

The Auto Dealer's Original Fixed Operations Resource

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Fixed ps

CSI and CRM: The Missing Pieces In Customer Retention

Five Little Things That Make Customers Leave

First Service Visit Retention

I Won't Complain -- I Just Won't Come Back

First Service Visit Retention

The New Retention Metric

By Gary Kalk

Customer Satisfaction is the term that has been hailed for many years as the foundation of any successful dealership retention program. Keeping the customer completely satisfied has been identified as a vital component to retention and the long-term profitability of the Fixed Operations Departments – not to mention the next vehicle purchase.

While many metrics and gauges are available to help dealers and manufacturers track and measure customer retention, OEM's are bringing 1st Service Visit Retention to the forefront. In fact, it has not only become an important performance indicator, but a number of manufacturers are rewarding their dealerships when customers return for the all-important first (and second) services. Other manufacturers have clearly identified that a re-delivery and first Service visit are the cornerstones of building customer loyalty and have gone to considerable effort to get their dealers focused on a proper Sales-to-Service handoff.

Most dealers look at loyalty in terms of vehicle sales and repair orders, but an increasing number of stores are identifying with the manufacturer's approach to breaking down retention tactics into individual processes that drive a positive customer experience and, ultimately, improve retention and loyalty -- the logic being, if a customer does not come back for the first service

under warranty, they are unlikely to come back at all.

Before looking at 1st Service Visit Retention and the Sales-to-Service hand-off process, we need to first consider why customers do not come back for service.

There are four main reasons that a customer decides not to return for Service at the location they purchased their vehicle:

1. Location – Some customers simply live too far away from the dealership to make servicing there a viable option.
2. Convenience – The Service Department's hours of operation and other dealership amenities (loaner or rental cars, waiting area, Wi-Fi, etc.) are important factors that help the customer decide if they will service at your location.
3. Customer Experience – From their initial experience during the Sales process to every Service visit, the experience a customer has with a dealer can positively or negatively affect their servicing decision.
4. Trust – This is arguably the most important reason a customer will return (or not return) to their Service provider.

While price is a factor, your Service Department must provide value to your customers. Price comparison

programs have proven that dealers are often more competitively priced than many aftermarket alternatives on maintenance. It's only due to inconsistent Service marketing and pricing strategies that many dealers create a high price perception and mistrust for them. This lack of trust generally causes the customer to look at alternatives for Service. Since it's difficult for a layperson to determine the mechanical components of a Service visit, they often go with the lowest price available as opposed to the best Service option. This only stresses the importance for a dealer to clearly communicate their value proposition, amenities and conveniences in addition to building trust at the start of the relationship.

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A process that is critical to enhancing customer experience and building trust is the transition between Sales and Service. This handover, if executed correctly, can result in a 50+% increase in 1st Service Visit Retention and dramatic improvements in overall retention numbers.

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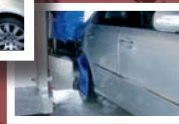
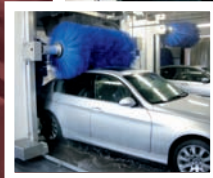
Many dealers have tried to proactively implement a process or system that involves the Sales team completing a Service walk, scheduling the first appointment and introducing the customer to the Service Department. However, this approach rarely yields positive results since the process is often not measured or formalized and salespeople are typically unsure of what to say or do not possess tools or materials to communicate the correct dealer value and service messages to the customer.

“We identified several profit leaks in our Service operation, especially our low 1st Service Visit Retention,” says William Bolander, Director of Marketing with Jerry’s Auto Group. “After implementing training, an integrated process and presenting a personalized welcome brochure to each customer, we increased our first Service visits at one of our import dealerships by 56% and a domestic dealership by 89% in only six months. We’re excited for what means in revenue to our Service and Parts departments over the next four years.”

Service Managers are held accountable for the dealership’s retention. Yet, in many cases, they never see the customer on the drive for that crucial first visit. In fact, many dealers only realize a First Service Visit retention of 30% or less. The Service Department never gets the opportunity to “wow” the customer and establish a strong relationship. Ask any dealer in the country if

an introduction of the Sales customer to the Service Department is important and they would say, “Of course.” Not surprisingly, most manufacturer surveys ask the customer if they were introduced to Service because they realize how vital this step is. Yet, if it’s so important (and we all agree that it is), why does it not happen effectively and consistently in most dealerships?

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The pivotal moment is when a customer purchases the vehicle, before they ever leave the dealership. If we educate the customer at this point, such that they understand all the benefits and amenities that they get when servicing at the dealership they purchase from, then why would they ever go anywhere else? Who else but the dealer offers factory-trained technicians, access to all of the factory experts, all the special tools needed to repair today's automobiles, offers courtesy shuttles, loaner cars, comfortable waiting areas and so much more?

Dealers spend hundreds of dollars per customer attracting buyers to their showroom, and after the sale, just let them walk away from future service without a fight. It is not only the Service and Parts revenue that is walking out that door; customers who Service at the dealership they bought from are much more likely to purchase their

next vehicle from that same dealer (and refer their family members and friends). By neglecting a proper Sales-to-Service transition, dealers are sacrificing repeat sales as well!

So what's the answer? Dealers need to put a process in place that builds trust at delivery and ensures that:

- Every customer is educated about the amenities and value proposition that your dealership offers
- The first appointment or pit stop is scheduled for every customer
- You provide the customer with a personalized Service welcome package
- Customers understand what is required to maintain their vehicle
- Customers are walked back to and introduced to Service
- Every Salesperson is trained on how to introduce the Service Department
- Advisors are trained on how to welcome the customer
- Scripts are developed for

Service on how to facilitate the first visit experience.

- A safety net is installed for those customers do not schedule the first Service visit

“By neglecting a proper Sales-to-Service transition, dealers are sacrificing repeat sales as well!”

There are companies out there that provide a systematic, retail-friendly program and the tools to take an awkward part of the ownership experience and turn it into a powerful (and positive) transition. The result creates a “wow” factor for your customer, it builds trust (the key loyalty ingredient) and ensures your customer comes back for their first Service – and many more.

I have worked with many dealers over the last 20 years to install this type of process. We determine the actual First Service Visit retention by looking at the ratio of customers who purchased six months prior versus Service visits of those particular vehicles coming across the drive. Then we measure the same thing six months after starting the program. The results are amazing. You can see the improvement in the following chart.

Increasing 1st Service visit retention at an average sized store (approx. 1,000 vehicles per year) by 50-75% can drive 25-30 additional customers per month into your Service bays.

In three years, with a 50% retention rate, that could mean an additional 150-180 repair orders per month. At \$250 per R.O., that could drive an additional \$37,500-\$45,000 per month in customer pay sales from new vehicle purchasers only. That's over \$500,000 additional parts and labor sales per year, not including the benefits of repeat sales by building trust with your customers.

Making 1st Service visit retention a focus in your dealership could significantly impact fixed absorption performance. You be the judge! -- Gary Kalk

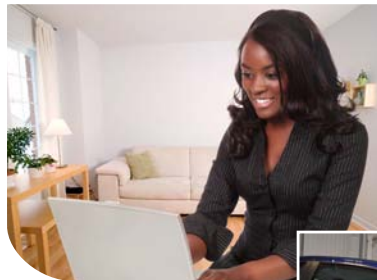
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Gary Kalk is the President & CEO of Dealer-FX Group, Inc., an automotive marketing and performance management company with a focus on driving the customer experience. Gary's emphasis on retail operations helps dealerships acquire, satisfy and retain customers, all while maximizing profits.

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