



Racking Up Points To Get a New Car

To Win Loyalty, Auto Makers Borrow Tactic from Airlines; The Oil-Change Punch Card

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WITH AUTO SALES in a slump, car makers and dealers are taking a cue from the airline industry and rolling out new or expanded rewards programs to lure customers back to dealerships.

Many of the programs dole out points for spending money in the dealership, while others give reward points for using credit cards bearing the car maker's logo. Customers can rack up points to spend at the dealership on oil changes, tire rotations—even a new car.

In March, DaimlerChrysler AG's DaimlerChrysler Financial Services started allowing holders of Mercedes-Benz-branded Visa cards to use the points they earn toward the purchase price of Mercedes-Benz vehicles. In extreme cases, a customer who could find a way to spend several million dollars using the card over the years would earn enough points to receive a free Mercedes-Benz.

Last fall, General Motors Corp., which has long allowed its six million cardholders to trade points for discounts on new cars up to certain dollar limits, introduced a new credit card, the Flexible Earnings Card, which adds cash refunds for any purpose to the list of available rewards. Volkswagen AG and DaimlerChrysler's Chrysler Group have also started encouraging their dealerships to offer loyalty programs with key-chain tags and wallet cards—much like the punch cards at coffee shops that allow customers to work toward a free cup.

Many dealerships are starting their own programs. AutoNation Inc., a dealership chain, says a handful of its stores in Arizona also offer similar Punch-A-Deal key tags from Dealer Concepts LLC, which allow customers to build up enough punches to garner rewards. DCH Freehold Toyota Scion in Freehold, N.J., began giving them to customers this month, along with perks like every fourth factory-recommended service for free and \$500 off a vehicle purchase after completion of eight factory services.

Wayne Lane's Family of Auto Centers, with dealerships in Everett, Wash., plans to launch a loyalty rewards program this month in which each dollar spent in the service department earns 10 points toward a new vehicle purchase, among other items; 5,000 points is worth a \$100 discount. Elsewhere, Motorcars Toyota and Honda in Cleveland Heights, Ohio, is preparing to offer a program in which customers can earn 15% of every dollar spent in the dealership toward another vehicle purchase.

The dealership loyalty programs come as new vehicle sales are no longer as lucrative as they used to be. They also follow a spate of buying incentives offered by the auto industry, including employee-discount programs, cash-back rebates and free gas. About 58% of profit at the average car dealer last year came from service and parts, according to the National Automobile Dealers Assn.

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sociation's industry-analysis division, compared with about 14.3% from new-vehicle sales. In 2004 about 30% of dealership profit came from new-vehicle sales.

This has made retaining customers for more-profitable service and repair business increasingly important for dealerships and car makers.

Dealerships also face increasing competition from quick-service chains like Jiffy Lube, forcing car makers and dealerships to employ rewards programs as a way to differentiate themselves from competitors and from each other. According to a poll released last month from the Maritz Automotive Research Group, three out of four vehicle owners would rather take their vehicles somewhere other than a dealership for routine maintenance, most often for price and convenience reasons.

"There is certainly a push toward getting car owners back into the dealership for service," says Carlos Dunlap, vice president of strategic consulting at Maritz Loyalty Marketing.

Kirsty Lewkut, a 33-year-old in Canton, Mich., says the reward program at the dealership where she bought a 2004 Dodge Durango was enough to get her to go back to the dealership for service, though it alone didn't add enough incentive to lock her in to that dealer for her next purchase. The program "wouldn't have discounted thousands of dollars off [the vehicle]. I would have had to get a ton of work done" for that, Ms. Lewkut says.

Car makers have tried loyalty rewards programs before. But until recently, rewards tended to range from airline miles to movie tickets and have nothing to do with what's actually available in a dealership. Many companies say such offerings didn't prove enough of an incentive to draw customers back to dealerships. GM, for instance, ran a pilot program in select areas in late 2003 and early 2004 called the Goodwrench Miles Program that rewarded dealership customers with airline miles. GM ended the program after three months.

In contrast, car companies and dealerships say the newer programs are having a measurable impact on sales and retention. Gresham Ford in Gresham, Ore., says as many as 65% of every 100 vehicle purchasers are coming back to the dealership for the first service appointment, up from about 40% before it launched a rewards program last spring.

With most of the dealership programs, customers get loyalty cards or key-chain tags when they come for service or to buy a car and get rewards for spending money in the dealership. MediA-Trac, a loyalty-program provider for more than 200 dealerships, says dealers often give out 10 points for every dollar consumers spend. Rewards may include

Repair Rewards

More car makers and auto dealers offer loyalty programs that reward customers with points to spend at dealerships. Here's a look at some of the programs.

PROGRAM	WHAT YOU GET	POINT SYSTEM	COMMENT
Mercedes-Benz credit cards	Holders of Mercedes-Benz branded cards can use reward points toward rebates on car purchases, repair and parts as well as for airline tickets, gift cards for retailers like Banana Republic and restaurants like Morton's of Chicago, among other perks.	The Mercedes-Benz Visa card rewards five points for every dollar spent at dealerships and one point for purchases elsewhere. The Signature card rewards up to 10 points for dollars spent in dealerships and 1.5 points for every dollar spent elsewhere.	Getting a free vehicle could take a while. You would need about at least 3 million points to reward yourself with an entry-level vehicle. Points expire after five years.
General Motors credit cards (various)	Discounts off a new GM vehicle, ranging from \$1,000 (several models, including a Pontiac Vibe) to \$3,500 (a Chevrolet Suburban, among others)	It's possible to earn a flat 5% back on everything you spend on the original GM card, good only toward your next GM purchase, with no limits on what you can earn each year	The new "Flexible Earnings" card only gives back 3% for GM vehicles but also allows users to take 1% instead to spend on anything they want.
Lexus credit card	Points can be used toward 10% off the negotiated sales of new vehicles, full service bills and travel rewards for a \$60 annual fee, among other perks.	The Lexus Pursuits Visa Card rewards five points for every dollar spent in a dealership and 1.5 points for purchases elsewhere.	Points don't expire, but can't be used to make a loan or lease payment. Lexus does not require its dealers to take the card for car purchases, but has encouraged them to do so.
Wayne Lane's Family of Auto Centers Everett, Wash.	Points can be used toward oil changes and \$100 to \$750 discounts off vehicle purchases, among other items.	10 points for every dollar spent inside the service department.	Vehicle purchasers get a gold reward card free, but can also upgrade to a platinum rewards card for \$199 that rewards them with 10% off all parts and service, among other perks.
World of Erhard dealerships Farmington Hills, Mich.	Points can only be used toward rebates off vehicles and up to \$5,000 off.	One point for every dollar spent in the dealership.	All customers who buy a vehicle get a gold card, but customers can pay to upgrade to a platinum level that rewards more points.

Source: Companies

a free detail job for 1,000 points or \$500 off the price of a new vehicle for 5,250 points. Many of the dealership reward programs also include complimentary rewards for participants, like free car washes or discounts off oil changes. NuCar Consulting, says more than 350 dealerships use its program, about 40 more than last year.

A credit card is usually a better vehicle for running up the rewards point balances. The original GM card hands out five pennies for every dollar customers spend, redeemable only on GM vehicles. The newer Flexible Earnings card gives out one penny good anywhere, or cardholders can redeem three pennies for GM

cars. In either case, you can't redeem more than \$3,500 per car, depending on the vehicle. The Mercedes card has no such limits, while the Lexus Visa lets you cover up to 10% of the new car's negotiated price with your card points.

For those with credit-card limits that exceed the cost of a car, the obvious question is whether they can buy a new vehicle using an auto-rewards credit card and rack up a huge number of points in one shot. But most dealers forbid such a move, in part because the fees from the card companies would eat up a big chunk of their profit. Most auto makers so far have declined to force dealers to allow customers to buy cars with the cards.