

Retention University 101

The Basics to Your Marketing and Retention Plan

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Andrew Wolfe is a managing partner at Dealer Concepts (www.dealerconcepts.com), located in Bloomfield Hills, Michigan. Dealer Concepts helps dealerships with creative and highly effective ways of retaining their customers for life! Wolfe has worked in automotive marketing for over 20 years.

I visit and talk with thousands of service managers each year. During these visits I have observed a trend – the words marketing and customer retention are rarely mentioned. Most service managers do not spend time developing marketing and retention plans – despite the fact that developing such a plan can play a key factor in their success.

Each day service managers such as yourself are faced with never ending employee challenges, customer complaints and other day-to-day issues. Who has time for Retention?

With only so many hours in the day, you cannot be great at everything.

Many doctors are exceptional at practicing medicine, yet they couldn't write a business plan if their lives depended on it. Simply put, they surround themselves with talented people who compensate for their lack of expertise.

This is where I come in. I cannot make your everyday problems disappear, but I can help you quickly master a subject called "Retentionology." Armed with your expertise from Retention University, you will increase your service revenue & profits, more effectively use your limited marketing/advertising budget and cut down on your day-to-day problems.

Let's get started with a few basic elements and definitions that should be considered as you develop your own marketing and retention plan.

Marketing:

A mix of market research, advertising, publicity, public relations, & personal selling.

Advertising:

Attracting public attention to a product or business through paid announcements in the print, broadcast, or electronic media.

Public Relations (PR):

Establishing and promoting favorable a relationship with your target audiences (i.e., customers).

Customer Retention:

Maintaining your customer base and growing loyalty among new customers.

Personal Selling:

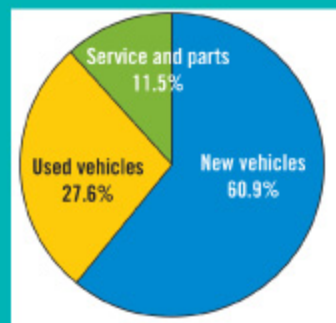
To persuade someone to recognize the worth or desirability of something.

Now for a few interesting statistics:

Ninety percent of a dealership's advertising budget is spent during a three-week period to acquire a NEW car customer, while the remaining 10 percent is spent over the next 3 years

retaining these customers. Considering that the average dealership spent \$384,000 in 2004 on advertising (according to the NADA), **this means that the average dealership only spends \$38,400/year on retaining its customers.** This statistic is disturbing. The easiest and least expensive customer to sell to is the one that has already bought from you. The auto industry is working too hard and spending too much money constantly trying to acquire new customers when they already have thousands in their database that are theirs to keep once they develop the right retention plan. Need more convincing?

Operating Profit by Department



Source – NADA 2004 data

In 2004 the average new car department contributed 30 percent of the operating profit; used cars contributed 13 percent. Service and parts brought in the remaining 57 percent! To really put things into perspective, this 57 percent of the profit was from the two departments with the lowest percentage of overall sales.

Why is it that the department that has the most potential to affect customer behavior is given the fewest dollars and resources? THIS HAS TO CHANGE!

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Other facts:

- Regular service customers are 17 times more likely to buy their next vehicle from their servicing dealership.
- Average service and parts sales per customer repair order/dealership: \$195
- Total annual repair orders written at average dealership: 11,696

Source – NADA 2004 data

Very few dealerships track their marketing & retention efforts. Most cannot tell me with a definitive answer what is working and what is not. More often than not, they do the same thing year after year. That fits my favorite definition of insanity — “Doing the same thing over and over again and hoping for a different result each time.”

To help you develop your own plan, I am assigning homework to complete. Trust me – this assignment will pay you dividends for years to come.

Take this article to your next manager’s meeting. Make copies and distribute to all key managers. It is your turn to teach someone else industry facts. Once you get buy-in from the entire dealership you will start

seeing dramatic changes in your marketing efforts, ROI and loyalty rates.

Hire a RETENTION MANAGER. Less than 10 years ago, the average dealership didn’t even know what an Internet Manager was. Today this is a full-time position at many successful dealerships. Having a RETENTION MANAGER (RM from now on) will not only set your dealership apart from the competition, but will lead to higher ROI and more effective customer retention.

Take 15 minutes and put together a simple spreadsheet with the next 12 months listed across the top and your current marketing tactics down the side. This spreadsheet will be used to help you track where you currently spend your marketing budget. To save yourself some time, AutoDealerDaily.com has put together a spreadsheet for you to download at www.autodealerdaily.com/expensetracking.xls. Download it and start using it today or email AWolfe@AutoDealerDaily.com for your copy.

Use your OPS codes. You have operational codes available in your computer system; you MUST hold your staff to higher standards and start using them for every marketing/advertising/promotion. This way you will know at the end of each month or

Did You Know?

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quarter which programs are working and which ones are not.

In next month’s issue, class 201, we will discuss specific tactics and strategies other successful dealers have implemented that can help increase your retention.

Until then, happy servicing and remember to **RETAIN YOUR CUSTOMERS FOR LIFE!** ~ADM~

Professor Wolfe



Retention University

This is to certify that on the recommendation of the faculty

Harlene Doane

is awarded a diploma in

Retentionology

and all the privileges and obligations belonging thereto, and in witness thereof have authorized the issuance of this Diploma duly signed and sealed.

Signed by Auto Dealer Monthly Retention University.

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DEALER INFORMATION & TECH RESOURCES

Contra Wolfe
Dean of Retentionology

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