



Dealer/Distributor Incentive Case Study: IQS 2008 Challenge

Client: **Alain Bleau**
VOLKSWAGEN OF AMERICA, INC.
Herndon, Virginia

Incentive Professional: **Stephen Wallmark**
TOUCHSTONE GROUP ASSOCIATES, LLC.
Cincinnati, Ohio

Business Mission: For a number of years, the Volkswagen brand was performing poorly in the Initial Quality Study (IQS) rankings determined by J.D. Power & Associates. The IQS ranking is an automotive industry standard that benchmarks customer's satisfaction with their new cars. The survey covers defects in manufacturing quality as well as the perception of poor design as measured by the average number of problems reported per 100 vehicles, expressed as a PP100 score. Automotive brands are ranked on these scores that are widely publicized in the media (USA Today, Wall Street Journal) to inform car shoppers' buying decisions.

In 2007, the Volkswagen brand was ranked 31 out of 35 with a PP100 score of 160 – 35 points below the industry average score of 125 PP100. Volkswagen was determined to improve the brand's 2008 ranking. They knew that customer service at the dealership level would need to improve to raise the IQS ranking.

Objectives:

- **Overturn a widely-held belief among dealership personnel that IQS was “a factory issue” and that results could only be impacted by improvements in design and manufacturing;**
- **Improve the brand's overall score and ranking in the 2008 IQS survey.**

Solution: The **IQS 2008 Challenge** was developed to gain the attention of the retail distributors and convince them that they can impact customer perceptions of the product quality by providing exceptional service during the product delivery and initial ownership period. Sales managers, sales consultants, service managers, and service consultants were eligible to participate. The **IQS 2008 Challenge** leveraged the communications, measurement and rewards of an existing Web-based performance platform, generation VW. The platform's reward currency, known as generation VW Bucks was already popular throughout the dealers' organization. Incorporating the “Bucks” into the **IQS 2008 Challenge** allowed participants to increase their award count totals and redeem higher priced merchandise and unique experience rewards.

Key premiums were used to gain the attention of the audience during the critical launch period when the concept of dealer involvement impacting the IQS results was presented to a skeptical distributor audience. Each targeted retail team member received a personalized letter from Volkswagen senior management that described the

importance of the IQS rankings to the brand and to the dealer network. Each eligible participant was asked to commit to the “challenge” of improving Volkswagen’s IQS ranking. Dealership owners received a “meeting-in-a-box” for an in-dealership kick-off event and a supply of rubber wristbands (similar to the Lance Armstrong LIVESTRONG foundation bands) to be worn by all consultants to remind them of their commitment to “exceptional customer service.” Consultants were also encouraged to affix a windshield “cling” to every car they sold that carried their signature and phone number, making it easy for the customer to contact them with questions or concerns.

A continual campaign of engagement communications was key to the program’s success. Each communication included a peer-to-peer feedback loop for greater audience engagement and to help refine future communications.

Reward opportunities were incorporated for a wide range of participation activities throughout the six-month program that included:

- Participating in vehicle delivery and customer handling training;
- Participating in knowledge-based quizzes;
- Obtaining customer email addresses at time of delivery – critical to successful follow-up activities;
- Conducting “new owner clinics” at the dealership where key product features and benefits were demonstrated;
- Rewarding the sales consultant for each perfect (problem-free) IQS survey returned by one of their customers;
- Field managers distributing “On-the-spot” reward vouchers for a “perfect” delivery or appropriate response to a customer inquiry.

In each of the three IQS sales period months, dealerships that performed best on three critical delivery questions in the internal survey earned additional generation VW Bucks that could be distributed to the individuals who contributed most to the achievement.

More than 3,500 individuals participated in the **IQS 2008 Challenge**, representing 52% of the eligible audience. Over the course of the program, 60% of participants earned generation VW Bucks and more than 22,000 total “Bucks” awards were distributed.

Results:

- In 2008, Volkswagen’s IQS score improved by 32 points (from 160 to 128), the largest improvement in the brand’s history. They improved their ranking from number 31 to number 24 in the J.D. Power brand rankings!
- Volkswagen expanded the program in 2009 and made another dramatic climb in the rankings, from number 24 to number 15, based on a 16-point improvement in the brand’s PP100 score!