

How to Design a Fixed Ops Marketing Plan

A worthy goal for every dealer would be to sell a new or used vehicle today and keep that customer coming back to your dealership *for life*. Coming back for all of their service needs, coming back for parts, coming back for their body repairs, coming back to buy additional vehicles for their family and of course coming back to trade in the vehicle you just sold them, to buy another one. Makes sense, right? If so, then let's design a *marketing plan* designed to keep your customers for life.

According to NADA's Average Dealership Profile, the average dealer in 2009 spent a record high \$708 in advertising per new vehicle retailed while averaging \$1193.00 on gross profit PRU. Looks like about 59% of the average dealer's new vehicle gross profit was spent on advertising. WOW! Does anybody see a problem with that? In reviewing hundreds of dealer financial statements last year I found that the average dealers is spending about \$10.00 in advertising per retail service customer per month which comes in at about 5-7% of service gross profit. WOW! Does anybody see a problem with that?

Research shows that over 70% of all your service customers who come back to your dealership for all of their service needs will buy or lease another vehicle from you. What's your closing ratio on repeat customers? I guarantee you it's not the 15 to 20% you're getting with walk-ins! A realistic number would be well over 60%. So the question is what can you do to keep them coming back? The answer is: *give them a reason*.

A Customer Retention Marketing Plan for fixed operations costs a fraction of what most dealers are spending to bring bodies into the showroom floor. Again, according to NADA the average dealer is spending about \$25,000 in advertising per month to sell a car. So if you're an average dealer selling about 40 new units a month you would then most likely be writing about 500 Customer Pay repair orders per month and spending around \$5000 in advertising and marketing support for those 500 customers (\$10 each). So the average dealer is spending \$25,000 to bring in strangers (20% closing ratio) and only \$5000 to keep the customers they already have *coming back* (60% closing ratio). Understand that these customers already know where you're located, already own your product, have already done business with your dealership and they must like someone at your store since they are in fact *coming back*. Here are some reasons for them to keep coming back:

- ✓ Have you told them lately that you appreciate their business?
- ✓ Do you remind them when it's time to return for preventive maintenance?
- ✓ Do you have an appointment reminder system in place?
- ✓ Do you schedule their next appointment before they leave on each visit?

- ✓ Do they receive invitations for seasonal promotions?
- ✓ Do you follow up on all open factory recall campaigns?
- ✓ Do you have a process to follow up on “No Shows?”
- ✓ Are all “Lost Sales” followed up within 48 hours?
- ✓ Are 1st appointments scheduled at time of delivery?
- ✓ Do 100% of these customers get Maintenance Menus?
- ✓ Do you have an automated or live call program?
- ✓ Do you communicate with them through email and/or text messaging?
- ✓ Are these customers invited back twice a year for FREE Car Care Clinics?

The important thing to remember about follow up is that it must be done DAILY, not QUARTERLY to *build customer retention*. Most dealers spend more money on one weekend ad for the sales department than they spend in an entire month on customer retention. All of my *reasons to come back* as outlined above can be accomplished in most dealerships for around \$2000.00 per month totaling \$24,000.00 per year which, coincidentally is about what the average dealer spends in one month to sell cars. As an ex-dealer, myself I know we all waste money on advertising whether it be on TV, radio, newspaper, direct mail event sales, etc. The tough part is figuring out which dollars were wasted, right? That being said, you don't need to increase your advertising expense by my \$2000 a month budget you just need to *re-allocate* some of that \$25,000 you're already spending.

Of course in addition to selling more new and used vehicles in the future you will also see a dramatic increase in your customer pay parts and labor sales when you keep your customers *coming back*. I'm seeing increases in Service gross profit of over 60% in a lot of our dealers. This result in increased Service Absorption is a terrific way to recession proof any dealership in our current economy. Imagine unlocking the front door of your dealership tomorrow knowing that 100% of your overhead is paid for before you sell your first car or truck. Sounds like a plan to me.

Now is the time to evaluate your Fixed Operations Marketing Plan for 2010. Remember to give all of your customer's *reasons* to keep coming back and they will reward you with big dividends.

Don Reed --- CEO

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