

SPECIAL FEATURE

TOPIC 1 — CONNECTIONS SUPPORTING BUSINESS GROWTH

BUILDING CONNECTIONS WITH CUSTOMERS AND DEALERS IN THE U.S. (MNAO)

NETWORK REBUILDING TO STRENGTHEN BONDS WITH DEALERS

Tim Manning, Senior Vice President, Retail Operations



Since 2016, Mazda has been promoting the sales network rebuilding and transformation of dealer facilities

as part of its operational reform initiatives under brand value management. We have been building win-win relationships with dealers by fostering trust to develop the network in which business is conducted in the right locations and at the right scale. By consistently and relentlessly implementing these initiatives, we have achieved record levels of dealer confidence that led to our current success. Although the number of stores has decreased from 635 in January 2019 to 543 in May 2024, not only the conversion to New-Generation Showrooms of existing dealers but also new investment of new entrant dealers, who have deepened their trust in the Mazda brand have increased, at a rate that surpasses our initial plan (more than 370 stores as of FY March 2024). The average throughput (sales per store) has increased from 445 units in 2016 to 625 units in 2023, and it is around

850 units in the case of New-Generation Showrooms. It resulted in higher business efficiency, and at the same time profitability has increased thanks to the introduction of CX-series SUV products including large products. In addition, as a result of our consistent efforts to date, the Most Optimistic score, (source: NADA National Automotive Dealer Association Winter 2024 survey), which measures expectations for the future of brands, has increased from 6.3 in 2019 to 8.3 in 2024, ranking third behind Lexus and Toyota.

OMOTENASHI, THE BASIS FOR BUILDING BONDS WITH DEALER PARTNERS

Sridhar Adiga, Director, Customer Experience



Omotenashi, which is also one of the Values of our corporate philosophy, is central to building

trust with our dealer partners mentioned above. We interpret *Omotenashi* as interactions which are warm and caring, empathetic, and personal, which builds a long-term relationship through providing experiences tailored to each individual to exceed expectations. However, while Japanese people

understand this uniquely Japanese culture, it was difficult to make its meaning understood in the United States. Therefore, we created an opportunity for U.S. employees to visit Japan together with some dealers to experience Japanese culture. By actually experiencing the *Omotenashi* spirit, the participants deepened their understanding of the origin of the concept and mindset. By continuing these efforts, dealers began to think about how to provide *Omotenashi* from the customer's perspective, focusing on "human" rather than just following a set process or procedure, and to take voluntary action appropriate to the situation. Little by little, they began to realize the importance of *Omotenashi* for customers. Thus, the understanding of *Omotenashi* for customers at dealerships has progressed.

For example, mutual understanding between the staff and customers has deepened by implementing a comprehensive follow-up program to address the feelings of customers who once had a negative experience at a dealership. It has contributed to an increase in the number of customers who return to the same dealership for after-sales service, such as inspections and repairs, and the retention rate at the dealership has also improved.

The results are obvious in the following figure.

- Service retention: 56% in FY March 2023, +5ppts compared to FY March 2019

As dealership employees practice *Omotenashi* toward customers, they also develop the spirit of *Omotenashi* toward their colleagues in the dealership. As they foster a sense of consideration for each other, the business performance has improved along with the workplace atmosphere and individual mindset, which differentiates Mazda from its competitors and contributes to a virtuous cycle of attracting human resources who resonate with Mazda's vision.

In the coming months, we will expand our *Omotenashi* efforts to additional customer touch points to further improve their connection to Mazda.

DIGITAL VIDEO INSPECTION SERVICE THAT DEEPENS BONDS WITH CUSTOMERS

Kara Hudson, Director, After-sales



This initiative, introduced in 2019, is a service to deliver our spirit of *Omotenashi* to customers.

Technicians record video footage of after-sales inspection on the customers' vehicles during maintenance and parts replacement. Under this service, the video footage, which

customers do not see usually, is sent to customers via the internet. The unique aspect is that the customer and the technician can connect directly through the video. Until now, after-sales service, such as inspections and repairs, has been a process in which the staff called service advisor listens to customer's request, shares it with a technician, who then assesses the condition of the customer's vehicle and provides the most appropriate service.

If you think about the situation in this process from the customer's perspective:

- "I am worried about what kind of people will touch my car and how my car is treated."
- "The customers may see why I responded this way if they look at the actual conditions including the stains."

There are many thoughts and feelings on both sides.

With these thoughts in mind, this video inspection service uses digital technology to allow technicians to explain, through the video footage they shot, about the condition of the customer's vehicle and how it is handled and repaired. With the added visual information from the video, the customer is able to understand at a glance that the work is appropriate and what the benefits are.

Some of the customer testimonials include the following:

"The inspection video reinforced

trust and transparency."

"The video inspection, adds a nice touch."

When the video inspection has started, only about 20% of dealers had adopted it. In 2022, this has increased to about 80% of dealers. On average, more than 84% of customers who brought their cars in for service have seen the video, and many of them rated the service very highly.

In addition to customer satisfaction, technicians are now able to make proposals more confidently from the customer's standpoint than before and feel more pride in their work.

We will continue to expand our services with the spirit of *Omotenashi* through initiatives that utilize digital technology, e.g., smart payment.

In addition to the product appeal of our large products, building bonds with dealer partners and through them with customers has also contributed greatly to the record-high sales volume in the U.S.



Digital video service filming

\* Regional Headquarter: Mazda North American Operations

# OMOTENASHI