

Work project

Innovation in the Sales and After-Sales Model of the Brazilian Automotive Industry

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1. Executive Summary

This project consists of the analysis of the Automotive Industry in Brazil and the opportunities for innovation in its current sales and after-sales model. The sales and after-sales model of the automotive market in Brazil is fairly homogeneous across all market players. The majority of players offer similar and increasingly commoditized services, which makes it hard to stand out from competitors and to fight against shrinking profit margins caused by the supply and demand forces. Despite the high number of players exploring the market, the existing sales and after-sales model does not reach the level of excellence desired by automakers, car dealers and customers. Hence, the Brazilian Automotive Industry requires a sophisticated sales and after-sales model that maximizes excellence, meets customers untapped needs and increases customers' desire to purchase a car.

Through innovation a company identifies, develops and produces concrete business opportunities that allow differentiation and growth in the business in which it operates. The development of new concepts and business models creates and explores a *Blue Ocean*¹, meaning an “uncontested market space”² where a player offers unique value to customers, makes competition irrelevant and benefits from a profitable and rapid growing business.

This project presents a detailed analysis of the existing competitive dimensions, meaning the main domains that compose the current sales and after-sales model of the Automotive Industry in Brazil. It then evaluates the intensity with which the market players in Brazil currently explore those competitive dimensions. Finally, it suggests a *Blue Ocean Strategy* for an innovative sales and after-sales model that will break out of the fierce competition and create unique value for customers, automakers and car dealers.

The architecture of the *Blue Ocean Strategy* is supported with the use of *Strategy Canvas*³ which is a graphical tool that allows (i) assessing how the competitiveness within the industry is structured, (ii) evaluating the intensity with which the current market players explore competitive dimensions,

and (iii) analyzing existing opportunities within and beyond the company's core business. The strategy architecture process explores all the possible alternatives for a business model innovation, challenges orthodoxies, harnesses discontinuities and responds to unarticulated needs.

Along the architecture of the *Blue Ocean Strategy* seventeen competitive dimensions were studied and four *Blue Seas* identified, meaning four unexplored business areas that represent innovation opportunities for companies that want to create a *Blue Ocean*. The *Blue Seas* with most potential for differentiation are those that maximize **experience** and **convenience** in the sales and after-sales model. By exploring **experience** companies have an opportunity to create a great impact in the sales and after-sales model with huge visibility and value creation potential to current and potential customers. By exploring the **convenience** companies will be able to respond to the sense of urgency for change perceived by customers, who are not generally satisfied with the current model, especially the one of after-sales services. In addition to the existing competitive dimensions, there are two new suggested dimensions that have never been offered in the market and maximize the *Blue Sea* of convenience and experience. By adding a **unique identification for each car** and the **online check-in** customers will be able to schedule car repairing services from home and check in real time the stage of the current repair service, the car repair history and future maintenance needs.

The competitive dimensions regarded as beneficial to disinvest or eliminate are those represented in the *Blue Seas* of **customization** and **network**. Saving on these domains would allow challenging orthodoxies and saving in costs of the facilities sophistication and brand immersion of repair centers, as well high cost savings in rents.

Creating a *Blue Ocean* in the sales and after-sales model in the Automotive Industry is a challenge with great potential for differentiation in Brazil through the investment in the competitive dimensions that guarantee the most value creation to customers and sustainable competitive advantage to market players.

2. Introduction: the management problem

The sales and after-sales model of the Brazilian Automotive Industry is characterized by the majority of players offering similar services and striving to stand out from competitors. Despite the high number of players exploring the market, the existing sales and after-sales model does not reach the level of excellence desired by automakers, car dealers and customers. There is a need to create an innovative sales and after-sales model that breaks out of the fierce competition caused by an increasing supply of commoditized services and by supply and demand forces shrinking profit margins. The Brazilian Automotive market requires a sophisticated sales and after-sales model that maximizes excellence, meets customers untapped needs and increases customers desire to purchase a car. Moreover, a model that keeps a moderate price level that does not discourage the dominant Class C (meaning middle class) to go to the store and, consequently, harm the market players' profits.

The goal of this project is to suggest an approach for the sales and after-sales model in the Brazilian Automotive Industry that meets the market needs and offers unique value to customers. It suggests a sales and after-sales model that explores a *Blue Ocean*⁴ in an uncontested market space where the market players would operate in a differentiated approach, would make competition irrelevant and benefit from a profitable and rapid growth.

2.1. Relevance of management problem for business organizations

The Brazilian population is suffering a huge increase of Class C, which already represents more than half of the Brazilian population. As observed in **Appendix 1**, the shift of many people from Class D and E to Class C is raising, along with the demand for cars in Brazil, and the current sales and after-sales model is striving to adapt to the new economic reality of the Brazilian population. Despite the increasing customer base there are many players entering the market with an aggressive pricing strategy, such as the Chinese automotive players. Hence, making business in the Brazilian automotive industry is becoming a daily challenge for existing players who strive to survive in such a

competitive environment. This is especially severe in the current Brazilian context of nearly full employment, which is reflected in high labor costs for the local players and, consequently, low competitive offers in the market.

On the other hand, the Brazilian customer is still very traditional when it is time to buy a car. Customers enjoy going to the store with the whole family and allocate a lot of time and energy to the car purchase. For the Brazilian public it is important that the whole family sees, feels and tries the car. So the car purchasing process is of major involvement to the Brazilian customer, who regards the car as an extension of own personality and lifestyle. Given the high importance of the car purchase process, the design of the car sale model demands a thorough understanding of and adaptation to the Brazilian customer specifics.

The car purchasing behavior in Brazil is also characterized by “baby steps” where clients typically start by buying a low end car model and gradually purchase more sophisticated models. The “baby steps” gradual evolution that characterizes the car purchase behavior of Brazilian customers is a reflection of the strong price consciousness of Brazilian customers.

Given the above, the current Brazilian socio-economic reality and the fierce competition are gradually harming the margins of the market players. These changes have been reflected in the way the Brazilian automotive players are making business in the industry. In terms of the **current sales model**, since the automotive industry in Brazil is very traditional with market players offering similar low sophisticated services, we observe players constant fight to attract customers to their stores through promotions and price reductions. In such a context, we observe that the market demands a sales model designed to stand out from the crowd and maximize the customer desire to make the “next step”, meaning to buy the next car in the model of the car brand line. Despite this, dealers constantly face the challenge of the trade-off between a larger store and a location that is the closest possible to the customer, in a reality of expensive rents in the city centers. In fact, due to high rents charged in central areas, it is mostly taken for granted that car dealers sell in large stores which

are often located in city surrounding areas. This explains why the car dealers don't have many customers randomly coming into the store by chance or curiosity. In fact, customers who get into the stores are usually actively looking for a new car. It is purely a type of purchase that starts by the customer's initiative and when he/she really is in need of a new car. This makes it hard for market players to increase car sales to clients not actively looking for cars. In fact most customers conduct a very aware and careful approach while buying a car, strongly basing their choices in price and technical features.

In terms of after-sales, the current model is also fairly homogeneous across all market players. Yet it is a model that does not reach the level of excellence desired by automakers, car dealers and customers. In fact, the after-sales service is seen as a necessary evil in the perspective of both client and the dealers. The client, on the one hand, does not like to take the vehicle for repair and ideally does not want to waste time with the car, not even to fill the tank. This is especially relevant in a population who is increasingly suffering from time scarcity, living each day faster and allocating high value to time. Dealers, on the other hand, have the burden of continuously dealing with dissatisfied customers due to the negative connotation of the after-sales experience.

Regarding the above, the Brazilian market requires a sales model that would raise the will of customers to have a new car and, consequently, maximize sales. There is also the need for a revolution of after-sales model to make the experience more enjoyable for customers, car dealers and automakers. In fact, "uncovering unsolved problems, unvoiced needs and market inefficiencies can lead to significant innovation opportunities."⁵ Using the current sales and after-sales model to offer unique value to customers and, consequently, stand out from competition is a real challenge to market players, especially in an uncertain fast changing world as Brazil. However, through innovation a company identifies, develops and produces concrete business opportunities that allow differentiation and growth in the business in which it operates. As Gary Hamel stated, "in a world of ever-accelerating change, innovation is the only insurance against irrelevance."⁶ Hence, the

Automotive Industry is in deep need for an innovative and sophisticated sales and after-sales model that maximizes excellence, meets customers untapped needs, and increases customers' desire to purchase a car. For that to be possible the market players will have to break out from their conventional mindset of doing business, based on “overturning conventional beliefs about what drives success in the company and industry”.⁷ These “dogmas inside the companies and inside industries about what drives success”⁸, referred to as orthodoxies, are great contributors for companies to get stuck in a traditional mindset and refrain from adding unique value to customers. “Exploring and challenging orthodoxies is a key way to surface opportunities for profitable innovation and growth. It’s a lens that allows finding possibilities for new industry rules, new structures, new offerings, and new competitive space.”⁹

3. Framework and Literature review

The framework used for the analysis of the Brazilian Automotive Industry in terms of sales and after-sales model is the *Strategy Canvas* of the *Blue Ocean Strategy*¹⁰ from W. Chan Kim and Renée Mauborgne.

The *Blue Ocean Strategy* consists of a strategy that creates value innovation through the offer of an innovative product or service to a new market. The idea is to come up with the creation of a monopoly where competition is irrelevant. The *Blue Ocean* can evolve either through the creation of a totally new industry or through the extension of the boundaries of an existing industry, by exploring new competitive dimensions, meaning clusters of ideas and domains that are relevant for the analysis of an industry. Instead of focusing on beating existing competition, *Blue Oceans* create conditions for highly profitable and rapid growth, driving costs down and increasing the value offered to customers. In fact, by creating a monopoly companies get away from “the *Red Oceans* of bloody competition”¹¹ where players offer similar products to the same customers and where the surviving player is usually the one that offers the lowest price.

According to W. Chan Kim and Renée Mauborgne, *Red Oceans Strategy* is based on the *structuralist view* of the industries, presented by Joe S. Bain (1956–1959), where “industry’s structural conditions are given and firms are forced to compete within them.”¹² In contrast, *Blue Oceans Strategy* is based on the *reconstructionist view* that “market boundaries and industry structure are not given and can be reconstructed by the actions and beliefs of industry players.”¹³

Strategy Canvas and Value Curve

The *Blue Ocean Strategy* uses the *Strategy Canvas* analytical framework that allows a better understanding of the industry, the broadening of our view of the industry and the identification of the opportunities that may lie within it. Through the *Strategy Canvas* we are able to analyze relevant current dimensions of competition in the known industry regarding products, service and delivery. Additionally, once identified the dimensions of competition, the *Strategy Canvas* depicts the market player’s *Value Curves*, which allow the understanding of the players’ competitive behavior in the market and of who is pushing the industry boundaries on each competitive dimension. “The Value Curve, the basic component of the strategy canvas, is a graphic depiction of a company’s relative performance across its industry’s factors of competition.”¹⁴ Finally, the *Strategy Canvas*, which is an excellent tool for the visualization of the industry and existing opportunities within it, identifies the dimensions along which a company might push the boundaries of the industry, since it allows seeing beyond the self-imposed horizon and challenge orthodoxies by uncovering hidden assumptions.

Once identified the existing players’ value curves and the dimensions along which a company might push the boundaries of the industry, the *Blue Ocean Value Curve* will represent the graphic depiction of the innovative business model suggested for the *Blue Ocean Strategy*.

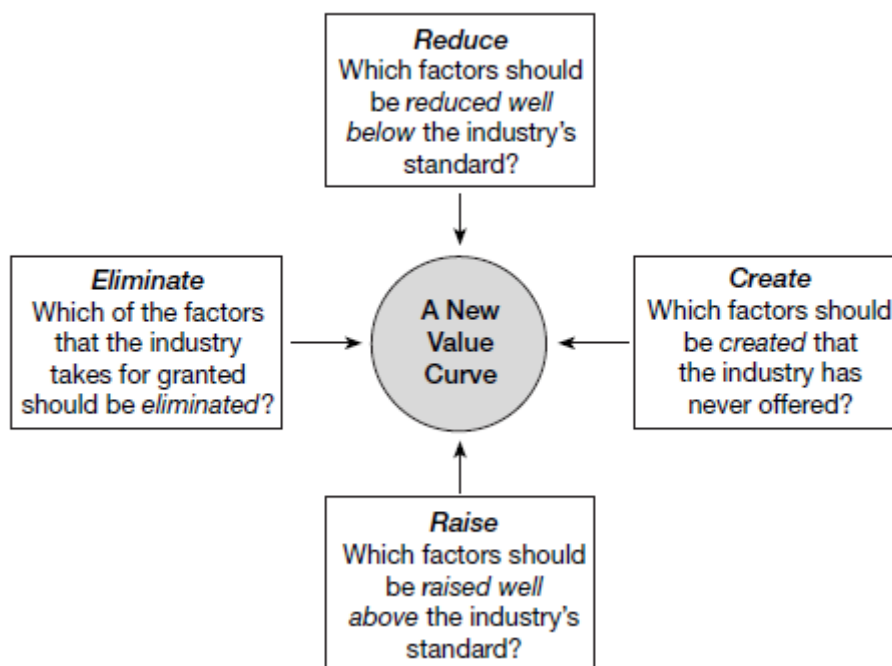
Regarding the *Strategy Canvas* graphical presentation, the horizontal axis represents the dimensions of competition the industry competes and invests in and the vertical axis “captures the offering level that buyers receive across all the dimensions of competition”.¹⁵

Four Actions Framework

The *Four Actions Framework*¹⁶ is a framework that supports the innovation process architecture. This framework is based on the identification of the competitive dimensions that shall be eliminated, reduced, raised and created and is used to build the *Blue Ocean Value Curve* for the *Blue Ocean*.

Figure 1 represents the four questions that companies shall ask to create a *Blue Ocean*.

Figure 1 – The Four Actions Framework



Source: "Blue ocean strategy: how to create uncontested market space and make the competition irrelevant", W. Chan Kim, Renée Mauborgne, 2005

This framework helps to identify actions to:

- Question competitive dimensions that had long been taken for granted and drive costs down, by eliminating and reducing competitive dimensions;
- Invest in competitive dimensions valued by the customers and pursue differentiation, by raising existing and creating new competitive dimensions.

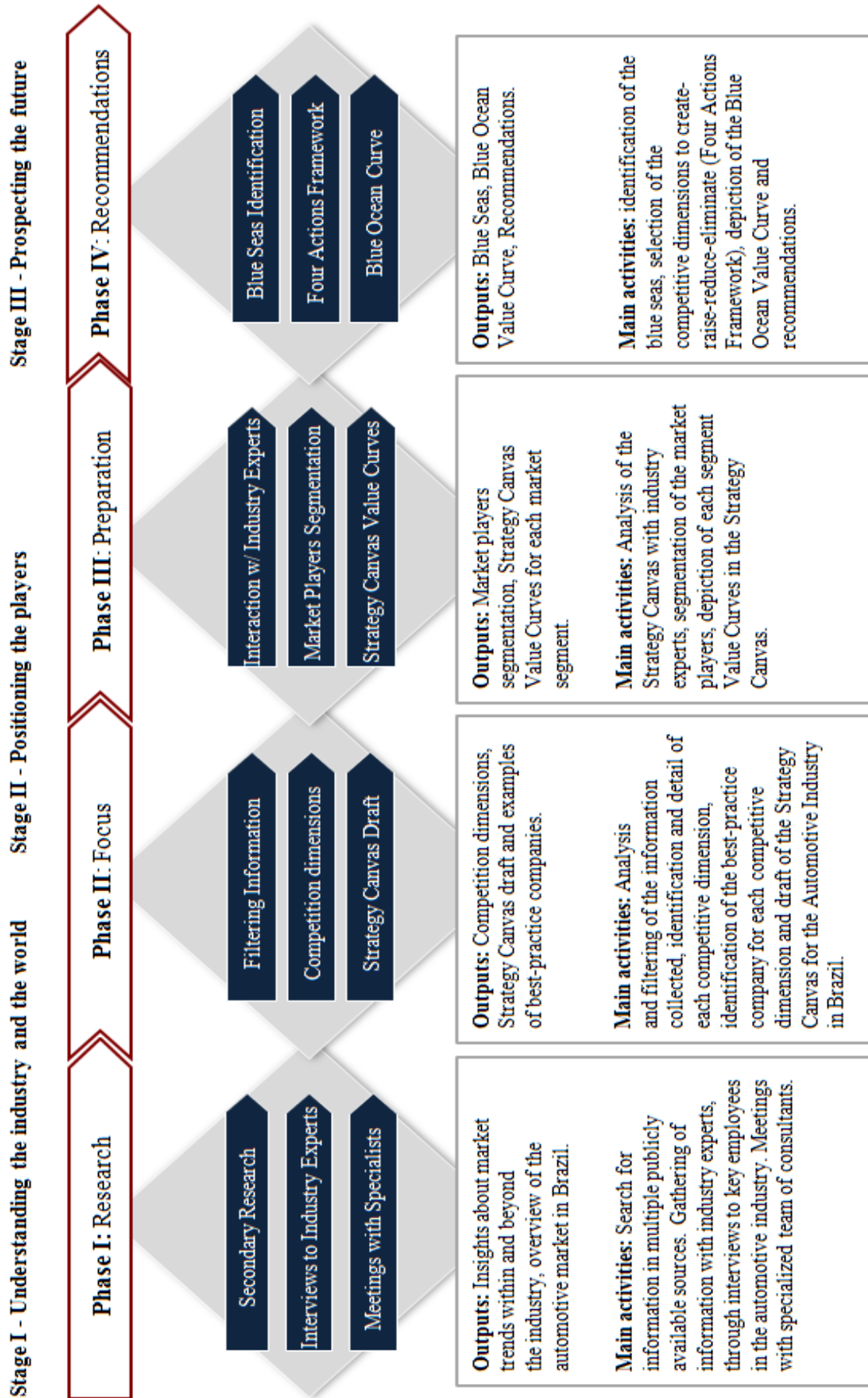
The offer of a new mix of competitive dimensions, which is represented by the *Blue Ocean Value Curve*, allows a company to break the value-cost trade-off in the minds of customers and offer of a truly innovative product or service in the market. As stated by Skarzynski and Gibson, to find the innovation secret we shall “unpack any successful innovation, and we are likely to find that it’s a recombinant mix of previously existing ideas and domains. What’s new in most cases is the mix itself.”¹⁷ According to those authors “in essence innovation is about combinational chemistry – it’s about taking ideas, half-baked notions, concepts, competencies, and assets that already sit out there and recombining them in ways that allow us to interesting new things or reinvent entirely novel products and services.”¹⁸

4. Methodology

This project followed a three-stage methodology and involved the interaction with twelve experts in the Brazilian Automotive Industry, as well as a team of four specialized consultants. This methodology focused on the process of creating an innovative business model, presented by Skarzynski and Gibson in their book “Innovation to the Core”, which involves a divergence stage (**Stage I**), a convergence stage (**Stage II**) and a strategy definition & recommendations stage (**Stage III**).

Figure 2 represents the methodology followed to build this project, identifying its three stages, as well as the phases of each stage and the steps followed in each phase.

Figure 2 – Methodology



Stage I: Understanding the industry and the world consists of a divergence stage of “generation of a rich and diverse portfolio of ideas and strategic options”¹⁹, and of “deep dig to discover insights that other players have overlooked or ignore.”²⁰ **Stage I** focuses on understanding the Automotive Industry in Brazil, in terms of the sales and after-sales business model, as well as on getting an overview of the main innovative trends the world is living in terms of commercialization techniques and after-sales services. This stage was dedicated to deep research, identified as **phase I: Research**, and followed **three main steps**:

- i) secondary research,
- ii) interviews to industry experts, and
- iii) meetings with the consulting team.

In summary, “the objective of the divergent phase is to identify and define alternatives – to create a universe of strategic options that could take a company in many new directions from where it is today.”²¹

Stage II: Positioning the players consists of the convergence phase of “creating clusters of ideas that can reinforce each other and lead the firm in a clear strategic direction.”²² Those clusters of ideas are herein identified as competitive dimensions and represent the components of the business model that support the innovation process architecture. Skarzynski and Gibson “refer to these domains as vectors of innovation in that they define the ways in which a company intends to shape the future of its industry and set itself apart from the competition.”²³

Stage II involved **two phases**: focus and preparation.

- **Phase II: Focus** was dedicated to the data analysis and filtering (**1st step**) that results in the identification of the main competitive dimensions (**2nd step**) that are relevant for the analysis of the Automotive Industry in Brazil,. Additionally, the best-practice company in the Brazilian

market was identified for each dimension. Finally, the **3rd step** consisted in building the draft of the Strategy Canvas.

- **Phase III: Preparation** aimed at the market players' segmentation and the preparation of the Brazilian Automotive Industry Strategy Canvas. This phase involved the interaction of twelve industry experts, selected from one of the main automakers of the Automotive Industry in Brazil.

Stage III: Prospecting the future includes **Phase IV: Recommendations**. **Phase IV** identifies the *Blue Seas* (**1st step**) through the selection of the competitive dimensions that are not currently being explored by the Brazilian Automotive Industry. The **2nd step** consists on the analysis of the competitive dimensions that should be created, raised, reduced and eliminated, through application of the *Four Actions Framework*. Finally, the **3rd step** consists on the depiction of the *Blue Ocean Value Curve* and presents recommendations for the future of the sales and after-sales model of the Automotive Industry in Brazil.

5. Analysis

5.1. Phase I: Research

According to Skarzynski and Gibson, “in order to discover new and unexploited opportunities of any real value, people need to stretch their thinking beyond the conventional. They need to learn how to look at the world, at their industry, at their customers, and at their company through a very different set of lenses”.²⁴ The research phase allowed understanding the world and the industry through those different perspectives or lenses. It focused, on the one hand, on understanding the automotive industry in Brazil and how it compares to that industry in other countries. On the other hand, it enabled get insights about main practices beyond the industry which are crucial to develop fresh perspectives about the trends around the world. Furthermore, this research allowed the understanding of unarticulated needs of current customers and the mismatch between the clients' expectations and the real value offered by the current sales and after-sales model in Brazil.

Phase I had three main steps:

i) 1st step: Secondary research

The purposes of the secondary research were the following:

- **Market analysis of the automotive industry worldwide**

This market analysis consisted in the research of the sales and after-sales trends in the automotive industry around the world, with focus on the differentiating factors of each business player. This research allowed understanding the market players' current strategies in terms of the car sale concept, car dealers' network relationship with automakers and customers, after-sales services provided and client management techniques, among others. The **business players studied** were the following:

- a) **European players:** Volkswagen, Audi, Volvo, Fiat, BMW, Mercedes, Citroen, and Peugeot;
- b) **American players:** General Motors and Ford;
- c) **Japanese players:** Toyota, Nissan and Honda;
- d) **Chinese players:** Jac and Effa.

Sources of information: business players' internet websites, specialized magazines and news.

- **Benchmark of trends in alternative industries**

According to Skarzynski and Gibson, in order to understand unarticulated needs of customers, one effective method is the use of “analogies from other industries, learning from other companies around the world – from outside the industry – that are dramatically reshaping customer expectations.”²⁵

Hence, this benchmark allows the identification of successful business players in alternative industries which created true differentiation and customer value within their industries. The analysis of those players' sources for differentiation, the benefits they provided, the customers

to whom they provided those benefits and how they delivered their offering is be valuable information to make a bridge between the best practices of other industries and those of the Automotive Industry in Brazil. Through this benchmark we can “(1) identify industry needs that other industries, products or businesses fulfill and our company has not yet been responsive to; (2) find analogies in the way other industries and markets are solving customer problems; and (3) make use of these analogies to create a more ideal user experience in the own industry.”²⁶

On the other hand, the activity of benchmarking trends in alternative industries aimed at identifying **discontinuities** by hypothesizing “which major discontinuous changes might be in the future and defining the confluences of trends which would change the rules of the business landscape in areas of strategic interest.”²⁷

The **industries studied** ranged from Retail (airport malls, supermarkets, wine stores, coffee stores, watch stores, furniture stores, bookstores, garment stores) to Transportation (airlines, private jets, motorcycles, boats), Tourism (hotels, rent-a-car), Banking and Telecommunication.

Sources of information: multiple sources publicly available, such as companies’ websites, news and articles online and offline.

- **Study of the needs and preferences of the current and future Brazilian automotive customers**

This study allowed the creation of consumer insights about “unmet and/or **unarticulated needs** and customer frustrations in the marketplace”²⁸. It also allowed the gain of new perspectives about the preferences of different customer economic classes in Brazil (A, B, C, D and E), as well as the expectations of Generations X, Y and Z.

Sources of information: multiple sources publicly available, such as news and articles online.

There was also the use of a mystery shopper technique so as to get a better understanding of the customer experience instore. In fact, according to Skarzynski and Gibson, in order to understand unarticulated needs of customers, one effective method is the “customer experience mapping, meaning developing a deep, empathetic analysis of what it feels like to be a customer at every stage of the demand chain. Looking at the entire customer experience surrounding a particular product or service”²⁹ is crucial to identify what are the untapped customer needs and the opportunities for value creation within the industry.

ii) 2nd step: Interviews to industry experts

Information gathering on how the Automotive Industry currently works in Brazil in terms of sales and after-sales models, mainly the current procedures and improvement needs. These interviews aimed also at identifying **orthodoxies**, which consist of “limiting beliefs that may not be true but guide the course of action and selection of opportunities within the company. The objective was to expose assumptions and strongly held beliefs that could blind the company to identifying innovation opportunities.”³⁰

This information was collected through interviews to three industry specialists: a supervisor of Special Projects on Innovation, a After-Sales&Marketing Manager and a Quality Senior Analyst.

iii) 3rd step: Meetings with specialized team of consultants

During the research, I gathered on a weekly basis with a team of four consultants specialized in the Brazilian Automotive Industry. The team contributed to the interpretation of the information gathered along the research process and the better understanding of the insights extracted from that information. These insights resulted from the use of the three “perceptual lenses” identified by Skarzynski and Gibson, which are “essential perspectives that seem dominate most successful

innovation stories and often characterize the entrepreneurs or companies behind them.”³¹ Those lenses consist of:

- a) “Challenging **orthodoxies**: questioning deeply held dogmas inside the companies and inside industries about what drives success;
- b) Harnessing **discontinuities**: spotting unnoticed patterns of trends that could substantially change the rules of the game;
- c) Understanding **unarticulated needs**: leveraging to live inside the customer’s skin, empathizing with unarticulated feelings and identifying unmet needs.”³²

5.2. Phase II: Focus

In **Phase II** starts the convergence stage. “The convergence stage requires a thorough task of synthesis of the whole population of interesting ideas gathered during the divergence phase and a detailed condensation process of looking across the strategic options to find the patterns and themes.”³³

Phase II had three main steps:

i) 1st step: Filtering information



This step consists of the filtering of the information collected during the research phase into the clusters of ideas and main domains that are most relevant to the analysis of the way automotive players compete today and will compete in the future.

ii) 2nd step: Competitive dimensions and best-practice company

“The key to strategy making is synthesis” (Mintzberg, 1994). This step consists of the synthesis of the main competitive dimensions, meaning clusters of ideas and domains that are relevant for the analysis of the Automotive Industry in Brazil. Additionally, this step allowed the selection of a best-practice company in the Brazilian market for each competitive dimension. As previously


mentioned, the research phase involved the analysis of alternative industries. Among the companies studied the best-practice companies were selected based on the extreme level of exploration of the competitive dimension they represent within the Brazilian Market. The best-practice company may or may belong to the Automotive Industry.

According to Skarzynski and Gibson, “the task of shaping the innovation portfolio requires condensing and synthesizing a whole population of interesting ideas into ten or fifteen different clusters or domains.”³⁴ Along **Phase II**, after a whole activity of research synthesis, the information gathered converged into seventeen competitive main dimensions. Those competitive dimensions, along with the respective best-practice companies, are detailed as follows:

Service reliance			
Level of customer reliance in the sales and after-sales service, achieved by product/service price and quality standardization at the whole network of points of sale.			
Doubtful	Acceptable	Assurance	Total reliance 
The network of dealers offers no quality or price standardization in the sales and after-sales services. There is a constant uncertainty about the service to be provided at each point of sale.	Dealers offer price standardization, although the quality of service is not entirely uniform across all points of sale. Sometimes customer’s expectations are not met.	There is price and quality standardization in the sales and after-sales service. The client feels secure in the service to be provided by each point of sale. Customer expectations are met most of the times.	The brand is recognized as a leader in terms of price and quality standardization in sales and after-sales service. There is full reliance in the service to be provided by each point of sale. Customer’s expectations are always met.
Service efficiency			
Speed of the sales and after-sales service, including waiting time in scheduling repairs and delivery of service.			
Slow	Average	Agile	Very efficient 
The repair scheduling, and delivery of sales and after-sales services are too slow.	The speed of repair scheduling, and delivery of sales and after-sales services is in the average.	The repair scheduling, and sales and after-sales service delivery are quick.	The service scheduling, and sales and after-sales service delivery are surprisingly fast.


Service flexibility

Flexibility in terms of working hours to provide sales and after-sales services.

Business hours	Extended hours	24/5	24/7 
Monday to Friday from 8h to 18h and Saturday from 8h to 12h.	Everyday up to 22h including weekends.	24 hours a day, 5 days a week.	24 hours a day, 7 days a week.


Points of sale

Points of sale where the products and services are offered to customers.

Dealers	Concept stores	Door-to-Door/ Other points of sale	Physical and Virtual 
Products and services are provided by the dealers in a multi car-model store.	The products and services are provided in concept stores, sophisticatedly organized by car model.	The product and service is offered directly at home, work or other highly convenient points, such as airport, gas stations, supermarket, shopping mall.	The selling point extends to the virtual environment and the product/service is offered not only in a physical store, but also through the process of online and mobile connectivity.


Complementary services

Ability to complement the sales and after-sales service with additional services that maximize convenience for the customers.

Basic	Limited	Broad	Extended 
The complementary services are basic, such as insurance services, car legalization and car wash.	Limited offer of supporting services: take home/pick up, repair scheduling, surprise-service (e.g. filling the car with balloons), one-hour speed repair service, repurchase or trade of used cars, etc.	Broad range of supporting services, such as car replacement, rent-a-car, parity service rate, medical vision tests, perfumed car service, mileage plans.	Diversified portfolio of convenient services: car-sharing, home delivery, home service through mobile maintenance and home care, with remote diagnosis via the Internet through cell phone or other device.


Customer satisfaction

Level of customer satisfaction regarding the quality of sales and after-sales service provided, based on staff professionalism, and on the ability to deliver the service in a single visit and to guarantee that the required service was properly provided.

Below the average	Average	Above the average	Leader 
The index of customer satisfaction with the quality of service is below the market average.	The index of customer satisfaction with the quality of service is in the market average.	The index of customer satisfaction with the quality of service is above the market average.	Market leader in terms of customer satisfaction with the quality of service rendered.


Brand-customer proximity

Ability to participate in the life of the consumer, making the brand a reference to his/her life.

Impersonal	Functional	Affective	Strong 
The product or service rendered merely meets basic and mechanic needs of customer's lives, not causing any sensation during its use.	The product or service promotes a positive experience, adding a feeling of security, quality or cost-effectiveness.	The product or service fills emotional aspects of people's lives, activating emotions, connections with feelings and promoting contact with other people.	The product or service promotes a strong sensorial experience, an empathic link with the client's personality and creates satisfaction in relation to the experience.


Price level

Dimension that indicates the price level of the services offered compared to that offered by other market players.

Superior	Parity	Competitive	Unbeatable 
The price is above the average offered by most competitors.	The pricing strategy is in line with that of most competitors.	The pricing strategy provides competitive differentiation against competitors, and is complemented with periodic promotions.	The pricing strategy is unbeatable in all the products and services offered.


Instore experience

Ability to promote experiences associated with the delivery of products or services instore which intensify the interaction of customers with the store and their entertainment.

Basic	Passive interaction	Active interaction	Entertainment and culture 
The client interaction with the store is minimum and is limited to an information request or a product or service purchase.	The client interacts with the store beyond the minimum, in the cafe, restaurant, TV lounge, internet room, brand shop, listening to live music, etc.	The client is able to interact with the store and to influence its content or the way information is communicated. There are touch screens, car customization software, etc.	The store is a place of multiple experiences, where the customer can take a tour in the store, visit a museum, watch a movie or attend a class of traffic awareness.


Connectivity at point of sale

Ability to receive the customer at the point of sale with use of digital technologies that allow client-technology connectivity and facilitate the integration between different products and services.

Traditional experience	Tecnological experience	Interactive experience	Virtual experience 
Points of sale operate in isolation, with no connection to technological resources.	Points of sale make use of technological resources, such as computer, to interact with each customer.	Points of sale make use of connectivity features that allow all customers to actively interact with the store, such as tablets and touch screens.	Points of sale simulate reality, have virtual assistants, augmented reality devices, and/or have a virtual storefront that allows interaction with the client before getting into the store.


Brand immersion

Ability to create brand identity and standardization in all points of sale, regardless of their location.

Passive	Visible	Strong	Unique 
Points of sale are completely undifferentiated and provide weak brand experience.	The experience at each point of sale is linked to the brand identity, however, it is not totally homogeneous across the whole network.	Ability of all points of sale to evenly use intense and standardized brand identity.	Ability of absolute differentiation, with total brand immersion, regardless the location of the point of sale. It is so unique that the brand can be identified with absence of logo, colours or products.


Customized payment

Ability to create new forms of payment for the after-sales services, tailored to different customer segments.

Just pay	Paid package	Free package	Freemium 
The car purchase does not include any after-sales service except those covered by the warranty. The customer pays for any services used after the car purchase.	The customer has the option to purchase in advance, together with the car, a package of after-sales services in addition to those covered by the warranty.	The car purchase offers a free package of after-sales services in addition to those covered in the warranty.	The customer, when buying the car, gets the right to enjoy free after-sales services. The customer pays only for highly differentiated services.

Service customization

Ability to customize the service to the customer, from a totally undifferentiated to a uniquely customized service for each client.

None	By car segment	By client segment	By client option 
The service has no dimension of differentiation, being the same for all customers.	The service offers customized packages according to the car segment.	The service offers customized packages based on the typical profiles of customers.	The service is fully customized and exclusively adapted to a given customer.


Store concentration

Degree of concentration of the store in terms of the sales and after-sales services provided in the store.

Totally fragmented store	Multitask store	Concentrated store	One Fits All
Each store has the task of providing only one type of service: showroom, quick repairs, long repairs or body repairs.	The stores provide not all but more than one type of service: showroom, quick repairs, long repairs or body repairs.	All the after-sales services are provided in one large store, usually located in city surroundings. Only the showroom is provided in an independent store usually located in city centres.	All sales and after-sales services are provided in one large store that is sophisticatedly organized in a showroom, quick-repair centre, long-repair centre and body-repair centre.

Brand commitment

Ability to participate in the consumer's choice, providing useful information and understanding his/her needs. At the same time using the information to generate new value-added offers.

Just buy	Learning	Consulting	Personal Advisor 
The client only buys what he needs.	The client learns what is new and interesting.	The client receives an experienced opinion and unbiased information to make the best choice for him/her.	Each client is assigned a personal advisor who assists the client throughout his/her life cycle, not only providing information but also giving advice to a better decision-making process.


Contact intensity with future potential car

Ability to promote contact between the client and the future potential car through different sale techniques, aiming the client exposure to the product and the generation of purchase desire.

Show Room	Test drive	Car replacement	Car tasting
The customer contact with the future potential car is limited to the showroom, where customers can touch or get in the car.	The customer contact with the future potential car extends to a test drive, where it is possible to drive any desired car for a short period of time and a short distance.	The contact with the potential future car extends to the repair period of the client's current car, through a car replacement. Customers can try different cars while theirs is being repaired.	The contact with the potential future car goes beyond the repair period, where the customer can try new cars whenever he/she desires (e.g. a customer goes at the weekend to the beach and experience a jeep).

Warranty

Scope of the car warranty with respect to the validity period and service range offered to the customer.

Traditional	Broad	Exclusive 	Vip
Warranty with short term limit (up to 1 year) and includes repair, transportation and trailer.	Warranty with medium term limit (2-3 years), that additionally includes car replacement and hotel.	Warranty with long term limit (3-6 years), and unlimited mileage. It includes repair, transportation, trailer, car replacement and hotel.	Warranty with unlimited period or mileage, and includes repair, transportation, trailer, car replacement and hotel, among others.

iii)3rd step: Draft of the Strategy Canvas

Once identified the competitive dimensions for the industry analysis, detailed each level of intensity, and selected the best-practice company for each dimension we can come up with the draft of the *Strategy Canvas* for the Automotive Industry in Brazil.

As explained in the Framework and Literature review the competitive dimensions are represented in horizontal axis of the *Strategy Canvas*. Each dimension has different levels of intensity which are represented in the vertical axis. In the *Strategy Canvas* for the Brazilian Automotive Industry each dimension has four levels of intensity.

High



Low



5.3. Phase III: Preparation

Phase III has three main steps and involved the interaction with industry experts, the market players' segmentation and the depiction of the *Strategy Canvas Value Curve* for each market segment.

i) 1st step: Interaction with industry experts

This step consisted in the interaction with industry experts so as to analyze the performance of each market player across all competition dimensions and the depiction of the *value curve* of each market player. The market players analyzed were the following automakers:

- a) **European players:** Volkswagen, Audi, Volvo, Fiat, BMW, Mercedes, Citroen, and Peugeot;
- b) **American players:** General Motors and Ford;
- c) **Japanese players:** Toyota, Nissan and Honda;
- d) **Chinese players:** Jac and Effa.

The experts currently working in the industry were selected from one of the main automakers in Brazil based on their knowledge regarding the sales and after-sales business model of the market

players in Brazil. Since “diversity fuels innovation”³⁵ there was an effort to select a sample of twelve industry experts with wide range of job profiles and responsibilities, as follows:

- Expert 1: Sales Management Supervisor
- Expert 2: Innovation Projects Supervisor
- Expert 3: Senior Consultant
- Expert 4: Staff Training Consultant
- Expert 5: Product Engineering Specialist
- Expert 6: Marketing&Planning Manager
- Expert 7: Innovation Senior Analyst
- Expert 8: Post-Sales&Marketing Manager
- Expert 9: Product Quality Senior Analyst
- Expert 10: Accessory and Piece Manager
- Expert 11: Technical Assistance Manager
- Expert 12: Dealers Network Manager

During the interactions, the experts were asked to read the description and levels of intensity of each competitive dimension. Then, based on a scale from 1 (minimum) to 4 (maximum), they were asked to place each market player in the *Strategy Canvas* according to the intensity with which the market players explore the competitive dimensions. Finally, they were asked to comment on the relative importance of each competitive dimension for the industry, on the potential of each dimension to create innovation in the current sales and after-sales model, and the ability of each dimension to create unique value to customers. In addition, the interactions with industry experts aimed at identifying **orthodoxies**, regarding “assumptions and strongly held beliefs that could blind the company to identifying innovation opportunities.”³⁶

ii) 2nd Step: Market players' segmentation

During the interactions with the industry experts four market player segments were identified, which share similarities among themselves and sufficiently diverge from other market segments in terms of their performance in the competitive dimensions.

The four market segments identified were the following:

- **Luxury:** BMW, Audi, Volvo and Mercedes
- **Major:** Volkswagen, Fiat, Citroen, General Motors, Ford and Peugeot;
- **Japanese:** Toyota, Nissan and Honda;
- **Chinese:** Jac and Effa.

iii) 3rd Step: Strategy Canvas Value Curves

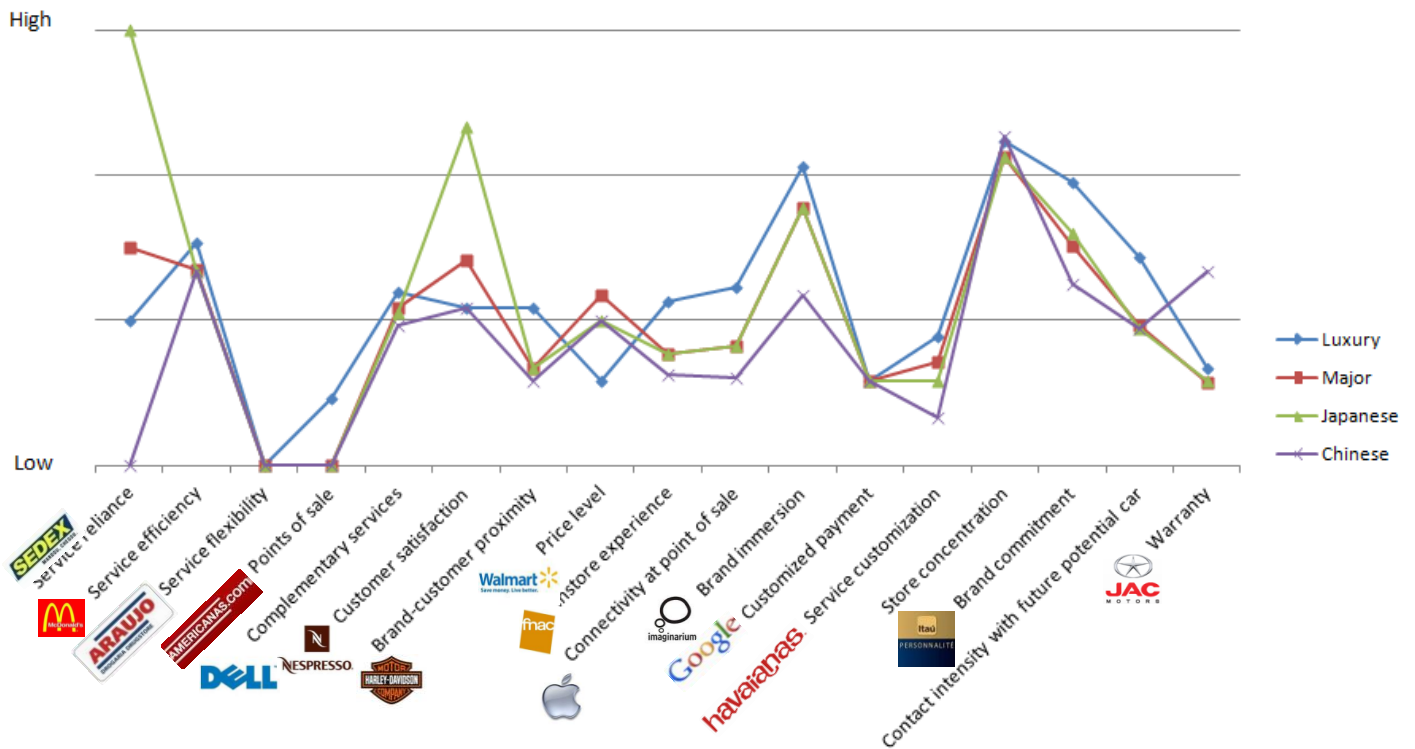
The data collected during the interactions with the industry experts was consolidated in order to come up with the average classification of the performance of each market segment in each competitive dimension, as follows:

Competitive dimensions	Market Segments			
	Luxury	Major	Japanese	Chinese
Service reliance	2.00	2.50	4.00	1.00
Service efficiency	2.53	2.34	2.33	2.33
Service flexibility	1.00	1.00	1.00	1.00
Points of sale	1.46	1.00	1.00	1.00
Complementary services	2.20	2.09	2.05	1.97
Customer satisfaction	2.08	2.42	3.33	2.08
Brand-customer proximity	2.08	1.67	1.67	1.58
Price level	1.58	2.17	2.00	2.00
Instore experience	2.13	1.77	1.77	1.63
Connectivity at point of sale	2.23	1.83	1.83	1.60
Brand immersion	3.06	2.78	2.78	2.18
Customized payment	1.58	1.58	1.58	1.58
Service customization	1.88	1.71	1.58	1.33
Store concentration	3.23	3.12	3.12	3.27
Brand commitment	2.95	2.51	2.60	2.25
Contact intensity with future potential car	2.44	1.97	1.94	1.94
Warranty	1.67	1.57	1.58	2.33

Appendix 2 presents in detail the data collected in each interaction with the industry experts.

Based on the previous table, we can now plot in the *Strategy Canvas* (**Figure 3**) the *Value Curves* for each market segment, which represent the market segment's current performance across all the competitive dimensions.

Figure 3 – Strategy Canvas of the current Automotive Industry in Brazil



Looking at the *Strategy Canvas* we observe that the sales and after-sales model of the Automotive Market in Brazil is fairly homogeneous across all market players. The majority of players follows a similar pattern in terms of exploration of competitive dimensions and offers increasingly commoditized services, which makes it hard to stand out from competitors.

5.4. Phase IV: Recommendations

The innovation process architecture requires market players to “make selective choices about which particular strategic direction a company should be moving in, with a view to differentiating itself from the competition.”³⁷ The objective of **Phase IV** is to define the *Blue Ocean Strategy* by (i) finding which competitive dimensions should be less explored and those that are worth being explored deeper, as well as (ii) creating new competitive dimensions of great value to customers that do not exist in the current business model.

Regarding business model innovation Skarzynski and Gibson stated that “there are two distinct objectives for business model innovation. One objective is to find breakthrough growth opportunities by inventing entirely new business models, never before seen in a particular industry. The other objective is to drive growth by evolving the company’s existing business model. Where many companies go wrong is in vigorously pursuing one of these two objectives, while forgetting to pursue the other.”³⁸ So, in order to be innovative, companies should focus on both objectives. “They need to be evolving the core business at breakneck speed while simultaneously searching for innovation opportunity outside the core.”³⁹ Considering this, the *Blue Ocean* can evolve either through a new mix of the existing competitive dimensions in the current business model, or through the extension of the boundaries of the existing industry, by exploring new competitive dimensions.

Phase IV will be presented through **three main steps**, namely the identification of the *Blue Seas*, the application of the *Four Actions Framework*, and the depiction of the *Blue Ocean Value Curve*.

i) 1st Step: Blue Seas identification

Strategy Canvas enables us to begin envisioning possible future opportunities to explore deeper the competitive dimensions that represent unexplored business areas by the current market. By extending competitive dimensions “business model innovations break from company or industry norms in meaningful or perhaps even radical ways. They do so by serving unmet or unsatisfied

customer groups, providing new or different benefits, and delivering and/or extracting value in an unconventional fashion.”⁴⁰

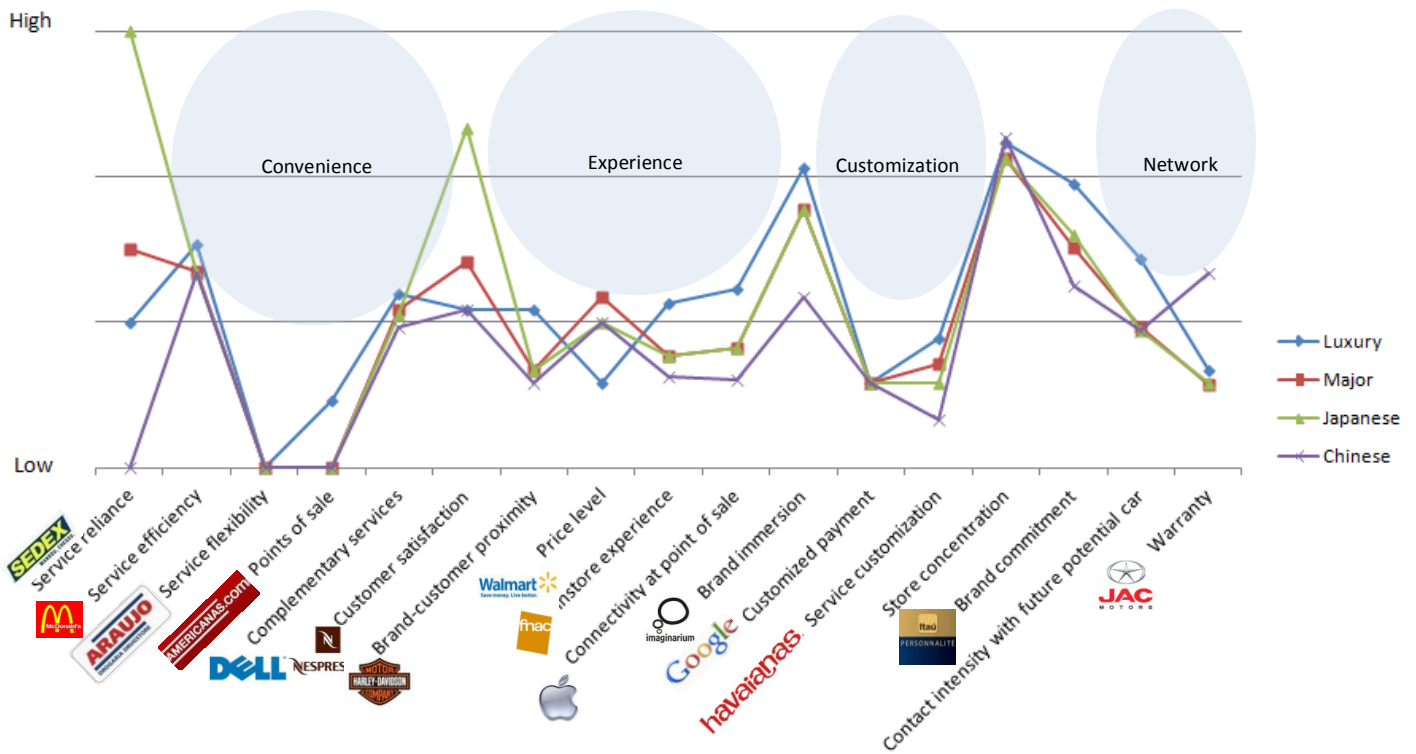
The unexplored business areas are herein referred to as *Blue Seas* and represent the innovation opportunities for extending certain competitive dimensions by companies that want to create a *Blue Ocean*.

Through the analysis of the *Strategy Canvas* of the Automotive Industry in Brazil we can identify four *Blue Seas* of opportunity to explore in the market:

1. The *Blue Sea* of **convenience** is represented by the competitive dimensions of service reliance, service efficiency, service flexibility, points of sale and complementary services.
2. The *Blue Sea* of **experience** is represented by the competitive dimensions of brand-customer proximity, price level, instore experience and connectivity at point of sale.
3. The *Blue Sea* of **customization** is represented by the competitive dimensions of customized payment and service customization.
4. The *Blue Sea* of **network** is represented by the competitive dimensions brand commitment, intensity of contact with potential future car and warranty.

Figure 4 presents the *Strategy Canvas* of the current Automotive Industry in Brazil and the *Blue Seas* identified above.

Figure 4 – Blues Seas: unexplored business areas by current model



ii) 2nd Step: Four Actions Framework

The building of the *Blue Ocean Value Curve* involves a thorough analysis of each competitive dimension in terms of their importance to the industry and innovation potential, by making use of the insights gathered during previous phases like orthodoxies, discontinuities and unarticulated needs. “An excellent way to stretch a business model – making it more differentiated and harder for rivals to replicate – is to examine every component using our foundation of novel strategic insights to spot new opportunities for innovation.”⁴¹

In this context, a previous step to the depiction of the *Blue Ocean Value Curve* is the application of the *Four Actions Framework*, presented in the Framework and Literature review chapter, to identify the competition dimensions that shall be created, raised, reduced or eliminated during the *Blue Ocean Strategy* architecture.

Raise and create

The competitive dimensions that are suggested to be raised or created are those with a higher differentiation potential since, either they are not enough explored by the market, or they have the potential to be highly valued by the customer and bring innovation to the current business model.

The competitive dimensions with most potential for differentiation are those represented in the Blue Sea of **experience** and **convenience**.

a) Raise

Regarding the **Blue Sea of convenience** the competitive dimensions suggested to be raised are service reliance, service efficiency, points of sale and complementary services.

One of the main unmet client needs is **service reliance** due to constant uncertainty about the service to be provided at each point of sale. With exception of Japanese players, many car dealers still lack quality or price standardization in the sales and after-sales services provided. Price and quality standardization at the whole network of points of sale is a highly valued dimension in the perspective of clients with great potential for differentiation and customer loyalty.

In a society of time poverty it is highly recommended that market players raise **service efficiency** and master in the waiting time in scheduling repairs and delivery of service. This is especially important in the after-sales services where customers want the highest level of convenience by eliminating situations in which they need to go to the repair centre and have the car unavailable. Maximizing service efficiency allows time saving in the after-sales service and highly contributes to improve the negative feeling attached to it.

Providing **points of sale** in highly convenient places, mobile and online is a great opportunity to respond to the desire of customers of having their lives simplified. Having points of sale everywhere would intensify the convenience of bringing the service to the customer. The

points of sale shall be located in places that are closer to the customer, such as shopping malls, airports and supermarkets, which help creating the purchase desire in potential customers and increase brand awareness. The creation of mobile and online sales can be an important investment for differentiation of the Brazilian Automotive sales and after-sales model since it is far from being explored by the current market payers. Although mobile and online car sales is still a distant reality in the Brazilian Automotive Industry, the exploration of these channels for the after-sales services is highly advisable, due to the convenience it brings and high value provided to the customer.

Companies can also offer highly convenient **complementary services** such as home care services, home delivery service, car pick-up and delivery, or car replacement for customers who need the after-sales service. The model shall be supported by a reliable network of staff assistants that would provide those complementary services and pick up and deliver the car to the client in any desired place. This will maximize convenience to the customer, enhancing customer loyalty.

Regarding the **Blue Sea of experience** the competitive dimensions suggested to be raised are brand-customer proximity, instore experience and connectivity at point of sale.

By maximizing **brand-customer proximity** a company creates an empathic link with the client, which is crucial to become top of mind among the huge Ocean of automakers, car dealers and car repair shops. The more a brand links to the client through sensations the more loyal clients it will reach and the more chances it will have to have existing clients recommending the brand to other potential clients.

The competitive dimension of **instore experience** has high potential of generating differentiation among competitors and has proven to improve success to several businesses around the globe. In a world where the supply usually exceeds demand, there is a trend of

innovating services by making “fun a serious business”.⁴² While defining the innovation strategy it is also important to understand the preferences of the increasing Class C in Brazil. A Class C customer usually takes the whole family to the point of sale and allocates a lot of time and energy to the car purchase. Since the mass public values the instore experience and entertainment features, there is a high value creation potential by raising this competitive dimension.

Connectivity at the store is a clear trend in world markets and is a dimension which the Brazilian Automotive Industry is not properly exploring. Very selective businesses around the globe are already simulating reality, using virtual assistants and augmented reality devices, having virtual storefronts that interact with clients even before getting into the store. Specializing in this area will help companies to create a strong competitive advantage that would be hard to imitate by competitors, since it involves a high initial investment in connectivity devices and staff training. It is also a dimension of high visibility to the clients and great potential of profiting from word of mouth. Moreover, once the first player masters in this dimension, then it will profit from the first mover advantage of becoming reference in the industry regarding innovation and sophistication.

b) Create

Since “business model innovation is about creating fundamentally new kinds of businesses, or about bringing more strategic variety into the business we are already in – the kind of variety that is highly value by customers.”⁴³, we suggest that the *Blue Ocean* new model offers two new competitive dimensions that have never been offered in the market and maximize the *Blue Sea* of **convenience** and **experience**, as follows:

- 1) Unique identification for each car:** there would be a car personal account that will allow checking in real time the stage of the current repair service, the car repair history and future maintenance needs.

2) **Online check-in:** Online scheduling of the repairing service.

These two new competitive dimensions would allow the client to manage the car services through the web, online and mobile, maximizing the convenience offered to the client. The market players would also be able to interact more often with their customers through messages, such as car service warnings and promotions. This would maximize the brand-customer proximity and experience with the brand.

Reduce or Eliminate

Vectors beneficial to disinvest or eliminate are those which are already well exploited by market players and less valued by the customers, or impede the simplification and flexibility of the services provided. The competitive dimensions regarded as beneficial to disinvest or eliminate are those represented in the *Blue Seas* of **customization** and **network**.

Regarding the **Blue Sea of customization** it is suggested that market players disinvest in customized payment and eliminate service customization. These competitive dimensions have less potential to add value to the customer as they may increase complexity in the offer and decrease the speed of services provided to a customer looking for simplification and convenience. In the market player perspective, customization is expensive, since it is more demanding in resources such as time and staff allocated to build and offer the customized services.

Regarding the **Blue Sea of network** it is suggested that market players disinvest in store concentration, and keep low levels in warranty.

Investing in the **store concentration** is usually regarded by the market as beneficial since it offers a one-fits-all store where the client finds all the offers in one-stop shop. However, given the store large dimensions, stores tend to be located in city surroundings, since locating large stores in areas of high convenience is too expensive.

The suggested *Blue Ocean Strategy* challenges the *one-fits-all store* orthodoxy and suggests that brands go for totally fragmented stores.

Firstly, show rooms, which require a smaller store size, would be placed in areas of high convenience and in city centers. This would allow the creation of a network of concept stores, with intense and standardized brand identity, where potential customers would learn and have closer contact with the new car models and, in consequence, maximize car sales.

Secondly, quick repair centers would be placed in central less expensive neighborhoods, making use of existing white brand repair shops, which would render quick repairing services on behalf of the automaker brand. In order to guarantee service reliance and efficiency, this model would require that the automakers create partnerships with white brand repair shops and consistently monitor the services provided and staff quality, through staff certification.

Finally, long-repair and body-repair centres that require a store of larger dimension would be placed in the cheaper city surrounding areas. In order to minimize the burden to customers of going to the surroundings to deliver their car for repairing, this model would work in combination with a highly efficient car pick up & delivery service, where a reliable network of staff assistants would pick up and deliver the car to the client in any desired place. This model would allow cost savings in the facilities sophistication and brand immersion of repair centers, as well high cost savings in rents, where placing bigger stores would be highly beneficial for the business in the context of the Brazilian boom in real estate prices.

Warranty is currently a tool of differentiation for the Chinese car brands, which use a more extended warranty so as to attract customers that do not rely on the product and service quality offered. Basing the business model on this dimension could be regarded in the Brazilian market as related to a brand of lower quality that reaches weak customer reliance levels. Instead, the strategy shall be to raise reliance in the service, through high quality service at all times.

Eliminate-Reduce-Raise-Create Grid

The Eliminate-Reduce-Raise-Create Grid is presented in **Figure 5**.

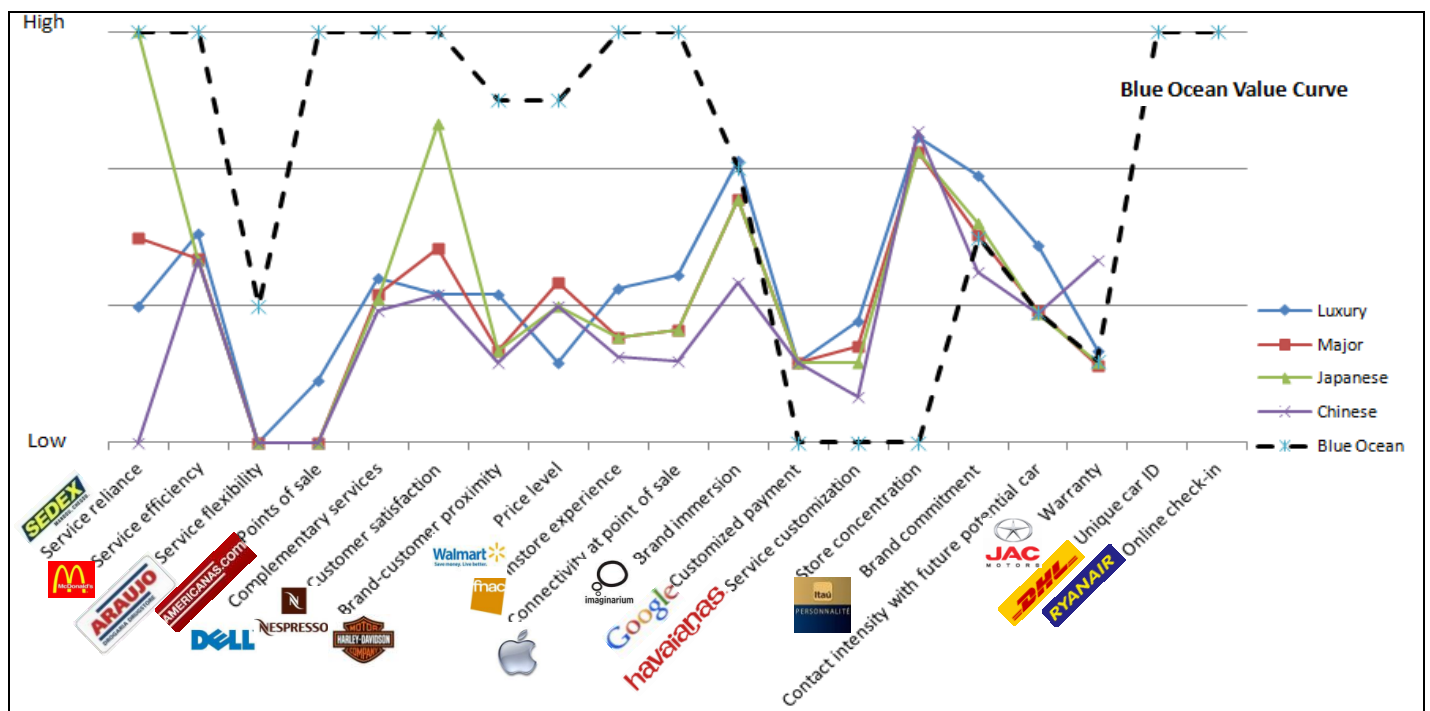
Figure 5 – Eliminate-Reduce-Raise-Create Grid

Raise	Create
Service reliance Service efficiency Points of sale Complementary services Brand-customer proximity Instore experience Connectivity at point of sale	Unique car identification Online check-in
Reduce	Eliminate
Customized payment	Service customization Store concentration

iii) 3rd Step: Blue Ocean Value Curve

The Blue Ocean Value Curve represents the innovative sales and after-sales business model suggested for the Blue Ocean Strategy and is depicted in **Figure 6**.

Figure 6 – Blue Ocean Value Curve



The *Blue Ocean Value Curve* reflects a model that explores all the possible alternatives for a business model innovation, challenges orthodoxies, harnesses discontinuities and responds to unarticulated needs, through investment in the competitive dimensions that guarantee the most value creation to customers and sustainable competitive advantage to market players. “Thinking holistically about every component of the business model – and systematically challenging orthodoxies within these components – will significantly extend your scope for innovation and improve your chances of building a sustainable competitive advantage.”⁴⁴

6. Conclusions, main learnings and limitations

6.1. Conclusions

The Brazilian Automotive Industry requires a sophisticated sales and after-sales model that maximizes excellence, meets customers untapped needs and increases customers’ desire to purchase a car. Creating a *Blue Ocean* would allow to explore an “uncontested market space”⁴⁵ where a player offers unique value to customers, makes competition irrelevant and benefits from a profitable and rapid growing business.

However, creating a *Blue Ocean* in the sales and after-sales model in the automotive industry is a challenge with great potential for differentiation. “The challenge is to think holistically about every component of the business model and then try to innovate in as many of these components as possible. This helps to ensure that we will be comprehensive in our innovation efforts. This forces us to systematically explore all the potential avenues for the business model innovation.”⁴⁶

The suggested *Blue Ocean Strategy* for the Brazilian Automotive Industry presents an innovative sales and after-sales model that will break out of the fierce competition and turn the experience more enjoyable for customers, automakers and car dealers. It is a model that relies in high brand

experience and convenience, which are the business opportunity areas, or the *Blues Seas*, with most customer value creation potential and sustainable competitive advantage to market players.

By exploring the **experience** through enhanced brand-customer proximity, great instore experience and high connectivity at point of sale, companies have an opportunity to create a great impact in the sales and after-sales model with huge visibility and value creation potential to current and potential customers. By exploring the **convenience** through service reliance, service efficiency, complementary services and points of sale that are closer to customers, companies will be able to respond to the sense of urgency for change perceived by customers, who are not generally satisfied with the current model, especially the one of after-sales services. Investment in convenience creates a potential for immediate positive feedback by customers and rapid business growth.

In addition to the existing competitive dimensions, there are two new suggested dimensions that have never been offered in the market. The innovative business model suggests a highly efficient model with **online check-in** and **unique identification for each car**. The service is scheduled through an online system that stores every clients' car personal account with the identification of the car, its repair history and future maintenance needs. The customer also has the ability to check in real time the stage of the current repair service. These new competitive dimensions would maximize convenience and experience through higher brand-customer proximity with the brand.

The competitive dimensions regarded as beneficial to disinvest or eliminate are those represented in the *Blue Seas* of **customization** and **network**. Saving on these would allow challenging orthodoxies and saving in costs of facilities sophistication, brand immersion of repair centers, and rents.

The suggested *Blue Ocean Strategy* reflects a model that explores all the possible alternatives for a business model innovation, challenges orthodoxies, harnesses discontinuities and responds to unarticulated needs, through investment in the competitive dimensions that guarantee the most value creation to customers and sustainable competitive advantage to market players.

6.2. Main learnings

The project topic was highly valuable to my increase my knowledge in the following main areas.

One main learning relates to the innovation strategy architecture presented by Skarzynski and Gibson in their book “Innovation to the Core”. I learnt the power of the “divergence to converge” technique when strategizing. During this project I allocated 100% of my working hours for one whole month to research about the industry and the world. This divergence activity was crucial to stretch my horizons and mindset about the way of making business in the Automotive Industry.

The second main learning relates to the importance of looking at a business as “lego puzzle” where different pieces or competitive dimensions can be analyzed and managed independently and then put together in different shapes or business models. The art of innovating on the way those pieces are put together is the essence of a differentiated *Blue Ocean Strategy*.

The third main learning relates to the importance of having new voices for new thinking, including those that result from looking outside the boundaries of the industry. During this project I confirmed that “giving voice to young people, not only in terms of age, but also in terms of being new to the industry and company, allows for the development of insights that provide fresh, new perspectives that can open our eyes to significant opportunities for innovation – opportunities that other companies may have overlooked or ignored.”⁴⁷ I learnt that creativity and entrepreneurial thinking are more effective when they come from outsiders or newcomers to the company than when they come from the head-quarters or veterans.

The final main learning relates to the Automotive Industry itself. I learnt that making business with cars involves much more than engineering and mechanics. A car is a product with personality and has a deep emotional side attached to it. This is especially strong in Brazil where customers give very high value to their cars and highly consider the car a strong signal of status and social judgment. In a context of an aspirational product category, car characteristics reflect a person’s attitude towards their

lives. Selling in the Automotive Industry in Brazil requires a thorough plan in terms of product development and mainly in terms of brand and sales strategy. The whole environment around the product contributes to the conceptualization of the image of a car and, in consequence, the desire of customers to buy it.

6.3. Limitations

This Master Thesis was prospected during the MBA summer internship I did in a consulting company that renders strategic innovation consulting services in Brazil. During the internship I was allocated to a project for a client in the Automotive Industry. In that project I performed a deep research of world market trends within and beyond the automotive industry and assessed opportunities for differentiation and growth in the sales and after-sales model of the Brazilian Automotive Industry. Since I developed the project in one automaker of the Brazilian Industry, the main limitation of this project is that the sample of industry experts used for the analysis of the *Strategy Canvas Value Curves* was selected from that company only, which may have created situations of biased opinions about the market and how the rest of market players perform in each competitive dimension.

Appendixes

Appendix 1 – Evolution of social classes in the Brazilian Population, 2005-2010

Class	2005	2006	2007	2008	2009	2010
AB	26.421.172	32.809.554	28.078.466	29.377.015	30.217.541	42.195.088
C	62.702.248	66.716.976	86.207.480	84.621.066	92.850.384	101.651.803
DE	92.936.688	84.862.090	72.941.846	75.822.249	66.884.870	47.948.964
Total	182.060.108	184.388.620	187.227.792	189.820.330	189.952.795	191.795.854

Source: Cetelem (December 2010). O Observador, Brasil 2011

Appendix 2 – Scoring of market players in competitive dimensions, by industry experts

Competitive dimensions	Expert 1: Sales Management Supervisor				Expert 2: Innovation Projects Supervisor				Expert 3: Senior Consultant				Expert 4: Staff Training Consultant			
	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese
Service reliance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service efficiency	N/A	N/A	N/A	N/A	1.50	1.50	1.50	1.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service flexibility	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Points of sale	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Complementary services	2.50	2.50	2.50	2.50	1.93	1.93	1.93	1.93	2.50	1.83	1.75	1.50	2.00	2.00	2.00	1.50
Customer satisfaction	N/A	N/A	N/A	N/A	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brand-customer proximity	N/A	N/A	N/A	N/A	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Price level	N/A	N/A	N/A	N/A	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Instore experience	2.30	2.40	2.30	2.30	1.50	1.50	1.50	1.50	3.00	1.00	1.00	1.00	3.00	2.00	2.00	1.00
Connectivity at point of sale	2.50	2.50	2.50	2.50	1.00	1.00	1.00	1.00	2.00	1.00	1.00	1.00	3.00	2.00	2.00	1.00
Brand immersion	2.90	3.10	2.90	2.90	2.50	2.50	2.50	2.50	4.00	2.50	3.00	1.00	3.00	3.00	3.00	2.00
Customized payment	N/A	N/A	N/A	N/A	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service customization	N/A	N/A	N/A	N/A	1.00	1.00	1.00	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Store concentration	3.00	3.00	3.00	3.00	3.75	3.75	3.75	3.75	4.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00
Brand commitment	3.30	3.40	3.30	3.30	1.50	1.50	1.50	1.50	4.00	1.50	1.50	1.50	3.00	3.00	3.00	2.00
Contact intensity with future potential car	2.00	2.00	2.00	2.00	2.50	2.75	2.50	2.50	2.00	1.00	1.00	2.00	3.00	2.00	2.00	1.00
Warranty	N/A	N/A	N/A	N/A	1.50	1.50	1.50	1.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Competitive dimensions	Expert 5: Product Engineering Specialist				Expert 6: Marketing&Planning Manager				Expert 7: Innovation Senior Analyst				Expert 8: Post-Sales&Marketing			
	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese
Service reliance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.50	4.00	1.00	N/A	N/A	N/A	N/A
Service efficiency	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.00	2.30	2.30	2.30	2.00	2.00	2.00	2.00
Service flexibility	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Points of sale	1.00	1.00	1.00	1.00	1.50	1.00	1.00	1.00	1.50	1.00	1.00	1.00	1.50	1.00	1.00	1.00
Complementary services	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.67	2.27	2.17	1.90	2.30	2.55	2.30	2.30
Customer satisfaction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.50	4.00	2.00	2.00	2.25	4.00	2.00
Brand-customer proximity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.50	1.50	1.50	1.00	3.50	2.00	2.00	2.00
Price level	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00	2.25	2.00	2.00	2.00	2.50	2.00	2.00
Instore experience	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.05	1.75	1.75	1.00	2.00	2.00	2.00	2.00
Connectivity at point of sale	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.30	2.10	2.10	1.30	N/A	N/A	N/A	N/A
Brand immersion	3.20	3.00	3.00	2.50	3.50	3.00	3.00	3.00	3.40	2.80	2.80	1.50	N/A	N/A	N/A	N/A
Customized payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Service customization	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.30	1.75	1.50	1.00	2.00	2.00	2.00	2.00
Store concentration	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	3.00	2.70	2.70	3.50	2.00	2.00	2.00	2.00
Brand commitment	3.30	2.20	3.00	2.20	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	N/A	N/A	N/A	N/A
Contact intensity with future potential car	2.00	2.00	2.00	2.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A
Warranty	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	1.50	1.50	3.00	2.00	2.00	2.00	3.00

Competitive dimensions	Expert 9: Product Quality Senior Analyst				Expert 10: Accessory and Piece Manager				Expert 11: Technical Assistance Manager				Expert 12: Dealers Network Manager			
	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese	Luxury	Major	Japanese	Chinese
Service reliance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.50	4.00	1.00	N/A	N/A	N/A	N/A
Service efficiency	3.00	2.50	2.50	2.50	2.50	2.65	2.50	2.50	3.20	3.10	3.20	3.20	N/A	N/A	N/A	N/A
Service flexibility	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Points of sale	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Complementary services	2.00	1.50	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Customer satisfaction	2.00	2.50	4.00	2.00	2.00	2.50	2.00	2.00	2.50	2.75	4.00	2.50	N/A	N/A	N/A	N/A
Brand-customer proximity	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	2.00	2.00	2.00	2.00	N/A	N/A	N/A	N/A
Price level	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	2.25	2.00	2.00	N/A	N/A	N/A	N/A
Instore experience	3.00	2.00	2.00	2.00	2.20	2.10	2.20	2.20	2.50	2.50	2.50	2.50	2.00	2.00	2.00	2.00
Connectivity at point of sale	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.00	2.00	2.00
Brand immersion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.30	2.00	2.00
Customized payment	1.00	1.00	1.00	1.00	2.50	2.50	2.50	2.50	1.00	1.00	1.00	1.00	N/A	N/A	N/A	N/A
Service customization	2.00	1.50	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	N/A	N/A	N/A	N/A
Store concentration	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50	3.50	3.00	3.00	3.00	3.00
Brand commitment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.50	2.50	2.50	2.50
Contact intensity with future potential car	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.00	2.00	2.00	2.00
Warranty	1.50	1.50	1.50	2.50	1.00	1.15	1.00	2.00	2.00	1.75	2.00	2.00	N/A	N/A	N/A	N/A

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