RESEARCH

Alexander Fraß

Achieving Brand Loyalty in China through After-Sales Services

With a Particular Focus on the Influences of Cultural Determinants

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Achieving Brand Loyalty in China through After-Sales Services

With a Particular Focus on the Influences of Cultural Determinants

With prefaces by
Prof. Dr. Klaus-Peter Schoeneberg
Prof. Dr. José Albors Garrigós

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Henstedt-Ulzburg, Deutschland

Preface by the Editor

The Chinese automotive market is – according to both scale and scope – the most important market for German car manufacturers. Additionally, brand loyalty, for example influenced by aftersales service and workshop loyalty, has become increasingly important in China, as many first-time car buyers are about to choose their second or third car now. Experiences made during the aftersales period with authorised workshops play an increasingly important role in car purchasing decision making. Finally, the aftersales network is in many aspects still in development. Therefore, the scientific results of this dissertation are best suited to help both researchers and practitioners to increase aftersales performance, service satisfaction and sales loyalty.

Additionally Chinese culture is completely different to European culture, which is challenging for car manufacturers originating from Germany. The cultural influence is elaborated on a comprehensive basis of general culture theoretical explanations. The author presents highly detailed how and why to operationalize values with the approach of Schwartz. He focuses on the individual level value theory, which enables to modulate the value constructs as causal influence factors. This application impressively demonstrates his interdisciplinary approach in economic and cultural research.

In the cultural part of the research, the author summarizes, that universalism and self-direction are the two values, which actually affect the endogenous quality and loyalty variables. Furthermore, he also analyses mediating and moderating effects of the variables, which is very valuable for the study. He shows that when it comes to culture, moderating influences must be considered, because various other values become then significant.

In summary it can be stated that the thesis represents an original and significant contribution to scientific work in the field of automotive aftersales. It will help both researchers and practitioners to improve their understanding of aftersales success, service satisfaction, and loyalty in the automotive industry in China. The work gives new and highly valuable insights relevant for the success of car manufacturers in the key market China. German car manufacturers following the recommendations of the author derived from his findings are most likely to be more successful in the Chinese market in the future.

Professor Dr. Klaus-Peter Schoeneberg   Hamburg, Germany March 2016
Hamburg University of Applied Sciences

Preface

Global sales of passenger cars reached 73.9 million vehicles during 2015. Since Ford introduced assembly line car production in the early 1900s to mass-manufacture its Model T automotive production has spread globally following similar efficiency patterns. Along with China with 21.1 millions car sold, the United States with 8.5 are among the largest automobile markets worldwide, both in terms of production and sales and in both countries car consumers approach is quite different. However, car sales and marketing have to be managed in accordance with local customers demands and needs. Consequently, the industry constitutes today a global value chain where the last steps of the chain, sales and post sales services must be then adapted to their local context. But is it possible to accommodate local customized demands versus global designs and production?. The research thesis of Alexander Frass aims and answering, successfully, to some of the factors related with this general question.

Cultural values and cross cultural differences have been utilized to analyze International Management. The seminal study of Geert Hofstede's with IBM employees in many countries has been a classical and later Fons Trompenaars carried out a study of cultural differences which was completed later by Zeynep Aycan's socio-cultural dimensions approach.

Alexander Frass utilises the approach of another known academic, Shalom Schwartz, its dimensional cultural approach to research on the last step of automotive value chain, After-sales services, in China, which is the largest global car market. And he made a wise decision: to study the premium segment of German manufacturers who have a leading role, as dominating this market segment. If it comes to services, one point is remarkably important in China, culture.

Additionally, he addresses a significant gap research since culture has been a neglected issue in this market. The research methodology has been quite ambitious carrying out a survey among 400 Chinese workshop customers of the brands Audi, BMW and Mercedes-Benz. Furthermore his statistical approach, Partial Least Squares structural equation modelling has been critical in order to assess the critical success factors in the models developed.

This thesis provides very useful guidelines of how the complete process value chain of after-sales services develops in an emerging economy such as in China. And proves how cultural values must clearly be taken into account when considering the management of after sales services if we want to achieve brand loyalty leadership.

Professor Dr. José Albors Garrigós,　　　　　　　　Valencia, Spain March 2016
Universitat Politècnica de València

Thanksgiving

Dedicated to my beloved wife Denise.

Content Overview

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Abbreviations

ABS	Anti-skid breaking system	INC	Income
ACH	Achievement	IPMA	Importance-performance matrix analysis
AMOS	Analysis of Moment Structures	IT	Information technology
ASSS	After-sales service satisfaction	Km	Kilometre
AVE	Average variance extracted	Mn	Million
AWD	Acceptable workshop distance	N. a.	No author given
BEN	Benevolence	N/a	Not applicable
BI	Brand image	N. p.	No place given
BL	Brand loyalty	NPS	Net Promoter Score
Bn.	Billion	OEM	Original Equipment Manufacturer
BRT	Bus Rapid Transit	PLS	Partial Least Square
B2B	Business to Business	POW	Power
B2C	Business to Consumer	PPP	Purchasing Power Parity
CB	Covariance based	PRC	People´s Republic of China
CCP	Chinese Communist Party	PSQ	Perceived service quality
CCT	Consumer Culture Theory	PVQ	Portrait Values Questionnaire
C/D-	Confirmation/Disconfirmation-Paradigm	PWSC	Perceived workshop switching costs
Cf.	Confer (compare)	Ref.	Referring to
CNY	Renminbi	R&D	Research and Development
COA	Country of Assembly	S.	See
COD	Country of Design	SEC	Security
COM	Country of Manufacture	SE-D	Self-direction
CON	Conformity	S-D	Service-dominant (logic)
COO	Country of Origin	SEM	Structural Equation Modelling
CPI	Consumer price index	SERVPERF	Service Performance Model
CR	Composite Reliability	SERVQUAL	Service Quality Model
DNA	Deoxyribonucleic acid (colloquial: genetic disposition)	SPSS	Statistical Product and Service Solutions
DSG	Direct-shift gearbox	SSVS	Short Schwartz´s Value Survey
EC	European Commission	STI	Stimulation
Em.	Emeritus	SVS	Schwartz Value Survey
GBI	General Brand Image	TRA	Tradition
GEN	Gender	UNI	Universalism
GDP	Gross Domestic Product	VAF	Variance accounted for
GIGA	German Institute of Global and Area Studies	VIF	Variance inflation factor
GM	General Motors	Vol.	Volume
HED	Hedonism	WL	Workshop loyalty
HNWI	High-net-worth-individual	WTO	World Trade Organisation

1 Introduction

1.1 Status Quo and Problem Statement

With a total revenue share of 20%, the *automotive sector* has been a core industry in Germany for a long time. However, the success of German automobile manufacturers is only partially based on the domestic market. In fact, the German automotive industry association 'Verband der Automobilindustrie' (VDA) recently reported an export ratio of 77%.[1] Aside from the saturated German market, which is too small to realise the necessary economies of scale,[2] the rest of Europe used to be an important export market for German manufacturers. Today, however, it only offers moderate growth opportunities. When considering the total global sales of the German automobile brands Audi, BMW, Daimler, VW and Porsche, the European share decreased from around 60% in 2002 to around 47% in 2010.[3] Furthermore, the lingering European debt crisis continues to be a restraint for sales in this market area.[4] Thus, in 2012 Germany's car export quota dropped by around 10% compared to the previous year.[5] Within this long-term trend only 2014 was considered as an exception, because sales to Great Britain were strong.[6]

These developments were offset by steadily increasing sales in the emerging markets. In particular, China, which has experienced average market growth of over 25% within the decade since 2000, has proved to be a drawing card.[7] For manufacturers of German automobile brands, this means that the local share of worldwide car sales increased by over 14% to almost 20%.[8] In the process, the *Chinese market* has become the biggest and most important sales market globally.[9] So far, it would seem that Daimler, VW, BMW and Audi have done everything right. However, taking an

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[1] Cf. VDA (n. a.) (2015a), p. 31; VDA (n. a.) (2012), p. 14; Sopha (2012), p. 97; Barthel et al. (2010), p. 6; VDA (n. a.) (2013a), Export.
[2] Cf. Diez (2012), p. 112.
[3] Own calculations based on Diez (2012), p. 116.
[4] Cf. VDA (n. a.) (2012), pp. 24 ff.
[5] Cf. VDA (n. a.) (2013a), Export.
[6] Cf. VDA (n. a.) (2015a), p. 31.
[7] Cf. VDA (n. a.) (2012), p. 20; Diez (2012), p. 22.
[8] Own calculations based on Diez (2012), p. 116.
[9] Cf. VDA (n. a.) (2015a), pp. 20 f.; n. a. (2013a), China ist wichtigster Markt für deutsche Autobauer; Wang (2011), p. 100.

one-dimensional view of sales is dangerous because important profit drivers could be ignored. Primarily this means *services of the post purchase phase* the *after-sales services*. Though, the sales potential and earning power of these services are regarded as well researched and scientifically proven.[10]

Therefore, in many industrial sectors great emphasis is placed on the potential of after-sales services because of the promise of financial gain.[11] In addition, they contribute to soft factors, such as improved customer relations, increased customer satisfaction, customer retention and customer loyalty.[12] Consequently, since the early nineties, industrial countries have shifted their focus from predominate product sales to value or utility generating services. Besides other factors, like the change from a seller's to buyer's market, as well as the increasing homogeneity of products,[13] this development has occurred in penetrated markets and can be seen across various sectors, including IT, the white goods industry, mechanical engineering and the automotive industry. As a result, so many products were sold over time that the *service market* had grown to a size that has become four to five times bigger than the new goods market.[14] Likewise, Figure 1 below illustrates a very strong service-oriented share ratio based on selected life-cycle costs.
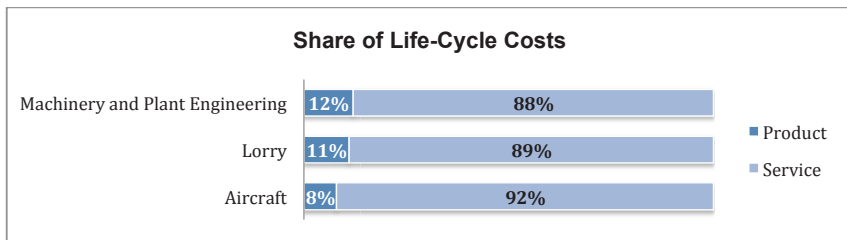
Figure 1: Share of Life-Cycle Costs

Reference: Sass (2012), p. 2; Kaerner et al. (2004), p. 164.

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[10] Cf. Sass (2012), pp. 1 ff.; Bundschuh/Dezvane (2003), pp. 1 ff.; Cohen et al. (2000), pp. 1 ff.; Goffin (1999), pp. 1 ff.; Wise/Baumgartner (1999), pp. 1 ff.; Hull/Cox (1994), pp. 1 ff.

[11] Cf. Sass (2012), p. 2; Saccani et al. (2007), p. 52; Cohen et al. (2006), p. 130; Baader et al. (2006), p. 3; Gaiardelli et al. (2007), pp. 702/705; Cavalieri et al. (2007), p. 449; Goffin (1999), p. 390.

[12] Cf. Hättich (2009), p. 6; Hünecke (2012), p. 1; Reichhuber (2010), p. 31; Sass (2012), p. 3; Huber/Herrmann (2001), p. 100; Zollikofer-Schwarz (1999), p. 3.

[13] Cf. Zerres/Zerres (2006), p. 3; Meffert/Bruhn (2009), p. 7; Simon (1993), pp. 5 ff.

[14] Cf. Saccani et al. (2007), p. 52; Cohen et al. (2006), p. 129; Wise/Baumgartner (1999), p. 134.

Along with these considerable market and life-cycle volumes, the *profit margins in after-sales* are highly attractive for the manufacturing industries as BAADER ET AL. (2006) points out. For example, the after-sales business represents a 20% to 30% share of turnover and 40% of overall profit.[15]

After-sales in the Automotive Industry

Currently, services in traditional sales-oriented *automotive marketing* area have become increasingly important.[16] Contrary to their previous sales support function, the sum of value added services[17] is viewed as an independent, and moreover, profitable market performance of OEMs. These services, which are able to increase the value or utility of a core product, are increasingly realised in value added steps after the sale. While being a part of such downstream management, all automotive manufacturers are trying to increase their influence.[18] In this context, after-sales plays an outstanding role, even though it is not consistently defined. In the English and German literature the term is variously described as 'after-sales service', 'automotive aftermarket', 'customer support', 'product support', 'Kundendienst' and 'Technischer Service'.[19] An example of the very important role that after-sales plays can be observed in the German spare part and service business, where the contract bound car dealers and workshops earn over 60% of their profit with only 20% turnover share.[20]

In addition, the after-sales business is considered to be relatively independent of economic trends,[21] thus in the automotive industry it is seen as a critical success factor.[22] The high relevance is also well represented by the following *studies.*

- Increasing customer satisfaction and brand loyalty [23]
- Achieving competitive advantage and differentiation [24]

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[15] Cf. Baader et al. (2006), p. 3. Confirmed by other authors such as Goffin (1999), p. 390; Wise/ Baumgartner (1999), p. 134; Cavalieri et al. (2007), p. 437.

[16] Cf. Diez (2009), p. 109; assessment of Chapter 2.1, Automotive Marketing.

[17] Hereafter referred to as Laakmann (1995), pp. 1 ff.

[18] Cf. Diez (2009), pp. 19 f./162/177; Reichhuber (2010), pp. 89/103; Saccani et al. (2006), p. 262; Becker (2007), pp. 87/123 ff.

[19] Cf. Hättich (2009), p. 1; Goffin (1999), p. 374.

[20] Cf. Diez (2009), p. 176; Hättich (2009), pp. 2 f.; n. a. (2013b), Finanzkennzahlen 2012.

[21] Cf. Zollikofer-Schwarz (1999), p. 31; Diez (2009), pp. 22 f.; Loukmidis/Luczak (2006), p. 251; Hättich (2009), pp. 44 f.; Baader et al. (2006), p. 4.

[22] Cf. Hättich (2009), pp. 2 f.

[23] Cf. ibidem, pp. 1 ff.; Hünecke (2012), pp. 1 ff.; Saccani et al. (2006), pp. 1 ff.; Huber/Herrman (2001), p. 118.

- Feedback function for product improvement and development [25]
- Supporting optimisation processes [26]
- Promoting sales of the core product and general marketing support [27]
- Increasing brand image[28]
- As a useful customer contact point

The points mentioned above with regard to the *automotive market in China* and *after-sales business* are very important for corporate success. However, considering the two together is virtually non-existent in automotive after-sales marketing, despite the indicated need for research in this area to gain a better scientific understanding.

The Significance of Culturally Adapted After-sales Marketing in China

It is undisputed that China holds a promising future for German car sales. Nevertheless, there are increasing indications that the existing foundation needs to be expanded to gain a deeper understanding of after-sales activities in China and to optimise them using scientific methods. As in China, the government supports the domestic car industry with public buying restraints and 'buy local' policies.[29] The potential effectiveness of such activities becomes apparent as follows. According to estimates from 2010 the government bought 4.5% of all new cars (measured by expenditures).[30] Furthermore, most of the cars sold by German manufacturers are mainly in the metropolitan areas of Eastern China. The rural areas remain poorly penetrated due to the low income levels there. Contrary to the past, market expansion in Central and Western China could be rather difficult for the German OEMs, also because of their premium orientation.[31] Sometimes, the government intervenes heavily in the market in order to take measures against environmental pollution and traffic congestion. For instance, car permits in Beijing, Shanghai and Canton have

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[24] Cf. Asugman et al. (1997), pp. 1 ff.; Gallagher et al. (2005), pp. 1 ff.; Goffin (2001, 1999), pp. 1 ff.; Hull/Cox (1994), pp. 1 ff.

[25] Cf. Cohen/Whang (1997), pp. 1 ff.; Saccani et al. (2006), pp. 1 ff.; Taifi/Passiante (2012), pp. 1 ff.

[26] Cf. Saccani et al. (2006), pp. 1 ff.

[27] Cf. Gallager et al. (2005), pp. 1 ff.; Wise/Baumgartner (1999), pp. 1 ff.

[28] Cf. Saccani et al. (2006), pp. 1 ff.; Cavalieri et al. (2007), p. 437 ff.; Gallagher et al. (2005), pp. 1 ff.

[29] Cf. n. a. (2012b), Foreign cars may be shut out of govt fleet; Sopha (2012), p. 98; Wang (2011), p. 103.

[30] Cf. n. a. (2013c), Chinese officials favor Audis despite government's buy-local policy.

[31] Cf. Doll et al. (2013), Chinas Autos auf dem Weg nach Westen; Reichhuber (2010), pp. 54 ff.

been restricted.[32] In 2011, the China Daily reported that car sales in Beijing had decreased by more than 50% as a result of these governmental measures. Dealerships therefore had to adjust their business strategies inevitably.[33] One year later, with a 92% share of profit, car dealers are still extremely dependent on new sales. Compared to the US, where this share is about 15%, this illustrates possible changes.[34] Bill Underrinner, Chairman of the National Automobile Dealers Association, said that 'The [Chinese] dealers have to come up with after-sales services. (...) They need to learn how to sell the other parts of the dealership they are not selling today.'[35]

If the German OEMs still want to use the potential of the entire market successfully, they will probably have to change their primary sales orientation. In addition, they will need to take into account the aforementioned developments through appropriate after-sales marketing. First, this should be done to secure their global position, and second to achieve a leading role in what will very likely be a strongly growing[36] Chinese after-sales market.

To do this however, scientific findings can only be used to a limited extent since the after-sales success factors with respect to German car manufacturers in China have not been researched sufficiently.[37] Nevertheless, branch specialist DIEZ (2012) has revealed the obvious need 'An important reason for the success of their globalisation strategies has been the increased willingness of German manufacturers to suit their products to the specific needs of the markets in each country. For many years, a lack of flexibility in this area has reduced opportunities for expansion'.[38] This mistake must not be made again in the area of after-sales. However, the status quo is exactly the cause of concern; so workshops are regarded as less qualified and repair standards are highly in need of improvement. For example, a common criticism often made by

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[32] Cf. Doll et al. (2013), Chinas Autos auf dem Weg nach Westen; Jen-Kai (2011), pp. 5 f.; n. a. (2012g), Mercedes strauchelt auf Chinas Automarkt; Barthel et al. (2010), p. 10; Arthur D. Little (n. a.) (2011), p. 2.

[33] Cf. n. a. (2011a), Bejing dealers shift focus from new car sales.

[34] Cf. n. a. (2012a), Dealerships too dependent on new car sales for profits, study says.

[35] Underrinner cited in: n. a. (2012a), Dealerships too dependent on new car sales, study says.

[36] Cf. Wise/Baumgartner (1999), p. 134; Cohen et al. (2006), p. 129; Shuqin/Gang (2012), p. 175; Mohr et al. (2013), p. 9.

[37] Cf. Wang (2011), p. 100; Chapter 1.3, Identification of a Research Gap.

[38] Diez (2012), p. 116.

Chinese drivers is the poor workshop service.[39] Likewise, in the automotive sector, the Customer Service Index (CSI) shows that the after-sales performance of Japanese and French OEM´s ranked higher than that of German companies.[40]

To make things worse, in both science and practice, it is argued that the cultural factors in China have not been sufficiently considered,[41] a situation that could result in prohibition if it is not treated with the necessary respect. One example of this is a global ad campaign for Nike that was not culturally adapted.[42] Thus, it could be assumed that the principles of *intercultural marketing* are often neglected in market cultivation. This is a factor that should receive special attention with regard to services because they cannot be provided without the involvement of the customer.[43]

In addition, if, for example, a repair is to be made on a vehicle, it is usually assumed that the driver will bring it to the workshop and explain the problem. THALHOFER (2003) describes this kind of interaction as a stress situation between staff and customer, which has a strong influence on *customer satisfaction*.[44] Furthermore, it is known that different buyers have very different (service) needs even if they use the same exact product or service. Therefore, the person becomes part of the service creation process.[45] This is why it is important for an organisation to be customer oriented[46] and for the after-sales marketing of the global players to be properly established. This also means that it has to be culturally adapted, because culture influences the service perception as ZHANG ET AL. (2008) determine.[47]

However, it should be noted that both from a scientific and practical point of view, the high relevance of after-sales service and the Chinese automobile market is generally recognised. But, both of these areas together, especially with regard to intercultural adaptation considerations apparently still continue to be ignored. A scientific problem

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[39] Cf. Joas (2009), p. 157.

[40] Cf. n. a. (2012d), After-Sales Dealer Service Satisfaction in China Plateaus After Six Consecutive Years of Increases; Sopha (2012), pp. 108 ff.

[41] Cf. Doctoroff (2005), p. 2; Hoffmeister (2011), p. 140; Moser et al. (2011), pp. 102 f.

[42] Cf. Köll (2009), p. 9.

[43] Cf. Mann (1998), p. 43; Meffert/Bruhn (2009), p. 42; Corsten/Gössinger (2007), p. 27.

[44] Cf. Thalhofer (2003), p. 61.

[45] Cf. Cohen et al. (2006), p. 132; Edvardsson et al. (2011), p. 328

[46] Cf. Meffert/Bruhn (2009), p. 42.

[47] Cf. Zhang et al. (2008), pp. 211 ff.

statement can be formulated from this because the effect of cultural differences on service demand has not been researched sufficiently. Consequently, the actual success factors are also unknown. Another aspect to bear in mind is that the management decisions made by OEMs are too often aligned with internal criteria. An accurate knowledge of Chinese customer structures and behavioural patterns could be helpful in this regard to actively shape the development of the after-sales market in China in the most advantageous way. Similarly, this could help to increase the manufacturer's value added share of the entire product life cycle. This decreases rapidly over time, as seen with a OEM in the German market where the proportion of value added (exclusively financing and leasing) decreases from 90% to 5% in ten years.[48]

Since the availability of statistical data is limited in rural China and therefore not sufficient for the purposes of this work, this research shall be referred to the *urban China* for the following reasons: First, German manufacturers mainly sell there. Second, it is only there that enough households own a car at all and therefore able to say something about their after-sales experience.[49] Finally, in most cases the culturally specific purchase behaviour studies are carried out there too.[50] According to the National Bureau of Statistics of China, 52.6% of the Chinese people live in urban areas.[51]

1.2 Exploratory Pre-Investigation

The status quo and problem statement indicate a scientific research need, which still needs to be concretised, delimited and possibly supplemented. An *explorative research methodology* will be used for this purpose,[52] which will also help to define a precise research objective later on in Chapter 1.3. Taking an adequate cost-benefit ratio into account an *expert survey* as a qualitative method is suited. This requires interviewing participants who have profound knowledge and experience.[53] According to

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[48] Cf. Diez (2009), p. 400.

[49] Cf. Wang (2011), p. 104.

[50] Cf. ibidem; assessment of the state of research with regard to *Chinese consumer behaviour* in Chapter 2.3.

[51] Cf. National Bureau of Statistics of China (n. a.) (2012): XI. Population, Living Conditions and Social Security.

[52] Cf. Koch (2012), p. 41.

[53] Cf. Berekoven et al. (2009), p. 88; Koch (2012), pp. 41/262 f.

that, and to an, from the problem statement derived, interdisciplinary coverage, experts are chosen (s. Table 1 below).

Expert	Background – *Function and Company*		
Dr. Christin Emrich	**Expert for Intercultural Marketing with Prestigious China-Expertise** *Lecturer for marketing management at various universities and business schools in Germany and Switzerland as well as owner of the business consultancy, Sciestat*	I	Intercultural Aspects and China
Niels Straub	**Expert for Market Research, Automotive Industry and China** *Owner of Institut für Marktforschung, Statistik und Prognose (IMSP) as well as author with publications concerning the automotive industry and China*	Automotive Industry and Marketing	
Prof. Dr. Willi Diez	**Expert for Automotive Industry and Marketing** *Professor at Hochschule für Wirtschaft und Umwelt Nürtingen-Geislingen as well as Director of the Institut für Automobilwirtschaft (IFA)*		I
Dr. Holger Hättich	**Expert for Automotive Marketing and After-Sales; Especially Free Workshops** *Managing Director PV Automotive GmbH*		
anonymised	**Expert for After-Sales** *Project Leader Boston Consulting Group*		I
Dr. Christian Splett-Henning	**Expert for Car Dealership and After-Sales** *Managing Director Nordostsee-Automobile GmbH u. Co. KG authorised Mercedes-Benz Trade and Service*	Automotive Industry and Marketing	After-sales
Norman Radtke	**Expert for After-Sales at a Car Dealership** *Chief service manager Walter Burmester GmbH northern German Mercedes-Benz representation*		
Dipl.-Kfm. Hans Jürgen Wahlen	**Expert for Spare Part Trade** *Managing Director of the general association Gesamtverband Autoteile-Handel e.V. (GVA)*		
Thomas Fischer	**Expert for the German Spare Part and Service Market** *Chief of the board of directors Verein Freier Ersatzteilemarkt e.V. (VREI)*		
Prof. Dr. Michael Zerres	**Expert for Marketing and Success Factor Research with a Long-Time Expertise in Automotive Marketing** *Professor at Universität Hamburg (em.) and Publisher of various automobile-specific research works.*		Success Factor R.

Table 1: Experts of the Exploratory Pre-Investigation

Reference: Author's table.

The survey was carried out via e-mail or telephone depending on the availability and preference of the participant. Amongst others, the following issues were addressed.

- Is the topic considered relevant by the expert?
- Have German manufacturers already taken up this issue specifically?
- Could the recently rapidly growing Chinese new-car market have led to under-emphasised after-sales activities?
- Are the after-sales instruments weighty and multi-variant enough that they can actually influence any success criteria?
- How can research take into account cultural aspects and peculiarities?
- Are there any other very important aspects that are not mentioned by the re-searcher?

All of the experts interviewed agreed that this research is of *high relevance*. Whereby towards after-sales service, especially the criteria *brand loyalty as a success indicator* has been suggested. This will be considered in the later stages of this work, especially in the development and design of the research model.[54]

Additionally, various specific aspects were discussed and the insights gleaned from these interviews are listed in the following Table 2:

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[54] Cf. Chapter 1.6, Course of Research.

Car markets	After-sales	Cultural aspects in China
Long-term stagnation in European car markets	The Experiences of mature car markets show that, while the market develops, after-sales profit margins become much higher than sales profit margins	Even in Germany, Chinese customers are considered to have different needs, therefore cultural training is needed
The German after-sales market is overstaffed and free workshops are growing at the expense of the OEM workshops	In the past, after-sales and customer retention had no priority in China due to market penetration focus	Chinese customers in Germany have exceedingly high expectations
The Chinese market still has potential, but realising this only by selling might be more difficult than in the past	Low emphasis on the optimal design of an after-sales business might be a result of former high sales figures	Country of origin effects have a massive impact in China, especially the 'Made in Germany' label
The Chinese after-sales service market is considered to be crucial for the future of the OEMs	Due to local market conditions, the after-sales instruments used worldwide differ greatly	Chinese culture is still a great challenge for foreigners and enterprises
After a huge first buyer wave in China, brand loyalty will become very important, therefore after-sales could become the main influencer	The findings of this research are valuable as feedback to improve after-sales training in Germany, with the aim of serving Chinese customers in the best way	Being successful in China requires a precise understanding of the culture as a whole as well as of the specific issues at play
	After-sales marketing should be strictly aligned with the specific needs of the Chinese market	It is assumed that Chinese customers are less brand or workshop loyal and more open-minded about non-original parts
	One expert is in favour of an autonomous local marketing effort, another says this is a huge risk with regard to the global strategies and controlling needs of the OEMs	Generally, social relationships are very important, therefore customer experiences are spread through the networks of influence or 'guanxi'[55]
	Today, after-sales networks in China are being developed; knowing the key success factors helps to develop them in line with the needs of OEMs	The Chinese often use cars within the family network, which is usually very strong related (with high involvement)

Table 2: List of Insights of the Expert Survey

Reference: Author's table.

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[55] Culturally strong anchored Chinese network system of relations (social exchange) for mutual benefit. Cf. Emrich (2007), p. 336.

1.3 Identification of a Research Gap

To be able to identify a scientific research gap, based on the issues elaborated thus far, the following topics have to be assessed: First, *automotive marketing* as a parent frame. Second, *after-sales service* in general and the automobile industry in particular, as well as *Chinese buying behaviour* in the context of intercultural marketing. In order to ensure the best possible overview, the comprehensive review of the detailed *state of research* is shown separately in Chapter 2. Thus, the most important issues with respect to the research gap are addressed in the following section.

Generally, it could be asserted that research has been done in each of the subject areas mentioned above. With regard to the 'service strategies of manufacturing companies', GEBAUER ET AL. (2012) point to the following facts and research deficits: [56]

- The existing research concentrates on heavy industries, capital goods and B2B markets
- A broader industry range needs to be investigated
- Often, the research focuses on mature, saturated western markets
- Knowledge about emerging markets is limited
- The understanding of the globalisation of the service business of multinational manufacturers can be broadened
- The western enterprises examined 'suffer' from a distorted self-perception (bias)[57] due to the relevance of high labour costs and advanced technical expertise, which could lead to a disadvantage, especially within a global context and in terms of the qualitative methods used

According to the assessment of the state of research, the author of this work confirmed these points most widely. Moreover, JÖNKE (2012) emphasises the need for further research in the area of after-sales in terms of theory and practice.[58] Also the specific view on the automobile industry shows, that one from HÄTTICH (2009) emphasised deficit is still of high relevance. Thus, compared to the area of sales-related automotive marketing, research in the area of after-sales marketing is indeed lack-

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[56] Cf. Gebauer et al. (2012), pp. 123 ff.
[57] Cf. ibidem, p. 126.
[58] Cf. Jönke (2012), p. 145.

ing.[59] Furthermore, organisational focal points towards process and cost optimisation dominate, as well as the limitation that primarily western markets are researched. International approaches to the after-sales marketing of OEMs are rare. One exception is the work of HÜNECKE (2012), who focuses on Spain, Italy and France. He specifically emphasises the great importance of further intercultural, non-European research.[60]

ZHANG ET AL. (2008) claim that in cultural research, particularly towards service expectations, context variety is crucial. Here, workshops are worth to be focused, due to the customer service provider relationship.[61] With regard to the still insufficiently examined China,[62] it is important to point out that the availability of data is limited and that mainly the supply side was investigated in the past, despite the fact that consumer preferences and requirements were changing quickly. In addition, (inter)cultural aspects generally get little attention in the automotive industry, especially in the area of demand and service behaviour, despite continuous claims.[63] In the case of China, however, understanding these considerable cultural differences could be crucial for success in this huge market with its enormous after-sales potential.

A customer-oriented success factor research on the after-sales of German manufacturers with regard to the reference object China, was, despite great scientific and practical relevance, *not executed in any work*.

1.4 Research Objective

Considering the background of the current situation, the problem statement given, the explorative pre-investigation and the research deficit identified, the *objective of this work* is to investigate theoretically and to verify empirically the determinants of success of an after-sales within the automotive marketing, under considering cultural influence factors. Therefore, the after-sales business of German manufacturers in the

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[59] Cf. Hättich (2009), p. 287.
[60] Cf. Hünecke (2012), p. 174.
[61] Cf. Zhang et al. (2008), p. 222.
[62] Cf. Knörle (2011), p. 5.
[63] Cf. Löffler/Decker (2012), p. 405; Wang (2011), p. 100; Gudergan (2010), p. 251 f.; Zhang et al. (2008), p. 222; Gong (2003), p. 379; Asugman et al. (1997), p. 26.

important Chinese car market serves as the object of reference. Furthermore, the construct brand loyalty will also be implemented within the theoretical model in order to explain the success of after-sales.[64]

Exploring a single sector in the Chinese market helps to focus on industry-specific aspects and to derive appropriate findings. Cross-industry meta-analytic models are unable to achieve this.[65] Moreover, limiting the investigation to *urban* China is necessary and useful because of the considerable differences in local motorisation density throughout the country.[66]

The scientific added value of this work, absolutely, puts emphasis on the acquisition of innovative knowledge. But simultaneously it is aimed to present specific, effective and suitable recommendations for action for automotive marketing practitioners.

1.5   Scientific Approach and Research Methodology Overview

St. Galler Management Model as a Framework for the Understanding of Science

For this work with the purpose of investigating the automobile after-sales success factors, a *framework concept* will be used. This research design base frame helps to manage the high complexity of the entire research process structurally and effectively. In this regard, the *conceptual heuristic character* is of great importance because the object of study must first be captured conceptually to understand any causal relationships that may arise in the course of the investigation. In other words, heuristics provide instructions in the process of knowledge acquisition with regard to an unknown objective.[67]

The basis therefore is the well-established *St. Galler Management Model* from UL-RICH/KRIEG of the year 1972, which, in the context of the St. Galler school of thought, was modified in 1991 to the *St. Galler Management-Concept* and more recently through RÜEGG-STÜRM to the *New St. Galler Management-Model*. All three

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[64] Cf. Chapter 1.2, Exploratory Pre-Investigation; Chapter 1.6, Course of Research.
[65] Cf. Backhaus (2009), p. 99.
[66] Cf. Chapter 1.1, Status Quo and Problem Statement.
[67] Ref. Schwaninger (2009), pp. 53 ff.

models rely on *system-oriented management theory*, which is co-founded by UL-RICH.[68] 'The system approach is a perspective of management theory based on systems theory and cybernetics. Systems theory is a formal theory on the structure and behaviour of systems (i.e. organised totalities). (…) The science of cybernetics mainly deals with communication and control processes in and of complex dynamic systems.'[69] Using this system-thinking provides some major amenities such as holism, interdisciplinarity, process orientation, pragmatism as well as simultaneously analytic and synthetic thinking.[70] Bottom-up on this general basis of the St. Galler understanding, the in Chapter 1.4 defined objective shall be achieved through a research approach of ULRICH (amongst others 1981; 1984; 1985).[71]

ULRICH argues that business administration is an applied social science, which differs from basic science in its purest form.[72] He understands this as a 'management science, which deals with the problems of organisation and control of productive social systems.'[73] Thus, research in the area of business administration shall deal with practical problems in the economy, in consideration of POPPER, for whom problems are the first step on the way to knowledge. As a result, the practitioners thus obtain useful knowledge as well as methods, rules and models that likewise ensure an independent, solution-oriented acting. Moreover ULRICH emphasises that in applied business administration the creation of situational aligned design rules,[74] and 'design models for the change of the social reality'[75] are especially important.

The globally operating German manufacturers face major challenges, such as the after-sales service market in China, which is extremely important for future success.[76] However, it is still unknown which factors determine this success and to what extent they are culturally influenced. In line with the aforementioned argumentation, based on the problem statement, this work uses the application-oriented research approach

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[68] Cf. Schwaninger (2009), p. 60.

[69] Ibidem; for further explanations s. Ulrich/Krieg (1974), pp. 11 ff.

[70] Cf. Ulrich/Krieg (1974), p. 12.

[71] Cf. Ulrich (1981), pp. 3 ff.; Ulrich (1984), pp. 131 ff.; Ulrich (1985), pp. 4 ff.

[72] Cf. for instance Ulrich (1981), p. 3 ff.

[73] Ibidem, p. 3.

[74] Cf. ibidem, p. 18.

[75] Ibidem, p. 11.

[76] Cf. Chapter 1.1, Status Quo and Problem Statement; Chapter 1.2, Exploratory Pre-Investigation as Relevance Rationalisation, Concretisation and Possible Addition of Topic-Choice.

of ULRICH in a conceptual manner, thus it will be theoretically analysed and empirically tested. The investigation is therefore driven by hypotheses so that innovative scientific findings and practical management recommendations can be derived.

In the context of this work, the use of ULRICH's seven-phase research approach means that: [77]

1. The practical problems and a scientific research gap were identified, defined by way of an explorative pre-investigation and addressed as an objective of the research (s. Chapters 1.1–1.4)

2. In the second phase, problem-related theories from fundamental science of various disciplines have to be identified and interpreted

3. The detection of problem-relevant procedures of formal science will be specified according to the objective of the investigation

4. In phase four, the relevant application context will be set up and investigated

5. Related functional assessment criteria have to be derived to develop an appropriate design model, including the design rules

6. This, including all the postulated hypotheses, presented as a simplified description of the (complex) reality, will be tested empirically via customer surveys and appropriate statistical evaluation methods (IT-aided)

7. Finally, the scientific findings of this research are summarised and described. Also recommendations for action are presented and the need for further research is shown

Success Factor Research

At this place, a methodological overview is given; the comprehensive discussion takes place in Chapter 5.1.

This research work is based on the *success factor research* method. The fundamental assumption here is that a few influencing factors have a significant impact on the success of firms. Thus, the *cause-effect relationship* of special success-critical determinants is shown.[78] Initially, the variables that determine success, the *indicators of*

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[77] Cf. Ulrich (1981), pp. 17 ff.

[78] Cf. Haenecke (2002), p. 166; Baumgarth/Evanschitzky (2009), p. 237 f.; Schoeneberg (2011), p. 48.