

01

Delivering quality products and services to support a full customer value proposition



WHY THIS IS A PRIORITY

The desirability of our brands, our ability to leverage our scale to create value for customers, the delivery of an excellent customer experience and quality products, as well as the development of innovative VAPS, are key factors in our ability to defend our market share, deepen customer loyalty and grow our sales and customer base. Our strong and longstanding relationships with OEMs, and our ability to negotiate preferential pricing with them, enables us to offer customers the products and services that they want at competitive prices.

To further differentiate Motus, our businesses must collaborate internally to offer customers an optimal experience across the full life cycle of vehicle ownership. A customer that is satisfied at point-of-sale is more likely to service their vehicle with one of our dealerships and purchase spare parts and financial products from our businesses, contributing to our annuity income.

OEMs are responsible for vehicle design, and they ensure that the products we sell to our customers are free of any defect that may threaten driver and passenger safety. Where we assemble or manufacture products, or provide vehicle servicing and maintenance, we pay careful attention to product responsibility and quality control measures, and adhere to relevant laws that require the due care to ensure products and services do not pose unintended hazards to health and safety. The quality of our products and services is critical to our brand reputation.

Finally, in a world that is characterised by technology advancements, we must focus on ways to differentiate ourselves from our competitors by delivering VAPS that meet customer needs. While digital platforms are not yet being used to buy cars, they are increasingly being used by buyers to investigate product options. Over the longer term, advances in automotive technology will give rise to electric, automated and connected cars, a shift in attitude to shared vehicle ownership and greater use of pay-per-ride services. Telematics are being applied to influence driver behaviour, drive proactive customer interaction and vehicle maintenance, and inform research and development.

RISKS AND CHALLENGES

- > **Slow economic growth in South Africa**, together with high unemployment and an uncertain political environment, impeding the growth of local businesses.
- > **Challenging consumer conditions** shifting demand towards entry-level offerings and used cars, and tighter credit approvals by banks.
- > **New entrants to the market and disruptors** that offer VAPS.
- > **Impact of technology and innovation** on the current dealership model.

Customer satisfaction

Financial Services applies its advanced information technology, data management capabilities and access to market intelligence to offer our customers innovative products and services. The consolidation of Motus will enable us to extend this strategic advantage across the importer, dealer and financial services businesses.

Customer feedback helps us to better understand what our customers' needs are or where we have failed to meet their expectations, and we use this insight to improve our customer interactions. Customer satisfaction is measured on an ongoing basis through various initiatives, including customer surveys which are conducted on vehicle sales, vehicle servicing and, in certain instances, the sale of used cars.

Our face-to-face sales and online representatives receive training that builds product knowledge and the skills to effectively engage with customers.

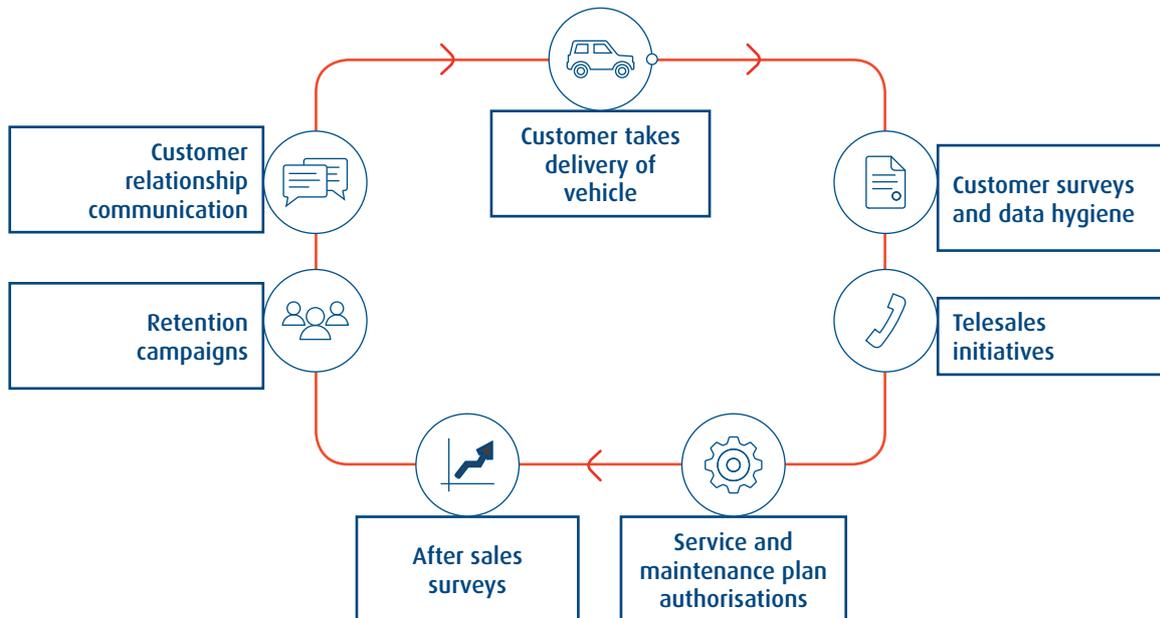
In line with the requirements of the Financial Advisory and Intermediary Services (FAIS) Act, we ensure that all our agents who sell regulated products have completed the relevant Regulatory Examinations, and have prior working experience and a retail insurance qualification.

We are meticulous in our approach to fulfilling OEM requirements on product presentation and customer interaction. We provide OEMs with monthly reports on customer satisfaction as part of our performance contract conditions.

Successfully dealing with complaints is another means with which we can build strong customer relationships and gain brand loyalty. All our distributor brands have dedicated customer care lines and complaints are tracked and reported monthly to aftersales executives and the distributor boards.

A collaborative customer engagement strategy is being developed and is aimed at deepening customer loyalty. Market insights enable us to offer the right product to the customer at the right time, enhancing their vehicle ownership experience.

CUSTOMER LIFE CYCLE



Quality control

We are responsible for the quality of vehicle services and maintenance. Quality control checks ensure that our technicians meet the quality and safety standards of all OEMs (both importer and retailer brands) when servicing and repairing vehicles in our dealership workshops. All service departments in our dealerships use only OEM parts to guarantee quality, and our technical competency levels are reviewed on an ongoing basis by OEMs.

We assist all OEMs to maintain their safety and brand standards in the event of a vehicle model recall. We ensure that customers' vehicles are promptly fixed and where the recall pertains to safety critical items, these investigations are prioritised.

All car rental vehicles undergo a 26-point check before every rental to ensure consistent quality and customer safety. These safety checks are noted in our ISO 14001 certification process and are frequently audited, with at least one external SABS ISO verification audit undertaken a year. In addition, vehicles are checked for minor dents, scratches and damages, applying the SAVRALA standards. SAVRALA is an independent industry body that sets acceptable industry norms for rental vehicles.

All vehicles are subjected to a quality control check before they are delivered to a dealership for sale. For example, certain imported vehicle models undergo additional inspections at our quality control operation in Durban and at Hyundai's assembly plant in South Africa, where quality and compliance is managed by a quality controller from Korea, over and above the independent quality department that manages all aspects of the assembly process.

AAAS provides imported replacement manufacturer parts which are used by our in-house panel shops to maintain and repair vehicles. All new products are assessed against manufacturing standards and related regulatory requirements prior to launch, and current products are reviewed regularly to ensure their continued adherence.

Further safety and quality measures, applicable to all imported parts, include:

- > **Products classified as safety critical:** require a letter of authority from the National Regulator for Compulsory Specifications (NRCS) approving their safety and technical standards and specifications before they are imported and sold in South Africa.
- > **All high-risk products:** must comply with ISO standards and SAE International, an engineering standards organisation which provides technical standards and recommended practices for passenger cars and other vehicles.
- > **Warranties:** are sold with all parts other than accessory and consumable products.
- > **Parts returned:** are assessed by technical teams and where products receive a substantial number of claims, they are discontinued. The early identification of unsatisfactory products is often facilitated by Financial Services, which then liaises with the importer or retail dealerships concerned.

The health and safety of our customers is of paramount importance and we use stringent quality and safety measures, as well as the latest technology, to ensure we deliver quality products.

In tough economic times, customers with older vehicles outside of their service and warranty periods, may opt to use servicing garages that use grey parts to maintain and repair vehicles. We use targeted marketing campaigns to make customers aware of the risks associated with not using certified genuine manufacturer parts.



Supplier assessment

The customer experience must work from end to end; from the purchase of a vehicle through to buying motor-related insurance cover. Our supplier base is diverse and ranges from glass fitters and suppliers of tyres to financial institutions and insurers. We hold our suppliers to strict service level agreements and where these agreements are continuously breached, suppliers are removed from the supply base.

For our replacement parts businesses, the purchasing of stock items from reputable suppliers is key. We assess all new suppliers and all product samples undergo stringent forensic testing prior to supplier selection. In addition, we require that all our suppliers are ISO/TS16949 accredited, a technical specification prepared by the International Automotive Task Force and the highest quality standard globally.

In line with the requirements of the Consumer Protection Act (CPA), all our suppliers of high-risk or safety critical parts must sign indemnity forms in which they guarantee that due care has been taken in the design of products and services, to ensure they are fit for their intended use and do not pose unintended health and safety risks.

When engaging with our suppliers, our focus is on quality and improving the cost of products and services to ultimately benefit our customers. We regularly monitor and audit our suppliers to assess product quality and safety, as well as their ability to sustainably meet our needs.

Enhancing customer service through digitisation

Financial Services is tasked with driving innovation to enhance the customer experience and respond to a changing consumer market. This innovation umbrella covers OEM and dealerships channels, as well as a digital channel that sells directly to customers. We have sophisticated data structures in place and are leveraging data analytics to provide new digital products and platforms to the market which also serve to lessen the dependence of the Financial Services business on vehicle sales through the dealerships.

We are hiring new and diverse skills and building the right strategic partnerships to look at new ways of doing things and to access the latest thinking so that we continually evolve the mobility experience. This includes solutions such as virtual showrooms, virtual finance and insurance products and loyalty programmes, which over time could be expanded into our international operations.

Current trends such as FinTech, digitisation and customer experience management are the basis for our future innovation initiatives. We apply an outside-in innovation framework to develop customer-led initiatives that align with our business strategy.

The open innovation approach ensures that an unbiased, independent supplier selection process is followed for each project. We have partnered with various experts, including FinTech start-ups, to position ourselves as a market leader. Our balanced innovation portfolio comprises incremental innovations applicable to business-as-usual processes and disruptive innovations for the business-of-tomorrow. Our innovation is adequately resourced and funded to ensure continuous rollout of new concepts, projects and businesses.

We are very aware that new developments in the way vehicles and motor-related products are sold could disrupt our business, and we are adapting to ensure that we are a contender for the growing number of customers who prefer to use digital platforms.

2017 PERFORMANCE

Providing our customers with a differentiated experience

Over the past eight years, we have grown the policies sold from direct marketing initiatives through enhanced data analytics, as well as innovative channels such as MotorHappy, our self-service customer portal launched in 2015. It enables customers to search, apply for and buy motor management services online, giving them complete control over their motoring plans. Through MotorHappy we have also launched a roadside assistance mobile application.

The finalisation of the Regent transaction has enabled us to retain the VAPS business, which offers motor-related insurance products and services. Together with LiquidCapital's offering, this provides us with the opportunity to build a single view of each customer and provide a stronger offering based on strategic product and service conversations that meet customers' needs across the life cycle of their vehicle. The closer alignment between the two businesses will also support research and the development of new products and services.