

# Driving Customer Retention to Your Dealership

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Customer loyalty does not necessarily translate into repeat business for your auto dealership.

OEMs and dealers spend millions of dollars seeking to convert consumers to loyal customers of their brands. But we need to keep in mind that customer loyalty is not necessarily customer satisfaction, and further, neither is sure to drive customer retention.

## The End Game: Customer Retention

Moreover, isn't it retention – keeping spending customers spending at your dealership – the profitable objective and end game? Sure it is.

To this point, a leading industry periodical has noted that 45 percent of respondents who defined themselves as loyal to an automotive service center go elsewhere for that service.

On the other hand, a study by DMEautomotive, part of AutoPoint and Solera Holdings, noted customers who develop a habit of maintaining their vehicle at a dealership/store are 86 times more likely to purchase their next vehicle from you.

You work hard and spend millions to build customer loyalty and satisfaction, but their value to you is often like vapor. J.D.Power notes that recalls and poor build quality dampen customer satisfaction.

How dealers engage customers also affects customer satisfaction, which is why we see service satisfaction go up 44 percent when an advisor greets customers within two minutes of their arrival. Alternatively, first-visit service appointment rates reach 90 percent — compared to 50 percent or less — when the sales-to-service handoff is properly done.

Every dealer hopes every customer will return and buy from them again when ready for their next vehicle purchase.

## The Power of Incentives & Freebies

OEMs recognized years ago that retention is key to future car sales. Likewise, car makers know the power of incentives to bring customers into their dealerships. These are not only cash and finance incentives, but programs like free and prepaid maintenance programs (PPM).

Mercedes-Benz, Lexus, Maserati, BMW and Audi are among many luxury brands and many domestics that engage customers using PPM incentives to connect them to their brands. Dealers appreciate these OEM-based PPM plans, but also recognize their weakness: they brand the OEM and don't require use at the selling dealership.

Dealers like their OEMs, but they love their own brand. Therefore, dealer-branded PPMs offer customers free or discounted routine maintenance services. Most include an oil and filter change service. The LOF service helps consumers maintain their new vehicle according to its warranty requirements. Dealers typically bundle other products, such as road hazard coverage or tire rotations and alignments, into their dealer-branded PPM.

Dealer branding, meaning customers can use these services at one of our dealerships only, is a the significant advantage this program brings to our business," notes Scott Smith, dealer principal of Automotive Associates of Atlanta, which has six dealerships in metro Atlanta.

"Dealer branding has been a critical factor in our stores experiencing a 20 to 22 percent bump in fixed absorption rates, across the board. These improvements help us be more aggressive on the retail side," Smith adds.

Since using a prepaid maintenance plan to retain customers, this dealer group has increased service and parts department gross across five of its dealerships from \$900,000 a month six years ago, to \$1.5 million a month. Seventy-five to 80 percent of customers buy a plan from its dealerships

Many dealers may find rewards, coupons and points-type credit card-like promotions useful. Membership gift card promotions, for instance, can generate 20% response rates and ROI of 200 percent, especially during special occasions. Some, however, while they drive traffic during the length of their promotions, drive price-sensitive consumers. Actual retention marketing should create long-term retention that drives full retail customer-pay-upsell repair order dollars.

DMEautomotive has noted that three of five customers who receive prepaid or complimentary maintenance plans from dealerships “are likely to continue servicing their cars at the dealership after their plans expire.”

## Multiple Points of Contact

An advantage of this form of retention-building is it touches customers at many points of contact throughout their dealership journey, including:

- **Finance Office:** About 25 percent of plans are put into action at presentation and acceptance in the F&I office.
- **Service Drive:** Most plans are put into buyer’s hands here. Offer to conquest and CPO buyers as well as.
- **POS Sites:** Position plan information at point-of-sale spots, including cashiers, customer-wait lounges, sales associate desks, and advertisements and web pages.
- **Online:** Make sure website visitors know you offer prepaid maintenance benefits. Invite them to ask a sales or service associate about getting involved.
- **CPO Retention:** With CPO vehicle sales an increasing opportunity for new-car dealers, operators should plan to retain new CPO business beyond the immediate sale.

Lester Glenn Group of Toms River, NJ, says performance data allows its dealer-branded PPM to maintain lease customers’ routine maintenance services for at least two years, finance customers’ regular maintenance services for up to five years, and contributes to a \$75.00 per repair order upsell or \$200,000 a month in additional customer-pay service revenue across the Group.

## The Value of Prepaid Maintenance Programs

Dealers using prepaid maintenance programs to increase store retention advise building a culture around these benefits:

- Extend equal responsibility to F&I and service advisors for promoting the plan to keep them involved, cooperative, and invested in program success.
- Tie pay plans and spiffs to plan-based production goals and targets.

- Integrate program execution within automated marketing, claims reporting, and other administrative features.
- **Use reminder mailings, especially those that show recipients the money the savings occurred through plan use; this reinforcement encourages continued plan use above a 65 percent level.**
- Make it mobile, as 53 percent of consumers likely to schedule a service appointment will use a mobile device.
- **Make sure plan mechanisms provide performance and ROI reporting.**

A dealership offering a dealer-branded PPM enjoys a silent sales associate who never sleeps or takes a day off. Properly designed, implemented and managed, such retention plans drive business in finance, service, tires and accessories, and the showroom.

Customer loyalty, like customer satisfaction, is an excellent asset to possess, but neither may translate into repeat business for you. **What every car dealer prefers is more customers – and more repeat customers – visiting the service department more frequently.**

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