

Business Development

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Less than 10 years ago, not a single dealership had a personal computer, digital camera, Website, or email address, let alone an individual who knew how to operate them. Today, the most successful dealerships have an entire department dedicated to Internet marketing.

For the past 30 years, the automotive industry has been dabbling in customer service and retention from the simple idea of business reply postcards to CSI surveys to a part-time BDC (Business Development Center). It is time to stop dabbling and make retention and loyalty a full-time department. Your new Retention Manager (from this point on, RM) should be in charge of working with your department heads to come up with a plan that satisfies your entire business and, more importantly, takes care of your existing customers. Having one person working with all your managers not only provides economies of scale, but also gets all of your departments on the same page. Sales and service go hand-in-hand. You cannot have one without the other.

Dedicating someone to the task of making your customers loyal customers will provide your business with outside the box brainstorming every day. With an RM on staff you emphasize to your buying public and your entire staff that the dealership is making a serious commitment to keeping its customers.

Each of your department heads should be focused on what they do best—running their day-to-day operations and not pretending to be marketing, advertising, or retention specialists. Anytime you can allow your employees to focus on a specialization, the results and productivity will be breathtaking.

They say that it takes three times

Customer Retention And Loyalty

more money to acquire a new customer than it does to keep an existing one. According to the NADA, the average dealership spent \$383,876 in 2004 on advertising to acquire customers. This amount was broken down as follows: newspaper: \$177,992, radio: \$72,821, TV: \$56,361, direct mail: \$30,132, Internet: \$25,844, and other: \$18,726.

Once you have an RM on board maintaining your existing customers, does this mean that you can cut your budget by 33 percent since your existing customers keep buying more parts service and new cars from you? The most astounding fact I heard recently is that the average dealerships spend 90 percent of their budget acquiring a customer. Acquiring a customer only takes a couple weeks. This leaves only 10 percent of their budget on maintaining a relationship with a customer over the next 3-5 years of ownership. This means for every \$100,000 you spend, \$90k goes to acquiring and \$10k goes to keeping them happy. I'm not a math major, but is it any wonder why the average dealership loses

80 percent of its customer service business to Jiffy Lube and other service centers and then has to continue spending \$383,876 per year trying to get different new customers?

Next time you sit down for a company meeting, make sure you ask your owner, GM, GSM, SM, PM, FM, FOD, and CFO* to discuss the idea of adding a RM ASAP. Who knows, maybe the boss will give you a piece of the savings for coming up with such a cost saving and loyalty boosting idea. Happy servicing!

*GSM=General Sales Manager, SM=Service manager, PM=Parts Manager, FM=Financing Manager, FOD=Fixed Operations Director, CFO=Chief Financial Officer.

Andrew Wolfe is a managing partner at Dealer Concepts, located in Bloomfield Hills, Michigan. Dealer Concepts helps dealership with creative and highly effective ways of retaining their customers for life! Wolfe has worked in automotive marketing for over 20 years. He can be reached at andy@dealerconcepts.com, or visit www.dealerconcepts.com.