive industry. Automobiles are also the country’s third largest import category after refined and crude petroleum products (The Observatory of Economic Complexity, n.d.). Between 2004 and 2011, the annual average of new vehicle sales grew at rate of 40% (KPMG, 2014). In addition, between 2004 and 2013, sales of new family vehicles increased from 10,000 units to 139,000 units (Ernst & Young Peru, 2015). Most of this growth occurred in Peru’s capital city, Lima, where “two-thirds of vehicles were registered” (KPMG, 2014, p. 5).

Since 2014, however, the market has suffered from minimal growth. Sales of new vehicles have fallen with the market decreasing by 4.8% compared to 2013 (Semana Económica, 2015). In 2015, sales continued to decrease by 5.9%, according to the Asociación

Automotriz del Perú, also known as the Peruvian Automotive Association (RPP, 2016). Reasons behind this period of market decline include the deceleration of the economy through 2015, in which some major investment projects from both the State and private investors were put on hold (RPP, 2016). In addition, the longer term depreciation trend of the Sol against the US dollar caused imports to become more expensive, which in turn, affected automobile imports and their prices in the market (Semana Económica, 2015).

Since Peru has no vehicle manufacturing plants, all of its vehicles must be imported (KPMG, 2014). Within the industry, the most popular vehicles purchased are typically compact vehicles from Asia because of their affordability and fuel-efficiency (KPMG, 2014). Approximately 50% of all vehicle purchases are made with cash, 30% are paid through collective funds, and 20% are made using credit (KPMG, 2014). The smallest market, on the other hand, is for higher-end brands and sports utility vehicles (SUVs) (KPMG, 2014). In 2015, the top 3 brands that held the largest market shares in Peru included Toyota (18.9%), Hyundai (14.9%), and KIA (14.5%) (Appendix B). The nearest European brand was Volkswagen in eighth position at a market share of 2.5% (Focus2Move, 2016). Interestingly enough, between 2014 and 2015, Toyota, Chevrolet, Volkswagen, and Mazda, all lost approximately 13% in market share, while Suzuki increased its market share by 12% (Focus2Move, 2016). Moreover, the most popular vehicle over the past two years was the Toyota Yaris sedan (~US \$14,450), which captured 13.7% of the market in 2014 and 13.6% of the market in 2015 (Appendix C).

One organization, in particular, that has the power to directly influence consumer purchasing behavior in the automotive market is The National Institute for Defense of Competition and Protection of Intellectual Property (INDECOPI), which was created in 1992 (INDECOPI, 2016). Its objective is to promote fair competition between Peruvian companies, as well as monitor and assess the effectiveness of companies to deliver quality goods and

services to customers, in order to achieve a high degree of consumer satisfaction (INDECOPI, 2016). In the case of the automotive industry, INDECOPI protects consumers by investigating when a consumer files a complaint in regards to unsatisfactory and unfair products or services delivered by a particular company.

1.4 External Analysis

To gain a better understanding of the Peruvian automotive industry, the following PESTE and Porter's Five Forces frameworks will analyze the external environment.

1.4.1 PESTE framework

In recent years, the trend towards economic modernization, natural resource development, exports, and improvements in economic governance and political stability has helped Peru to emerge as one of the more stable economies in Latin America. Ongoing softness in global export markets, coupled with a delay in anticipated economic stimulus at home, appears to be having a short-term dampening effect on economic and jobs growth.

Political. Peru's modern political history has been plagued by terrorism and corruption; however, after 2000, a number of successive presidents have managed to restore Peru's political order and stability. Most recently, Peru has held an election in which the country narrowly elected Pedro Pablo Kuczynski as their new president. Kuczynski officially took over office on July 28, 2016, and promises to foster economic growth and well-being by lowering sales taxes, as well as improving infrastructure, education, health, and access to water.

Two policies that will have a direct impact on Peru's automotive industry include the fuel stabilization fund and scrapping voucher (KPMG, 2014). The fuel stabilization fund was established in order to counter the effects of global market price volatility on oil, since Peru has limited refinery capacity and is a net importer of gasoline (KPMG, 2014). Essentially, the fund requires producers and importers to reduce their prices to consumers (KPMG, 2014).

The scrapping voucher, also known as “Bono de Chatarreo”, is a consumer discount that can be applied to the purchase of new natural gas vehicles (KPMG, 2014).

Economic. Peru has one of the world’s fastest-growing economies. Its GDP growth rates have been impressive. This is due in part because the Peruvian economy, which is the seventh largest in South America, has undergone a significant restructuring over the past 30 years with services led by telecommunications and financial services now accounting for 40% of GDP (Focus-Economics, 2016). Industry, which is about 35% of the economy, has modernized, leading to employment gains in the country’s main industrial areas (Focus-Economics, 2016).

Since 2000, Peru has managed to achieve an accumulated annual average growth rate of around 5.3%, driving the country towards a middle and upper-middle income economy (Ernst & Young Peru, 2015). Its official currency, the Sol (S/.), has also been one of the most stable currencies in the world, and operates on a floating exchange rate (Appendix D; Ernst & Young Peru, 2015). The government and Central Bank of Peru will on occasion, however, stabilize the currency when necessary (Ernst & Young Peru, 2015). In addition, over the past ten years Peru has had the lowest annual average inflation rate in Latin America at only 2.5% (Ernst & Young Peru, 2015).

Economic growth has been aided by Peru’s pursuit of a number of free trade agreements (FTA) with other countries (Appendix E). FTAs foster increased trade and investment by lowering import tariffs and reducing trade barriers. Since joining MERCOSUR in 2005, Peru has signed over ten FTAs, including the Pacific Alliance with Colombia, Chile and Mexico, and bilateral agreements with Mexico, Chile, Canada, China, the United States, European Union, Japan, Korea, and Singapore (Foreign Trade Information System, 2015). Peru is also among the 12 Pacific Rim countries that have negotiated, but not yet ratified, the Trans-Pacific Partnership representing 40% of global GDP.

In addition to benefitting from FTAs, Peru has seen increased global demand for its natural resources, particularly in Asia. Peru's top five exports are copper (US \$6.93 billion), gold (US \$5.86 billion), refined petroleum (US \$3.1 billion), refined copper (US \$1.85 billion) and animal meal and pellets (US \$1.41 billion) (The Observatory of Economic Complexity, n.d.). Top export destination countries for Peru are China (US \$7.08 billion), the United States (US \$6.36 billion), Switzerland (US \$2.88 billion), Canada (US \$2.61 billion) and Brazil (US \$1.63 billion) (The Observatory of Economic Complexity, n.d.). At the same time, free trade and a strong domestic economy have led to increased imports, particularly of value added energy and consumer goods. Peru's top five imports are refined petroleum (US \$2.99 billion), crude petroleum (US \$2.77 billion), automobiles (US \$1.77 billion), broadcasting equipment (US \$1.13 billion) and computers (US \$946 million) (The Observatory of Economic Complexity, n.d.). The main source countries for these imports are China (US \$8.84 billion), the United States (US \$8.79 billion), Mexico (US \$1.93 billion), and Ecuador (US \$1.68 billion) (The Observatory of Economic Complexity, n.d.).

Peru's reliance on natural resource exports has had mixed effects on its economy. With softening Asian demand for Peru's resource exports the past few years, the country's trade balance (i.e. the calculation of a country's exports minus its imports) moved into deficit territory in December 2013 after reaching a record surplus of US \$1.29 billion in December of 2011 (Trading Economics, 2016b). Peru's trade balance reached a record low of US \$-620 million in April of 2015 (Trading Economics, 2016b). The increase in import volumes has also negatively affected the trade balance. The country's trade balance moved back into positive position in April 2016 and continued to strengthen through May (Trading Economics, 2016b).

The trend for Peru's average monthly income has steadily increased over the past ten years (Appendix F). In 2002, for example, the average monthly income was only around

S/.900 per month (~US \$272) (Trading Economics, 2016a). As of April 2016, however, the Central Reserve Bank of Peru reported that average monthly wages reached an all-time high of approximately S/. 1,700 per month (~US \$515) (Trading Economics, 2016a). In relation, Peru's gross national income (GNI) on a per capita basis has followed a similar trend (Appendix G). In 2015, Peru's GNI per capita was roughly S/. 20,400 (~US \$6,200) (The World Bank, 2016).

Social. In 2015, Peru's population was estimated to be around 31.2 million people, with its capital city, Lima, accounting for roughly 9.1 million people or close to 30% of the population (Ernst & Young, 2015; Indexmundi, 2015). Approximately 77% of the total population lives in urban areas (Indexmundi, 2015). In terms of Peru's age structure, the largest proportion of the population falls between 25 to 54 years old (39.4%), followed by 0 to 14 years old (27.3%), and 15 to 24 years old (19.2%) (Indexmundi, 2015). As a result, the median age of Peru was calculated to be 27 years old (Indexmundi, 2015). This is important to consider because Peru's young median age combined with a growing economy will create jobs, which leads to increased consumer consumption.

Looking at Hofstede's Cultural Dimensions framework for Peru, the most important category concerning this project is to look at indulgence, which is defined as "the extent to which people try to control their desires and impulses" (Appendix H; Itim International, 2012, p.15). With a score of 46 points out of a possible 100-point scale, Peru has an intermediate score in this dimension (Appendix H; Itim International, 2012). This means that Peruvians have a relatively conservative approach when it comes to their willingness to spend money on goods or services in order to have fun (Itim International, 2012).

Technological. A growing economy has enabled Peru to modernize its communications infrastructure. As of October 2014, Peru planned to invest US \$326 million in a National Fiber Optics Network that would span 13,400 km, link 22 regional capitals and

180 provincial capitals, and provide faster and more affordable telephone, internet and cable television service (Ernst & Young Peru, 2015). In addition, approximately US \$1.2 billion would be put towards telecommunication bands for 4G mobile Internet, in order to increase people's access to 4G LTE data network through cellular phones (Ernst & Young Peru, 2015).

From 2004 to 2013, the percentage of families with a TV has increased from 41% to 73%, the number of connections to paying TV service has increased from 365,000 to over 1.3 million, the percentage of families with a computer has increased from 6% to 27%, and mobile telephone lines in service have improved from 3 million to 30 million (Ernst & Young Peru, 2015).

Ecological. Peru is the third largest country in South America and is surrounded by the Pacific Ocean to the west, Chile to the south, Bolivia and Brazil to the east, and Colombia and Ecuador to the north (Ernst & Young Peru, 2015). The majority of Peru's population (17.4 million people) lives along the coast, while the Andean Mountain Range is home to 10.9 million people, and the Amazon Rainforest accounts for 2.9 million people (Ernst & Young Peru, 2015). Its climate ranges from tropical in the Amazon, to temperate and cold in the Highlands, to drier along the coast (Ernst & Young Peru, 2015).

1.4.2 Porter's Five Forces

Porter's Five Forces analysis provides a useful framework for examining the competitive forces at play in the Peruvian automotive market. The interaction between all the five forces is shown in Figure 1.

Threat of New Entrants. The threat of new entrants is low. Nowadays, the Peruvian automotive market is saturated with brands (a red ocean) that have a strong international presence and can offer a variety of models with different specifications and price points. In

addition, the entrance costs associated with the Peruvian automotive industry are high since there currently are no automobile manufacturing facilities that exist in Peru.

Moreover, the investment level will depend on the brand that an importer seeks to introduce to the Peruvian market. Thereby, a brand that demands high quality standards such a luxury brand will cost more to the importer. There is greater potential, however, for companies to enter Peru's automotive market with vehicles that are highly affordable, practical, aesthetically pleasing, and fuel-efficient. This can be seen in the various Chinese brands that have entered to the Peruvian automotive market in recent years.

Threat of Substitutes. The threat of substitutes is high. Consumers in Peru, especially in Lima, have the ability to use alternative forms of public transportation such as taxis, including mobile taxi services such as Taxi Beat and the recently popular Uber, among others. Furthermore, people have access to a wide variety of buses, as well as the Metropolitan Bus and Electric Train, which are services that takes passengers from north to south and vice versa.

The previous services can be obtained at affordable prices, which can prevent a consumer from spending money on a car based on their economic situation and preferences. Also, there is always the option for consumers to purchase a second-hand car, representing a much lower expense for a vehicle. Additionally, other external factors such as Peru's developing infrastructure, volatility of gasoline prices, and increased areas of traffic congestion, particularly in Lima, may influence individuals to consider alternative transportation methods.

Bargaining Power of Buyers. Concerning the bargaining power of buyers, it can be said that it is high because of the wide variety of brands and vehicle models for consumers to choose from. According to KPMG (2014), in Peru, buyers are typically first concerned with the price of a vehicle, followed by the vehicle's aesthetic appeal. Considering this, the

bargaining power of buyers between each vehicle segment (i.e. entry-level, mid-tier, and upper-tier) may be different depending on the level of competition between various tiered brands in Peru.

Each dealer also offers different incentives for its customers in the form of discounts, payment methods, warranties or bundles, to name a few. Also the use of social media and web pages grants the consumers the option to review and get plenty of information for their potential car purchase. Therefore, it can be concluded that buyers have great power because they can ultimately decide whether they purchase a car or not according to the attributes described previously.

Bargaining Power of Suppliers. The bargaining power of suppliers can be considered as medium. The main reason is because of the fact that Peru is a net importer of vehicles. Most vehicle importers that operate in Peru have contracted the rights to sell their respective automotive brands, again, since there are no manufacturing facilities in Peru. As a result, Peru's dealers can be at the mercy of their suppliers in terms of the decisions that the automotive manufacturer can have with regards to the product offering.

If, for example, an exclusive auto supplier decided to pull certain models from Peru's market, the importer would not have the power to bring in the same vehicles from elsewhere. Moreover, if a dealer is willing to establish some parameters for its operations involving the brands it manages, the dealer most likely will need the approval of the international brand for doing so. The previous may leverage the situation in favor of the automotive manufacturers.

As it was described before, the market is currently saturated, where Japanese and South Korean brands such as Toyota, Hyundai, and KIA, have been able to capture the majority of Peru's market share because of their affordability, design, and innovation (Focus2Move, 2016). Increased competition from Chinese automotive brands will also affect

the market in the coming years, as there are approximately 100 Chinese brands selling formally and informally in Peru (Stauffer, 2011).

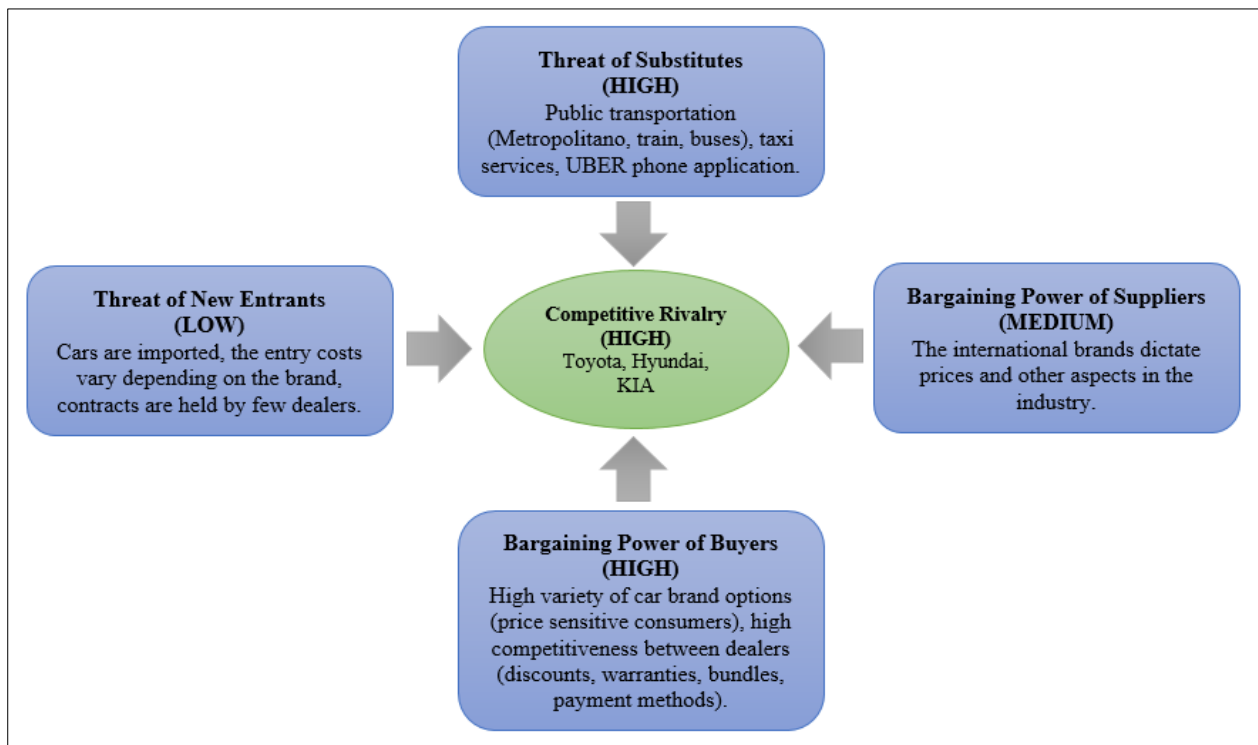


Figure 1. Porter's five forces interaction for the automotive industry. Adapted from "The five competitive forces that shape strategy", by M. Porter, 2008, *Harvard Business Review*. (<https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy>)

Competitive Rivalry. Competitive rivalry in the Peruvian automotive industry is high.

In addition, there are plenty of authorized dealers, and each one of them selects and establish the facilities in strategic locations according to their target market. This is mostly seen in Lima due to the centralization of the country; however, some regions have as well dealers that distribute low tier vehicles accordingly. Furthermore, social media competition between Peruvian automotive dealers is high on alternative platforms such as Facebook and Twitter, and the main players in the industry are aware of it, which is why they have put a lot of effort onto the aforementioned platforms. Also, complementing the previous, competitive rivalry can adopt many forms that can be present in various ways such as discounts, warranty programs, promotions, among others.

The external analysis made possible to gain substantial understanding of the general situation of the country through the PESTE framework. Also, based on the Porter's Five Forces analysis, relevant information concerning the Peruvian automotive market was obtained. After taking into consideration what has been pointed out in the previous analysis, a list of Opportunities and Threats can be drawn up, which are shown in Table 1.

Table 1

Opportunities and Threats of the Automotive Industry

Opportunities	Threats
<ul style="list-style-type: none"> ● Kuczynski's campaigns to reduce sales taxes and improve infrastructure pose as positive signs for the automotive industry. ● The Sol has proven to be one of the most stable currencies in the world, which is an advantage for Peruvian importers. ● Capitalize on benefits of trade agreements including MERCOSUR, Pacific Alliance, TPP, and other bilateral/FTAs. ● Peru's growing economy, rising urbanization levels, increasing wages, and younger population can lead to increased consumer spending. ● Automotive market in which most of the competition belongs to highly affordable, practical, aesthetically pleasing and fuel-efficient vehicles. 	<ul style="list-style-type: none"> ● Kuczynski's motivations are still unpredictable, and his goals for Peru are quite long-term oriented, which will not immediately benefit the Peruvian automotive industry. ● The price of gasoline and government incentives for natural gas vehicles. ● Peruvian consumers are very price-sensitive when it comes to purchasing vehicles. ● Japanese and South Korean automotive brands may continue to capture entry-level vehicle market share. ● The accessibility and affordability of consumers to use substitute means of transportation such as taxis, Uber, and buses. ● High bargaining power of buyers as a result of saturated competition between Peruvian automotive brands.

1.5 Internal Analysis

An internal analysis of the organization will be performed through the AMOFHIT framework. AMOFHIT represents the functional areas of a company, including: (a) Administration; (b) Marketing; (c) Operations; (d) Finance; (e) Human Resources; (f) Information Systems; and (g) Technology. Based on the information obtained as a result of this analysis, the company's Strengths and Weaknesses will be shown at the end of the section in Table 2.

1.5.1 Administration

Euromotors is a company that manages four important European brands: Volkswagen, Audi, Porsche and SEAT. Regarding the administration aspect, Euromotors shares back office and administrative activities for all the brands available. However, with regards to the sales and service areas within the company, each brand operates independently and has its own personnel. Thereby, each brand has its own guidelines when it comes to operational procedures such as warranties. Consequently, according to the company it is sometimes difficult to develop and set standards for the internal procedures because it might be the case that they conflict with what the international brands have previously established.

The company operates taking into consideration the values stated before, knowing that the customer comes first when performing their operations. The company also knows that work team is vital for them, which is why every area is open to any suggestion from anyone or any level in the company that can contribute to improvement. Moreover, the company seems to have in general a positive environment in which people is comfortable with its day-to-day work, supported by a culture of mutual work and support.

1.5.2 Marketing

This aspect can be first analyzed through the Marketing Mix, which also known as the "4 P's of Marketing" (product, price, place, and promotion).

Product. Euromotors offers to its customers sales and after-sales services, in which they distribute vehicles manufactured by Volkswagen, Audi, Porsche, and SEAT, as well as perform maintenance services required for the upkeep of these vehicles. Euromotors' services are supported by the fact that it distributes European-branded vehicles that have high-quality reputations in the global market. Therefore, it can be said that Euromotors, as an official automotive distributor, has quite the visible appeal in the Peruvian market because of its wide product portfolio and brand power recognition.

Price. The prices of Euromotors' vehicles are based on its respective brands' pricing policies. Euromotors mainly represents mid to high-end brands. In their product line, for example, their Volkswagen Gol will retail for approximately S/. 39,600 (US \$12,000), but they also sell a Porsche 911 Turbo for S/. 633,600 (US \$192,000) (TodoAutos, 2016b). Lastly, prices of Euromotors' post-sales services vary as well depending on the brand's parameters (i.e. the cost of spare parts is different for each brand).

Place. Euromotors has over one dozen concessionaires in whom they perform their sales and post-sales services. These concessionaires are located within different districts of Lima, covering a wide territory in order to position themselves closer to customers. Surquillo is perhaps the most important district, however, because its four concessionaires concentrate on representing each of Euromotors' automotive brands. In addition, its location is strategic because of the district's close proximity to high-income areas like Mira Flores, San Borja, and San Isidro.

Promotion. Euromotors and its dealers', Euroshop and AMSA, constantly offer promotions to their customers including giving gifts when they purchase a vehicle, free-services for preventive maintenance, as well as price discounts during specific months. These promotions are communicated to the public through their respective concessionaires, as well as through newspapers and television advertisements.

What Euromotors is lacking, however, is social media presence. As it is going to be seen in Chapter IV, the company has almost no presence in platforms such as Facebook and Twitter. In contrast, other competitors of the industry have thousands of followers or fans. Having a poor social media presence can signify an extremely weak brand awareness of the customers, and also can mean that the company is not fully considering the customer, since social media is a source of feedback towards the company. The fact that Euromotors has an almost null social media presence indicates that the company has not acknowledged its importance yet, and that it is not being proactive at understanding the customers' preferences in the modern digital era.

1.5.3 Operations

The core processes of the company include the following: (a) importing new cars from factories of brands that Euromotors represents; (b) sales and distribution of new vehicles through its two main dealers (Euroshop and AMSA); (c) specialized post-sales services including predictive, preventive, and corrective maintenance through each concessionaire's workshops; (d) sales of original spare parts for each vehicle within the company's portfolio; and (e) sales and distribution of second-hand vehicles through the dealer called ONE. The company has over a dozen of concessionaires spread all around Lima, in key strategic locations near high-income districts. Each concessionaire has its own workshop and sales department, as well as its own warranty personnel.

The previous is important because, for instance, warranties is an important process for a dealership, and based of the information provided by Euromotors, they take the necessary seriousness when dealing with this aspect. However, according to them it is sometimes troublesome for the company to establish standardization processes, since the company manages four automotive brands, and each one of them might have different guidelines or specific procedures according to the its global brand.

Moreover, currently the company does not have a way to evaluate the performance of its various processes. In one of the interviews, the company's managers were asked about the brands or specific models that represented the weakest sales or losses, and they did not know. This is an issue because they are not currently measuring its performance in the way that it should be done; therefore, Euromotors might have problems in understanding how the market behaves and what the newer trends of customer preferences are. Again, the previous may indicate a lack of understanding of the current market situation. Finally, in terms of certifications, the company has the quality certificate, ISO 9001:2008, which was recently renewed in 2015. According to the company, five members of the organization are certified Green Belts in the process improvement methodology called Six Sigma.

1.5.4 Financial

Regarding the financial aspect, Euromotors indicated that its net income has decreased in the past few years as a result of market stagnation. According to what has been previously indicated, some key managers indicated until 2012, the automotive market had experienced significant growth. These days, however, the market has changed for the worse and Euromotors is trying to focus on improving its cost-efficiency.

However, some internal aspects do not favor this situation. For example, the company stated that some vehicles and spare parts are standing in Euromotors' concessionaires without being sold, which means a cost for the company. The previous may be influenced by the fact that the company has not current ways to analyze and measure several of its operations; in this case, the high spare parts inventory is a direct consequence of the company's inability to develop performance indicators for its business. Thus, the financial performance is affected as a result of not having a proper performance measurement. Furthermore, according to the company, it is sometimes difficult to have a constant cash flow as a result of the payments made by credit cards, which represent a financial expense. Also, Euromotors indicated that

having used vehicles is also affecting them because the depreciation of the cars can get to high levels. Therefore, financially, Euromotors stands in a weak position as a result of external and internal factors, diminishing sales, and high expenses.

1.5.5 Human resources

Since sales and post-sales services are part of the company's main operations, Euromotors aims to drive a sales force that works towards achieving the company's vision. According to the company, its sales employees are sometimes driven by bonuses that are offered as a result of achieving daily KPIs. Sometimes, this leads to employees bypassing steps in the sales process or entering wrong information just to achieve a certain result. This can greatly affect Euromotors' business. In this case, some employees tend to forget that the client ultimately belongs to Euromotors. Also, some employees do not follow the right procedures, which can represent an important issue for the company, such as the case of warranties, in which an error may lead to a complaint by a customer to INDECOPI, in which case Euromotors should have to pay a fee.

In addition, as mentioned before, the back office is shared in Euromotors, which means that all the people involved in administrative processes have to work in tandem to achieve the company's goals. Based on the commentaries of some employees of the company, the organizational climate of the company is mostly good. However, it might be the case that a number of employees do not share the same feeling because some of them have been for years in the company performing the same function.

Furthermore, the company currently does not have a proper method to evaluate its employees' performance, and some of them are already used to work in that manner. The previous can pose some difficulties for the company in case it might be willing to implement some performance indicators measures. However, since the company is willing to accept any suggestion to improve its current situation, an implementation process may be welcome. In

this case, the necessary course of action would be to foster a change of mind amongst the employees in order to accept and be willing to be evaluated.

1.5.6 Information systems

According to Euromotors, the company has improved this aspect by acquiring an information system called SIMA. Implemented two years ago, this Enterprise Resource Planning (ERP) system is proving to be good addition to the company's assets because it allows the company to track information related to their core processes in sales and services. Furthermore, they use the Microsoft Dynamics AX system to process financial information.

In addition, the dealers Euroshop and AMSA have websites that are kept up-to-date and used as platforms to communicate relevant information to their customers. Nevertheless, it is important to indicate that, according to the company, even when the system has been implemented, its use has not been fully encouraged and its potential is yet to be seen. This is why, for instance, some people in the company is still performing their job in basic paper sheets and use only the system to approve orders or to see the status of a task, but not to analyze the data or take relevant decisions based on what the system indicates.

The information systems aspect of Euromotors has the potential to become a valuable asset. However, it is important for the company to acknowledge that a system should not only be used to automatize procedures, but also to gather information to assess different situations and evaluate crucial activities of the business.

1.5.7 Technology

The company seeks opportunities to improve its technological processes. In terms of technology, Euromotors is subject to changes because the international brands might introduce newer models or components that deserve a different attention than the previous ones. Considering this, Euromotors has to be able to adapt not only their information systems

in order to be consistent with this information, but also the way its people work, especially the technicians that are the majority of their time in contact with the newer technologies.

In addition, technology is also present in the company's workshops throughout its different concessionaires. According to the company, there have been some attempts to acquire equipment of the latest technology to enhance the workshop capacity and efficiency, trying to imitate the workshops in Brazil. However, it has not been possible yet but they expect to improve this aspect in the future.

1.6 Conclusions on General Situation of the Organization

To conclude, the external analysis indicates that Euromotors faces a similar amount of opportunities and threats, while the internal analysis suggests that Euromotors has critical weaknesses that must be addressed. In terms of opportunities, Kuczynski's campaign to reduce sales taxes and improve infrastructure; Peru's growing economy, rising urbanization, levels, increasing wages, and a younger population; as well as Euromotors' chance to compete with vehicles that are highly affordable and practical, are some of the main examples that can positively affect Euromotors' operations. Some of Euromotors' biggest threats, on the other hand, include the unpredictability of Kuczynski's long-term motivations, the price-sensitivity of Peruvian consumers when it comes to purchasing vehicles, and the chance that Japanese and South Korean automotive brands may continue to capture entry-level vehicle market share.

In terms of Euromotors' strengths, the company represents well-known European car brands, has positioned its dealers in strategic locations of high-income regions, and has two types of information systems (SIMA and Microsoft Dynamic AX) to track data related to its main processes. In contrast, Euromotors also has a number of critical weaknesses, which include a lack of understanding their target market and adaptability to changing consumer

behaviors, inconsistent marketing and customer service, staff who bypass steps in the sales process to achieve bonuses, and information systems that are still new to the company.

Table 2

Strengths and Weaknesses of Euromotors SA

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Marketing: Euromotors represents four well-known European car brands, recognized all over the world mainly because of its quality. ● Marketing: Dealers are positioned in strategic locations that are close to higher-income regions in Lima. ● Human Resources: Managers are open to suggestions in order to improve their processes. ● Information Systems: Recently implemented SIMA and Microsoft Dynamics AX systems are used to track sales, services, and financial information related to Euromotors' core processes. 	<ul style="list-style-type: none"> ● Marketing: Lack of understanding their target market and developing strategies to adapt to changing consumer behaviors. ● Marketing: Lack of ways to increase customer awareness and improve customer service. ● Marketing: Euromotors vehicles may not be as accessible (price) when compared to other brands. ● Operations: Managing four brands under one umbrella can be troublesome for Euromotors, since they all tend to operate independently. ● Human Resources: Staff is motivated by bonuses and bypass several steps in the sales process to achieve daily KPIs. ● Information System: Still a relatively new system (needs to be evaluated to improve efficiency and track proper metrics).

Chapter II: Key Problem

This chapter will discuss the information pertaining to the company's main problem, as well as describe and identify its location (specific or widespread), ownership (who is affected by this problem), magnitude (how important the problem is to the organization), and time scope (the problem's frequency and tendency). In addition, it will detail the project's focus, as well as indicate the scope to which assessed solutions will be proposed and formulated after an analysis of the issue.

2.1 Definition

The main issue that Euromotors is facing is the lack of understanding of and adaptability to the current market situation. There were several meetings with Euromotors' managers, who indicated that the company's main issue was that its net income had decreased over the past few years as a result of a stagnant market, consistently high operating costs, and decreased sales. As mentioned in Chapter I, in the external analysis, the Peruvian automotive market maintained consistent growth until 2013; however, some external factors, including the deceleration of the economy and lack of economic stimulus from big infrastructure projects have affected the market's performance, which has since been steadily decreasing. Indeed, the effects of this decline have particularly been felt by Euromotors, and mainly the dealer Euroshop, because its mid to high-end brands are considered to be sumptuary products. In other words, by definition people may not have the urgency or willingness to purchase these types of non-necessity consumer goods. It is important to remark that the causes of the main issue will be covered in Chapter V.

As a result, Euromotors' managers indicate that a shrinking market has led the company to try to find ways to reduce their costs. Currently, Euromotors' costs still remain high and the company is operating on paper-thin margins. However, after evaluating the aforementioned, and considering the External and Internal analysis made in Chapter I, the

main issue that Euromotors faces, however, is its lack of understanding of and adaptability to the current market situation. The company is struggling to improve its dealers' operations in a stagnant market and, most importantly, understand its customers' needs.

According to the aforementioned, there is evident relationship between the main problem defined previously and the weaknesses and threats identified in Chapter I. Regarding the threats from the external analysis, the main issue is clearly linked to the fact that other competitors in the market are performing better than Euromotors and its umbrella brands, allowing them to capture a higher portion of the Peruvian automobile market share. On the other hand, looking at the weaknesses in the internal analysis, the main issue is related to both marketing and operations weaknesses. This is because Euromotors is having trouble with developing strategies and taking action to understand its target market and the overall consumer behavior (marketing), while managing four brands at the same time, with different operational procedures brand guidelines (operations).

2.2 Symptoms

Based on the managers' interviews, aside from the fact that sales were decreasing and that the company's costs remained high, several other specific problems within the company were mentioned. Nevertheless, these problems appear to be symptoms of the company's main issue defined above. A description of Euromotors' symptoms is provided in the following sections.

2.2.1 Sales Force

According to the company, the professionalism of the sales force needs to be improved. Currently, evidence suggests that vendors do not follow an ethical sales process. For instance, sometimes employees will register more information than needed or even hide information to reach an established target of daily quotations (obtaining potential clients), in order to achieve the corresponding bonus. As a result, the quality of information is not

completely considered in the sales process. The company reflects that vendors need to understand that the client ultimately belongs to the dealer and not to them; however, this is difficult to achieve since vendors bonuses are so easily achievable through manipulation of sales data.

2.2.2 Warranties

The Warranty Division is part of Euromotors' Service Department. Within the warranty process, corresponding brands and their factories impose certain limits and guidelines that the concessionaires must comply with in order to claim warranties. If the dealers do not comply with these procedures, the factory refuses to cover the warranty service. In the case that the dealer has started the warranty process (maintenance work and spare parts installation) without approval from the factory, the dealer must assume the costs for repair, which can be very high depending on the costs of spare parts.

Furthermore, the cost of labor is nowadays reaching high levels. According to the information provided by the company, in any given period, 50% of the technician's effective hours are charged to the client, while the other 50% is assumed to be an internal cost by the company. The company may also incur sunk costs as a result of fines by INDECOPI that were initiated due to customer complaints. From Euromotors' perspective, the Warranty Division is labeled as an overall cost for the company. Consequently, one of the objectives for Euromotors is to reduce the costs associated with the Warranty Division and eventually have it become profitable.

2.2.3 Spare Parts

According to the company, the main issue with Euromotors' spare parts is that 25% of its total inventory is considered to be obsolete. Being obsolete means that the spare parts have been stored in the warehouse for more than 6 months. Since there is no a current spare parts measurement done on a daily basis, the company has not been able to control this issue. The

reason for this, according to the company, is because spare parts' employees typically take on the role of a dispatcher instead of analyst. Therefore, there has not been some efforts to address the high amount of spare parts in the company's warehouses.

2.2.4 Workshop Planning

Euromotors indicates that there is an issue with workshop planning activities and assigning jobs (maintenance). The SIMA system allows the workshop to understand the factory times associated with the execution of maintenance work; however, according to the company these activities would be better assigned to the Control Towers (in charge of planning and setting up the workshop's activities). Moreover, the company indicates that most maintenance work should be able to be completed within one day, but this is not the case. In addition, sometimes vehicles are assigned to 3 or 4 technicians, which according to the company is too many people because it tends to increase mistakes and delays.

There is also an issue with workshop efficiency. For example, in some cases, customers are given a date to pick up their vehicles from servicing; however, these vehicles may not be picked up from the workshop in a timely manner. This, in turn, prevents technicians from being able to perform maintenance on another vehicle because there is not enough space in the workshop to do so.

2.3 Location

Euromotors' key problem is considered to be widespread since it affects the entire company's operations. For instance, it affects the company's dealers, Euroshop and AMSA, as well as all of their physical concessionaires that are responsible for selling vehicles in the Peruvian market. It might also affect Euromotors as an importer because the company may be importing vehicles that are not in high demand or preferred by its customers. As a result, this can negatively affect the company's external relationships with its customers because they may feel that Euromotors is not attempting to cater to their needs and desires.

2.4 Ownership

In simple terms, the defined problem affects all the company's employees from technicians to sales representatives, analysts, and managers. The company's managers, particularly from the dealer's sales and finance departments, might be most inclined to offer their knowledge and skills to resolve Euromotors' key issue; however, from a consulting perspective, it appears that they are perceiving symptoms to be main problems of the organization without finding the root causes.

2.5 Magnitude

In what magnitude is concerned, Euromotors' defined problem affects, again, the organization as a whole. The performance of Euromotors is compromised since the problem's effects can be seen in decreased sales, high costs, and a thin bottom line. The sooner proactive steps are taken to address and resolve Euromotors' problem, the sooner the company can enhance its overall brand reputation including Volkswagen, Audi, Porsche, and SEAT, improve customer relations, and most importantly, deliver bottom line results.

2.6 Time

Euromotors' main issue has most likely been there for a while; however, the effects of a strengthening Peruvian economy between 2004 and 2013 on consumer purchasing behavior may have masked it. As it will be detailed in the next chapter, the performance of Euromotors has been sub-satisfactory compared to brands at the top of Peru's automotive market, including Toyota Del Peru SA. In 2014, the Peruvian economy began to decline and issues within Euromotors' operations became more apparent. Currently, no formal analysis has been made by Euromotors to understand the evolution of its problems. Therefore, it can be said that the company has not evaluated its performance towards the future in the form of operational forecasts.

2.7 Project Focus

The goal of this project is to provide Euromotors, and mainly the dealer Euroshop, with cost-effective suggestions that will lead to an improvement in the company's bottom line and reputation in Peru. As previously mentioned, Euromotors has numerous symptoms that are negatively affecting its profits and brand power, yet its biggest issue involves a lack of adaptability to the changing Peruvian automotive industry. In the following consulting process, the main focus will be on identifying and understanding external and internal factors that have led to a decrease in Euromotors' vehicle sales. Considering this, feasible solutions that the company can implement in the near future will be proposed to improve their internal operations and ability to adapt to external changes in consumer behavior and demand. More specifically, these solutions will stress the importance of data management, marketing, and understanding customers' needs.

2.8 Conclusions on the Key Problem

Based on the information shown in this chapter, it is evident that the company did not fully comprehend the issues that it faced. Euromotors thought that its problems were internal aspects related to sales and processes, but it did not take into account an important factor, which is the market change. As it was mentioned before, the automotive market decreased during the last years, and that stagnation indeed affected Euromotors; nevertheless, the company is still operating without trying to adapt to this change. Therefore, the problem was defined as the lack of understanding of and adaptability to the current market situation, an issue that affects the company as a whole, involving their four umbrella brands and mainly the departments of sales and service of the company. This is why the focus of the project will be to formulate solutions that will help Euromotors to operate under a highly competitive and dynamic market, ensuring that it gains the capability to understand its customers' needs.

Chapter III: Literature Review

This chapter will show the knowledge and the ideas and thoughts that have been developed and established with regards to the main topics covered in this project. Besides listing and explaining them, a critical assessment will be done to it, considering what their strengths and weaknesses are. At the end of this chapter a summary of the literature is shown to give the reader the main ideas that need to be fully comprehended to follow the development of the project, relating them to the key problem defined in the previous chapter.

3.1 Literature Mapping

Since this project is related to a company that operates within the automotive industry, the Literature Review section will be structured in five topics as follows. First, an overview of the topic of Car Dealerships will be covered, mentioning how it is operating nowadays and reviewing what are the key success factors for a dealership to operate correctly, as well as mentioning the main challenges of them in the automotive industry towards the future. Second, the topic of Key Performance Indicators (KPI) will be addressed, covering aspects such as its definition, the types of indicators and the criteria or frameworks to implement them, followed by the importance of its implementation in the current business context. Then, the Online Marketing topic will be discussed, defining it, showing its various forms and including aspects such as the usage of Social Media for business operation, pointing out its newly-acquired importance for improving the performance of modern companies and providing a list of indicators to measure the social media performance. Following that, the topic of Customer Relationship Management (CRM) will be covered, discussing its concept, some theoretical models to implement CRM practices, as well as its role within companies, especially the Service ones. Finally, the topic of Training will be addressed, highlighting the effects that it has within a company.

It is important to remark that different opinions will be indicated throughout this chapter of Literature Review; consequently, a critical assessment will be necessary to identify the strong and weak aspects of each argument that is presented. Also, following the structure aforementioned, it is relevant to mention on each part of the discussion that will be performed, the relations of all the topics listed concerning the Car Dealership business will be presented. In other words, it will be shown how the aspects of Key Performance Indicators, Online Marketing, Customer Relationship Management, and Training are related to Car Dealerships within the Automotive Industry and how said topics can have influence on them. The topics that will be discussed within this chapter are presented in Figure 2, accompanied by the sub topics of each of them and the authors that will contribute to the gathering of said knowledge.

3.2 The Car Dealership Industry

Firstly, it is important to provide a general overview of the car dealership industry. Thereby, Carter (2015) defined an automobile dealership as the real state that the automotive industry uses to sell its vehicles. Car dealerships operate by receiving exclusive franchises and serve as representatives of the car manufactures to the public, making both manufacturers and dealers partners in the process (Carter, 2015). Furthermore, in a car dealership, the main functions and profit centers are the following: (a) new vehicle sales, which is the main profit center; (b) used or second-hand vehicle sales, which also supports the dealers in the service department to cover special cases; (c) various fixed operations, which are also known as warranty services; (d) spare parts, crucial to offer a first-class dealership service; and (e) finance and insurance (Carter, 2015).

The number of dealerships, however, has been decreasing on a consistent basis. According to Gavljak and Taouil (2016), the number of franchised new car dealerships reached a peak in 1949 at almost 50,000 and has been declining almost every year since then;

therefore, nowadays, larger dealer groups control a greater share of the market. Augustine and Nava (2016) claim that the reasons behind this reduction is the closing or selling of small establishments and that newer manufactures are “opting to go around the traditional franchise dealer network and target the consumer directly” (p. 1).

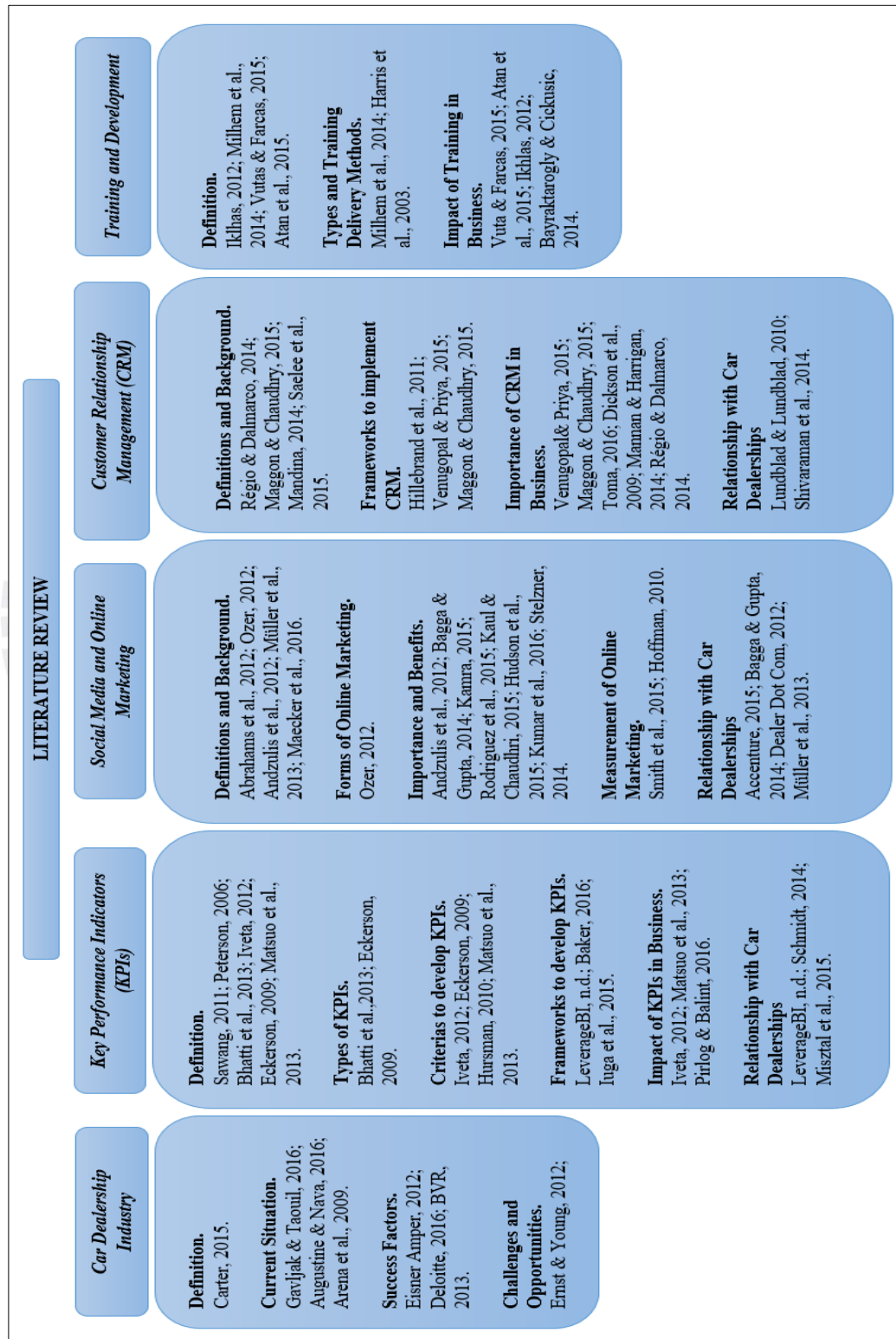


Figure 2. Mapping of the literature review

Moreover, Arena, Hamann, Marsella, Männel, and Hedayati (2009) pointed out that the car dealer's profitability diminished as a result of increasing operational costs, influenced by the financial crisis and weak sales. Nevertheless, even with those changes, dealerships are still considered to be a valuable source of service to customers because of the after-sales service and used car sales (Augustine and Nava, 2016).

In the car dealership industry, there are two main categories of customers once they enter to the sales floor, the shoppers and the buyers (Eisner Amper, 2012). Therefore, the main goal of the dealership is to make the shopper, or the one that goes to simply look at a car, become into a buyer, or at least to push the customer into making a prospecting with the dealership (Eisner Amper, 2012). Furthermore, according to a study by Eisner Amper (2012), by 2025, the operating profits for car dealerships will be affected by three main factors: (a) the ability of a dealership group to expand their brand portfolio by taking into account geographic regions and economies of scale; (b) technology advances that will expand vehicle throughput and diminish personnel costs; and (c) changing real state requirements due to faster inventory turnover and relocation of departments so that location costs are lowered. Considering the previous, taking into consideration the previous can enhance the capability of car dealerships to achieve the goal of turning a shopper customer into a one that actually buys the vehicle.

A report made by Deloitte (2016) with regards to the car industry indicates that the automotive business in the world is seeing an increasing speed in the evolution of customer preferences and a significant shift in customer buying behavior. This is why it is suggested that automakers and dealers need to re-invent themselves by embracing new technologies and collaborating even more closely than before. Moreover, Augustine and Nava (2016) remark that if a car dealership is willing to maintain relevance and profitability in the future, it should look at the market conditions, as well as understand the consumer values and adapt to the

changing preferences. In addition, Business Valuation Resources report (2013) indicated that a dealership needs to gather enough departmental data, industry data, and a basic understanding of the core components of each department's business to increase its expected performance, which is why data analytics is extremely important.

The report "Future of Automotive Retail" (2012) reflected the following concerning the challenges of the car dealership industry towards the future. First, dealerships need to manage trust and complexity during the customer life cycle by enhancing the customer experience to establish and maintain the loyalty. Second, dealerships must rethink the value propositions to meet changing mobility preferences and growing aftersales competition. Next, they need to create an engaging digital experience and consider customer analytics to address opportunities and mitigate risks in a proactive way. Last, dealers should consider redesigning distribution networks to improve flexibility, such as using newer and innovative formats such as the virtual experience.

Complementing the previous, according to the EDM (2015) report on the car dealership industry, the major challenges and opportunities for car dealers are the following: (a) the need to make sure customers receive the very best in sales and service as a result of the increasing competition among established players; (b) the rise of new industry developments such as electric vehicles and the focus on energy alternatives; (c) differentiating in the marketing aspect in order to focus efforts on customer loyalty; (d) best-practice compliance to regulatory demands, mainly with financial products and consumer credit; (e) managing customer data effectively and using efficient systems to process information; (f) dealing in an effective way with unexpected events such as product recalls; (g) putting more emphasis on shifting distribution channels, not just the traditional physical dealership, but the development and penetration of online and digital activities; and (h) gaining and maintaining the capability of keeping lower costs.

3.3 Key Performance Indicators

Sawang (2011) stated that Key Performance Indicators (KPIs) are quantifiable measures that enable an organization to define and evaluate its progress according to what it has established in the organizational goals. These measures are always represented by rates, ratios, averages or percentages that are designed to summarize relevant data; thus, they are never raw numbers (Peterson, 2006). Bhatti, Awan, and Razaq (2013) indicate that with KPIs it can be measure the performance of various areas, including quality, finance, operations, human resources, customer satisfaction, safety, among others. However, it is important to note that even if the previous KPI definition indicates that raw numbers do not belong to this category, they are important as well because they provide some general information which can be compared as a benchmark for the areas aforementioned.

Complementing the previous, Iveta (2012) remarked that there must be a direct link from the KPIs establishment to the goals of an organization. Similarly, Eckerson (2009) highlighted the fact that a KPI is different from a simple metric in the sense that the first “embodies a strategic objective and measures performance against a goal” (p. 6). Furthermore, Matsuo, Hayakawa, and Katsuyoshi (2013) provide an important addition to the aforementioned definitions by indicating that “KPIs enable organizations to assess the achievement of goals to determine the deviation from the desired end point, and to identify areas requiring improvement” (p. 23). Based on the previous information, it can be concluded that the use of indicators in business are useful in order to evaluate the performance of a company and its various processes and identify potential improvement actions, in which some of them which can be critical for its success.

After describing the main definitions of the KPIs, it is important to indicate the types of indicators that companies can obtain. According to Bhatti et al. (2013), there exists two main categories of indicators which are used to evaluate and measure the performance of an

organization: (a) Financial or Cost-Based measures, and (b) Non-Financial measures of performance. In contrast, Eckerson (2009) indicated that two fundamental types of KPIs can be found: (a) Outcome KPIs, or Lagging Indicators; and (b) Driver KPIs, also known as Leading Indicators. While the first category refers to those KPIs that measure the performance of past activities, the second is related to measuring activities in their current or future state (Eckerson, 2009). Reviewing these categories of KPIs, it can be said that the previous classification can be interrelated; for example, a leading KPI, such as the number of products sold in a company, can be a Non-Financial indicator, and vice versa.

There is some criteria that needs to be taken into account when developing KPIs within a company. For example, Iveta (2012) remarks that KPIs targets need to be constructed according to concrete data and non-manipulative formulas. In addition, according to Eckerson (2009), there are ten characteristics that KPIs should have in order to deliver high impact in an organization. Thereby, KPIs need to be: (a) Sparse, meaning that the fewer KPIs, the better; (b) Drillable, meaning that users can get deeper into them for more detail; (c) Simple, or easy to understand; (d) Actionable, which means that users know KPIs affect the company's outcomes; (e) Owned, meaning that KPIs should belong to an area; (f) Referenced, where users can view their origins and context; (g) Correlated, or that KPIs together drive the company to the desired outcome; (h) Balanced, meaning that KPIs need to be both financial and non-financial metrics; (i) Aligned, which means that they don't interfere with each other; and (j) Validated, meaning that they should not be manipulated by workers.

On the other hand, Hursman (2010) provides a simpler criteria by saying that KPIs should have five attributes: (a) Specific, meaning that the KPIs are clear and focused on a target; (b) Measurable, or able to be expressed in a quantitative manner; (c) Attainable, or reasonable and achievable in nature; (d) Relevant, meaning that it directly affects a specific process or work; and (e) Time bound, which means that it can be measure within a given time

period. The previous is considered as the “S-M-A-R-T” framework for developing and selecting the correct KPIs (Hursman, 2010). Matsuo et al. (2013) also remarked that in order to determine the right KPIs, it is necessary to prioritize the selection of KPI by differentiating the relevant information from the various, and some of them unimportant, performance reports that current information technology systems can provide. That leads to indicate the process to develop KPIs, which harbors seven important steps (LeverageBI, n.d.): (a) define what is important to measure; (b) define what data will be needed to calculate those measurements; (c) establish some benchmarks according to the given industry; (d) collect the required data by using automated systems; (e) create clear, concise and timely dashboards and reports to track the measures; (f) analyze the data and results; and (g) establish specific action plans to improve the potential weak points that were found.

Baker (2016) provides a framework in which it is indicated the process that needs to be done in order to implement correctly KPIs. In this framework, there are identified five major components: (a) KPI management steps: planning, performance measurement, reporting, action planning and monitoring; (b) KPI governance, including an executive committee, a steering committee, and a data governance council; (c) KPI integration, with strategic planning, goal-setting, capital allocation, budget and forecast, and compensation; (d) KPI infrastructure, including organizational structure, leadership roles, KPI vision and objectives, and technology support; and (e) KPI culture, which includes aspects such as common terminology, change management, communication, training and continuous improvement. This framework can be graphically seen in Figure 3.

Another framework for establishing KPI is the one that Iuga, Kifor, and Rosca (2015) provided, in which they suggest a systematization considering three essential questions (3W): Why, What, and Who. “Why” refers to the purpose of the indicator within the company. “What”, for its part, indicates what the KPIs to be developed will measure in the

organization. Last, the “Who” is related to the person or group of persons that are interested in knowing the values of the respective KPIs; in other words, the stakeholders. This framework can be observed graphically in Figure 4.

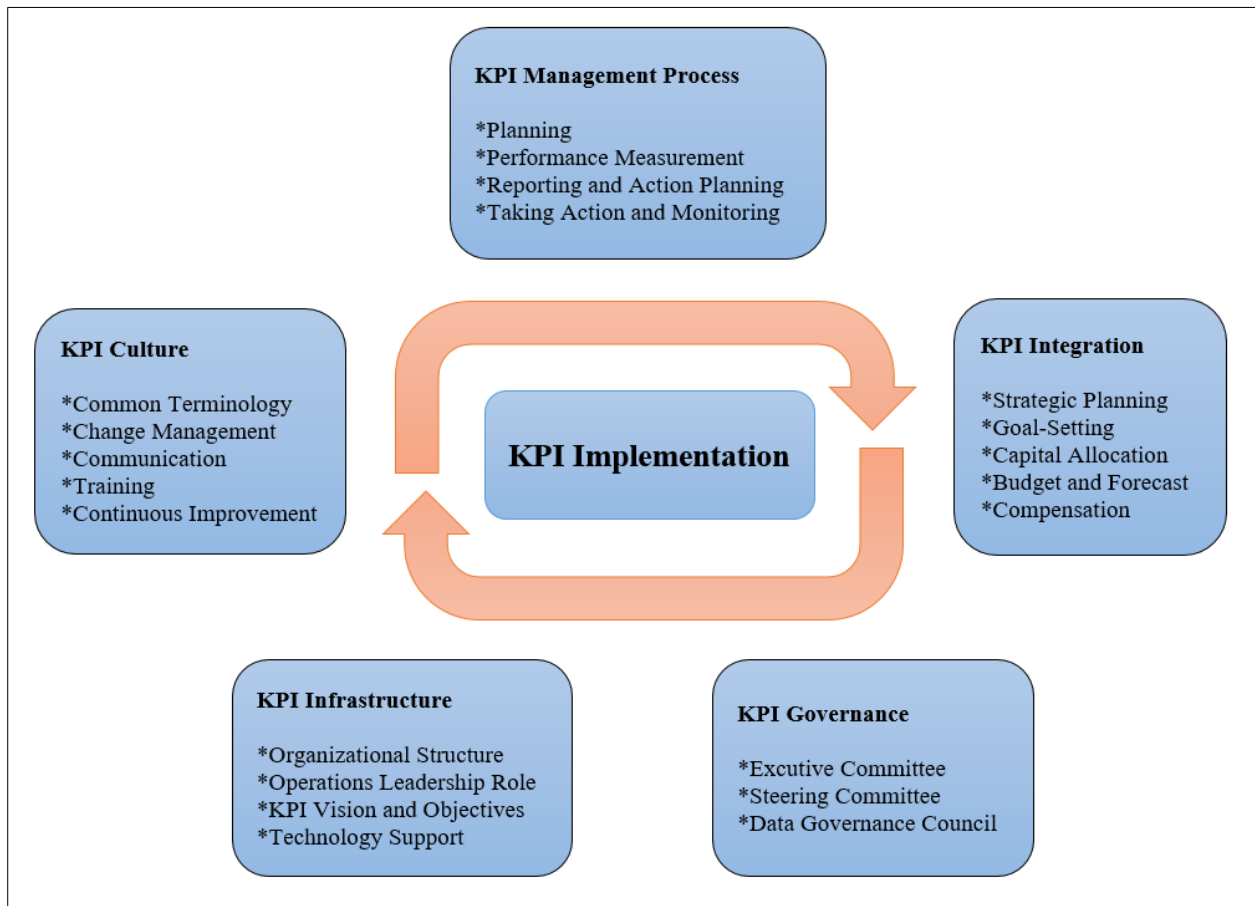


Figure 3. Framework for the implementation of KPIs. Adapted from “Integrating key risk and performance indicators”, by L. Baker, 2006, *Internal Auditor*, p. 24. (<https://iaonline.theiia.org/2016/Pages/Integrating-Key-Risk-and-Performance-Indicators.aspx>)

The impact of KPIs in the overall organization performance is evident, as some studies suggest. Iveta (2012), performed a research in which managers of Czech Republic were asked about how the use of human resources KPIs has impacted their respective organizations. In this study, the results showed that Key Performance Indicators are the mirror of the organization performance, since the companies that had established clear indicators according to their goals proved to be more successful than those that did not. Moreover, another study executed by Matsuo et al. (2013) in a Japanese pharmaceutical

company demonstrated that having an excessive number of KPIs can be negative for the performance of the company, since it prevents the employee to prioritize and focus on the ones that are more important for the organizational goals. Last, Pirlog and Balint (2016) performed a research to find out how KPIs influence on the decision making process and performance of Small and Medium-sized Enterprises (SME). In this study, an evaluation and assessment of a Romanian company that faced the main issue of lack of strategic focus was performed, in which the establishment of relevant KPIs for the business was made with positive results, demonstrating that with the right selection of indicators the performance of the company can be enhanced.

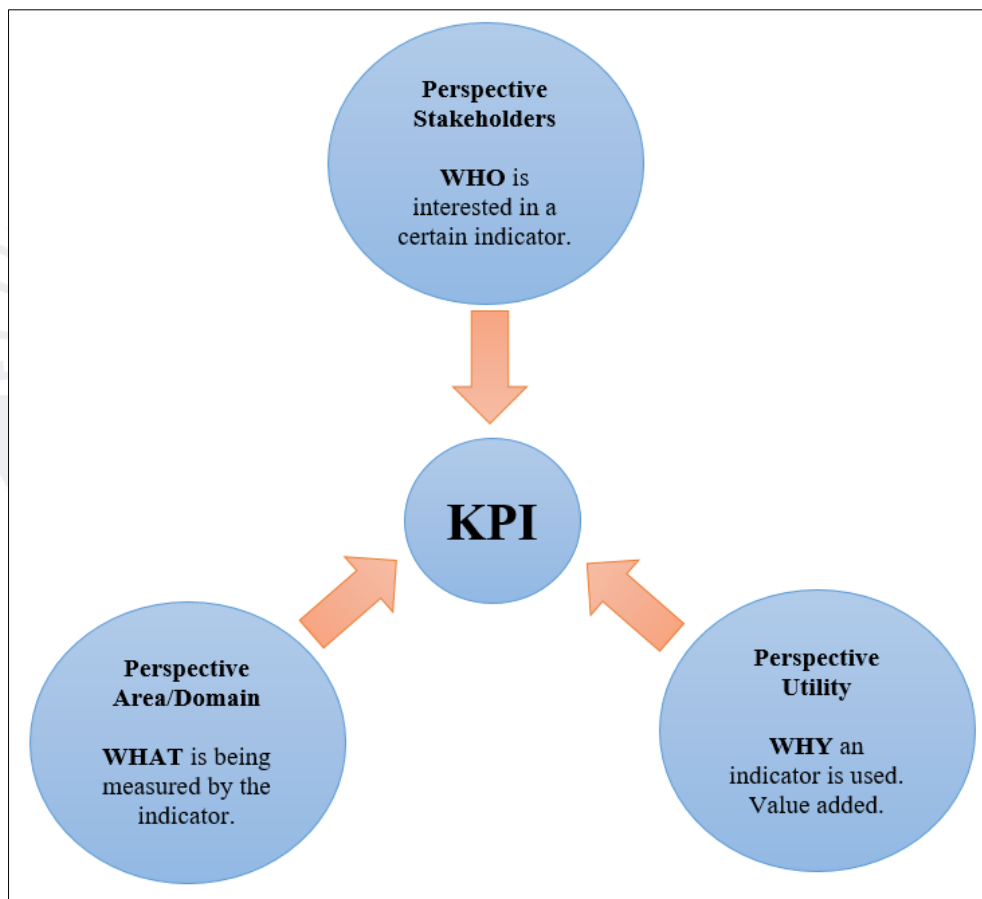


Figure 4. Framework of the 3W perspectives. Adapted from “Shop floor key performance indicators in automotive organizations”, by M. Iuga, C. Kifor, and L. Rosca, 2015, *Academic Journal of Manufacturing Engineering*, 13(2), p. 99.

Concerning the importance of KPI with the car dealers, they are important because it can provide historical information with regards to the measures that are being considered,

giving also an overview of how the dealership is doing compared to the other players (LeverageBI, n.d.). Furthermore, according to Schmidt (2014), KPIs applied to auto dealerships are extremely useful to identify their strengths and weaknesses in order to develop action plans to ultimately improve their bottom line. Moreover, establishing KPIs for the human resources management process along with the operational activities is of great importance as well. Misztal, Belu, and Rachieru (2015) reflected said importance by stating that Automotive companies attempt to demonstrate the various manners to measure the effectiveness of human resource management processes. Therefore, if the correct indicators are designed and their calculation is possible, then there is a high probability that they will actually counted and analyzed.

3.4 Social Media and Online Marketing

With the advent of globalization and other technologies that allow people to be fully connected and communicated, the topic of Social Media has gained plenty of recognition during the last years. Abrahams, Jiao, Wang, and Fang (2012) define Social Media in a general manner as “online services that provide for decentralized, user level content creation, social interaction, and open membership, characterized by vast volumes of user-contributed content of variable quality” (p. 88). Another similar definition is provided by Ozer (2012), indicating that social media can be considered as a mix of Internet-based applications that permits the creation and exchange of user generated content, utilizing platforms to exchange, discuss and communicate diverse topics.

However, for the purpose of this project, the term “Social Media” will be closed related to the business context; therefore, it is necessary to provide definitions accordingly. Having indicated the previous, Andzulis, Panagopoulos, and Rapp (2012) define Social media as “the technological component of the communication, transaction and relationship building functions of a business which leverages the network of customers and prospects to

promote value co-creation” (p. 308). Furthermore, Müller, Griesbaum, and Mandl (2013) agreed with the previous by stating that the newly adapted use of Social Media in professional and organizational contexts is mostly seen in business-to-consumer (B2C) oriented online marketing, which can be seen in the increasing number of businesses using social networks such as Facebook to communicate with their customers and obtain valuable data for decision making processes. To give an idea of how widespread is social media nowadays, it is estimated that more than 100,000 companies have created and established their brand pages on social media platforms such as Facebook as of 2016 (Maecker, Barrot, and Becker, 2016).

According to Ozer (2012), there are plenty of forms of social media. The following are the most common of them: (a) Blogs, in which various topics can be presented and summarized; (b) Rating Sites, used for customers to assess and rate a product or service; (c) Forums, which allow the users to start their own discussion; (d) Content Communities, where images, videos, presentations are shared; and (e) Social Network Sites, which enable users to connect with other people and discuss plenty of topics. Within the previous last category, it can be included networks such as Facebook, Twitter, Google+, and LinkedIn.

Andzulis et al. (2012) provided a general comment concerning the importance of social media by saying that “beyond simply using social media technology for updating pictures and posting status updates, consumers and members of society in general have found that social media applications can actually empower them when considering the flow of information” (p. 305). That affirmation also can be applied for businesses; however, at the organizational level, firms “have been slower to adopt these technologies but are quickly seeing the potential value they have” (Andzulis et al., 2012, p. 305). Also, as Bagga and Gupta (2014) remarked, Social Media and Online Marketing is used nowadays by companies to promote and penetrate their products in an easier way since the only effort is to publish the

advertisement online. This is extremely important because nowadays customers are much more intelligent with regards to finding information about products, so they use these platforms to obtain the necessary insights for making their purchases.

Therefore, with the use of Social Media, companies can advertise and promote their products, updating in real time their offering to keep consumers interested, gaining the capability to know and anticipate their behavior (Kamra, 2015). Nevertheless, it is relevant to note that social media adoption may differ from firm to firm, in which the larger ones are better positioned, since the access to resources such a customer data and having a better developed business strategy plays a major role on the implementation of such a tool (Rodriguez, Ajjan, and Peterson, 2016). More importantly, social media has a tremendous capability on affecting the reputation of a firm; as Kaul and Chaudhri (2015) reflect, the importance of social media is also the fact that it can be used to “assess and rank a company on its success parameters, leadership, CSR, and/or ability to change and develop public image” (p. 457).

There is evidence that shows the positive impact on brand relationships when using Social Media in companies. Hudson, Huang, Roth, and Madden (2015), for example, conducted three studies in France, England and the United States to evaluate the relationship between social media use and customer brand relationship. According to them, the results indicated that social media was positively related to brand relationship, since customers that engage and discuss actively with their favorite brands have stronger relationships with the respective companies owners of said brands. Moreover, these studies demonstrated that companies that invest in social media programs can obtain marketing benefits when applied successfully, representing as well a positive and meaningful impact in the companies' bottom line. Complementing the aforementioned, Kumar, Bezawada, Rishika, Janakiraman, and Kanna (2016) performed a research on a large retailer in the U.S. to examine the effect of

social media engagement with the customer purchase behavior. On it, they determined that, applying social media tools, the company could enhance the interest of its customers by interchanging valuable information, leading to more sales and strengthening its brand connection.

Regarding the concrete benefits of social media, Stelzner (2014) showed in the “Social Media Marketing Industry Report” that the main ones are the following: (a) increasing exposure of the business; (b) increasing traffic of users; (c) development of loyal fans; (d) gaining marketplace insight; (e) reducing marketing expenses; and (f) improving overall sales. In contrast, Nitescu (2015) pointed out certain benefits in which some of them are more long-term oriented. Thereby, companies gain the following: (a) instant customer feedback; (b) enhanced brand visibility as a result of the greater reach; (c) better customer service; (d) enhanced customer retention capabilities; and (e) increased business potential for future generations. As it can be seen, considering and putting more efforts on the social media aspect of business can actually generate plenty of positive outcomes for firms; therefore, in the current business context companies need to acknowledge the importance of these platforms.

It might be the case that companies that want to adopt or reinforce the Social Media presence are curious or willing to know if there is a way to measure the effort that they put onto it. According to Smith, Blazovich, and Smith (2015), it is still a challenge to measure the effectiveness of social media, since there is no industry standard to perform said measure. On the other hand, Hoffman (2010) argued that companies should not always see that return on investment as monetary, but also as qualitative measure in customer behavior related to the particular social application.

The previous means that, for instance, measures such as the number of visits or comments in a Facebook page, a Blog, or other social media channel can actually be a good

indicator of how well customers are reacting to the social media initiative. Those indicators can be used to “measure key marketing outcomes such as changes in awareness levels or word-of-mouth increases over time (Hoffman, 2010). Thereby, in Table 3 it is presented a list of potential indicators that companies can use to measure their Social Media presence and performance.

According to Accenture (2015), mobile subscribers have been using their digital devices to research and compare shopping options. This can be applied also to the automotive industry because car shoppers are nowadays more aware of their products of interest; however, they are preferring to use mobile channels and social media to shop and analyze their options instead of going to a physical showroom (Accenture, 2015). Also, as Bagga and Gupta (2014) pointed out, car dealers that foster their brands using different social sites achieve the goal of keeping the interest of the followers by seeing real time updates with regards to promotions and activities related to their business. Therefore, it is necessary that dealers start investing and focusing more on enabling and maintaining relationships with their customer through the alternatives aforementioned.

Furthermore, an study conducted by Dealer Dot Com (2012) indicated that in fact there exists a growing trend of car shoppers that use social media as a main resource throughout their shopping process, in which the information they find and the reviews they read greatly influences their decision as to what car they will purchase and from which dealer they will do so. According to Dealer Dot Com (2012), the automotive purchase cycle is being impacted by the use of social media mainly in the early stage, in which the buyer considers their purchase options, and in the last stage, after the purchase has been made. The previous means that the after sales service is of extreme importance, and the use of social media should be encouraged to increase the interaction between the dealer and the customer. In conclusion, it can be seen that the use of social media is important for the car dealers because

it makes the customers be aware of their product offering and because it provides an opportunity to establish a long-lasting relationship with them.

Table 3

List of Indicators to Measure Social Media Presence and Performance

Social Media	Brand Awareness	Brand Engagement	Word of Mouth
Blogs	*Number of unique visits *Number of return visits *Number of times bookmarked *Search ranking	*Number of members *Number of comments *Average length of time on site *Number of responses to polls or surveys	*Number of references in other media *Number of reblogs *Number of "Likes"
Microblogging (e.g., Twitter)	*Number of tweets about the brand *Number of followers *Valence of tweets	*Number of followers *Number of @replies	*Number of retweets
Forums or Discussions Boards	*Number of page views *Number of visits *Valence of posted content	*Number of individual replies *Number of sign-ups *Number of relevant topics	*Citations in other sites *Tagging in social bookmarking *Number of "likes"
Product Reviews (e.g., Amazon Site)	*Number of reviews posted *Valence of reviews *Number of wish-list adds	*Length of reviews *Relevance of reviews *Overall number of reviewer rating scores *Average reviewer rating score	*Number of reviews posted *Valence of reviews *Number of visits to review site page
Social Networks (e.g., Facebook)	*Number of members/fans *Number of installs of apps *Number of impressions *Number of bookmarks *Number of reviews/rating and valence	*Number of comments *Number of active users *Number of "likes" on feeds *Number of user-generated content (photos, replies)	*Number of posts on wall *Number of reposts/shares
Video and Photo sharing (e.g., Youtube)	*Number of views *Rating of video	*Number of replies *Number of page views *Number of comments *Number of subscribers	*Number of embedded videos/photos *Number of "likes" *Number of times republished on other media

Note: Valence indicates whether the reviews or the content is positive or negative. Adapted from "Can you measure the ROI of your Social Media marketing?", by D. Hoffman, 2010, *MIT Sloan Management Review*, 52 (1), p. 44.
(https://www.researchgate.net/publication/228237594_Can_You_Measure_the_ROI_of_Your_Social_Media_Marketing)

However, Müller, Griesbaum and Mandl (2013) remarked that even when there is proven evidence of the benefits of social media related to car dealerships, these are not always engaged on this kind of marketing. On their research, some of the reasons that car dealers provided included that this kind of marketing has no interest to them (28%), that it is too costly for them (12%), and because they lack of know how (50%). The previous clearly indicates that car dealerships still do not acknowledge the potential benefits that using these platforms provide to their business.

3.5 Customer Relationship Management (CRM)

The concept of Customer Relationship Management (CRM) is widely acknowledge by scholars. Régio and Dalmarco (2014) indicated that CRM is a business strategy that manages the relationship with clients, focusing on identifying, attracting and retaining the best customers, in which the goal is to offer the customer a high level of satisfaction to gain competitive advantage. Similarly, Maggon and Chaudhry (2015) defined CRM as a process which purpose is to attain and preserve an ongoing relationship with customers so that the role of each customer in the overall profitability of the firm is fully exploited. For its part, Mandina (2014) provides a very distinctive definition by stating that “CRM is a technology based strategy that integrates the front office and back office functions with customer contact points” (p. 71), which ultimately gives mutual benefit to both the company and the consumer.

Complementing the aforementioned, Saelee, Jhundrain, and Muenthaisong (2015) suggested that CRM can be defined not only by one but through five points of view. Thereby, CRM can be seen as: (a) a process, in which the long-term relationship with other parties is created and improved; (b) a strategy, through which an organization invests in the most valuable customers; (c) a philosophy, where the purpose is to put the customer in the focus of the organization; (d) an ability, with which the firm customs the customer behavior by using customer insights; and (e) a technology, used to integrate marketing, sales and information

systems to create relationships with customers. As it can be seen CRM can be defined in various ways influenced by the difference of perspectives; however, it can be concluded that the main purpose of CRM is to develop successful and long-lasting relationships with customers.

Hillebrand, Nijholt, and Nijssen (2011) presented a model in which they emphasize the use of automated CRM systems as a driver to move from a product-focused approach to a more customer-focused one when performing business in the current dynamic environment. Said model obeys a sequence described as follows and shown in Figure 5: (a) first, it is necessary to be able to have access to both hardware and software that gathers and analyses customer data; (b) second, the firm needs to process the information and relate it with the strategies formulated by the company; (c) third, the processing activities that have been performed will lead to customer insights useful for the company to understand the customer needs and how they vary over time; and (d) last, all the previous insights can lead to a better customer relationship performance in the form of customer retention. This model goes accordingly to the definition provided by Mandina (2014) since it agrees with the fact that CRM is enhanced by technology.

Venugopal and Priya (2015) also provide a sequential model to apply CRM, describing it as “a process which rotates around customer’s life cycle to heap cumulative data, examine customer’s needs and preferences, developing strategies to meet their needs, communicating through proper network to reach customers and analyzing the result” (p. 140). Similarly, Maggon and Chaudhry (2015) established the scope of CRM as an “encircling strategy, management of dual value creation, appropriate use of customer data and technology, procurement and diffusion of customer knowledge to relevant stakeholders, development of long-term relationships with particular customers and/or customer groups, and incorporation of processes across the many areas of the firm and across the network of

firms that collaborate to generate higher customer value” (p. 54). That being indicated, it can be seen that the CRM approach is not only a concept that has many definitions; instead, it can be considered as a complex process that needs involvement all across the company to achieve the desired result of keeping a customer satisfied.

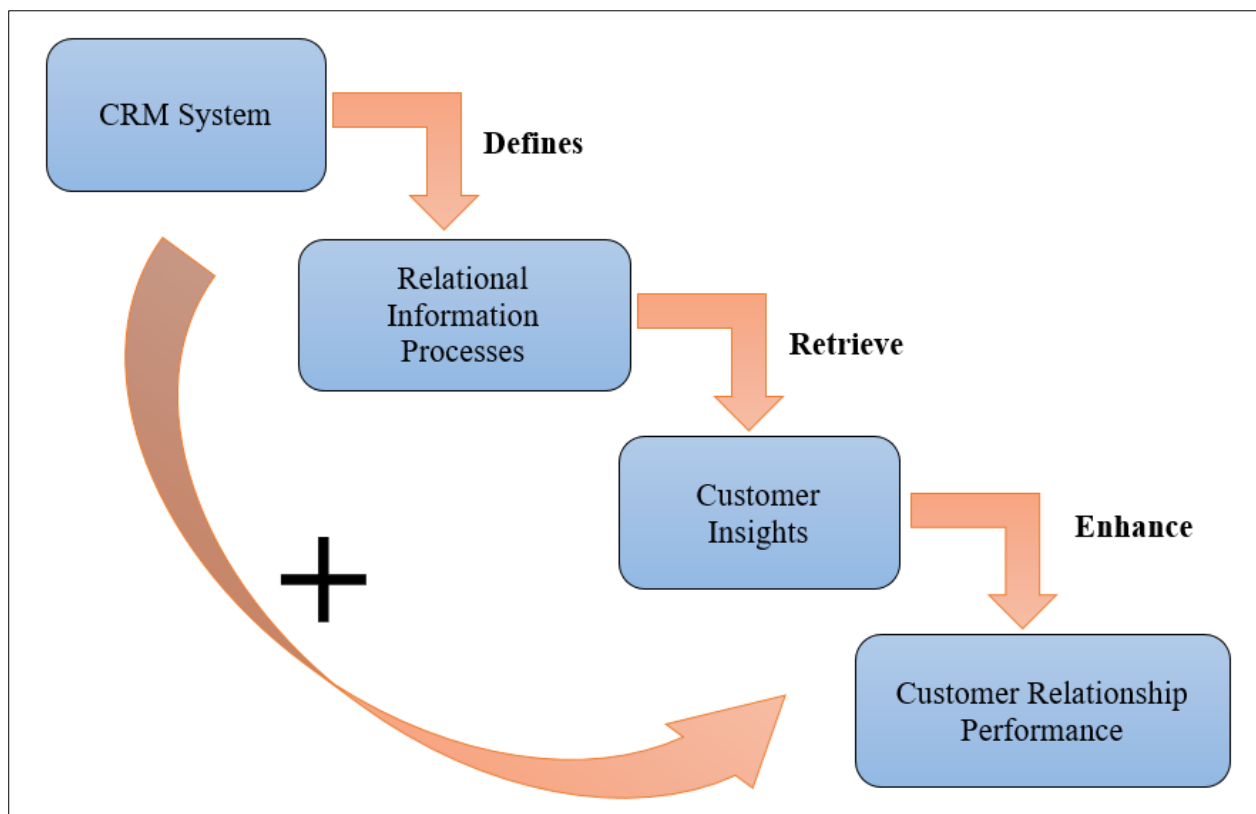


Figure 5. Sequential model for adopting a CRM approach. Adapted from “Exploring CRM effectiveness: an institutional theory perspective”, by B. Hillebrand, J. Nijholt, and E. Nijssen, 2011, *Journal of the Academy of Marketing Science*, 39(4), p. 595.

Regarding the importance of CRM for businesses, Venugopal and Priya (2015) describe it as strategic and integrative process able to cause a “huge impact on customer’s overall satisfaction, loyalty, customer retention, organization’s overall performance, and sustainable competitive advantage” (p. 142). In addition, Maggon and Chaudhry (2015) indicated that currently the CRM is one of the fastest growing approaches, being acquired mainly by companies that provide some sort of service, such as restaurants, hotels, dealerships, in which maintaining solid relationships with customers and employees is crucial for their operations. Toma (2016), for its part, pointed out one crucial aspect of CRM, which

is that it can be considered as an “improve contemporary form of return-on-investment” (p. 88). CRM can positively influence the performance and profitability of companies as a result of the potential competitive advantage, created through the development and retention of satisfactory customer relations (Toma, 2016).

Dickson, Lassar, Hunter, and Chakravorti (2009) reflected as well on the importance of the CRM process of a company by saying that it can be considered as one of the three core business processes, where the other two are the product development management process and the supply-chain management process. Moreover, taking into consideration the latest trends regarding social media, Mannan and Harrigan (2014) indicated that social media technologies have revolutionized the way businesses and consumers interact; therefore, platforms such as Facebook, Twitter and Youtube are powerful enablers to CRM. It is important to note that the previous approach can be considered as a new form of CRM, also known as CRM 2.0 or Social CRM (Régio & Dalmarco, 2014).

Lastly, there is evidence regarding the positive results that adopting a CRM approach can provide. Toma (2016) indicated that companies using CRM were able to improve their operations including the following: (a) a minimum of 10% per year increase in gross sales revenue during the first three years of implementing CRM; (b) a minimum of 5% decrease in administrative costs during the first three years; (c) a minimum of 1% margin improvement in the value of sales during the CRM system lifetime; and (d) a minimum of 5% improvement in the rating provided by customers. As it can be observed, having customers that are more satisfied with the product offering of a company can enhance the brand image of the firm, leading to more profits and a better performance.

Regarding the importance of CRM with car dealership, there are some points to consider. According to Lundblad and Lundblad (2010), the successful car dealership focuses on retaining the previous customers instead of increasing sales by gaining new customers.

This is why it is extremely important for dealer to develop customer loyalty, mainly in the after-sales process. In order to perform this, Shivaraman, Gaspar, Kumar, Dyer, Graef, and Fera (2014) indicated that dealers need to consider a holistic approach to assess and improve the customer experience. This approach includes the following points: (a) the “experience promise”, which means to commit as a whole company to deliver outstanding customer service; (b) organization alignment, in which both the top management and the employees are involved to make the organization designed around customer experience; (c) culture, which includes training new members to learn the aforementioned vision; (d) process and infrastructure, making use of newer technologies such as social media; (e) voice of the customer, meaning that auto dealers need to obtain continuous feedback from their customers; and (f) performance metrics, or the previous mentioned key performance indicators that will identify improvement opportunities for the dealer (Shivaraman et al., 2014).

3.6 Training and Development

Training is a concept that is related mainly to gathering new knowledge and the development or reinforcement of the set of skills that an employee currently has. According to Ikhlas (2012), Training can be defined as a learning process in which it is involved the acquisition of knowledge, the reinforcement of skills, concepts, rules, and more importantly, the changing of attitudes and behaviors towards the job or company to enhance the performance of employees. Milhem, Abushamsieh, and Perez (2014) agreed with the previous definition by stating that “Training is a planned process that is used to change attitudes, knowledge, skills and behavior through the learning experience in order to achieve effective performance in a specific activity or range of activities” (p. 13).

Furthermore, when applied to the work environment, the purpose of Training programs or activities is to develop and enhance the abilities of individuals, as well as to

satisfy the current and future needs of an organization (Milhem et al., 2014). Vuta and Farcas (2015) compliment the previous indicating that training activities are designed to provide professional stability and access to employment, also emphasizing the fact that training is a necessary instrument to respond in a better way to possible changes in demand or for new qualifications. Moreover, according to Atan, Raghavan, Hasnaa, and Mahmood (2015), Training programs are designed to correct the skill deficit that employees may have, and they can address particular performance deficits or problems because of its job-specific nature.

In what concerns the types of Training programs, According to Milhem et al. (2014), there are basically two of them. The first is called On-The-Job Training (OJT), which is “planned, structured, and mostly carried out at the trainee’s workplace or sometimes in a special on-site training area” (p. 19). Harris, Simons, Willis, and Carden (2003) also indicated that in OJT companies puts more emphasis on spending large amount of time training their employees with previously determined skill sets. The second type of training is known as Off-The-Job Training (OFJT), which is made outside the working environment and can involve group discussions, tutorials, readings and other sort of lectures or workshops (Milhem et al., 2014). Harris et al. (2003) defined this kind of training as well by saying that it allows the trainees to learn and apply a newer set of skills in a safe working environment because it is not linked to the job itself.

In order to execute a Training program, there are plenty of delivery methods. Milhem et al. (2014) listed the following: (a) Team Training, in which people is trained to solve problems in a more effective way by gathering in groups and giving constant feedback; (b) Mentoring, in which people is trained by a person or mentor that has specific knowledge and skills; (c) Seminars, which are group-oriented programs that focus on a specific topic that engages participants into discussion and learning; (d) Field trips and tours, useful to gain

experience away from the workplace; and (e) E-learning, through the use of information technologies to enhance and support the education and learning process.

As it will be described, Training has proven to have a strong positive effect in the performance of firms. Vuta and Farcas (2015) indicated that the importance of Training programs lays in the fact that nowadays there is a highly competitive economic environment in which “knowledge management has become not only a resource for survival and economic efficiency, but also an important competitive advantage” (p. 368). Moreover, Atan et al. (2015) point out the fact that employees’ training has become an important concern for any business field in the current environment since it can influence on the employees’ motivation which is an important factor for business performance.

Several studies have been performed to evaluate the importance and impact that Training programs have in companies’ performance. For instance, Ikhlas (2012) conducted a study to identify factors that affect the employee’s performance, in which it concluded that Training is positively related with the results of the company. Selecting a Bank and a University as the source of information and a sample of 100 employees, this study demonstrated that Training contributes in a great way to increase the performance, not only of the individual, but also of the company as a whole (Ikhlas, 2012).

In addition, Bayraktaroglu and Cickusic (2014) executed another study amongst 210 employees in 33 companies of Bosnia and Herzegovina to find out if there was a substantial impact of training and development activities on the employee’s performance. This study brought up some observations in which it was demonstrated that Training has positive effects at both the individual and team level. The conclusion of the research was that this kind of programs are needed in companies nowadays because it encourages employees to make less mistakes, which translates in less costs (Bayraktaroglu & Cickusic, 2014).

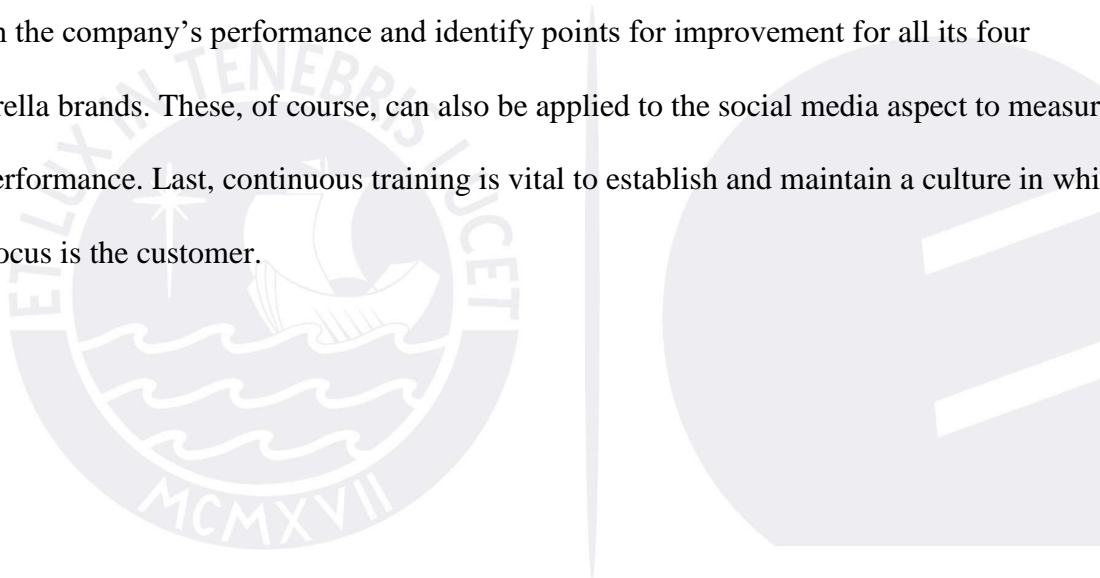
A third study that complements the previous was done by Atan et al. (2015). The research was carried out in Malaysia taking into account Small and Medium Enterprises (SME) in the manufacturing industry. From a sample of 103 workers, the study wanted to get information with regards to the degree of relation between Training and the performance of the workers, much as the previous two studies. Based on the participants, the study showed that training was useful for improving their set of skills and level of knowledge, which had a positive effect on the overall performance (Atan et al., 2015). Furthermore, this study showed that with training, employees feel more motivated, thus increasing their productivity and morale towards their job.

As it can be seen from the examples above, there is an evident relation of Training programs, in all its forms, with the performance of both the individuals in a company and the company itself. Therefore, in the current business context, which is highly dynamic, companies need to understand the necessity of performing training programs. It is to note that training activities are useful for all kind of businesses, including the automotive and the car dealership ones. However, as a way to question the previous studies, it is to be noted that companies should also acknowledge the fact that training programs can have a cost implied to them, which is the time of the training programs and hours dedicated to it. If the training program is not successful, it might mean money not well spent for the firm.

3.7 Conclusions on Literature Review

Throughout this chapter, several definitions have been introduced with regards to the topics of KPIs, Social Media, CRM, and Training; also some studies have been presented to demonstrate that, indeed, taking into consideration the previous concepts and applying them to companies can deliver positive outcomes. As it has been discussed, the main important topics for the development of this project will be: (a) the implementation and utilization of Key Performance Indicators; (b) the encouragement of adopting an attitude that fosters the

use of social media in the company; (c) reconsidering the fact that Customer Relationship Management is relevant for the performance of a business; and (d) the training aspects that must not be overlooked within a company. These concepts are interrelated as well within the car dealership industry and, in the case of this project, the same applies for Euromotors. The Literature Review has allowed to see from an academic perspective the importance of the topics described previously, which, in the case of Euromotors, these are clearly related to the main issue defined in Chapter II. For instance, implementing social media platforms for the company's operations can enhance its marketing capability of customer management, gaining customer loyalty and brand awareness that will contribute in a positive manner to the company's bottom line. Furthermore, implementing internal KPIs will be helpful to track down the company's performance and identify points for improvement for all its four umbrella brands. These, of course, can also be applied to the social media aspect to measure its performance. Last, continuous training is vital to establish and maintain a culture in which the focus is the customer.



Chapter IV: Qualitative/Quantitative Analysis

This chapter will present a variety of resources through the Fact Finding section, which will act as the foundation for Euromotors' qualitative and quantitative analysis. The purpose of these analyses will be to support the formulation of the key problem introduced in the previous chapter. After performing the qualitative and quantitative analysis, the situation within the company will be fully understood, which will enable the identification of the main causes for the key problem and the solutions that this project will present for solving the main issue.

4.1 Fact Finding

This section is a compilation of important information that will be useful for performing both qualitative and quantitative analyses. Thereby, it is shown first some general financial figures of the company, which are compared to those of another player in the industry. Then, the social media aspect is taken into account for showing relevant findings regarding the company's online presence.

4.1.1 Financial data

Publicly available financial statements for 2012, 2013, and 2014 from EMIS's online database were acquired to supplement incomplete financial data provided by Euromotors. In Table 4 on the next page, Euromotors' most significant figures from its financial statements are compared to Toyota Del Peru between 2012 and 2014. In addition, Table 5 that follows shows significant changes to Euromotors' income statements, in order to support the quantitative analysis in Chapter V.

4.1.2 Social media presence

Social media is a powerful tool for any company to leverage. Especially in the Peruvian automotive industry, companies have increased their online exposure through globally popular platforms like Facebook and Twitter to further market their brands, build

reputation, gain access to new followers, and foster relationships with their customers. Social media can be very effective in reaching customers quickly, but it can also damage a company's reputation if not used carefully or properly.

Table 4

Comparison between Euromotors (EM) and Toyota Del Peru's (TDP) Significant Financial Figures from 2012 - 2014

Fiscal Period	2012		2013		2014	
	EM	TDP	EM	TDP	EM	TDP
Total Operating Revenue	527,933	2,138,309	586,502	2,441,471	542,215	2,198,761
Net Sales Revenue	524,813	2,134,828	583,953	2,439,453	538,642	2,194,212
Cost of Goods Sold	444,487	1,942,163	493,059	2,142,008	461,856	1,944,034
Gross Profit	80,326	192,665	90,894	297,445	76,786	250,178
Total Expenses	37,543	97,162	43,527	120,720	43,139	126,177
Net Profit After Tax	30,388	73,686	14,470	106,367	13,509	68,709
Total Assets	201,798	389,326	410,161	695,551	357,965	473,954
Inventories	102,860	224,884	181,420	463,099	128,130	325,120
Property, Plant and Equipment	66,334	20,119	33,464	19,427	33,228	18,758
Total Liabilities	104,507	255,941	275,038	535,004	215,633	350,736
Current Liabilities	88,503	248,863	239,960	527,751	191,273	343,005
Long-Term Liabilities	16,004	7,078	35,078	7,253	24,360	7,731
Inventory Turnover	4.32x	8.64x	2.72x	4.63x	3.60x	5.98x
Accounts Receivable Turnover	32.93x	32.78x	9.56x	23.39x	9.00x	30.61x

Note. The monetary information shown, excepting the ratios, is in PEN Thousands. Adapted from "Business Report: Euromotors SA", by Educational Management Education System (EMIS), 2016. (https://www.emis.com/php/company-profile/PE/Euro_Motors_SA_es_3398573.html)

Table 5

*Significant Changes in Euromotors' (EM) Financial Statements Compared to Toyota Del Peru (TDP)**Based on Year Previous*

	2013				2014			
	Monetary Change		% Change		Monetary Change		% Change	
	EM	TDP	EM	TDP	EM	TDP	EM	TDP
Selling and Distribution Expenses	7,050	21,583	29.9%	30.0%	- 630	4,120	- 2.1%	4.2%
Net Profit After Tax	- 15,918	32,681	- 52.4%	44.4%	- 961	- 37,658	- 6.6%	- 35.4%
Total Assets	208,363	306,225	103.3%	78.7%	- 52,196	- 221,597	- 12.7%	- 31.9%
Inventory	78,560	238,215	76.4%	105.9%	- 53,390	- 137,979	- 29.4%	- 29.8%
Trade and Other Receivables	59,857	71,326	250%	61.9%	1,107	- 71,972	1.3%	- 38.6%
Property, Plant and Equipment	- 32,870	- 692	- 49.6%	- 3.4%	- 236	- 669	- 0.7%	- 3.4%
Current Liabilities	151,457	278,888	171.1%	112.1%	- 48,687	- 184,746	- 20.3%	- 35.0%
Long-Term Liabilities	19,074	175	119.2%	2.5%	- 10,718	478	- 30.6%	6.6%
Inventory Turnover	--	--	- 58.9%	- 46.4%	--	--	32.4%	29.2%
Accounts Receivable Turnover	--	--	- 71.0%	- 28.6%	--	--	- 5.9%	30.9%

Note. The monetary information is shown in PEN Thousands. The numbers and percentual changes are positive unless specified otherwise. Adapted from "Business Report: Euromotors SA", by Educational Management Education System (EMIS), 2016. (https://www.emis.com/php/company-profile/PE/Euro_Motors_SA_es_3398573.html)

Based on the information shown in the Table 6, the augmented percentages of Twitter social media market share in Peru can be calculated according to a brand's number of followers: KIA with 14,700 followers (57%); Toyota with 5,021 followers (19%); Nissan with 1,969 followers (8%); Hyundai with 1,888 followers (7%); Honda with 947 followers

(4%); Euromotors, Euroshop, AMSA, Volkswagen, Audi, Porsche, and SEAT combined with 778 followers (3%); and Mercedes-Benz with 595 followers (2%)

In addition, the augmented percentages of Twitter activity can be calculated based on a brand's number of 'tweets:' KIA with 4,805 tweets (36%); Hyundai with 2,481 tweets (19%); Honda with 2,219 tweets (17%); Toyota with 1,952 tweets (15%); Euromotors, Euroshop, AMSA, Volkswagen, Audi, Porsche, and SEAT combined with 1,438 tweets (11%); Mercedes-Benz with 442 tweets (3%); and Nissan with 35 tweets (<1%).

Table 6

Twitter Activities Comparing Euromotors' Umbrella Brands with BMW, Mercedes-Benz, and Peru's Top Japanese and Korean Brands

Company (Peru)	Twitter Account	Followers	Tweets	Description
Euromotors	https://twitter.com/EuromotorsPeru	11	4	No tweets since October 2012.
Euroshop	https://twitter.com/euroshopvw	221	842	26 tweets in July, no visual advertising, likes, and retweets.
AMSA	https://twitter.com/amsavolkswagen?lang=en	129	9	No tweets since April 2010.
Volkswagen	https://twitter.com/Volkswagen_PE	388	583	No tweets since June 16.
Audi	--	--	--	No twitter account.
Porsche	--	--	--	No twitter account.
SEAT	https://twitter.com/SeatPeru	29	0	No tweets.
BMW	--	--	--	No twitter account.
Mercedes-Benz	https://twitter.com/mercedesbenzpe	595	442	12 tweets in July 2016.
Toyota	https://twitter.com/Toyota_Peru	5,021	1,952	9 tweets in July 2016.
Hyundai	https://twitter.com/Hyundai_Peru	1,888	2,481	39 tweets in July with followers' interaction.
Honda	https://twitter.com/HondaPeru	947	2,219	22 tweets in July 2016.
Mazda	https://twitter.com/MAZDAPERU	631	126	Around 3 tweets per month as of July 2016.
Nissan	https://twitter.com/Nissan_Peru	1,969	35	No tweets since May 28, 2016.
KIA	https://twitter.com/kiaperuoficial	14,700	4,805	65 tweets in July 2016.

Note. Information retrieved from each brand's Twitter account webpage.

Similarly, by utilizing data shown afterwards in Table 7, the augmented percentages of Facebook social media market share in Peru can be calculated taking into consideration the number of 'likes' on a brand's Facebook page: KIA with 1,444,856 likes (37%), Hyundai with 941,391 likes (24%), Toyota with 551,838 likes (14%), Nissan with 413,514 likes

(11%), Honda with 171,444 likes (5%), BMW with 138,386 likes (4%), Mercedes-Benz with 127,438 likes (3%), and Euromotors, Euroshop, AMSA, Volkswagen, Audi, Porsche, and SEAT combined with 88,322 likes (3%).

Table 7

Facebook Activities Comparing Euromotors' Umbrella Brands with BMW, Mercedes-Benz, and Peru's Top Japanese and Korean Brands

Company (Peru)	Facebook Page	Likes of Page	Rating (/5)	Description
Euromotors	https://www.facebook.com/Euromotors-437758796305482/?fref=ts	114	--	Last post April 2015.
Euroshop	https://www.facebook.com/euroshopvw/?fref=ts	33,584	4.1 (80 reviews)	24 posts in July, limited customer interaction.
AMSA	https://www.facebook.com/amsavw/	7,864	--	23 posts in July, limited customer interaction.
Volkswagen	https://www.facebook.com/PeruVolkswagen/	546	--	No posts.
Audi	https://www.facebook.com/AudiPeru/?fref=ts	17,785	--	23 posts in July with significant customer interaction.
Porsche	https://www.facebook.com/PorschePeruOficial/?fref=ts	9,194	4.8 (26 reviews)	At least 23 posts in July with fair customer interaction.
SEAT	https://www.facebook.com/seatperuoficial/?fref=ts	19,235	4.2 (18 reviews)	4 posts in July with limited likes, no shares, and 1 comment, other months show fair customer interaction.
BMW	https://www.facebook.com/BMW.Peru/	138,386	--	1 post in July, 16 posts in June with little to no customer interaction.
Mercedes-Benz	https://www.facebook.com/MercedesBenzPeru/?fref=ts	127,438	--	42 posts in July with high customer interaction.
Toyota	https://www.facebook.com/ToyotaPeru/?ref=py_c	551,838	--	22 posts in July with high customer interaction.
Hyundai	https://www.facebook.com/hyundaiperu/?ref=py_c	941,391	--	53 posts in July with high customer interaction.
Honda	https://www.facebook.com/HondaAutosPeru/	171,444	--	25 posts in July with high customer interaction.
Mazda	https://www.facebook.com/mazdaperu/?fref=ts	588,987	--	At least one post per day, with high customer interaction.
Nissan	https://www.facebook.com/NissanPeru	413,514	--	22 posts in July with high customer interaction.
KIA	https://www.facebook.com/kiaperuoficial/?fref=ts	1,444,856	--	61 posts in July with high customer interaction.

Note. Information retrieved from each brand's Facebook account page. High customer interaction indicates that the page has numerous likes, comments and shares of various content. The scale considered for this is High, Significant, Fair and Limited.

4.2 Qualitative Analysis

4.2.1 Online customer experience

As the rate of and access to technology continues to grow exponentially around the world, people have become connected to digital forms of information more than ever before. For instance, when customers are interested in purchasing a new vehicle, they will most likely begin their search online through manufacturers' websites, which saves time and effort as opposed to physically obtaining information from dealers. Therefore, analyzing companies' websites and social media interactions can indicate how companies are perceived by customers and compared to other competitors.

Upon first glance at the websites of brands shown in Figure 6, the majority (Volkswagen, Audi, and SEAT) does not follow similar layouts when compared to their global web pages. It would be beneficial for each brand to follow the same standards as their international pages, even if the brand sells a limited number of models in the Peruvian market, as is the case with SEAT. Porsche Peru's website, on the other hand, generally maintains the model of its international webpage.

The next observation is that AMSA and Euroshop's webpages, although understandably different dealers can potentially create confusion for potential buyers. Specifically, this pertains to Volkswagen's concessionaire, which is called Peruwagen, but is still part of Euroshop. If potential customers want to find information about a particular Volkswagen model, for instance, they might wonder whether they should visit Volkswagen Peru's website, or even Euroshop, Peruwagen, or AMSA's websites. Considering that Euroshop and Peruwagen's websites are virtually the same (Figure 7), the negative effect is that potential customers may feel confused about where to find the most useful information. Ultimately, this could frustrate potential customers to the point where they would be willing to simply search for another competitive brand that provides a more user-friendly and simple

online experience. Social media interaction needs to be evaluated as well. These days, customers' purchasing decisions can easily be influenced by companies' social media presence and other customers' online opinions. Consequently, this is a critical component of online marketing for companies that should not be overlooked, since it can build brand visibility and increase customer followings through instantaneous interactions.

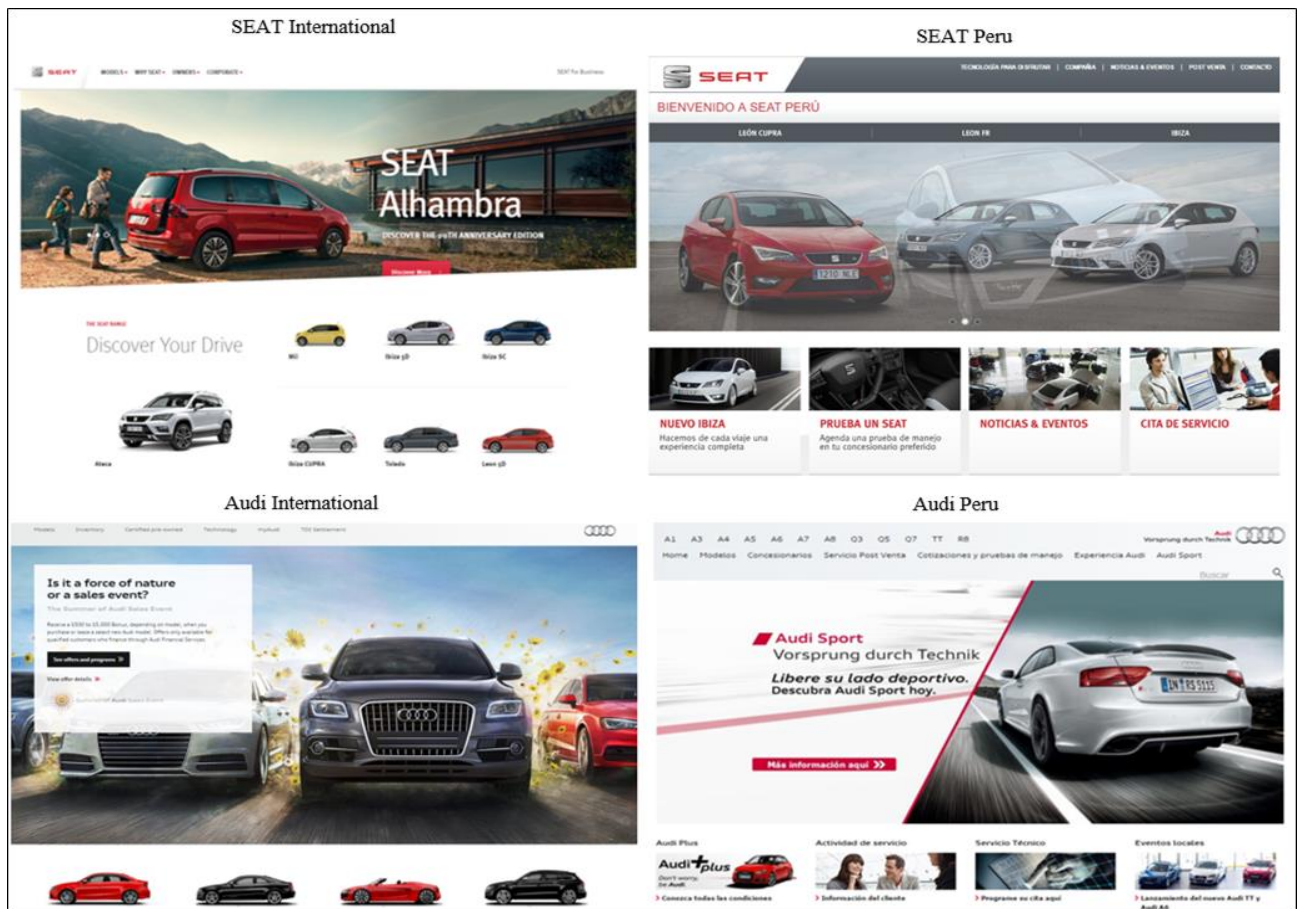


Figure 6. Comparison between international and Peruvian brand webpages. Adapted from the main web pages of SEAT International (<http://www.seat.com/>), SEAT Peru (<http://www.seat.com.pe/>), AUDI International (<http://www.audi.com/index.html>), and AUDI Peru (http://www.audi.com.pe/aola/brand/es_pe.html).

A similar situation can be observed through the Facebook pages of Euromotors' dealers and licensed brands. On one hand, Euromotors' dealers and brands have only been 'liked' on Facebook by approximately 88,000 people. That amount is very questionable for a company that manages four well-known European car brands, and clearly indicates that there is plenty of room for improvement in this aspect. The various pages also have limited public

interaction in terms of comments, shares, and replies. On the other hand, single brand Facebook pages in Peru like KIA and Hyundai have passed or are about to reach 1 million ‘likes.’ These companies tend to interact and responsive with the community on a regular basis, which is shown in the great number of likes and share that they display on the social platforms. Although Audi and Porsche have a fair amount of interactions with the public on Facebook, the number of ‘likes’ on their Facebook pages are insignificant when compared to their competition.

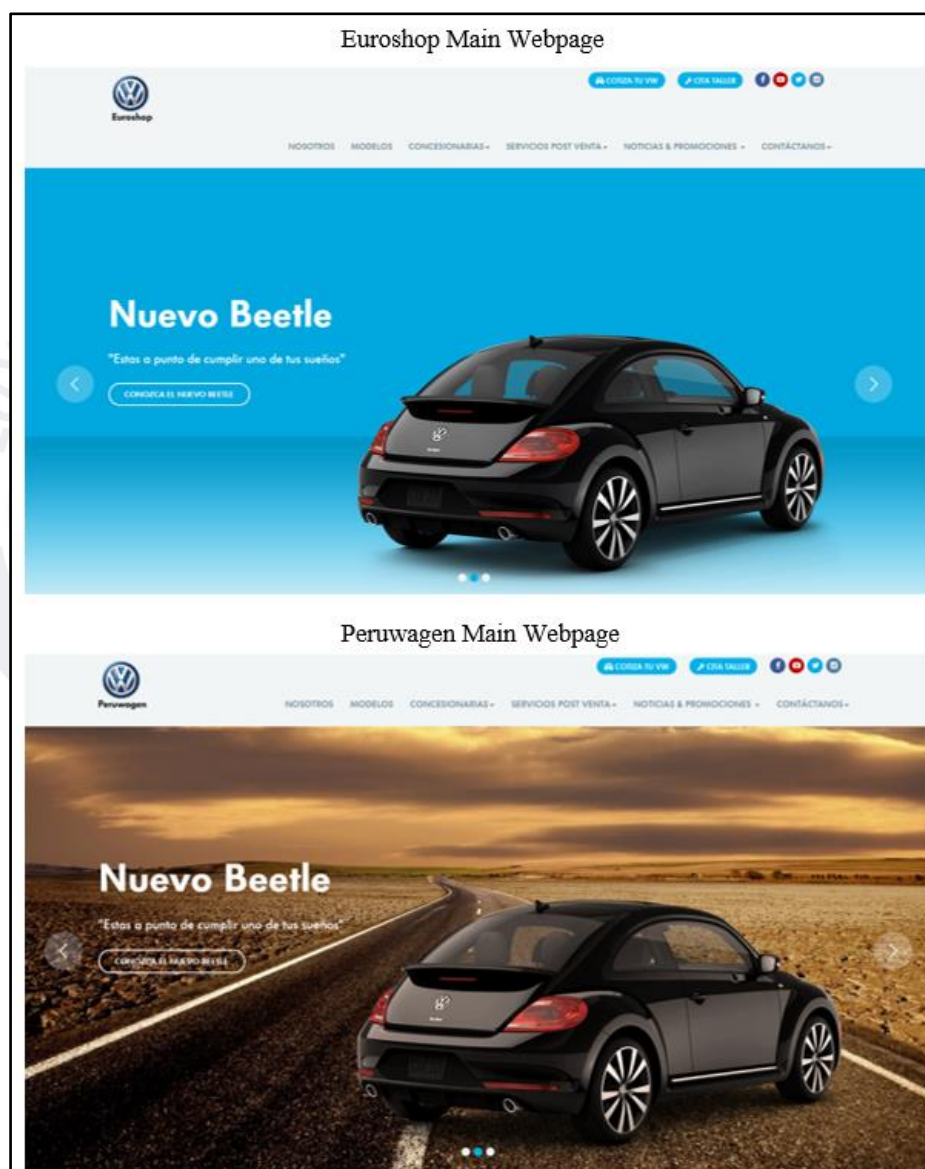


Figure 7. Comparison between Euroshop and Peruwagen’s webpages. Adapted from the main web pages of Euroshop (<http://www.euroshop.com.pe/>) and Peruwagen (<http://www.peruwagen.com.pe/>).

It is important to highlight, though, that Euroshop's Facebook page gives the public an option to rate the company and provide feedback, unlike other brands. Nevertheless, the positive reviews show almost no feedback in the form of comments, while the negative reviews, as is understandable, show in great detail the complaints from customers. In some of the negative comments, Euroshop attempts to assist the customer, however, there is no indication that the complaints were actually resolved. In Table 8, some forms of negative feedback on Euroshop's Facebook page are detailed.

4.2.2 Perceived internal situation

After several meetings with Euromotors' managers and employees, important qualitative information was gathered based on questions asked and conversations had. This information will be used to gain a better understanding of the company's goals and aims compared to its actual behavior. This part of the analysis will consider the aspects of: (a) attitude; and (b) operations and systems.

The company's attitude varies amongst its different divisions. People who work for Euroshop and AMSA feel that they do not have total commitment from their colleagues who work in the imports division. For example, Euroshop and AMSA employees perceive that the import employees lack effort when dealing with the factories of their respective brands' term and payment negotiations. This scenario was typically seen when managers felt that the importer did not try to defend the dealer when filing a warranty claim that was denied by the factory. In contrast, warranty employees felt that dealers and their service assistants needed to improve their communication with customers.

Based on previous evidence from interviewing employees within the warranty division, their relaxed demeanor could suggest that they believe nothing more can be done to improve the situation with factories. Furthermore, when asked to explain the warranty process including the roles and functions of different positions, it appeared that they too were

unsure of how to explain specific processes and formalities. This evidence suggests that some employees are not fully committed to their roles. The extent of this behavior has not yet been examined in other departments; however, because of its prevalence in such an important area like warranties, this issue needs to be addressed.

Table 8

Details of Customers' Complaints on Euroshop's Facebook Page

Date	Rating (out of 5 stars)	Complaint	Response from Euroshop?	Evidence of Issue Being Solved?
5/03/2016	1 Star	"I have had my car in AMSA's workshop for three business days. They did not call to inform me nor send an email, even though they said they would do so. I believe the service of Volkswagen leaves much to be desired for those who want to acquire a vehicle of this brand. I took my car to Euroshop in Surquillo, but I think its work is as bad as the one with AMSA. They do not seem to care for the customer. Very unsatisfied by the service offered."	No	No
11/25/2015	1 Star	"As #Euroshop #Volkswagen does not provide me with a solution, I will have to use this means for people to think before buying from this concessionaire. It is a shame that #Volkswagen damages its brand with incapable staff that seeks for whatever excuse to wash their hands."	Yes	No
11/07/2014	2 Stars	"My car was taken in for minor maintenance and the service assistant called me to indicate that my car was ready. However, they didn't inform me about the pick-up and refused to give me my car. I told them from the beginning that if they couldn't deliver it, I would come to pick it up. I will have to go back again tomorrow. This shows the lack of seriousness of your business assistant, it is null!"	No	No
06/25/2015	1 Star	"I feel totally disappointed by the supposed good service of Peruwagen. Last week, I picked up my car from the maintenance service with 40,000 km, but yesterday one of the buttons that controls the air conditioning broke. I verified the others and they were attached with superglue; they were broken too. I immediately went to the workshop where they told me to bring it in the next day. To my surprise, when I went there, they told me that they would not cover the damage because too much time had passed. It is a shame that a company like this gives excuses for not assuming responsibility. I will present my formal complaint [to INDECOPI], the situation cannot remain like this."	Yes	No

Note. Adapted from Euroshop Facebook Page, 2016. (<https://www.facebook.com/euroshopvw/>)

In terms of the company's operations, Euromotors' executives feel that there are processes in need of correction like the warranty process as mentioned above, as well as sales representatives failing to follow proper sales procedures. Thereby, one critical issue that was commonly raised throughout the company meetings included a lack of measurement tools. The company's newly acquired system, SIMA, was implemented in 2014 and seems to help with automating some processes, but it struggles to measure operational performance. For instance, when the company was asked about which brands and specific models were selling the most or which were selling the least, they could not provide an answer because they did not have a system that tracked sales by specific categories.

According to the company, the SIMA system is still in the learning phase and not everyone uses it. In addition, the company indicates that the system is even discouraged in some areas of Euromotors' operations, so people will only work with a pen and paper. Particularly, this was often the case seen in warranties where documents were usually handwritten. As a result, there is an increased chance for error, which places the warranty claim at risk of disapproval if proper documentation cannot be provided to the factory. Lastly, the company indicates that its training programs are insufficient and only held once per year.

Overall, evidence suggests that Euromotors has a difficult time identifying its biggest issues. Managers often observed that there were problems here and there, but had trouble pinpointing the root-cause. Furthermore, Euromotors appears to lack integration amongst its employees, and is also unable to track critical components of its operational performance. This seems to be reinforced by the fact that both Euromotors and Euroshop do not share similar objectives.

4.2.3 Analysis of vision and mission statements

The aforementioned analysis leads to a deeper observation of the company's vision and mission statements. As described in Chapter I, the company's vision is "to be the best in

knowing, anticipating and satisfying the customer's needs in the automotive industry;" however, Euromotors' current situation is far from fulfilling their vision. This can be explained by examining each of its mission statements:

“Identify the customers’ needs and provide them with services and vehicles that exceed their expectations”. Currently, the company does not have a proper system in place to identify its customers' needs. According to Euromotors, no marketing objectives have been formulated and there are also no plans in place to address or anticipate customers' demands.

“Continually improve our systems to make the purchasing process easier for our customers”. Euromotors' current systems, SIMA and Microsoft Dynamic FX, focus on improving efficiency within the company. They are not, however, used to make the purchasing decision easier for customers. Combinations of the Peruvian dealers and brands' websites are the only information systems available for customer use, but their layouts can create unnecessary confusion for customers.

“Provide outstanding service, reasonable prices, and spare parts availability, in order to gain our customer's' trust and leave concerns behind with regards to their vehicle use”. According to negative feedback from customers, Euromotors' customer service needs to be improved, even if the number of negative opinions is small. If a potential customer visits the Facebook pages of the dealers and finds negative reviews, he or she may ultimately decide not to purchase from the dealer based on fear of being provided with poor customer service.

“Encourage a customer service attitude and constant communication as a way to keep our customers for life”. As identified in the social media analysis, the company has been unsuccessful at communicating consistently with its customer base. In addition, customers may take their vehicle to another independent workshop because Euromotors'

spare parts prices are either too high or the customers may feel their service is simply inadequate.

“Continuously improve our processes to maintain our position as industry leaders”.

Although Euromotors has taken the initiative to implement systems aimed at improving its internal processes, the company still falls short of being an industry leader. Through internal encouragement, Euromotors can show its employees the benefits of using its information systems, but the company still has to develop ways to measure its operational performance. There is a tremendous opportunity for Euromotors to improve its current processes and regain its position as an industry leader.

4.3 Quantitative Analysis

4.3.1 Financial Data

As a result of incomplete financial data provided by Euromotors, supplementary financial information was obtained from EMIS's (2016a; 2016b) online database, which helped to draw conclusions about Euromotors' financial performance. According to EMIS (2016a), Euromotors' sales have somewhat fluctuated between 2012 and 2014, but they're relatively constant. Euromotors may be holding its own terms of sales; however, the company is not increasing sales relative to its competitors.

In fact, EMIS (2016a) indicates that Euromotors' net sales growth rate is very low compared to the Peruvian automotive industry in general. With a low net sales growth rate, coupled with high costs of goods sold (around 85% of net sales revenues), as well as high sales, distribution, and administration expenses (around 7% of net sales revenues), it is understandable that Euromotors financial performance is affected by its thin net profits after tax (approximately 2.5% of net sales revenues) (EMIS, 2016a). In comparison, Toyota Del Peru's costs of goods sold are higher than Euromotors' at approximately 89% of its net sales revenues, yet it has lower sales, distribution, and administration costs at around 5.2% of net

sales revenues on average, and higher net profits after tax at approximately 3.7% of net sales revenues (EMIS, 2016b). Since it is most likely extremely difficult for Euromotors to reduce its costs of goods sold, let alone try to reduce the sales prices of its vehicles to match price-sensitive consumers in Peru, Euromotors has to work closely with its respective brands to evaluate the possibilities of using cost-effective means to improve marketing and customer service, which would help increase the company's vehicle and after-sales in Peru.

In 2013, Euromotors' total assets increased from around S/. 201 million to S/. 410 million, and then declined slightly in 2014 to S/. 357 million (EMIS, 2016a). Part of this was the result of an increase in long-term assets and investment properties (S/. 97 million) (EMIS, 2016a). In addition, in 2013, Euromotors' inventories increased by approximately 76% (S/. 79 million), trade and other receivables increased by 250% (S/. 60 million), while property, plant and equipment decreased by 50% (S/. 33 million) (EMIS, 2016a). These financial activities appeared to be funded mainly through a combination of short and long-term debt where current liabilities staggeringly increased by over 171% (S/. 151 million) and long-term liabilities rose by 119% (S/. 19 million) (EMIS, 2016a).

In 2014, however, Euromotors' total assets decreased by 13% largely in part to selling off 29.4% (S/. 53 million) in inventory (EMIS, 2016a). Trade and other receivables continued to increase as well by 1.3% (S/. 1 million), and Euromotors was able to reduce its current and long-term liabilities by 20.3% (S/. 49 million) and 30.6% (S/. 11 million) respectively (EMIS, 2016a).

Analyzing Euromotors' balance sheets between 2012 and 2014, there are a few causes for concern. First, inventories have increased since 2012, which puts pressure on Euromotors to discount through year-end sales or low-interest financing. At the same time, Euromotors needs to monitor its inventory turnover ratio, as its trend has decreased by 17% since 2012 (EMIS, 2016a). Toyota Del Peru is in a similar situation as well, however, as of

2014 it was still selling its inventory 1.6 times faster than Euromotors (EMIS, 2016b). Simply stated, Euromotors is not selling inventory fast enough. Again, this puts pressure on Euromotors to discount at year-end to get rid of excess inventory. Euromotors needs to explore ways to sell more inventory earlier in the year, possibly by increasing its focus on marketing.

Second, trade and other receivables have almost quadrupled since 2012, which not only reduces the company's cash flow, but also makes it more difficult for Euromotors to pay off its debts. In 2013, for example, Euromotors' accounts receivable turnover dropped by 71% from 32.93 times to 9.56 times per year (EMIS, 2016a). Taking a look at Toyota Del Peru, on the other hand, accounts receivable turnover stayed relatively consistent between 2012 and 2014 at an average of 28.92 times per year, with its largest drop of about 29% occurring in 2013 (EMIS, 2016b). Based on the aforementioned, it is evident that Euromotors needs to focus more attention on collecting debts owed to them.

Third, it appears that the majority of Euromotors' current liabilities are tied up in other current financial liabilities, as well as trade and other payables (EMIS, 2016a). In fact, Euromotors current liabilities (S/. 191 million) in 2014 were almost 8 times greater than its long-term liabilities (S/. 24 million) (EMIS, 2016a). Toyota Del Peru had a large amount of debt in current liabilities too. Their current liabilities (S/. 343 million) in 2014 were an astonishing 44 times greater than their long-term liabilities (S/. 8M) (EMIS, 2016b). It would appear that Toyota Del Peru was in no particular position to worry, though, because it could rely on collecting consistent cash flow from its accounts receivable, as well as vehicle sales. For Euromotors, on the other hand, this is an especially precarious position to be in, since the company is already struggling to collect its receivables in a timely fashion. Again, Euromotors needs to increase its cash flow by implementing stricter collection of its receivables.

4.4 Conclusions on Qualitative/Quantitative Analysis

Throughout this chapter, several evidences have been presented in order to support the main problem definition. Thereby, a qualitative analysis was performed, finding some issues with regards to the online customer experience and social media presence, Also, some internal issues were drawn up from the various meetings performed, seeing as well that Euromotors is probably not aligned with its company vision. Regarding the quantitative analysis, mainly financial information has been shown, indicating that the company is nowadays struggling with some costs and a decreasing bottom line. Based on the Literature Review, it can be concluded that Euromotors is not actually recognizing the potential benefits of putting more effort on social media platforms and online marketing, which directly influences the company's Customer Relationship Management. Furthermore, according to the perceived internal situation, Euromotors currently lacks of an effective method to track down in a detailed manner the performance of its umbrella brands and products, as well as the performance of its various areas, which shows that the company has not considered the full potential of implementing KPIs. The following chapters will develop solutions that will address the situation aforementioned.

Chapter V: Root-Cause Analysis of the Problem

This chapter will discuss the root-causes of Euromotors' main problem. These will be analyzed by explaining how changes in the external environment have led to a rise in internal issues. Then, after qualitative and quantitative analysis, the possible causes of the issues defined in Chapter II will be identified. According to Hekmatpanah (2011), the use of the Cause and Effect Diagram is useful to identify in a graphic and simple way the main or root-causes of a problem, indicating as well the correlation between the effects and its possible causes. Consequently, this analysis will be supported by the use of said diagram to pinpoint the root-causes of the problem defined in Euromotors.

5.1 External Causes

Over the past few years, as it has been indicated previously, the Peruvian automotive industry has suffered from increased competition between East Asian and European vehicle brands, a saturated market, and changing consumer behaviors. As Peru's economy grows, an increase in wages and jobs have allowed young professionals to become targeted consumers of the Peruvian automotive industry. Considering this target market, auto importers, dealers, and brands need to consider that this group is extremely price sensitive and keenly interested in innovation and technological advancement, as well as design. Importers must work closely with their respective brands to carefully select car models that will satisfy customer demands in the Peruvian automotive market, since there are no automotive manufacturing facilities within the country. In South America, for example, most automotive manufacturing plants are located in Brazil and Argentina (Powers, 2012).

For the most part, external changes in an industry cannot be controlled. In the case of Euromotors, external changes in rising brand competition and the spending habits of an up-and-coming youthful generation have strained the company's bottom line. Digging deeper, however, these external factors have revealed a number of issues within Euromotors'

operations. Essentially, Euromotors has struggled to adapt its internal processes to a changing external environment.

5.2 Internal Causes

Given that some external factors have indeed affected Euromotors' bottom line, the root-causes can be traced back to a lack of adaptability within Euromotors' organization to a changing Peruvian market. To determine the root-causes, the Cause and Effect diagram will be broken down into 4 categories: policies; technology; people; and processes (see Figure 8). Consequently, the main causes that have been identified include: (a) the lack of sales tracking and other operational metrics; (b) insignificant use of online marketing and advertising; (c) inconsistent customer service; (d) insufficient corporate training; and (e) financial issues, including a short-term debt burden combined with slow collection of accounts receivable.

First, according to Euromotors, there is no method to track consumer demand based on the sales of its specific vehicle models. The same can be said for other areas of their business such as warranties. As a result, they could be incurring unnecessary expenses and losses by importing vehicles that are not demanded by consumers. In addition, this could potentially explain why its inventory turnover ratio is so low. Without a proper system to track vehicle model demand, this could lead to issues in other departments, such as what was observed with the build-up in Euromotors' obsolete spare parts inventory. Second, Euromotors' insignificant use of free online marketing platforms is certainly not helping to improve their vehicle sales or promote their products. As detailed in Tables 5 and 6 of Chapter III, Euromotors, its dealers, and brands, are giving up critical online exposure through Facebook and Twitter to East Asian competitors like KIA, Hyundai, Toyota, and Nissan, all of which also capture the most vehicle market share in Peru (Appendix B).

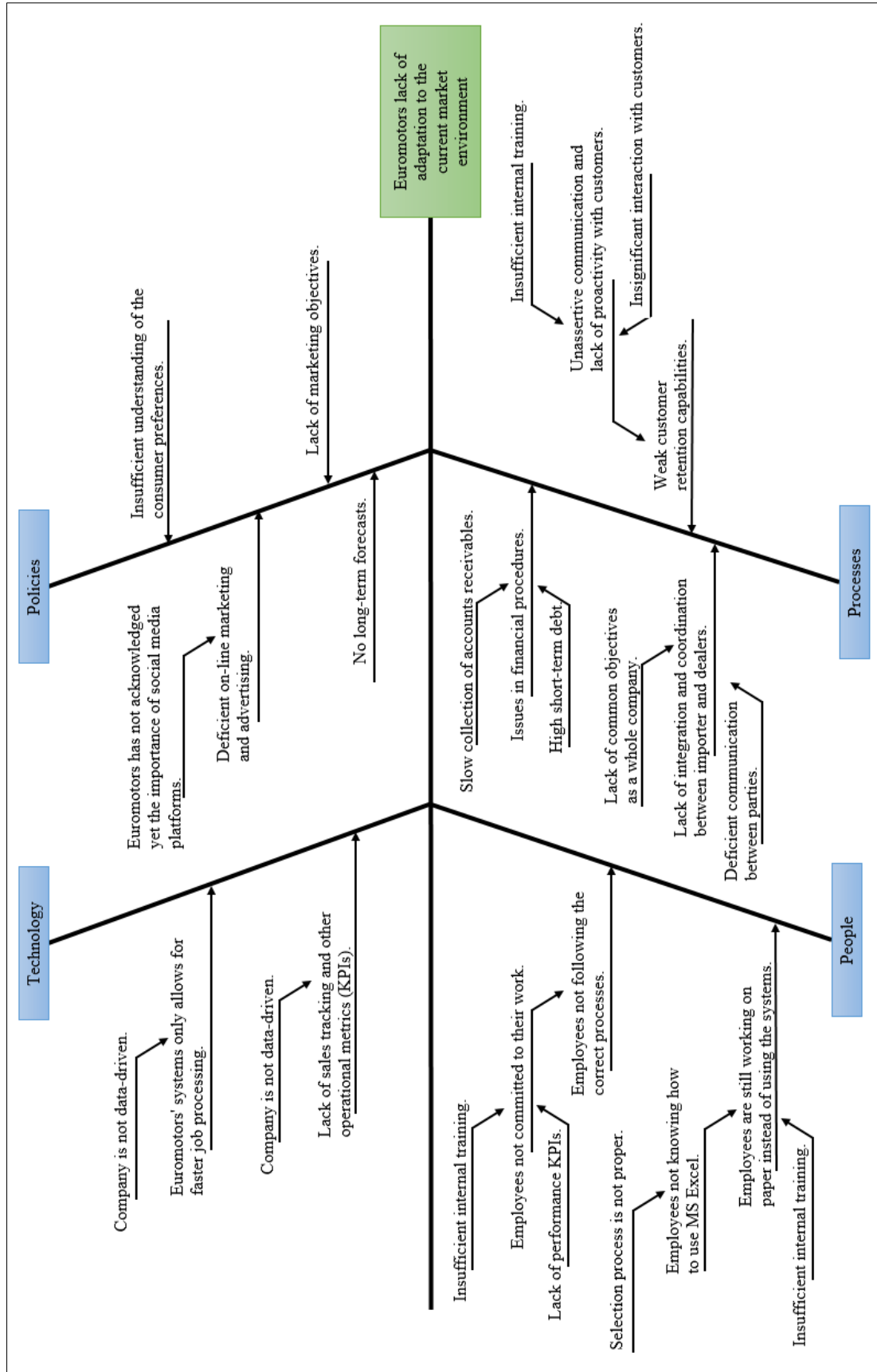


Figure 8. Cause and effect diagram for Euromotors' main problem

Third, with social media comes great responsibility. For the small portion of social media that Euromotors participates in online, there are a significant number of customer complaints in regards to customer service that have not been addressed or responded to. Part of any organization's goals should be to provide exceptional customer service face-to-face, over the phone, and online. In the case that a company fails to respond or interact with its customers on a consistent basis, then the company risks damage to its reputation through negative word-of-mouth reviews. For companies like Euromotors that sell both goods and services, reputation and branding is everything since it directly affects sales.

Considering this, the lack of proper training in the company becomes evident. As mentioned before, some sales representatives are so driven by bonuses that they will alter sales data just to achieve certain targets. These behaviors should not be tolerated as part of Euromotors' sales culture, let alone in any organization. Furthermore, the use of their systems is not completely widespread; therefore, Euromotors is missing an opportunity to improve the overall situation of the company. Training in the company needs to be encouraged in order to improve employees' attitudes towards their work.

Lastly, Euromotors suffers from financial issues in which it has managed to accumulate a significant amount of current liabilities in addition to its slow collection methods of accounts receivable. These two scenarios combined will place serious stress on Euromotors' abilities to pay off its short-term debts. For instance, on the company's income statements, financial results of S/. -29 million and S/. -19 million has drastically reduced income in 2013 and 2014 respectively (EMIS, 2016). What appears to be happening is that Euromotors is diverting cash revenues to pay off corporate investment debt while, at the same time, failing to generate timely cash inflows from accounts receivable. Regardless, Euromotors should understand that its bottom line can also be affected by its investment activities, current liabilities, and slow debt collection methods.

5.3 Conclusions on Root-Cause Analysis of the Problem

This chapter described the main causes for the problem defined in Chapter II. It is important to note that the previous main causes are the most basic points that need to be addressed in order for Euromotors to tackle its main problem. As it was mentioned before, interviews with managers and observations in company meetings indicated that Euromotors has no current method to track consumer demand based on the sales of its specific vehicle models. Then, the data in Tables 6 and 7 of Chapter III provides evidence that Euromotors, its dealers, and brands, are giving up critical online exposure through Facebook and Twitter to East Asian competitors. Furthermore, a significant number of online customer complaints regarding Euromotors' inconsistent customer service have yet to be addressed or responded to. This may also be the result of a lack of proper training to reinforce the company's attitudes on providing exceptional customer service.

Next, Euromotors has accumulated a significant amount of current liabilities in addition to slow accounts receivable collection (compared to Toyota del Peru), based on the financial data and ratios acquired from EMIS in Tables 4 and 5 of Chapter III. This places serious stress on Euromotors' ability to pay off its short-term debts. Other aspects such as improving integration between the importer and dealer, along with forecasting and developing various objectives in the long-term, will need to be addressed once the company has understood the importance of its root-causes and taken the initiative to apply the suggested actions in the following chapter.

Chapter VI: Assessed Solution Alternatives

This chapter will define the solution alternatives that can be implemented to solve Euromotors' current internal issues and equip the company with the foundational skills necessary to be able to adapt to external changes more promptly in the future. After defining each solution alternative, the positive and negative aspects associated to them will be described. Finally, at the end of this chapter, a reflection on the main problem is shown in Table 9, in which each solution alternative is related to the root-cause that was identified in the previous chapter.

6.1 Alternatives to Solve the Problem

6.1.1 Tracking sales with KPI metrics

A Key Performance Indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving key business objectives (Wolski, 2016). Organizations use KPIs to evaluate their success at reaching targets (Wolski, 2016). High-level KPIs may focus on the overall performance of the enterprise, while low-level KPIs may focus on processes in departments such as sales, marketing, or a call center (Wolski, 2016). Moreover, monitoring KPIs involves feedback from analysts, department heads, and managers. In addition, KPIs need to be clear, succinct and show relevant information that can easily be understood and acted upon (Schwartz, 2015).

In order to develop a strategy for formulating KPIs, it is first necessary to understand Euromotors' objectives, how the company plans to achieve them, and which department(s) can act on this information (Mauboussin, 2012). As shown in the internal analysis, Euromotors' bottom line has decreased considerably since 2012; however, Euromotors currently has no formula or structure to track its vehicle sales by model. Without detailed sales data to drive analytics, it is very difficult to improve performance. This KPI has cascading implications throughout the organization.

6.1.2 Improving online advertising and marketing

Technology has become more accessible in Peru, particularly as the government increases spending on Internet and cellular data availability. In modern society, a plethora of information can be found through digital communications. In addition, companies are taking advantage of digital marketing campaigns to increase brand awareness and interactions, as well as their ability to reach global consumers in a matter of seconds. This provides a tremendous cost-effective opportunity for Euromotors, its dealers, and brands in Peru to improve their online marketing presence, since their current online campaigns are for the most part ineffective.

6.1.3 Improving customer service

The main purpose of customer service is to establish a connection and build lasting relationships with customers, while selling the company brand at the same time. In the case of the automotive industry, customer service is directly linked to a company's products, discounts, innovation, communication, service outlets, and budget. Euromotors not only has to be able to communicate sufficient information to its potential buyers, but the company also has to convince them that their dealers are the best places to purchase a vehicle. In addition, one of the most important parts of Euromotors' customer service operations is to be able to retain customers. Without retaining customers, Euromotors has to heavily rely on selling vehicles to first-time buyers. Essentially, Euromotors' inability to provide consistently top-quality customer service has impacted the company's ability to increase revenues from front-line sales, as well as after-sales services like maintenance, warranties, and accessories. Customer service staff needs to be professional, consistent, passionate, and provide customers with a respectful and unique experience in order to be effective. Considering the previous, training programs and workshops must also be considered.

6.1.4 Improving accounts receivable collection

The collection of debts in a timely manner is an important part of a company's cash inflows. Without cash coming in on a regular basis from accounts receivable, companies may feel pressured to use other financial income streams in order to make prompt payments to reduce short and long-term debts. In Euromotors' case, its accounts receivable turnover - the effectiveness of a company to collect debts on extended credit - has dropped from every 11 days in 2012 to every 41 days in 2014 (EMIS, 2016a). To improve their accounts receivable turnover, Euromotors can change their credit terms to reduce the amount of time a customer has to pay a bill, send invoices more quickly, make it easier for customers to pay on time by utilizing electronic banking services, and even offer customers incentives like discounts, gifts, or bonuses for prompt payments (Chron, 2016).

6.2 Assessment of Alternatives

6.2.1 Tracking sales with KPI metrics

Pros. KPIs provide many advantages for companies like Euromotors. If designed simply and properly, they can track and record the sales performance of products, teams, and representatives to determine trends and the impact that external factors may have on revenues. Tracking general sales performance provides a company with extremely valuable information that can be assessed and used to improve strategies, decision-making processes, and operational performance. KPIs also make it easier for companies to pinpoint strengths and weaknesses within their organizations. Furthermore, upon analysis of the KPIs, a company can make appropriate changes to its objectives and goals, as well as have a better idea as to where resources should be allocated.

Cons. On the other hand, KPIs can also have unintended consequences. For example, initially implementing KPIs requires both financial and human involvement. In particular, costs may be incurred to train employees to use and understand the purpose of the new KPIs.

Additionally, if the company does not match their KPIs with their objectives and goals, then the KPIs may become wasteful, time-consuming, and irrelevant. Lastly, KPIs need to be evaluated and reviewed regularly in order to improve a company's adaptability to changing external environments.

6.2.2 Improving online advertising and marketing

Pros. Common digital platforms like Facebook, Twitter, blog forums, and email are typically free forms of advertising. These interactive digital media allow companies and customers to exchange information quickly, offer feedback, and share experiences, which are all valuable indicators for companies to track and tailor their products or services to customers' needs. Through a simple online marketing campaign, Euromotors, for example, would be able to have a better understanding of their customers' needs and be able to use this information to adapt their prices, customer service behaviors, and vehicle models offered.

Cons. Companies need to be proactive when responding to customer inquiries, complaints, and replies in an online environment; however, this can also take a significant amount of time, effort, and money. The excessive use of social media can also potentially hinder a company's reputation if customers portray the company as desperate to sell its products or services. In saying this, it is necessary for a company to research the extent to which its competitors participate in online marketing. Digital forms of marketing are not always the best option for certain companies as well. For instance, it may make more sense for some luxury brands to limit their digital marketing as a way to increase their brand's exclusivity. For Euromotors, what may be a short-term investment in creating a user-friendly and interactive online experience will certainly have greater long-term returns.

6.2.3 Improving customer service

Pros. Customer service is a very powerful tool, which if used correctly, can give companies a significant competitive advantage. If customer service staff is trained to reflect

the company's values and address customers' needs, it can improve company and brand reputation, expand product and service sales opportunities, and increase word-of-mouth advertising, all of which can healthily contribute to a company's bottom line. Whether customer service is face-to-face or online, it is the prime source of contact between customer and company. Ultimately, a company is only as good as its reputation, and without an emphasis on building a strong customer service environment, Euromotors is placing itself at a disadvantage relative to its main competitors.

Cons. Being able to maintain professional, consistent, and high-quality customer service is easier said than done. To meet these requirements, companies need to have strict hiring guidelines, consistent human resource management policies, passionate employees, and a budget for training. In addition, training has the potential to be time-consuming because employees may learn at different rates. For Euromotors, building a strong customer service culture has time and cost implications in the short-term because the company's approach to service delivery would need to be re-evaluated and reinforced across its dealers and brands. Furthermore, employee resistance to change is always a cause for concern; however, negative feedback from employees could provide the company with the impetus needed to institute human resource policies and business practice expectations that will instill a culture change among its employees.

6.2.4 Improving Accounts Receivable Collection

Pros. Many positive aspects are associated with a company's choice to improve its debt collection methods. Most importantly it increases cash inflows, which allows a company to reduce its payables more efficiently, as well as have the cash-on-hand to distribute to operational, financial, or investment activities. Second, monitoring accounts receivable turnover can provide a good indication of the state of the market or economy. For example, if collection of debts becomes slow, this can also indicate that the economy has weakened or

that consumers may not respect the company's terms of payment, which may be too demanding in comparison with other competitors.

Cons. If no measures are taken to improve accounts receivable turnover, Euromotors' bottom line will most likely continue to be thin, and it will become increasingly difficult to keep up with paying suppliers and other short or long-term debt obligations. In addition, improving debt collection may also depend on a company's customer service. If customer service is poor, this may be reflected in changes to a company's accounts receivable turnover ratio, as customers may decide not to pay on time as a result of being dissatisfied with the company's products or services. If this is the case, additional attention by the company would be needed to improve its customer service operations at the same time.

6.3 Conclusions on Assessed Solution Alternatives

This chapter presented various solutions that Euromotors can embrace in order to solve the main issue of the lack of adaptation to the current market environment and changing customer needs. These include developing KPIs to measure the company's performance with regards to sales, using social media to foster the company's presence and brand awareness, reinforce the customer service aspect and increase cash inflows through better accounts receivable collections. It is important to remark that this solutions will address directly the root-causes of the issue, allowing the company to track sales with various KPI metrics, as well as destining the necessary attention to the development of its social media and online presence. Moreover, the previous will have the effect of gaining the insights the company needs in order to better understand its customer's preferences and to improve its customer service capabilities. The following chapter will provide detailed information regarding the selection of the solutions that Euromotors should focus in the short term.

Table 9

Reflection of Key Problem, Root-Causes, and Solution Alternatives

Key Problem	Root-Causes	Solution Alternatives
Euromotors lacks understanding and adaptability to improve its operations in a stagnant market and, most importantly, understand its customers' needs.	Lack of sales tracking and other operational metrics.	Track sales with a variety of KPI metrics.
	Insignificant use of online marketing and advertising.	Increase online marketing presence through cost-effective social media platforms
	Inconsistent customer service.	Improve customer service to establish valuable long-term relationships, address customers' needs, as well as reflect the company's values. Proper/additional training that reinforces company values, attitudes, and objectives.
	Financial issues, including a short-term debt burden combined with slow collection of accounts receivable.	Increase cash inflows through prompt accounts receivable collection.

Chapter VII: Proposed Solution

The proposed solution to Euromotors involves a combination of several assessed solution alternatives. As previously mentioned, Euromotors has numerous symptoms that are negatively affecting its profits and brand power, yet its biggest issue involves a lack of adaptability to the changing Peruvian automotive industry.

To address these concerns, cost-effective solutions that Euromotors can implement internally will be proposed in order for the company to adapt to changes in the external environment including changing consumer purchasing behaviors by improving online marketing and customer service. In Table 9 below, possible solutions for Euromotors are outlined and ranked according to urgency (1 being most urgent to 5 being least urgent), time to implement (short refers to within 6 months, medium from 6 months to 1 year, and long is more than 1 year), benefits of implementation, and whether solutions will be included in the final proposed solution. As seen in Table 9, only three out of four assessed solutions will be included in our final proposed solution because they are considered to be highly urgent and can be implemented within 1 year. In the following section, Euromotors will be provided with detailed solutions and templates for tracking sales with KPI metrics, as well as strategies to improve its marketing, advertising, and customer service.

7.1 Tracking Sales with KPI Metrics

7.1.1 Product performance KPI

The most important and urgent metric for Euromotors to implement is the product performance KPI, which can rank product sales based on revenue performance (Klipfolio, 2016). This metric can particularly inform Euromotors about which products are in high or low demand.

Table 10

Assessment of Solutions for Euromotors

Assessed Solutions	Urgency	Time to Implement	Benefits of Implementation	Included in Proposed Solution
Tracking Sales with KPI Metrics	1	Short	Track and record sales performance of products, teams, and representatives to determine trends, the impact that external factors may have on revenues, as well as improve strategies, decision-making processes, and operational performance	YES
Marketing and Advertising	2	Short	Free forms of digital marketing are available to use and can improve brand awareness and reputation, be used to exchange information quickly, offer feedback, and share experiences, and allow companies to track and tailor their products or services to customers' needs	YES
Customer Service	2	Medium	Reflect the company's values and address customers' needs, improve brand reputation, convince customers to purchase specific products or services, and increase word-of-mouth advertising, all of which can improve a company's bottom line through proper training	YES
Accounts Receivable Collection	3	Long	Can provide a company with better insight in regards to the market or economy, as well as increase cash inflows, which allows a company to reduce its payables more efficiently, and have cash-on-hand to distribute to operational, financial, or investment activities	NO

Data can also be collected and analyzed to determine seasonal sales trends. It is important to consider, however, that product performance doesn't always directly correlate with revenue performance (Klipfolio, 2016). For instance, the product performance KPI might indicate that one product is performing strongly due to a low price and high volume tactic, however, this product may not necessarily contribute extensive revenues (Klipfolio, 2016).

In Figure 9, it is shown the performance KPI template, with which each individual concessionaire can use a spreadsheet similar to this to track daily vehicle sales to improve its chances of importing vehicles that satisfy customers' demands. The template categories can

also be configured according to the desires of the concessionaire. For instance, the KPI above lists vehicles according to model, cost of goods sold, percent markup, quantity sold, total revenue, as well as if there are additional charges or discounts, and total income. The combination of bar graph and pie chart makes the KPI template easy to follow. Lastly, these values can be consolidated based on week, month, and year, in order to track seasonal trends in demand and produce more accurate supply forecasts for the future.

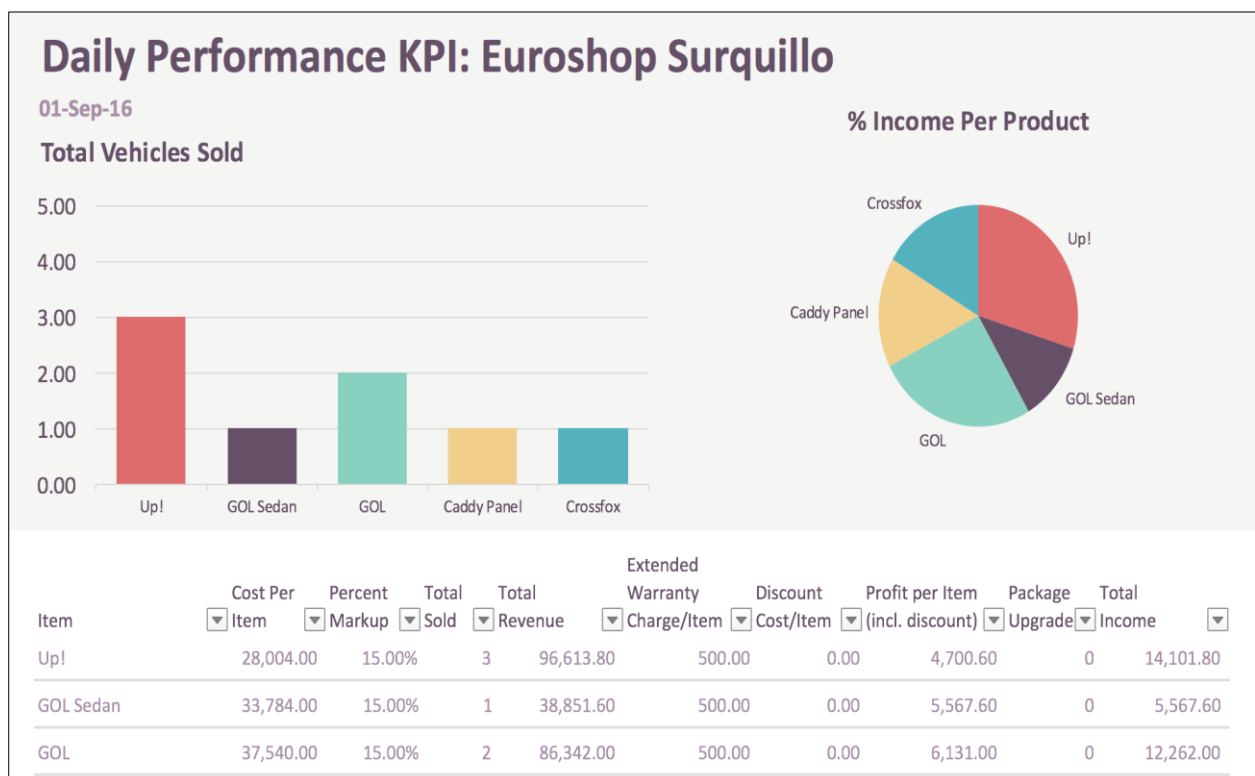


Figure 9. Product performance KPI template.

7.1.2 Sales growth KPI

The sales growth KPI measures the organization's sales revenue and trends over multiple time periods, which can determine future strategic decisions and growth projections (Klipfolio, 2016). These metrics can be measured across different time values such as daily, weekly, monthly, and yearly, to track fluctuations in revenue and determine the seasonality of sales within the company (Klipfolio, 2016). A positive sales growth percentage over a specific time period, for example, will express positive success indicators, while a negative

sales growth percentage, on the other hand, may potentially indicate areas of weakness (Klipfolio, 2016). In addition, the sales growth KPI can show the performance of each sales team or sales representatives and how they contribute to the company's goals (Klipfolio, 2016).

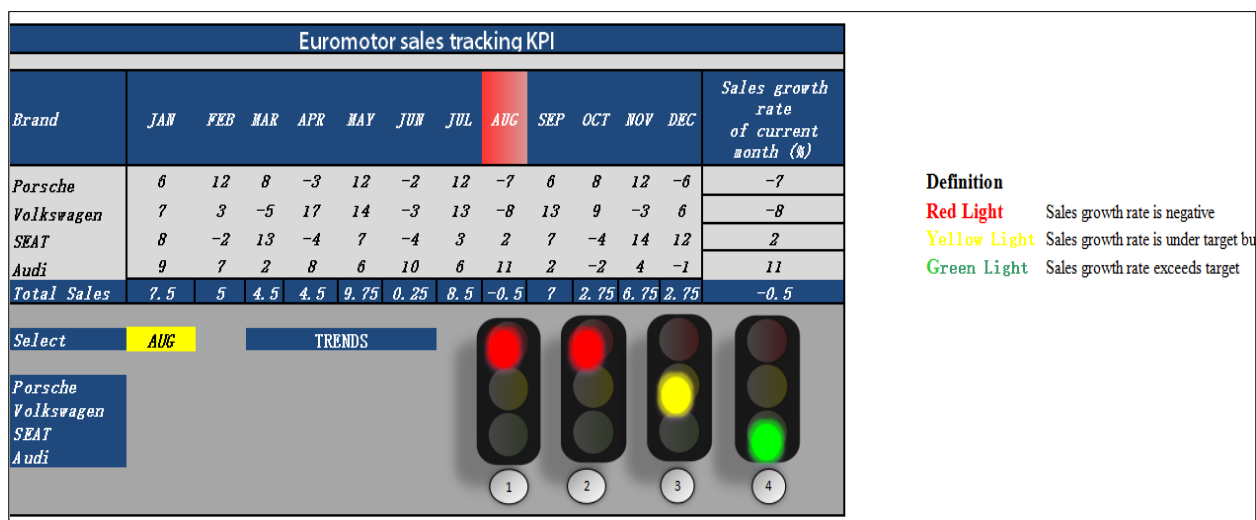


Figure 10. Sales growth KPI template. *Excel Dashboard School* (<https://exceldashboardschool.com/>)

The above sales growth KPI template, also known as the traffic light KPI, is designed to monitor the sales growth status of Euromotors' brands. In this template, Euromotors has the option to set sales growth targets as they wish. The red light, yellow light, and green light, indicate the performance of each brand's sales growth. For example, the red light means sales growth has decreased, the yellow light means sales growth is under a specific target but not yet in negative figures, and the green light means sales growth exceeds the target. Currently, Euromotors does not have a metrics system in place that indicates sales growth rates for each brand by month. If Euromotors were to adopt this KPI, the company would be able to monitor its sales growth rates and proceed to adapt its business strategies to areas that need improvement.

7.1.3 Sales per representative KPI

The sales per representative KPI is partially derived from the sales growth metrics and is used to evaluate the ability of each sales team or sales representative to generate revenue for the company (Klipfolio, 2016). This type of metric is especially relevant for companies in the Peruvian automobile industry because of the large number of sales representatives who are responsible for interacting with customers during a sales period. Additionally, sales teams are often competitive in nature, and this KPI might help to promote a healthy level of internal competition amongst teams (Klipfolio, 2016).

It can also provide realistic, attainable, and challenging goals that can encourage sales teams and representatives to continually strive for high-quality service (Klipfolio, 2016).

Furthermore, the sales per representative KPI can be used by managers to determine strengths and weakness amongst employees who are part of the sales force (Klipfolio, 2016). Lastly, it is important to remember that it may be difficult to compare sales teams or representatives across different brands, so this KPI is more tailored towards evaluating performance within individual brands.

Figure 11 is an example of a sales per representative KPI that Euromotors can choose to develop as a spreadsheet or integrate with its SIMA or Microsoft Dynamics AX ERP systems. This KPI reflects each sales representative's performance. It can either assess one's overall sales performance across several product lines, or more simply evaluate one's sales performance regarding one specific product depending on the needs of the evaluator. As mentioned above, this KPI can motivate sales personnel to achieve higher performance, and is also a useful tool for managers to track the product selling status of each employee. The important observation to notice is that knowing how employees perform is extremely important; nevertheless, the company as well, or more specifically, the sales division needs to

set goals according to the real situation of the company; in other words, feasible goals considering the current context.

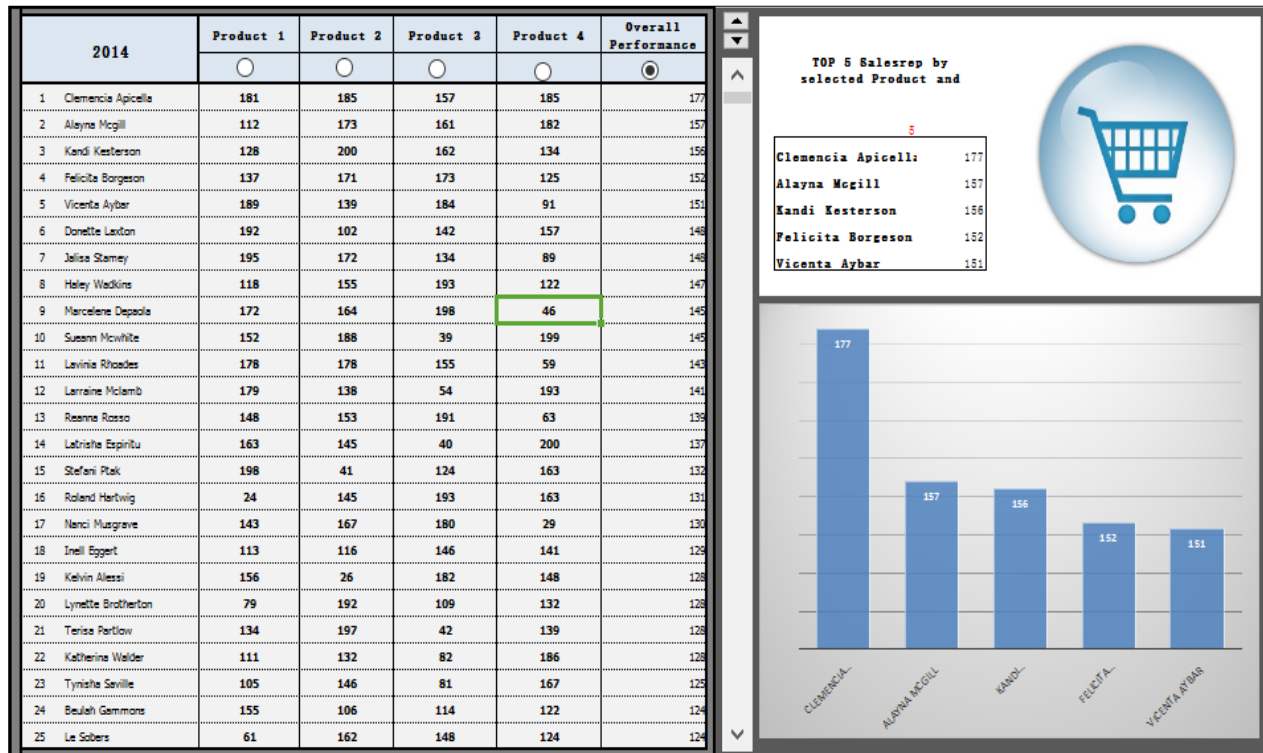


Figure 11. Sales per representative KPI template. *Excel Dashboard School*. (<https://exceldashboardschool.com/>)

7.1.4 Human resources KPI

In order for the two above KPIs to become an asset for Euromotors' managers, it is also imperative to implement a Human Resource KPI. Below is an example of a Human Resource KPI template that Euromotors can develop to better observe employees' performance in reaching targets. It may also be beneficial for Euromotors to include a satisfactory index to judge cultural attitudes within the company, which in turn will give the company a better chance to improve its camaraderie and cohesiveness.

These Human Resource KPI templates can be used to set yearly targets for Euromotors' employees. At the end of each year, supervisors from various divisions and human resource specialists can evaluate employees' performance based on their ability to achieve targets. If targets are not achieved, however, Euromotors would need to perform

supplementary industry and market analyses to validate or deny the impact of external factors on their employees' performance. In addition, poor employee performance may be linked to forecasts that were too high, a lack of clear internal communication, as well as lack of motivation to achieve goals. Considering these aspects, Euromotors' management and employees would be able to work together to develop and meet refined targets and responsibilities for the following year.

Sales Goal KPI Form (Human Resource)			
between	???	and	???
	Employee (name, department)		Supervisor (name, department)
Goals for the period from:	01.01.2016		
to:	06.30.2016		
	Weighting (W) Indiv. Performance		Factor for Goal Achievement
1	Sales Target -- sales volume	%	Sales volume: 30 cars per year
2	Sales Target -- financial	%	Reach 2,000,000 soles annual sales revenue
3	SalesTarget -- sales volume (Product A)	%	Sales volume: 10 cars per year
4	SalesTarget -- sales volume (Product B)	%	Sales volume: 10 cars per year
5	SalesTarget -- sales volume (Product C)	%	Sales volume: 10 cars per year
Goal Achievement			
Goal Achievement Degree			
<p>1 Please forward last year's KPI Form (filled out completely) to the responsible HR department (via the next level supervisor)</p> <p>2 Indication of quantitative/qualitative measurements, including due dates, for the factor.</p> <p>3 Employee should meet all the goal of each year.</p>			
	Date (Goal Agreement Discussion)	Supervisor	Employee
	Date	Next high level superior	Employee
	Date (Goal Achievement Discussion)	Supervisor	Employee
	Date	Next high level superior	Employee

Warranty Analyst KPI Form (Human Resource)			
between	???	and	???
	Employee (name, department)		Supervisor (name, department)
Goals for the period from:	01.01.2016		
to:	06.30.2016		
	Weighting (W) Indiv. Performance		Factor for Goal Achievement
1	Warranty Target --success rate	%	Success rate:95%
2	Data Maintenance Target	%	Maintain all the warranty information in ERP system
3	Training Target	%	Attend 3 warranty process trainings
Goal Achievement			
Goal Achievement Degree			
<p>1 Please forward last year's KPI Form (filled out completely) to the responsible HR department (via the next level supervisor)</p> <p>2 Indication of quantitative/qualitative measurements, including due dates, for the factor.</p> <p>3 Employee should meet all the goal of each year.</p>			
	Date (Goal Agreement Discussion)	Supervisor	Employee
	Date	Next high level superior	Employee
	Date (Goal Achievement Discussion)	Supervisor	Employee
	Date	Next high level superior	Employee

Figure 12. Human resource KPI template.

7.2 Advertising, Marketing, and Customer Service

First, Euromotors needs to expand its marketing efforts with a particular focus on utilizing free forms of social media like Facebook and Twitter to expand its market reach,

boost customer interaction, and showcase the power of its brands and customer service in the Peruvian automotive market. Not only is this a simple solution for Euromotors to rebrand itself in Peru (recognizing that a social media strategy needs constant attention), but it is also an extremely important part of running successful businesses in an ever-increasing technological society. In order to perform this, it is necessary that they put time and effort on the development of Facebook and Twitter platforms to show what they have; in other words, their catalog of vehicles, relevant information related to their brands, and some promotions that engage discussion amongst the users. Euromotors can even show videos, made by themselves, of the newer vehicles to highlight their key characteristics. Lastly, it would be beneficial for Euromotors to look into other popular forms of social media in Peru to increase its exposure to customers.

Second, Euromotors has to find the right balance between marketing its vehicles based on quality versus price, considering that Peruvian automotive consumers are especially price sensitive. A typical generalization of European vehicles, for instance, is that they are typically priced higher than most Asian brands. One model in particular that should be pushed to market by Euromotors' is the newly released Volkswagen Up!. The Up! has an innovative design, is fuel-efficient, and most importantly, it only costs S/. 33,915 (US \$9,690) (Volkswagen Peru, 2016). In addition, the vehicle comes in a variety of options and colors. If Euromotors were to advertise this vehicle in the Peruvian market, the company should be able to successfully leverage the Up!'s affordable price with the quality of a German vehicle in order to increase sales and compete with Asian brands' entry-level vehicles.

Along with the importance of marketing comes customer service. Based on previous analysis, it can be concluded that Euromotors leaves significant room for improvement in its customer service operations. More specifically, Euromotors needs to improve its customer

service functions to retain customers and increase after-sales service revenues, which includes communication with customers, repairs, and warranties. In order to do so, Euromotors can provide additional training and workshops to reinforce the company's values and objectives. Regular meetings within the company between different departments and brands should be enforced in order to increase company communication, cohesiveness, and transparency.

In addition, Euromotors can offer incentives like referral credit or a points reward system to encourage customers to continue their business with the company in the future. For instance, every time a customer refers another new customer to Euromotors, both would be eligible to receive a referral credit that could be put towards discounts on new vehicle purchases, services, or accessories. Another similar strategy would be to implement a points reward system based on the amount of money spent by customers in Euromotors' service shops. This would give customers the incentive to come back to certain Euromotors' locations in order to use the points, but most importantly it is a relatively easy way to retain and attract new customers. Overall, having consistent and high-quality customer service, paired with effective advertising and marketing, has the potential to make a tremendous positive impact on Euromotors' reputation and bottom line with relatively low implementation costs over a short period of time.

7.3 Conclusions on Proposed Solution

As it was described throughout this chapter, the proposed solution is the result of combining some of the assessed solution alternatives. It is important to remark that the proposed solutions have the focus of being cost-effective and easy to implement for the company. Thereby, it was first established that Euromotors should start using a KPI system for tracking its sales, paying attention to details such as the attributes of the vehicles. Second, and related to the KPI metrics, Euromotors should begin assessing the performance of their

employees according to targets defined by them. Next, Euromotors strongly needs to foster its social media presence by dedicating time and effort to renew its Facebook and Twitter profile to achieve better customer interaction. Last, the company needs to increase their training in order to stick a customer service attitude to their employees and make them work towards the company's vision and objectives.



Chapter VIII: Implementation Plan and Key Success Factors

This chapter will discuss the action plan to implement the proposed solutions. In addition, a Gantt chart will be used to indicate when and how long the solutions will take to implement. Lastly, Key Success Factors (KSFs), also known as Critical Success Factors, will be discussed in order for the solutions to be successful.

8.1 Implementation Plan

The proposed solutions were broken down into detailed tasks necessary for the action plan to be successful. For instance, tracking sales with KPIs can be broken down into designing the KPI templates, setting the KPI standards, and implementing the KPI within the company. The advertising and marketing solution, on the other hand, can be broken down into increasing Euromotors' marketing efforts by capitalizing on free social media platforms, as well as promoting the Volkswagen Up! in the Peruvian market. Lastly, the customer service solution can be broken down into planning, training and workshops, as well as the option to design and implement a referral credit or point rewards system.

In terms of tracking sales with KPIs, Euromotors would be able to implement and adapt the proposed four Excel KPI templates including product performance, sales growth, sales per representative, and human resources, in the short-term. For example, setting the KPI standards based on Euromotors' different departments and brands would need to be completed. In terms of the sales growth KPI, Euromotors could define the range at which sales growth percentages should be labeled as a warning or in need of attention. Ideally, Euromotors' adaptation to the provided KPIs should be completed before the end of 2016, so that they can be implemented at the start of 2017. The first pilot year of KPI implementation will also be a learning curve for Euromotors in terms of how the KPIs can be measured and re-adjusted to help the company achieve specific objectives and greater efficiency.

With the cost-effectiveness and knowledge gained from implementing KPI metrics, Euromotors can focus their attention and budget on improving its advertising and marketing. Much like the KPIs, the proposed advertising and marketing solution can also be implemented in the short-term. Euromotors and its umbrella brands can easily improve their marketing efforts by participating in free online social media platforms available like Facebook and Twitter to improve its competitiveness against Peru's dominant Asian vehicle brands. In the future, this could also be represented by its own KPI in terms of measuring the effectiveness of Euromotors' online presence and reputation. In addition, Euromotors can leverage its social media platforms to advertise the Volkswagen Up!, especially since it will be able to compete with the entry-level prices of Asian vehicles in Peru. Ultimately, special attention given to cost-effective forms of marketing and advertising will improve Euromotors' bottom line.

The timeline for implementing the customer service solution is projected to take between six months and one year. In the short-term, consistent and prompt interactions with customers and the public through social media will immediately have a positive effect on Euromotors' customer service reputation. Planning, training, and workshops, however, will take more time since Euromotors needs to weigh the desires of its employees with the objectives that will improve customer service. Furthermore, Euromotors would need to develop a clear training plan that addresses the customer service skills that need to be improved, the outcomes of training, and what type of budget would be sufficient. Ideally, the training plan should be completed by the beginning of 2017 with the implementation shortly after. Using a Human Resource KPI to measure the effects of training would be helpful for Euromotors as well. At the same time, Euromotors may also explore the idea of referral credit or reward systems to attract new customers and retain existing customers.

Table 11

Tasks and Timeline of the Implementation Plan

Task	Begin Month	Timeline (Days)
Design KPI templates	September 2016	60
Set KPI Standard	November 2016	60
Implement KPI	January 2017	240
Enhance online media platform	September 2016	90
Leverage Volkswagen Up!	January 2017	120
Enhance online customer interaction	September 2016	90
Set up training plan	September 2016	120
Implement Referral Credit System	January 2017	180

Note: The date is only considering the month as an estimation for the implementation plan. No specific day is being taken into account for the purposes of the project.

Regarding the costs for implementing the proposed solutions, it can be said that the investment will not be significantly high. Basically, what the company needs in order to successfully follow the implementation plan is the time and dedication from each area involved, which in this case would be mainly the sales and marketing department. However, in order to put the necessary effort to transform the current social media situation of Euromotors and to reinforce the training aspect in the company, it will be necessary to recruit personnel.

Considering the aforementioned, two marketing analysts will be hired in order to evaluate and enhance not only the profile of Euromotors in the social media platforms, but also to improve its online marketing and the web pages. Both of the analysts will earn S/. 2,500 per month. Then, a training chief will be hired to promote the training and development aspects within the company, reinforcing in the employees the vision of Euromotors and a customer service attitude. The previous will signify a cost of S/. 6,000 per month for the company. It is important to indicate that the hired personnel will be benefited with 14 salaries

throughout the year as the Peruvian law dictates. Therefore, the total cost of the implementation program would be S/. 154,000. The detail of the costs is shown in Table 12.

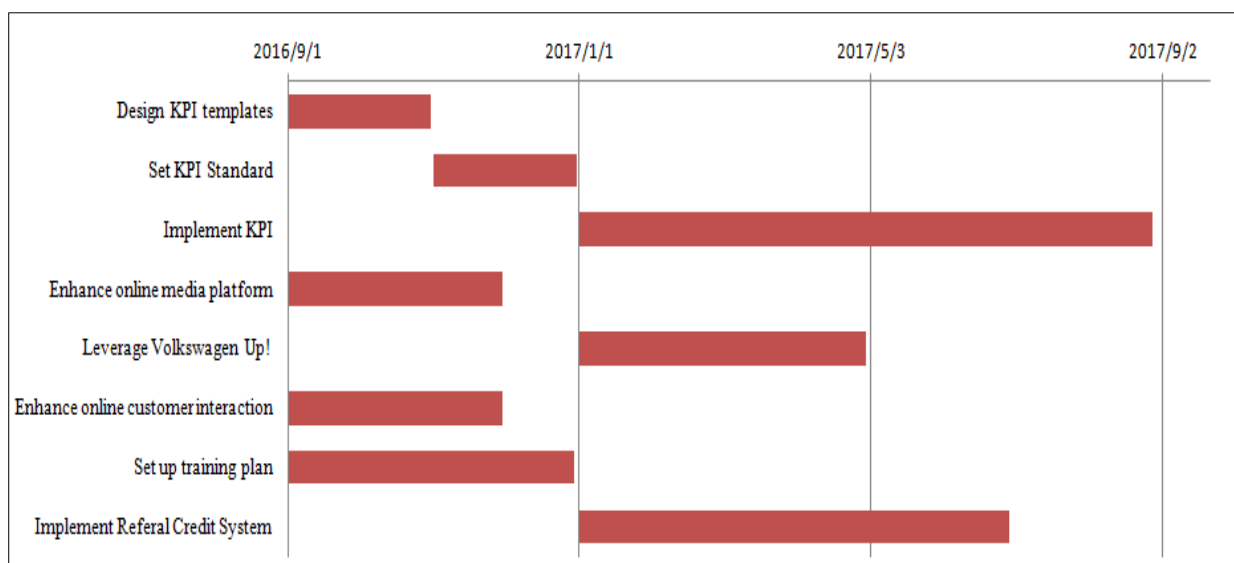


Figure 13. Gantt chart of the implementation process. A timeline of one year is considered for the purposes of this consulting project.

Table 12

Cost of the Implementation Plan

Concept	Quantity	Cost per month (PEN)	Total Cost (PEN)
Marketing Analyst	2	2,500	70,000
Training Chief	1	6,000	84,000
			Total 154,000

Note: The total cost is the result of multiplying the monthly wage by 14, which is the number of remunerations an employee receives in a year according to the Peruvian law. The costs have been estimated taking into consideration previous working experiences.

8.2 Key Success Factors

By definition, KSFs are the critical areas of high performance or success that need to be achieved in order for a business to grow (Rockart, 1979). In other words, KSFs can be used to describe Euromotors' skills and resources that are required to be successful in the Peruvian automobile industry. KPIs are also closely related to KSFs. Simply defined, KPIs are mathematical tools to measure the performance and successes of the company and its

various departments or specific targets (Grunert & Ellegaard, 1992). Implementing KPIs within Euromotors' organization will be a major tool for managers to sharpen their decisions and improve company performance. KPIs are necessary components that can be incorporated into management information systems to determine if the company is successful or unsuccessful in certain areas.

Moreover, it is important to distinguish that companies or brands within Peru's automotive industry may perceive KSFs differently. Through a deep analysis and implementation of the proposed KPIs, Euromotors can closely track the company's performance in the market, helping Euromotors' key decision-makers refine their KSFs based on market behaviors. It is critical to notice, however, that KSFs will continue to evolve as long as the market remains competitive (Grunert & Ellegaard, 1992).

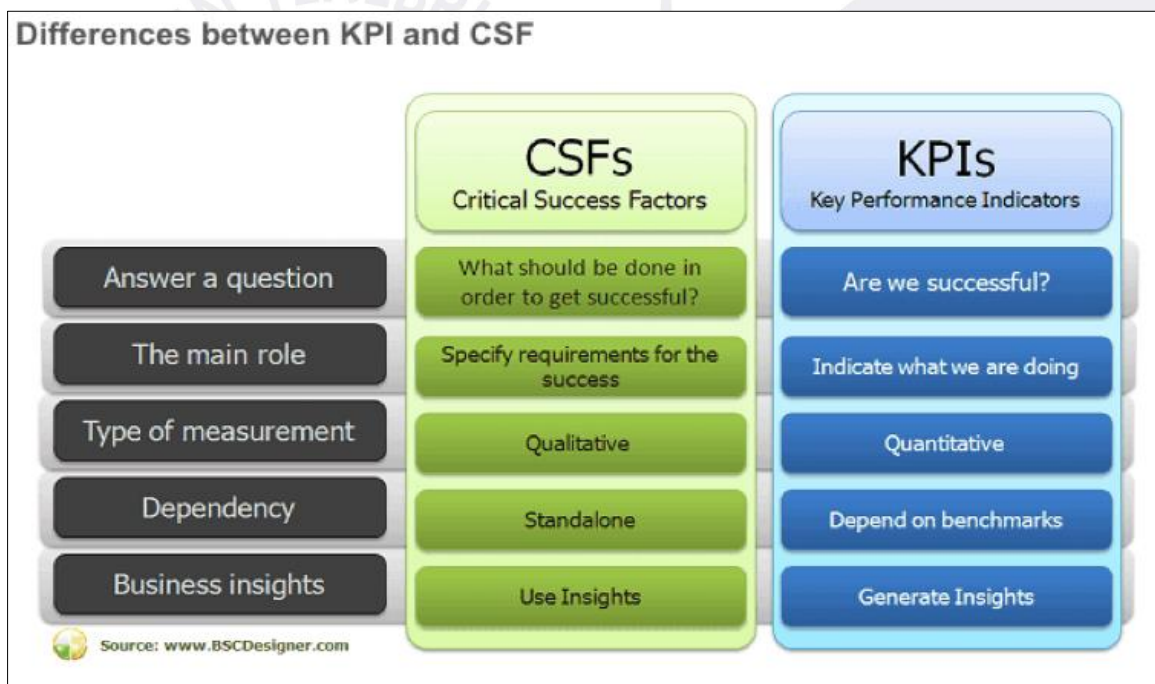


Figure 14. Differences between CSF and KPIs. BSC Designer Team. (2013). *The Difference Between Key Performance Indicators (KPIs) and Critical Success Factors (CSFs) That a Manager Should Know*. (<http://www.bscdesigner.com/kpis-vs-csfs.htm>)

In any industry, the major factors for success can be attributed to how customers perceive the value of products in relation to its cost compared to competitors. Once again, KSFs are measured by collecting a company's objective or semi-objective data, and

statistically relating them to the relative cost and perceived value of the company's products or services (Grunert & Ellegaard, 1992). In the following section, the proposed KPIs and improvements to Euromotors' advertising, marketing, and customer service campaigns will play a large part in closing the gap between Euromotors' perceived KSFs and the KSFs needed to remain competitive in the Peruvian automotive industry.

8.2.1 KPI metrics

As previously mentioned, Euromotors' main problem is that it lacks understanding and adaptability to improve its operations in a stagnant market and, most importantly, understand its customers' needs. According to research and interviews with Euromotors' managers, the company does not have KPIs to track the sales of its specific vehicle models (consumer demand), sales growth trends, and employee performance. This defines some of the root-causes of Euromotors' current issues including its lack of sales tracking and other operational metrics.

Implementing KPIs will allow Euromotors to measure and evaluate its effectiveness in achieving key business objectives. In addition, KPIs are closely linked to KSFs, as KSFs specify the company's requirements for success, while KPIs indicate what the company is doing to become successful (BSC Designer Team, 2013). Overall, KPIs will give Euromotors the opportunity to adapt its strategy and operations to compete in a market that is currently dominated by Asian brands.

According to Buck (2011), there are five essential key success factors that are needed for an organization to succeed in a specific market including: (1) managing and developing people; (2) strategic focus; (3) operations; (4) physical resources; and (5) customer relations.

Euromotors can address the first KSF, managing and developing people, by utilizing the sales per representative and human resource KPIs. This will provide Euromotors' managers with the necessary data needed to structure employees in a way that meets the

company's objectives and sales goals. In addition, it will indicate if further training is required to drive employees to develop their capacities, skills and knowledge, as well as sales performance (Buck, 2011). It is important to note, however, that effective managers should be able to adapt their styles to different employees. For instance, employees from Volkswagen, Audi, Porsche, and SEAT are most likely not expected to reach the same objectives. The main success indicators for the sales per representative and human resource KPIs are as follows (Klipfolio, 2016): (a) increased revenue for a single representatives or teams; (b) increased average revenue for all sales representatives or teams; (c) reduced inventory based on consumer demand; and (d) a satisfactory index to judge cultural attitudes within the company

The second KSF, strategic focus, involves an analysis of pre-defined strategies that enable the company to identify how they can reach their objectives, and know if their strategy is consistent with the organization's resources and assets (Buck, 2011). This KSF can be accessed by the sales growth KPI, which measures the organization's sales revenues and trends over multiple time periods (Klipfolio, 2016). A successful indicator of this KPI would be a positive sales growth percentage over a specified time period. If the sales growth percentage is negative, on the other hand, Euromotors will have to adapt its business strategies accordingly. Euromotors' most important KPI is the product performance KPI, which also determines the success of the strategic focus KSF by ranking product sales based on vehicle model and revenue performance (Klipfolio, 2016). In particular, this metric can inform Euromotors on which products are in high or low demand, ultimately allowing them to focus more on importing vehicles that are demanded by its consumers, and reducing the vehicles that are not selling in the Peruvian automotive market. The product performance KPI has three main success indicators (Klipfolio, 2016): (a) increased product sales revenue; (b)

increased number of units per order; and (c) increased average dollar value of each purchase order.

To conclude, some of Euromotors' KSFs are more easily understood through implementing the proposed KPIs. From this perspective, the company will be in a better position to adapt their strategies according to their value-proposition, and reduce unnecessary costs in order to compete at the top of the Peruvian automotive pyramid. Thereby, customer relations is the final KSF that Euromotors needs to succeed.

8.2.2 Advertising, marketing, and customer service

Currently, Euromotors' use of online platforms to boost product awareness is insignificant. The KSFs in order for Euromotors to create product awareness through online social media include the company's activities to maintain customer relations, as well as its ability to react and satisfy customers' needs and complaints. The development of technology and increased global access to the Internet has allowed customers to acquire information at the push of a button. It is also very important for Euromotors to use online information as a means for tracking competitors' activities. Considering this, companies can increase their chances of reacting or adapting their strategies according to changes in the external environment.

Maintaining customer relationships is one of the most important KSFs for Euromotors. It not only applies to a company's online presence, but it is also a valuable part of customer service, especially when it comes to face-to-face interactions with customers. In order for Euromotors to improve customer service, employees must have the proper training, professionalism, and knowledge in dealing with customers' complaints and concerns. Without proper training, providing good customer service becomes increasingly difficult. As a result, customers may be left unsatisfied, decide not to return for repeated business, and deter other customers through negative word-of-mouth reviews. The importance of training

and workshops should not be taken lightly. Companies should consistently strive for improvement and excellence.

The key success indicators for advertising and marketing, particularly through social media, depend on the behaviors of customers and the company's urgency to solve customer complaints and concerns. For instance, customer behaviors on Facebook can be measured through page 'likes,' positive and negative comments, shares, and ratings. Success indicators for Twitter, on the one hand, include a company's number of 'followers' or 'tweets.' Lastly, customer service key success indicators can be determined by decreased complaints, increased compliments, an influx of new customers, and repeated business from existing customers. In this case, customer feedback surveys would also be a useful measurement tool. For Euromotors, customer service throughout its represented brands should be a primary focus.

8.3 Conclusions on Implementation Plan and Key Success Factors

This chapter showed in detail the implementation plan that the company needs to follow in order to apply the proposed solutions. As it was seen, the timeframe was set for one year, which can be considered as enough time to set activities going, including the formulation and implementation of the KPIs, the enhancement of the social media platforms and the development of a training plan. Furthermore, it was seen that, indeed, the solutions will be cost effective to implement, resulting on the recruitment of just three employees. Regarding the Key Success Factors, it was mentioned that the commitment of the employees and knowing how to maintain a healthy customer relationship are crucial for obtaining successful results from the proposed solutions.

Chapter IX: Expected Outcomes

This chapter will describe the benefits of implementing the proposed solutions. More specifically, it will mention in detail Euromotors' potential gains as a result of applying the improvement solutions. Then, the feedback of the company will be mentioned, indicating its opinion and thoughts with regards to the solution alternatives formulated.

9.1 Benefits of the Implemented Solutions

Firstly, with the implementation of KPIs, the company will be able to quantitatively measure its key activities, of which the most important is sales. Euromotors and its managers can gain valuable insights by tracking how many cars have been sold in each concessionaire, which brands or specific models are contributing to most of the sales, and which are performing poorly in the market. Moreover, it will encourage active participation of Euromotors' personnel towards achieving the goals set by each KPI.

Subsequently, through the use of these indicators, the company will gain the ability to track its overall performance, which currently is not being done according to the observations from attending company meetings and conducting interviews. In the long-term, these indicators will provide Euromotors with historical data that can be applied to improving company performance. If the company applies the initial KPIs successfully, its use may further benefit other areas or departments such as the service area.

As described in Chapter III, companies cannot ignore the influence that social media platforms such as Facebook and Twitter have on marketing and brand reputation. It is also a common ground for companies to learn about their customers' motivations. According to CMO Council's report (2014), "The Impact of Social Marketing on Today's Automotive Ecosystem," consumer-to-consumer conversations and endorsements through social channels have a tremendous impact on brand reputation, and brand reputation is what drives consumers the most to consider purchasing products.

Therefore, should Euromotors decide to implement improved social media campaigns, make better use of its web pages, and consistently interact with its customer base, the company will be able to connect more personally with its audience, foster stronger relationships, identify customers' needs, and greatly increase brand exposure for both Euromotors and its licensed brands. In the long run, as Euromotors refines and tailors its online presence to future objectives, people will gain more interest in Euromotors' brands, which in turn will increase their sales and Peruvian market share.

The exact measurement of the results of the implemented solutions, however, is not easy to calculate. For example, as it was discussed in Chapter III, the performance of the social media investment should not always be measured in terms of the monetary return for the company, but in a qualitative measure that considers the behavior of the customer in relation to a particular social platform. Considering the fact that social media started to be widespread around 2010, it can be said that in six years, the Peruvian automotive companies have gained the number of followers they currently have. Taking as an example Toyota or Nissan, which currently have around 500,000 and 3,000 followers in Facebook and Twitter respectively, it can be seen that they have grown at a rate of more than 90,000 followers per year. This example will be considered for evaluating the expected outcomes for Euromotors, and especially for the Volkswagen brand.

Furthermore, with regards to the KPI usage, Euromotors will now be able to track its sales with a complete visibility concerning aspects such as brands, models, colors, among others. This will allow the company to understand the consumer preferences in relation to the aforementioned, which may signify a saving for the company in the case it is observed that a specific model or characteristic is not being well received by the consumers. Last, the return on the investment for the hired personnel will be seen as a result of the unified efforts to enhance the position of Euromotors in the market. Due to a better brand awareness, it is

possible that more customers concrete potential purchases from brands of Euromotors; this indicates, for instance, that if a number of cars are sold within a given period, they will cover the investment that was made for the personnel. Even though a specific number cannot be given, the expected outcomes will be positive for the company, as it can be seen in Figure 15.

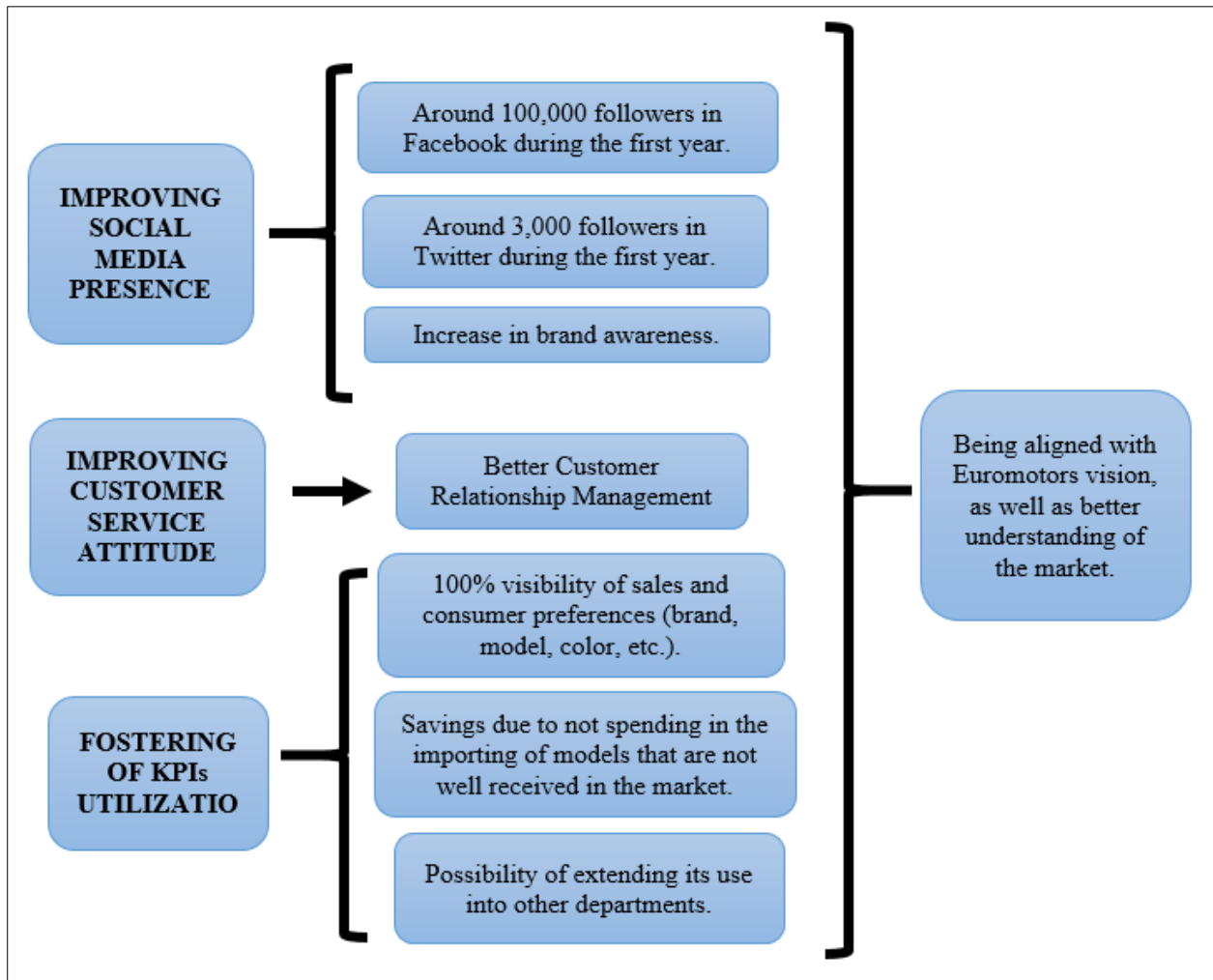


Figure 15. Summary of the expected outcomes of the proposed solutions.

In the end, what Euromotors will gain, if it applies the solutions as previously suggested, is the possibility of being more closely aligned with its vision and goals. Moreover, the company will now be on a path to achieve better cohesion between its two main entities - the importer and its dealers. This is because critical factors for Euromotors such as knowing what is happening within the company, how their vehicle sales are performing, and how customers respond to the company's offers in the Peruvian market will

provide them with the capability to identify points that need to be reinforced, aside from what has been proposed as solutions, as well as develop action plans to turn improvement opportunities into positive outcomes.

9.2 Client Feedback

The company's feedback and comments regarding the definition and focus of the problem, as well as the proposed solutions was positive overall. First of all, managers were in agreement that even though the company has a system that can generate information, it is not being used to its full potential by employees. This means that data is being underutilized, and as a result, the company may not have the awareness of changing market conditions and purchasing trends such as seasonality factors, customer age demographics, vehicle models in inventory or sold, as well as vehicle specifications including colors, packages, and transmission type to name a few. Therefore, the creation of KPIs, especially within the sales department, needs to be implemented.

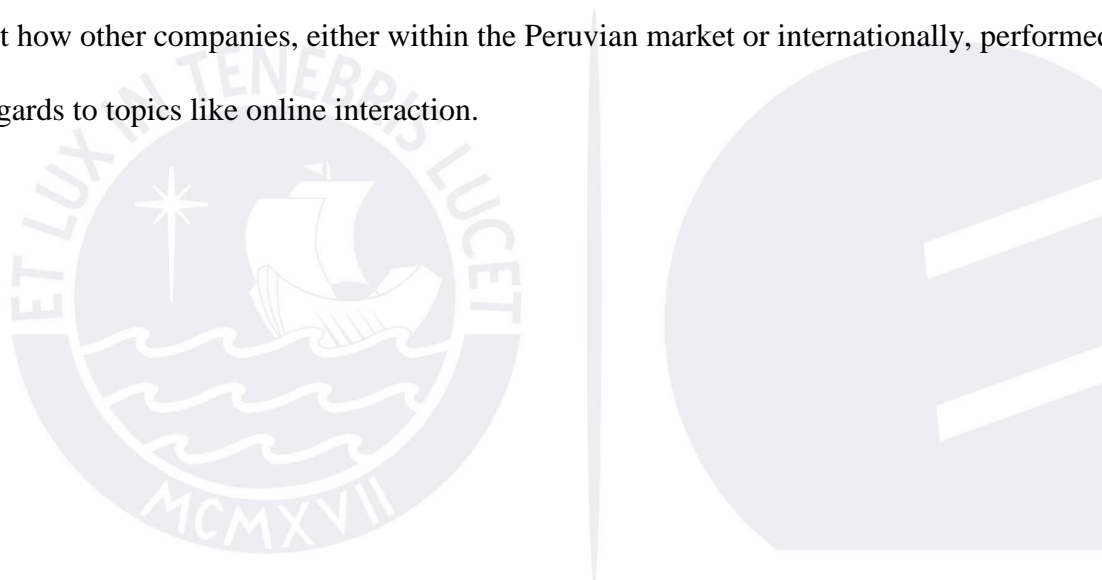
Furthermore, the company recognized that it does not have a proper way to measure company performance regarding customer satisfaction, reach, and service. According to the company, a complaints service exists, however, it can only be submitted formally by pen and paper, so it is not accessible and too much trouble for the majority of the company's customer base. The website that the company has created for this purpose has also been disregarded.

The company also agreed and acknowledged that its current online presence is virtually nonexistent. When company members were presented with Euromotors' current online presence compared to other companies in the Peruvian automotive industry like KIA or Toyota, they were surprised at the weakness of their position. The confusion of having an abundance of websites showing the same information can also lead to confused customers and affect their purchasing decisions. The company took this aspect with significant

importance. They recognized that having an online presence in a modern society is a relevant marketing tool that can boost the company's brand image and awareness.

9.3 Conclusions on Expected Outcomes

This chapter showed what the company would gain as a result of implementing the proposed solutions. As it was seen, Euromotors mainly will gain the capability to track and measure its performance, starting with sales and with the possibility of extending the KPIs use to other areas, as well as to better understand the customer preferences, offering a first-class customer service and, most importantly, be aligned with the company's vision. Overall, the company welcomed the suggestions that were presented and acknowledged the aspects that previously were not taken into consideration. Lastly, Euromotors' managers were curious about how other companies, either within the Peruvian market or internationally, performed in regards to topics like online interaction.



Chapter X: Conclusions and Recommendations

This chapter will mention the key learning takeaways and provide recommendations according to the data collected and analyzed during the consulting project period.

10.1 Conclusions

From a consulting perspective, working alongside Euromotors to create this proposal provided a number of learning opportunities of which the three most important include: conducting extensive research on the external and internal factors that affect the company; leveraging analysis to determine which of the company's issues are symptoms or key problems; and making sure that the recommendations align with the company's current situation and desires.

In order to provide Euromotors with sound advice, an initial thorough exploration and understanding of the historical and current external (industry) and internal (company) forces that affect the organization was necessary. Online resources including company-related websites, scholarly journals and articles, newspapers, professional consulting reports, social media platforms, global databases, and government-affiliated websites, were just a few sources of information that helped shape the analysis of Euromotors' competitive position within the Peruvian automotive industry. In addition, to add substance to the company's internal analysis, it was important to perform supplementary interviews with employees from various organizational levels. Therefore, it was critical to question the validity behind key issues outlined by company representatives, since their opinions may have been biased as a result of their personal attitudes towards the organization, rank within the company, and department's goals.

Second, it was essential to evaluate the analysis of Euromotors to differentiate company symptoms from key problems. Upon inspection of the analysis, Euromotors' managers appeared to treat what were, in fact, symptoms as the main issues. For instance,

Euromotors' main concern was that the company suffered from declining profitability caused by decreasing sales and high costs; however, the reasons behind these issues had yet to be explored. By reframing these issues as symptoms, on the other hand, it became apparent that Euromotors' main problem involved a lack of adaptability to improve its operations in a rapidly changing and increasingly competitive marketplace, while at the same time, responding to the customers' needs.

Third, feasible solutions were recommended by taking into consideration the company's mission, values, short and long-term objectives, as well as current situation. Given that Euromotors suffers from thin profits and seeks opportunities to improve its competitive position within the Peruvian automotive retail sector, the main objective of this proposal was to provide them with cost-effective solutions to improve the company's bottom line, enhance its reputation, and achieve its vision of "be[ing] the best in knowing, anticipating, and satisfying the customers' needs in the automotive industry." Lastly, it was important to leave Euromotors with the ability to analyze future situations from alternative perspectives, and understand how simple and affordable solutions can have a tremendous positive impact on their bottom line.

Overall, the case of Euromotors can be used as a learning opportunity for consultants and companies alike. Regardless of a company's need for consultancy, it is the consultant's responsibility to become familiar with the external and internal forces that affect the organization, determine which of the company's issues are symptoms or key problems, and make appropriate recommendations based on the best interests of the company. Furthermore, this case has proven the importance for companies to monitor and adapt to changes in markets and consumer behaviors. Moreover, it is to highlight the importance that Social Media had for this specific project, since as it was demonstrated, the case of Euromotors proves that some companies in the current market environment are not taking into

consideration the Social Media aspect for their operations. Not doing so may put a company in a lesser position than other competitors, such as KIA and Hyundai in this project's case, which evidently are taking more advantage of this cost-effective advertising source than Euromotors.

10.2 Recommendations to the Company

In addition to the KPI metrics, advertising, marketing, and customer service are some of the recommended courses of actions that Euromotors needs to focus on. The following recommendations are primarily directed towards the Sales Managers and their teams, as well as the Marketing Managers and its team, who should start focusing on the implementation on the proposals. The solutions are intended to solve the organization's root-cause issues. The purpose of these changes needs to be communicated throughout the company to create transparency, trust, and awareness of the company's objectives. Moreover, not only the Marketing team but also the company as a whole need to start acknowledging the opportunities that Social Media gives to their business and act accordingly. Most likely, there will be resistance from employees, especially if it means stricter policies or increased workloads; however, this resistance must not be disregarded. Overall, transparent communication and honesty are crucial for an organization to grow and maintain momentum. Before Euromotors implements these changes across its dealers, it would be beneficial to use Euroshop as a test facility to reduce risk, as well as monitor employees' reactions and improvements in sales, marketing, and customer service, in relation to the dealer's bottom line.

The goal of the KPIs applied to Euromotors is to understand and utilize the data collected from sales and customer purchases to forecast purchasing trends, track employee performance, and track employee alignment with the organization's culture. The KPIs must also be acknowledged in the training program, and explained to existing sales employees so

they understand how to properly track detailed data concerning customers. Entering this data is a necessary extra step to the sales process, which would not take a significant amount of extra time for sales employees to input. In order to successfully implement the actions formulated on this proposal, the Human Resources team needs to start the process of recruitment of the Training Chief, who is going to be the one that will encourage the new course of action within the company.

After analyzing the data collected, advertising, marketing, and customer service is the next step to take. The purpose of this is to understand and be able to customize the frequency, duration, and amount of marketing and financial activities during specific timeframes. The main responsibilities of this department would be to increase brand and product awareness, and increase customer traffic through the doors of Euromotors' dealers. In modern society, companies that heavily market themselves via a strong online presence place themselves at a unique competitive advantage. In fact, Euromotors needs to pay particular attention to developing its online presence through a variety of social media platforms, blogs, and websites, and hire new or utilize existing employees' marketing creativity. Consequently, customer service should not be ignored. Proper training or, at times, additional training in hard skills development for solving vehicles' mechanical issues, along with soft skills to improve customer interactions must be provided. In addition, an online client feedback survey would be a great asset for the company to improve its customer relations. After all, customers are the most important part of the Peruvian automotive industry.

There is also one specific recommendation that can be taken into account for all the dealers of Euromotors. The dealer brand should be unified and remain as Euroshop; thereby, other dealers such as AMSA or Peruwagen, which are already part of Euromotors, would operate under the same name. The main benefit for this is that customers will now know which one is the dealer to-go in case they want information or a particular service. By using

Euroshop as a test facility on an earlier stage for the above solutions, Euromotors can begin to take the necessary steps to improve its competitive position within the Peruvian market and start growing its bottom line. At the same time, its dealers and employees must strive for excellence, while communicating the company's objectives and values clearly and transparently. With these cost-effective solutions, Euromotors will be in better position to adapt to external changes and, most importantly, fulfill their vision of being the best at satisfying their customers' needs.



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Appendix A

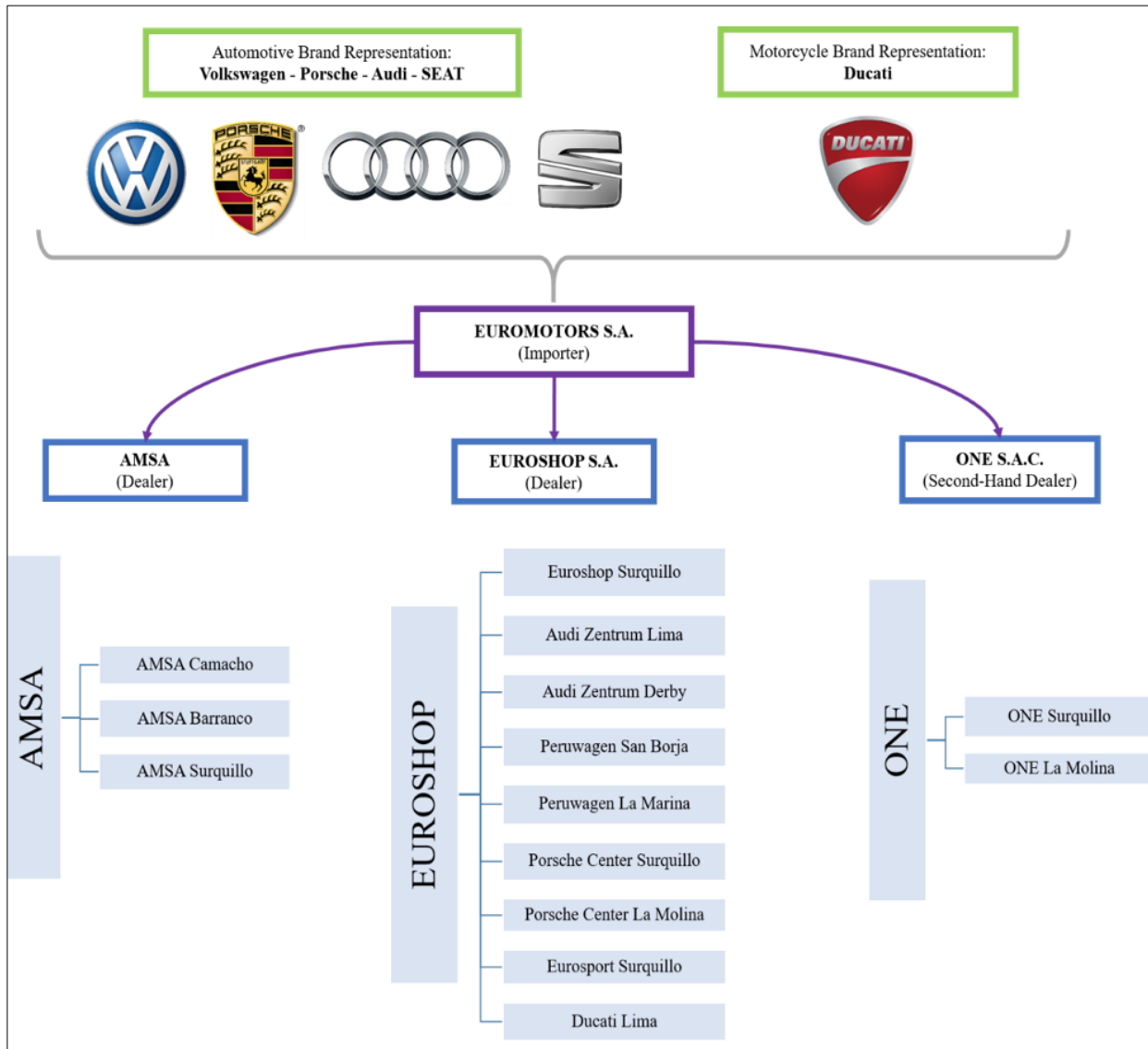


Figure A1. Euromotors' organizational structure. Euromotors (n.d.). Lima, Peru: Euromotors.

Appendix B

Table B1

Peru Automotive Market Share in 2015

Rank 2015	Rank 2014	Brand	2015	2014	% Change	Share 2015
1	1	Toyota	29,810	34,294	-13.1%	18.9%
2	2	Hyundai	23,504	24,083	-2.4%	14.9%
3	3	KIA	22,860	22,739	0.5%	14.5%
4	4	Nissan	12,996	12,764	1.8%	8.2%
5	5	Chevrolet	11,778	14,021	-16.0%	7.5%
6	6	Suzuki	9,934	8,873	12.0%	6.3%
7	7	Mitsubishi	4,924	4,865	1.2%	3.1%
8	8	Volkswagen	3,972	4,574	-13.2%	2.5%
9	9	Mazda	3,823	4,299	-11.1%	2.4%
10	10	Renault	3,150	3,256	-3.3%	2.0%

Note: Focus2Move. (2016). *Peru Vehicle Sales in 2015*. (<http://focus2move.com/peru-vehicles-sales-in-2015/>)

Appendix C

Table C1

Top Car Models in Peru for 2015 and 2014

Rank 2015	Rank 2014	Model	Sales 2015	Sales 2014	Var. 2015	Share 2015	Share 2014
1	1	Toyota Yaris Sedan	12,439	12,419	0.20%	13.60%	13.70%
2	4	KIA Rio	8,436	5,592	50.90%	9.20%	6.20%
3	3	KIA Picanto	5,589	6,060	-7.80%	6.10%	6.70%
4	5	Hyundai Accent	5,210	5,121	1.70%	5.70%	5.70%
5	34	Hyundai Grand i10	4,904	-	-	5.40%	0.00%
6	19	Nissan Sentra	3,346	2,007	66.70%	3.70%	2.20%
7	14	Hyundai Elantra	3,336	2,830	17.90%	3.70%	3.10%
8	2	Chevrolet Sail	3,300	6,072	-45.70%	3.60%	6.70%
9	11	Hyundai Tucson	3,018	3,168	-4.70%	3.30%	3.50%
10	12	Hyundai Santa Fe	2,995	2,995	0.00%	3.30%	3.30%

Note: Adapted from “Peru Vehicle Sales in 2015”, by Focus2Move, 2016. (<http://focus2move.com/peru-vehicles-sales-in-2015/>)

Appendix D

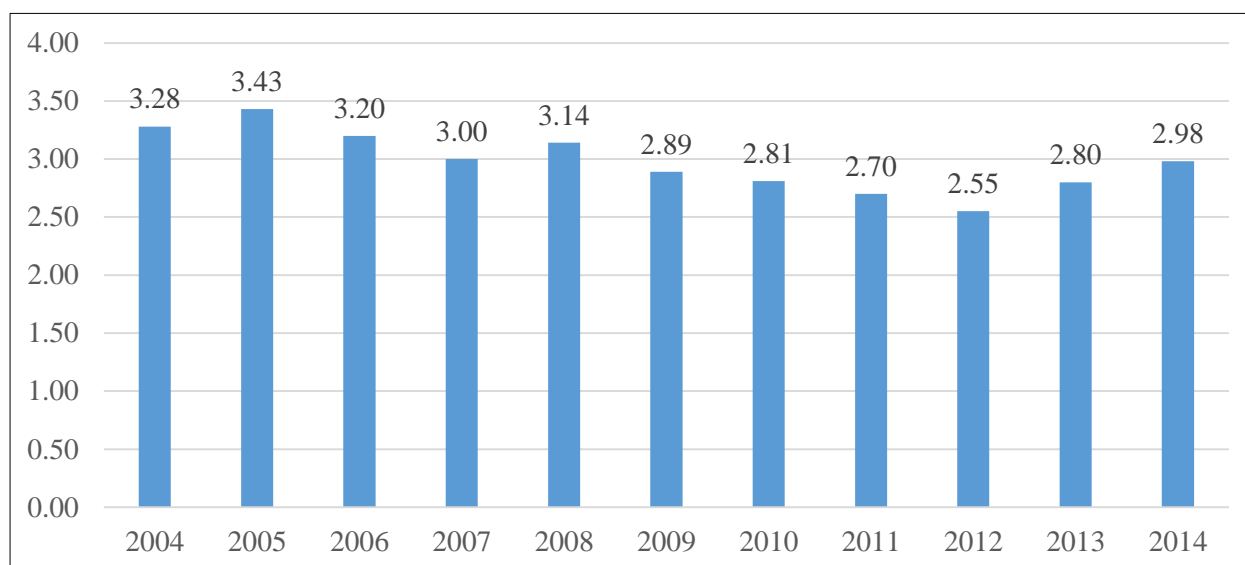


Figure D1. Peruvian exchange rate evolution. Adapted from “Peru’s Business & Investment Guide 2015/2016”, by Ernst & Young Peru, 2015.

(http://www.investinperu.pe/RepositorioAPS/1/0/JER/GUIA_INVERSION/Peru_Business_and_Investment_Guide_2015_2016.pdf)



Appendix E

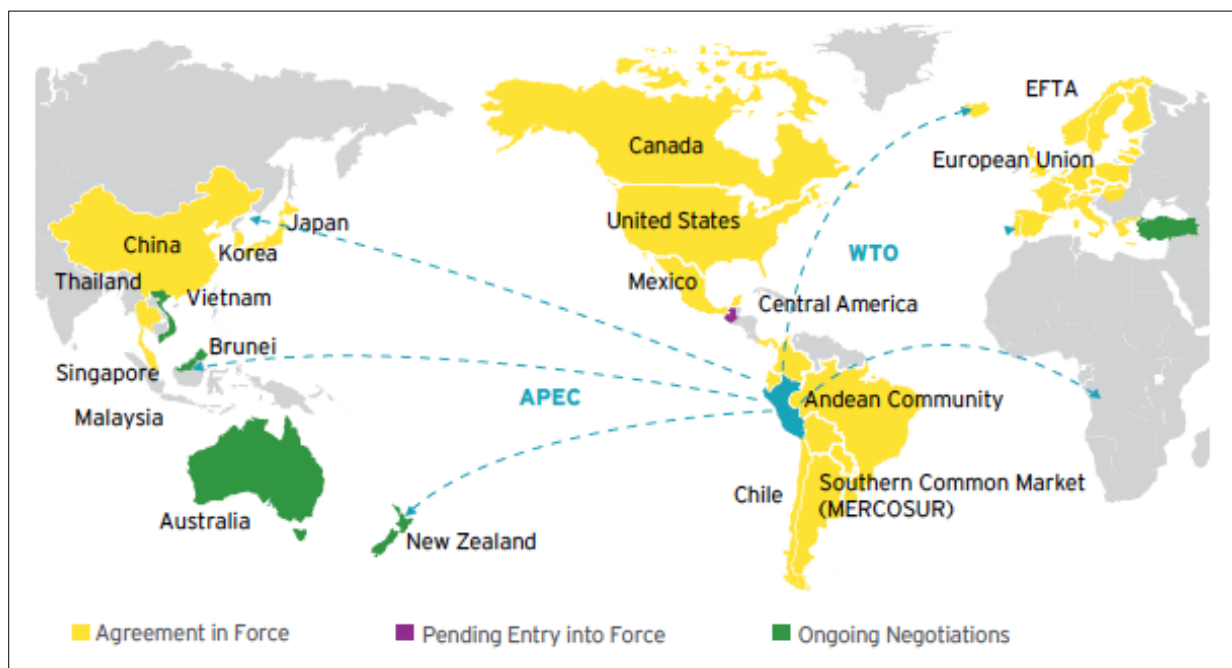


Figure E1. Peru's free trade agreements. Adapted from "Peru's Business & Investment Guide 2015/2016", by Ernst & Young Peru, 2015.

(http://www.investinperu.pe/RepositorioAPS/1/0/JER/GUIA_INVERSION/Peru_Business_and_Investment_Guide_2015_2016.pdf)

Appendix F

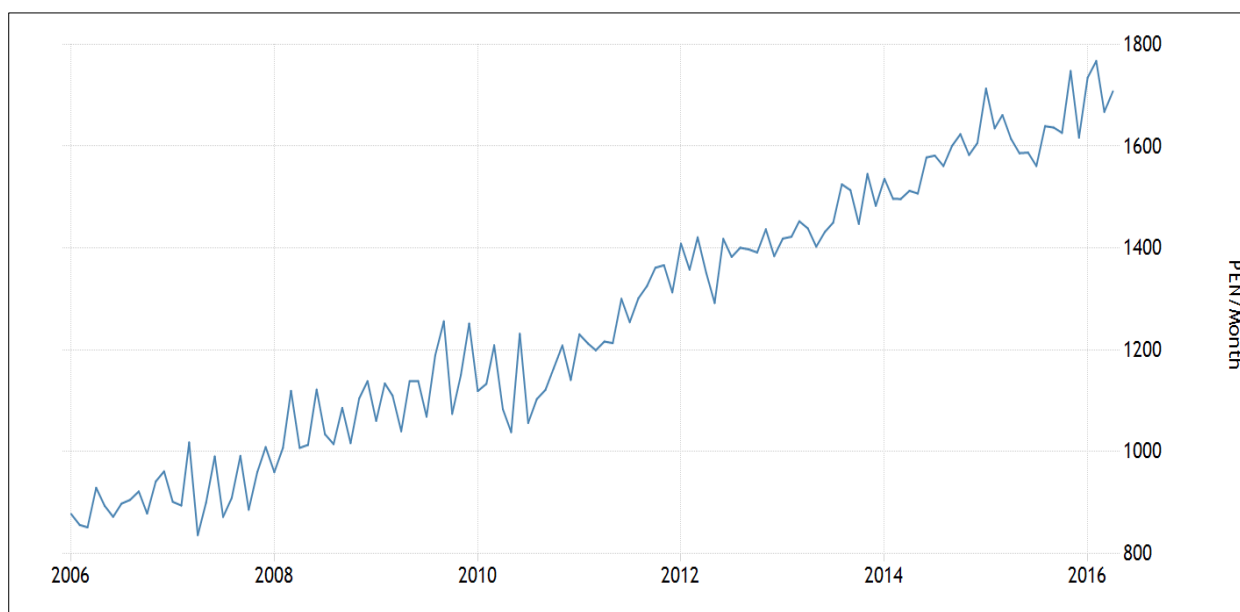


Figure F1. Peru's average monthly wages. Adapted from "Peru Average Monthly Wages", by Central Reserve Bank of Peru, n.d.. (<http://www.tradingeconomics.com/peru/wages>)



Appendix G

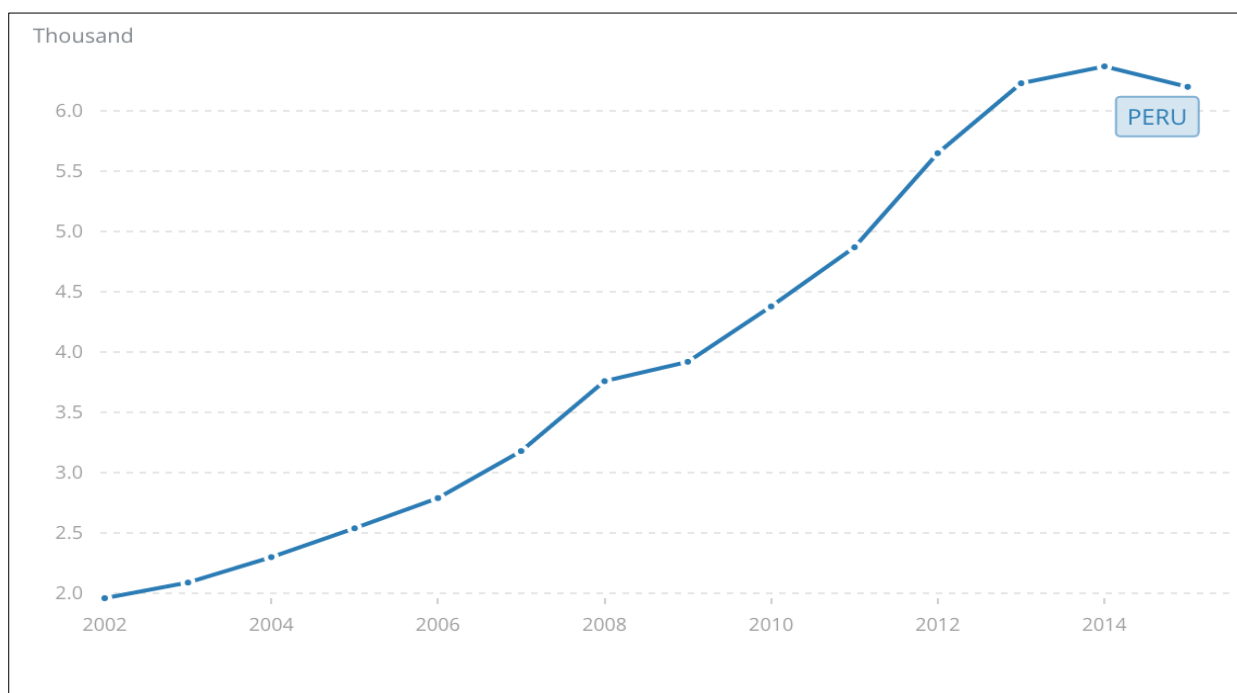


Figure G1. Peru GNI per capita. Information shown in USD. Adapted from “Peru GNI Per Capita, Atlas Method”, by The World Bank, 2016. (<http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=PE&start=2002>)

Appendix H

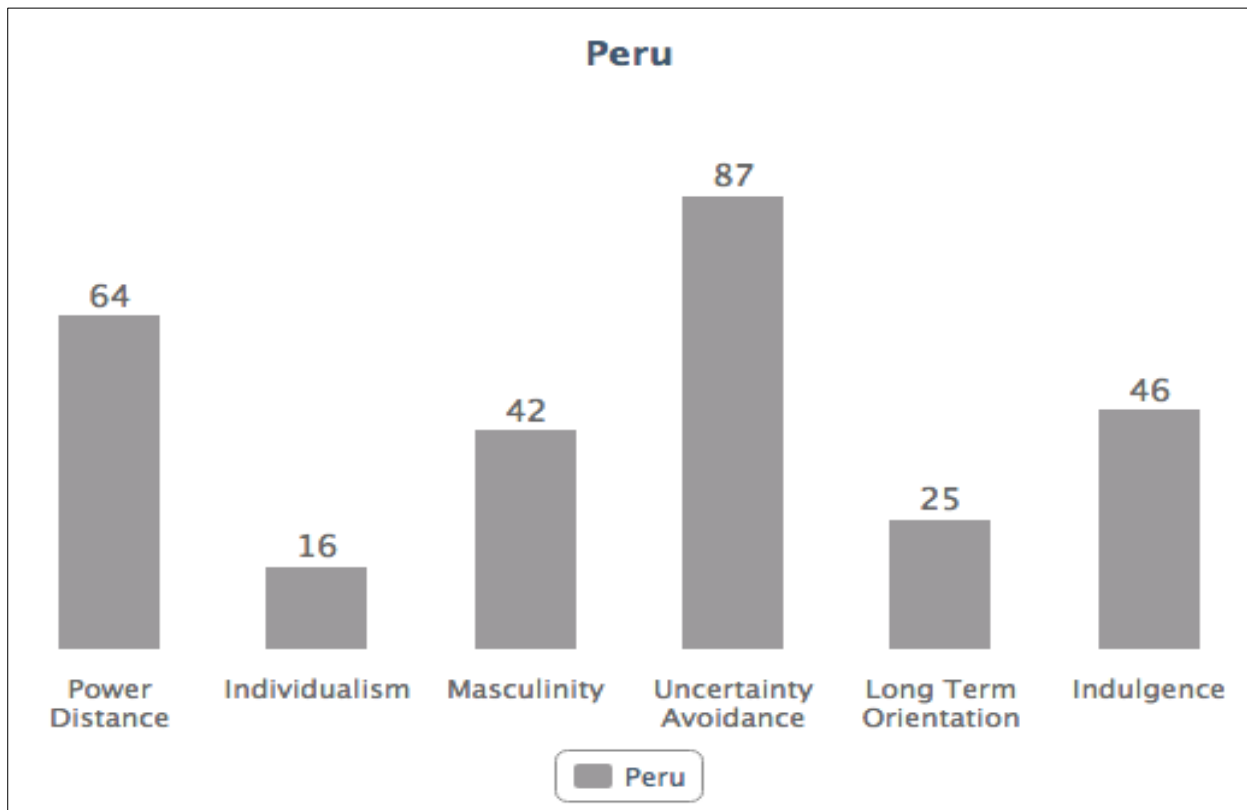


Figure H1. Hofstede's cultural dimensions for Peru. Adapted from "Peru – Fact Sheet", by Itim International, 2012. (<https://geert-hofstede.com/peru.html>)