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Trade Marketing and Vertical Restraints: The Case of Automotive Distribution in Italy

1. Trade marketing and vertical restraints

The growing importance of the strategic and value-adding role of distribution channels has been studied and documented over time across many industries[1]. This implies that the type and components of the marketing strategy adopted by manufacturers towards intermediaries in the supply chain (trade marketing) have become more and more important as an ingredient of the overall competitiveness in the marketplace[2].

This phenomenon is particularly interesting to examine within automotive distribution for two main set of reasons. The first is that the current structure of automotive distribution is the outcome of an evolutionary process in which the growth in demand and the high profitability levels have enabled manufacturers to exert a very high degree of control and power over their franchised networks[3]. The second is that the franchised distribution system adopted by the automotive industry in Europe has featured a selective and exclusive approach which partially restrained free market mechanisms, in favour of some degree of channel and territorial protection[4].

Transformations in the marketplace and in the industry have changed the situation in both areas. On the one hand the crisis triggered by the oil shocks in the 1970s, that later on produced a set of fundamental transformations, has affected the automobile industry worldwide, dramatically reducing if not eliminating the 'profit cushion' that did allow the players to operate in a rather 'comfortable' channel situation. This leads manufacturers to find ways to improve efficiency by reducing costs along the various stages of the supply chain, and to improve the overall effectiveness[5]. In the distribution area, this implies leaner processes and many attempts to resist the erosion of profits brought by competitive mechanisms, that calls for a rationalisation in the number of intermediaries (to avoid duplication and 'noise' in the marketplace), and for a restructuring of the margin systems in place (this aspect will be investigated in detail later on).

On the other hand the regulation that did allow manufacturers to operate a selective and exclusive franchised distribution system in Europe (with vertical restraints specific only to the automotive industry) have been amended, leading to a new framework (EC Regulation no. 1400/02) in which the system is more open to market mechanisms, and manufacturers need to operate a considerable

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[1] See for example Kotler (1986), Varaldo e Dalli (1989), Grandinetti (1990), Buzzavo & Stocchetti (2000), Collesei (2000), Lugli e Pellegrini (2002)

[2] A broader examination of trade marketing issues can be found in Stanton and Varaldo (1986), Stern & El-Ansary (1988).

[3] For a complete historical overview of the automotive industry see Volpato (1983). An overview of distribution strategy of automakers can be found in Whiteman et al. (2000), Volpato & Buzzavo (2003).

[4] A detailed examination of vertical restraints in automotive distribution can be found in Tongue & Whiteman (2003). For an overview of the functioning of the previous regulatory framework see European Commission (2000).

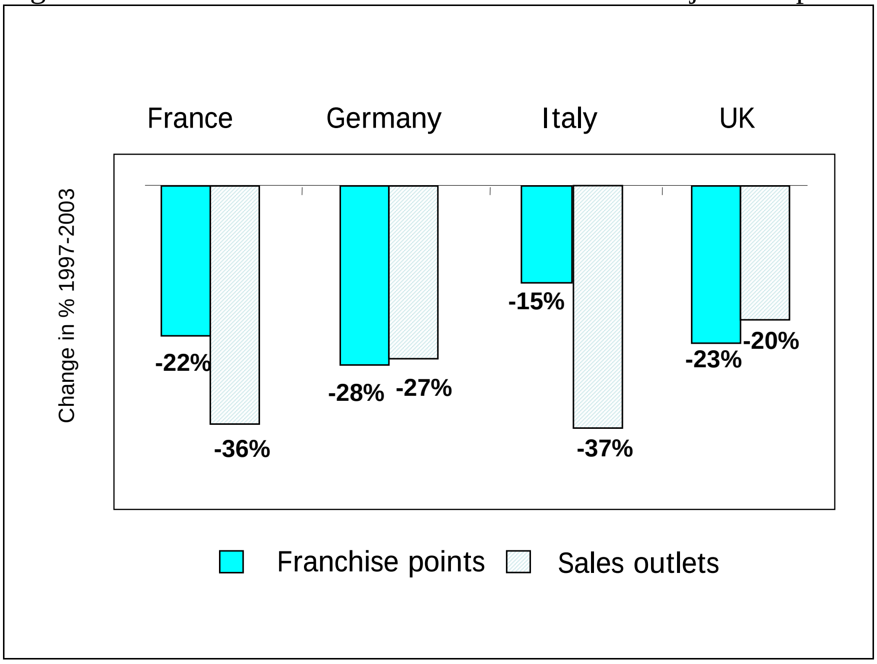
[5] The research network ICDP (International Car Distribution Programme) has carried out since 1994 a set of studies on the reorganisation of automotive distribution (see www.icdp.net). For an overview of the transition of automakers towards 'lean production' see Womack et al. (1990).

shift in their policy, moving from a distribution strategy mainly based upon control mechanisms[6], towards a strategy with a higher content of partnership elements, and a wider focus on dealer satisfaction. The new regulation takes away some features: for example manufacturers cannot now combine the sales and service contract, by forcing an intermediary to carry out both. Also, some degree of territorial protection is fading since manufacturers cannot remunerate new car sales depending on where the end customer resides (in other words, they cannot link a bonus on a specific territory), and from October 2005 franchised dealers are able to open additional outlets anywhere in Europe (provided that they meet the required standards). Another innovation is that it is easier for dealers to take on additional franchises, without incurring in excessive costs previously imposed by manufacturers, such as a separate company, separate premises, separate sales force, etc.

2. Reorganising automotive distribution: focusing on better relationships

As said, manufacturers are striving to improve the efficiency and the effectiveness of the distribution system. On the one hand they are reorganising their supply chains for vehicles and parts in order to improve the management of physical and information flows along the chain[7]. At the same time, as previously said they are reviewing their distribution strategies in order to reduce the number of intermediaries. Recent studies highlight a considerable reduction in the number of franchised dealers in Europe (see figure 1). For example, when looking at the major European markets, the number of intermediaries (franchise points[8]) have shrunk by about 25%[9].

Fig 1. Evolution of sales and service outlets in the major European markets (1997-2003)

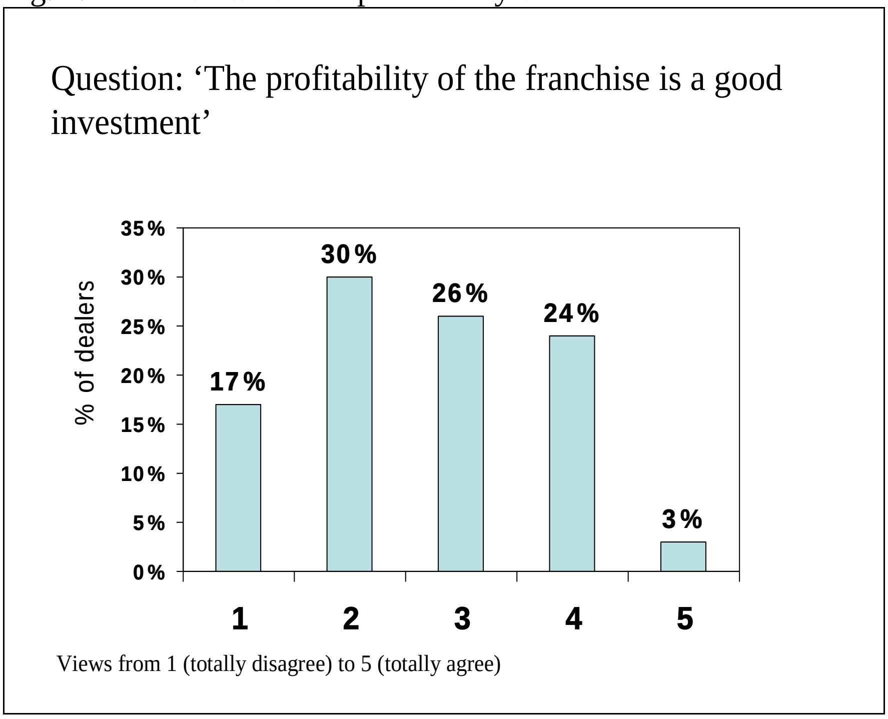


Source: elaboration from GMAP European Car Distribution Handbook (2003)

[6] The traditional relationship between automakers and dealers can be seen as a typical ‘stick and carrot’ approach.
[7] For an overview of the reorganisation in the vehicle supply chain see Buzzavo (1997), Williams & Harbour (2003). For an examination of the parts supply chain see Kiff and Simons (2002).
[8] The number of franchise points represents the number of contracts in place with intermediaries (dealers). Each dealer can operate one or more sales outlets depending on the territory and on its own structure and strategy.
[9] There is an annual published source that tracks the number of dealers and authorised repairers in all European markets, providing a complete overview (HWBI 2003 or see www.hwbi.co.uk).

The reduction in the number of intermediaries is driven by a clear logic among manufacturers’ strategies. The underlying belief is that larger dealers would mean a lower degree of intra-brand competition (dealers of the same make competing against each other by offering greater rebates to customers). Also, a larger dealer size would enable the pursuit of economies of scale by avoiding unnecessary duplications (e.g. marketing, administration, systems[10]), and at the same time it would make it more possible for the intermediary to meet the stricter and stricter franchise standards required by the manufacturer (e.g. financial and managerial resources, brand identity, etc.).
As outlined at the beginning of this paper, the historical evolution of channel relationships have led manufacturers to exert a high degree of power and control over franchised dealers in the automotive sector. In many other industries the gradual growth in bargaining power of retailers has led manufacturers to develop specific trade marketing policies, capable of aligning the increased power of the intermediary with the overall strategy (e.g. cost savings, customer satisfaction, etc.). In the automotive industry, the need to reduce costs and boost customer satisfaction appears critical as it is grounded on a playground of disputable dealer satisfaction and profitability levels.
Recent studies focusing on the degree of dealer satisfaction that have been carried out in various markets tend to highlight the delicate situation between manufacturers and dealers. Previous work by the authors of this paper[11] has focused on the perceived satisfaction of franchised dealers in Italy along a set of key variables of the relationship with the manufacturers.
The study[12] has allowed to identify the most critical areas and to study existing links between dealer views and some of their characteristics (e.g. type of franchise, size of network, average throughput in terms of sales per year, etc). An interesting insight into the quality of relationships can come from the dealers’ views over the profitability of their franchise, which can be seen in figure 2.

Fig. 2. Dealer views on the profitability of the franchise

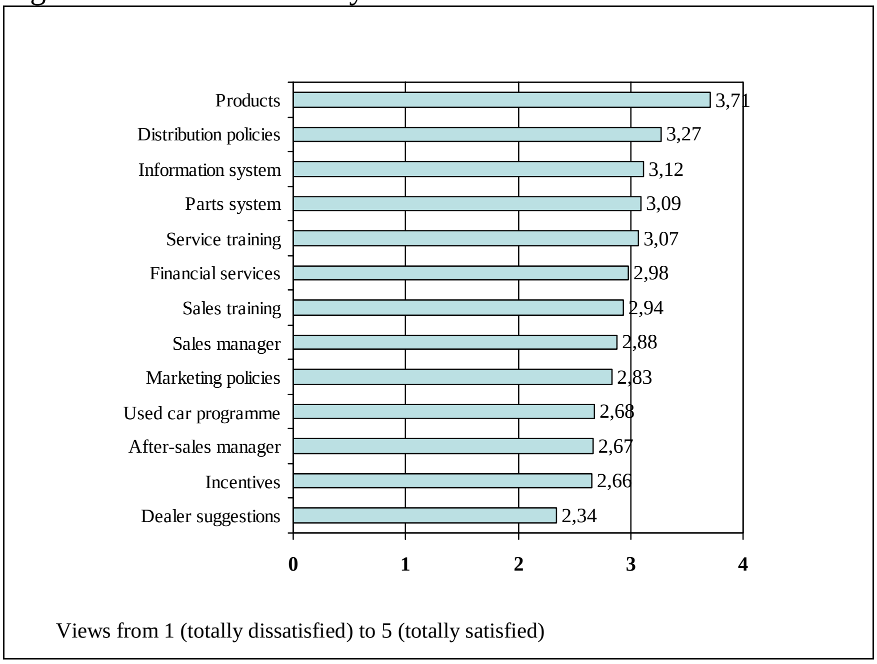


Source: our elaborations from Dealer/STAT questionnaires

[10] Recent research suggests that economies of scale for dealers might not be as easy to grasp as it is commonly believed. For a more detailed examination of the concentration process in Europe and on its implications see Buzzavo (2003).
[11] Buzzavo & Pizzi, in ‘Mercati e Competitività’, forthcoming.
[12] The study (Dealer/STAT) has involved a questionnaire with a sample of 796 franchised dealers in Italy (about 25% of the universe). The research, carried out in mid 2004, provided dealers’ views in each area of their business (e.g. marketing policies, incentives, training, systems, etc.). Also, a ‘dealer satisfaction index’ has been calculated for each franchise. For more information see www.dealerday.it and Buzzavo & Pizzi (forthcoming).

As shown in the chart, about half of dealers disagree with the sentence ‘the profitability of the franchise is a good investment’, confirming the widespread notion that profits in automotive distribution are under serious pressure. Clearly, this is causing considerable stress over manufacturer-dealer relationships, given that the former tend to continuously ‘raise the bar’ in terms of investments and standards.
It is also interesting to look at how dealers are satisfied in specific areas of the relationship. Figure 3 provides an overview, from the variable with the highest satisfaction (products) to the variable with the least satisfaction (manufacturer’s attitude towards dealer suggestions).

Fig 3. Dealer satisfaction by business area



Source: our elaborations from Dealer/STAT questionnaires

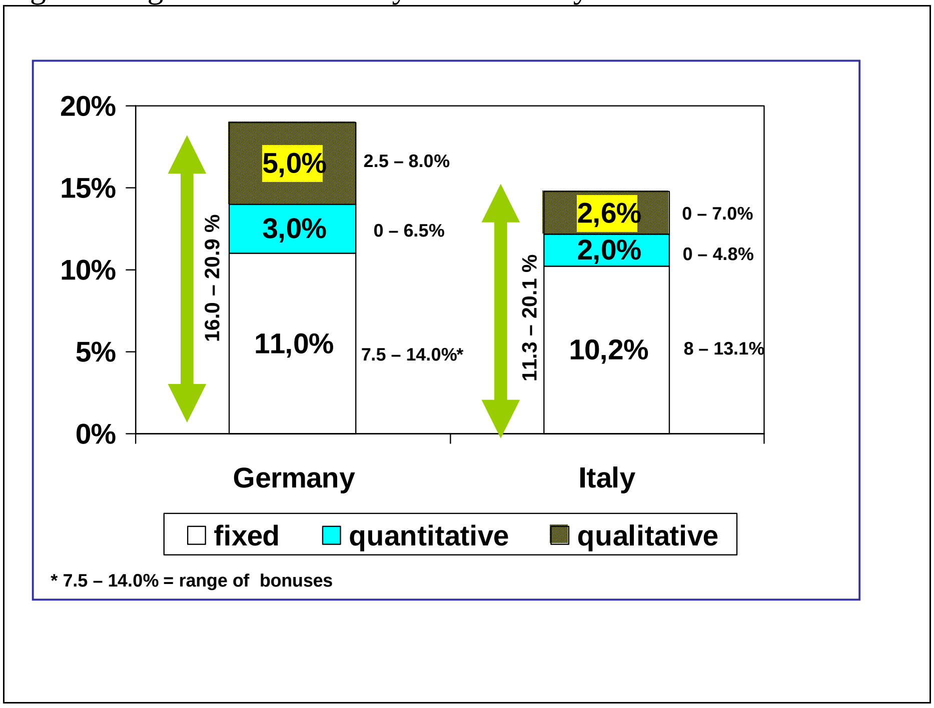
The data highlight how the most satisfactory elements of the relationship are ‘hard’ factors, such as products, distribution policies (meant mainly as the capability of the logistics system), the information system and the parts system. Factors that relate more to ‘soft’ aspects come further down in the list and, more specifically, the two bottom elements (those that encounter the lowest satisfaction) are the incentive mechanisms, and manufacturer’s attitudes towards dealers’ suggestions.
The next section aims at investigating in more detail the forms of incentive mechanisms that manufacturers are using with dealers and their evolution over time, discussing its possible implications.

3. The new structure of dealer margins

One of the key economic elements of the manufacturer-dealer relationship and an important component of the trade marketing policy is the size and structure of the dealer margin. Such margin is the discount from the list price, at which the dealer buys vehicles from the manufacturer. This margin, taking out the rebates to the customer and the dealer costs, will ultimately generate the core of dealer profits.

The key aspect to consider is that over time the competitiveness in the marketplace has caused rebates to customers to increase to a significant amount[13], while at the same time the quest for higher customer satisfaction and brand standards has pushed dealer costs up. This causes dealers to lie in a stronghold between rising costs and rising rebates, with negative effects on their profitability.
Over time manufacturers have tended to reduce the size of the dealer margin (also as an attempt to reduce the size of rebates to customers) and, more important, have begun to transform growing portions of the margin into variable bonuses. This phenomenon has recently acquired high proportions, with almost all manufacturers in all markets having adopted a highly sophisticated margin structure, meant also as a strategic response to the new regulatory regime (EC Regulation 1400/02). Research into the margin structures in Italy and in Germany has examined in detail the policies adopted by manufacturers, with interesting results[14], shown in Figure 4.

Fig. 4. Margin structure in Italy and Germany



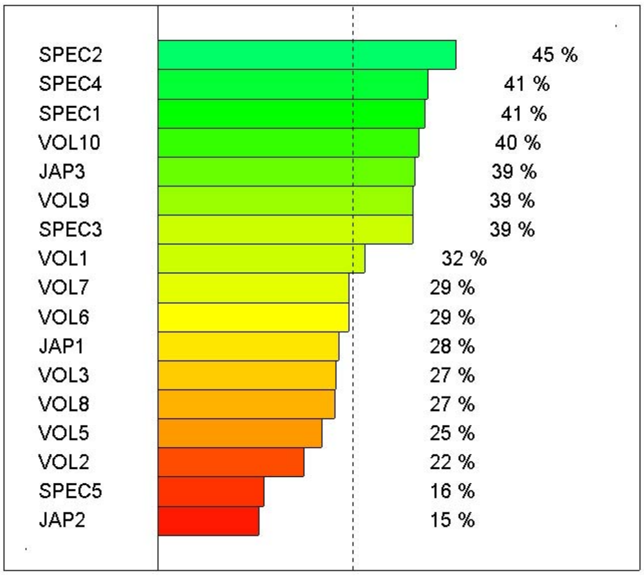
Source: Automotive Dealer Day, ICDP, IFA 2004

As one can see, the new strategy has led to the creation of complex 'margin menus'. In this paper by 'quantitative bonus' we mean the bonus element linked to quantitative elements (such as for example the achievements of sales targets, the order mix, the compliance with manufacturers' desired ordering schedule). The 'qualitative bonus' is the bonus linked to elements of more qualitative nature such as for example customer satisfaction, compliance with corporate identity standards, other brand-related activities.
By increasing the variable share of the margin (bonuses) manufacturers are capable of powerfully influencing dealer's behaviours. This can be grasped if one considers the following: in the hypothesis that a dealer in Italy meets all possible conditions to achieve the full margin

[13] For example, annual monitoring of rebates to customers in the Italian market carried out by InterAutoNews reports an average rebate to customer of approximately 8%. Albeit this figure hides different situation across different franchises and models, it must be said that is is a rather high number. Evidence from other markets indicates that numbers there are not too distant from this situation.
[14] In the Italian market the study on dealer margins was carried out within Automotive Dealer Day, and a report (in Italian) can be found in the archive section (www.dealerday.it). For Germany, the study was conducted by the Institut fur Automobilwirtshaft (IFA) of Nurtingen (Stuttgart).

(approximately 14%), considering an average rebate to customers of ca. 8%, and dealer costs in the order of approximately 6%, the one understands how dealer profits are very modest[15]. The usually reported figure in the order of 1% is often generated by extra bonuses given by manufacturers to stimulate sales. This example, albeit merely quantitative and necessarily general, suggests the extent to which franchised dealers must comply with manufacturers’ policies and directives in order to survive. This situation is highly different from many other industries where much larger retailer margins make room for choices for different strategies.
As shown in Figure 4, the total potential margin is much higher in Germany on average (19%) than in Italy (14.8%). This has been the case for a long time, with dealer margins in Germany being considerably higher than other major European countries. This is partly due to the fact that German manufacturers have traditionally operated higher margins, and that competing franchises have adopted such policy in that market. Another possible explanation, although on a weaker basis, is that Germany has traditionally had a much higher number of dealers, whose average size of operation (vehicle sales per dealer) is consequently lower. This means that a typical dealer in Germany, by selling less on average than its European counterparts, must count on a higher per unit margin in order to be able to carry out the necessary investments required by the franchise. This argument would be somewhat consistent with the fact that over time a considerable share of the fixed margin in Germany has evolved into a high qualitative bonus (now 5% on average).
The research conducted in Italy has allowed to investigate in more detail the size and structure of dealer margins. In particular, an interesting thing to grasp is how much the variable bonus impacts on the overall margin. In fact, as previously discussed a higher share of the variable margin makes the dealer more and more dependent on the manufacturer’s standards and policies, causing the dealer to follow as much as possible those guidelines in order to achieve a satisfactory level of profitability. To this purpose, figure 5 provides an illustration of the share of the bonus (quantitative plus qualitative bonus) as a percentage of the total margin.

Fig. 5. Share of variable bonus on total margin



Source: our elaboration from Automotive Dealer Day

In order to respect the confidentiality of analytical data obtained in the research, the franchises have been coded in the charts that follow. The franchises have been grouped as follows:

- Volume franchises (identified as VOL), including (in random order) Fiat, Alfa Romeo, Lancia, Peugeot, Citroen, Renault, Ford, Opel, Volkswagen, Seat;

[15] Although there are no official studies with a significant sample, a figure of a ROS of approximately 1% is commonly reported by dealers as a reference point.

- Specialist franchises (identified as SPEC), including (in random order) Chrysler-Jeep, Mercedes-Benz, Jaguar, Bmw, Audi;
- Japanese franchises (identified as JAP), including (in random order) Honda, Toyota and Nissan.

As one can see, there are seven manufacturers operating a margin in which the variable portion amounts to approximately 40% (with an extreme case at 45%). Among them, four are Specialist, two Volume, and one Japanese. Then come many others at about 30% and below, and for one Specialist and one Japanese manufacturer the variable share amounts just to 15% of the total margin.

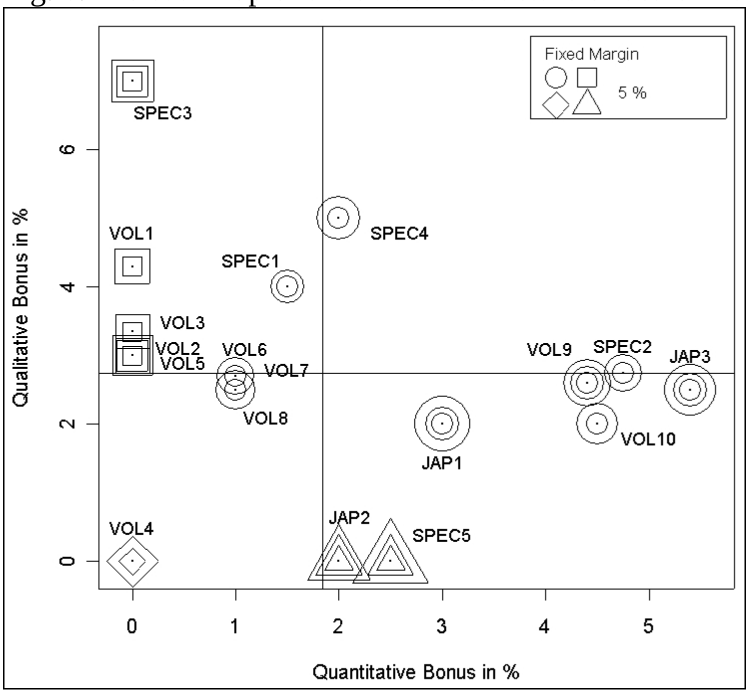
Having seen to what extent the variable share of the margin influences dealers’ economics, it is important to investigate further the individual policies adopted. To this purpose, figure 6 provides a visual map of the various approaches adopted by manufacturers in Italy. The horizontal axis represents the size of the quantitative bonus, while the vertical axis the qualitative bonus. Each manufacturer (each franchise) is positioned in its respective space.

Besides using the coding system mentioned above, there is an additional information related to the symbol adopted for each franchise, as follows:

- circle: franchises having both a quantitative and qualitative bonus;
- square: franchises having only a qualitative bonus;
- triangle: franchises having only a quantitative bonus;
- diamond: franchises with no bonus at all.

A further information relates to the size of the symbol, that represents the size of the base margin (fixed margin).

Fig. 6. A visual map of the size and structure of dealer margins in Italy



Source: our elaboration from Automotive Dealer Day (2004) and own research

One can see how there are different strategies, with manufacturers close to the left of the space focusing on qualitative bonuses (mainly circle or square symbols), and manufacturers close to the bottom focusing on quantitative bonuses (mainly circle or triangle symbols). The makes closer to the top right side of the chart have a very high bonus, both quantitative and qualitative.

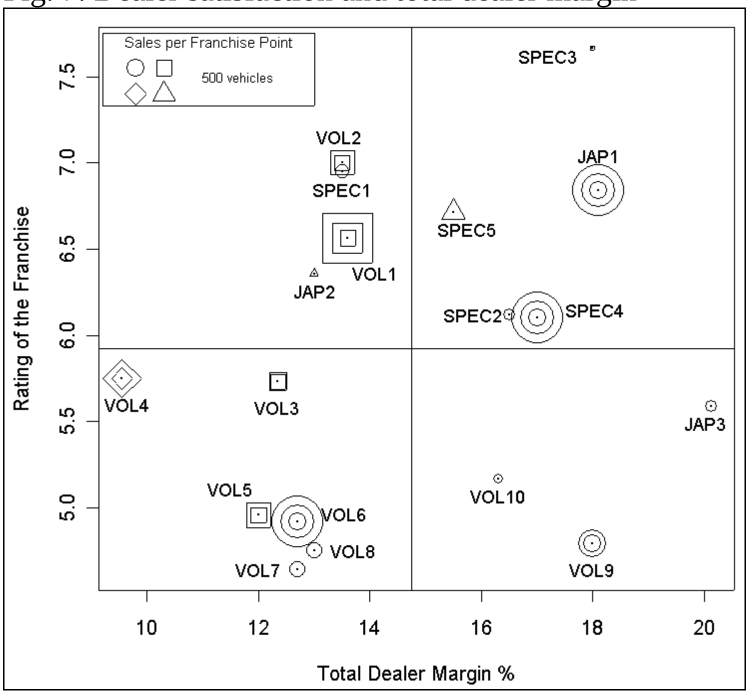
For example, one can see a specialist franchise (SPEC3) adopting a policy with no quantitative bonus, and a very high qualitative bonus, and the base margin (fixed margin) represented by the size

of the circle is just about average. Another one (SPEC2), on the contrary, has a very high quantitative bonus and a moderate qualitative onus, with a smaller fixed margin (size of the circle).
It must be said that this picture grasps the structure of the margins at a simplified level (% amount of bonus), without going into the detail of the individual elements that are included in it.
What appears interesting in order to improve our degree of understanding of the effect of such policies over dealer-manufacturer relations, is to try to analyse how these figures (margin structure) relate to the dealer views collected in the dealer satisfaction research. The next section is dedicated to this objective.

4. Understanding trade relationships

This section aims at investigating in more detail how the structure of margins previously outlined relates to the dealer views collected in the dealer satisfaction research. In particular, there will be three major steps in the analysis. The *first* step, on a broader perspective, is to analyze the relationship between the margin structure and the dealers’ overall view of the franchise. In other words, the aim is to try to verify whether there is any relationship between how much dealers are satisfied with a franchise, and the size and structure of the margin. The *second* step is to look in more detail at the bonus on a specific qualitative element, that is customer satisfaction, and how it relates to dealers’ views over the fairness of such mechanism. The *third* step is to look at the margin structure in relationship to the dealers’ views over the incentive mechanisms being adopted by the manufacturer. In other words, the research aims at understanding whether dealers tend to be more or less satisfied with the incentive mechanisms in relationship to the size and structure or margins being used.
As said, the first step is to analyze the relationship (if any) between the dealers’ view of the franchise and the margin structure. In order to do this, a specific question of the dealer satisfaction questionnaire used in the research conducted by the authors was used. The question was ‘how would you rate the overall franchise relationship with the manufacturer’, on a scale from 1 to 10 (where 10 equals highest satisfaction). In figure 7 the dealer view of the franchise appears on the vertical axis, and the size of the total margin on the horizontal one.

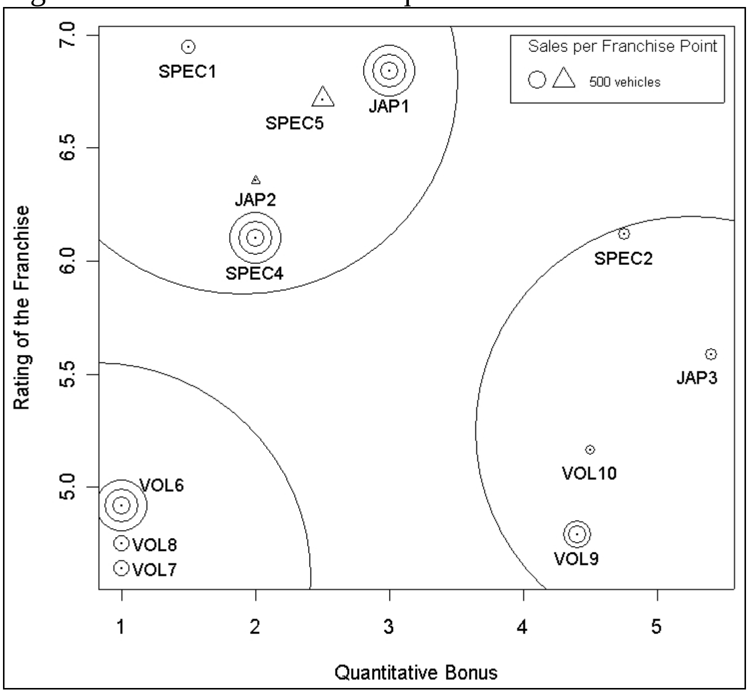
Fig. 7. Dealer satisfaction and total dealer margin



Source: our elaboration from Automotive Dealer Day (2004) and own research

The two horizontal lines dividing the chart in four separate boxes are the average for each axis (simple average). The map contains also another piece of information, that is the average sales throughput of the network in question[16]. In other words, the larger the symbol the larger the number of vehicle sales per franchise point in that network. As one can see, most volume franchises tend to have a relatively high sales throughput, while specialist have a relatively smaller one, with the exception of SPEC4.
This allows us to draw a first initial observation, meaning that there appears to be no clear relationship between size of the margin and overall satisfaction with the franchise. In fact, the dots appear rather scattered. The picture allows us to identify four broad categories of situations. In the bottom left corner there are franchises where dealers tend to be less satisfied than the average, and the margin is smaller than the average. There are basically volume franchises. The top right corner contains franchises where dealer satisfaction is higher, as well as the margin. The top left corner contains franchises for which albeit the total margin is smaller than the average, dealer satisfaction appears higher. For the bottom right corner, dealer satisfaction is comparatively lower albeit margins are comparatively higher.
The absence of a strong correlation is not a surprise, given that the size of the margin is just one of the many aspects of the trade relationships between manufacturers and dealers. Also, a very high total margin could be difficult to obtain if the bonus elements entail very complex and costly initiatives to follow.
Figure 8 provides a more analytical view over these aspects, by examining the relationship between the dealer satisfaction (vertical axis) and the size of the quantitative bonus only on the horizontal axis.

Fig. 8. Dealer satisfaction and quantitative bonus



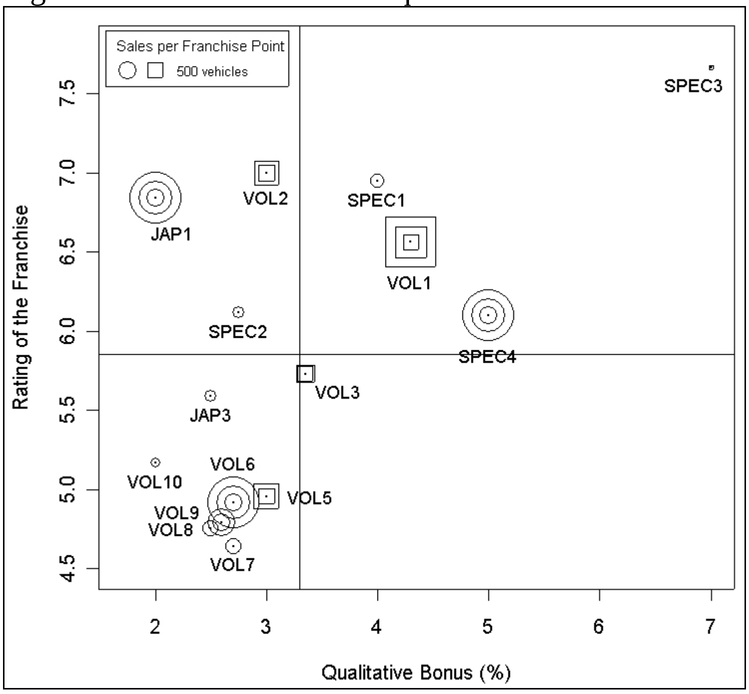
Source: our elaboration from Automotive Dealer Day (2004) and own research

Interestingly, we can identify three broad categories. The bottom left group (VOL6, VOL7 and VOL8) features low dealer satisfaction with a modest quantitative bonus (equal to 1%). The top left group, that includes specialist and Japanese franchises features a comparatively higher dealer

[16] Please note that the size of the symbol from now on will be related to the average sales throughput (sales per year of dealers in that network). Just in figure 6 the size of the symbol was related to the size of the fixed margin.

satisfaction, in presence of a moderately higher quantitative bonus (about 2% to 3%). The third group on the right side, albeit with a more disperse form, shows franchises for which even with a considerable quantitative bonus (4% to 5%), dealer satisfaction is not very high. On the whole, this suggests a rather weak link between the size of the quantitative bonus and dealer satisfaction, again not too surprising.
A similar exercise can be done by focusing on the relationship between franchise satisfaction and the size of the qualitative bonus, which is represented in figure 9.
For the franchises having only a qualitative bonus (square symbol) such bonus is greater on average than for franchises having both a quantitative and a qualitative bonus (circle symbol). This is true in all cases with the only exception of SPEC4.
Franchises having a relevant qualitative bonus seem consistent with a higher degree of dealer satisfaction, however there appears to be no relationship between the choice of a high qualitative bonus and the average throughput of dealers. SPEC3 appears an extreme case, while JAP1 and VOL2 feature a high dealer satisfaction with a modest qualitative bonus.

Fig. 9. Dealer satisfaction and qualitative bonus



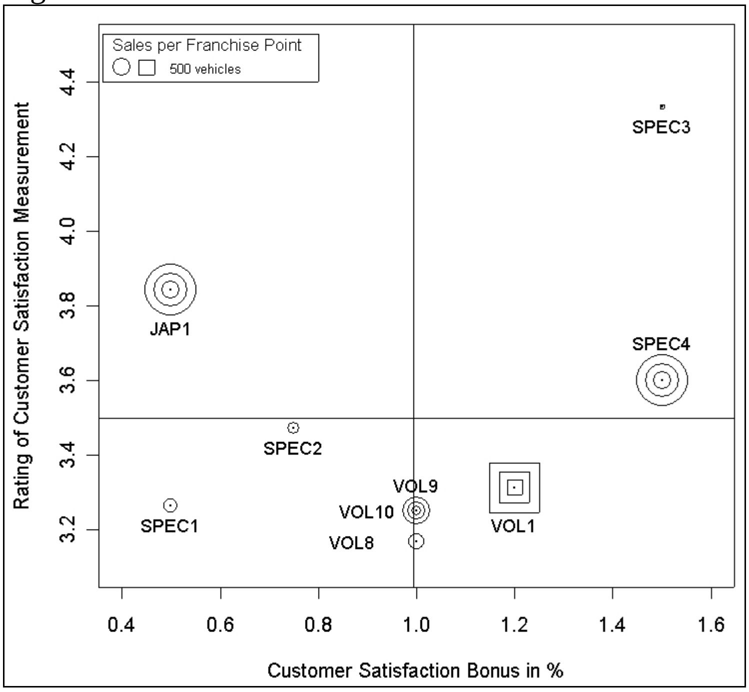
Source: our elaboration from Automotive Dealer Day (2004) and own research

Having looked at the relationship between dealer satisfaction and the structure of the bonus, the second step previously outlined was to look in more detail at customer satisfaction[17]. As discussed in the introduction of this work, over time customer satisfaction has acquired a key role in automotive distribution strategies, becoming one of the key competitive differentiators in the marketplace.
Figure 10 contains an illustration of this aspect. The vertical axis contains the dealer view (on a scale from 1 to 5 where 5 = highest) over the fairness with which manufacturers evaluate dealers using customer satisfaction scores. In other words, manufacturers do collect customers’ views over how well the dealer has behaved, and the vertical axis shows how fair they believe such

[17] For an analysis on customer satisfaction in the dealer business see Bloemer & Lemmink (1992). For an alternative methodology to study dealer processes to complement existing CSI techniques (labeled ‘customer fulfilment’) see Kiff et al. (2002).

measurement to be. The horizontal axis represents the size of the bonus allocated to the dealer based on customer satisfaction scores. Such bonus ranges from 0.5% to 1.5%[18].

Fig. 10. Customer satisfaction: dealer views over fairness and size of qualitative bonus related to it



Source: our elaboration from Automotive Dealer Day (2004) and own research

It must be noted that this map does not contain all makes, because not all manufacturers contemplate a bonus for the dealer based on customer satisfaction.

At a first look, it seems that dealers are not too happy with how manufacturers evaluate their customer satisfaction performance, and this is a frequent observation that dealers raise when discussing this aspect of the business (in some cases it is grounds for litigation at trade body levels). On the whole, there appears to be a weak correlation between the size of the bonus, and the dealers' views on the fairness of the mechanism.

The third part of the analysis was meant to examine the relationship between how dealers are satisfied with the incentive mechanisms[19] being adopted by the manufacturers, and the structure of the margin.

Figure 11 shows on the vertical axis dealers' views (scale 1 to 10), and on the horizontal axis the total margin. Albeit franchises appear rather scattered, we could identify three broad groups. Franchises with a low total margin and a high total margin tend to feature a rather low dealer satisfaction over the incentive mechanisms. This evidences, as one would expect, that it is not the size of the dealer margin to generate satisfaction over the incentive mechanism, but rather how it is articulated and operated. In fact, the highest satisfaction is associated to franchises with a total margin that is about average.

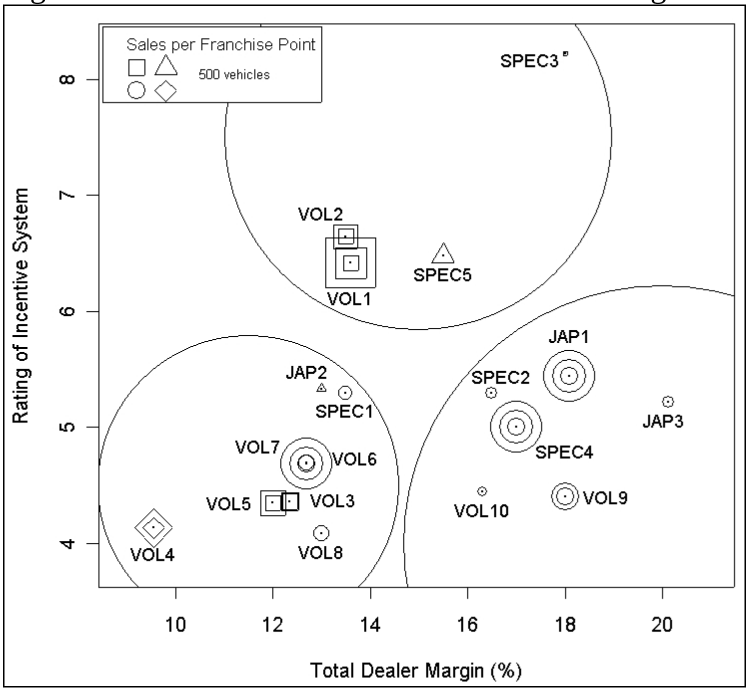
The bottom left group features franchises where dealers rate rather poorly the incentive mechanisms operated by the manufacturer, and the total margin is rather low. In this group we can find mainly volume manufacturers. However, there is one Specialist and one Japanese franchise, albeit in the

[18] It must be noted that until recently the bonus was based on customer satisfaction scores calculated both in new car sales and in after-sales activities carried out by the dealer. The separation between new car sales and service and repair contracts brought by the new regulation 1400/02 has caused manufacturers to change this approach. As a consequence, a bonus on new car sales (that is the margins being examined in this study) can be linked only to performance in the new car sales business.

[19] In the dealer satisfaction study the questions related to clarity of the mechanisms, fairness and flexibility depending on market conditions.

upper part of the group (better dealer views). The third group features a rather high satisfaction of dealers with the incentive mechanisms, even if the size of the margin is just at an intermediate level between the two groups previously identified.

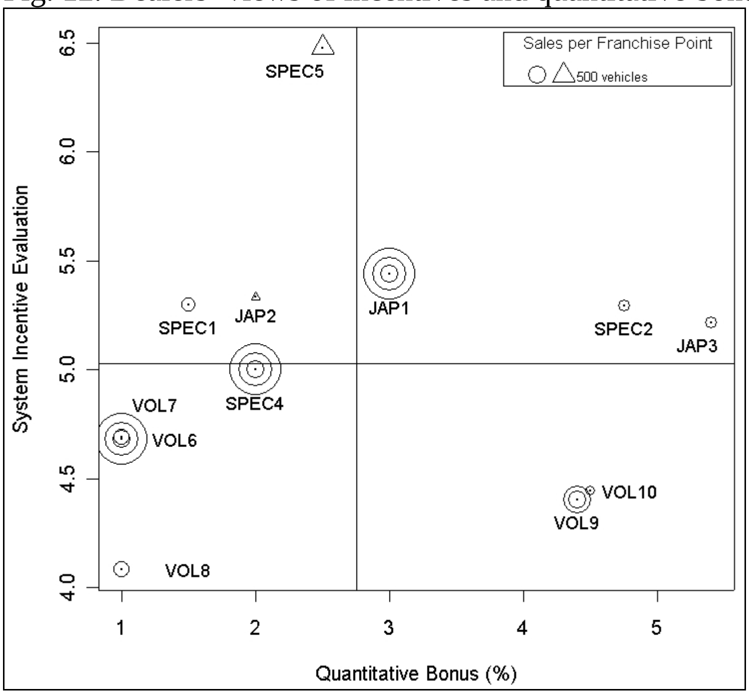
Fig. 11. Dealers' views of incentives and total margin



Source: our elaboration from Automotive Dealer Day (2004) and own research

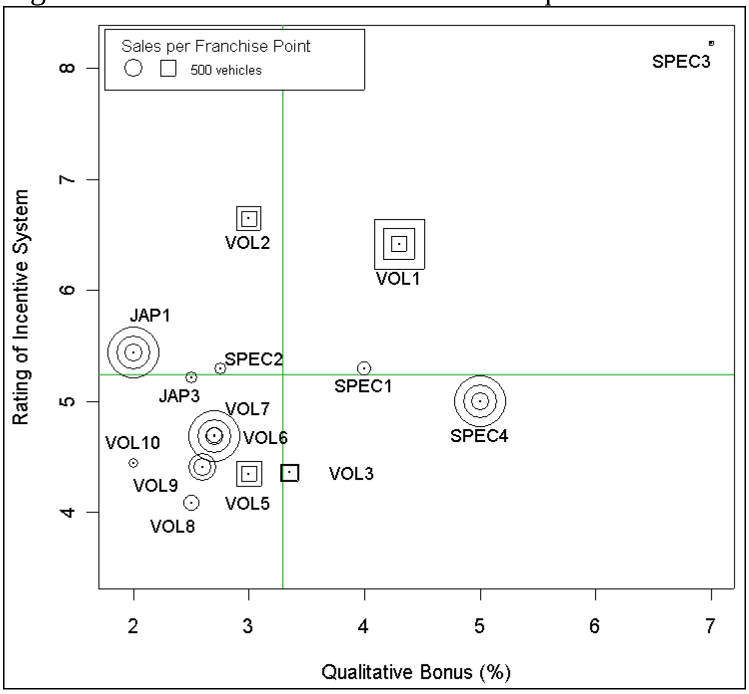
The fact that the dealers' satisfaction over incentives is not directly linked to the size of the bonus can be grasped better by looking at figure 12 and 13, showing the relationship between the dealers' view of the incentive mechanism and the size of the quantitative and qualitative bonus respectively.

Fig. 12. Dealers' views of incentives and quantitative bonus



Source: our elaboration from Automotive Dealer Day (2004) and own research

Fig. 13. Dealers’ views of incentives and qualitative bonus



Source: our elaboration from Automotive Dealer Day (2004) and own research

5. Conclusions and perspectives

This paper has examined some key components of the trade marketing approach being adopted by automotive manufacturers towards their franchised dealers. The increased competitiveness due to a set of market factors has led to a growing use of incentives of various kind, but also to a greater degree of pressure exerted by manufacturers over their networks, in order to pursue higher levels of sales, customer satisfaction, and overall effectiveness of the supply chain.

On top of this, the recent change in the regulatory regime (EC Regulation 1400/02), has taken away some of the restraints to competition that have traditionally shielded automotive distribution compared to other industries. This has led to the creation of complex ‘margin menus’, with highly sophisticated quantitative and qualitative bonuses that have become key ingredients of dealer’s profitability.

The analysis carried out has shown that while this strategy is common to most manufacturers, there is wide variation in how it is actually implemented. In other words, considerable differences exist in trade marketing policies being adopted in the form of the size and structure of the margin (and particularly its bonus).

By looking at the data and the elaborations, there is no clear and evident pattern where manufacturers have similar strategies in place depending on their type (volume versus specialist), country of origin, or average size of their dealers (vehicle throughput in terms of sales per year). Manufacturers seem on a stage of active experimentation of new policies, and albeit there is a common trend towards higher shares of variable margins, there does not seem to be a single pattern of convergence for the way in which such bonuses are articulated.

There appears to be no relevant link between the size and/or the structure of the bonus and the degree of dealer satisfaction with the franchise, and with the incentive mechanism per se, highlighting how the trade marketing relationship is clearly the product of a complex set of factors, of which margins represent just a subset.

It would be interesting in the near future to assess dealers’ evaluations over the likely transformations on the size and structure of dealer margins.

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