

The background of the slide is a photograph of a large parking lot filled with cars, mostly in shades of blue and white, viewed from a high angle. A white rectangular text box is centered over the image.

China Grand Auto: Partnering with SAP on a State-of-the-Art Platform for a Multibrand Dealer Group

Company

China Grand Automotive Services Co. Ltd.

Headquarters

Shanghai

Industry, products, and services

Automotive – New and used vehicles, after-sales service, after-sales parts, leasing, extended warranty, vehicle financing

Revenue

80 billion yuan (US\$12.9 billion)

Web site

www.chinagrandauto.com
(Chinese)

SAP® solutions

SAP® ERP application, SAP Dealer Business Management application, SAP BusinessObjects™ business intelligence solutions, SAP Business Warehouse application, SAP HANA® platform, SAP Solution Manager

Partner

SAP Active Global Support organization



Competing for buyers in the world's largest automotive market

For consumers who want to buy cars in China, the world's biggest automotive market, times are good. More auto brands and dealerships are available than ever, and competition among dealers is fierce to attract the business of the growing middle class. That's why China Grand Automotive Services Co. Ltd. (CGA) chose to stand out from the competition by partnering with SAP to build the **ideal platform to support auto sales and service.**

The automotive retail market in China has been consolidating over the past decade. Smaller dealerships often find it difficult to compete and are being bought up by bigger retail organizations. This has resulted in the emergence of multibrand dealer groups that generate billions of U.S. dollars' worth of revenue.

CGA is spearheading this consolidation. Headquartered in Shanghai, it ranks as the largest automobile dealership group in China and the second-largest dealer group globally. With annual

sales of over 80 billion yuan (US\$12.9 billion), CGA currently holds 3% of the market and has plans to extend its share to 5%.

Focusing on midrange and premium segments, CGA currently represents 50 local and international brands and operates close to 500 dealerships in nine regions across China, with a total workforce of 35,000 employees. In 2014 CGA sold 560,000 new vehicles to end customers and created over 5 million service orders for vehicle maintenance and repairs.

Read more ►

Introduction

Vision

Why SAP

Implementation

Solution

Benefits

Optimizing how dealerships are managed and perform

To maintain and extend its leadership position in automotive retailing in China, CGA had a strong vision of what it needed to achieve. Foremost among its strategic objectives, it wanted to gain transparency into and better governance of dealer operations by introducing standards across its almost 500 dealerships. It also sought to establish a framework of key performance indicators (KPIs) that would allow measuring and comparing the performance of brands, dealer stores, and their staff. With these in place, CGA could optimize processes, realize group synergies, and improve cost control and management.

To achieve this, CGA turned to SAP for solutions to enable integration of the dealer shop floor with the corporation's top floor and link all logistics to financial transactions. The goal was to enable CGA management to understand what was happening in its dealerships in real time and to forecast trends in order to ultimately ensure the profitable growth of each and every brand.

“SAP helps us to better serve our customers in the front office and better manage business administration across finance, controlling, human resources, and procurement in the back office.”

Cheng Liu, IT General Manager, China Grand Automotive Services Co. Ltd.



Introduction

Vision

Why SAP

Implementation

Solution

Benefits

Partnering for co-innovation and development

Just as CGA is a world-leading automotive retail group, SAP is a world leader in providing enterprise software to the automotive industry, so it made perfect sense for the organizations to join forces to define best practices for automotive retail in China. In addition, CGA's commitment to continuously improve its products, services, and operations fits well with SAP's philosophy of co-innovation with its customers. CGA chose the SAP Active Global Support (SAP AGS) organization as its primary implementation partner, based on this group's vast global experience in the automotive industry combined with its local execution power.

CGA aimed to establish globally proven best practices in pilot dealerships, which it could then roll out across the whole group, and to innovate in those areas that are unique to the Chinese market. As an example, one best practice specific to China that

CGA wanted to establish was in the area of quota and rebate management. For new vehicle sales, Chinese OEMs have an aggressive incentive program to push their products into the market. As a consequence, margins at the initial sale to the end customer are very low for dealers. Only by exceeding the quota agreed to with the OEMs do the dealers earn rebates that turn new vehicle sales into a profitable business. The OEMs derive the rebate policy from their individual sales strategies, resulting in a variety of complex calculation methods.

The SAP team and CGA jointly derived the requirements for automating rebate calculation for multibrand dealer groups. The newly developed application lets CGA understand the rebates due from each of its 50 brands and back up negotiations with actual data rather than estimates.



Introduction

Vision

Why SAP

Implementation

Solution

Benefits

Using a “model company” approach to meet an aggressive schedule

The project had a very aggressive implementation schedule: the entire transformation, affecting over 1,500 users, was to take just 10 months. The project team was able to bring the new system into production within that timeline.

Early in the project, SAP AGS and CGA held a best-practice workshop to identify process areas that are common across the Chinese automotive retail industry, along with areas that differentiate CGA from its competition. This helped the team quickly define overall priorities and enabled better alignment of CGA business users, its IT staff, and the SAP project team.

The “model company” approach developed by SAP AGS proved well suited to CGA’s desire to adopt global best practices where applicable. With this approach, SAP customers can adopt standards using preconfigured global best practices that

accelerate business transformations and reduce risk. The model company offered rich business content for automotive retail, and a highly motivated and capable local team deployed the global content in the Chinese context. Global experts were available to guide the local team at critical points.

To explore those business aspects that set CGA apart from the competition, SAP AGS used an agile methodology, using design thinking workshops at the start and multiple iterative feedback sessions with key users.

Another factor contributing to the implementation’s success was the involvement and support of C-level executives at both CGA and SAP, who paved the road for change and enabled the removal of roadblocks. In addition, SAP development teams helped safeguard the co-innovation of best practices for China and assured the delivery of all components on time.



Introduction

Vision

Why SAP

Implementation

Solution

Benefits

Making improvements enterprise-wide with an end-to-end solution

In the spirit of a real partnership, the SAP and CGA teams have swiftly built a comprehensive solution for this multibrand dealership group that will support CGA going forward. Global best practices have been incorporated wherever possible, and business areas that are unique to China and differentiate CGA from its competitors are addressed effectively within the solution.

For example, CGA vehicle sales consultants now use sales assistant software from SAP that provides a structured sales process. This starts with generating leads and extends through managing all showroom activities, test drives, quotations, and sales orders, ultimately accelerating deal closures.

Other areas of CGA's business show similar transformations. For the first time, service advisors have real-time visibility into inventory levels. In service centers, mobile technology from SAP is being used to deliver service orders to technicians who will perform the work, and to let them engage with the end customer. Accounting processes are now automated for greater efficiency and accuracy – making error-prone manual calculations things of the past. And for all levels of management, business intelligence (BI) reports based on real-time data are available, providing immediate business insights and enabling better decision making.

“SAP's enterprise capabilities help us leverage synergies within our dealer group and give us the ability to improve our business continuously. SAP AGS brought all of this together in a very short time.”

Cheng Liu, IT General Manager, China Grand Automotive Services Co. Ltd.



Introduction

Vision

Why SAP

Implementation

Solution

Benefits

Realizing China Grand Auto's vision

The new solution created by SAP and CGA is making the company's vision of building transparency and effective governance into its dealer operations a reality. Using standards, best practices, and KPIs, CGA is now streamlining processes, capitalizing on group synergies, and controlling costs more effectively.

Benefits are clear at the dealership level. Vehicle sales assistant software helps salespeople close more deals faster with their customers. Service advisors can better plan customer appointments by checking inventory levels in real time to make sure service parts will be available for repairs. Mobile technology is increasing efficiency and raising customer satisfaction.

Payables from customers can now be automatically calculated and displayed separately from OEM receivables that result from a warranty repair or

recall. Before this, linking dealer sales and logistics transactions with accounting postings was a manual job. Now postings are created automatically in real time every time a sales or service transaction is performed and inventory is moved.

Having real-time BI reports is helping every level of management understand the business better. Previously CGA's headquarters and regional offices were not always able to back up business decisions with real-time data. Now dealer operations are transparent to management like never before.

Finally, CGA can now benchmark the sales performance of brands and the performance of dealerships in different geographies, individual sales consultants, and workshop mechanics. This builds a strong baseline for the continuous improvement to which CGA is dedicated – and which will keep the company in its position of leadership in China and the world.



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